Session 2007/2008

Third Report

COMMITTEE FOR FINANCE AND PERSONNEL

Report on the Executive's Draft Budget 2008-2011

TOGETHER WITH THE MINUTES OF PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT, WRITTEN SUBMISSIONS, MEMORANDA AND THE MINUTES OF EVIDENCE

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Committee for Finance and Personnel Membership and Powers

Powers

The Committee for Finance and Personnel is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of the Belfast Agreement, Section 29 of the Northern Ireland Act 1998 and under Assembly Standing Order 46. The Committee has a scrutiny, policy development and consultation role with respect to the Department of Finance and Personnel and has a role in the initiation of legislation.

The Committee has the power to:

- consider and advise on Departmental budgets and annual plans in the context of the overall budget allocation;
- approve relevant secondary legislation and take the Committee Stage of primary legislation;
- call for persons and papers;
- initiate inquires and make reports; and
- consider and advise on matters brought to the Committee by the Minister of Finance and Personnel.

Membership

The Committee has eleven members, including a Chairperson and Deputy Chairperson, with a quorum of five members.

The membership of the Committee since its establishment on 9 May 2007 has been as follows:

- Mr Mitchel McLaughlin (Chairperson)

- Mr Mervyn Storey (Deputy Chairperson)
- Mr Roy Beggs
- Dr Stephen Farry
- Mr Simon Hamilton
- Mr Fra McCann
- Ms Jennifer McCann
- Mr Adrian McQuillan
- Mr Declan O'Loan
- Ms Dawn Purvis
- Mr Peter Weir

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List of Abbreviations used in the Report

AFBI	Agri-Food Biosciences Institute
AOCC	Assembly Ombudsman Commissioner for Complaints
ASSI	Areas of Special Scientific Interest
AWPU	Age Weighted Pupil Unit
CRT	Capital Realisation Taskforce
CSR	Comprehensive Spending Review
CYP	Children and Young People
DARD	Department of Agriculture and Rural Development
DCAL	Department of Culture, Arts and Leisure
DCSF	Department for Children Schools and Families
DE	Department of Education
DEL	Department Expenditure Limit
DEL	Department for Employment and Learning
DETI	Department of Enterprise Trade and Investment
DFP	Department of Finance and Personnel
DHSSPS	Department of Health, Social Services and Public Safety
DOE	Department of the Environment
DoH	Department of Health
DRD	Department for Regional Development
DSD	Department for Social Development
EDP	Efficiency Delivery Plan
EDRM	Electronic Documents and Records Management
EHS	Environment and Heritage Service
ERINI	Economic Research Institute of Northern Ireland
EU	European Union
EYF	End Year Flexibility
FDI	Foreign Direct Investment
FNMS	Farm Nutrient Management Scheme
FSA	Food Standards Agency
GB	Great Britain
GDP	Gross Domestic Product
GNP	Gross National Product
GoCO	Government Owned Contractor Operated
GVA	Gross Value Added
HMT	Her Majesty's Treasury
HR	Human Resources
HSENI	Health and Safety Executive Northern Ireland
ICT	Information and Communications Technology
IDF	Integrated Development Fund
IDG	Industrial Development Guarantee
ISNI	Investment Strategy for Northern Ireland
IT	Information Technology
LGRU	Local Government Reform Unit
LMS	Local Management Scheme
LPS	Land and Property Services

MLA	Member of Legislative Assembly
NDPB	Non Departmental Public Body
NI	Northern Ireland
NIAER	Northern Ireland Authority for Energy Regulation
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NILGOS	Northern Ireland Local Government Officers' Superannuation scheme
NIO	Northern Ireland Office
NISRA	Northern Ireland Statistics and Research Agency
NITB	Northern Ireland Tourist Board
OFMDFM	Office of the First Minister and Deputy First Minister
PAC	Public Accounts Committee
PDSU	Programme Delivery Support Unit
PEDU	Performance and Efficiency Delivery Unit
PfG	Programme for Government
PFI	Private Finance Initiative
PhD	Doctor of Philosophy
PKF	Pannell Kerr Forster
PMDU	Prime Minister's Delivery Unit
PPA	Planning, Preparation and Assessment
PRONI	Public Record Office of Northern Ireland
PSA	Public Service Agreement
R&D	Research and Development
RoI	Republic of Ireland
RPA	Review of Public Administration
RRI	Reinvestment and Reform Initiative
RTP	Regional Tourism Partnership
SEN	Special Education Needs
SMFP	Structural Maintenance Funding Plan
STEM	Science, Technology, Engineering and Mathematics
TB	Tuberculosis
TIL	Tourist Ireland Limited
UK	United Kingdom
VFM	Value for Money

Executive Summary

The Committee for Finance and Personnel fulfils a role in co-ordinating budget scrutiny by the Assembly and this report represents the outcome of that work in respect of the Executive's Draft Budget 2008 – 2011, which was published on 25 October 2007. The report will be considered by the Executive, as part of a wider public consultation, before a revised Budget is presented to the Assembly for debate and approval in late January 2008.

The draft Budget 2008 – 2011 aims to support the strategic priorities in the draft Programme for Government, which include economic growth, investment in infrastructure, modernising public services, environmental protection and promoting tolerance, inclusion, health and well being. Since the commencement of the consultation a lively public debate has ensued over the comparative spending allocations in the draft Budget for these and for other priorities. The Committee welcomes this debate and the deliberations on the competing priorities are reflected in this report – through both the outcome of an Assembly debate, held on 27 November 2007, and in the submissions from the Assembly statutory committees, which examine the draft budgets for the respective departments.

In terms of headline figures, the draft Budget provides for total current expenditure of £8.28 billion in 2008/09; £8.55 billion in 2009/10 and £8.93 billion in 2010/11; with the total for capital investment being £1.64 billion, £1.5 billion and £1.83 billion over the same three years. Whilst these headline figures appear reassuring, the Committee is mindful that the Executive is constrained in terms of available resources. In particular, the outcome of the Comprehensive Spending Review 2007 means that, at the UK level, public expenditure is set to grow at the slowest rate since the spending review process was introduced in 1998. The consequence for Northern Ireland is that real terms growth in expenditure over the next three years will average 1.2% per year. The Committee also recognises that the Executive has had to address a range of legacy issues inherited from the Direct Rule period, including water reform and domestic rating reform, which were the cause of mounting public concern.

As a consequence of the constrained public expenditure environment, the draft Budget places a strong emphasis on efficiency and value for money. The Committee has responded to this positively by examining a range of strategic and cross-cutting budgetary issues with a view to identifying ways of maximising the impact from available resources. For example, included in the Committee's key findings and recommendations are measures aimed at supporting the efficiency drive, eradicating the culture of underspend and raising the performance of departments in managing public money for the delivery of frontline services.

The Committee notes the invaluable and substantive contributions from the other Assembly statutory committees, which raise a wide range of issues regarding the resource and capital allocations for their respective departments.

This report, including the submissions by the other Assembly statutory committees and the contributions made by Members in the plenary debate on 27 November 2007, represents the Assembly's key contribution to influencing the Executive in finalising the Budget for 2008 – 2011.

Key Conclusions and Recommendations

General

1. Given the pressing need to raise productivity and living standards in NI, the Committee welcomes the increased focus on economic growth, evident in the draft Programme for Government (PfG) and draft Budget, whilst also being mindful of the importance of the Executive's other priorities, including investment in infrastructure, promotion of health, tolerance and inclusion, modernisation of public services and protection of the environment. (Paragraph 7)

2. The Committee considers that the new emphasis on the economy necessitates the early publication of a new Regional Economic Strategy which sets out how the Executive's high level goals will be realised. This should include a cross-cutting implementation plan for taking forward the four productivity drivers of Skills, Enterprise, Innovation and Infrastructure. In addition, it should include challenging and measurable targets and milestones for rebalancing the economy and closing the productivity and income gaps between NI and GB. (Paragraph 8)

Information and Process

3. The Committee echoes the call, made by a number of the Assembly statutory committees, for a closer alignment between the revised Budget and the revised PfG than exists in the draft documents; in particular a more visible linkage is required between PfG priorities and goals,

Public Service Agreement objectives and the allocations, departmental objectives and spending areas in the Budget. The Committee also considers that there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments' bids and their outcomes being published as part of the draft Budget process. (Paragraph 152)

4. The Committee considers that the future budget process and timetable needs to be settled early in 2008 to enable the Assembly statutory committees to schedule the necessary scrutiny into their work programmes and thereby provide departments with notice in terms of the future information and briefing requirements of committees. (Paragraph 153)

Departmental Budget Allocations

5. In terms of the draft budget allocations for individual departments, the Committee recommends that, in finalising the Budget 2008 – 11, the Minister of Finance and Personnel and the wider Executive take on board the conclusions and recommendations contained in the substantive submissions from each of the Assembly statutory committees, which have been included as appendices to this report. (Paragraph 154)

Strategic and Cross-cutting Issues

6. The Committee believes that the 3% across-the-board efficiency target could present a greater challenge for some departments than for others. The nature and structure of a department's budget, and the particular demands thereon, will have a bearing in this regard. The Committee also considers that some departments may, conversely, be in a position to achieve efficiencies higher than the 3% target and, therefore, calls on the Department of Finance and Personnel (DFP) to keep under review the comparative impact which the efficiency target is having on individual departments in delivering public services. (Paragraph 160)

7. Given that the targeted efficiency savings on resource spend have already been removed from departmental starting baselines, the Committee is concerned that there will be a risk to spending on frontline services, from any slippage in achieving the planned efficiencies. The Committee understands that it is planned to publish the final departmental Efficiency Delivery Plans alongside the Final Budget. The Assembly statutory committees will therefore have a vital role to play in scrutinising and monitoring the progress by their respective departments in achieving the planned efficiencies. (Paragraph 161)

8. The Committee recognises the importance to the Budget of the efficiency drive underpinning the programme of Civil Service reform and has been advised that the benefits will be measured using a series of key performance indicators, which will be integrated within departmental business planning. There will be an important role, therefore, for Assembly statutory committees in monitoring the progress on the various reform projects in their respective departments. (Paragraph 164)

9. The Committee considers that there would be a benefit, in terms of monitoring and accountability, from having the projected value-for-money savings from each of the Civil Service reform projects quantified and disaggregated from the overall 3% cumulative efficiency target. (Paragraph 165)

10. The Committee sees scope for widening the customer base of the shared service centres beyond the Northern Ireland Civil Service (NICS) to cover Non Departmental Public Bodies and other public bodies. Whilst the Committee accepts that the current focus is on establishing the shared service centres to offer an NICS-wide service, it nonetheless believes that the wider potential should be pursued with a view to maximising efficiencies across the public sector. Moreover, the Committee considers that the contractual arrangements with the providers of the

shared service centres should include provision to ensure that NICS shares in the benefits from any future expansion in the customer base of the centres. (Paragraph 166)

11. The Committee recognises the importance of the capital receipt from Workplace 2010 to the allocations in the draft Budget but is concerned that the projected capital receipt has varied considerably in recent months. As such, it is necessary to reiterate the call, made in the Committee's First Report on Workplace 2010 and Location of Public Sector Jobs, for the Department to obtain an accurate and up-to-date market valuation of the properties to be transferred to the Private Sector Partner, thereby maximising the capital receipt. (Paragraph 168)

12. Whilst commending the progress in achieving the target of £250m in savings on public procurement in the three years up to 31 March 2008, the Committee calls for a new target to be included in the revised Budget, which should include a monetary value for savings to be achieved by the end of March 2011. (Paragraph 170)

13. The Committee sees considerable potential in the proposal to establish the Performance and Efficiency Delivery Unit (PEDU), as this could provide the Executive with a tool for driving out additional efficiencies and provide individual Ministers with a means for raising performance and delivery within their departments. However, the Committee recommends that, before launching the initiative formally, DFP should resolve the issues which the Committee has identified to date. These include: the terms of reference within which PEDU will operate, which should ensure that the Unit does not contradict or cut across the work of DFP Supply or the Northern Ireland Audit Office; the protocols to provide for consensus-based engagement and positive relationships between PEDU and departments; approaches to offering incentives to gain commitment from departments; clear accountability arrangements and robust reporting mechanisms and targets that will enable the Unit's performance to be measured and assessed. (Paragraph 177)

14. The Committee deems that, in terms of current/resource underspend, the average figure of 2% across departments in 2006/07 is unacceptable and recommends that a target is set for reducing current underspend to an average of not more than 1.5% across departments in 2008/09 and to not more than 1% thereafter. On capital underspend, the Committee accepts that this can fluctuate due to unforeseen delays and matters which can be outside the control of departments. Nonetheless, the Committee would point out that delays in capital projects can add significantly, both directly and indirectly, to overall costs and calls for steps to be taken to ensure the effective planning and management of capital projects, with a view to minimising delays and resultant underspend in this area. (Paragraph 184)

15. The Committee accepts the need to reduce overcommitment to provide greater in-year flexibility and capacity to respond to in-year unforeseen pressures. However, the Committee has concerns with the requirement, which applies from 2007/08, for DFP to agree access to the NI stock of current and capital End Year Flexibility (EYF) in each financial year with Treasury. The Committee considers that this restriction on access to EYF attaches uncertainty and risk to monies received originally as an NI entitlement under the Barnett formula. This, combined with the decision to reduce overcommitment, means that there is now an even greater onus on departments to manage public finances in a way which achieves the highest possible level of spend within authorised limits and maximises the impact from available resources. In the view of the Committee, this will require the eradication of the culture of underspend within departments, which has been evident in recent years. (Paragraph 185)

16. The Committee believes that DFP should give a high priority to driving forward the financial management agenda across NICS, including implementing the recommendations in the PKF Report, to raise the priority given to financial forecasting and monitoring within departments. The Committee recommends that the Assembly statutory committees should include budget and

financial scrutiny as an integral part of their work programmes. In particular, the ongoing scrutiny of the in-year quarterly monitoring rounds – both before the returns are made to DFP and once the results are announced – will, inter alia, enable the committees to gauge the standard of financial management within their respective departments. To facilitate this process departments should provide their committees with the necessary financial information on a timely basis and in an accessible format. (Paragraph 187)

17. Given the level of concern that has arisen regarding the future funding for cross-cutting programmes, such as Children & Young People, the Committee calls for further assurance in the revised Budget that these important spending areas will not lose priority and that any new funding arrangements do not hinder access by the voluntary and community sector. (Paragraph 190)

18. The Committee recommends that DFP considers further the scope for modifying the industrial derating scheme in the longer term to encourage increased business activity in areas which lead to higher productivity (e.g. research & development, export marketing). In the event that the scheme cannot be modified directly without contravening EC state aid rules, the Committee would support the approach, suggested in the Economic Research Institute of Northern Ireland (ERINI) report, of the Executive taking the opportunity of the review of industrial derating to build a new concordat between industry and government, which will specify what each can expect from the other in obligation and support. (Paragraph 194)

19. The Committee welcomes the assurance from DFP that the focus of Capital Realisation Taskforce will be as much on improving the use of the existing asset base – through, for example, identifying public land for social housing – as it will be on identifying assets for disposal. The Committee calls for consideration to be given to the scope for permitting departments to retain a share of the proceeds from disposals of their excess assets. Such an approach would act as an incentive for proactive engagement by departments whilst also ensuring that the Executive's priorities are addressed. The Committee also calls for appropriate engagement with local communities, both in terms of the social impact of the sale of individual sites and also on the identification of under-utilised sites for alternative public use. (Paragraph 201)

20. The Committee considers that there is insufficient detail in the draft Budget document (and in the Investment Strategy) on the financing of the planned capital investment. The Committee recommends that, in the interests of transparency, the revised document should include information on the extent to which overall capital investment will be based on anticipated PFI, the extent to which the capital allocations for individual departments will draw on Reinvestment and Reform Initiative (RRI) borrowing, together with details of accumulated debt under RRI and the projected level of loan charges during 2008 – 11. (Paragraph 203)

21. The Committee believes that the ongoing debate on the options for funding devolution in Scotland also has the potential to open up the issue of the future of the Barnett formula for NI. As such, the Committee considers that the Executive should assess the implications of this scenario and prepare accordingly. (Paragraph 205)

Introduction

Background

1. The Executive's Draft Budget 2008 – 11 has been developed in the context of the UK-wide Comprehensive Spending Review (CSR) 2007. The Chancellor of the Exchequer announced the findings from the CSR and Pre-Budget Report on 9 October 2007. The CSR determines the

Northern Ireland (NI) Department Expenditure Limit (DEL) over the period 2008 – 11 from the outworking, through the Barnett formula, of the NI share of the settlements for Whitehall Departments. The NI total DEL (i.e. resource plus capital) will increase by £368m/£736m/£1,175m over 2008/09, 2009/10, and 2010/11 respectively to reach £9.6 billion.

2. The Committee recognises that the outcome of the CSR 2007 means that, at the UK level, public expenditure is set to grow at the slowest rate since the spending review process was introduced in 1998. Whilst the Chancellor's CSR announcement indicated that the NI DEL would increase in real terms by an average of 1.7% per annum over the next three years, the Minister of Finance and Personnel explained in his statement to the Assembly on 25 October 2007, that, following necessary adjustments, a more accurate figure for real terms growth in NI expenditure over the CSR period is an average of 1.2% per year.

3. When presenting the Executive's Draft Budget to the Assembly on 25 October, the Minister emphasised that the primary focus is on economic growth and that this provides a clear indication of the Executive's long-term commitment to build a better future for the people of NI. (A copy of the Minister's statement of 25 October is included at Appendix 1).

4. The Committee notes that the overall focus in the draft Budget relates to the priorities identified in the Executive's Draft Programme for Government (PfG), namely to:

- grow a dynamic, innovative economy;
- promote tolerance, inclusion, health and well being;
- invest to build in infrastructure;
- deliver modern, high quality and efficient Public Services; and
- protect and enhance our environmental and natural resources.

5. The draft Budget provides details of the proposed expenditure allocations to Departments for the next three financial years. These resources will be used to deliver the priorities and targets that are highlighted in the draft PfG. In this regard, however, the Committee considers that there is scope for more direct readacross between the draft PfG document and the draft Budget document, which would demonstrate the importance of the Budget as a delivery mechanism (this issue is examined later in the report).

6. In terms of the economic imperative, the Committee is cognisant of the fact that NI has one of the UK's least prosperous economies and that living standards are now also lower than in the Republic of Ireland (RoI). Evidence to this effect was established through the work of the Committee on the Preparation for Government, prior to the restoration of devolution. This demonstrated that low productivity and low incomes and living standards are the key economic problems facing NI. The statistics show that in terms of Gross Value Added (GVA) per person, which is one of the most common measures of affluence, NI remains at around 20% below the UK average and lies around 25% below the level of Gross National Product (GNP) per person in RoI.[1] Moreover, the average earnings in the private sector in NI are around 25% below the UK average and average household incomes are the lowest of any UK region at 14% below the UK average.[2]

7. Given the pressing need to raise productivity and living standards in NI, the Committee welcomes the increased focus on economic growth, evident in the draft PfG and draft Budget, whilst also being mindful of the importance of the Executive's other priorities, including investment in infrastructure, promotion of health, tolerance and inclusion, modernisation of public services and protection of the environment.

8. The Committee considers that the new emphasis on the economy necessitates the early publication of a new Regional Economic Strategy which sets out how the Executive's high level goals will be realised. This should include a cross-cutting implementation plan for taking forward the four productivity drivers of Skills, Enterprise, Innovation and Infrastructure. In addition, it should include challenging and measurable targets and milestones for rebalancing the economy and closing the productivity and income gaps between NI and GB.

The Committee's Approach

9. Whilst the Committee has taken evidence from DFP on budgetary matters on an ongoing basis since restoration in May 2007, it agreed its approach to the scrutiny of the draft Budget 2008 – 11 in September 2007. This involved the following steps:

a. hosting an information seminar for all MLAs and relevant Assembly officials on the 'Assembly's Role in the Annual Budget Process' on 17 September 2007;
b. commissioning the views of the other Assembly statutory committees on the draft budget allocations for their respective departments on 24 October 2007;
c. receiving a high-level briefing on the draft Budget by the Minister of Finance and Personnel on 14 November 2007;
d. taking evidence from DFP officials on strategic and cross-cutting budgetary issues, in addition to the Department's own draft budget allocation;
e. tabling a motion for a 'take note' debate in plenary on the Executive's Draft Budget 2008 – 2011, which took place on Tuesday 27 November 2007; and
f. publishing a co-ordinated report on the draft Budget on behalf of all the Assembly statutory committees.

10. This approach is in line with that taken by the predecessor Committee for Finance and Personnel in the first mandate, and enables the Committee to fulfil a role in co-ordinating budget scrutiny by the Assembly. In commissioning the views of the other statutory committees, the Committee took a new approach of offering suggested themes and issues, which though neither prescriptive nor exhaustive, aimed to assist the committees in gathering evidence from their respective departments and in structuring their submissions (Appendix 2). These included each committee's views on its Department's spending priorities in the context of the draft Budget allocation. Also, any evidence-based arguments for additions to the allocations in the Department's draft budget, any risks from existing efficiency plans and any scope for achieving additional cash-releasing efficiencies or further disposals of excess assets to support frontline services and strategic spending priorities were to be considered. In addition, views were sought on the format and content of the draft Budget document and on the future budget process.

11. The Committee has received substantive submissions from the other statutory committees and these have been summarised separately in the 'Consideration of the Issues' section of this report. A complete copy of each of the submissions has also been included at Appendix 2.

12. During the briefing by the Minister on 14 November, the Committee was informed that, overall, the Executive will receive an additional £1·1 billion in resource and capital funds from the Treasury by 2010-11, compared with 2007-08. The Minister explained that, in early summer, DFP received a total of approximately 270 bids from departments for resource spending, which accumulated to £2·6 billion. As this was considerably greater than the additional money available, decisions and choices had to be made to develop an initial set of indicative Budget allocations for each department. The Minister also pointed out that the Budget allocations to departments were constrained because of the decisions that the Executive had to take on water and sewerage services. The Committee heard that, as a result of the various pressures, there is little room for any additional funding on the resource side, though it is anticipated that the initial

work of the Capital Realisation Taskforce will result in some additional capital funding being identified before the Budget is finalised.

13. Also during his evidence session, the Minister placed a particular focus on the debate over the funding for health services. The analysis put forward by the Minister on this issue and on a range of other areas pertinent to the draft Budget is set out in the Official Report (Hansard transcript) of the evidence session at Appendix 4.

14. In addition to the briefing by the Minister on 14 November, the Committee held a range of evidence sessions with DFP officials on a number of key strategic and cross-cutting issues for which the Department has lead responsibility. These include:

- planned efficiency savings;
- various aspects of the reform agenda, including the Civil Service reform programme, value-for-money gains from public procurement, and the management of absenteeism;
- the proposed establishment of a Performance and Efficiency Delivery Unit (PEDU);
- the management of public finances, including the issues of overcommitment, End Year Flexibility (EYF), underspend and forecasting and monitoring;
- approaches towards the funding of cross-cutting programmes;
- Rating Reform, including industrial derating;
- the work of the new Capital Realisation Taskforce;
- borrowing and Public Finance Initiative; and
- the future use of the Barnett formula.

15. The outcome of the Committee's deliberations on these matters is set out separately in the 'Consideration of Strategic and Cross-cutting Issues' section of this report. In addition, the related Official Reports of the evidence sessions are included at Appendix 4.

Plenary Debate, 27 November 2007

16. The plenary debate, which took place on 27 November 2007, gave Members, both as representatives of the statutory committees and individually, an opportunity to set out the significant budget issues facing each of the departments in maintaining and improving the delivery of frontline public services. Whilst the Official Report of the debate is included at Appendix 1, it is worth noting at this point that a number of broad themes emerging from the debate have influenced the consideration of issues in this report. In particular, the Committee noted the following:

- the economic focus of the draft Budget is generally welcomed by Members, whilst underlying concerns have been highlighted regarding the economic challenges ahead for NI, including the need to close the productivity and income gaps with GB;
- the debate over the draft Budget allocation for health, including mental health, remains a key issue of contention, with the core argument resting on the extent to which the issue for the Health sector is one of additional funding or improved performance;
- the deliberations around the relative prioritisation of available resources both within and across departments and on the range of needs that need to be addressed in the revised Budget allocations. Amongst the issues cited as deserving higher priority and/or increased funding allocations were social housing, fuel poverty, energy efficiency,

sustainable development, the Rape Crisis Centre, children and young people, and senior citizens;

- the need to strike a balance between ensuring that core public services are sufficiently funded and maximising the performance and value for money of those services;
- the potential impact which the efficiency drive could have on lower-priority services and the risk to frontline services from any slippage in achieving the planned efficiencies; and
- the need for some flexibility in considering evidence-based arguments for revisions to the draft Budget, given the potential for additional efficiencies and asset sales resulting from the work of the Performance and Efficiency Delivery Unit and the Capital Realisation Taskforce.

17. In addition to the above issues, Members representing the various Assembly statutory committees made wide-ranging contributions to the debate and these are reflected in the detailed submissions from their committees, which are summarised in the next section of the report and also included in full in the appendices (Appendix 2).

18. The outcome of the debate on 27 November, together with the conclusions and recommendations from this co-ordinated report, represent the Assembly's key contribution to influencing the Executive in finalising the Budget for 2008 – 2011.

Consideration of the Issues

Consideration of Draft Departmental Budgets

Submissions from the Assembly Statutory Committees

Introduction

19. The Committee for Finance and Personnel wrote to the chairpersons of the other Assembly statutory committees on 24 October 2007, requesting that committees forward their views on the draft Budget allocations for their respective departments by 28 November 2007. The Committee also suggested broad themes and issues around which evidence could be taken and the responses could be framed (Appendix 2). The responses received are substantive and a detailed summary of these has been included below under the following four themes:

1. Spending Priorities;

2. Budget Allocations;

3. Budget Reductions and Efficiencies; and

4. Budget Information and Process.

20. The full submissions have also been included at Appendix 2 and can be referred to for further detail. The response from the Committee for Health, Social Services and Public Safety was not received in time to be included in the summary below. However, the full response has been included at Appendix 2. In this regard, the Committee is mindful of the ongoing debate on the draft Budget allocation for the Department of Health, Social Services and Public Safety (DHSSPS). The Committee is aware that, in recognising that health and social services account for by far the largest portion of spending in NI (47% of total current expenditure in 2007/08), the Committee for Health, Social Services and Public Safety has undertaken as extensive a

scrutiny as possible in the time available. This has involved a number of evidence sessions with the DHSSPS and others.

21. The Committee considers that the tight timetable for statutory committees to scrutinise the budget allocations of their respective departments was unfortunate. However, the Committee recognises that, on this occasion, there were particular circumstances which contributed to this situation.

22. In scrutinising the draft Budget allocations of their respective departments, the Assembly statutory committees will have focused on the DEL and, in particular, the greater part of DEL known as ‘Assigned DEL’. This represents the resources subject to allocation at the discretion of the Executive, in accordance with local needs and priorities. Tables 1 and 2 overleaf provide details of the DEL allocations in the draft Budget, broken down by department over the Budget period, with the current expenditure set out in Table 1 and capital investment detailed in Table 2.

Table 1 – Current Expenditure

	Outturn	**Plans**						
	2006-07	**2007-08**	**2008-09**		**2009-10**		**2010-11**	
	£m	**£m**	**%**	**£m**	**%**	**£m**	**£m**	**%**
Agriculture & Rural Development	221.7	226.4	235.7	4.1	237.8	0.9	244.7	2.9
Culture, Arts & Leisure	98.7	108.3	107.3	-1.0	109.4	2.0	117.5	7.4
Education	1,586.3	1,719.2	1,770.5	3.0	1,870.5	5.6	1,952.3	4.4
Employment & Learning	617.6	731.5	734.4	0.4	771.2	5.0	818.8	6.2
Enterprise, Trade & Investment	190.0	199.6	214.2	7.3	223.9	4.6	229.8	2.6
Finance & Personnel	178.9	175.4	179.5	2.4	162.4	-9.5	160.5	-1.2
Health, Social Services & Public Safety	3,585.7	3,804.8	3,938.8	3.5	4,064.1	3.2	4,259.2	4.8
Environment	116.2	134.7	137.2	1.8	136.2	-0.7	135.1	-0.8
Regional Development	368.7	278.0	287.6	3.5	309.2	7.5	335.2	8.4
Social Development	472.0	521.0	529.5	1.6	522.6	-1.3	522.3	-0.0
Office of the First Minister & Deputy First Minister	55.6	70.9	73.9	4.1	79.4	7.5	84.3	6.1
Northern Ireland Assembly	33.9	47.6	47.6	-	47.6	-	47.6	-
Other Departments	21.2	19.6	18.9	-3.4	19.4	2.3	19.8	2.4
Total Planned Spend	7,546.4	8,036.9	8,275.1	3.0	8,553.7	3.4	8,927.2	4.4

Table 2 – Capital Investment (Net of Receipts)

	Outturn	Plans			
	2006-07 £m	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
Agriculture & Rural Development	42.2	83.0	83.6	28.6	-171.1
Culture, Arts & Leisure	15.3	43.0	64.5	74.1	79.9
Education	128.0	279.8	213.6	252.3	200.1
Employment & Learning	53.8	68.9	40.7	38.7	44.6
Enterprise, Trade & Investment	24.2	77.5	48.0	87.9	78.2
Finance & Personnel	43.2	51.1	-145.0	22.7	16.0
Health, Social Services & Public Safety	185.1	177.8	202.6	203.7	213.2
Environment	13.3	9.8	10.7	22.5	171.2
Regional Development	421.0	373.1	568.7	416.0	419.9
Social Development	69.5	231.3	153.7	145.3	223.4
Office of the First Minister & Deputy First Minister	1.5	11.7	12.4	23.2	17.3
Northern Ireland Assembly	0.1	2.0	0.3	0.3	0.3
Other Departments	0.8	0.4	0.4	0.4	0.4
Total Allocations	997.9	1,409.4	1,254.2	1,315.6	1,293.4

Theme 1 – Spending Priorities

Committee for Agriculture and Rural Development

23. The Committee referred to a recent report from the Red Meat Taskforce which presented a very bleak outlook for NI's suckler herd farmers and which, the Committee believes, provides sufficient evidence to merit an additional and substantive tranche of monies. The Committee also believes that a broader and more strategic approach is needed for the red meat sector, which could include direct support to suckler herd farmers and a combined producer/process/retail approach to the agricultural sector. The Committee was broadly content with the resource allocations but has concerns around the Department of Agriculture and Rural Development's (DARD) intention to remove frontline staff from markets and abattoirs. The Committee believes that this will result in service costs passing to the farming industry and will also create difficulties during the transition from manned to unmanned posts. It recommends the retention of at least one official until the new technology and processes have bedded in, and believes that the cost of this will be minimal and will be offset by the efficient processing of animals at these venues. The Committee also indicated that is was opposed to the proposed Efficiency Delivery Plans relating to animal health and cost-sharing, wildlife intervention, the reduction, rather than the eradication, of Tuberculosis (TB) and Brucellosis and the reduction in funding to the Agri-Food and Biosciences Institute.

Committee for Culture, Arts and Leisure

24. In overall terms, the Committee views the draft Budget allocation to the Department of Culture, Arts and Leisure (DCAL) as small and inadequate. DCAL is suffering from a legacy of the past in which government has consistently undervalued the contribution that culture, arts and leisure make to all sectors of society. The Committee would therefore advocate an uplift across all areas of DCAL's draft Budget.

25. In terms of the balance in the DCAL resource allocation, the Committee notes that almost half of the departmental budget will be spent on libraries and museums (£53m), which is more than twice the amount that will be spent on sport and the arts combined (£23m). The Committee does not accept the argument that arts and sports organisations can rely on a large amount of volunteers, whereas libraries and museums require paid staff. This is not a valid argument for under-funding sport and art. The fact that there are so many volunteers in arts and sports should lead Government to ensure that they have the best support mechanisms available to encourage them to continue in their volunteering and to ensure that their work is of the highest calibre. This includes the provision of better local facilities. In previous Assembly debates, Members have referred to the huge benefits that sport brings to communities and to the population, and to the cross-community aspects of sport. The Committee would advocate that arts and sports are brought more to the fore and additional monies allocated to them.

Committee for Education

26. The Committee scrutinised in some detail the Minister's prioritised bids during the period leading up to the finalisation of the draft Budget and followed this up by scrutinising a scenario prepared by the Department of Education (DE) of how its draft Budget resource allocation increase might be utilised to meet inescapable bids and some highly desirable bids. This involved not only a considerable prioritisation of, but also a scaling back of original bids and in some areas only meeting bids in part in the final year of the Budget period. The Committee found this a highly useful and informative exercise, but would highlight that, since the Minister had yet to make decisions on her priorities on how available draft Budget resource allocations might be used, the Committee found it difficult to make firm judgements and recommendations on the implications of the draft Budget for education. The Committee has reflected some of its specific concerns/priorities, but in most instances has simply noted and highlighted possible/probable draft Budget implications and the associated concerns of the Department/Minister. These are included under the next theme on Budget Allocations.

27. DE's strategic objectives and therefore its key top priorities for allocation of resources must be maintaining core education services at 2007-08 levels in real terms after taking account of demography and pay and price pressures; and meeting contractual, statutory and other inescapable pressures. However, it is also clear that to maintain education core services over the next three years and beyond, it is essential to invest in the short-term to deliver existing and planned education reforms.

28. The Committee examined in some detail one of the Department's substantial inescapable bids to maintain educational services through the Aggregated School Budgets. It was found that these were adjusted to be net of demography changes, and were based on approximately 2.5% inflation. The latter contrasted to English School Budgets with guaranteed per pupil uplift of 5.5%.

Committee for Employment and Learning

29. The Committee considers that the role of the Department for Employment and Learning (DEL) in delivering both an innovative approach to economic development and working towards reducing social disadvantage and poverty is critical. The Committee assesses that DEL achieved a 'mid-ranking' result on bid outcomes and considers that the allocation for achieving cross-cutting themes, while strong in places, will not be sufficient to meet the significant priorities and goals laid out in the PfG for economic development. In particular, whilst welcoming the emphasis on initiatives to be delivered by the Department of Enterprise, Trade and Investment (DETI), the Committee is concerned that the monies allocated to deliver on skills requirement could fall short of achieving the necessary synergy between business growth and skills development.

Committee for Enterprise, Trade and Investment

30. The Committee particularly welcomes the fact that Growing the Economy will be the top priority over the lifetime of the PfG. Whilst recognising that this is not a new priority and has been included in previous PfGs, the Committee welcomes that this priority is repeated and restated and is accompanied by cross-cutting Public Service Agreements (PSAs).

31. DETI resource and capital allocations in the draft Budget, align with what the Committee generally considers should be DETI's key spending priorities in contributing to the PfG role of 'growing a dynamic, innovative economy.' However the Committee has noted that no specific identifiable resources or support plans have been allocated so far to local enterprise and the social economy and regional tourism partnerships and recommends that further consideration is given to ensuring adequate resources and support plans are put in place.

32. DETI bids mostly focus on growing a dynamic, innovative economy, and on the cross-cutting sustainability theme. Energy bids focus on protecting and enhancing the environment and natural resources and the cross-cutting sustainability theme. Business regulation, Consumer Council issues and Health and Safety Executive Northern Ireland (HSENI) bids focus on promoting tolerance, inclusion and the health and well being cross-cutting theme. The productivity bids focus on the cross-cutting skills theme.

33. The Committee welcomes the new arrangements for Invest NI funding but would seek assurances that should the need to resort to the Industrial Development Guarantee arise, that it is not at the expense of other budget commitments relating to DETI and the wider economy.

34. It is unclear to the Committee where innovation funding provided by Treasury and the Irish Government is reflected in the draft Budget and the Committee hopes that further work on this issue is more visible and positive in the revised Budget.

35. Due to unmet high discretionary bids, the Committee is concerned that DETI will not be able to fulfil its contractual obligations as an EU Managing Authority and its obligations under the Energy-End Use and Energy Services. It recommends that this shortfall is urgently addressed as a budget priority for the Executive.

Committee for the Environment

36. The Committee notes that the draft Budget allocations largely meet the following bids:

- Road safety services: road casualty reductions; road transport compliance and enforcement; reduction in vehicle-related crime and reduced emissions.
- Enforcement and better regulation: establishment of a dedicated environmental crime team to combat the illegal dumping of waste and the establishment of a new strategic development and delivery support team to co-ordinate cross-cutting regulation activities; implementation of the air quality strategy.
- Programme Delivery Support Unit (PDSU): support for district councils and the three waste management groups in implementing major waste procurement plans.

37. The Committee notes that the following bids were not met, and has particular concerns regarding the shortfalls in the spending proposals for the costs of implementing the Review of Public Administration (RPA). Figures refer to the 2008 – 2011 period covered by the draft Budget.

- Planning Reform (£0.55m other resources and £2.5m administration).
- RPA (covering the costs incurred by Planning Service and Local Government Reform Unit (LGRU) in taking forward the RPA agenda - £13.55m other resources and £4.55m administration. LGRU requiring £13m other resources and £1.7m administration.
- Local Government Division (£2.4m other resources).
- Waste and Contaminated Land (£3.7m other resources and £0.83m administration).

Committee for the Office of the First Minister and Deputy First Minister

38. The Committee discussed the proposed bids for additional resources and the proposed efficiency plans for the Office of the First Minister and Deputy First Minister (OFMDFM). The priorities were:

- additional financial resources to allow the Planning Appeals Commission to recruit and deploy additional Commissioners to address the backlog in planning appeals in NI;
- additional resources for the programme for Good Relations;
- additional funding to support the needs of victims and survivors;
- additional funding to develop a play policy for NI;
- additional funding to take forward sustainable development in NI; and
- additional funding to take forward the anti-poverty strategy.

39. The Committee is generally content with the additional resources allocated but has concerns about a number of areas, which are covered under the next theme on Budget Allocations. The Committee welcomes the allocation of resources for taking forward the Older People’s agenda from 2009/10. The Committee considers that, if managed and delivered well, the majority of departmental functions and corresponding spending priorities will directly help to deliver on the Executive’s strategic and cross-cutting priorities. Several of the key functions are within the Equality and Strategy and Regeneration directorates which have clear relationships with promoting tolerance, inclusion, health and well-being, investing to build our infrastructure and protecting and enhancing our environment and natural resources.

40. The Committee recommends that the Executive recognises the importance of the findings in the “Cost of Division Report” to its strategic, cross-cutting and spending priorities.

Committee for Regional Development

41. The Committee considers that the allocations for the Department for Regional Development (DRD) are insufficient to meet the infrastructure, economic, social and environmental needs of NI and illustrates this by highlighting the following:

- spending per capita on transport in NI was £65 below that in England in 2005-06;
- structural maintenance funding is £125m below the level identified in the Structural Funding Maintenance Plan; and
- the legacy of under-investment in water and sewerage services in NI has been demonstrated in the Strand One report by the Independent Water Review Panel (October 2007).

Committee for Social Development

42. The Committee highlighted that the Department for Social Development (DSD) contributes, either at key goal level or at PSA Outcome level, to all of the Executive's strategic and cross-cutting priorities. The Committee is of the view that the spending priorities agreed by the Department for the 2008-2011 budget period support the Executive's strategic priorities and key plans.

Committee for Finance and Personnel

43. For the Department of Finance and Personnel (DFP) the draft Budget document for 2008-11 highlights the importance of the Department leading reform, delivering value and promoting sustainability in the public sector. The key issues for DFP in the draft PfG are the implementation of the NI Direct programme, which will see a single telephone number point of contact being taken forward over the PfG period, and delivering the wider Northern Ireland Civil Service (NICS) reform programme. In addition, the Workplace 2010 programme is expected to contribute an estimated £175m to the Investment Strategy for NI (ISNI).

44. The Committee is generally content that the Department's spending priorities align with the priorities and key goals in the draft PfG and with the related PSA objectives. In particular, the Committee considers that DFP's role in leading and co-ordinating both the reform agenda and the financial management agenda will be critical to realising the aspirations of the PfG and the efficiency and value-for-money drive which underpins the Budget. These areas are examined in greater detail later in the report.

Theme 2 – Budget Allocations

Committee for Agriculture and Rural Development

45. The Committee has grave concerns around the sale of the entire Crossnacreevy site to fund the Farm Nutrient Management Scheme (FNMS) and considers that, unless an EU derogation is achieved to extend the deadline for the scheme beyond December 2008, the £50m budget (with access to an additional £29m) is too high. This is due to the inability to gain planning permission for in excess of 2500 applications and to access a competent builder to undertake the works within the deadline. The Committee believes that it is unnecessary to sell the entire Crossnacreevy site, especially as no business case has been developed, and that DARD has not considered alternative options, including the sale of part of the site, sufficient to cover the requirements of the FNMS. Given DARD's current intention to sell the entire site, the Committee has previously suggested that some, or all, of the additional receipts could have been used to fund additional programmes such as farm modernisation, or in relation to the findings of the Red Meat Taskforce report.

46. The Committee recommends that DARD reprioritises its budget allocation from the reduction of TB and Brucellosis to the eradication of these diseases and is concerned at the high levels of annual compensation. The Committee has also raised with DARD the issue of the purchase of the ex-army base at Forkhill and, whilst totally supportive of the ventures planned for this site, believes that responsibility for these ventures lies with other departments and that DARD should not be taking the lead, financially or otherwise. The Committee believes that this should not be prioritised as an inescapable bid. The Committee is concerned that DARD has not addressed the issue of appropriate salary levels to recruit and retain qualified professional staff in the Rivers Agency and calls on DARD to revisit salary levels for these grades and reprioritise the Agency's resource budget accordingly.

Committee for Culture, Arts and Leisure

47. The Committee is disappointed with the level of resource funding which has been allocated to the arts. With over 35,000 people bringing £30m into the local economy, the arts industries are major contributors. The potential exists for greater expansion of these industries but this cannot be done without adequate funding. One of the key targets within the draft PfG for the economy is to grow the creative industries by 15% by 2011. However, if the funding is not increased to support local artists the Committee believes it is unlikely that this target will be met. Similarly, the draft PfG contains a goal for increasing the proportion of the population attending arts events by 2% by 2011. The Committee would question how this will be possible with the limited funding available to the arts under the draft Budget. In addition to the economic benefits, the Committee would also point out the contribution which the arts make to health and education, particularly in aiding recovery from illness.

48. The arts sector in NI has endured standstill funding for the past three years and the Committee had hoped that the draft Budget would go some way to bridging the gap between NI and the rest of the UK and Ireland in relation to per capita funding. However, this has not been the case. The 2007/2008 baseline for NI is £6.13 per head, substantially less than the figures for England (£8.27), Scotland (£11.93) and RoI (£12.61). The draft Budget for arts does nothing to bridge these gaps and NI remains significantly behind. The Committee is of the view that the people of NI should have the same cultural entitlement as their neighbours on these islands.

49. The draft allocation for arts will make life very difficult for the Arts Council of NI in terms of distributing its limited funding. The Arts Council has raised concerns that the current draft Budget settlement for the arts will put at risk as many as 200 full-time and part-time jobs, and over 25,000 participants from across NI may be denied access to outreach activities and engagement in the arts.

50. In relation to the resource allocation for sport, the Committee is concerned that DCAL will not be able to deliver its targets for increasing participation among young people with the current level of funding set aside in the draft Budget. DCAL has informed the Committee that within the capital allocation, there is no provision for spend on community-based infrastructure and yet it is at a local level that young people participate in sport. The Committee is disappointed that more emphasis has not been put on community sport and assisting local sports clubs in the ongoing work they do with young people. The Committee is concerned that unless the resource budget for sport is uplifted, resulting redundancies will occur in organisations such as the Gaelic Athletic Association and Ulster Rugby who are doing excellent work with young people.

51. The Committee notes that, in Scotland, money was taken directly from the Health budget and allocated to sport, in recognition that savings can be made in the longer term on health if more people are encouraged to engage in physical recreation. For every £1 here that goes into sport, £900 is spent on health. A moderate increase in our sports budget could generate considerable improvement in health and well-being. This is something that the Committee would wish the Executive to consider in the future. The Committee would also point out the economic benefits of investment in sport. In 2007, 2% of NI's Gross Domestic Product (GDP) was related to sport, 7,000 full-time equivalent jobs were sport-related and for every £1 of public investment in sport there was an £8 return.

52. In relation to the funding allocated for museums, the Committee is of the view that this too should be uplifted. Recognition needs to be given to the role which museums, culture and the arts have in attracting tourists to NI, thus contributing to the economy. Museums attract almost one million visitors per year.

53. The Committee noted that only one figure is provided for the ‘North/South Body Languages’. However, there are two bodies in question – the Ulster Scots Agency and Foras na Gaeilge. The Committee is of the view that separate figures should be provided for each of the bodies.

54. The Committee is concerned about the manner in which DCAL is intending to spend its capital allocation for sport. DCAL’s priorities are elite facilities such as a 50m swimming pool and the multi-sports stadium, with the intention that they will be used in connection with the 2012 Olympics. The Committee has concerns about the lasting legacy that the Olympic Games will bring to NI, and what it will mean in real, measurable terms. The Committee also believes there is a high level of uncertainty about whether NI will have a multi-sports stadium by 2012, and around how much it might cost and whether there is adequate funding to pay for it. There is also uncertainty around the funding for elite facilities. The Secretary of State previously gave a commitment of £53 million for elite sports facilities, yet £18 million has been taken off that budget. The Committee is disappointed that promises previously made by the Secretary of State may not materialise.

55. The Committee welcomes the £21 million that is to be allocated to the building of the new Public Record Office of Northern Ireland (PRONI). Given the new location at the Titanic Quarter, there is a significant tourist market for PRONI to tap into. There is great potential for PRONI to benefit from people coming to NI to investigate their family roots and this spend will contribute to the wider economy in that respect. If additional funding could be found to enhance the visitor experience at PRONI this would be most welcome.

56. The Committee would underline the importance of ensuring that the total capital allocation is used for the best advantage of culture, arts and leisure activities and that the potential for underspends is minimised. To conclude, the Committee recommends that the capital budget for DCAL is uplifted, particularly in relation to sports and arts, in recognition of the vital role they play in our society and in building a better future.

Committee for Education

Resource Budget

57. The Committee has scrutinised two main interlocking value-for-money reforms being progressed by DE (i.e. the RPA Education Reform and the Modernising of the School Estate with the move to strategic area planning). Although the Committee currently has some reservations on how these reforms will be achieved, it is important that the efficiency outcomes are delivered. In welcoming the proposed allocation to DE of non-recurrent, largely ‘Invest to Save’ money of £10m, £25m and £10m, the Committee notes that these allocations are immediately absorbed to take forward the reforms highlighted above. Also included are £10m and £5m to continue the Children and Young Peoples’ Funding Package (CYP) and Integrated Development Fund (IDF) long-term essential services now in place, addressing both youth and school provision in disadvantaged areas. Some of these services give clear priority to improving core skills of literacy and numeracy.

58. The Committee’s analysis to date shows that DE would have particular difficulties in finding funding to maintain the CYP and IDF projects/activities in Years 1 & 2 of the Budget period at 2007/08 levels. The Committee would therefore share concerns that this is removing key services targeting disadvantaged school children and other initiatives now established such as the Extended School, Renewing Communities Programmes, and work engaging parents in the life and work of schools. The Committee noted that one particular cost pressure arising regarding DE support for the reforms is Departmental administration of £2.1m, £2.5m and £2.6m over the Budget period and the Committee noted it is essential that these resources are secured under the classification of administration.

59. Another key area for funding is Curriculum Reform. The Committee has some reservations on aspects of this, but it clearly has to be advanced and indeed the Department has a statutory responsibility to do so. The Committee noted that resource budget pressures under the proposed draft Budget may well result in scaling back of funding and delays in implementing Curriculum reforms. The Committee was informed that an important part of the reforms is to ensure that young people leave school having had the opportunity to follow a range of subject options that include skills and subject areas identified as being most relevant to the local and wider economy and to the need of local business – in line with the draft PfG priority of Growing a Dynamic Economy.

60. Although the Committee has yet to be appraised of the potential benefits and outcomes of the Special Education Needs (SEN) and Inclusion Review and the Early Years Strategy, the Committee noted the general concerns that budget resource pressures could well delay improvements and efficiencies in these areas. The Committee noted the particular concerns that School Improvement Fund work and measures to promote Literacy and Numeracy may well be scaled back significantly. Some of this bid was specific to the current Literacy and Numeracy Strategy, while the bulk of it would have been devoted to Literacy and Numeracy enhancement. Not finding the funding for this bid runs counter to the draft PfG PSAs 10 and 19 and is at odds with commitments given following the Westminster Public Accounts Committee Report criticisms.

61. The Committee noted that a specific bid to enhance Science, Technology, Engineering and Mathematics (STEM) skills may not be met at all. This bid would have enhanced the equipment used in STEM and the professional development of STEM teachers, the recruitment of STEM graduates into teaching and the uptake of STEM subjects by pupils. This again runs counter to the draft PfG priority of Growing a Dynamic Economy, specifically PSA 2. The Committee recommends that DE proactively pursues funding from the Innovation Fund for elements of STEM and other appropriate areas.

62. The Committee would question why the bid for Maintenance of the School Estate might not be met – again a spend-to-save issue. Also, the Committee noted with concern that a specific bid to enhance the Youth Service may not be met.

63. The Committee has taken a particular interest in the need to reduce the differential in funding levels between primary and post-primary schools. The Committee noted the Common Funding Scheme (LMS) consultation with schools, launched in mid-November 2007. This seeks views on the proposal to raise the Age Weighted Pupil Unit (AWPU) for primary pupils from 1.02 to either 1.03 or 1.04. The Committee sees the higher weighting (1.04), which generates only an average annual uplift of £24 per pupil, as a minimum uplift and understand that to have no negative effect on post-primary pupil funding would cost some £6m per annum over the next 3 years. The Committee considers it essential that this money is found. It also welcomes the commitments in the draft Budget to fund the second day of Teaching Principals' Planning, Preparation and Assessment (PPA). Again the Committee considers this to be essential funding as this would mainly benefit Primary School Principals where the evidence for PPA is clear. This is only a fraction of the PPA/Leadership and Management time measures emanating from the Curran Inquiry which would cost £44m per year, with the total package of recommendations at over £80m a year. Associated with this, the Committee enquired about the costs of employing Newly Qualified Teachers to cover part of teachers' productive time and introducing a guaranteed induction year. The Committee was informed that this would cost approximately £19m per year. This was not on the original list of DE bids and the Committee considers it should be given active consideration, along with the issue of using Newly Qualified Teachers (approx. £24.5k) as opposed to experienced teachers (approx. £42k) for substitution teachers.

Capital Funding

64. In relation to draft Budget proposals for capital funding for DE under the draft ISNI, the Committee welcomes the recognition in the draft Budget that it is important to deliver a modern and sustainable school (and youth) estate to support the development of a well-educated populace with the skills to engage fully and positively in society and the economy. The draft PfG proposed PSA 16 'investing to provide a modern fit-for-purpose education estate in line with best practice and VFM' sets out DE's specific actions and targets in this area. The Committee sees it important to replace deficient school buildings, but alongside this an area-based planning approach must be delivered and implemented as soon as possible. A total of £714.5m is proposed for allocation to Schools and Youth Services over the 3-year Budget period, with an indicative allocation of £2,792m over the remaining 7 years (£3,506m in total). This will enable over 100 major schools projects (previously announced) to be taken forward over the period, including 8 special needs schools, as well as continued investment in the school estate.

65. The Committee noted that this will include both conventionally funded and Private Finance Initiative (PFI) projects and that the Department is currently analysing anticipated profiles of project capital spend to determine how best to manage the delivery of the projects within the budget allocations. The Committee will carefully scrutinise the Department's Investment Delivery Plans under the new procurement framework when published in early 2008, as the Committee has concerns about delays in school capital projects and the £30m capital underspend reported in 2006-07. In particular, the Committee will be asking for feedback from DE on what additional resources for investment can be found from the disposal of DE assets under the new Capital Realisation Taskforce set up by OFMDFM and DFP. In this respect the Committee notes the assumption that DE capital receipts from the disposal of surplus assets over the three year budget period is £48.5m.

Committee for Employment and Learning

66. The Committee has no major concerns with the budget relative to previous Departmental budgets, or on the arguments and evidence put forward by DEL in terms of the rationale for priorities and needs. The Committee also endorses DEL's main spending priorities. The Committee's main concerns relate to DEL's ability to deliver key programmes and initiatives relative to the allocations that it has achieved. In particular, the Committee is concerned that unless the skills base is there to 'pre-empt' and meet the opportunities, investors could be frustrated and opportunities could be missed. From this general point, there are a number of specific issues of concern:

- an apparent disconnect between the ambitious PfG goals relating to Research and Development (R&D) and innovation and the apparent lack of resources, or at least clarity on resources. The funding available for innovation appears to be inadequate to take forward the leading edge research in the universities and within the private sector, that the Executive considers is required to bring about a transformation from a traditional to a knowledge-based economy. The Committee is aware of opportunities available (e.g. via the Science Foundation Ireland) which only exist as narrow windows of opportunity and urges that the Executive is creative in ensuring that R&D investment is prioritised in the short and medium-term, to secure longer-term economic gains.
- the commitment on PhDs laid out in the draft PfG is an unfunded bid. The Committee has heard that a proportion of the funding for innovation will be utilised to meet this goal, but is concerned that this would be spreading an already relatively small amount of money even more thinly. DEL has indicated that there is a small amount of unallocated money from bids, that could be utilised on PhDs and the Committee would welcome any movement in this direction.
- since devolution, much has been made of the need for re-skilling the population currently in the workforce. The recent Leitch Review sets the context for this and establishes

challenging targets. However, a DEL bid for Foreign Direct Investment (FDI)/ Employer Support Programme for Further Education has not been funded and the Committee is concerned that this could lead to a serious general gap with regard to adult training and apprenticeships.

- in addition, the critical sector initiatives (a programme designed specifically to pre-empt and prepare for FDI) have only received £9 m over 3 years (and no money in the first year) against DEL's original bid of £24 m.
- a major part of the Leitch Review focuses on Essential Skills and the Committee has serious concerns on the budget allocation to deliver on this vital component. DEL has indicated that, to an extent, the bid may have been speculative on this particular issue and has stated that it believes it has sufficient funding to initiate relevant programmes. The Committee will be ensuring that this issue remains on its future work programme to assess if that is indeed the case.
- linked to this, the Committee is fully supportive of DEL's bid to include ICT as a third essential skill. However, the Department has received only £5m from an £11.4m bid (44%) over the next three years. The Committee is particularly concerned that there is no baseline budget being dedicated to this issue at present and no money has been secured for the first year and therefore that DEL will struggle to deliver on this important programme.

67. In addition to these broad economic and skills related themes, there are a number of other issues which are of concern to the Committee. In particular, relating to the further and higher education sectors, where DEL states that these organisations are autonomous with regard to their budgetary priorities. Whilst the Committee accepts the need for commercial autonomy for the universities and colleges, it is concerned that this autonomy means that DEL could be losing control on very significant social goals. This is more an issue for the further education sector rather than the universities. For example, concession rates offered by colleges are clearly an important way of facilitating training for particular groups, such as people on benefits. Yet there is no consistency in how concession rates are being applied. The Committee has a general concern that budgetary autonomy may not always work to deliver important goals relating to social cohesion and wishes to see clear incentives, for further and higher education institutions to deliver on tackling social inequalities, evidenced in the very near future.

68. Regarding the issue of maintenance in higher education, the Committee has concerns that potential changes and widening of the upper and lower income thresholds would require an additional £18m over the next three years and has been informed that bids to meet this need are unfunded. The Committee would not wish to see any detriment to local students' maintenance arrangements and would ask that this situation is addressed urgently.

Committee for Enterprise, Trade and Investment

Resource Budget

Invest NI

69. The Committee welcomes that funding for Invest NI will be put on a more secure basis than was previously possible under the Concordat mechanism. The current mechanism is unable to address the multi-year nature of projects and creates a high degree of uncertainty as to whether funding will be made available in-year. However the Committee recognises that some of the spirit of the Concordat remains in the Industrial Development Guarantee (IDG), which states that no worthwhile proposal for eligible support to investment in industry or tradable services will be lost, even if that means diverting resources. Whilst the Committee welcomes the new arrangements for Invest NI funding, it would seek assurances that, if the need to resort to the

IDG should arise, possibly as a result of the US/NI investment conference, it would not be at the expense of some of the other budget commitments relating to DETI and the wider economy. In particular, that it would not adversely affect commitments relating to cross-cutting efforts on skills, wider economic development, research and development, training and innovation. These matters are integral to growing an innovative economy.

70. In responding to the recent announcement regarding Seagate Technologies in Limavady, the Committee noted that the draft PfG and the draft Budget anticipate the demise of the Integrated Development Fund (IDF), which was the remainder of the type of Executive Programme Funds created during the previous period of devolution. For circumstances requiring a coherent strategic response to a crisis, the IDF would be a useful tool and the Committee asks the Executive to further consider this option.

71. Whilst the Committee welcomes the FDI focus, it is not clear from the actions, targets and draft Budget what business support will be made available to certain key business activities essential for improving productivity – including business improvement services, support for innovation and the use of technology provided by Invest NI.

Innovation

72. The Committee welcomes the resource bids to increase inward investment and the creation of 6500 plus new jobs from inward investment by 2011. While acknowledging the potential risk at the lack of permanence of inward investment, the Committee acknowledges that FDI has the potential to bring much needed new industries and technologies that will create higher valued-added jobs to the region. In attracting inward investors, the Committee would like to stress the importance of ensuring that the skills shortages in the STEM subjects are addressed. The Committee therefore welcomes the level of resources being allocated to the joint Higher Education Innovation Fund and MATRIX, which will assist the practical exploitation of the Northern Ireland Science Based economy. However the Committee would question whether there are sufficient resources to improve the skills supply in key high value-added sectors of the economy and believes that immediate milestones should be set to monitor progress.

73. It is unclear to the Committee where innovation funding provided by Her Majesty's Treasury (HMT) and the Irish Government is reflected in the Budget. The Committee believes that these monies should be clearly set out so that both the new funding and the additional outcomes sought are identifiable. The Committee would therefore seek assurances that the new innovation funding is not being used to cover pre-existing innovation funds. The Committee hopes that further work on this issue will be more visible and positive in the revised Budget.

Tourism

74. The Committee welcomes the draft resource and capital allocations for tourism. The resource allocations will enable the Northern Ireland Tourist Board (NITB) to intensify its marketing effort in RoI, a key market for NI. Furthermore, funding of £2.1m in 2008/09, £3.1m in 2009/10 and £3.6m in 2010/11 has been allocated to Tourism Ireland Limited (TIL). Whilst £1.19m of the resource bid for 2008/09 is not available, DETI has indicated that funding allocated will substantially implement the TIL Corporate Plan. TIL operates in an intensely competitive market in GB and overseas. The Committee welcomes the fact that this funding aligns with the North South Ministerial Council Ministerial Agreement, since 'Helping Northern Ireland achieve its potential' is one of TIL's key objectives. DETI has indicated that this funding will be matched by commitments from the RoI Government and the Committee looks forward to seeing more detail on this commitment.

75. The Committee is disappointed that there has been no indication of any bids being made to support the Regional Tourism Partnership Boards (RTPs), and thus it is not clear what allocation they will receive. NITB and TIL have an important role in promoting tourism, particularly in relation to availing of the ‘curiosity factor’ which the ending of the Troubles has presented. The RTPs also have an important role and need to be able to collaborate directly with TIL on marketing as well as with the NITB. The Committee therefore recommends that the roles of RTPs are enhanced and that sufficient resources are made available to RTPs.

Health and Safety Executive Northern Ireland (HSENI)

76. The Committee welcomes the positive reference to the wider capacity in the draft HSENI Corporate Plan (2008 – 2011) that is reflected in the draft Budget.

HSENI Safestart NI

77. The Committee welcomes that funding in relation to SafeStart NI, a frontline service to prepare young people and apprentices on entering work, has been met for 2009/10. However the Committee is disappointed that the new initiative will be delayed for one year, given its importance in preparing young people to be better equipped to work safely. The Committee has previously stressed the importance of such schemes, given that the desired outcome is to ultimately reduce the incidence of work related injuries, illnesses and fatalities.

Unmet Resource Bids

Administration Bids Supporting New EU Programmes

78. DETI will take on a significantly enhanced role under the 2007-13 rounds of EU Structural Funds as Managing and Certifying Authority for the Competitiveness Programme. This function is undertaken by DFP in the current round. In addition, the Invest NI budget will be subject to greater EU compliance requirements as a result of the new Telecoms, Energy and Tourism programmes and projects which are currently being negotiated with the EU Commission. The Committee is highly concerned that inescapable bids, supporting the New EU Structural Funds, have not been met in any year of the draft Budget period and questions whether DETI is sufficiently resourced to meet its contractual obligations in this regard.

Administration Bids to Support Sustainable Energy

79. An administration bid for £0.111m in 2008/09, £0.113m in 2009/10 and £0.115m in 2010/11 has not been met to enable NI to meet its associated obligations under the Energy-End use and Energy Services Directive 200632EC. The Committee is concerned that DETI will not be able to fulfill its contractual obligations as an EU Managing Authority, meet its compliance requirements for the New EU Programmes nor meet its obligations under the Energy-End use and Energy Services Directive 200632EC. It therefore recommends that this shortfall is urgently addressed as a budget priority for the Executive.

EU Peace III Funds

80. The Committee recognises that DETI is benefiting considerably from the Peace III programme. It also recognises that different parties and other sectors might have different views and that these may be reflected by other Departments during the course of the draft Budget. In the event that the Peace III funding allocation envisaged for DETI is revisited and reallocated to other departments’ budget lines, the Committee would urge that any shortfall in DETI’s budget is

addressed. This is to ensure that the purposes and priorities of the PfG are properly reflected in any reallocations.

Capital Allocations in Draft Budget / ISNI

81. The Committee welcomes the capital allocations in the draft Budget and draft ISNI. However the Committee notes the materiality of capital receipts, not least EU receipts, and acknowledges the unpredictability of receipts in areas such as grant claw-back and assets sales. Telecoms and Energy Bids have been classified as discrete Measures within ISNI under the Networks Pillar. Tourism (NITB Capital Grant and Signature projects) and Enterprise (mainly Invest NI) bids have also been classified as discrete Measures within ISNI under the Productive Pillar.

82. The Minister indicated to the Committee, that he was generally satisfied with the capital bids in the draft Budget and the draft ISNI. DETI's potential capital investment requirements have been met for the draft Budget period. Funding under the IDG could also be accessed, should it be required for the Bombardier C Series. The IDG states that "no worthwhile proposal for eligible support to investment in industry or tradable services will be lost even if that means diverting resource from other programmes." The Committee would like to reiterate its earlier point that, if the need to resort to the IDG should arise, it should not be at the expense of some of the other DETI budget commitments or wider measures to support securing a dynamic economy. In particular that it would not be at the cost of commitments relating to cross-cutting efforts on skills, wider economic development, research and development, training and innovation.

Enterprise Support

83. The Enterprise Support Measure has forecast gross expenditure of £194.m over the draft Budget period. In the main, the measure encompasses forecast capital investment required by Invest NI to encourage the development of a high value-added, innovative, enterprising and competitive economy. The Committee welcomes the stated focus of this measure. The capital investment includes capital grants and shares of £120m to support investment by existing businesses, increasing capability, enhancing exporting performance and promoting NI internationally to secure new inward investment projects.

84. The proposals to support the NI export base are strongly welcomed by the Committee. However the Committee would like to stress the importance of ensuring that support for existing businesses must be a top priority and that existing programmes are continually reviewed to ensure that the right balance between supporting indigenous companies and attracting FDI is achieved.

85. The Committee welcomes the importance attached to the provision of suitable industrial sites including ensuring the availability of such sites across NI. However the Committee would share the Minister's concern over land availability, land banking and market prices and would query if the budget proposal to purchase land and buildings (£62.9m) is adequate given these market conditions.

Tourism

86. The Committee welcomes the target of increasing tourism spend to £520m by 2011 and notes that this target is 40% higher than tourism spend in 2006. However, the Committee felt that some of this increase should be directed at product development at both local and regional level. The Committee welcomes the commitment to invest in the five signature projects but is concerned by the Minister's statement about "the funding gap for the Titanic Quarter project and the conditional nature of the allocation for the Giant's Causeway project". The Committee will be

further exploring what will happen to the budget allocation that is provided for the Giant's Causeway Visitors' Centre.

Committee for the Environment

87. The Committee welcomes the additional funding over the three year budget period for enhanced roadside enforcement (£3.8m) and enforcement and better regulation for environmental protection (£4.1m). The Committee recommends that extra resources should be used to benefit one or more aspects of the Areas of Special Scientific Interest (ASSI) programme, which could include an increased number of ASSI declarations made annually, to complete the priority designations before 2016 and a quicker response rate on consent applications. This would lead to greater progress towards achieving favourable conditions of features within designated sites; and more robust protection and enforcement measures, particularly with regard to Natura 2000 sites.

Committee for the Office of the First Minister and Deputy First Minister

88. The Committee welcomes the additional resources for the Planning Appeals Commission and Water Appeals Commission which will make provision for additional full-time Commissioners. The Committee is well aware of the increasing number of appeals being lodged and the increasing backlog in the handling of appeals. Members are very concerned about the effect that this is having in relation to planning and development and the consequent impact on the NI economy.

89. The Committee welcomes the additional resources for the programme areas relating to good relations and for projects to help develop children's health, knowledge and skills. The Committee also welcomes additional resources for taking forward the wider agenda of sustainable development.

90. The Committee considers it essential that the work to deliver cross-cutting strategies to tackle poverty, social exclusion and deprivation and to improve the sustainability of development are properly resourced and effectively led and managed. To that end the Committee will be seeking robust arrangements for the delivery of cross-cutting priorities and will also be seeking clear identification of resources being used to address these priorities.

91. The Committee has concerns about the timing of additional budget allocations in relation to victims and survivors, older people, children and young people and good relations, which may imply delays in delivering in these areas.

92. In relation to evidence-based arguments for additional resources, the Committee has concerns about the additional resources allocated to tackling poverty and will consider this matter further during its Inquiry into Child Poverty.

93. The Committee is seeking further information on what controls there were in place when the resources in the IDF were transferred from OFMDFM in the 2007/08 financial year. The Committee will be seeking assurances that, in future, when transfers of funding between departments take place, fit for purpose mechanisms are in place to ensure that proper delivery of these programmes take place within deadlines. The Committee recognises that there is DFP guidance regarding reallocation of funding to other programmes within the departmental remit. The Committee sees many of the OFMDFM programmes as high priority, cross-cutting and making a major contribution to achievement of the Executive's over-arching aim, it does not therefore feel it necessary to depart from the indicative budgets.

Committee for Regional Development

94. The Committee noted the slight increase, compared to recent years, in structural maintenance budget allocations, but was concerned that the allocations of £56m, £72m and £70m for the budget period is £125m short of the circa. £110m per annum identified in the Structural Maintenance Funding Plan (SMFP). The Committee is concerned about the road safety consequences of continued under-funding in this area, as highlighted in the recent Roads Service Annual Report and Accounts. The Committee calls on the Minister and the Executive to recognise the value for money represented by planned structural maintenance and the public safety risks associated with continued under-funding of work in this area, by allocating adequate funding at the level identified in the SMFP in the final budget. The Committee further recommends that this amount be ringfenced and clearly identified to allow the industry to plan with confidence and to invest in developing the capacity required to meet NI's structural maintenance needs on time and budget.

95. The Committee was concerned that the allocation for roads capital of £572m was significantly below the approximate £1bn 'low scenario' bid for in the draft ISNI. The Committee considers it likely that the roads allocations would necessitate the deferral of some key schemes such as the A6 Castledawson to Toome dual carriageway and the A2 Maydown to City of Derry Airport. Spending on local transport and safety measures, bridge strengthening, carriageways widening and major works on local roads would all have to be less than envisaged over the 3 years to 2010/11. The Committee calls on the Executive and the Minister to review the roads allocation in light of the importance of connectivity and a free flowing roads network to continued economic development in NI.

96. Investment in buses and trains in recent years has made public transport a more attractive option, and helped generate increased passenger journeys. Of the £426.5m capital bid for, only £196m was allocated in the draft Budget (£137m for rail, £45m for buses, £12m for rapid transport, and £1.2m for improved ferry services to Rathlin Island). There have been persistent shortfalls in annual spending allocations for capital investment in the public transport infrastructure. The Committee calls on the Executive and the Minister to address the failures of the past and to invest in public transport.

97. In addition to the general public transport needs outlined above, the Committee has some particular concerns:

- the Belfast to Derry/Londonderry rail line is a cause of significant concern as Members have heard evidence of public safety issues and speed restrictions as low as 10mph on stretches of track. The Committee is concerned that these issues have remained unaddressed, and is pleased to note that, although there is no provision for the capital works within the current Budget, there is provision for preparatory works. However, it was concerned to note that applications for funding from EU sources could not proceed until the project was in place.
- the Committee welcomed the draft Budget provision for the extension of the concessionary fares scheme to all those over 60 years. However, it was concerned to note that those bids for the extension of full concessionary fares to people with a disability; concessionary half-fares to 16-17 year olds; reduced fares to people using rural transport services; and concessionary travel to those returning to work after a period of long-term unemployment were unsuccessful.
- Age Concern, Help the Aged and the Inclusive Mobility and Transport Advisory Committee provided evidence on the differential patterns of urban and rural use of the senior SmartPass and the barriers to those with disabilities posed by the limitation of the concession to single journey tickets. The Committee recognises these issues as significant barriers to those with disabilities, especially those in rural areas.

- the Committee was particularly concerned to note that the bid to provide hourly bus services in 29 towns and 35 villages was unsuccessful. The issue of access to public transport in rural areas is one of social inclusion as well as access to education and employment. The Committee is of the view that adequately funded rural transport measures, developed in partnership with local communities, local councils and Translink is the best way forward in tackling this problem.
- the Committee noted that the Northern Ireland Local Government Officers' Superannuation scheme (NILGOS) bid to cover additional bus and rail pension contributions was unmet in the draft Budget. It is concerned that the options to cover this shortfall – increasing fares or reducing services – will both have negative consequences in terms of social exclusion, environmental damage and economic development.

98. The Committee noted with some concern that, although the draft PfG includes the priority to protect and enhance Northern Ireland's environment and natural resources, which it welcomes, there is little evidence of the radical rethinking of policies needed to deliver the 60% – 80% reduction in carbon emissions by 2050 identified by the Prime Minister in his speech on 19 November 2007. The DRD allocation does not appear to reflect the need to address this in any immediate way. The ISNI Measure Investment Proposals make substantial reference to the environmental impact of differing forms of infrastructure investment; however it is not clear to the Committee that this has been followed through to the Budget and ISNI 2 allocation stage.

Committee for Social Development

99. The draft Budget offers DSD £31.7m /£42m /£59.9m across the three years in additional resource and, working from a zero base, the draft ISNI offers £153.4m/£144.7m/£222.2m against bids amounting to £545.7m /£514.1m /£356.2m. In percentage terms, this falls short of the provision required by 5% (Resource) and 63% (Capital). The Committee believes that the allocations in the draft Budget are inadequate to allow DSD to fully meet its objectives to tackle disadvantage; encourage self-sufficiency; and improve the physical, economic and social environment where people live. The Committee recognises the very tight financial constraints that currently exist, but nonetheless hopes that there will be opportunities for the Department to access additional funding to supplement its budget.

100. The Committee understands that the work of the Capital Realisation Taskforce and the Performance and Efficiency Delivery Unit will present opportunities for DSD to access additional funding to help meet its objectives and associated targets. The Committee would hope that access to any additional funding identified will become available in the short-term.

101. The Committee had expressed particular concerns in relation to the funding allocated to housing and is reassured that social housing features in ISNI as a priority for capital return receipts. Given the current housing crisis, the Committee would strongly support the Minister for Social Development in her efforts to obtain from DFP, both an assurance that her Department will benefit from the capital return receipts from the sale of its own land and some indication of what it will receive from the land sale receipts from other departments. Money from such receipts will be vital to help meet the shortfall in the housing budget.

102. The Committee would wish to stress that the housing crisis is not just an issue for DSD. The draft PfG priority to 'Invest to Build our Infrastructure' has an associated key goal to invest at least £1.4bn in social and affordable housing by 2018 - this places a commitment on all Executive departments to provide the funding necessary to ensure it is met.

Committee for Finance and Personnel

103. The draft Budget 2008-11 prescribes a significant reduction in the share of DEL allocated to DFP: the current year allocation is 17.1% lower than that allocated for 2006-07, and this trend will continue in subsequent years.

104. Earlier in the year, the Committee was informed of a bid to cover administration costs and inflationary pressures of £6.2m per annum over the 3 years of the draft Budget and was also informed that, if this bid was not met, it would be necessary to cut funding in lowest priority areas. When explaining the draft Budget outcome, officials informed the Committee that this bid had not been submitted and that work was underway to contain administration costs and inflationary pressures, which would entail the following:

- a detailed review of General Administrative Expenditure budgets;
- identification of lowest priority areas from which funding can be redirected;
- review of scope for extending charging and
- reviewing systems and processes to drive greater operational efficiency.

105. DFP has undertaken to inform the Committee of the outcome of this exercise.

106. The Committee was also concerned that DFP received no allocation against a £9m bid relating to the sustainable development strategy. This was to fund a range of projects including the installation of metering to establish more refined baseline data as well as cost-effective energy efficiency measures and renewable technologies. The Committee considers that this shortfall runs contrary to the draft PfG objective to drive sustainable development.

107. The Committee has focused in particular on DFP's proposed capital expenditure in the draft Budget, which is intended, as part of the Civil Service Reform, to enable the replacement and modernisation of business processes across the NICS. It should also enable the capital accommodation programmes associated with the NICS estate, and the enhancement/maintenance of DFP's ICT systems. Additionally, capital expenditure will be incurred to improve both the energy performance of, and the level of carbon omissions from, buildings occupied by public bodies. The Department bid for approximately £94.2m over the three financial years from 2008 – 2011 (£38.3m, £32.8m and £23.1m) and was allocated £68.7m (£30m, £22.7m, £16m). The Committee will continue to monitor the potential effect which the proposed capital allocations will have on delivery and how DFP plans to manage with an allocation significantly below the amount sought.

108. The Committee had concerns as to whether the proposed capital allocations for Land and Property Services (LPS) are sufficient to allow the organisation to alleviate the difficulties associated with its IT systems, especially with regard to processing applications for rates relief. A response was obtained from DFP stating that the allocations were considered sufficient and the Committee will be keeping a watching brief on this matter. However, the Department also highlighted the fact that the Agency's capital requirements will need to be further assessed in light of the outcome of the current review of domestic rating, the first stage of which was announced by the Minister of Finance and Personnel on 26 November. LPS has a key role in the implementation of the reforms to be introduced in April 2008 and beyond and the Committee considers that any further funding requirements arising from rating reform should be met in any revised allocations. In particular, the Minister's recent decision to introduce rating of vacant domestic properties and the potential role for LPS in issuing bills for water charges will place significant strain on the organisation.

109. DFP also bid for £15m over the 3-year period for the Central Energy Efficiency Fund, used to support measures to improve the energy performance of, and reduce emissions of CO2 from,

buildings occupied by NI public bodies. As alluded to earlier, the Committee believes that the £6m allocated to this fund in the draft Budget and draft ISNI runs contrary to the prominence given to sustainability by the Executive in the draft PfG. One of the Department's major contributions to the draft ISNI is the delivery of £175m capital receipt from the Workplace 2010 programme. The Committee was given an assurance by departmental officials as to the accuracy of this figure and also that it will be delivered in the 2008/09 financial year, despite potential delays from the current legal challenge regarding the procurement process. The Committee will be monitoring progress on the key goals and milestones for Workplace 2010, as set out under the 'Productive' Investment pillar in the draft ISNI.

110. The Committee has also highlighted the review of public sector sites by 2008, which is detailed as a key milestone in the draft ISNI, and has been briefed on the work of the Capital Realisation Taskforce. Whilst recognising that the Taskforce has cross-departmental membership (Strategic Investment Board, OFMDFM and DFP officials) the Committee intends to examine the work of the Taskforce in so far as it may affect the capital allocation covered in the draft Budget period. In terms of the review of public sector sites, DFP has informed the Committee that a significant proportion of public sector sites managed by DFP will form part of the Workplace 2010 programme and that the Department's input to the review will therefore focus largely on the remaining office estate properties. DFP has already engaged with the Capital Realisation Taskforce on the utilisation of assets for which it is responsible.

111. In relation to monitoring the Department's performance, the Committee has already requested DFP's Investment Delivery Plan, and has been informed that Investment Plans will be published alongside the revised ISNI in January 2008. The Committee believes that the monitoring arrangements being developed should include a clear role for the Assembly's statutory committees.

112. Finally, DFP officials have informed the Committee that the Department is currently considering how the draft Budget allocations would be allocated to the respective bids submitted and the Committee has asked to be briefed on the outcome of this ongoing process early in the New Year.

Theme 3 – Budget Reductions and Efficiencies

Committee for Agriculture and Rural Development

113. In addition to the Committee's previous comments on staff reductions at markets and abattoirs and in respect of specialist grades in the Rivers Agency, which are equally applicable under this section, the Committee is totally opposed to DARD's efficiency plans in the following areas:

- **Animal Health and Cost Sharing**

The Committee recognises the industry's concerns on the concept of shared responsibility and believes that disease control is a public health matter and should not therefore be imposed solely on the farming community.

- **TB/Brucellosis Control Programmes**

The Committee has commented on the need for DARD to move from seeking an annual reduction in these diseases towards total eradication and believes that very substantial efficiency savings could be achieved from the subsequent reduction in compensation payments. The Committee has asked DARD to ensure greater co-ordination in testing for TB and brucellosis, with the aim of both tests being undertaken in one farm visit.

- **Wildlife Intervention Programme**

The Committee views this as another attempt by DARD to introduce cost sharing, by reducing compensation currently paid for animals diagnosed with TB and believes that any correlation between badgers and TB in cattle should be addressed through an eradication programme, rather than penalising the farming community.

- **Agri-Food and Biosciences Institute (AFBI)**

The Committee cannot see the logic in reducing resources to the main diagnostic and research centre in NI, to the extent that DARD recognises in its Efficiency Delivery Plan that AFBI will be unable to respond to emergency situations. The Committee considers that the evidence of the past summer (foot and mouth disease; bluetongue; avian influenza and brown rot in potatoes) is sufficient to ensure that a strong and fit-for-purpose institute is adequately resourced.

Committee for Culture, Arts and Leisure

114. The Committee is concerned about the effect of the loss of the Children's Fund on creative learning centres in Derry and Belfast. The Children's Fund currently provides these centres with 50% of their funding. The centres are involved in huge projects that are making a difference in communities, where they are creating a confidence and a capacity that perhaps did not exist before. The Committee considers that these centres must be protected by the provision of adequate funding.

115. The Committee would point out that funding available to the arts and sport will be further reduced because of the diversion of Lottery money to the 2012 Olympics. A total of £4.5m lottery funding will be diverted from the Arts Council between 2009 and 2012 and £4.1m Lottery funding will be diverted from Sport NI over the same period. Both arts and sports in NI are further disadvantaged in that they do not receive significant private funding as would be the case in England and other parts of the UK. Taking a more long-term view, the Committee believes that the arts sector in NI must work to increase audience attendance at events in order to generate more revenue. The Committee would also advocate organisations in the arts community working in partnership to ensure there is no duplication of facilities or services.

Committee for Education

116. A key issue for DE in delivering the required efficiency savings (cumulative cash releasing savings of 3% each year over the CSR period – i.e. £49m, £97m and £144m) is the nature and structure of the DE budget, in that some 60% of the resource budget is allocated directly to schools under the common funding formula and a further 15% goes directly to the schools/classrooms. The schools' delegated budget alone is in excess of £1bn. The key cost driver with schools and related budgets is pay, with over 75% of schools' delegated budgets relating to teachers salaries and over 10% relating to non-teaching pay. The challenge therefore, given the scale of the efficiencies required, is that any additional resources secured must be put to the best possible use to minimise their direct impact on the schools budget, while at the same time to invest in measures to secure the efficient delivery of education services.

117. One other key issue for the DE resource budget is that the DE opening recurrent expenditure baseline for 2008 to 2011 will not only be net of efficiency savings, but also the Children and Young Peoples' Funding Package (CYP) and the IDF allocation – some £38m and £5m respectively per annum.

118. The above deductions on the opening baseline for DE means that the opening baselines for 2008/09 to 2010/11 are £1626m, £1578m and £1531m, compared to the opening baseline for

2007/08 of £1720m. The draft Budget proposed allocations of £144m, £292m and £421m results in draft Budget baselines of £1770m, £1870m and £1952m representing a year-on-year uplift of 3%, 5.6% and 4.4% (average 4.3%). The Department for Children, Schools and Families (DCSF, formally DFES) outcome from the CSR 07 means that the increase in spending on education in England is 5.3% in cash terms on average between 2007-08 and 2010-11, compared to the proposed 4.3% draft Budget DE allocation increase. The DCSF settlement is fully reflected in the Barnett consequentials for the NI Block over the 3-year period 2008/09 to 2010/11. Even though Barnett consequentials are unhypothicated, this is clearly a relevant issue in considering spending proposals for schools in NI.

Committee for Employment and Learning

119. The Committee expressed extreme concern at the lack of programme and initiative funding for the 2008/09 financial year, particularly for new initiatives with no existing baseline and where there is a clear urgency. In particular, the Committee highlighted DEL's proposed strategy and action plan for migrant workers, which has no baseline and will not receive funding in 2008/09, having been allocated only £800k over three years against a bid of £1.5m.

Committee for Enterprise, Trade and Investment

120. In relation to efficiency savings, the draft Budget has already presumed that efficiencies will be met and these savings have been built into the draft Budget. It is unclear from the draft Budget what will be the outcome for allocations if the presumed efficiencies are not met. The Committee believes that, in times of budget difficulty, it has been the DETI budget which has traditionally been curbed to accommodate pressures in other departments. The Committee is therefore seeking assurances that any adjustments needed to correct "holes in the budget" will not be at the expense of measures to support a growing, dynamic, innovative economy. Furthermore, if Departments are to achieve the challenging efficiency targets, the Committee would seek assurances that adequate systems are in place to ensure the delivery of efficiency savings so that the delivery of public services will not be affected. This system will need to be monitored and targets reviewed on an ongoing basis.

121. DETI's Efficiency Delivery Plan states that it has protected frontline services. It also states that statutory frontline services have been protected through reclassification from Administration to Resource. The Committee is seeking clarification on what is meant by 'frontline' services and needs assurances that the proposed efficiency savings will not be detrimental to important client support work.

122. Regarding opportunities for DETI to achieve efficiencies through capital/asset realisation, DETI itself has an asset base of only £3.44m. The asset base of the HSENI, the NITB and the Consumer Council for Northern Ireland are all less than £3m. DETI has no proposals for disposal of excess assets in these areas and the Committee agrees that it is unlikely that there will be significant opportunities for asset disposal in this area.

123. Invest NI has an asset base which includes £127m in land and buildings and £39m of shares and investments. Invest NI's property portfolio of land and buildings provides property solutions for its Client companies, including the sale of serviced sites to enable construction of industrial premises and sale or lease of buildings. The Committee recognises that these should be regarded as an essential part of the infrastructure required to support economic development and are recognised as such in the draft ISNI. The Committee notes that Invest NI has an asset disposal programme which is reflected in the ISNI, and has agreed to deliver additional asset sales of £5m in each of the first three years of the ISNI period. The Committee will seek clarification on the balance between asset disposal and land acquisition requirements.

Committee for the Environment

124. The Committee is concerned that, to deliver the administration savings in the final year (2010/11), the Department of the Environment may have to suppress up to 300 posts, even after a decision to reduce non-salary running costs by 15%, and that there will therefore be a detrimental impact on service delivery, particularly in certain lower priority areas of the Environment and Heritage Service (EHS). Members are concerned at the proposed cutbacks in the EHS budget and the impacts which they will have on the organisation's training, resources and investment. The Committee also has concerns around the proposed efficiency savings of £1.1m in the Planning Service and how this will impact on any major reform of the organisation. The Committee is aware of the Minister's intention to reform the planning process and acknowledges that the Planning Service is also facing very significant structural reform arising from the RPA. The Committee notes that the Department's additional funding for 2008/ 09 (£4.4m) includes an amount for the Planning Service of £2.2m which, in the main, will be used to pay for staff costs, and recommends that similar amounts are allocated in the final two Budget years.

Committee for the Office of the First and Deputy First Minister

125. The Committee recognises the need for reprioritisation and for OFMDFM to deliver efficiency savings and therefore accepts OFMDFM's proposals for real-term reductions and efficiency savings in a number of administrative and support functions. The Committee does have some concerns about the potential impact of reductions and proposed efficiencies on frontline programme areas relating to equality, economic policy, the Office in Brussels and the Commissioner for Children and Young People and is seeking further information on the impact of these reductions. The Committee has concerns in relation to efficiencies identified by OFMDFM in the Northern Ireland Bureau which appear to be based on the assumption that the officers in post do not (and will not) have dependants over the draft Budget period. The Committee believes that, although the amount of resources is not significantly high, it depends on the circumstances of the person in post and therefore cannot be relied upon as an area for efficiency.

Committee for Regional Development

126. The Committee reported that DRD is finalising plans to deliver efficiency savings of £22m, £44m and £65m over the period of the Budget. Of these efficiency savings, £0.8m, £3.1m and £5.4m must be Administration cost reductions in the DEL baseline. DRD informed the Committee that it would not anticipate service levels and operating capacity to be adversely affected by the planned efficiency measures. However, the Committee has some concerns in relation to the impact of the removal of the bus route subsidy, which is dependent on the extent to which Translink will reduce services, which is still uncertain. DRD states that it will be trying to ensure that services are maintained and that the efficiencies should be managed by generating additional income or better cost management with Translink. Taken together with the unmet bid for additional bus and rail NILGOS pension contributions, the Committee concludes that this pressure will be difficult to manage.

127. DRD informed the Committee that no Administration bids were met at draft Budget stage. DRD has identified some £6.0m, £8.6m and £11.8m in Administration pressures over the Budget period and is of the view that these pressures, together with absorbing the negotiated pay award and meeting the efficiency targets outlined above, in the absence of new funding, would inevitably impact on services and require DRD to reduce the number of funded posts in the Department. The Committee supports the Department's Administration bids, and considers that failure to provide adequate Administration cover for the development of capital projects will

adversely impact on DRD's ability to deliver on its planned infrastructure investment, and its legislative and reform programmes.

128. The Committee agreed that Executive decisions on the outstanding issues in Strand One, together with those in Strand Two of the Independent Review of Water should not fall to the DRD budget, but be funded by the Executive. There are a number of issues on which the Executive has reserved its opinion, pending receipt of additional information and research. Of particular concern to the Committee are those issues which could have financial consequences for the DRD budget. Those arising from Strand One which most clearly relate to the DRD budget include:

- the level of efficiency targets and the achievability of same;
- the funding of roads drainage;
- the partial waiver of the dividend; and
- the affordability tariff.

129. Any costs arising from the Executive's decisions on the outstanding Strand One issues, together with the Strand Two issues yet to be addressed, including decisions on enhanced affordability arrangements and any costs arising from proposed changes to the governance and accountability arrangements must, in the view of the Committee, be accompanied by budgetary cover where responsibility and costs fall to DRD. The Committee heard from the Minister, that the Executive has agreed to deal with the financial implications of its decisions on the recommendations of the review, and welcomes this approach.

Committee for Finance and Personnel

130. The relative decline in the resources available to DFP is, as with other departments, intended to be supplemented by the achievement of efficiencies. DFP has a target to deliver cash-releasing efficiencies of £5.7m, £10.3m and £14.8 m respectively, over the period 2008-09 to 2010-11. It is anticipated that savings will accrue from the ongoing review of administrative expenditure and staff budgets, and by improving organisational structure. Additionally, by improving productivity and rationalising NICS office accommodation, DFP should realise additional spending power. DFP is currently revising its Efficiency Delivery Plan and will brief the Committee on the final plan after Christmas recess. The Committee understands that departmental Efficiency Delivery Plans will be published alongside the final Budget document and will therefore be available to statutory committees for scrutiny. The Committee has been briefed on the role of the Performance Efficiency Delivery Unit and plans to monitor the outputs from the Unit in driving higher levels of savings. This issue is considered later in the report.

131. The NICS reform programme, which is being co-ordinated by DFP, will realise significant savings to be redirected to delivering key services. The Committee requested quantification of the savings to be generated by the reform programme over the 3-year budgetary period and was informed that the delivery of benefits across all 11 departments, both financial and non-financial, including shared services, will take time and will be measured by a series of key performance indicators, which will be integrated within departmental business planning. DFP is currently developing a benefits realisation framework which will address the delivery of both quantitative and qualitative benefits in respect of the reform programmes/projects being implemented within DFP. The Committee will wish to undertake regular reviews of progress against this benefits realisation framework and considers that the finalised framework should be placed in the public domain. Moreover, the Committee considers that the Department should outline the anticipated efficiency savings to accrue across all 11 departments from the various reform programmes.

132. The Committee believes that the significant savings from the reform programmes are an important part of the Executive's Draft Budget and will play a key role in the delivery of the PfG. Target dates for the various NICS reform programmes are included in the draft PfG. The Committee sought and received clarification from DFP that these targets are for the full implementation of the various programmes, as opposed to piloting the programmes. A notable exception here is the target for Workplace 2010, as the Committee was informed that the target date of 30 November 2008 reflects only partial implementation and has asked for this to be clarified in the finalised document. Whilst the target dates in the draft PfG represent some slippage in original plans across a number of programmes, the Committee has been assured that the programmes are currently on track for delivery by the target dates included in the draft PfG.

133. The Committee was also briefed on DFP's intention to review its policy on hard charging with the objective of recovering full cost, including a review of the scope for extending hard charges for services it provides in line with legislative authority. Whilst, in some cases this will entail movements between departmental budgets, the Committee has been informed that this will also involve increases in overall levels of income.

Theme 4 – Budget Information and Process

Committee for Culture, Arts and Leisure

134. The Committee is of the view that the level of detail provided in the draft Budget document made it very difficult for the Committee to comment constructively, particularly on the impact of funding, when it does not know which bids are to be met and which will not. The resource and capital allocations only list the overall areas of spend (e.g. arts, sport, and museums). Despite making a request, the Committee received no detailed information from DCAL. The Committee understands that other committees were more successful in obtaining detailed information from their respective departments. The Committee is of the view that in future there needs to be proper consultation between the Department and Committee on how the Department intends to allocate its budget in order to facilitate the Committee in making a meaningful response to the draft Budget consultation exercise.

Committee for Employment and Learning

135. The Committee was concerned that the overall budget process is based on one of prioritising bids and considers that this does not easily sit with the necessary cross-cutting themes articulated in the draft PfG. The Committee considers that a more thematic approach to tackling core issues would be more appropriate in setting budgetary policy. The Committee considers it important that communication on the budget is particularly focused on DEL's community sector delivery partners, particularly in the area of adult education provision, so that the wide range of partners can plan appropriately for future delivery of services.

Committee for Enterprise, Trade and Investment

136. The Committee acknowledges the time constraints associated with the CSR process which has been challenging for the Executive and Assembly Committees. The scrutiny process enables Committees to respond to the draft Budget and draft PfG through the co-ordinating process of the Committee for Finance and Personnel and the Committee for the Office of the First and Deputy First Minster. This process is reasonably transparent and enables Committees to consider draft proposals at a broad level. However there would appear to be a transparency gap, where less is known about the decision making process at Departmental level.

137. The Committee believes that this transparency gap should be addressed and that arrangements should be made to enable Departmental statements to be made to the Assembly

after the budget has been passed. However the Committee acknowledges that where possible, this should be done at no additional cost to other Assembly business.

Committee for the Office of the First and Deputy First Minister

138. In relation to proposals for improving the quality and relevance of financial and performance indicators in the draft Budget, the Committee considers that, from a departmental perspective, the draft Budget document allows departments to outline the key issues and challenges they face in the budget period and beyond. It also discusses what the budget allocations will help the departments to achieve and there is evidence that there are some timeframes against which performance can be measured. However, much of what is stated here is a continuation of existing services under what may be considered existing policies and programmes. It is recognised that there are a number of new interventions by the Executive within these statements and that these are more clearly identifiable in the lower level PSAs, but there is the potential to undersell the new interventions by assuming that these documents will be read in tandem.

139. The Committee recommends that the Minister of Finance and Personnel considers providing a clearer indication of the new interventions in his high-level document in each departmental section. The Committee also recommends that more indications of timings are provided, where appropriate.

140. Regarding proposals for improving the future budget process, consultations on the PfG, ISNI and Budget were launched in the Assembly on Thursday 25 October 2007 and began an 8 week consultation period. It must be noted that the launch of these consultations on this date meant that the consultation period would cover three weeks when the Assembly is in Christmas recess. However, it is also recognised that the launch of the consultation was hindered by the late announcement of the result of the CSR by the Chancellor of the Exchequer which confirmed the available resources in the NI Block.

141. The Committee for the Office of the First Minister and Deputy First Minister and the Committee for Finance and Personnel agreed to co-ordinate responses to the consultations from the Assembly's statutory committees. Due to the imminent Christmas recess period it was therefore necessary for committees to carry out consultation with their respective departments and to respond to the two Committees by 28 November 2007. This further curtailed the statutory committees' ability to consider the implications of the proposals contained in the draft PfG, ISNI and Budget documents.

142. The Committee for the Office of the First Minister and Deputy First Minister recommends that the Minister of Finance and Personnel and the Executive examine the schedule for future consultations on the PfG, ISNI and Budget with a view to maximising the capacity for statutory committees to fulfil their statutory roles to advise Ministers on departmental budgets. Specifically, the Committee asks that following consultation with his Executive colleagues, the Minister for Finance and Personnel provides a timetable for Budget 2008 to facilitate early consideration and engagement by statutory committees.

143. The Committee also recommends that the process for Budget 2008 builds into the process early production of Equality Impact Assessments for in-depth consideration by committees.

Committee for Regional Development

144. The Committee understands that, because of the timing of restoration, the PfG, ISNI and Budget process for this year has been somewhat shorter than normal. However, it is the view of

the Committee that the time scale this year was too short to allow sufficient time for Committee consideration and the Assembly process.

145. The Committee would like to see clarification, simplification and harmonisation of the terminology used in the PfG, the ISNI and the Budget. Within the draft PfG there is one overarching aim, five strategic and interrelated priorities of which one is the top priority, two cross-cutting themes and 38 goals, in addition to 23 PSAs, encompassing 95 objectives above a myriad of actions and targets. Within the draft ISNI, which it states shares the overarching aim of the PfG, there are six investment pillars encompassing 23 sub-pillars. Within the draft Budget, each DEL is split between capital and investment, which are delineated into objectives labelled by a letter rather than an activity, (although they should align with the Department's objectives), and below that into spending areas. The spending areas align closely with the sub-pillars in ISNI because of the relationship between the capital budget and the ISNI. However the departmental objectives used to organise the Budget are at a different level to the objectives used in the PSAs and differ again from the PSAs themselves. The Committee is of the view that aligning the PSAs more closely with the Budget documents (Departmental objectives and spending areas) would allow Committees to assess what their Department is to achieve with the funding allocated to it, which would in turn enhance ongoing Committee scrutiny.

146. There is also the question of the hierarchy and relationship between the PSA objectives and targets in the PSA annex to the PfG, and the key goals listed in the PfG. This is not clear, nor is it clear that, when a commitment is given to monitoring and reporting on progress, what exactly is to be monitored and reported on. It is the view of the Committee that the Departmental Position Report and Executive Position Report stages of the budget process under the previous Assembly provided useful and timely information to Committees and should be considered for inclusion in the process for next year. In addition to the alignment of budget allocations to priorities and actions, the publication of an annual report illustrating both spend and delivery would begin to provide the information needed by Committees and the Assembly to discharge their scrutiny and advisory functions.

Committee for Social Development

147. The Committee highlighted the comments made by DSD in relation to the budget process: "Communication between the key stakeholders involved would need to be strengthened in the future to ensure greater understanding of the business of the Department and an understanding of how decisions by the Department of Finance and Personnel and the Strategic Investment Board have been taken. From the beginning of the Investment Strategy, Comprehensive Spending Review and budget process, the Department has devoted significant time and energy to provide vast amounts of information to support its bids. However, the extent to which this has informed decisions on allocation remains unclear".

Committee for Finance and Personnel

148. The Committee considers that the draft Budget is to a large extent driven by the PfG and that there should therefore be as much readacross as possible between the two documents. The Committee noted the Committee for Regional Development's call for the departmental objectives in the Budget to align more closely with the objectives in the PSAs which accompany the PfG, to allow Committees to more easily assess what their respective departments are to achieve with the funding allocated.

149. It is noteworthy that a similar theme emerged in the predecessor Committee for Finance and Personnel's Report on the Draft Budget 2002/03, published in November 2001, when concerns were raised by certain committees that funding for priorities and targets in the draft PfG were not obviously reflected in the draft Budget. The Committee noted at that time that

Strand 1 paragraph 20 of the Belfast Agreement requires the Executive to ‘seek to agree each year, and review as necessary, a programme incorporating an agreed budget linked to policies and programmes, subject to approval by the Assembly, after scrutiny in Assembly Committees, on a cross-community basis’. The present Committee reiterates the recommendation by its predecessor that, where a priority has been accepted into the PfG, the funding to deliver it should be transparent in the draft budget allocations.

150. The Committee agrees with the views of the Committee for Culture, Arts and Leisure that the level of detail in the draft Budget document, where resource and capital allocations are shown only under overall levels of spend, make constructive scrutiny of draft Budget allocations more difficult. This puts the onus on departments to provide the necessary information. The Committee for Enterprise, Trade and Investment also highlighted the transparency gap in the decision making process at Departmental level and suggested the possibility of Departmental statements being made in the Assembly after the Budget has been passed.

151. The Committee for Finance and Personnel notes that there is a target of January 2009 for the first review of the Budget for 2008 – 2011. The Committee considers that an annual timetable for budget setting and review, which builds in sufficient time for the effective involvement of the Assembly’s statutory committees, needs to be published by DFP as soon as possible and the Committee will be working with the Department to achieve this. The Committee agrees with the Committee for Regional Development that the publication of an annual report, showing spend and delivery, would greatly assist the Assembly and its committees in their scrutiny and advisory functions.

152. To summarise on the issue of Budget information, the Committee echoes the call, made by a number of the Assembly statutory committees, for a closer alignment between the revised Budget and the revised PfG than exists in the draft documents; in particular a more visible linkage is required between PfG priorities and goals, PSA objectives and the allocations, departmental objectives and spending areas in the Budget. The Committee also considers that there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments’ bids and their outcomes being published as part of the draft Budget process.

153. Looking ahead, the Committee considers that the future budget process and timetable needs to be settled early in 2008 to enable the Assembly statutory committees to schedule the necessary scrutiny into their work programmes and thereby provide departments with notice in terms of the future information and briefing requirements of committees.

154. In conclusion, in terms of the draft budget allocations for individual departments, the Committee recommends that, in finalising the Budget 2008 – 11, the Minister of Finance and Personnel and the wider Executive take on board the conclusions and recommendations contained in the substantive submissions from each of the Assembly statutory committees, which have been included as appendices to this report.

Consideration of Strategic and Cross-cutting Issues

155. DFP has a key role in leading and co-ordinating a range of strategic and cross-cutting issues which have an impact on public expenditure and financial performance across the NICS. Thus, in addition to setting out the views of the statutory committees on the draft allocations for the

respective departments, the Committee considered that, in reporting on the draft Budget, it would be important to examine these wider issues.

Efficiency Savings

156. The Committee recognises that the reduced rate of growth in public expenditure across the UK means that there is a greater emphasis on efficiency and value for money. Within the draft Budget there is a target for departments to deliver cash releasing efficiency savings of £793 million by 2010-11, equivalent to 3% annually over the CSR period which will, in part, be achieved by a 5% real reduction in administration costs of departments. The Committee is aware that the 3% target is equivalent to the baseline figure for Whitehall departments.

157. Table 3 below provides the breakdown of the efficiencies to be delivered over the period to 2010-11, as set out in the draft Budget document published on 25 October 2007.

Table 3 – Cash Releasing Efficiency Savings Target by Department

	2008-09 £m	2009-10 £m	2010-11 £m
Agriculture & Rural Development	6.2	12.2	18.1
Culture, Arts & Leisure	3.6	7.0	10.4
Education	63.2	124.5	184.0
Employment & Learning	20.3	40.1	59.2
Enterprise, Trade & Investment	7.7	15.2	22.5
Finance & Personnel	5.7	10.3	14.8
Health, Social Services & Public Safety	118.2	232.8	344.0
Environment	3.9	7.7	11.4
Regional Development	22.4	44.2	65.3
Social Development	19.3	38.1	56.3
Food Standards Agency	0.2	0.4	0.7
Office of the First Minister and Deputy First Minister	2.4	4.6	6.8
Total	**273.2**	**537.3**	**793.5**

158. DFP has advised the Committee that departments developed over 90 Efficiency Delivery Plans under Direct Rule, with the top ten by value accounting for around 70% of the total value of savings. These are detailed below in Table 4.

Table 4 – Top 10 Efficiency Options in terms of savings by 2010/11

Efficiency Option	Dept	Savings £m
Programme of measures to improve productivity in the Health & Social Care sector (including RPA)	DHSSPS	160.1
Removal of lower priority projects from the Schools Estate Capital Investment Programme	DE	97.8
Constrained growth in pay for Health & Social Care sector flowing from DoH efficiency	DHSSPS	71.0
Improved efficiency in the provision of Pharmaceuticals	DHSSPS	58.7

Efficiency Option	Dept	Savings £m
More cost effective procurement arrangements in the Health & Social Care Sector	DHSSPS	36.3
Aggregated Schools Budget - impact of changes in demography.	DE	32.0
Housing Executive VfM Study	DSD	27.4
Water Service - Efficiency Target for GoCO	DRD	26.2
Withdrawal of Electricity Contract But Out proposal	DETI	19.7
Review of Public Administration in the Education sector	DE	16.0
Total		**545.2**

159. In response to enquires from the Committee, DFP has also provided some explanation as to the background to the 3% target. The Committee has been advised that, prior to the restoration of devolution, HMT had estimated that the annual growth of public spending would be 2% and, as part of its preliminary discussions with departments, estimated that cost pressures would be in the region of 5%. Consequently HMT asked for efficiencies of between 3% and 5% and the Secretary of State at the time agreed to NI departments having a target of 3%, which is a minimum requirement.

160. Whilst supporting the drive to maximise efficiencies the Committee notes that, compared to HMT's projected 2% growth in annual public spending, the annual average real growth across the budget period will be only 1.2%. Moreover, the Committee believes that the 3% across-the-board efficiency target could present a greater challenge for some departments than for others. The nature and structure of a department's budget, and the particular demands thereon, will have a bearing in this regard. Several of the Assembly statutory committees have pointed to the potential impact of the targeted efficiencies on frontline services delivered by their departments and have highlighted that, in addition to this pressure, baselines will be affected by decisions on cross-cutting funds, such as the Children & Young Peoples' Funding Package and the Integrated Development Fund. The Committee also considers that some departments may, conversely, be in a position to achieve efficiencies higher than the 3% target and, therefore, calls on DFP to keep under review the comparative impact which the efficiency target is having on individual departments in delivering public services.

161. The Committee considers that it will be important to keep in mind the overriding objective of the drive for greater efficiency, namely that the resultant savings are redirected to frontline services. In this regard, given that the targeted efficiency savings on resource spend have already been removed from departmental starting baselines, the Committee is concerned that there will be a risk to spending on frontline services, from any slippage in achieving the planned efficiencies. The Committee understands that it is planned to publish the final departmental Efficiency Delivery Plans alongside the Final Budget. The Assembly statutory committees will therefore have a vital role to play in scrutinising and monitoring the progress by their respective departments in achieving the planned efficiencies.

The Reform Agenda

162. The Committee is cognisant of the fact that the reform agenda, for which DFP will have a co-ordinating role, is an integral part of the wider efficiency drive. Central to the reform agenda is the major programme of Civil Service reform, which aims to focus energy and resources on frontline priorities by improving efficiency, rationalising support services and harnessing technology. In providing evidence to the Committee, DFP summarised the Civil Service reform programme in the diagram below:

163. The key reform projects for which DFP has lead responsibility include NI Direct, which will ultimately provide a single telephone point of contact for public services, and the various shared service centres, including HR Connect, Records NI and Account NI. The HR Connect project aims to automate and introduce greater consistency to existing HR processes and provide staff with easy access to better quality HR information via their desktop computers. Records NI aims to deliver a central NICS-managed Electronic Documents and Records Management (EDRM) service with the polices, procedures and standards required to govern its use in all NI departments. Account NI will provide a common accounting system across the NICS.

164. The Civil Service reform programmes and projects are expected to realise a range of benefits and value for money savings across the eleven government departments. The Committee recognises the importance to the Budget of the efficiency drive underpinning the programme of Civil Service reform and has been advised that the benefits will be measured using a series of key performance indicators, which will be integrated within departmental business planning. There will be an important role, therefore, for Assembly statutory committees in monitoring the progress on the various reform projects in their respective departments.

165. In its evidence to the Committee, DFP explained that the various projects in the Civil Service reform programme are funded on the basis of value-for-money savings that have been worked out on a project-by-project basis but which have yet to be realised. Whilst the Department highlighted the case of the HR Connect project achieving a planned reduction of approximately 530 personnel staff, the Committee noted that the information on the other projects lacked such specific information on planned savings or efficiencies. As such, the Committee considers that there would be a benefit, in terms of monitoring and accountability, from having the projected value-for-money savings from each of the Civil Service reform projects quantified and disaggregated from the overall 3% cumulative efficiency target.

166. In providing evidence to the Committee, DFP outlined the progress in establishing the various shared service centres. The Committee welcomes this progress and recognises the potential efficiencies and other benefits from increased use of shared services. In this regard, the Committee sees scope for widening the customer base of the shared service centres beyond NICS to cover NDPBs and other public bodies. Whilst the Committee accepts that the current focus is on establishing the shared service centres to offer an NICS-wide service, it nonetheless believes that the wider potential should be pursued with a view to maximising efficiencies across the public sector. Moreover, the Committee considers that the contractual arrangements with the

providers of the shared service centres should include provision to ensure that NICS shares in the benefits from any future expansion in the customer base of the centres.

167. Workplace 2010 represents another major element of the Civil Service reform programme. The Committee acknowledges the part which the project is expected to play in terms of rationalising the government estate into a more efficient portfolio of buildings that support new ways of working for a modern civil service. However, the Committee is concerned that the ongoing legal challenge, regarding the Workplace 2010 procurement process, could delay progress or even endanger the whole project.

168. The Committee has already published a report on Workplace 2010 and will continue to scrutinise the future progress and direction of this major accommodation project, which will affect all departments and is expected to generate approximately £175m in capital receipts during the budget period. The Committee recognises the importance of the capital receipt from Workplace 2010 to the allocations in the draft Budget but is concerned that the projected capital receipt has varied considerably in recent months. As such, it is necessary to reiterate the call, made in the Committee's First Report on Workplace 2010 and Location of Public Sector Jobs, for the Department to obtain an accurate and up-to-date market valuation of the properties to be transferred to the Private Sector Partner, thereby maximising the capital receipt.

169. As part of the initial Civil Service reform agenda, set out in the Fit for Purpose document published in 2004, there was a targeted NICS headcount reduction of 2303 by 31 March 2008. In its evidence to the Committee, DFP reported progress in reaching this target and stated that by 30 June 2007 the headcount reduction stood at 2134. The Committee welcomes the confirmation, made by the Minister during the plenary debate on 27 November that, on the basis of a natural turnover of 5.4% of Civil Service posts, the headcount reduction will be achieved without recourse to any form of redundancy scheme. However, the Committee has queried the extent to which the headcount reduction has been achieved by redeploying staff to reform projects and to work which is outsourced from GB departments. During an oral evidence session the Committee was advised by DFP that over the past two-and-a-half years the NICS staffing complement has been reduced by approximately 650 posts and that approximately 400 other staff have been re-deployed on a short-term basis to reform projects. In response to the Committee's query DFP has advised that the latest figures for the period up to 30 September 2007 indicate a total of 2,233 reductions, of which all but 3 were achieved through efficiencies. The Committee will, nonetheless, wish to receive clarification from the Department on the level of cash savings which has been achieved to date as a result of the headcount reductions. On the issue of NI departments undertaking work which is outsourced from GB departments, the Committee considers that the Executive should ensure that this activity has a sufficient net revenue gain to NI and does not adversely impact on the achievement of efficiency targets by NI departments.

170. The initial Civil Service reform agenda also included a target of £250m in savings on public procurement by the end of March 2008. DFP has advised the Committee that at the end of September 2007 a total of £203m in savings had been achieved. The Committee welcomes this progress and has been assured by DFP that the remainder of the target (£47m) will be achieved by April 2008. The Committee has also noted the targets for value-for-money gains in procurement, which have been included under Objective 5 of PSA 21. The Committee has called for these targets, including the '3% Value for Money gains on procurement spend', to include timescales and for baseline information to be provided in respect of the planned 25% reduction in the amount of procurement which is not channelled through the Centres of Procurement Expertise. Whilst commending the progress in achieving the target of £250m in savings on public procurement in the three years up to 31 March 2008, the Committee calls for a new target to be included in the revised Budget, which should include a monetary value for savings to be achieved by the end of March 2011.

171. Also falling within the wider reform agenda is the important issue of managing absenteeism within the public sector. The Committee has taken evidence from DFP on what actions are being taken, or are planned to be taken, to tackle this problem. In addition, the Committee was briefed on the recent report by the NI Statistics and Research Agency (NISRA), which provides detailed analysis of sickness absence in the NICS in 2006/07, including trend data and performance against targets. Amongst the findings in the NISRA report, the Committee noted, in particular, that an average of 13.7 days per staff year were lost as a result of sick absence in the NICS in 2006/07 and that this was up from 13.4 days in 2005/06. It was also noted that the direct paybill cost of sickness absence was £25.6m. The Committee regards the policy on managing absenteeism to be an important reform issue facing DFP and the wider NICS and will be examining this area further, including progress towards reducing the average sickness absence rate to 9.5 days by 2010.

Performance and Efficiency Delivery Unit (PEDU)

172. The Minister announced the proposal to create PEDU on 27 September 2007, during a speech to the Chartered Institute of Public Finance and Accountancy, when he stated that PEDU will 're-examine the scope for generating cash-releasing efficiencies and improving delivery and performance within departments and across the wider public sector'. Whilst the draft Budget document points to further information on the proposal being published in due course, the Committee decided to hold an initial evidence session with DFP officials in the meantime, which would form part of its deliberations on the strategic issues contained in the draft Budget.

173. Whilst emphasising that the Minister has not yet concluded on a range of issues regarding PEDU, the DFP officials advised that, in considering the optimum structure, scope and remit of the Unit, it has been able to draw on experience in Whitehall in terms of the successful aspects of the Prime Minister's Delivery Unit (PMDU). The emerging themes which DFP has identified to date are as follows:

- the Unit should be led by a credible and external figurehead;
- the work should be targeted and focussed on specific areas, rather than applying a broad brush approach to the system in totality;
- the Unit will have a small core staff, and should be supplemented on specific assignments by secondees from the area under examination;
- rather than holding departments and other bodies to account for delivery (for which separate mechanisms exist), the Unit should seek to work with delivery bodies, to seek to improve efficiency and delivery.

174. During the oral evidence, DFP officials clarified a number of queries for the Committee. It was explained that PEDU will take an analytical and objective approach to its work, which will include a quantitative and qualitative perspective on issues, and will help to identify and define problems, examine their causes and offer resolutions. The Unit will also aim to work with departments in a way which is non-confrontational and based on partnership. In addition, it was confirmed that the focus of PEDU will be on identifying potential efficiencies which are additional to the 3% across-the-board target, with the responsibility for achieving the 3% target resting with departments through their Efficiency Delivery Plans. In terms of its more immediate tasks, the Committee welcomes the fact that PEDU will consider the areas from the Deloitte report on the cost of division, which fall to the Executive.

175. Also in the evidence session with DFP, the Committee queried how PEDU will relate to the work of NIAO and DFP Supply and the potential for an overlap of functions. The issue was also raised as to the handling of efficiency savings accruing from the Unit's work and whether there will be scope for offering incentives by allowing departments to retain at least a share of such

savings. The Committee recognises the potential for this efficiency aspect of the Unit's work to cause conflict with Ministers, who could regard any savings transferring to the Executive as an effective reduction in their departmental budgets.

176. From the DFP evidence there was also a recognition that the PMDU model cannot translate directly to the local context in NI, where there are four parties on the Executive, which will necessitate a consensus approach to identifying the issues to be investigated by PEDU. This will require 'buy in' from Ministers and their departments to ensure that engagement by the Unit is seen as a positive measure rather than an intrusion to be stymied.

177. The Committee sees considerable potential in the proposal to establish PEDU, as this could provide the Executive with a tool for driving out additional efficiencies and provide individual Ministers with a means for raising performance and delivery within their departments. However, the Committee recommends that, before launching the initiative formally, DFP should resolve the issues which the Committee has identified to date. These include: the terms of reference within which PEDU will operate, which should ensure that the Unit does not contradict or cut across the work of DFP Supply or NIAO; the protocols to provide for consensus-based engagement and positive relationships between PEDU and departments; approaches to offering incentives to gain commitment from departments; clear accountability arrangements and robust reporting mechanisms and targets that will enable the Unit's performance to be measured and assessed.

Management of Public Finances

178. The Committee sees an important interconnection between the planned reduction in overcommitment, the future arrangements for End Year Flexibility (EYF), the increased importance of minimising underspend and the need to raise the standard of financial forecasting and monitoring within NICS.

179. The approach of 'planned overcommitment' – whereby more is allocated to spending programmes before the start of the year than is actually available – helps to reduce underspend by anticipating average levels of reduced requirements, and adjusting the total level of resources allocated to programmes accordingly. However, it has now been recognised that this reduces in-year flexibility and the capacity to respond to in-year unforeseen pressures. Accordingly, the Minister announced a planned year-on-year reduction in overcommitment, from the present figure of £153 million to £100 million in 2008/09, £80 million in 2009/10 and £60 million in 2010/11.

180. Turning to the EYF mechanism, the Committee notes that this has been seen as a financial safeguard whereby any unspent resources, both current and capital, are not lost to NI but instead are carried forward at the year-end to be accessed in subsequent years. In its evidence to the Committee, however, DFP has explained that, as from the current financial year, a Treasury restriction will apply on access to current and capital EYF stock. This will require DFP to agree with Treasury the level of access to NI stock of EYF in each financial year. The Department has also explained that the Minister has negotiated with Treasury 'a profile full access to both the existing current and capital EYF stock available to the Executive'. This means that over the course of the Budget period 2008-11, the existing EYF stock can be accessed according to the breakdown in Table 5 below.

Table 5 – Agreed Access to Full Stock of Existing EYF

Year	Current/Resource £m	Capital £m
2008/09	125.00	100.00
2009/10	35.00	100.00
2010/11	30.00	50.00

181. Whilst welcoming the fact that the Executive will now have full access to the stock of EYF which has accumulated to date, the Committee notes that there is no certainty regarding the level of access to underspend from the current financial year and thereafter.

182. In terms of underspend patterns, the Committee has noted that in the three-year period from 2004/05 to 2006/07, between 1.6% to 2% of revenue budgets across the NI block remained unused at year-end and that the overall percentage for current underspend increased year on year. This represented between £113 million and £155 million per annum. In the same period, between 15% to 18.2% of capital budgets remained unused, amounting to between £97 million and £227 million. Tables 6 and 7 below provide a breakdown of the current/resource and capital underspend respectively by departments for this period.

Table 6 – Departmental Underspend: Current Expenditure 2005 – 2007 3.

	2004-05		2005-06		2006-07	
Department1	**£m**	**%**	**£m**	**%**	**£m**	**%**
DARD	28.8	11.5	14.3	6.3	11.8	5.1
DCAL	1.1	1.3	3.9	4.0	2.3	2.3
DE	28.0	1.9	30.2	1.9	70.7	4.3
DEL	9.7	1.6	23.9	3.9	15.6	2.5
DETI	3.4	1.8	2.0	1.0	9.0	4.6
DFP	13.1	9.0	13.3	8.0	19.3	10.6
DHSSPS	1.6	0.1	10.4	0.3	6.3	0.2
DOE	1.8	1.4	3.9	3.0	2.1	1.7
DRD	4.9	1.4	11.3	3.1	7.0	1.9
DSD	17.0	3.7	20.3	4.3	7.8	1.6
OFMDFM	2.7	4.9	1.4	2.7	1.7	3.1
FSA	0.0	0.8	0.4	4.5	0.2	2.2
NIA	0.7	2.0	1.7	5.2	0.7	2.0
AOCC	0.1	4.5	0.1	4.1	0.0	3.3
NIAER	0.1	12.0	0.8	51.5	0.4	15.5
NIAO	0.4	4.8	0.7	8.6	0.3	3.9
Total Departments	113.4	1.6	138.7	1.9	155.3	2.0

Table 7 – Departmental Underspend: Capital Expenditure 2005 – 2007 4.

	2004-05		2005-06		2006-07	
Department2	**£m**	**%**	**£m**	**%**	**£m**	**%**
DARD	8.3	18.8	29.6	43.2	5.7	11.9
DCAL	6.6	51.2	7.4	31.5	6.6	30.3
DE	46.9	24.4	38.8	23.0	30.7	19.4

	2004-05		2005-06		2006-07	
Department2	**£m**	**%**	**£m**	**%**	**£m**	**%**
DEL	13.0	23.3	22.9	30.9	6.4	10.7
DETI	5.7	9.2	8.3	17.8	1.3	5.3
DFP	16.1	88.3	32.6	73.4	9.7	18.3
DHSSPS	31.4	17.3	1.9	1.2	13.1	6.6
DOE	7.5	39.1	8.4	43.6	4.2	24.1
DRD	13.0	3.1	32.4	6.9	0.0	0.0
DSD	22.3	15.6	43.8	25.3	17.5	20.3
OFMDFM	1.0	60.5	1.0	32.8	0.8	36.5
FSA	0.0	6.5	0.0	21.7	0.0	22.2
NIA	0.1	86.6	0.0	50.0	0.2	78.4
AOCC	0.0	12.2	0.0	11.5	0.0	54.5
NIAER	0.0	47.4	0.1	46.8	0.1	78.2
NIAO	0.0	16.0	0.1	32.5	0.2	21.9
Total Departments	171.8	15	227.4	18.2	96.7	8.9

183. In addition to obtaining from DFP the above information on underspend, the Committee sought a comparison of NI performance against the other devolved administrations and the Whitehall average over recent years. This information is included at Appendix 5 and shows that the NI record of average annual underspend compares unfavourably, particularly in respect to current/resource expenditure, to the Scottish Government, the National Assembly for Wales and Whitehall. The Committee notes, in particular, that the average resource underspend by some of the other administrations has been kept to below 1.5% in recent years.

184. Whilst the Committee notes that the degree of capital underspend has improved significantly, from between 18.2% in 2005/06 to 8.9% in 2006/07, it is aware that this is subject to fluctuation. That said, the Committee deems that, in terms of current/resource underspend, the average figure of 2% across departments in 2006/07 is unacceptable and recommends that a target is set for reducing current underspend to an average of not more than 1.5% across departments in 2008/09 and to not more than 1% thereafter. On capital underspend, the Committee accepts that this can fluctuate due to unforeseen delays and matters which can be outside the control of departments. Nonetheless, the Committee would point out that delays in capital projects can add significantly, both directly and indirectly, to overall costs and calls for steps to be taken to ensure the effective planning and management of capital projects, with a view to minimising delays and resultant underspend in this area.

185. The Committee accepts the need to reduce overcommitment to provide greater in-year flexibility and capacity to respond to in-year unforeseen pressures. However, the Committee has concerns with the requirement, which applies from 2007/08, for DFP to agree access to the NI stock of current and capital EYF in each financial year with Treasury. The Committee considers that this restriction on access to EYF attaches uncertainty and risk to monies received originally as a NI entitlement under the Barnett formula. This, combined with the decision to reduce overcommitment, means that there is now an even greater onus on departments to manage public finances in a way which achieves the highest possible level of spend within authorised limits and maximises the impact from available resources. In the view of the Committee, this will require the eradication of the culture of underspend within departments, which has been evident in recent years.

186. The Committee acknowledges that the Department is taking steps to develop financial management skills and improve financial processes across the Civil Service. As part of this initiative, DFP commissioned an external review of forecasting and monitoring and a report on this review by PKF consultants was published in June 2007. The overriding finding from the report was that there is insufficient priority afforded to forecasting and monitoring. It also highlighted the fact that 'average' underspend figures fail to reflect the variance across departments. The Committee will be monitoring the implementation of the recommendations from this Review.

187. The Committee believes that DFP should give a high priority to driving forward the financial management agenda across NICS, including implementing the recommendations in the PKF Report, to raise the priority given to financial forecasting and monitoring within departments. In addition, the financial scrutiny role of the Assembly statutory committees will have even greater significance in the context of the increased need to minimise underspend. The Committee recommends that the Assembly statutory committees should include budget and financial scrutiny as an integral part of their work programmes. In particular, the ongoing scrutiny of the in-year quarterly monitoring rounds – both before the returns are made to DFP and once the results are announced – will, inter alia, enable the committees to gauge the standard of financial management within their respective departments. To facilitate this process departments should provide their committees with the necessary financial information on a timely basis and in an accessible format.

Funding for Cross-cutting Programmes

188. The Committee has raised a number of concerns with DFP regarding the discontinuation of discrete cross-cutting funds, which had previously existed in the form of the Priority Funding Packages and the Executive Programme Funds. Several of the other Assembly statutory committees have also raised this issue in their submissions and the Committee is particularly concerned that important cross-cutting programmes do not fall by the wayside due to the absence of the discrete funds, such as those which covered Children & Young People, Skills & Science, and Environment & Renewable Energy.

189. In response to the Committee, the Department has pointed out that, in the first instance, the creation of the funds required departmental budgets to be 'top sliced', which reduced resources available for the generality of pressures across departments. It has also been noted that the pattern of underspend in these ringfenced funds has been considerably higher than the average: in evidence to the Committee in June 2007, DFP provided figures to show that the total level of underspend in the Priority Funding Packages for 2006/07 was 23% for resource DEL and 28.2% for capital DEL (Appendix 5). The Department has explained that, in terms of future arrangements, the cross-cutting dimension is dealt with through the Executive's PSAs and has also sought to reassure the Committee that the community and voluntary sector is being consulted presently regarding its concerns with this aspect of the draft Budget.

190. Given the level of concern that has arisen regarding the future funding for cross-cutting programmes, such as Children & Young People, the Committee calls for further assurance in the revised Budget that these important spending areas will not lose priority and that any new funding arrangements do not hinder access by the voluntary and community sector.

Rating Reform

191. The Committee welcomes the proposal not to increase the regional domestic rate in each of the three years covered in the draft Budget, especially given the significant increase in this element of rates during the recent period of Direct Rule. During the plenary debate on 27

November 2007, the Minister pointed out that this is equivalent to a reduction of over 8% in real terms over the next three financial years and will result in an average household saving of over £1,000 during this period. The Committee also welcomes the extent to which the recently announced reforms of the domestic rating system align with the recommendations in the Committee's recent report on this matter. The Committee will wish to examine how these reforms are reflected in the revised Budget.

192. In terms of the non-domestic sector, the draft Budget proposes to reduce the average annual increase in the business regional rate, from approximately 3.3% in the past five years to 2.7% for each of the next three years. The Committee acknowledges that the proposal to hold the increase to the level of inflation, and thereby minimise the burden on businesses, is in line with the Executive's wider priority of promoting economic growth.

193. The proposal to freeze industrial rates liability at 30% across the Budget period is also in keeping with the increased focus on the economy. The Committee has considered this proposal carefully and has received evidence from DFP and the Economic Research Institute of Northern Ireland (ERINI) on the recent review of the policy on industrial derating. The ERINI report found little evidence to suggest that industrial rating would lead to a collapse in manufacturing with substantial loss of output and jobs beyond existing trends in the sector. In concluding, ERINI also suggested that proceeding to a 50% liability would incur only a relatively small risk to industry as a whole. The Committee, therefore, notes that scope exists for reviewing the 30% liability in the future. However, the outcome of the Committee's deliberations to date is that it supports the Minister in proposing the retention of both the 30% manufacturing liability and the 25% freight transport liability for the time being.

194. Though mindful that industrial derating represents one of the few fiscal tools at the Executive's disposal, the Committee considers that the policy is an outdated and blunt instrument in terms of promoting economic development and sustainability in the longer term. In this regard, the Committee recommends that DFP considers further the scope for modifying the industrial derating scheme in the longer term to encourage increased business activity in areas which lead to higher productivity (e.g. research & development, export marketing). In the event that the scheme cannot be modified directly without contravening EC state aid rules, the Committee would support the approach, suggested in the ERINI report, of the Executive taking the opportunity of the review of industrial derating to build a new concordat between industry and government, which will specify what each can expect from the other in obligation and support.

Capital Realisation Taskforce (CRT)

195. In evidence from DFP, the Committee was advised that the role of CRT will be 'to make recommendations that remove barriers to much more efficient and economically effective use of the asset base, realising additional resources through the disposal of surplus or under utilised assets'. The Committee also heard how departments face barriers to effectively and efficiently managing their assets, not least the complexities and risks involved in the rationalisation and disposal of assets and the fact that departments, by their nature, are more focused on policy development and service delivery. Other barriers include: the lack of incentive for individual departments to take a 'corporate' approach in circumstances where they do not benefit directly from the asset disposal; and the fact that progress can be stymied in instances where a cross-departmental approach is required but where the priorities of the departments concerned are not aligned.

196. DFP has advised the Committee that, in taking a more strategic approach to the management of the public sector asset base, CRT will:

- examine the use of all capital assets held by departments and their related agencies and NDPBs, with a view to identifying assets that can be realised over the life of ISNI;
- assess the timing and potential size of the receipts;
- consider whether the aggregation of assets might lead to economies of scale and other strategic benefits compared to a piecemeal approach; and
- consider whether additional resources or other forms of support are needed to achieve greater value from departmental assets.

197. During the oral evidence with DFP officials, the Committee raised a range of issues and concerns. Members cited specific examples of cases where there have been difficulties in effecting the transfer of assets between public bodies for the benefit of local communities and the public generally. The Committee also queried the extent to which departments might retain the proceeds from their asset disposals, as an incentive for the proactive identification of excess assets (this issue was also raised in the submissions from several of the other Assembly statutory committees).

198. Other issues which the Committee highlighted with the Department included: the need for departments and the Taskforce to ensure that, when land is being sold, all the factors, including planning potential, are considered to maximise the sale value to the public purse; the importance of community dialogue and consultation when local sites are being sold; and the need for transparency on how the proceeds from asset sales are used to fund public services.

199. The Committee also raised the issue of Northern Ireland Office (NIO) asset disposals and was advised that this would not fall within the remit of the Taskforce as it is a reserved matter. The Committee, nonetheless, was concerned to learn that there is no guarantee that the proceeds already realised from NIO asset disposals will remain in NI.

200. In terms of future scrutiny of CRT, the Committee will wish to focus on the work of the Taskforce as it affects the capital allocations in the three financial years covered in the Budget period. This approach recognises the cross-departmental aspect to the work of the Taskforce, where scrutiny of the longer-term work within the timeline of ISNI will fall more properly to the Committee for the Office of the First Minister and Deputy First Minister. A report is due from the Taskforce in early December, which will inform the final Budget and the Committee is due to receive a briefing on the outcome of this work in January 2008.

201. To conclude, the Committee welcomes the assurance from DFP that the focus of CRT will be as much on improving the use of the existing asset base – through, for example, identifying public land for social housing – as it will be on identifying assets for disposal. The Committee calls for consideration to be given to the scope for permitting departments to retain a share of the proceeds from disposals of their excess assets. Such an approach would act as an incentive for proactive engagement by departments whilst also ensuring that the Executive's priorities are addressed. The Committee also calls for appropriate engagement with local communities, both in terms of the social impact of the sale of individual sites and also on the identification of under-utilised sites for alternative public use.

Borrowing and Private Finance Initiative (PFI)

202. The Committee notes that reference is made in the draft Budget document to the fact that borrowing for capital investment under the Reinvestment and Reform Initiative (RRI) will continue at the present limit of £200m per annum. In its evidence to the Committee, DFP advised that for every £200m borrowed over 25 years there is a cost of £7m to repay. The

Department provided an assurance that the current level of borrowing is at a prudent level and manageable within the overall allocations.

203. During the evidence session with DFP on strategic budget issues, the Committee also sought clarification on the extent to which the capital investment over the next three financial years will be dependent upon current or proposed PFI. The advice from DFP is that approximately 20% of overall investment is likely to be based on PFI and that this has not increased significantly in recent years. However, the Committee considers that there is insufficient detail in the draft Budget document (and in ISNI) on the financing of the planned capital investment. The Committee recommends that, in the interests of transparency, the revised document should include information on the extent to which overall capital investment will be based on anticipated PFI, the extent to which the capital allocations for individual departments will draw on RRI borrowing, together with details of accumulated debt under RRI and the projected level of loan charges during 2008 – 11.

Barnett Formula versus Needs Assessment

204. The basis of funding NI, including the Assigned Budget arrangements and the Barnett formula, is an area which the Committee has not yet been in a position to explore fully. Whilst the predecessor Committee for Finance and Personnel considered this issue in the first mandate, the debate has moved on significantly since that time. The Committee wishes to make a passing reference to the issue at this point, however, as it is aware that the Scottish Government is actively considering its funding arrangements.

205. The recent 'White Paper on Constitutional Change for Scotland' considers a number of options for Scotland, including: the status quo; greater equality between regions based on needs assessment (fiscal equalisation); fiscal autonomy/federalism; and complete independence. The Committee believes that the ongoing debate on the options for funding devolution in Scotland also has the potential to open up the issue of the future of the Barnett formula for NI. As such, the Committee considers that the Executive should assess the implications of this scenario and prepare accordingly.

Appendix 1

Ministerial Statement and Assembly Debate

Official Report of Minister of Finance and Personnel's Statement on the Draft Budget 2008-2011 25 October 2007

Draft Budget 2008-2011

Mr Speaker: I have received notice from the Minister of Finance and Personnel that he wishes to make a statement on the draft Budget 2008-2011.

The Minister of Finance and Personnel (Mr P Robinson): I am pleased to present the new Executive's first draft Budget. Lest anyone tuning in is beginning to wonder — it should be pointed out that that is a four-party Executive. I am sure that all four parties in the Executive, who unanimously agreed the Programme for Government that has already been outlined, will want to promote Northern Ireland rather than talk it down.

At the outset, I thank my officials for the assistance that they have given me in the preparation of the draft Budget. I also thank the Ministers and officials from all the other Departments, as they have assisted remarkably over recent weeks and months.

The draft Budget marks a clear break with the past and a new direction for the future. The days of direct rule Budgets with Labour Party priorities are over. This draft Budget comes with the proud stamp: “Made in Northern Ireland”. The primary focus on economic growth is an indication of our long-term commitment to build a better future for the people of Northern Ireland. At a time when the public expects greater public services, this is a Budget that demands more from Government and more for the people. Now is the time for Government to respond and for devolution to deliver.

For almost 10 years, we have seen increases in public spending in Northern Ireland. Now it is for the Executive to set a course that will meet the needs of the people, not simply by spending more, but by ensuring that we get value for money for every pound that we spend. Our future success lies in our hands, and we must seize the opportunities that are before us. This is the first draft Budget of a new era, and it must lay the foundations for a better future for everyone in Northern Ireland.

The First Minister and the deputy First Minister have set out the Executive’s proposals for a Programme for Government for the next three years. They have also provided a draft investment strategy that will define our priorities for investment over the next decade. Those documents set the context for the public expenditure proposals that the Executive also agreed on 23 October to submit to the Assembly and to the public for consultation. The draft Budget document published today provides details of proposed expenditure allocations to Departments for the next three years. Those are the resources that they will need and use to deliver the priorities and targets that are highlighted in the draft Programme for Government and in its annexes.

The last occasion on which a Finance Minister in a devolved Administration confirmed public spending plans for Northern Ireland was in December 2001, when Mark Durkan announced plans for 2002-03. On that occasion, he announced plans for current and capital expenditure totalling just over £6 billion. The spending proposals that I will announce today will total almost £10 billion next year, growing to almost £11 billion by 2010-11.

Some Members: Hear, hear.

Mr P Robinson: Those figures reflect the growth in public spending that has occurred in recent years. Our current spending will be over 28% higher in real terms than it was in 2002. For capital investment, the increase has been even more dramatic, with a real terms increase of over 60% in annual public investment in new infrastructure in 2010-11, compared to seven years ago. We now have more money to spend in real terms than ever before. However, we also face many new demands on those resources.

During recent discussions with Executive Ministers on the draft Budget, they highlighted the real pressures that they face in maintaining and improving the public services for which they are responsible. However, the challenge that we face here is no different from the challenge that confronts every democratic Government around the world. Expectations of public services are rising everywhere, but people do not want to pay more tax than is necessary, and they certainly do not want the taxes that they do pay to be wasted on inefficiency or on programmes whose purpose and value are no longer relevant.

The First Minister highlighted the Executive’s wish to focus on a small number of key priorities and goals. That is the right approach, if we are going to make differences that matter to the community. That is the direction in which the Assembly should move.

It is also the right approach to take when we consider how best to allocate the use of public expenditure. Consequently, that means that we have taken some difficult decisions on how best to allocate resources across Departments. However, I believe that the draft Budget proposals, agreed by the Executive for consultation, are fully consistent with the key priorities as set out in the draft Programme for Government.

12.30 pm

I will now set out some of the basic facts about the amounts of money that will be available to us over the next three years. Greater detail is provided in the draft Budget document published today; Members and Committees will want to examine that document further over the coming weeks. Our main source of funding for public services is the Northern Ireland block grant, which will be increased by the Treasury over the next three years on the basis of changes in comparable spending programmes in England, using the Barnett formula.

The Chancellor of the Exchequer announced the outcome of the comprehensive spending review on 9 October 2007. As part of that review, he announced that after the application of the Barnett formula, the Northern Ireland departmental expenditure limit would increase in real terms by an average of 1·7% per annum over the next three years. I must, however, clarify that Treasury figure by highlighting that it is predicated on a reduced baseline figure for Northern Ireland that emerged just before the comprehensive spending review announcement, and after adjustments were made to baselines of some Whitehall Departments, particularly the Department of Health. The Treasury made similar adjustments to baselines in Scotland and Wales.

After taking account of those adjustments, a more accurate figure for the average real-term growth in expenditure in Northern Ireland over the next three years is an average of 1·2% per annum. However, after that adjustment, our total resources over the next three years will be £443 million more than the position we had reached in our negotiations with the Chancellor just before devolution in May.

In total, our departmental expenditure limit will increase by £254 million, £622 million and £1·661 billion over the next three years. I want to make it clear that we did not apply any reduction to our health baseline to match the reduction made to the Department of Health in England. In addition to those amounts, we will continue to have access to borrowing for investment in infrastructure. The amounts available to us will be £260 million, £246 million and £200 million over the next three years, to include amounts of available borrowing not drawn down in previous years. This borrowing is a valuable source of additional spending power for infrastructure investment.

Thanks to the negotiations leading up to restoration, it is now also borrowing without strings attached. The era of taxation for its own sake is over. The agreement that the previous Executive negotiated with the Treasury included a punitive clause that required us to increase domestic rates each year, year-on-year, above the average council tax increases in Great Britain. That had to be done whether or not we needed the extra revenue, and led to regional rate increases of up to 19% per annum. What householder does not remember that bill falling on the mat? The removal of that linkage was a key priority in our negotiations with the Treasury, and I am pleased that we succeeded in having that imposition removed by the Chancellor earlier this year. Instead of our regional rate effectively being set by local government in England, we are now free to make our own decisions on how much we must raise from domestic rates.

An additional source of spending power for the Executive and the Assembly over the next three years will be our capacity to draw down funds under the end-year flexibility arrangements. I stress that those sums reflect the amounts of money that were left unspent in previous years, and, in that sense, is not new money. However, it is money that is now tightly controlled by the

Treasury. By gaining access to those funds now, on a one-off basis, we can address some of the costs facing Departments as they move to restructure and reform public services over the next few years.

The Chancellor of the Exchequer and the Chief Secretary to the Treasury previously restricted our access to those funds. Members will recall the position that we reached with the Chancellor in May — a position that I regarded as unfinished business. I am pleased to report to the Assembly that after further negotiations with the Chief Secretary to the Treasury, I have secured access to our full stock of end-year flexibility over the next three years. That represents an addition of some £295 million over the next three years, which is greater than the position that we reached in our negotiations with the Chancellor in May. I have also been able to secure the significant front-loading of those resources to enable us to address the costs that Departments will face as we move to restructure and reform the way in which we organise and deliver public services.

(Mr Deputy Speaker [Mr Molloy] in the Chair)

Finance Ministers in the previous Executive introduced the use of planned over-commitment to manage the implications of rapid growth in public expenditure and to reduce year-end underspends. The use of planned over-commitment continued under direct rule. We have reviewed its future under the new Executive and concluded that although it will still have some use, the size of the over-commitment must be reduced to below the levels that we inherited from direct-rule Ministers. That is essential if the Executive are to have greater flexibility to respond to the new and unexpected financial pressures that can arise in the course of any financial year. Therefore, the draft Budget is based on a planning assumption that the level of over-commitment will be reduced to £100 million in 2008-09 and further reduced to £80 million and £60 million over the following two years.

Taking account of those funding sources, the total current expenditure that is available for allocation by the Executive across the three years is £8·28 billion, £8·55 billion, and £8·93 billion. In addition, public expenditure allocations of £1·64 billion, £1·5 billion, and £1·83 billion are available for investment in infrastructure over the same three years. In addition to those amounts — and under the direct control of the Executive — we will receive funding to support social security and other expenditure that is managed directly by the Treasury. If those sums are added to the above figures, we will receive total public expenditure allocations that exceed £19·7 billion by 2010-11.

Before explaining how our proposed financial allocations have been deployed, I will say a few words about how we will work to make our public services more efficient. The outcome of the comprehensive spending review (CSR) has confirmed that the years of rapid growth in public spending across the United Kingdom are over. We can look forward to continuing real increases in public spending over the next few years, but at a much reduced rate of growth. That means that we must place a renewed emphasis on ensuring that we deliver maximum value for money from every penny that we spend on behalf of the people of Northern Ireland. Our public services will suffer if we do not take that challenge seriously. The formula is simple: if we free up resources through greater efficiency, they will remain in Northern Ireland for reinvestment in improving front-line services. However, if we allow inefficiencies to remain unchallenged, the people who will suffer will be the young, the old, and the vulnerable in every community across Northern Ireland. The only people who benefit from public-services inefficiencies are those who have a vested interest in resisting change and maintaining a status quo with which they have grown comfortable.

I want to serve notice today to the Assembly and to the wider community that I am determined to take the drive for greater efficiency in public services to a new level. I am not prepared to simply stand back and leave unchallenged the countless instances — large and small — across all our public bodies in which taxpayers' money is being wasted on overstaffing, absenteeism, poor working practices, and a resistance to radical change in the way in which we go about delivering services. We owe that not only to those who use and need our public services, but to the many public servants who want changes to and improvements in how they can do their jobs.

I have also asked my officials to examine the recent report published on the cost of division, to see whether there is any scope to free up resources. Their work is not yet complete, but the indications are that the areas in which there would be most potential to make savings are also those areas where there is little realistic prospect of radical change in the short term.

Clearly, we can make savings with different arrangements to educate our children, and new arrangements for local government could free up money, but it seems unlikely that those reforms will deliver significant savings in the CSR period. However, that does not mean that we should not start the journey now. We have made a giant political step forward, and we must examine the benefits that can flow from the resultant growth in community stability.

Other costs associated with the division in our society fall to policing and security budgets, which, of course, fall outside the scope of the present Budget.

I have already announced my intention to create a new high-level public sector efficiency task force — the performance and efficiency delivery unit (PEDU) — to examine the scope for generating new cash-releasing efficiencies and improving delivery and performance across the public sector. The unit's membership will be limited to a few respected individuals with a strong track record in overseeing successful organisational change, and it will be supported by a small number of staff. The unit will include individuals from outside the public sector, and it must be prepared to challenge even the most widely accepted assumptions about how we go about the business of delivering public services.

The Executive have already agreed that Departments and public bodies here should deliver cash-releasing savings of 3% a year over the next three years, including a 5% per annum real-terms reduction in administration costs. That will produce an additional £790 million by 2010-11 for reinvestment in our public services. However, I believe that we can go further than that in finding ways to free up more resources for reinvestment in public services.

Between now and my announcement of the final Budget in January 2008, I want to finalise and publish details of how Departments will deliver on their efficiency programmes. I also want to examine the scope for delivering even higher levels of efficiency beyond the 3% a year targets already set —

Mr Deputy Speaker: A mobile phone is interrupting the audio recording. I apologise, Minister.

Mr P Robinson: I will announce new targets for reductions in the size of the Civil Service over the next three years. What we are going to do to release funds from current expenditure for better use, we also intend to do to increase funds for capital investment. We want to maximise the opportunity presented in the Chancellor of the Exchequer's financial package to retain receipts from asset disposals for reinvestment in our local infrastructure.

To that end, we have set up a task force to identify further opportunities to dispose of surplus and under-utilised assets. We believe that with a professional and focused approach to asset realisation and reuse, we can plan for even higher levels of investment in new infrastructure beyond the figures in the draft investment strategy published today. The capital realisation task force has been asked to report its initial findings to the Executive by December so that they can be incorporated into the final Budget and investment strategy to be published in January.

Therefore, a glance at departmental allocations will not reveal the full extent of the new Government brand. We are not content to simply accept the present resources at our disposal and dole them out. We are actively and aggressively seeking to grow the pot.

Moreover, it is not simply the amount of funding each Department will enjoy that counts. The key to success will be the use to which those resources are put. The Executive intends to squeeze value out of every pound spent. That means cutting out waste; getting more for the same or more for less; doing things differently and better; challenging the worth of staid programmes; testing the way things are done; and reforming the public sector so that it delivers services of a kind and in a manner that people deserve.

12.45 pm

The Executive are committed to delivering the economic vision of an innovative, entrepreneurial, wealth-generating, export-orientated economy. In order to achieve that, we must ensure that policies are in place that will encourage private-sector growth and enterprise. For too long, the local private sector has been constrained by the dominant influence of the Northern Ireland public sector. Now is an opportune time to change the focus of economic policy.

We have the lowest unemployment rate of the UK regions, and employment growth is at unparalleled levels. Despite that favourable transformation in the labour market, there has been no material improvement in our relative prosperity. Indeed, our GVA (gross value added) per capita, when benchmarked against the UK average, has actually deteriorated in the past five years.

That is confirmation of the fact that we must change tack in economic development policy, and it is a warning that we cannot be complacent about the serious economic challenges that confront us. The focus should now be on creating better jobs — not just more jobs. We must encourage private-sector growth in sectors that deliver high-value employment. Although Invest NI and the Department of Enterprise, Trade and Investment (DETI) have a key role to play in that transformation, co-ordinated input will be required from many other stakeholders, inside and outside the public sector.

The private sector has signalled that it understands the nature of the challenge that it faces. The challenge for the Executive and the Assembly is to ensure the delivery of the infrastructure, skills and communication networks which are essential in order to raise regional productivity.

Particular emphasis will also be placed on ensuring that innovation funding promotes new and innovative ideas that can be turned into opportunities for wealth creation in the economy. There must be a co-ordinated, cross-departmental approach to the management and targeting of innovation funding sources, including the Chancellor’s financial package, EU competitiveness and employment programmes, and Irish Government support for collaborative research and development.

In highlighting the implications of the proposed budget allocations for Departments, I will not attempt to repeat the details that were published today in the draft Budget, and which, during the coming weeks, will be subjected to separate and detailed scrutiny by the Assembly’s Committees.

In line with the priority given to economic growth, it is proposed that the reductions experienced by the Department of Enterprise, Trade and Investment in recent years be reversed. Over the Budget period, there will be average growth of 4·8% in the amount available to spend. That additional funding will be used to support Invest Northern Ireland’s efforts to stimulate exports, promote higher value-added activity in firms that already operate in Northern Ireland, and attract high-quality foreign investment. That Budget proposal will also allow for increased investment in marketing Northern Ireland as a tourism destination, as well as visitor servicing and tourism signature projects.

Recognising our responsibility to minimise the impact of climate change, DETI will be able to provide support for sustainable energy projects and to meet the legal and consultancy costs of planned energy initiatives that promote a greater use of renewable energy sources.

The additional £87 million allocated in the draft Budget will enable the Department for Employment and Learning to complete its roll-out of the Pathways to Work scheme and support the introduction of the employment support allowance, which will enable people who suffer from ill health or a disability to return to work.

In order to underpin our commitment to promote a dynamic, innovative economy, a highly-skilled and flexible workforce must be created. An outcome of the draft Budget allocations will be that support will be provided to help 42,000 adult learners to achieve a recognised qualification in numeracy, literacy or ICT — or in all three. In addition, by 2010, a comprehensive careers advice service will be introduced to meet the needs of all — including disabled — people.

The Department would also be able to provide comprehensive support to enable people to overcome the obstacles that they face in finding employment. The capital allocations in this draft Budget will fund new further education colleges in Belfast and the north-west, along with the modernisation of existing colleges, in recognition of the importance of those institutions and their contribution to equipping our future workforce with the skills that it will require.

Turning to education, over the next three years, the challenge will be to continue to raise overall educational standards while reducing the gap in achievement between those who have the highest and lowest levels of attainment. The proposed allocation will increase the Department's budget by 4·3% per annum over the period to 2010-11, with further resources coming from efficiency savings, which allow for a significant increase in the aggregated schools budget.

In addition, the allocation will support the implementation of the various elements of curriculum reform to give our youngest pupils an improved start to primary school, as well as placing a greater emphasis on developing the skills that young people need for life and work and to provide greater flexibility for schools to tailor what they teach to best meet the needs of their pupils.

To ensure that our children are properly equipped for the future, it is essential that we have a modern and sustainable schools estate that provides them with the opportunities to excel that they deserve.

The draft Budget allocation will enable over 100 major schools projects to be taken forward — along with 18 PPPs over the period, including those for eight special-needs schools — as well as providing for continued investment in the youth estate.

I have told the Minister of Education that I share her ambition to add to her Department's capital resources from funds freed up by further asset disposals to enhance her capital programme.

The Department of Health, Social Services and Public Safety has not only the largest spend of any Northern Ireland Department, but it has also been allocated an increasing share of the overall resource budget in recent years.

The proposed Budget allocation of an additional £450 million by 2010-11 will enable the Department to meet all of its very substantial cost pressures over the Budget period, including inflationary pressures in respect of pay, non-pay and pharmaceuticals.

That will be the largest amount of money ever invested in the Health Service in Northern Ireland and the largest share of available resources ever allocated for investment in the health and well-being of our community, which reflects the importance that the Executive attach to that key service.

The proposed allocation will address many of the key determinants of ill health as well as issues of actual illness. That includes reducing the number of persons institutionalised in learning-disability and mental-health hospitals, as well as a reduction in hospital admissions for those suffering from severe chronic disease, such as heart disease or respiratory conditions.

There should also be increased access to specialist drugs, as well as improvements in cardiovascular and cancer services, with the aim of reducing the mortality rates associated with those illnesses. The proposed allocation will also enable the Department to provide additional resources to public-health programmes, including those aimed at reducing the level of suicide in society.

The draft Budget provides significant capital resources for investment in the Health Service. That recognises the importance of providing a complementary service with investment in primary- and community-care programmes, acute hospitals and local hospitals.

The proposed Budget allocation for the Department of Agriculture and Rural Development (DARD) will enable it to continue to support the improved performance of local farmers in the marketplace through lifelong learning at the College of Agriculture, Food and Rural Enterprise, the provision of processing and marketing grants, and the delivery of agrifood scientific programmes by the Agri-Food and Biosciences Institute.

The allocation will also enable DARD to provide full funding of the 2007-13 Northern Ireland rural development programme and to address rural poverty.

The programme is worth £500 million and is aimed at improving the competitiveness of the agriculture and forestry sector, improving the environment and the countryside, and contributing towards improving quality of life in rural areas and the diversification of the rural economy.

DARD will continue to develop a more sustainable environment through: further increasing the public and private forest area; developing more sustainable fisheries; and producing flood-protection measures through the Rivers Agency.

The Department of Culture, Arts and Leisure will want to attend to matters that concern the 2012 Olympic and Paralympic Games. The proposed Budget allocation of an additional £18 million by 2010-11 to that Department should enable it to increase participation of local people in sport and physical recreation through the phased implementation of the strategy for sport and physical recreation. As I have indicated, that allocation will help to realise significantly the benefits that the 2012 Olympic Games and Paralympic Games will bring to Northern Ireland.

Furthermore, the proposed Budget allocation will enhance the accessibility of information on our cultural assets, enabling as many people as possible to experience, and, I hope, appreciate the excellence of our cultural assets. The proposals should facilitate growth in the activities that are funded by the Ulster-Scots Agency in line with what was negotiated at St Andrews.

The Department for Regional Development will experience average annual growth in its budget of 6·4% over the period to 2010-11. That growth does not include the funding for water and sewerage services, which is being considered separately. The growth will enable the Department to implement a range of measures, in particular the extension in the incoming financial year of the concessionary-fares scheme to those who are over 60 years of age. Like the First Minister, I appreciate that particular project, and I am glad that I have been able to comment on it before I need to use it and am required to declare an interest.

The draft Budget allocation will also allow continuation of work on a number of major roads schemes on the key transport corridors, most notably the improvement work on the Westlink, as well as completion of the dualling of the A1 Belfast-border route, and the A4 from Dungannon to Ballygawley. In addition, further funding will be available for structural maintenance, reversing the short-sighted decision that direct rule Ministers made in reducing funding for that essential activity.

The draft Budget also makes provision for a major bus- and train-replacement programme to ensure that a modern, high-quality service is provided. Preparation on the introduction of a rapid transit scheme in the greater Belfast area will be advanced, and the draft Programme for Government sees the Executive setting their target for work starting on that project.

The proposed allocations should allow the Department of the Environment to implement an enhanced approach to road safety and to establish an environmental crime team. Although my statement says “environmental crime team”, I hope that we have set up an anti-crime team. The purpose of that team will be to combat the illegal dumping of waste, which is a serious issue.

In addition, and in direct response to concerns that Members and other stakeholders have raised, the proposed draft Budget allocation will allow the Minister of the Environment to further reform our planning system. The aim is to develop reforms that will enable the planning system to play its part in delivering on our Programme for Government priorities, particularly by contributing to growing a dynamic, innovative and sustainable economy. The Minister of the Environment wants to advance proposals to fast-track job-related planning applications. That initiative should be encouraged, and it needs to be properly resourced.

The draft Budget will part fund the capital costs that district councils will incur in complying with the EU landfill directive targets, thus reducing the financial burden on local ratepayers.

The draft Budget allocation for the Department for Social Development will facilitate the continued modernisation of social security services and welfare reform over the period to 2010-11. That will enable the provision of improved services to clients.

1.00 pm

In respect of the voluntary and community sector, the draft Budget will enable the establishment of a charities commission for Northern Ireland.

With regard to capital, the Department will be able to make some progress towards the achievement of the target of delivering 10,000 new social housing completions over the next five years, in conjunction with its goal of eradicating fuel poverty in the most vulnerable of households. Moreover, I am a fully signed-up member of the Social Development Minister’s club, which aims to aid her in identifying further land disposals that may become available in order to increase the number of affordable and social housing units that she can deliver.

On the matter of town and city-centre regeneration, the draft Budget provides significant resources for a number of initiatives that will have a positive impact on social and economic issues. The draft Budget allocation will allow the Office of the First and deputy First Minister (OFMDFM) to deliver a new comprehensive approach to victims and survivors, including the appointment of a Commissioner for Victims.

My Department will also work to enhance the rights of older people. The higher-than-average increase in the OFMDFM budget is linked to the additional costs associated with the restoration of devolution.

As far as my own Department is concerned, the main focus over the Budget period will be to advance the process of Civil Service reform and to set the foundations for modern, high-quality and efficient public services that will allow further resources to be redirected to front-line services.

We must ensure that public services match the standards that our community now expects. That means investing in new technology and the new systems that are required to support modern and more efficient ways of delivering high-quality services. The Department will also enable the necessary preparations for the delivery of the 2011 census, and allow Land and Property Services to conduct a revaluation of non-domestic properties.

I will also introduce Northern Ireland's equivalent to New York's "311" scheme. When it is fully rolled out, that scheme will enable the public to reach all Government Departments by using the same three-digit telephone number.

The draft Budget proposes new financial allocations for Departments. In every case, Ministers would like to have been allocated more, had more been available. However, that also underlines the importance of ensuring further improvements in the quality of financial management in Departments. If Departments have argued successfully for more money, they must ensure that they spend that money when they said they would. I will therefore be monitoring Departments' underspend figures in the future, and will report those figures to the Finance and Personnel Committee and to the Assembly.

The spending proposals contained in the draft Budget will now be subject to consultation with the Assembly, its Committees and the community. The Committees and the wider community will want to examine those proposals and comment on them. However, this exercise needs to be earthed in reality if it is to be worthwhile. There is no point in simply stating that more money must be spent in this Department or on that project, without recognising that some other allocation will have to be reduced to make way for such additional funding.

We also need to ensure that consultation includes scrutiny of how Ministers allocate money to priorities in their Departments. Setting a new direction for public spending cannot just mean spending more money — it must also mean spending existing money more effectively, in line with our priorities. It is not just a question of how much we spend; it is also a question of how well that money is spent.

Earlier this year, I informed the Assembly that I would carry out a review of the policy on industrial derating that we inherited from direct rule Ministers. Like other Members, I have met representatives of the manufacturing sector to hear their concerns. The Department commissioned a study from the Economic Research Institute of Northern Ireland (ERINI), and I have received its preliminary report. The final report is expected within days. In the light of that preliminary report and, in particular, of the institute's assessment that there is a risk to some of our manufacturing firms in phasing out derating, the best approach would be to hold the current level of rates at 30% over the CSR period.

There is simply no point in making economic development our top priority while, potentially, making life even more difficult for certain key businesses. I would have preferred it if the Committee had been able to address the subject before I had to make any judgement but the timing of the Budget has intervened and I am required to make the call. However, before our final Budget position is agreed in January 2008, the Committee for Finance and Personnel will have considered ERINI's final report, and the Executive will have had the opportunity to take a strategic look at the whole issue in light of the evidence presented. I believe that the Executive must demonstrate their encouragement for our manufacturing industries with more than words.

My final announcement is on the regional rate. In the last three years there have been regional rate increases of 9%, 19% and 6% respectively. Under direct rule, similar increases were planned for the years ahead. In fact, the average regional rate bill has increased by 62% since 2002, and, too often, that additional money has funded Government inefficiency rather than front-line services.

The cushion of above-inflation regional rate increases encouraged the Government to avoid tackling bureaucracy and waste. Now is the time to remove that comfort blanket and demand that the Government share the strain that ratepayers have borne for years.

Our approach must reflect the decisions on water that were outlined in the statement to the Assembly by the Minister for Regional Development last Monday. We have given the commitment that households will see the benefit of the contribution that they already make to the cost of water through their regional rates payments, which is an average of £160 per rates bill. I believe that we need to go further. We must ensure that each household sees the full benefits of that in their rates bills as we introduce new arrangements for increased contributions from households towards the cost of water over the next three years.

If we were to introduce parallel increases to regional rates bills, no matter how small, at the same time as we are phasing in the new water arrangements, we would be seen as giving with one hand and taking away with the other.

Therefore, in addition to the reduction of an average of £160 per rates bill from 2009-10 I propose that we should freeze the domestic regional rate for the next three years. This represents a cut in real terms in the regional rate and offers much needed relief to every ratepayer.

Devolution is about making a difference. In the area of local taxation, during the coming four-year Assembly term the average householder in Northern Ireland will be more than £1,000 better off than would have been the case if direct rule had continued and direct rule proposals had been implemented.

The position is different for the business regional rate as there have been more modest increases in their bills, averaging about 3·3% over the past five years. However, over the next few years, businesses will also face increased water costs, therefore, I propose that we commit to reduce the average increase in their rates to 2·7% a year for the next three years. That is the level of inflation forecast for the next three years, and will maintain their contribution at present levels in real terms.

The first draft Budget for the new Administration sets a new direction for Northern Ireland. It is the first step in a new journey that we are all embarking upon together. The challenges and opportunities facing Northern Ireland have never been greater and will increase in the years ahead. The old answer of ever-increasing public spending is no longer available. Yesterday's solutions will not solve tomorrow's challenges. Only a relentless commitment to delivery, innovation and efficiency will allow public spending to deliver the kind of outcomes that we all wish to see.

This draft Budget not only seeks to move Northern Ireland in the right direction for the next three years, but seeks to set its trajectory for decades to come.

Even though, as a result of the comprehensive spending review, growth in public spending in Northern Ireland is lower than has been the case in recent years, the draft Budget announces the highest-ever level of public spending in Northern Ireland. However, the real success or failure of the draft Budget will not turn on what is spent, but on what is delivered. It is not the input, but the output, that will count with the public.

I have announced the highest-ever spending plans for Northern Ireland; made the economy the number-one priority; and delivered a freeze in the regional rate. The draft Budget offers some much-needed relief to householders and a platform on which to grow the economy. Ultimately, devolution will be judged on its ability to make a difference to people’s lives.

The draft Budget will allow the Executive and the Assembly to deliver for the people of Northern Ireland during the next three years. It will allow Northern Ireland to build a stable, fair and prosperous future. I commend the draft Budget to the Assembly.

The Chairperson of the Committee for Finance and Personnel (Mr McLaughlin): I congratulate the Minister on the presentation of the new Executive’s first draft Budget. I welcome the draft Budget and the Minister’s statement, which together are an important step forward for the Assembly, setting out the clear intention to map out a social and economic step change for everyone in the community. That is why people have such hope for this Executive.

The Committee for Finance and Personnel, in concert with all the scrutiny Committees, will examine the minute detail of the draft Budget. My Committee will also take the views of the other statutory Committees on the draft budgets of their respective Departments and will produce a co-ordinated report on the draft Budget before the Christmas recess. Clearly, all of that is predicated on the timeline laid down by the Minister for final decision being met.

The Committee will also table a motion for full debate on the draft Budget and hopes that the outcome of its report will inform and influence the Executive when they produce a revised Budget statement in January. One key issue among many that have exercised my Committee is the culture of underspend, which has persisted for years in Government Departments. The Minister has addressed that issue, both in the Budget and in his statement. What steps does he envisage can be taken to improve financial forecasting, monitoring and spend in Departments in order to eradicate the culture of underspend and to ensure that there is delivery on the strategic spending priorities?

Mr P Robinson: I thank the Chairman of the Committee for Finance and Personnel for his comments. I hope that, in the coming weeks and months, my officials and I can work with the Committee to examine the documentation with which it has been provided and to answer the searching questions that I have no doubt it will ask. Of course, the Executive will be happy to participate in any debate that the Committee may seek to bring to the Assembly.

In relation to underspending, the Chairman has put his finger on a key issue that will affect the Executive’s ability to do the job that they have outlined in the draft Programme for Government and, indeed, in the draft Budget. As I said in my statement, it is absolutely essential that, when Ministers come to me to make a strong case for spending programmes and projects — and convince me to the extent that they are provided with money — they actually spend that money within the timeframes that have been set. The backcloth against which that issue must be considered is the fact that there is no automatic access to end-year flexibility. Money that is not spent during the course of the financial year is tightly controlled by the Treasury. That brings the Executive to a position where we must bid for that money and argue for it, and we will not always get it when we want it or in the quantity that it is needed.

Therefore, it is absolutely essential that each Department can meet the type of spending proposals that it has indicated that it wishes to take forward. It will be impossible for every Department to be able to meet exactly — on a pound basis — the allocation that has been made to it. Nevertheless, Departments must substantially work towards that. That is a matter on which I want to recruit the Chairman and members of the Committee for Finance and Personnel, who will play a powerful role in that exercise.

Unlike the situation under direct rule, the Assembly's Committees have a scrutiny role. That means that the Committee for Finance and Personnel will be able to monitor departmental spending throughout the year, thereby ensuring that Departments meet their targets. I hope that the Committee will be tough on Ministers — including me — if they do not meet those targets. Together, we can ensure much better performance than has been the case heretofore.

1.15 pm

Mr Hamilton: I congratulate the Minister of Finance and Personnel on his Budget. He will know that people in constituencies such as Strangford were hammered hard by direct rule's double-digit regional rate increases. I am sure that those people will warmly welcome the Minister's announcement that he intends to freeze the regional rate over the next three years, effectively providing a cut in the regional rate.

I am also sure that Northern Ireland's manufacturers will particularly welcome the Minister's announcement that industrial rates will be held at their present level. Will the Minister explain to the House how the average householder in Northern Ireland will be better off by £1,000 a year over the Assembly's current mandate, compared to direct rule?

Mr P Robinson: Already, householders in Northern Ireland are considerably financially advantaged by the existing devolved Administration. The first step that the direct rule Administration would have taken — if there had not been devolution — would have been to introduce the first phase of water charging in the current financial year. That would have constituted one third of the overall expected bill. That charge would have increased to two thirds in the following year, and would have increased to the full charge in the year after that. Under the proposal announced by the Minister for Regional Development, there will not be a charge for water in the current financial year, or in the next. Already, for water alone, there is a significant saving, and a consequent reduction thereafter.

As for rates, the pattern is — as indicated in my statement — that rates had increased in Northern Ireland by over 60% in a five-year period. There has been an increase of 37% in the regional rate in the past three years. That is why the ratepayer in Northern Ireland deserves some relief. However, I would not like to see local government taking advantage of the regional rate being frozen by increasing the district rate. I hope that, rather than take advantage of that, local government will attempt to mirror what has been done by the Executive, and that we can keep down the burden on ratepayers in Northern Ireland.

Mr Beggs: The Budget is one of the tightest that we have experienced in Northern Ireland in recent years, with only a 1·2% increase in real-terms spending. Will the Minister agree that, although the regional rate will be frozen over the next three years, in the long term significantly more money will be raised from householders when regional rates and water rates are combined?

Will he also give some indication on how the Varney Review can have a significant impact in achieving his primary focus in the Budget — economic growth? Are there any indications yet of significant changes that will help businesses and job creation in Northern Ireland?

Mr P Robinson: The Minister for Regional Development set out the agreed position of each of the four parties in the Executive on phasing in water charges. Rightly, he indicated that — in line with all our commitments during the election campaign — we will not allow people to be forced to pay twice for their water.

We have therefore reduced the rates bills by £160 for the year in which payment will begin; the Consumer Council for Northern Ireland, my Department and the review panel have all agreed that that is an appropriate figure. The very reason why I want to freeze rates over the period is to take account of the phasing-in of the water charge and allow it to be assimilated, rather than applying further pressures through the regional rate.

The Member asked about Sir David Varney's review. I have not yet seen the report. Bits and pieces of information have started to vibrate around the system, and, as I understand it, the report is likely to take the form of an economic analysis that indicates the strengths and weaknesses of our economy, rather than providing a set of recommendations. It will therefore be left to the Chancellor to determine what action will be taken on that matter.

My best guess is that, in responding, the Chancellor is likely to deal with the kind of instruments that would help our economy, rather than simply consider financial inputs. We are likely to be talking about schemes and projects to encourage investment in our economy and to improve skills and training. I hope that the Chancellor will consider those types of issues. The First Minister indicated earlier that no stone will be left unturned as regards the pressure that the entire Executive will apply to get the best deal possible from the Chancellor, and from the United Kingdom Government as a whole.

Mr O'Loan: I thank the Minister for his statement on the draft Budget. It is very important that we not talk down our potential. I want to say clearly at the outset that I believe that this is a real Budget that involves real decisions.

As the Minister has said, rises in public spending have been very substantial in recent years, although they are now much less so. Nonetheless, there has been a real rise in public expenditure. I am sorry to hear that the increase is 1·2% per annum in real terms rather than the previously publicised figure of 1·7%. Nevertheless, it is an increase.

I congratulate the Minister on his welcome emphasis on efficiency in Government. Inefficiency has been a perennial problem that has not been easy to crack. We must all play a part in addressing that issue through our different roles in the Assembly. It has been too easy to simply raise more revenue. I welcome the Minister's freezing of the domestic regional rate to cushion the imposition of water charges and the similar restriction on the rise in the business regional rate.

I have three brief questions. First, can the Minister assure me that the end-year flexibility (EYF) figure of £295 million is not included in the 1·2% increase in real terms in departmental spending?

Secondly, I note that the Minister said that the Department will:

"make some progress towards the achievement of the target of delivering 10,000 new social housing completions".

That language strikes me as being somewhat more cautious than that which was used in the earlier statement on the draft Programme for Government. Can he give me a clear assurance of his commitment to providing those much-needed social houses?

Thirdly, the Minister referred to the report on the cost of division, and then immediately went on to say that:

“we can make savings with different arrangements to educate our children”.

Can he assure me that he is not planning an onslaught against the Catholic education system?

Mr P Robinson: I thank the Member for his generous comments about the draft Budget, particularly the proposals on the regional rate and industrial derating.

The Member’s first question was about EYF, and I can give him an assurance that the additional amount that we managed to secure from the Chancellor is not included in the 1·2%. The collective figures are provided in the draft Budget, although I accept that Members must trawl through 120 pages to find them. However, in my view, the figure of 1·2% reflects the real-term growth — the Chancellor might say 1·7%, but he adjusted the baselines. In my view, the honest figure for the Assembly to work from is 1·2%, which does not include the EYF figure.

The Member commented on my more cautious use of language when talking about social housing. He will know that I am always very cautious in my use of language. However, that says nothing about my determination to address the need for social housing.

I am at one with the Minister for Social Development in seeking to secure every pound possible to meet our targets. I have indicated to her that putting the targets in the Programme for Government places responsibility on the whole Executive to provide the funding necessary to ensure that they are met. The targets will not be met just by supplying cash to build houses; there are other important aspects, not least the use of article 40 of the Planning (Northern Ireland) Order 1991 to ensure that a proportion of each large development is set aside for social and affordable housing. Releasing additional land by all Departments — not just the Minister for Social Development’s — will give us the flexibility to move towards those targets, which are undoubtedly challenging. A target is of no value unless it requires us to stretch.

Dr Farry: I am not sure that Mr O’Loan should have been so welcoming of the Budget, given that the SDLP’s Minister’s Department is one of the few that will have its budget cut in real terms over the three-year period. Nonetheless, I welcome the economic thrust of the Budget while stressing that delivery is critical.

What are the projections for the public share of GDP over the lifespan of the Budget, given that we are starting from a baseline of 71%? This morning, the First Minister said that gross value added (GVA) conversions were a target for OFMDFM and the Executive. However, the goalposts are being moved towards us because the south-east of England is being excluded from GVA calculations. Will the Minister confirm that we are lowering our sights?

The Budget was also supposed to contain the regional economic strategy: has that been included in the Minister’s statement? I note that we are still focusing on essentially the same four drivers that were in the draft regional economic strategy and that attracted so much criticism by the business sector. How does the Minister anticipate making a step change in our economy if we do not have the tools to do so?

There is no provision in the Budget for a differential rate of corporation tax in the event of that being granted by the Varney Review. Under the terms of the Azores ruling, that provision must be made. Does the Minister's statement do what it says on the tin?

Mr P Robinson: The Member's questions would have been better if he had been given more time to think of them and some assistance in their compilation. The Executive, in their Programme for Government, quite rightly felt that the proper GVA comparison that we should make is with that of the UK after the south-east of England has been removed. That is the level that we hope to achieve. We have already moved ahead of Wales, in GVA per capita, and Scotland is in our sights, but the average UK level is our target. It will not be achieved in one year or three; the target set by the direct rule Administration was a 0·5% increase in GVA over a 10-year period, so we are being considerably more ambitious.

I thought that the Member was someone who wanted to encourage the additional productivity that is needed to increase GVA; encourage exports from Northern Ireland, and encourage foreign direct investment (FDI). If bad-mouthing every document produced is all that the Alliance Party has to offer, then that is a fairly poor contribution to make to a very serious debate. The Member is usually much more positive on matters — perhaps he got out of the wrong side of bed this morning.

Regardless of whether that is a party line that the Alliance Party feels it must take, Northern Ireland has an excellent opportunity over the next number of years to grow its economy considerably. It gets that opportunity on foot of the stability and progress that is being made. The fact that our business community is indicating its enthusiasm and confidence in the economy to DFP shows that we have that opportunity. I say to the Member for North Down: do not talk Northern Ireland down.

1.30 pm

Mr Deputy Speaker: I remind Members that the Speaker has asked that the questions be brief and to the point so that the Minister can answer as many questions as possible. We must move in that direction.

Mr Weir: I am sure that the Minister will be delighted to hear that I will ask him only one question, rather than five or six. I welcome the Budget — it is clear that it is a Budget for economic growth, which will be welcomed by ratepayers and manufacturers.

The Budget will also be welcomed by prudent local councils. Over the last several years, councils that have sought to be efficient and prudent, such as my own council in North Down, have been overwhelmed by massive regional rates rises and found that all their good work was somewhat undone. The Budget will be welcomed not simply because of the freezing of the regional rate, but for the support that has been given to help meet EU targets. In his statement, the Minister rightly highlighted that the link between the level of council tax in England, and our ability to borrow under the RRI initiative —

Mr B McCrea: This is a short question?

Mr Weir: I will obviously aspire to —

Mr Deputy Speaker: Will the Member ask a question?

Mr Weir: I always aspire to the level of brevity of the Member for Lagan Valley, although I do not always succeed.

The Minister said that the link between the level of council tax in England and our ability to borrow under the RRI initiative was successfully removed during the negotiations with the Chancellor in May and earlier this year. Can the Minister indicate what the implication of that change is for the Budget, compared to what was negotiated by the last Executive?

Mr P Robinson: I thank the Member for North Down; I am glad that there are some optimistic people living in that constituency. I have announced a business-friendly Budget; the business community will welcome it, as it has long wanted to see an Executive that are prepared to put the economy at the centre of their priorities, to seek growth in the economy and to encourage the business community by reducing some the pressures on it.

The reinvestment and reform initiative was introduced by the previous Executive, and it is a good initiative. It provides additional borrowing capacity, which is welcome to the Executive. The constraint that the Chancellor applied to the previous Executive was that they could not have access to the reinvestment and reform initiative unless they narrowed the gap between local taxation here and in Great Britain. Therefore, Northern Ireland's rates rises were governed by the level of rises in Great Britain. That is what caused our rates to go up by 19%. That was not because we needed a 19% rise here, or because people could afford it, but because people in Great Britain had that rise and it had to be mirrored in order for the Executive to have access to RRI.

If that link had not been broken in our negotiations with the Chancellor, there would not have been a freeze on the regional rate. Over the next three years, under direct rule, the rates were set to increase by more than 10% per annum. Anyone who wants to consider that, on top of the additional water charges that people would already be paying, will know the real benefit that devolution is bringing to the pocket of Mr, Mrs and Ms Average.

Ms Anderson: Go raibh maith agat. I thank the Minister for his statement. I also thank him for his answer to the last question because I welcome the fact that the Executive have been able to abolish what became known as the "Durkan tax".

The draft Programme for Government clearly states that the resources from public expenditure and economic growth should be used to tackle existing patterns of disadvantage and target those in greatest objective need. Will the Minister detail how the draft Budget meets that objective?

Mr P Robinson: From my earliest days at the Dispatch Box, I have made it clear that a massive imperative has, unquestionably, been placed on the Executive to work towards economic growth in Northern Ireland, particularly at a time when there is a window of opportunity. However, we should not be unmindful of the vulnerable in society who need the most help, whether they are young people, older people or other sections of the community. Unless the Assembly makes a difference to the lives of everyone in society, it is not making the best use of devolution.

I cannot micromanage the Departments that are responsible for dealing with issues at the coalface, but the increase in departmental allocations enables the Ministers to put in place the necessary funds that will make the biggest possible difference.

The draft Budget is based on the current available funding. However, there are, potentially, two additional sources of income. The first arises from the work of the PEDU, which will examine the resources of every Department to establish what additional efficiencies can be made to allow money to go to the front line, where it is of greatest value. The second potential source of further income comes from the consideration of whether there is more of an asset base that can be used to fund new projects.

Potentially, they have a critical role in providing the cherry on top of the cake, by enabling Ministers to do what they urgently want to do, but are constrained from doing by the size of the current cake that the Assembly has been given.

Mr S Wilson: I too congratulate the Minister on bringing forth a draft Budget, the prudence of which will help to alleviate the pressure on hard-pressed taxpayers. At the same time, it introduces innovative spending programmes that will help to improve infrastructure and, I hope, the economic structures.

I have three questions for the Minister. Funding from the Irish Republic will be available for several road projects. However, one such project, the upgrading of the A8, is not included in the draft Budget. Has that project now been ruled out of receiving funding for the next three years of the comprehensive spending review?

The Minister made much of the fact that Departments have underspent. Often, it was capital underspending, which is partly due to difficulties with public finance initiatives. What steps is his Department taking to ensure that the delays in PFI schemes are not due to the procurement method that is used, which subsequently leads to an underspend?

Finally, given that the draft Budget is based on the Barnett formula, which included an increase, in real terms, of 2·5% in spending on education in GB, why is that not reflected in the spending on education in today’s proposal?

Mr P Robinson: I will deal with the questions in reverse order. None of the spending plans that the Chancellor provided for GB are reflected here because of devolution. We decide our priorities; we slice up our cake to reflect local interests and our knowledge of where the need lies. The Assembly does not mirror the percentages that are attributed in GB.

Were it to do so, the Health Minister would be extremely upset today at the significant reduction in baseline spending on health in Great Britain. However, that reduction has not been passed on to the Department of Health, Social Services and Public Safety here. That is just one example of how essential it is that we take decisions, as a devolved Government, based on the priorities in Northern Ireland.

I recognise that the Member has not had a great opportunity to look at the documents in detail. However, if he looks at the draft investment strategy, he will see reference to the A8 there. Happily, therefore, he will be able to get into the ‘East Antrim Times’ to tell people that progress is going to be made.

Mr S Wilson: And I will give the Minister the appropriate praise.

Mr P Robinson: I welcome that; coming from the honourable gentleman, it is praise indeed.

As regards PFI schemes, the Member is well aware — as he worked very closely with me in east Belfast before going to greener pastures — of my misgivings about PFI. It is not a concept that I am ideologically connected to. I look at PFIs and PPPs to see whether they are the right solution for a particular set of circumstances, or whether other procurement methods would be better.

The Member has put his finger on one of the issues that has caused massive problems. In my own constituency, there have been massive delays because of PFI schemes. That is something that the Ministers who are pushing those forward — and particularly, in OFMDFM, the SIB — need to tackle. We must oil those wheels to ensure that we do not have inordinate delays in the rolling-out of those schemes. The Member has, rightly, identified an issue that has to be tackled. It has not been tackled in the past, and it is a challenge for this Executive to do it effectively.

Mr McCallister: I welcome the Minister's announcement on the regional rate and industrial derating.

Turning to health, the Minister will know that there has been a 4% increase in spending in GB, yet Northern Ireland's spend is only increasing by 1·2%. Does he feel that that divergence is sustainable? Does he accept that the Barnett formula may now be working against us in the area of health spending?

Also, if children and young people are to be a priority, can the Minister guarantee that he will address the 30% underfunding of Northern Ireland's children's services?

Mr P Robinson: I think it might be worthwhile to put the health debate into a proper context. I have to provide allocations for 11 Departments, three minor Departments and this Assembly. The funding total for all of those together is such that almost 48% of the total amount goes to one Department: the Department of Health. It is very clear that health is a very significant priority for this Executive. Not only that, but the Minister of Health will have more money at his disposal in the next three years than any of his predecessors have ever had.

Mr Poots: Where is he?

Mr P Robinson: I hope that he is using the allocations to good effect and opening new health provisions around the Province. I recognise that we cannot have all the Ministers here at all times; however, it would show some solidarity with the Executive as a whole if each Minister could be here at some point.

As far as health is concerned, I also want to point out that not only does the Minister of Health have the highest health budget ever in Northern Ireland, he also has the largest-ever percentage of the Northern Ireland block for his Department. That indicates the priority that we have given to health.

There is no question that, with Health as with every other Department, the ambition of the Minister outstrips the resources available. During the course of the next three years, at in-year monitoring rounds and whenever any other money may be freed up through the work of the two new units that we have established, we will obviously look at the pressures that every Department faces.

As far as children and young people are concerned, the previous Administration had the Secretary of State set up a fund that particularly identified children and young people and allocated money to them.

This Executive's decision — and I believe it was the right one — was that along with the establishment of funds from the centre goes a duplication of bureaucracy. That simply wastes money; therefore, it was felt that the best people to deal with those issues were the Ministers in the appropriate Departments. OFMDFM has a particular function in relation to children and young people, and it will exercise that function in a co-ordinating way in putting forward policies that can be pursued. However, delivery of those policies will come from the various Departments.

The money previously set by the direct rule administration and identified particularly for children and young people was allocated as part of the overall Budget to all of the Departments; as a result, therefore, the water rose for everyone. It was then up to each Minister, particularly those who had responsibility for that matter, to determine its priority in his or her funding. Having looked at some of those rankings, I decided, in the allocation of additional money received from EYF and as a result of the Barnett consequentials, to recommend to the Executive that I put in a further £21 million pounds, specifically identified to help the Ministers in relation to children and young people. Therefore, I take the matter very seriously, and I hope that, throughout the year, I can be of even further assistance to the various Ministers in that regard.

1.45 pm

The Chairperson of the Commmittee for Enterprise, Trade and Investment (Mr Durkan): I congratulate the Minister on his statement and on a very good Budget plan, in the context of what has been a very tight CSR round, not only with regard to this year's allocations but over the three-year period. I commend the Minister for what he has set out today and, through him, his Executive colleagues. It involved decisions that were not always easy, and implementing them will not be easy. All of us who are tasked on Committees must, therefore, bear that in mind over the next few years.

A week is a long time in politics. Last week, the Minister of Finance seemed to want to "club" the Minister for Social Development. Today, he joins her club, and I welcome that.

As Chairperson of the Committee for Enterprise, Trade and Investment, I particularly welcome the indications of the budget increases in that area over the coming years; however, again, I agree with him that we must make sure that that money is used to get real productive impact in the economy and not just extra activity at Government level.

With regard to cash releasing, in his statement, the Minister identified £790 million that will be delivered by 2010-11. Is that in addition to the £800 million that the Chancellor indicated in his package, or is it that the same £800 million? Similarly, with regard to the capital realisation task force that was announced in an earlier statement, will that be aimed at making sure that we actually get the £800 million in asset sales that was identified in the Chancellor's package, or was that about identifying extra asset sales?

Mr P Robinson: I thank the Member for Foyle for his kind comments about the Budget statement. He is right to identify that setting a programme out is one thing, and implementing it is another. It will, I hope, be the task of all Ministers and all parties to ensure that we can make good the commitments that were made in this House today.

I assure the Member that I am quite happy to be in the same club as the Minister for Social Development. In no circumstances would I want to "club" the Minister; I simply want her to operate by the same club rules as everyone else. I may return to that theme in future — to do so now would be to break the harmony of this occasion.

I assume that the Member refers to the £790 million from efficiencies. Those efficiencies have been identified by our Ministers, and not by the direct rule administration.

People will read the publication, and they will consider the fact that there will be a real terms increase of approximately 1·2%. However, if the Departments make the efficiency savings that are required, the outcome over three years will be significant. All the Ministers have proposed efficiency savings, therefore the percentage for each of the Departments, including those savings, will increase to the high teens and the low twenties, as those efficiencies will be released within the system.

There was a comment, snide or otherwise, from the Alliance Benches, that Mr O'Loan should not have thanked me for the draft Budget, considering the allocation that has been given to the Department for Social Development. Nevertheless, three Departments will receive allocations beyond the figures that are provided here. The Department for Employment and Learning and the Department of Enterprise, Trade and Investment will receive innovation funding, which is not included in our global figures. We also hope that the Department for Social Development will receive benefits that will accrue through the Pathways to Work scheme, from the Department for Work and Pensions in the UK to our block in Northern Ireland. I hope that I am not leaking one of the great Executive secrets — if there are any left — but they made it clear that they would look favourably on directly passing those benefits to the Department for Social Development. That would have a substantial impact on its budget.

Mr O'Dowd: Go raibh maith agat, a Cheann Comhairle. I congratulate the Executive and the Minister of Finance and Personnel for bringing forward the draft Budget. I doubt whether this time last year anyone would have believed that we would be debating a draft Budget and a future Programme for Government today, but it is good to be in this position.

The draft Budget will now go out for public scrutiny and for scrutiny by Assembly Committees. Earlier in the week, I touched base with the Minister on the proposed performance and efficiency delivery unit. When will he be in a position to give us the full remit and scope of that unit? How will those "respected individuals" will be selected? What reporting mechanisms will the unit have to the Assembly?

Mr P Robinson: This morning, I met with the Chairperson and the Deputy Chairperson of the Committee for Finance and Personnel. I told them that it would be worthwhile if the Committee, or its Chairperson or Deputy Chairperson, were to meet those who will be involved in the performance and efficiency delivery unit and those who will be involved in the capital realisation taskforce. Their representatives will be happy to talk to the Committee about the task ahead and about how they intend to undertake it. Ultimately, I am responsible for such issues, so I can be brought before the House or the Committee at any time.

I hope that I am wrong, but I get the impression that the Member fears the existence of a performance and efficiency delivery unit. I believe that it is overwhelmingly in the interests of everyone in the Assembly that such a unit is encouraged, that it goes about its job, and that it finds cash-releasing savings that can be pumped into front-line services. There is nothing for anyone in the Assembly to fear. Within days, we will provide the Committee for Finance and Personnel and the Executive with the remit for the performance and efficiency delivery unit. The Office of the First Minister and the deputy First Minister has issued letters to Committee members regarding the establishment of the capital realisation taskforce.

The Member has a particular interest from an audit point of view, and my Department will be happy to copy him into that correspondence. However, Members must encourage those two units to do their jobs, because they can release funds that can be used on top of the draft Budget that has been announced today.

Mr Storey: I welcome the Minister's statement and the challenge that he has issued to local government to play its part in ensuring prudence in the financial management of Northern Ireland plc. I also welcome the establishment of the capital realisation task force and the performance and efficiency delivery unit, and look forward to engaging with those units to identify further resources that can be released.

The Minister said in his statement that some progress had been made in the negotiations with the Treasury in recent months. Will the Minister tell the House how this Budget announcement compares with the Chancellor's package earlier this year?

Mr P Robinson: Comparisons with the Chancellor's package can be made in several ways. We can compare it with where we are now, and the additions that have been made to that package; or we can compare it with the past. We can compare it to packages that were brought to the table by others when they entered negotiations. If those are the criteria for comparison, then the Assembly will see that the package obtained from the Chancellor on the two occasions that we met him in Downing Street and the additions that we have now received, considerably improve our position.

None of our negotiations with the Chancellor would have resulted in a package that would have met all of our requirements, but Members will be aware that £100 million was immediately made available, £70 million of which was used to forestall the payment of water charges in this financial year. The remaining £30 million will be allocated in this year and over the next three years to innovation funding, all of which will help to stimulate Northern Ireland's economy. We were able to secure a significant change in the operation of the reinvestment and reform initiative. That has allowed me to hold rates rather than increase them by probably more than 10%, which would have been the outcome if we had not negotiated that change in the Chancellor's package.

Furthermore, we have been able to secure a significantly higher level of block grant than was offered by the Chancellor. I have already outlined those figures in my statement and do not want to go through them again. The Chancellor allowed us to use resources obtained from asset disposal, which we have taken full use of, and which amounts to about £1·1 billion of disposal already identified in the investment strategy. As the Member knows, we are not satisfied with that, and will look for more.

Several other issues arose from the overall package. The Government of the Irish Republic advanced proposals amounting to about £400 million to assist us with two particular road programmes. Those proposals are progressing, although one of them is unlikely to fall within the period of the current comprehensive spending review. However, it will begin as soon as the legal and other processes have been completed.

The Government of the Irish Republic provided funding that we will be able to use as part of our innovation initiative, and will add to that provided by the UK Government. Along with European funding, it will create an overall package that will be meaningful for the Department of Enterprise, Trade and Investment and the Department for Employment and Learning.

Ms J McCann: A Cheann Comhairle, I thank the Minister for his statement on the draft Budget. It is a big document, which I have only glanced through, but there appears to be a significant focus on the promotion of the role of the private sector in building the economy.

Does the Minister agree that the public sector also has a vital role to play in building the economy? Can he assure the House that the much-needed front-line services that the public sector delivers — particularly to the most vulnerable and disadvantaged — will not be affected by any cuts to that sector?

2.00 pm

Mr P Robinson: The debate about the balance between the public and private sectors has been long. There will be no greater defender of the public sector than the Minister of Finance and Personnel. I have the highest regard for our Civil Service. Its officials act impartially and provide us with the best of information. Civil servants' ideas help Ministers to form their policies. I will defend our Civil Service against attacks, no matter whence they come. Civil servants are objective and thorough in their work; however, the Civil Service is at the forefront of a campaign to reform the way in which it works. The essential element of reform in this modern day is to ensure that we interface meaningfully with the public and provide information on services in the responsive manner that that public deserves.

The reform package that is coming through my Department will suggest better ways of providing information. Technology, particularly information technology, will be better utilised for storing and accessing information on accounts and other data in Northern Ireland; however, I will not go into that today in any great detail. The Department has also dealt with Workplace 2010, which is concerned with improving the conditions of the Civil Service. The implementation of a New York-style “311” system has been proposed. That would mean that anybody in Northern Ireland who wants to contact the public services will not have to go through 12 pages of the telephone directory to find out who they need to contact; they will merely need to remember and dial three digits. Staff at a centre who have been tasked and trained to deal with such queries will put the customer through to whatever public service they wish to contact. That will make communicating with the Government much simpler for people.

The reform package goes to the heart of the Executive’s draft Programme for Government, which aims to achieve better interaction and communication between the Government and the public. The proposed system will further provide us with data that will inform the decisions that Ministers will take, for example, on issues such as potholes that must be filled or roads that need to be resurfaced. It will provide us with the necessary information on a series of areas of Government life. That data will come through the system so that we can better serve the public. A bigger public sector does not necessarily mean a better public sector, and it is a better public sector towards which we are working.

Mrs I Robinson: As one would expect, I welcome the statement on the draft Budget. Since the Health Committee’s establishment last May, the implementation of the findings of the ‘Bamford Review of Mental Health and Learning Disability (Northern Ireland)’ has been identified as our top priority. There is universal agreement — not only in the Committee, but among other Assembly Members and the community — that services for people who have mental-health and learning disabilities have been seriously and gravely neglected over many years, and it is only now that the needs of those people are getting the attention that they deserve. I, therefore, wholeheartedly welcome the identification of specific resources in the Budget that will begin to address those issues over the next three years. Will the Minister assure the House that the Department of Health, Social Services and Public Safety will be able to retain any efficiency savings that it identifies to further robustly tackle this issue over the coming years?

Mr P Robinson: I have already described the significant portion of the Budget that will be allocated to the Department of Health, Social Services and Public Safety and, therefore, will not repeat it. However, one must recognise that people are living longer, their expectations are rising, and new drugs are coming on to the market. Those developments open up possibilities that previously were not considered.

There is continuing pressure on the Minister of Health, Social Services and Public Safety to do more and to do it better, and I recognise the need for funding. I must hold the position that if efficiencies are made in Departments, they come back to the centre, and that relates to efficiencies beyond those that have already been identified by 3% of the Budget or 5% of administration costs.

However, I believe in incentives for Ministers — as for others. I would have thought that if a Minister were to come to the Executive after identifying further efficiencies, he or she would be in a strong position to argue with colleagues that, having made those efficiencies from the existing Budget, at least part of those efficiency savings could be used to fund new programmes. That would be significant, but the Executive must allocate whatever resources are available. The Minister of Finance and Personnel cannot give an overall guarantee that a Minister could do that.

However, the Health Minister knows my mind on efficiencies. If he examines the Appleby Report, he will find that there is a significant fall in productivity among healthcare staff in Northern Ireland, as opposed to that in England, Scotland and Wales. If we could get ourselves up to the same level of productivity as that in GB, that, in itself, would generate substantial savings in the region of £150 million to £200 million.

(Mr Speaker in the Chair)

Mr B McCrea: There are several measures that I welcome. I welcome the attention on the economy as the number one driver for the Executive. Further — and I have already notified my interest on industrial derating — I welcome the fact that the Executive and the Assembly have listened to the plight of the manufacturing industry, and that more will be done.

I turn to the fundamental point — and I am interested in what the Minister will have to say: if we are experiencing lower levels of employment along with lower productivity, in essence, we are working harder for less. If, as the draft Budget states, the problem is not really the size of the public sector, but the comparatively smaller size of the private sector, where will we find the people to create that step change in our economy?

Given that the Minister is the champion for the public sector — as he has just said — and that the premium of 18% for pay rates is the highest in the United Kingdom, how will he convince people to leave the security of the public sector to go to work in the private sector? That must happen in order to generate the wealth that we require to provide for all the people of Northern Ireland.

Mr P Robinson: I thank the Member for his remarks, particularly those about growing the economy, his agreement with that as the prime objective, and his remarks about industrial derating. I have asked my officials to examine a series of options on industrial derating.

The Assembly, in its pre-devolution mode, sought to have industrial rates for manufacturing pegged at 25%. I asked for several options, including whether industrial rates could be reduced to 25%, or whether they could be reduced to zero. Neither of those options was legally allowable because of EU state-aid rules. Industrial derating is rather a blunt instrument to give some assistance to the private sector. However, as I have said to colleagues on several occasions, it is the only instrument that we have. Therefore, it is right for us to use it, and to use it to the best extent that we can, within the law.

The Member’s remarks about the public and private sectors allow for only one logical conclusion — and I hope that he will take note of the danger — which is that public-sector pay must be reduced. The Government have no control over private-sector wage levels. However, the public sector is tied up by wage agreements that are largely dictated by the Treasury, which identifies pay policy as a macroeconomic variable that it wants to control. Therefore, public-sector pay policy is outside the remit of the Assembly. We could take such decisions, but we would be punished if those decisions caused any repercussive effects.

To address the disparity highlighted by the Member, if the public sector is the only sector that we can control, we must encourage the private sector as best we can. The conditions that the Member described, in which there are fewer people to do the jobs, will result in increased wages. Where are those people to be found? It is a step process.

People with university degrees, who currently have low-value-added jobs, could be doing much more productive work that would repay society for its investment in their education. However, those people are stuck in low-value jobs, such as those found in call centres. A healthy private-sector economy would enable such people to move into higher-value jobs.

We must also help those who could be working to get out of economic inactivity. DEL and DETI are considering schemes to help such people. Those are the areas in which the private sector will find the people that it requires.

Other people will come into our society from outside Northern Ireland. They should be considered as adding to the overall wealth, productivity and prosperity of Northern Ireland rather than being seen as coming to take our jobs. The current generation is experiencing the highest ever levels of employment in Northern Ireland, which has the lowest level of unemployment of any part of the United Kingdom. That is a good base from which to move forward to the next stage.

Mr Speaker: That ends questions to the Minister of Finance and Personnel on his Budget statement.

Mr Durkan: On a point of order, Mr Speaker. When you were absent, I consulted with the Chair about making this point of order.

During the Minister's statement, and in several questions, pointed references were made to me and to the supposed role of the previous Executive. People have a right of reply if they are criticised or challenged and in my question to the Minister of Finance and Personnel, I did not seek to use that right of reply.

Ms Anderson spoke about the "Durkan tax" and suggested that rate increases came from the borrowing power negotiated under the reinvestment and reform initiative. First, the reinvestment and reform initiative was agreed by the entire Executive. Secondly, at no point did that Executive agree, impose or even propose a rates increase —

Mr Speaker: I have given the Member some latitude. That is not an appropriate point of order. The Member may be about to raise a point of order about a right of reply. He does not have a right of reply on that issue.

Mr Durkan: When can I exercise my right of reply? The Deputy Speaker told me to do so at the end of the debate on the Minister's statement.

Mr Speaker: The Member's comments have been noted. However, he does not have a right of reply on that issue.

Mr Durkan: Do I not have a right of reply?

Mr Speaker: That is exactly what I am saying.

Mr Durkan: Does no one have a right of reply any more?

Mr Speaker: The Member has been around this House for a long time — and for a longer time around another House. He knows that the issue that was raised is not serious enough to warrant a point of order and a reply.

Mr Durkan: In another House, if a Member is named, or where it is clear that a Member is being personally identified, he or she has a right of reply.

Mr Speaker: The Member should read page 32 of the Northern Ireland Assembly Companion, because the answer is there.

Official Report of Assembly Debate on Draft Budget 2008-2011 27 November 2007

Draft Budget

Mr Speaker: The Business Committee has agreed to allow up to four hours and 30 minutes for the debate. The proposer of the motion will have 15 minutes to propose and 20 minutes to make a winding-up speech. The Minister will have 45 minutes to respond, and all other Members who are called to speak will have 10 minutes.

I advise Members that although two amendments have been published on the Marshalled List, after taking advice, and taking account of practice elsewhere, and guidance in Erskine May, I have reconsidered and, at my request, the two amendments have been withdrawn under Standing Order 15(5). I am grateful to the Members concerned for their agreement to withdraw those amendments.

Moreover, my ruling is that, in future, I shall not select amendments to any take-note motion.

The Deputy Chairperson of the Committee for Finance and Personnel (Mr Storey): I welcome the debate because it provides Members with the opportunity — both as representatives of Statutory Committees, and individually — to set out what they perceive to be the significant budgetary issues that face each Department in relation to the maintenance, improvement and delivery of front line public services. The themes that emerge from the debate will be beneficial in informing the Committee’s forthcoming co-ordinated report on the draft Budget, which will, in turn, allow the Assembly to influence the Executive as they finalise the Budget.

On 25 October 2007, the Minister of Finance and Personnel presented the Executive’s first draft Budget. In his speech, the Finance Minister emphasised that the primary focus of the draft Budget is on economic growth, and that that clearly indicates the Executive’s long-term commitment to building a better future for the people of Northern Ireland. That focus aligns with the priorities that are identified in the Executive’s draft Programme for Government, which are to grow a dynamic, innovative economy; to promote tolerance, inclusion, health and well-being; to invest to build in infrastructure; to deliver modern, high-quality and efficient public services; and to protect and enhance our environment and natural resources.

In presenting the draft Budget, the Minister also highlighted increased public expectations of public services and the need not just to spend more, but to achieve value for money for every pound we spend. Therefore, the Budget period from 2008 to 2011 presents a challenge for the Executive — and, indeed, every Member of the Assembly — to prove that devolution can make a real difference to people’s lives.

We must recognise the context in which that challenge must be met. The outcome of the 2007 comprehensive spending review means that, in the UK, public expenditure is set to grow at the slowest rate since that mechanism was introduced in 1998. The Chancellor’s comprehensive spending review announcement indicated that the Northern Ireland departmental expenditure limit would increase, in real terms, by an average of 1·7% per annum over the next three years. However, in his statement on 25 October, the Minister explained that, following necessary adjustments, a more accurate figure for real-terms growth in Northern Ireland expenditure over the next three years would be an average of 1·2% per annum.

2.45 pm

The reduced rate of growth in public expenditure across the UK means that there is a greater emphasis on efficiency and value for money. The Executive's draft Budget contains a target for Departments to deliver cash-releasing efficiency savings of £793 million by 2010-11. The efficiency drive and future progress by Departments in achieving the targets will exercise the departmental scrutiny Committees and Assembly Members in general.

In commissioning the views of the other Statutory Committees, the Committee for Finance and Personnel has suggested themes and issues, which, though neither prescriptive nor exhaustive, aim to assist the Committees in gathering evidence from their respective Departments and in scrutinising their submissions. The responses will include each Committee's views on its Department's spending priorities in the context of the draft Budget allocation. Other suggested issues include any evidence-based arguments for additions to the allocations in the Department's draft Budget; any risks from existing efficiency plans; and any scope for achieving additional cash-releasing efficiencies or future disposals of excess assets to support front line services and strategic spending priorities.

My Committee is due to receive the responses from the other Committees shortly, and they will be included in our report, which will inform the Executive's deliberations on the draft Budget in preparation for a substantive Assembly debate on the revised Budget in January 2008.

In addition to setting out the positions of each Statutory Committee, the report will examine a range of strategic and cross-cutting issues. I have already mentioned efficiency savings, but other issues will require consideration and monitoring. Not least of those is the financial management agenda, which the Department of Finance and Personnel will pursue aggressively over the Budget period, including the related issues of overcommitment, underspend and financial forecasting and monitoring by Departments.

The approach of planned overcommitment — whereby more money is allocated to spending programmes before the start of the year than is actually available — helps to reduce underspend by anticipating average levels of reduced requirements and adjusting the total level of resources allocated to programmes accordingly. However, it has been recognised that that approach reduces in-year flexibility and the capacity to respond to in-year unforeseen pressures. Accordingly, the Minister announced the planned year-on-year reduction in overcommitment, from the present figure of £153 million to £100 million in 2008-09, £80 million in 2009-10 and £60 million in 2010-11.

The move to reduce overcommitment must, however, be accompanied by an improvement in the level of financial management in the Northern Ireland Civil Service to ensure that we eradicate the culture of underspend. The Committee has noted that, in the period from 2003-04 to 2005-06, approximately 1% to 2% of revenue budgets across the Northern Ireland block remained unused at the year end. That represented between £113 million and £150 million per annum. In the same period, between 15% and 20% of capital budgets remained unused, amounting to between £170 million and £230 million.

The Committee acknowledges that the Department is taking steps to develop financial-management skills and to improve financial processes across the Civil Service. As part of that initiative, the Department of Finance and Personnel commissioned an external review of forecasting and monitoring from PKF consultants, a report on which was published in June 2007. The overriding finding from the report was that insufficient priority was afforded to forecasting and monitoring. It also highlighted the fact that the average figures for underspend failed to reflect the variance across Departments.

The Committee for Finance and Personnel will monitor the implementation of the recommendations from that review. More generally, all the Statutory Committees will have an important role to play in scrutinising their Departments' in-year spend by examining each quarterly monitoring round to minimise underspend.

A further cross-cutting theme in the draft Budget is the reform agenda, which DFP will have a key role in co-ordinating. The Civil Service reform projects and programmes are expected to realise a range of benefits and value-for-money savings across the 11 Departments. Those benefits will be measured using a series of key performance indicators, which will be integrated with departmental business planning. Again, there will be an important role for each Statutory Committee in monitoring the progress of the various reform projects in the respective Departments.

The Committee for Finance and Personnel has already produced a report on Workplace 2010, and will continue to scrutinise the future progress and direction of that major accommodation project, which will affect all Departments and is expected to generate approximately £175 million in capital receipts during the Budget period. Other key reform projects for which DFP has lead responsibility include NI Direct, which will ultimately provide a single telephone point of contact for public services, and the various shared service centres, including HR Connect, Account NI and Records NI.

Other cross-cutting developments that require consideration include the creation of a performance and efficiency delivery unit and a capital realisation task force. The performance and efficiency delivery unit will be tasked with identifying the scope for generating additional cash-releasing efficiencies and improving delivery and performance within Departments and across the wider public sector. The Committee for Finance and Personnel will be examining the role and functions of that unit, including the targets and reporting mechanisms that will be implemented to measure its performance.

The capital realisation task force is to make recommendations that remove barriers to a more efficient and economically effective use of the asset base, and realising additional resources through the disposal of surplus or underutilised assets. A report is due from the task force in early December, and will inform the final Budget and investment strategy. The Committee for Finance and Personnel will focus on the work of the task force as it affects the capital allocations in the three financial years covered in the Budget period.

A further strategic issue for consideration is the budgetary impact of the rating reforms, including the domestic rating reforms that were announced today by the Minister of Finance and Personnel, and the decision regarding industrial derating. Other cross-cutting issues include the role of PFI and borrowing during the budget period; anticipated savings on procurement spend by Departments; the potential costs and efficiencies from the review of public administration; and the strategic debate around the Barnett formula and needs assessment.

The Committee will also be interested in the outcome of the wider public consultation on the draft Budget. The Department has advised that four public meetings will be held — one each in Belfast, Enniskillen, Londonderry and Armagh. In addition, regarding the voluntary and community sector, the Northern Ireland Council for Voluntary Action will be holding a separate event that DFP officials will attend to facilitate the debate.

The Department will also be holding a range of other meetings with social and economic partners, including the Confederation of British Industry and the Northern Ireland Committee, Irish Congress of Trade Unions. I expect that all Members will be keen for the Executive to take account of the views of key stakeholder groups and of the general public before finalising the Budget.

I shall now turn briefly to the Department of Finance and Personnel's own draft budget allocations. Regarding current expenditure, the draft Budget 2008-11 prescribes a significant reduction in the share of departmental expenditure limit funds allocated to DFP. The Department has suffered a large cut — the current year's allocation is 17·1% lower than that for 2006-07, and that trend will continue in subsequent years.

The Committee has focused in particular on the Department's proposed capital expenditure in the draft Budget. DFP bid for approximately £94·2 million over the three financial years 2008-11 and was allocated £68·7 million. The Committee has queried the potential impact that that reduced allocation may have on delivery, and how DFP plans to manage with an allocation significantly below the amount sought.

In particular, the Committee is concerned about whether the capital allocations for Land and Property Services will be sufficient to allow the organisation to alleviate difficulties with its IT system, especially with regard to rate relief. In addition, the decision announced by the Minister earlier today to introduce rating on vacant domestic property will place a heavy burden on Land and Property Services, which will have to develop the necessary databases. The Committee will pursue the issue with the Department of Finance and Personnel to ensure that any future funding requirements arising from rating reform can be met in any revised allocations.

I now return to the wider, strategic context. The draft Budget is clearly connected to, and driven by, the priorities set out in the draft Programme for Government and the draft investment strategy, which the Assembly debated yesterday. In addition, however, there are a number of underlying themes and assumptions on which the Budget allocations are based. I have highlighted, in particular, the entire financial management agenda, together with a drive to reform the public sector in order to deliver the value-for-money and efficiency targets that will enable improvements to be made to front line services, which the people of Northern Ireland deserve.

Those areas will require ongoing monitoring and scrutiny by the Committee for Finance and Personnel, together with the other Statutory Committees and the Assembly, over the next three financial years of the Budget period.

I look forward to hearing Members' contributions, and I welcome the opportunity for an extended debate on the draft Budget.

Ms Anderson: Go raibh maith agat, a Cheann Comhairle. Ba mhaith liom labhairt le tacaíocht a thabhairt don rún. Yesterday, I congratulated the Office of the First Minister and deputy First Minister on the draft Programme for Government and spoke about how ISNI 2 had the potential to deliver on the programme's priorities of addressing inequality through targeting marginalised sectors.

Today, the House considers the draft Budget, which constitutes the nuts and bolts of how those targets will be achieved. That task faces us all, and the challenge is huge. The facts speak for themselves. Tackling inequality and lifting the boat of the vulnerable means that at least some of the following facts must be addressed: 31% of 16- to 60-year-olds lack paid work; 22% of the workforce is low paid; nearly 25% of households are unable to afford adequate home heating; nearly 100,000 children and 50,000 pensioners are living in income poverty; and there are 3,000 premature deaths each year because of disadvantage and poverty. Those facts are shocking.

The solution is simple: reality — that is, current economic patterns — has to change. It is the task of all MLAs to ensure that that is done. Today, every Member should be asking how that will be achieved. This is, after all, a legacy Budget, and in that context we need to see ministerial leadership and initiative.

I will take the example of fuel poverty. The Assembly has had two debates on that subject and a guarantee that Government will work to eradicate fuel poverty in vulnerable households by 2010 and in households that are not considered vulnerable by 2016. Yesterday, however, we were faced with the headline that the Minister for Social Development intends to cut £10 million — 50% of the current allocation — from the warm homes schemes.

Within the confines of the block Budget from Westminster, the Minister for Social Development, like all Ministers, has to make choices. The question must be asked whether she has made the right choice. Has she the political will and skill to prevent that cut? For instance, has she considered the land banks in her Department’s estate? She has to pay for them annually, but if they were utilised more effectively, they could fund social and affordable housing and contribute to combating fuel poverty.

3.00 pm

The Minster of Agriculture and Rural Development, Michelle Gildernew, was required to do that to deal with inescapable pressures. Stand Up for Derry is seeking more social and affordable housing to address the historical neglect of our city and, indeed, of the entire north-west region. Tá mé ag iarraidh tuilleadh infheistíochta i nDoire.

I want more housing and investment for Derry, and I acknowledge the political will and skill shown by the Minister for Regional Development, Conor Murphy, in respect of the railway decision for Derry and the north west. I call on the Minster for Social Development, Margaret Ritchie, to emulate that type of leadership. It is time for wider ministerial leadership, imagination and initiative.

In order to address fuel poverty, the workers at the coalface, all the relevant Departments, and community workers on the ground must be engaged and involved in tackling the issue. Places such as Derry, and elsewhere, have dedicated community workers who know that those who live in fuel poverty experience what that means in reality, and know how best to eliminate it.

Do Ministers engage with stakeholders and residents of local communities before deciding on the choices that they face? I wonder.

It is the job of local officials and administrators to contact people who are living in fuel poverty and ensure that they be helped to be taken out of it quickly. The market will not do that; it must be done by supporting groups that work in those areas. By drilling down and adopting a bottom-up approach, we can work at a community level, and the task will be manageable. The numbers to be dealt with are in the tens or hundreds, perhaps, but not 250,000. That is what is known as the principle of subsidiarity, in EU jargon. That is what good governance and monitoring is all about: bringing all the stakeholders and networks in the community together so that they can work to meet targets, and truly monitor achievements. They are the people at the coalface; they deal daily with those who are disadvantaged, and know exactly what it is like to suffer cold persistently without sufficient money to pay for heating.

Monitoring and measuring our performance is a key part of delivering our objectives, as is ensuring that equality impact assessments are fully complied with across the nine categories of the disabled, the elderly, etc. That is not only the correct thing to do, but represents an intelligent modernising agenda, which is necessary to show that the North has the political skill and will to tackle disadvantage and participate in the global economy. The fact that the Executive are beginning to equality-impact assess their spending, and how they are spending limited finances, is a good-news story to be welcomed at home and abroad.

Moreover, buying into social justice, through social requirements and tendering contracts, is a smart decision that the Executive have taken, as reflected in the Budget. Joined-up governance will be cemented as the Minister of Finance and Personnel applies tendering criteria to procurement agreements, resulting in contractors employing, training and teaching skills to people who have been registered as long-term unemployed. That represents the use of public money to buy social justice, which is brilliant.

Yesterday's agenda, which left out huge parts of the North, and large groups of people, is not only out of date, but economically counterproductive and unstable, and I am sure that the Minister of Finance and Personnel would agree. It has been only six months since the transfer of powers, and it will take time to throw off the shackles direct rule. Of course, Sinn Féin wants to throw those shackles off entirely.

The world economic order is now discussing a sustainable model of economic development that integrates social, economic and environmental requirements, rather than regarding them as burdensome add-ons to a narrow, ineffective economic model that has produced stagnation and exclusion in our society.

The limitations of this draft Budget, restricted because we in the North are controlled by a British Administration that does not care about anyone here, regardless of one's political opinion, or none, would be assisted greatly by advancing the intelligent processes that are inherent in the full equality impact assessment procedure.

The comprehensive spending review results in Ministers making difficult budgetary choices; they must stand over those choices. They must also use political tactics and skills — if they have them — to achieve deliverables and actually build prosperity and tackle disadvantage using the Government and governing opportunities that exist in the current political arrangements by linking up with our counterparts in the Twenty-six Counties. The economic and financial future of this part of the island will not be resolved in the context of the Six Counties.

The limitation of the draft Budget should not limit thinking. Joined-up Government should exist beyond the Assembly, especially, when it is economically and politically advantageous for all of the people who reside across the island to have decisions taken that benefit all of us. Go raibh maith agat.

Mr Beggs: Sadly, we are faced with difficult choices today, as we discuss the draft Budget and as we approach the final Budget Bill. Those choices would have been considerably easier to make if the £1 billion package, which was promised prior to devolution, had been delivered. However, it was not delivered. Shortly after that, media focus was switched from the £1 billion package to the Varney Review and the corporation tax benefits that could flow from that. We still await them. Where are they, and when will the review be published? The people of Northern Ireland are entitled to know the outcome. Will we receive financial benefits from the Varney Review? Having quashed hopes of a major economic package, with sleight of hand, the focus was switched elsewhere.

Time has moved on. Now, when we are discussing the draft Budget, problems arise again regarding difficult funding choices. I cannot help noticing that the lower rate of corporation tax has not been mentioned by the Minister of Finance and Personnel in recent months — I can only assume that good news is not expected on that subject. A lower rate of corporation tax would have had a major impact on improving our economic standing and in achieving the objectives set out in the draft Programme for Government.

As a member of the Committee for Finance and Personnel, I take an interest in financial matters, generally, and not just in those of the Department of Finance and Personnel. I would like to know where the departmental bids have gone. I have tried to get underneath the spin of the headline figures and the glossy draft Budget with which we were presented. I have raised the matter with departmental officials and have asked questions in the Assembly. However, I have not yet received a copy of the bids that were made by each Department and the outcome of those bids. I am slowly gathering them from the Committees. However, it is right and proper that Assembly Members should have that information.

Last week in Committee, I asked departmental officials, jokingly, whether I had to issue a request under the Freedom of Information Act to obtain the information. Why is that information not available? Why is it not published and easily accessible for everyone to view? Surely, if the public is really being consulted about the draft Budget, it should be made aware of the bids. They should be put into the public domain, either through the ‘Belfast Telegraph’ or the Internet.

People should be made aware of what was contained in each of the bids and the difficult choices that have to be made. This is not just about saying that the winning projects are wonderful; it is about difficult choices; getting the best value for money, and benefiting our community. I have tabled an Assembly question on that matter, which is due to be answered today, and I look forward to receiving that answer. I hope that I do not have to resort to the Freedom of Information Act: that would be absolutely ridiculous.

We are discussing a draft Budget: is this a real consultation or not? If it is, let us have the information. That will motivate many people to respond, and the final version of the Budget will be better for it. I hope that that opportunity is taken. It is important that people respond to that consultation, but there must be transparency.

I have concerns about several issues in the draft Budget: first, I will touch briefly on housing. My constituency work has made me aware of the difficulties faced by those who, although they are accepted as being homeless, spend a great deal of time on the housing waiting list and are not afforded the opportunity to remove themselves from the list. Additional resources are required for housing; if the Programme for Government’s objectives are to be achieved, additional moneys will have to be found between now and the finalised Budget, particularly from the ongoing capital assets review. Therein lies the potential to release additional funds in the form of unused public assets to enable the building of more social housing. I hope that that will be progressed speedily.

Fuel poverty affects a wide range of people, social tenants and homeowners alike. I recently received correspondence from a natural gas provider, Firmus Energy, expressing concern about the possible reduction in funding for the heating replacement programme next year. A constituent contacted me some time ago about an open fire in his upstairs flat. That source of heating was operating at only 28% efficiency, aside from being a health and fire hazard. It is important that energy-efficiency projects such as the heating replacement programme and the warm homes scheme, which is also under threat, are allowed to continue. Fuel poverty must be addressed, and we must also reduce our carbon emissions.

I will turn briefly to the Northern Ireland Children’s Commissioner, whose office published a detailed report in July 2007 in conjunction with OFMDFM and the Department of Finance and Personnel called ‘An Analysis of Public Expenditure on Children in Northern Ireland’, in which it stated that children’s services in Northern Ireland were 30% underfunded compared to similar services in the rest of the United Kingdom. The Children’s Commissioner recently commented that the recommendations of the organisation’s report had not been reflected in the draft Budget; in other words, ensuring that that disparity in funding would continue.

Many other issues, such as speech and language therapy, statementing processes, after-schools clubs, early intervention, and the effects on young people at risk that were highlighted in the Bamford Review, are not being adequately addressed in the draft Budget.

I am very passionate about early-years funding. I recently attended a lecture in Belfast by Professor James Heckman, a Nobel laureate economist who works with early-years organisations. He had a simple message — we must invest in the young. That makes economic sense, but I am not sure that that is what we are doing. There is a larger emphasis on structures, but we must invest in people, especially the very young.

Through my involvement in the Assembly's all-party children's committee, I have been advised that long-term funding for the Home Start programme has yet to be secured. Home Start trains and co-ordinates volunteers and assists families who need help. Without Home Start, many children would have a poorer start in life, and some might even have ended up in care. Why can funding not be found for that programme? Mention was made earlier of the need to stand over choices. We must examine the draft Budget carefully to ensure that decisions can be justified, because many issues are not currently being addressed.

I will turn briefly to the draft Budget allocation for OFMDFM. I compared the figures for 2006-07 and 2010-11 and discovered some interesting statistics. Health receives an 18·8% increase over that period, and OFMDFM receives a 51·6% increase.

3.15 pm

Why has the Office of the First Minister and deputy First Minister received an additional allocation of £28·7 million since 2006? Is that a good use of our money? In 2001-02, some £2,081,000 was allocated for central administration. However, in the draft Budget, its allocation amounts to £40 million a year. What is going on? Is that a good use of our money? There has also been a huge increase in capital investment. In 2006-07, some £1·5 million was allocated to the Office of the First Minister and deputy First Minister for the three-year period. That figure has now risen to £52·9 million.

That money could be better spent in my constituency on new health centres and health schemes that have been put on hold. Moyle Hospital closed in 1994 and Carrickfergus Hospital closed some decades earlier, yet there have been no replacement state-of-the-art facilities. There has been no significant capital infrastructure to put right those wrongs, yet funding is being directed to other areas that have lost acute services.

We need equality. We must ensure that facilities such as Carrickfergus day centre, which closed due to a leaking roof and electrical faults, are replaced. We must ensure that we provide good value for our money. Why is so much money being spent by the Office of the First Minister and deputy First Minister?

Mr O'Loan: At the outset, it may be necessary to claim the right to speak at all. Yesterday, during a point of order that was not actually a point of order, the Minister of Finance and Personnel talked of the need for a Programme for Government and Budget to be agreed by the Assembly. He seemed to think that any word of dissent at this stage was not appropriate.

Perhaps we should reduce the heat a little on this matter. This is a draft Budget — it is out for consultation to Committees of the Assembly and the public. Therefore, let all concerns that are real be expressed. I am sure that the Minister will assure us that it is a genuine consultation process and that he will be willing to make adjustments where the case is good. There are many variables still in the hands of the Minister, including the timing, and many uncertainties, including Workplace 2010, the Varney Review and asset sales. Therefore, there should be no suggestion that any adjustment to this Budget is like the removal of a keystone that will cause the whole edifice to collapse.

The context for this draft Budget is clear. Northern Ireland has an infrastructure, much of which is obsolete. It has a private sector economy that is relatively small and fairly weak. Our main source of income is the block grant from the Treasury. Northern Ireland does not pay its way. It needs a subvention of several billion pounds per annum, perhaps up to half of the £16 billion of public spending annually. The block grant is determined by the Barnett formula, and those who know tell us that we do not get a bad deal from that mechanism. There was a threat yesterday that we would hear a great deal more about the Barnett formula, so perhaps we should listen to that advice.

The dramatic increases in public spending over recent years are now over. Over the next three years of the comprehensive spending review, public spending here will rise in real terms by just 1·2% per annum. That is not a large increase, but we should not dismiss it as nothing.

Our other main source of income is the regional rate, which yields about £500 million per annum, or 6% of what we spend. The scope for deriving more income from the regional rate is constrained, as a result of the proposal to include a charge for water and sewerage alongside the rates bill, which most parties seem inclined to go along with as the least bad solution to a real problem.

The Minister has indicated his proposal to freeze the domestic regional rate in absolute terms and the business regional rate in real terms for three years. Given the pressure on households, in particular, to pay for water, there will not be much dissent from those proposals. Almost half of the block grant is already spoken for in the annually managed expenditure that is allocated for social security benefits and the like.

We are now debating how to carve up the remaining money among the Departments. The Minister told us in the speech that introduced the draft Budget that the annual amounts will run from £8·3 billion to £8·9 billion over the Budget period. There is also ISNI money — I must tell Nelson McCausland that that ISNI isnae Ulster Scots. [Laughter.]

That money ranges from £1·6 billion to £1·8 billion over the period for investment in basic infrastructure. Those are large sums, and they will enable substantial improvements to be made to the quality of life of all our people.

There are major pressures on the Budget. Every Department has a list of necessary projects, but not all of those demands can be satisfied. I must express concerns about particular spending programmes. The first relates to the provision for social and affordable housing. The draft Budget document states of DSD:

“The Department’s aims are to make a difference to the lives of the most vulnerable and disadvantaged in our society through providing access to decent affordable and energy efficient housing.”

Those are exactly the right aims, and I am sure that every Member will support them. Other Members of my party will expand on those concerns about that aspect of the draft Budget.

Another matter that relates to housing is the funding for improving the energy efficiency and insulation standards of homes, which is to be drastically cut. It astonishes me that that programme is to be cut back, rather than increased. Again, other SDLP Members will say more on that matter, but I note Martina Anderson’s comments, and I welcome the indications that her party will support an increase to the DSD’s budget to allow it to address that matter.

Efficiency savings have been given a significant place in the Minister's plans. The 3% and 5% cumulative year-on-year targets are central to his ability to deliver. Nearly half of the:

"increase in health departmental spending power" —

— will come from those savings in the third year. We must note the language that is used in some of the DFP information. There is much use of the interesting phrase, "spending power", but it is not, to a significant degree, real money. Built into that spending power are savings that are yet to be realised. There has been very little scrutiny of efficiency targets, and I intend to ask the Committee for Finance and Personnel to examine those more closely. Are such savings in the health sector really available in the short term in a service that is so dependent on front line staff? There is no doubt that we need a better Health Service, and that that will mean great structural change, but it will not happen overnight.

Similarly, much has been made of the potential of the performance and efficiency delivery unit. I heard the Minister offering its services to the Minister of Health, Social Services and Public Safety recently, and that made me wonder how it would really work. Evidently, it has an opt-in or voluntary nature. Again, the Committee must examine that mechanism extremely closely and, indeed, all Committees should reflect on how it will affect them and their work.

I wish to raise a few issues that affect my own constituency of North Antrim, the first of which caused real alarm recently. The new health and care centre that was promised for Ballymena within two or three years, and which would have revolutionised healthcare in the community right up to the north coast, has been written out of the script. That is shocking and totally unexpected news. Representatives for North Antrim from all political parties in the House are aghast, and will be lobbying the Assembly to reinstate the centre. I cannot understand why that has happened, and I hope that I will have the support of all Members for North Antrim in addressing that matter — some of them are in rather influential positions and must have missed that part of the draft Budget.

I shall mention other North Antrim concerns only briefly. I welcome recent steps towards a development for Rathlin Island, and I want to see provisions for the outcomes of that in the Budget. The railway relay from Coleraine to Derry has been announced in the press. I assume that there is some substance behind that announcement, but it is missing from the draft Programme for Government and the draft Budget. Can we have clarification on when that will happen?

I hope that money has been put in reserve for a contribution to the proposal from the National Trust and Moyle District Council for a visitors' centre at the Giant's Causeway. We may, at last, get a resolution to that situation, which has become an embarrassment for several Ministers.

I hope that our rural roads, which are a disgrace, will finally get some real money spent on them.

Finally, I want to mention one agricultural issue. The proposals for the reduction of brucellosis and TB in cattle will not work, and that money would be better spent on a full eradication programme, which will be cheaper in the long run.

Dr Farry: I congratulate the Minister of Finance and Personnel on the presentation of his first draft Budget. Although my party does not agree with every aspect of it, I recognise that it is a substantial piece of work. It puts to rest the notion that six months is too short a time for the Executive to produce anything meaningful.

One matter requires clarification. At the outset of the debate, Martina Anderson referred to the draft Budget being a legacy. However, when the Minister of Finance and Personnel presented the draft Budget, he was keen to point out that it represents a major break from direct rule Ministers' Budgets. The draft Budget cannot be both those things: it must be one or the other. There is an interesting split of opinion in the Executive.

I thank the Committee for Finance and Personnel for tabling the motion. Although the Alliance Party had tabled an amendment, it is content to accept the advice and guidance of the Speaker on the matter and withdraw the amendment accordingly. My party respects the Speaker's rulings, unlike some Members that I could mention.

The fact that there is no amendment on which some notes of concern can coalesce should not, nevertheless, leave the Executive in any doubt that there are major concerns about the content of the draft Budget, not only from my party but from other quarters in the House. There will be many future opportunities to test those matters formally through Divisions. Like many other Members, Alliance Party Members welcome the draft Budget's economic focus. However, it is important not to allow the economic delivery claims that have been made to go without challenge and proper scrutiny.

During the past decade, there has been a peace dividend. However, despite economic growth and investment during recent years, major structural problems remain. There must be an overarching imperative to rebalance the economy between the public and private sectors. Public finances are hugely dependent on financial subvention from the Treasury — some £7 billion each year — which funds almost half of the local services. That is clearly unsustainable. The Minister is on record as saying that the problem in Northern Ireland is not that the public sector is too large but that the private sector is too small. However, that stance seems to have changed somewhat, with an open challenge being posed to the public sector.

Unemployment now stands at under 4%. However, beneath that percentage lies the societal indictment that 27% of the working-age population are economically inactive. That is a huge wasted resource for the entire community and its shared prosperity.

Much of the recent investment and rapid employment growth has occurred in the relatively lower-added-value sectors of the economy. The overarching economic imperative must now be to close the productivity gap between Northern Ireland and the rest of the UK average, which is measured by gross value added (GVA). In order to shift that, more high-value-added investment, promotion of exports and more high-paid jobs are required. The figure has been stuck at around 80% of UK average employment figures for quite some time, and the problem lies with UK regional policy. Despite the platitudes from successive Governments on the need to develop the regions, nothing is allowed to challenge the dominant position of London and the south-east of England as the main drivers of the UK economy. Financial dependency is tolerated rather than the regions being given the means to become more sustainable.

I note that the Executive have shifted the target for GVA to halving the gap with the UK average minus the greater south-east of England. Although, in one respect, it might be nice to remove the distorting influence of the south-east, moving the goalposts in that manner does not do Northern Ireland any favours. Overall consideration must be given to the balance in the UK economy as a whole. There is little point in comparing Northern Ireland with the other dependent regions and fighting over the scraps, and not effectively challenging the overall centralisation of the UK economy.

The draft Budget's rhetoric and aspirations for the economy are lofty and ambitious. However, they pose two fundamental questions: first, does Northern Ireland have the necessary tools to make a step change to the economy? In the absence of tax-varying powers or other fiscal incentives, it is difficult to see how that step change can be realised. The one fiscal tool at the Executive's disposal — industrial derating — is essentially anachronistic. If anything, it is geared to subsidising a low-value-added economy rather than attracting high-value-added jobs. It deals with the status quo rather than the type of economy that Members want for Northern Ireland. I appreciate the fact that there are few alternatives and that, therefore, we must support it regardless. However, it is important that the limitations of that approach are recognised.

The Varney Review's indications are not encouraging. What is left is incremental change rather than a step change.

The jury is out on whether we are using to their full effect the existing tools and instruments that are at our disposal, and there are grounds to be sceptical.

3.30 pm

The four remaining main economic drivers are skills, enterprise, innovation and infrastructure. Of those drivers, the most critical area of emphasis is skills. The targets for PhDs in the draft Budget and draft Programme for Government may prove to be too conservative, especially if the brain drain continues. Moreover, stronger incentives for students to study the STEM subjects — science, technology, engineering and mathematics — are needed. By the same token, at the other end of the spectrum, the core issues of numeracy and literacy are being neglected. Without addressing numeracy and literacy, it is doubtful whether we will have a critical mass of workers who are able to play their role in the global economy.

I am concerned that more effort has not been put into improving the public-transport infrastructure. Figures in the draft investment strategy suggest that 60% of funds will be invested in roads in the first three years, and that that will rise to 80% over 10 years. That is almost a mirror image of the situation in the rest of the United Kingdom. Although we must catch up on the infrastructure backlog, there are environmental concerns to consider. If we are to have a modern, twenty-first century infrastructure, especially in Belfast, we must invest more heavily in public transport from the overall transport budget.

I am surprised that greater emphasis has not been placed on the potential of the green economy and, in particular, on the new economic opportunities that will arise from tackling climate change. Questions also arise about the resources earmarked to assist the economy, and about whether those resources are being used to full effect. More and more resources are to be poured into the Department of Enterprise, Trade and Investment and Invest NI. However, whether there is to be any fundamental change in their approach is far from clear.

At the risk of angering farmers, I note that £45 million has been set aside for modernising the agriculture industry. That sector represents only 2% of the economy, and I cannot help wondering whether that money would be better used in another sector, in which there is higher growth potential. This morning we heard about the tourism industry, for example. It also represents approximately 2% of the economy, but it is an area in which there exists a great deal more room for expansion. Perhaps the resources set aside for agriculture could be better deployed in assisting with rural transition and more general development.

We must also be conscious of the impact on the economy, especially on small businesses, of the scaling-back of investment in public services. I include the building of social housing in that. Members must be aware that the deep divisions in Northern Ireland have an impact on the economy. Economic change and creating a shared future go hand in hand. Therefore, the scarcity of the resources that have been made available to invest in providing shared and mixed facilities and to promote good relations is a major flaw.

I intend to make a few overarching comments on the more general resource allocations rather than delve into too much detail. That said, I have major concerns over the health and housing budgets, and I am sure that other Members will address those concerns. A tight UK comprehensive spending review has been made even tighter by decisions to freeze the regional rate, to reintroduce water charges within the ambit of the regional rate and to reduce the level of planned overcommitment. Much now depends on the 3% efficiency savings to be found across Departments. All Whitehall Departments are attempting to achieve the same targets, so Northern Ireland is not unique in that respect. Those savings are achievable, and, in fact, annual cost savings in the private sector are routinely achieved at the beginning of a Budget process. However, our problem is that there is an almost singular focus on achieving savings from internal running costs and procedures rather than through taking a hard look at how public services are delivered.

The process of CSR bids by Departments here, and the subsequent questions about which of them have been addressed and which have not, means that the focus inevitably falls on the additional extra 2% or 3%. Little attention is paid beyond and below the baseline. At the other end of the debate, it is arguable that our Departments' bids were overly conservative and that major investments have both been lost and not been offered. Even with that conservative mindset, only about half of the CSR bids are to be funded through the Budget. There is a transparency issue, and the Alliance Party has had to table several questions in order to get to the heart of some of the issues.

For some time, the Alliance Party has highlighted the vast amount of resources that are tied up in Northern Ireland to maintain a divided society. Huge opportunity costs are involved in investing in quality public services for the entire community. We have estimated them at around about £1 billion a year, but a report by Deloitte goes a step further and says that the figure is as high as £1·5 billion each year. Sadly, the Office of the First Minister and deputy First Minister has binned that report. Those costs are clearly embedded in the system through duplication in the provision of goods, facilities and services, and it will take many years to unlock them. However, we must start now by investing those additional resources. That could have been the subject of any peace dividend. There is a real economic and financial imperative to creating a shared future, and, although the Minister of Finance and Personnel alluded to the Deloitte report in his draft Budget statement, there is little evidence that he has considered its contents in his actual proposals, and in the details of the actual bids and efficiency savings. Education is one area in which a great deal more work must be done.

Mr Hamilton: I welcome the opportunity to participate in the debate. Although you have ruled on and rejected the amendments, Mr Speaker, I note that those who tabled them still took the opportunity to level the criticisms that they contained. Some of the strange claims that have been made in the Chamber today reflect the contents of those amendments. The House was almost subjected, for a third time, to an Alliance Party amendment criticising the supposed lack of innovative thinking in the draft forms of the Programme for Government, the investment strategy and the Budget. The failure of Alliance Party Members to come up with anything new demonstrates that the real lack of innovative thinking lies with them.

The first claim that must be refuted is that the draft Budget is somehow unable to deliver economic growth in Northern Ireland. Given the comments made after the publication of the draft Budget — which has been branded the most economy-focused and business-friendly ever — that is a particularly peculiar claim. In some quarters, the draft Budget has even been branded Thatcherite and right wing.

It is worth recalling some comments that were made in the aftermath of the draft Budget's publication, both in evidence to the Committee for Enterprise, Trade and Investment and to the press. The Federation of Small Businesses offered an enthusiastic response to the proposals. The

Confederation of British Industry in Northern Ireland said that it strongly supported the focus on productivity, strongly welcomed the increased commitment to Invest Northern Ireland and welcomed the increased resources being allocated to tourism. The Northern Ireland Chamber of Commerce and Industry welcomed the fact that the Executive regard the development of the economy as their top priority. Declan Billington of the Institute of Directors stated that the draft Budget would build confidence across the business community in Northern Ireland to join with Government in investing in our future. Finally, Michael Wightman of the Northern Ireland Manufacturing Focus Group said:

"The NIFMG is both relieved and delighted that … the Stormont Executive has listened to us … today's draft Budget has given manufacturing a real boost."

That view is consistent among Northern Ireland's business leaders. I am sure that I will be forgiven for accepting the view of the local business community, as opposed to that of the Alliance Party, on the draft Budget's ability to stimulate economic growth.

The second claim, which is trotted out ad infinitum by the Alliance Party, is that the draft Budget will not tackle the issue of resources being directed away from a divided society. I will not allow the hypocrisy of the Alliance Party to go unchallenged. Only a matter of weeks ago, on Tuesday 13 November, the Alliance Party voted for a club bank to assist the Irish-medium schools sector. That is a more divisive and costly example of a divided society. The Alliance Party cannot criticise the draft Budget and, at the same time, demand money to create more division. In yesterday's debate, my colleague Peter Weir commented on how the Alliance Party's cost-of-division dogma is becoming tiresome and compared its credibility to that of the promise of its sister party, the Liberal Democrats, to put 1p on income tax.

The draft Budget will be broadly welcomed across Northern Ireland. The cap on industrial rating at 30% demonstrates the Executive's commitment to development and their consideration of the many costs that businesses face. People will be particularly pleased by the Minister of Finance and Personnel's announcement of a three-year freeze in the regional rate. It is funny that, although some parties complain about the allocation to one Department or another, I hear few moaning about that freeze.

The Ulster Unionist Party claims that a financial package did not materialise, and it is worth elaborating on some of Mr Roy Beggs's earlier comments. He talked about the lack of a "£1 billion financial package". However, if the matter is to be discussed, it is worth basing it on fact. Ulster Unionist Party Members participated fully in negotiations when they trotted off to Downing Street with the rest of the political parties. Several core elements were negotiated, including guaranteed flat real growth, an additional £100 million each year over the CSR period, access to additional spending under end-year flexibility of £320 million and the retention of asset sales of £500 million.

In negotiations on the CSR, the Minister of Finance and Personnel achieved £443 million over and above the previous CSR guarantee, access to additional end-year funding of almost £300 million and access to over £100 million of borrowing on reinvestment and reform initiatives.

Perhaps my mathematics are better than those of the Member for East Antrim Roy Beggs, but I am sure that that adds up to well in excess of £1 billion.

Mr Beggs: Will the Member give way?

Mr Hamilton: Yes, so that the Member can apologise for his error.

Mr Beggs: Will the Member tell the House what is the amount of new money, instead of talking about recycled money from selling off our assets? It is normal practice that one can reinvest assets in other capital projects. Moreover, end-year flexibility is normally provided, once applied for. I accept that £100 million has been provided, but where is the £1 billion of new money, rather than recycled money?

Mr Hamilton: The Member might be confusing the rules of assets sales with those that he has experienced at local council level, and perhaps he is not aware of the Treasury's rules. Perhaps the Member does not want poorly utilised assets to be sold on, and the money to be reclaimed.

Mr B McCrea: Does the Member agree with his leader, Ian Paisley, who, after the Chancellor's announcement about the supposed extra £1 billion — over four years, mark you — said:

"Progress has been made in some areas, but I do not believe there is anything in the present proposals of the Chancellor which will lead to the step change in the economy that is needed"?

No package; no £1 billion — that is why we are scrabbling for money.

Mr Hamilton: The Member might find it useful to listen to the sums of money that has been outlined.

The Minister of Finance and Personnel (Mr P Robinson): I wonder whether, as he looks at quotes from various people over the years, Basil McCrea is aware of the gestation period that applied to the financial package. Prior to devolution, a Programme for Government Committee met in the Assembly, of which the various parties were members. I asked the other parties to hold back from going into Government until we secured a satisfactory package, but none of them supported that. Indeed, Mr McNarry publicly attacked the DUP for its position of holding out to get more money from the Chancellor.

Mr Hamilton: We all recall how the Ulster Unionist Party was itching to jump into Government at the last election, irrespective of a financial package or the actions of the republican movement. The Ulster Unionists were dying to get into Government, although now it seems that some of them are dying to get out. It is unreal that the Ulster Unionist Party levels any criticism at the DUP Benches, given its total failure to even raise the issue of a financial package —

Mr Beggs: Will the Member give way?

Mr Hamilton: No; I have given way enough.

The DUP remembers that the Ulster Unionists were too busy trying to feather their own nests by seeking knighthoods to ask for capital investment or money for the people of Northern Ireland.

The final — and outrageous — claim that must be tackled is that the health budget has been poorly funded. I am staggered and astonished that anyone could consider an allocation that represents 51·5% of all additional money, and 48% of Northern Ireland's total Budget, as a bad deal. Expenditure on health and social care in Northern Ireland is over 10% higher than in England, which is a trend that the Budget will continue. Spending on health has more than doubled since 2001, yet no one would argue that the NHS is performing twice as well. That proves Appleby's point that the key is not the amount of resources, but how they are utilised.

Instead of adopting Oliver Twist's begging-bowl approach, the Minister for Health, Social Services and Public Safety should address the serious inefficiencies in the NHS in Northern Ireland: staff productivity; consultant productivity; hospital throughput; average length of stay in hospital; and prescription charges; are all worse than in England. I sense that the Minister has not got the stomach for the challenge, but in the spirit of generosity — and for the betterment of the people of Northern Ireland — I extend a helping hand to him. If the Minister has not got the bottle to do it, there are Members who will help. The Members who made those claims must state from which Departments they would take resources for jobs, schools or planning.

Mr Beggs: OFMDFM.

3.45 pm

Mr Hamilton: I hear OFMDFM being suggested as the place where the money should be taken from, as if taking money away from there would be a positive thing. I am sure that the Member will revisit his comments when he considers that responsibility for the innocent victims of terrorist violence is included within OFMDFM.

Mr Speaker: The Member's time is almost up.

Mr Hamilton: Thank you very much.

Would the UUP pay for it by trebling the rates bill?

Mr Speaker: I ask the Member to take his seat.

Mr Hamilton: I commend the Budget to the House.

Mr Speaker: I ask the Member to take his seat, and I remind Members to address their comments through the Chair.

Ms Ni Chuilín: Go raibh maith agat, a Cheann Comhairle. Just as I dared to doze, things started to liven up. Ba mhaith liom tacaíocht a thabhairt don rún. [Interruption.] Say nothing.

After yesterday's debate on the draft Programme for Government it is clear that there are tensions and difficulties in trying to reconcile the vision that is set out in it with the investment strategy. There are clearly difficulties in trying to reconcile the differences between departmental bids and the aspirations set out in the departmental Budget statements.

There is also concern in the community about the impact of the draft Budget, particularly on funding for community projects, which will undoubtedly be covered in the consultations between now and the new year. I wish to mention some of the issues that have been brought to my attention, both as Sinn Féin's health spokesperson and as one of the six MLAs for North Belfast.

We need to decide on an approach to healthy living, as opposed to solely tackling ill health. Our approach to health provision and social care is deficient, and the challenge for the Assembly is in how we tackle that. Members will expect me to say this, but I do want to see the implementation of Bairbre de Brún's Investing for Health strategy.

Prevention should be at the heart of our approach to the inequalities in health and how they can be addressed. Forty-eight per cent of the overall Budget is dedicated to health and social care, yet there is still massive under-resourcing and difficulty in the Health Service. The public has huge interest in proper investment in the Health Service, particularly in mental health, and yet there is a shortfall in the bid for mental health and the implementation of the Bamford Review, which has caused a lot of concern. I appeal to the Department of Health and the Minister to find a resolution.

There must be a reconciliation of the 2013 Bamford target in the draft Programme for Government and the two Bamford bids. That is crucial to meeting the aspirations of those working in mental health and restoring public confidence. Anything less will ensure that the mental-health service will remain “the Cinderella service”.

Ill health reduces economic activity, and the evidence shows that mental illness reduces economic output, so greater investment in health is a strategic measure for improving economic performance. There are clearly gaps between the funds that are available for service development and the totals required.

The Department for Social Development also causes concern in the community. Although DSD received an additional £27 million a few weeks ago in the last monitoring round, there has been a proposal to cut the warm homes scheme by 50%, as well as an inability to deliver social and affordable homes in the new-build programme. DSD has more assets, land and properties than any other Department. The draft Programme for Government states that:

“Inequalities exist, and we must strive to eliminate all forms of inequality.”

However, in the area-at-risk programme, £3 million of funding was skewed towards loyalist areas. There is grave concern about that, about the blatant disregard for objective need as a criterion and about how equality for all plays out in communities.

The voluntary and community sectors, most of which provide excellent and invaluable support for all the people, require services that need to be supported on a long-term basis instead of the piecemeal approach that has drawn complaints recently. The overarching responsibility of the Executive is to proactively change the existing patterns of social disadvantage, not to replicate them.

The Department for Social Development’s Minister is a member of the Executive — sometimes — and has responsibility for that commitment. How will the circle be squared? How will we explain that to the people who are on the housing waiting list in north Belfast? Anything from 76% to 85% of nationalists are waiting for a home, and a right to a home is enshrined in human rights legislation.

Everyone agrees that there is not enough money in the draft Budget. We must examine the legacy of underfunding, and deprivation in infrastructure and social services. Every Department faces tough decisions. There is a need to show creativity and imagination — and no need for scaremongering. We need leadership, and not emotional blackmail. The unofficial opposition must tell us what they intend to do, instead of what they do not.

I support the take-note debate on the draft Budget.

Mr McQuillan: The draft Budget and draft Programme for Government have been set against a backdrop of tight financial settlements. When we consider all that the documents contain, it is obvious that a mid- to long-term view has been taken in producing the draft. However, it is such a pity that some in the Assembly are so short-sighted that they cannot see that the aim is a sustainable development, growth and expansion of Northern Ireland’s economy. Perhaps after today’s debate they will clearly see the true scope and vision of the proposals.

Although it must be remembered that Northern Ireland’s public money does not come from a bottomless pit, the variety and scope of the draft programme is truly great. It includes the expansion of the infrastructure needed to satisfy modern investment; deferring water rates — indeed reducing them; increasing the educational attainment of our young people; reducing levels of poverty; increasing the levels of economic activity; protecting our environment;

reducing the number of deaths on our roads; reducing treatment times and increasing the survival rate of bowel cancer and strokes. All that has come from an Assembly in which there are still critics.

If the draft Budget lacks vision, I fail to see how and where. Improvements are envisaged in every Department — something that cannot be said about direct-rule policies. Most of all, Northern Ireland's own elected representatives have devised and agreed the draft Budget to fund the draft Programme for Government. That is an achievement that some Members fail to recognise. Perhaps they do not have seats at the Executive table and, therefore, have decided instead to be negative.

I am proud to be a Member of an Assembly that has such a vision for Northern Ireland. It has identified the very real needs that exist in the Province, has the courage to develop unique policies that can begin to address those needs and is delivering the government for which it was democratically elected by the people of Northern Ireland.

As the First Minister said on 8 May 2007, we are only at the beginning of the process of developing Northern Ireland to ensure a stable economy, respect and equality for all, increased opportunity, a rise in the level of economic activity, the provision of good healthcare and a pleasant environment to live in. That begins with this draft Budget.

I support the draft Budget and the motion.

Mr McGimpsey: The debate provides me with a further opportunity to highlight the real difficulties that the draft Budget creates for the Health Service. Furthermore, it allows me to respond to some of the naïve comments that were made in the Chamber yesterday. As the Minister of Health, Social Services and Public Safety, it is my duty to set out the perspective as I find it on the ground.

As an Executive, we have a shared objective to ensure that people have access to the best health and social care services possible within the resources available. We need an informed debate based on the real world. I do not ask for the sun, the moon and the seven stars. I have reduced my bids to levels that could be met without catastrophe either for the ratepayer or for any other area of public services. I am as committed as anyone to securing reform, efficiency and productivity.

I know that there are limits on what is possible, and that we all face difficult choices. Who knows what the position could have been if economic packages had been delivered as promised by some?

There is a cross-party consensus at Westminster, supported by independent experts, that the National Health Service model requires significant investment. Moreover, it is agreed that radical action is needed to promote prevention and reform to make the system better for patients. I am committed to doing just that.

The outcome of the comprehensive spending review has reflected that, with a 3·7% real-terms increase in England over the next three years. In Northern Ireland, where the need is greater, the increase is only 1%.

I believe passionately in the principles of the National Health Service: that it must be free at the point of use, and provide services from the cradle to the grave. If we fail to adequately fund the Health Service in Northern Ireland, those principles will be at risk, and we would be undermining the service for those who depend on it the most. Frankly, that is not acceptable.

Health is not about politics; it is about saving lives. That there has been so much debate about funding proves how important this issue is. I have no problem working with the Minister of Finance and Personnel, the Health Committee, and others, and, indeed, I welcome their assistance in attempting to reach a solution.

There have been comments to the effect that, despite high levels of funding, the Health Service has not improved. People have complained that the service is over-bureaucratic, inefficient and ineffective. Let us remember the dire situation that we faced five years ago: horrendous trolley waits, growing waiting lists, and a service that was not performing. Things have changed for the better, and the facts prove that. For example, in March 2006, there were 74,000 people waiting for more than six months for a first outpatient appointment. By March this year, that total had fallen to only 32. Trolley waits are being eradicated, there will be a maximum of a four-hour wait in accident and emergency by March 2008, and delayed discharges are being eliminated. Of course, I could go on, but the point is that this is not all about money.

Tackling inefficiencies is essential. About £115 million of savings have already been achieved. I am committed to delivering a further £343 million of savings over the next three years, including in administration costs. Approximately £500 million of savings will be found and pumped back into essential front line services. That will not be easy. Difficult decisions must be made. However, I will make them. If I am able to achieve more efficiencies, I will do so. However, my priority is to safeguard the quality of patient care — not simply to make cuts.

Much has also been said about needs, and there has been a dispute about the level of need. There should not be a dispute. Professor John Appleby's report, 'Independent Review of Health and Social Care Services in Northern Ireland', highlighted a greater need in Northern Ireland. Officials in my Department and in the Department of Finance and Personnel considered the need identified by the Appleby steering group, and agreed that the best available estimate is of a 14% to 15% greater need in Northern Ireland.

Compared to England, no one can dispute the fact that our Health Service is underfunded by £300 million. Neither is there any disagreement that, in just three years time, the draft Budget will leave the Health Service with a massive £600 million funding gap. However, I do not wish to get sidetracked by numbers. This is not about figures, it is about need, and no one should be in any doubt about that. The growing gap between services here and in the rest of the UK is not acceptable. Our people deserve better. They pay taxes and National Insurance like everyone else in the UK — why should they be penalised?

Let us compare health services in Northern Ireland and England. It is simply unacceptable that, if we had the same rate of deaths from heart disease as the rest of the UK, 300 fewer people would die each year in Northern Ireland. If we had the same adoption rates as England, another 50 to 60 children in care would be adopted each year. It is not acceptable that waiting times for all services are much longer in Northern Ireland. Death rates from bowel cancer are 16% higher than the UK average. When adjusted for need, funding for mental-health and learning-disability services is approximately 34% lower than in England. The gap in children's services is similar.

I intend to make the best use of all the resources at my disposal. Additional resources that have been added to my budget amount to £455 million by year 3. That is not even enough to meet the inescapable pressures of pay, price, demography and existing commitments. I must use the major part of my efficiency savings to cover inescapable costs, which leaves only £16 million in year 1 to introduce and improve services. The draft Programme for Government sets out the improvements that I wish to make to a range of services, such as mental health, learning disability, community, stroke and cancer services —

4.00 pm

Mr Poots: Will the Member give way?

Mr McGimpsey: Let me finish.

Most of those improvements will not be in place until 2011. With only £16 million available next year, this is effectively a stand-still Budget for the next two years in respect of health.

Let me be clear also about some of the things that I cannot do. I will not be able to improve hospital waiting times.

Mr Poots: Will the Member give way?

Mr McGimpsey: Mr Speaker, I am not giving way.

People with mental-health and learning-disability problems will remain in hospitals. The introduction of free prescriptions, free eye examinations and free personal care are all unaffordable. Measures to reduce death rates from cancer and heart disease cannot be implemented. Additional, specialist, salaried foster-carers to support children on the edge of care will not be provided. The breast-cancer screening programme cannot be extended to include women aged between 65 and 70. Access to new, life-changing drugs will be deferred or delayed, and at least 3,000 people with chronic illnesses will have unnecessary hospital admissions.

That list is unacceptable to Members and to the public. This Budget is only a draft, and it is a basis for consultation with the Assembly and the general public. That fact was confirmed by the Executive at last Thursday’s meeting. Resources can be changed through consultation, not through scaremongering or through talk about tripling the rates, but by re-examining our priorities.

I will play my part in delivering exceptionally challenging efficiency savings and improving productivity in the National Health Service in Northern Ireland. However, if the draft Budget is approved as it stands, a conscious decision will have been taken to ignore the advice of independent and highly regarded experts, such as Wanless and Appleby. Those experts have told us consistently that higher levels of resources are needed to deal with demographic trends and the cost of new technologies.

I would be failing in my role as Minister of Health, Social Services and Public Safety if I did not continue to fight for a better Health Service. The people of Northern Ireland deserve better; they deserve a Health Service of which we can all be proud. If the draft Budget is approved as it stands, everyone will lose. Health is the one issue that touches everyone in society. My priorities are putting patients first and delivering a world-class Health Service.

Frankly, this draft Budget fails to deliver for the Health Service and for the people of Northern Ireland.

The Chairperson of the Committee for Enterprise, Trade and Investment (Mr Durkan): I wish to make some remarks as Chairperson of the Committee for Enterprise, Trade and Investment, and I will make others as an SDLP Member for Foyle.

The Committee for Enterprise, Trade and Investment has benefited from hearing the views of several stakeholders, and more briefing sessions have been promised. The Committee welcomes the fact that growing the economy is a top priority in the Programme for Government and that that is reflected in the Budget.

The draft Budget proposals for the Department provide resource and capital allocations that broadly align with what the Committee generally considers to be the Department's key spending priorities in contributing to growing a dynamic, innovative economy. The Committee notes that the funding for INI is more securely based than it was under the previous concordat. However, we recognise that some of the spirit of the concordat remains in the industrial development guarantee, which provides that no worthwhile proposal for eligible support to investment in industry or tradable services will be lost, even if that means diverting other resources.

The Committee wants to ensure that, if the need to resort to that industrial development guarantee should arise — possibly as a result of great success following the US/NI investment conference — it would not be used at the expense of some of the other budget commitments relating to cross-cutting efforts on skills, wider economic development, research and development, training and innovation. Those matters are integral to growing the innovative economy.

The Committee has noted with some concern that no specific identifiable resources have been allocated so far to local enterprise and the social economy. We will be examining that area in the hope that that will be changed.

Yesterday, in the debate on the draft Programme for Government, I recorded concern about innovation funding. In a high-profile announcement, the former Chancellor allocated money for innovation, and further moneys were allocated in support of innovation from the Irish Government. Additional money has been provided for innovation, but there is no visible additional innovation funding in the Budget. The Committee wants to be assured that the new innovation funding is not being used to cover pre-existing innovation funds. The Committee hopes that work on that issue will be more visible and positive by the time of the revised Budget.

There are resource and capital allocations that will enable the Tourist Board to improve its role. The Committee is disappointed that so far there has been no indication of any bids that were made to support the regional tourism partnerships, and it is not clear what allocations they will receive. The Tourist Board has an important job, as does Tourism Ireland, but the regional tourism partnerships also have an important role to play, both locally and in making sure that there is good meshing between Tourism Ireland and the Tourist Board.

The Committee wants money to go specifically to tourism product development. I noted what the Minister of Enterprise, Trade and Investment said about that this morning in his statement. Therefore, the Committee looks forward to positive engagement on that issue.

We recognise that moneys are being provided for the five signature projects. I champion the importance of the Walled City signature tourism project in my constituency, which has made good progress compared to other projects. However, that does not mean that it is not in need of more funding and more backing. Obviously, there are issues about the funding gap for the Titanic Quarter. We will also wait with interest to find out what is happening regarding the allocation that is provided for the Giant's Causeway visitors' centre. Money that we were told was earmarked for the public-sector project is still there, so Members will be interested to find out what happens to that.

The Committee welcomes the fact that Safe Start NI will receive funding in year 2 of the cycle; however, we would have preferred that that take place in the first year of this spending round.

The Committee is concerned about unmet bids from the Department regarding EU structural funds. The Department will have a managing and certifying role for the competitiveness programme, yet there are no new resources to meet that new role. Similarly, there was a high discretionary administration bid regarding obligations under the energy end-use efficiency and energy services directive, and that has not been met either. Those are both important areas.

Regarding EU funding, the Committee recognises that DETI is benefiting considerably from the Peace III programme. We also recognise that different parties and other sectors might have different views of that. Those views might be reflected by other Departments during the course of the draft Budget. If there is any revisiting of the share of the Peace III funding that has been envisaged for DETI, and if that is to go to some other Department's budget lines, my Committee will want that transfer made good in the DETI budget lines so that the purposes and priorities of the Programme for Government are properly reflected.

Suggestions were made last night and elsewhere that Members are not allowed to have the view that there can be any improvement or any material revision of either the draft Budget or the draft Programme for Government. Clearly, improvement and revision are required. It is the Assembly's job to contribute to such consultation and such reconsideration. Parties cannot say that it is their way and their say only, and that no other Members are allowed to have an alternative view.

When the draft Budget and the draft Programme for Government were being presented, the Ministers went out of their way to misrepresent the record of the previous Executive and, in particular, to attack other parties. They cannot then insist that those other parties do not have the right to outline their views of the draft Budget.

Mr Speaker, we recognise your ruling regarding amendments, and I fully understand and accept the reason for that ruling.

Some of us have been at pains to highlight the inadequacy, as we see it, of the allocations for health and housing. In this, the SDLP is consistent with the position it adopted and agreed with other parties in the Committee on the Preparation for Government and the Committee on the Programme for Government. In those Committees, we expressed our views on how negotiations with the Treasury might best be conducted and how input from the Irish Government should be maximised. Other parties disagreed. Perhaps, had our preferred tactics been adopted, there might have been a better outcome. Nevertheless, although different views on tactics were held, we did nothing to interfere with the negotiating stance taken by those who had to take the lead in the Northern Ireland interest.

We were not out to create problems or difficulties. The same is true of the submissions to the Varney Review. On the Committee for Enterprise, Trade and Investment, I ensured that nothing was done to queer the pitch for the Executive and their negotiating position on behalf of the broad regional interest.

It is with that record of responsibility on those issues that the SDLP insists that it has the absolute right to interrogate the details of the draft Budget. If we did not do so, we would not be doing our job. In looking at the draft Budget, we have the right to say that more money is needed up front for housing. I also ask the Minister of Finance and Personnel whether money emerging from the work of the capital realisation task force could go into the housing budget. Will he indicate whether there is a golden rule in relation to the capital realisation task force whereby moneys so realised should be spent only as capital and not on programmes?

Also, there is no mention in the Programme for Government or draft Budget about what will happen with respect to replacing the 11-plus — it is obvious that that will have consequences for the Budget. The draft Budget also includes allocations that presume significant efficiency savings in a number of Departments; however, we are not sure whether all those efficiency savings will be made. If they are not made, there will be a hole in the Budget. Therefore, at whose expense will that be? At one level, I hope that it will not be at the expense of the Department of Enterprise, Trade and Investment.

In circumstances in which Committees have not been fully informed about the full implications of those efficiency savings, Members would be wrong to nod through this draft Budget, on the blind, without asking any further questions.

In this House, Members have the right to raise issues, not just to praise Ministers.

The Chairperson of the Committee for Employment and Learning (Ms S Ramsey): Go raibh maith agat, a Cheann Comhairle. To set the context, I must repeat some of the comments that I made yesterday during the debate on the draft Programme for Government.

The Committee is now well into the process of responding to the draft Budget; however, as I said yesterday, that work will not be complete until tomorrow when the Committee will have an opportunity to discuss final matters with the Minister.

Following on from what Mark Durkan has said; this is a take-note debate on a draft Budget that has been published for consultation. It is important that our concerns as individual Members, Committee members, or Chairpersons should be raised as part of the consultation process.

When the Committee for Employment and Learning took evidence from departmental representatives on the draft Budget, the representatives expressed the view that they had achieved a mid-ranking result as regards CSR bid outcomes. They believe that they won on a number of issues, but that there were others in which they could have achieved better outcomes. The Committee's overarching sense is that the allocation, while strong in places, will not be sufficient to meet the goals and targets in the draft Programme for Government for economic development.

In particular, although the Committee welcomes the emphasis on an issue that was to be delivered by the Department, there is concern that the moneys allocated to delivering the skills requirement could fall short of achieving the synergy that is necessary between business growth and skills development.

The Committee is concerned that unless the skills base exists to pre-empt, or meet, opportunities, investors could be frustrated and opportunities could be missed. A number of specific issues illustrate that concern. Yesterday, during the debate on the draft Programme for Government, I mentioned the discrepancy between the programme's goals relating to R&D and innovation, and the apparent lack of resources — or at least, the lack of clarity on resources. The moneys available for innovation appear to be inadequate to advance the cutting-edge research in universities and in the private sector that the Executive tell us is required to bring about the transformation of our traditional economy into a knowledge-based one.

4.15 pm

The Committee is aware that there are opportunities available, for example, via the Science Foundation Ireland, but they are narrow. The Committee urges the Executive to be creative in ensuring that investment in research and development is prioritised in the short and medium term to secure longer-term economic gains.

The commitment to PhDs in the Programme for Government is an unfunded bid. The Committee has heard that a proportion of the funding for innovation will be utilised to meet that goal, but we are concerned that that would spread an already thin amount of money even more thinly.

The Department said that there is a small amount of unallocated money from bids that could be used for PhDs, and the Committee would welcome any movement in that direction.

Since devolution, much has been made of the need to re-skill the workforce. The recent Leitch Review sets the context and establishes challenging targets. However, a comprehensive spending review bid from the Department for foreign direct investment for the employer support programme for further education has not been funded. The Committee is concerned that we could be facing a serious gap in adult training and apprenticeships generally.

In addition, the critical sector initiatives, which is a programme designed specifically to pre-empt and prepare for foreign direct investment, has received only £9 million over three years and nothing in the first year. The Department’s original bid was for £24 million over three years, so less than 40% of the bid has been achieved. [Interruption.]

That was Sir Reg Empey thanking me for fighting his corner.

A major part of the Leitch Review focuses on essential skills. As I said yesterday, the Committee has grave concerns on the Budget allocation to deliver on this vital component. The Department has said that, to an extent, it speculated and overbid — which the Finance Minister will appreciate — which, looking closely at the numbers, may be the case. Nevertheless, the Department said that it believes that it has sufficient funding for essential skills. I will ensure that the Committee keeps this issue live on our work programme to assess whether that is indeed the case.

The Committee fully supports the Department’s bid to include information and communications technologies as a third essential skill. However, only £5 million of an £11·4 million bid has been received, which is approximately 40% over the next three years. The most worrying aspect is that there is not even a baseline budget dedicated to that issue and nothing has been secured for the first year. The Committee is concerned that the Department will struggle to deliver on that important programme.

In addition to those broad economic and skills-related themes, there are other draft Budget issues that I would like to raise.

Issues arose at Committee meetings relating to further and higher education organisations that the Department says are autonomous. Although the Committee accepts that universities and colleges should be commercially autonomous, it is concerned that the Department could be losing control of significant social goals. That may be an issue for the further education sector rather than the universities. For example, concession rates offered by colleges are an important way of facilitating training for particular groups, such as people on benefits, yet there is no consistency in applying concession rates. The Committee has a general concern that budgetary autonomy may not always work to deliver important goals related to social cohesion. The Committee wishes to see clear incentives for further and higher education institutions to tackle social inequalities, and we would like to see those evidenced soon.

Turning to issues in higher education, the Committee has concerns that potential changes and the widening of the upper and lower income thresholds would require an additional £18 million over the next three years. The Committee has been informed that bids to meet this need are unfunded. The Committee does not wish to see any detriment to local students’ maintenance arrangements and would ask that this situation be urgently addressed.

Mr S Wilson: At least today’s debate has been a bit more measured than yesterday’s debate on the draft Programme for Government. I do not doubt that that is partly due to the fact that some of those who thought, yesterday, that they could be in Government and in opposition at the same time, now begin to realise the consequences of that ludicrous and contradictory stance. Perhaps that will enable us to have a more measured debate on the draft Budget.

I agree with the leader of the SDLP that the Assembly's job in when looking at the draft Budget is not simply to rubber-stamp it and to say, "Yes, that is great, everything is OK." The job is to interrogate the draft Budget. It is a draft Budget. There are opportunities to see whether some priorities should be dropped and other measures brought forward as new priorities; to see whether there are ways in which money could be better allocated; and to ask some pertinent questions that, undoubtedly, will be answered later by the Minister of Finance and Personnel.

However, some of the Members who have spoken today are still living off the old, tired arguments. They really think that today's debate is an opportunity to simply hold out their hands and say that they want more, because they are afraid to take any hard decisions. There are those who still hark back to something for which they have been programmed. When I talk about someone who has been programmed, the first person whom I think of is the Member for East Antrim Mr Beggs, who shares my constituency. He was programmed a long time ago when someone mentioned an "economic package" to him. Ever since then, he has had a fixation with that economic package. On each occasion when the Minister of Finance and Personnel has been present in the Chamber — whether he has been talking about the draft Budget or not — Mr Beggs has mentioned the economic package. I suspect that he may even talk about it in his sleep; I do not know. [Interruption.]

I can assure Members that I do not know whether he speaks about it in his sleep. [Laughter.] I am saying that just in case rumours start.

There are two ways of judging whether the current package is better, and is an advance on what we had previously. The first way is to compare it with that which was received by previous Administrations. A number of Ulster Unionist Party Assembly Members have talked about the importance of the economic package. Let us consider the economic package that they delivered to the people of Northern Ireland. [Interruption.]

I am going to talk about the other way in a moment.

In order to be able to use the assets that Mr Beggs and Mr Basil McCrea have said should be ours of right, they had to agree, under the reinvestment and reform initiative (RRI), to put up the rates at three times the rate of inflation. That is the type of economic package that the members of the Ulster Unionist Party negotiated at a time — [Interruption.]

Just let me finish this first. [Interruption.]

For goodness' sake, let me finish. The Treasury was flush with money, and spending across all the regions of the United Kingdom was going up at twice or three times the rate of inflation. That was the time when one would have thought that they could have squeezed the most out of the Government at Westminster. Yet, that did not happen. Nevertheless, during that period, before devolution was set up — and it has already been set out and, therefore, I am not going to go through it again — the end-year flexibility; the £100 million addition to the CSR moneys coming through; the release of asset sales; the access to end-year flexibility; and, on top of that, in the current CSR negotiations, the additional moneys that came through —

Mr Beggs: Will the Member give way?

Mr Wilson: I will give way in a minute, when I have finished this.

On top of that, there are the additional moneys that came through the CSR period, the asset sales and the money under RRI.

All those things have added to the package. Is it as much as we wanted? It would never be as much as we would want. Is it more than the Ulster Unionist Party got? Yes — of course it is more than the Ulster Unionist Party got. That is how it should be judged.

Mr Beggs: Does the Member accept that the borrowing that is proposed will avail of the same interest rates that were negotiated by the Ulster Unionist Party and the SDLP? Those were essentially Bank of England base rates, meaning that we would pay the same amount for the money that was borrowed from the Treasury.

Secondly, the other money that has been included in this Budget is the cashback from the sale of Civil Service properties under Workplace 2010. We do not yet know how much we will have to pay above the base rate for that money. Does the Member not accept that the people of Northern Ireland will pay more for that additional money than they would previously have paid?

Mr S Wilson: Are we getting more money or are we not getting more money? The fact is that more resources are coming through. Furthermore, we will not have to impose additional taxation on people in Northern Ireland for the right to access that money.

Mr P Robinson: Just in case anyone ever watches what goes on in the Assembly and, if they do, is so demented that they believe the Member for East Antrim Mr Beggs, let us make it clear that under Workplace 2010, the £200 million will come directly to us. It is not being borrowed. It is going directly into the accounts of Northern Ireland plc to be used by us. It is money in our pockets that does not have to be paid back.

Mr S Wilson: I appreciate the Minister of Finance and Personnel keeping me right on the matter; I did not know that.

Secondly, we are hearing a refinement on the argument about the size of the public sector. Yesterday, the Member for East Belfast Ms Purvis made an economically illiterate speech in which she seemed to say that government in Northern Ireland is not big enough and that she wanted bigger government. She should join the Khmer Rouge — “Pol Pot Purvis” might be a more appropriate name for her.

Dr Farry spoke the same language today. He tells us that it is not that the public sector is too big, but that the private sector is too small. He does not realise that in all economics such choices must be made. He should have attended my economics classes when I was teaching production possibility curves. I could have explained it to him in diagrammatic form.

The truth of the matter is that in order to redirect resources from one activity to another, there are choices to make. Those choices have to be made in this Budget. That is where the Member for South Belfast, the Minister of Health, Social Services and Public Safety, who intervened as a Back Bencher today, got it all wrong. He said that resources can be redirected, but he did not tell us how. He is right: we can move from one resource allocation to another, but he did not tell us who he wants to take the money from. He said only that the people of Northern Ireland deserve better.

The people of Northern Ireland deserve better than a Minister who is getting 51% of the increase of all the money coming into Northern Ireland over the next three years but who says that he cannot manage. The people of Northern Ireland deserve better than a Minister who, having been presented with a report saying that £400 million in savings can be made in his Department immediately, will not look for those savings.

The people of Northern Ireland deserve far better than a Minister whose Department absorbs the biggest part of the Northern Ireland Budget, yet who still holds out the begging bowl. They deserve far better than a Minister who wants to pillage everyone else's budgets without dealing with his own. Perhaps the best thing that he could do to give the people of Northern Ireland a better deal is to resign and let the Member for North Down who wanted the Department in the first place take over.

4.30 pm

Mr F McCann: Go raibh maith agat, a Cheann Comhairle. People have placed enormous faith in Members. They have elected us to bring an end to the nightmare years of direct rule, when Ministers with no interest in this place flew in, made decisions that changed our lives and flew out again. Those decisions were usually bad ones that left a legacy of neglect and underinvestment. Those Ministers also showed arrogance when dealing with locally elected politicians.

To put right the legacy with which we have been left will require our adopting an imaginative approach. Although there are many issues that can be considered absolute priorities, we will inevitably have to take responsibility for dealing with the burden with which we have been left.

When we examine the Assembly's list of priorities, we all shout for our own corner. We have our own priorities, and we hope that the Minister will look favourably on our particular issue.

I argued in the House yesterday that the promises contained in the draft Programme for Government and draft investment strategy did not contain the resources necessary to deal with the housing crisis in the immediate or long term. I said that, over the next 15 years, a well-funded, well-resourced and well-thought-out strategy was required to allow us to plan the type of communities in which we want to live. It is not simply about building houses in isolation but about building communities, including mixed-tenure housing, with the infrastructure to develop and prosper. That requires a commitment from the Executive to plan, finance and develop the communities of the future. From the draft Budget to the final Budget, we will sow the seeds of the future. There is an expectation that we will deliver what is necessary to help the hard-pressed first-time buyers on to the property ladder through creating an effective affordability sector.

We must fulfil our promises of delivering for the social-housing sector, which has been decimated over the years. Some parts of the North have had no new social housing in many years. It is essential that at least 2,500 new homes be built every year for the foreseeable future in order to deal with the legacy of neglect. In 1971, the Housing Executive built 9,500 houses, yet the Minister for Social Development told us that no new social housing may be built next year.

Rather than blame everyone else, the Minister for Social Development must trawl her own budget to ensure that she maximises her resources. She must ensure that there is no wastage in her Department. She is the Minister; she must show the leadership that comes with her title rather than place the blame elsewhere for the problems that fall within her remit. That is what leadership is about.

The Minister of Finance and Personnel mentioned yesterday that additional resources that the Minister for Social Development has at hand would allow her to deal with some of the issues facing her Department. Will Minister of Finance and Personnel comment further on that?

I deal with people who have been in hostels for years. They have little prospect of being housed, because they happen to live in areas of high demand. The housing selection scheme cannot help them, because they need 180 points or more to compete with another 10 people for the same two-bedroom house. Do we tell those people that we are sorry, but we do not have the money to build them a home? What about elderly people who live in a flat or house that is totally unsuited to their needs, or people with disabilities who need their homes specially adapted? The social-development budget has been slashed due to lack of funding. Do we tell those people that we are sorry, but we cannot help them? Real people are being affected by the decisions that we make. That is the harsh reality of setting budgets. The Housing Executive has told us —

Mr S Wilson: Will the Member give way?

Mr F McCann: Go ahead.

Mr S Wilson: Cash and land is being made available to the Minister for Social Development, but she has not even looked at the cash assets of many housing associations. She has given me 15 reasons why she cannot touch them but not one reason why she can. If she added all those sources of money together, the housing programme could be delivered.

Mr F McCann: That is one of the difficulties that we face. The Minister for Social Development has been blaming everyone else, instead of trying to deal with the situation.

Sammy, it is a fact of life that, as well as that money, at least another £300 million a year would be needed to start to deal with the severe housing crisis. A mixture of both is required. Obviously, assets exist, but a new injection of resources and finance is needed to deal with the situation.

We have been told by the Housing Executive and the Minister for Social Development that the adaptations programme is another programme that will be impacted on because there is no new money to support it. Could the Minister of Finance and Personnel please comment on that?

The community sector has always been the victim of cuts at Budget time. Given that that sector provides a much-needed service in the community and shows huge commitment and dedication to the most deprived areas of the North, it is shameful that, when money becomes scarce, the community sector is the first to suffer as a result of departmental cuts. Such cuts have a knock-on effect on the community that the sector serves. As ever, it is the weakest in the community who ultimately pay the price.

We owe a debt of gratitude to the community sector; it runs the youth clubs, the crèches, the community houses, the outreach programmes, services for the old and the young, to name but a few. We should ensure that funding for such projects continues rather than allow them to become the victims of cutbacks.

Mrs I Robinson: I am not sure whether Mr McGimpsey spoke as an ordinary MLA or as a Minister when he delivered his speech on health, but I regret that I missed it. I had a meeting with a group of women from the Rape Crisis and Sexual Abuse Centre in Belfast. That group of ladies require immediate funding if their organisation is to survive; it is in crisis. It provides a unique service to all women, and, indeed men, across Northern Ireland who experience rape, abuse or sexual violence in their lifetime.

Each year, the centre deals with approximately 6,000 calls — to and from clients — about sexual violence and abuse. Some 55% of the centre’s clients have experienced child sexual abuse. Each year, nearly 2,000 new clients contact the centre, and nearly half of them will visit the centre at least once. The centre requires mainstream funding, and it is essential that the Rape Crisis and Sexual Abuse Centre be allowed to continue its important work of providing care for those who are in deep crisis. That work cuts across many departments and areas, including health, education and social development, and I appeal for that money to be found in the various Departments, if at all possible.

As party spokesperson on health, the bulk of my remarks will refer to the health sector. Although I welcome the strong economic focus in the draft Programme for Government and draft Budget, I am also encouraged that health has obtained such a large slice of the overall resource cake. I am keen to see the maximum amount of resources directed towards health, and no doubt we could always make use of more. However, it is clear from the proportion of the Budget that has been allocated to health and social services — about half of the resources available — that a strong emphasis has been placed on health.

I hear the calls for greater allocations for social housing and other worthy causes. I recognise the merit of those calls, but I hope that that will not lead to the draft Budget's percentage of spend on health being reduced in the final Budget.

I want to see a better Health Service, not an increasingly expensive one. Improving productivity is the key and will ensure that the public get the maximum out of the service for the money going into it.

Mr F McCann: I appreciate and understand everything that the Member has said. However, does she not also agree that housing is a cross-cutting issue? If people do not have a house, it impacts on their health, education and employment possibilities. A holistic approach is needed to deal with this matter.

Mrs I Robinson: I thank the Member for his intervention, and I could not agree more that health is not simply a stand-alone issue. It is a cross-sectoral issue, which involves other Departments and impacts on recreation and leisure, and so on. I will come to that point if I am allowed to move on.

Transformation, which would increase productivity, cannot be put off indefinitely. Radical reform is essential. There must be innovation and incentives. The resignation of David Sissling, chief executive designate of the new health authority, is exactly the sort of development of which I have been fearful. It was a coup for Northern Ireland to have attracted someone of David Sissling's calibre to the local Health Service. However, it was inevitable that he would not hang around forever while the Minister delayed his getting on with his work. I fear that unless there is swift progress on health reform, others could follow Mr Sissling. General practitioners and other health professionals who are involved in local commissioning groups are also being denied the opportunity to get on with their work.

I have a strong interest in mental-health issues, as do other members of the Health Committee. The Committee is determined to see the recommendations of the Bamford Review of Mental Health and Learning Disability implemented quickly. The Committee was somewhat surprised to learn that the Minister made one upfront bid for mental health to DFP, for £12 million, and then mental health did not feature again until his seventeenth bid. Even more surprisingly, some of the plans contained in the two bids, referred to as "Bamford 1" and "Bamford 2", appear to have little to do with the vision and thrust of the Bamford Review. The Bamford Review was about redirecting resources from the acute sector into the community. However, the bids included the building of new facilities and autism issues, despite the fact that the autism lobby has argued strongly that autism should be considered separate and distinct from mental health and learning disability.

Incidentally, it has proved difficult for Committee members to obtain information on figures. Details of the figures have been slow to come — emerging in just a trickle. In response to the gentleman from East Antrim, the Committee has not been able to obtain comparable figures or historic evidence of how bids have been pitched, or of the basis on which that was done. Perhaps he will take the time to seek that information from his colleague, who is the Minister at fault, instead of sniping at other Department's Ministers.

Mr Beggs: Will the Member give way?

Mrs I Robinson: No, I will not give way. The Member has spoken enough.

It is essential that mental health feature prominently in new service development. The many millions that have already been devoted to mental health in the draft Budget, when added to the extra funding, must be channelled towards the redirection of services.

Another concern is mental-health provision for the Province's prisoners. The Assembly deserves answers on how that is to be funded, now that funding has been transferred from the Northern Ireland Office to the Health Department. There is already a huge need for mental-health resources without prison services having to be funded from the same pot.

Mr P Robinson: On a point of order, Mr Speaker. Since the Chairman of the Health Committee got up to speak, the Member for Strangford Mr McNarry has been sitting having a conversation with his back to the Chamber. Clearly, he wants to show his disrespect for the Member who is speaking. That should not be allowed in the Chamber.

Mr Speaker: I remind all Members to have respect for one another in the Chamber, whether they are speaking or sitting.

Mr Beggs: On a point of order, Mr Speaker. Do you agree that it is appropriate that Members should speak through the Chair, rather than directly to other Members?

Mr Speaker: I have already made that point. The Member did speak through the Chair.

I ask Mrs Robinson to continue.

Mrs I Robinson: I must say that the Assembly becomes more and more like a pantomime, Mr Speaker. However, what can one expect?

I want to know whether additional money has been resourced — [Interruption.]

Mr Speaker: Order. The Member has the Floor. Let us have some respect. [Interruption.]

I have called for order. The Member may continue.

Mrs I Robinson: For the third time, Mr Speaker, I want to ascertain whether the Northern Ireland Office will be providing the Health Department with the additional money that is necessary for the well-being and mental health of prisoners as part of the holistic approach to mental health.

Mental health must be considered holistically, and responsibility for it lies with other Departments as well as the Department of Health, Social Services and Public Safety. The Department of Education can play a role, particularly in relation to the promotion of good mental health and the delivery of aspects of the Bamford Review recommendations on child and adolescent mental health. Many other sectors can play a role in improving the overall well-being of the community. I welcome the investment from the Department of Culture, Arts and Leisure to promote leisure and exercise. That shows the potential that can be gained from having more co-ordinated government.

4.45 pm

Over the weekend, I was surprised to hear the Health Minister seek to blame the draft Budget for the delay in building the new women's and children's hospital in Belfast. It was only last week at a draft Budget briefing that his departmental officials informed the Committee for Health, Social Services and Public Safety that their Department had done well in respect of the capital allocations that it had received in the draft Budget. Who does one believe? With regard to the children's and women's hospital, it remains to be seen how far up the Minister's priority list that is, and whether there are other projects that he would like to see completed first. Given that the Jubilee Maternity Hospital on the Belfast City Hospital site was forced to close, it is essential that the new regional centre be delivered promptly.

Mr Speaker, will I be allowed extra time because of the interference during my contribution?

Mr Speaker: No.

Mrs I Robinson: The Health Committee was also interested to learn that the departmental officials were going to reassess some of the bids that were made to the Department of Finance and Personnel, which were originally referred to as inescapable or unavoidable. We have been informed by the Department of Health that some of their inescapables may not have been inescapable. Strange though that may appear, it will at least allow more funding to be made available for new service development than had been indicated, and that will be welcomed by everyone. It would be welcome if that funding could be utilised for mental health.

Mr McNarry: I shall speak in a personal capacity, before moving on to business relating to the Department of Culture, Arts and Leisure. This is a debate; it is what Members do in the Chamber. Yesterday, we had a debate — opinions were offered, and most were respectfully listened to. The Assembly reached a decision by a democratic vote, but the Finance Minister then rode in with a spurious points of order, which was not a point of order. The Robinsons are not having much success with point of order lately. Last night's point of order was used to issue a warning or a veiled threat. The timing and the intention of that have not been lost on the Ulster Unionist Party.

Yesterday, almost every Department was criticised over the draft Programme for Government — and if you think differently, read Hansard. However, following the debate, there was no recognition of what was said during it; instead, we received a Darth Vader impression, warning that the Executive will fall without a Programme for Government. Now try that on, and it would be a signal to the Committees and to the House to pack up and go back to our constituency offices because remote control has returned, and all decision making will begin and end with the Executive — even draft consultative issues are not to be discussed in case anyone responds with constructive opposition.

Last night's intervention came from a Member who, only a while ago, was not even going to enter an Executive, let alone an Executive with terrorists. However, only a short time ago, after claiming the credit for first mooting the idea of the need for a financial package in Dublin, the Member said that an adequate financial package was a necessary precondition for any restoration of devolution. That view was backed to the hilt by the Chairman of the Committee for Finance and Personnel, Mr McLaughlin, who said that the Government should put their money where their mouth is and give us the chance to deliver a Programme for Government, and not destroy our work before we start.

In February of this year, the 'News Letter' quoted a DUP source as saying that the financial package was a "deal breaker", and that if the money for devolution was not right, there would be no Government. The source also stated that there was no point in setting up a Government to fall, and that if problems with water rates, hospitals, education, and roads were to be truly addressed, that could only be done properly with the appropriate financial package.

I have a litany of DUP and Sinn Féin statements and promises, but I cannot find evidence that either party has lived up to any of them. Are Members here to consult, through positive debate, on the draft Budget, or is this a sitting that is likely to decide the future of the Executive?

Of course it is not, because it is a draft Budget, and control freakery and ministerial codes cannot be used to restrict any Member from voicing his or her opinion in the Assembly. Ulster Unionists are not in a coalition: we are in an Executive as of right. Yesterday —

Mr Donaldson: The Ulster Unionists are part of a mandatory coalition.

Mr McNarry: Mandatory coalitions: now someone is trying to — [Interruption.]

Mr Speaker: Order. The Member has the Floor.

Mr McNarry: Yesterday, the First Minster told the House that the draft Programme for Government will be subjected to lengthy and full consultation. In contrast to other members of his party, he did not address the debate — amid the voices of argued opposition — from a position that the draft Programme for Government was not a draft at all.

Is the Minister of Finance and Personnel now stating that the full import of opposing views will not be considered as part of the consultation process? The First Minister's approach to the debate was fair and balanced. He told Members of his vision, and he performed with the dignity that one associates with his high office. I suspect that, in marked contrast, the Minister of Finance and Personnel may be unable to match yesterday's performance by the First Minister, which would be regrettable.

However, no one who spoke in today's debate wanted to end up on the receiving end of personal abuse. The point is that the Ulster Unionist Party wants to analyse the draft Budget. We are striving to help by improving the draft Budget and making it more acceptable. I understand and appreciate the attitude of the DUP/Sinn Féin coalition that Departments must make do with what they have been allocated. However, the DUP and Sinn Féin have ownership of that comment, not the UUP. It will be up to them to explain why they did not tell the electorate that they would have to make do with much less than the minimum that people would have expected or are likely to tolerate. Let us see how it all works out.

From this point on, I am speaking on behalf of the Committee for Culture, Arts and Leisure. The Committee carefully considered the allocations to the Department of Culture, Arts and Leisure in the draft Budget, and it has several serious concerns, because it has received no information on how the allocations to arts, sports, and so forth, will be spent. It is particularly difficult for the Committee to comment constructively on the draft Budget when it does not know which projects will be funded and which will not.

Overall, the draft Budget's allocation to the Department of Culture, Arts and Leisure is small and inadequate. DCAL suffers from the legacy that Government have consistently undervalued the contribution that culture, arts and leisure makes to all sectors of society. [Interruption.]

Mr Speaker: Order.

Mr McNarry: The Committee calls for an increase across the board in the Department's budget.

The Committee is disappointed that the draft Budget does not bridge the gap in arts funding with the rest of the United Kingdom. I reiterate that I am speaking on behalf of the Committee, whose report I have been asked to deliver to the House. [Interruption.]

Mr Speaker: Order, Members, please.

Mr Attwood: On a point of order, Mr Speaker. In the past two minutes of the debate, there have been four utterances from Mr Donaldson, three from Mr Sammy Wilson, three from Mr Robinson — [Interruption.]

I have the Floor, because I am making a point of order. [Interruption.]

Mr Speaker: Order.

Mr Attwood: In the past two minutes, there have been utterances from four DUP Members on 10 different occasions —

Mr S Wilson: He only mentioned three of us.

Mr Attwood: On 10 different occasions —

Mr Speaker: Order.

Mr Attwood: Mr Speaker, on one occasion when you sat down after asking for order, Sammy Wilson immediately uttered more comments in the direction of the Member who was speaking. Given the catalogue of outbursts, mutterings and various other comments, I suggest that some Members need to learn the standards of the House.

Mr Speaker: Order. I have continually said that debates will, on occasions, raise issues. That is understandable, as this is a debating Chamber. However, I remind Members to have respect for one another. That is vital.

Mr McNarry: The Committee is disappointed that the draft Budget does not bridge the gap in per capita funding for the arts with the rest of the United Kingdom — Northern Ireland receives substantially less, per head of the population, than other United Kingdom regions. The Committee believes that that will make life very difficult for the Arts Council in its distribution of limited funding. The Arts Council has raised a concern that the draft Budget settlement for the arts will put as many as 200 full-time and part-time jobs at risk. Over 25,000 participants from across Northern Ireland may be denied access to outreach activities and engagements with the arts. That must be looked at.

The Committee is also concerned about the effect that the loss of the children’s and young people’s fund will have on the creative learning centres in Londonderry and Belfast. The children’s fund currently provides those centres with 50% of their funding. The centres are involved in huge projects that make a difference in their communities. Are we going to tell those groups to forget about it, make all their staff redundant and start afresh? Surely we cannot allow that to happen.

The Committee is concerned that the Department will not be able to deliver on its targets for increasing the participation of young people in sport. Although it is at a local level that young people participate in sport, there is no provision for a capital spend on community-based infrastructure. Therefore, the Committee is more than disappointed that there has not been more emphasis put on community sport and assistance for local sports clubs in the ongoing work that they do with young people.

The Minister has allocated capital funding to elite facilities, such as the 50-metre swimming pool and the multi-sports stadium, with the intention that they will be used in connection with the 2012 Olympics. However, the Committee has deep concerns about the lasting legacy that the Olympic Games will give Northern Ireland. What does “a lasting legacy” mean? The Committee asks the Sports Minister and the Finance Minister whether Northern Ireland will have a multi-sports stadium by 2012.

Just over half of the DCAL budget will be spent on libraries and museums — almost twice the amount that will be spent on sport and the arts. The Minister has previously explained that arts and sports are lucky as they can rely on large numbers of volunteers, whereas libraries and museums require paid staff. The Committee does not accept that as an argument for underfunding in sport and the arts. Volunteers should not be treated as poor relations or taken for granted.

The Committee welcomes the £21 million that is to be allocated to the building of a new home for the Public Record Office (PRONI). Given its location in the Titanic Quarter, there is significant tourism potential from people who come to Northern Ireland to investigate their roots. That spend will contribute to the wider economy. However, the Committee recommends that there be additional funding to enhance the visitor experience at PRONI.

Mr Poots: I have listened to what the Member has said, and I am encouraged. Given that one of his colleagues has asked for an extra £600 million, can the Member identify where we can get additional funds? I think that if money were taken from the Health budget and put towards recreation, for example, further savings could be made in health. Will the Member support that?

Mr McNarry: I am sure that if the Minister had been in the House yesterday — maybe he was, but did not hear me — he would know that I referred to that very succinctly, in that it is a wish of the Committee, and he should know that from the Committee —

Mr Speaker: The Member’s time is up.

The Chairperson of the Committee for the Environment (Mr McGlone): Go raibh maith agat, a Cheann Comhairle. I am presenting the response of the Environment Committee to the draft Budget 2008-11. The Committee notes that the draft Budget sets out the proposed spending plans of the Executive for that period, and I will specifically refer to what the Budget addresses as the relevant key issues. In regard to road safety, these are road casualty reductions, road transport compliance and enforcement, and reduction of vehicle-related crime and carbon emissions.

5.00 pm

Secondly, the key issues for the Environment and Heritage Service are: enhanced environmental protection and improvement through better regulation; the establishment of a dedicated environmental crime team to combat the illegal dumping of waste; the establishment of a new strategic development and delivery support team to co-ordinate cross-cutting regulation activities; and implementation of air-quality management.

Thirdly, the programme delivery support unit’s key area will be the support of district councils and the three waste-management groups in implementing major waste procurement plans.

Fourthly, the Department will be able to develop, in part, an agreed programme for the modernisation and structure reform of local government.

Finally, the proposed capital allocations will provide funding to district councils to cover a percentage of the overall costs associated with compliance with the EU landfill directive targets.

Under the reform programme, the draft Budget states that the Department intends to take forward further reform of the Planning Service and that the allocation will also enable the review of environmental governance to be progressed. That will address the structure, management and resourcing of the publicly funded elements of the environmental governance system in central Government and local government, and implement proposals for the future environmental governance arrangements in relation to environmental protection, and natural and built heritage.

Mr O'Loan: Is it the case that there is no provision made in the draft Budget for the creation of an environmental protection agency?

Mr McGlone: I can confirm to the Member that that question was asked of officials during the Committee's deliberations on the draft Budget, and they confirmed that there was no provision. That is a matter for concern to those of us who support that project and wish to see it implemented as soon as possible.

The Committee notes that the allocations received in the draft Budget largely meet the following spending proposals and bids: road safety services — £4·55 million required for other resources and £3·3 million for administration over the priorities and Budget period; enforcement and better regulation of EHS — £1·53 million required for other resources and £3·4 million for administration over the priorities and Budget period; programme delivery support unit (PDSU) — £2 million required over the priorities and Budget period.

The Committee notes, however, that the following spending proposals and bids were not met: planning reform — £0·55 million required for other resources and £2·5 million for administration over the priorities and Budget period; review of public administration covering the costs incurred by the Planning Service and the local government reform unit (LGRU) in taking forward the RPA agenda — £13·55 million required for other resources and £4·55 million for administration over the priorities and Budget period; LGRU — £13 million required for other resources and £1·7 million for administration over the priorities and Budget period; local government division —£2·4 million required for other resources over the priorities and Budget period; waste and contamination land — £3·7 million required for other resources and £0·83 million for administration over the priorities and Budget period. The Committee has particular concerns about the shortfalls in the spending proposals regarding the costs associated with implementing the RPA recommendations.

The Committee for the Environment welcomes the additional funding of £3·8 million over the three-year Budget period for enhanced roadside enforcement and of £4·1 million for enforcement and better regulation of environmental protection.

However, the Committee recommends that extra resources should be used to benefit one, or more, aspects of the ASSI programme. That could include an increase in the number of ASSI declarations made each year in order to complete the priority designations before 2016, and a quicker response rate on consent applications. That would lead, in turn, to greater progress in achieving favourable conditions for features in designated sites, and more robust protection and enforcement measures, particularly with regard to Natura 2000 sites.

In relation to the Budget efficiencies, the Committee is concerned that in order to deliver the administration savings in the final year, 2010-11, the Department of the Environment may have to suppress up to 300 posts, even after a board decision to reduce non-salary running costs by 15%.

In that regard, we are particularly concerned that there will be a detrimental impact on service delivery, particularly in certain low-priority areas of the Environment and Heritage Service. Committee members are concerned about the proposed cutbacks to the EHS budget, and the impact that those cuts will have on training, resources and investment, which, of themselves, are important in providing for enforcement and investigation in respect of illegal dumping.

Committee members expressed widespread concern at the proposed efficiency savings of £1·1 million in relation to the Planning Service, and how that could equate with — and be incorporated into — any meaningful reform of the service. Although the Committee is aware of the intention of the Minister to reform the planning process, it acknowledges that the Planning Service is facing very significant structural reform arising from the review of public administration. Concerns have already been expressed about those budgetary allocations.

The Department's additional funding of £4·4 million in the 2008-09 financial year includes £2·2 million for the Planning Service, which, in the main, will go towards staff costs. However, the Committee recommends that similar amounts be allocated to the Department in the final two Budget years, 2009-10 and 2010-11. That is particularly relevant, given that that is the anticipated transition time for the review of public administration.

Mr Speaker, on behalf of the Committee for the Environment, I thank you for calling me and for giving me the opportunity to engage in the process and debate this matter with colleagues.

Mr Dallat: In respect of planning, does the Member agree that one of the most serious deficiencies is the forward planning of bypasses around towns? I refer particularly to Dungiven, which now has the distinction of being the most polluted town in these islands. Does the Member agree that waiting until 2015 for a bypass for Dungiven is unacceptable, and is only one year short of the predicted united Ireland that we have been told about?

Mr McGlone: That certainly represents the green agenda. [Laughter.]

I thank the Member for his intervention. Invariably, although that matter strays a wee bit into the remit of the Department for Regional Development — and the bypass is clearly an issue for that Minister — there may well be environmental concerns that relate to the remit of the Committee for the Environment. I will welcome any further comments and details from the Member in due course, and they will certainly be investigated.

Lord Morrow: After listening to Mr McNarry, I wonder what type of a debate I am taking part in. I know that he will not leave, now that I have mentioned him. I was interested in what he had to say, but I could not figure out whether he was talking about the Budget or something else.

Mr McNarry said that the Department of Culture, Arts and Leisure and the Department of Health, Social Services and Public Safety did not have enough money. It is interesting to note that one of those Departments is currently run by his party's Minister, and the other Department was once run by the same individual. I do not know what that says about that individual, or what Mr McNarry is trying to tell us. However, if I heard the Minister of Finance and Personnel correctly yesterday, he said that the Department of Health, Social Services and Public has as much money as all the other Departments put together — but still we are told that there is not enough to do the job.

That begs the question: what would it take to satisfy the Minister of Health, Social Services and Public Safety if he has as much as all the other 10 Departments put together and finds that that is still not enough? He has over 48% of the Budget, and he has been given an increase of over 51%. How much money will it take?

I listened to Mr McGimpsey earlier, and I thought that it was ironic that —

Mr B McCrea: Will the Member give way?

Lord Morrow: I will give way in a moment or two. I thought it ironic that the Minister looked like a man who was just about to throw in the towel and walk away, instead of saying that he wanted to do the job and wanted to get on with it. The Ulster Unionists must learn the lesson that when you are in something, you are in it — you cannot just be in it when there is good news. They tell us that this Government is a Sinn Féin/DUP carve up. However, they never seem to realise that their Ministers are also in the Government alongside one from the SDLP.

Mr B McCrea: Does the Member agree with Mrs Robinson that:

“Costs cannot be the driving force for our emergency services. We must all support the amendment if we are to send a clear message to Government that less is bad.” — [Official Report, Bound Volume 21, p113, col 2].

Mr Morrow: I am not sure what amendment the Member is referring to. Perhaps, he might clarify quickly.

Mr B McCrea: Mrs Robinson was criticising cuts in the Fire Service, which, as the Member knows, come under the health budget and which she thought were not a good idea. There is no mention of that in the forthcoming Budget. Is less bad?

Lord Morrow: I think you are missing the point, Mr McCrea. The Health Minister’s budget is not being cut — he is getting more. I do not know if that fact has dawned on you. Perhaps you should take time to consider the figures to ascertain where you are coming from. Frankly, you have lost the rest of us. We do not know where you are, and I suspect that you have lost yourself. If you still wish to contribute to the debate, I suspect that it will be worth listening to — or, on second thoughts, maybe not.

Returning to what I wanted to say, the Minister of Finance and Personnel touched the right note in the foreword to the draft Budget:

“We need to use our public resources wisely to deliver to deliver high quality public services, especially to the young, the old and other vulnerable members of our community.”

I want to direct most of my comments towards two of those groups — the young and the elderly. I believe that a society that does not look after both of those categories of people will be found to have been neglectful and will be judged accordingly.

In our community, there individuals who, for one reason or another, are in a vulnerable position, which can be due to their being young, elderly, infirm, disabled or disadvantaged. Of those groups, I wish to focus specifically on two — the young who, as tomorrow’s adults, start their lives requiring nurturing, protection and guidance, and the elderly, who find that they are that bit weaker or infirm.

During their early, tender, formative years, children are entirely reliant upon adults. Parents or guardians provide them with a safe environment, and schools guide them in education and all-important life skills while they are growing.

A child develops its own mind and begins to formulate opinions — albeit in a fairly simplistic sense — during the years up to the age of six. That is when they take in information that will assist them in the future. Not surprisingly, that part of a child's life is known as the formative years. Therefore, it is crucial that that relatively short time span is afforded the highest level of dedicated care and education in order to ensure that all potential is well on the way to being realised.

On Tuesday 26 June 2007, I tabled a motion to consider making available a transformation fund, similar to that which is available in England, Scotland and Wales, in order to support the professional development of the childcare and early education workforces in Northern Ireland. That would be of tremendous benefit to Northern Ireland's future generation, and has the scope to improve children's later-childhood outcomes and their adult lives.

Currently, in Northern Ireland, staff who work in community or voluntary pre-schools must pay for their ongoing training and professional development, and there is a significant disparity between their pay levels and those of people in the statutory sector.

I am deeply concerned that there is no training or development strategy whatsoever for people who work with young children. The Assembly must take cognisance of that issue.

5.15 pm

It is essential that we appropriately equip the childcare and early-years education workforce for the delivery of positive children's services to ensure better outcomes and reduce inequalities for children, young people, families and communities.

I turn to matters affecting elderly people in Northern Ireland.

Mr McCarthy: I am grateful to the Member for giving way, and for his interest in issues involving young people. However, does he agree that it is inconceivable that the children's fund has been done away with? The result of that is that many of the Home Start schemes throughout the country, which are largely staffed by volunteers, will be under threat from 30 March 2008. Does the Member agree that the Executive should consider that matter and ensure that Home Start provision continues?

Lord Morrow: I listened carefully to what the Member said, but he will be aware that that decision was taken by direct rule Ministers. I have no doubt that that is the type of issue that the Executive and Assembly must give thought to and expend energy on. I could not agree more with the Member that we must deal with that type of issue, but Rome was not built in a day. Nonetheless, we will return to those issues.

Many factors can make senior citizens vulnerable: their health and general fitness can deteriorate; they do not have the energy that they once had; and they are susceptible to illness, as their immune systems weakens. Basically, they find themselves — as will we all, one day — not as robust as they were when they were younger.

Bad weather can make outdoor conditions treacherous, and some senior citizens prefer to remain at home in the colder months. The Assembly has a duty to ensure that our senior citizens, who are valuable members of the community, remain safe, secure and comfortable in their homes. Keeping those homes adequately warm and damp-free is a major step towards improving the quality of life of senior citizens. Those positive outcomes reflect well for the individual and for the wider community.

Eradicating cold and damp is of tremendous benefit in warding off illness, particularly for people who suffer from breathing complications caused by coughs, influenza and bronchitis. In the worst-case scenario, those conditions can develop into pneumonia, which is a drastic illness at any age.

I wish to bring to the Assembly’s attention an issue that is dear to my heart: the warm homes scheme. That scheme was introduced in 2001 by a Minister who shall remain nameless —

Mr Speaker: The Member’s time is just about up.

Lord Morrow: I regret that. I gave way because I thought that I might get a few extra minutes.

Mr Butler: Go raibh maith agat, a LeasCheann Comhairle. I wish to concentrate on the education and further-education Budget allocations. However, first, I believe that a Member from the unofficial Opposition, the Alliance Party, referred earlier to Sinn Féin’s “legacy Budget”. Although there is a legacy of the decisions taken by direct rule Ministers, it is very much the Executive’s Budget. It sets strategic priorities that are clearly more challenging and far reaching than any that were set by the previous Executive under the tutelage of the SDLP and the Ulster Unionist Party. Whatever else the Executive might be accused of, it cannot be accused of merely tinkering with the inherited, direct rule status quo.

The education and further-education budgets have been a key priority for the Executive. Investment in the education and development of our young people will make a major contribution to the economy, and economic growth will provide opportunities for all young people to prepare for life and work.

The education sector — including the Department of Education, and the Department for Employment and Learning — faces significant challenges in the years ahead. All sectors are undergoing radical reforms and changes to meet the needs of the twenty-first century. Improving educational standards in all of those sectors is a key priority for the Executive. We want our education system to deliver equal opportunities for every young person and adult to learn and succeed. The best opportunities for everyone, from the very young to those who return to further education in later years, needs to be the hallmark of our education system.

Many changes are currently under way, particularly in the primary and post-primary sectors. The revised curriculum gives young people an improved start in life, with a greater emphasis on developing their skills and the need for life and work experiences. The entitlement framework provides post-primary pupils with greater access to a range of academic, vocational and technical subjects. I have no doubt that the Minister of Education will soon announce proposals regarding transfer arrangements from primary to post-primary schools.

Mr Storey: I am glad that the Member has some insight on the issue of the Education Minister’s bringing forward proposals for a replacement of the transfer system. It is regrettable that the Minister is not as forthcoming on the issue.

Does the Member agree that, if, as he has said, the priority for education is to deliver, it is incumbent on the Minister of Education to prove that she is capable of making decisions that can deliver? The Member is aware that in recent correspondence with the Committee for Education, the Minister was unable to outline her priorities because she had not made any decisions. Obviously, there is an issue in respect of learning on the behalf of the Minister of Education.

Mr Butler: I thank the Member for that. The Minister of Education will bring proposals to this Chamber and to the Executive in the not-too-distant future. It will then be a matter for the Assembly and for the Committee for Education — which Mervyn Storey sits on — to debate those proposals.

There are other issues regarding education, including the primary and post-primary sector, that the Minister and the Committee for Education have referred to over the past number of months. The disparity between primary and post-primary schools was raised by the Minister during a recent meeting.

Early-years provision is a key priority for both the Committee and the Minister. Early-years provision in education is how we can address issues so that they do not come home to roost in later years. The literacy and numeracy strategy crosses the Department of Education and the Department for Employment and Learning, and that has been recognised by the respective Committees as a key priority. If people are to be equipped to go into the world of work, literacy and numeracy are key skills that they must have.

I also welcome the fact that the Irish-medium sector is being improved, particularly through the club-bank scheme, which was recently debated. Funding for the teaching of principals, particularly in primary schools, has been a big issue over the years, and reference has been made to that in the draft Budget.

Kieran McCarthy raised concerns about funding for children and young people. The Minister of Education has recognised that issue. If that funding is to continue, it would have to come out of the Education budget; therefore that has to be a key priority for the Executive. That is linked to early-years provision, and if that funding does not continue, it will undermine all the good work that has been done.

Youth-services funding also needs to be considered. Many people who work in youth services — which come within the remit of the Department of Education — have concerns about funding.

There are a number of concerns in relation to further and higher education. I am disappointed that tuition fees are still in place. The Minister referred to a review of tuition fees early in the new year. However, evidence is emerging that tuition fees discourage people from taking up further and higher education. They are linked to maintenance grants, and there is a disparity between the maintenance grants to students here and those to students in Britain. We are losing out. The Assembly has yet to debate tuition fees. When that issue came to the Committee, a vote was taken not to allow fees to increase in line with inflation.

Moreover, I am disappointed that the further education lecturers' dispute continues. The Minister for Employment and Learning appointed someone to look into that; nevertheless, serious concerns remain. It is particularly unfortunate that this occurs at a time when colleges are merging. We look to higher and further education to bring about a high-quality training and learning environment to provide skills and people for the workforces of business, industrial and commercial sectors.

We see significant and far-reaching changes in further and higher education. The Executive recognise that investment in those sectors is crucial to the delivery of their vision of a thriving and buoyant economy. Increasing skill levels and improving participation in education and training are vital elements in a strong economy, and will play an important role in economic success. Further and higher education is at the heart of life-long learning and is one of the key priorities of the Executive.

The loss of jobs at Seagate illustrates the importance of further and higher education. Low-skilled jobs are vulnerable to overseas competition. The message to the Executive is clear: we need highly-skilled jobs which are protected, and therefore not as vulnerable.

In the draft Budget, more remains to be done for education and further education. There is concern over tuition fees. I am disappointed that the Minister did not take a more robust attitude to the recent inquiry into the failure of the Springvale campus. Given the high levels of deprivation in the area, he should have taken a more hands-on approach to the achievement of an educational campus on a site that straddles west and north Belfast. However, there is much in the draft Budget that is positive for the primary and post-primary sectors.

All in all, provision in the draft Budget for both education and further and higher education allows us an opportunity to deliver one of the key objectives of the Executive — a strong, vibrant economy. Go raibh maith agat.

Mr B Wilson: My first reaction to the draft Budget was extremely positive. The presentation highlighted the economy, emphasised the need for innovation, the encouragement of enterprise and the creation of 6,000 highly paid jobs. In social terms, it rejected water charges, proposed free transport for the over-60s, and it emphasised the Executive's green credentials with the proposed introduction of a rapid–transit system for Belfast.

However, as the details emerged, the initial presentation seemed rather disingenuous. The draft Budget was rather like an Easter egg — attractive on the outside, but with little substance and with a great hole in the middle.

The draft Budget raises serious questions. It is based on unrealistic assumptions and party-political considerations and does little to tackle the real problems facing our economy. That is particularly true in respect of the environment. Recently the Assembly expressed concern about climate change and agreed to show leadership in putting sustainable development at the centre of policy making. There is absolutely no evidence of that in the draft Budget. The commitment to rapid transit is welcome; however, it has been under consideration for a least a decade, and the fact that work will not start until 2011 is disappointing.

The draft Programme for Government proposes reducing the carbon footprint by 25% by 2025. That is hopeful, but no interim targets are stated and there is no evidence of any change in policy to meet that target. Such long-term targets are ineffective and will achieve nothing unless they are accompanied by changes in policy, which this is not. To achieve the target, we must get commuters out of their cars and onto public transport, but an examination of the Department of Rural Development capital investment programme for the next 10 years shows a ratio of four to one in favour of roads, and that differential is increasing. If we wish to reduce carbon emissions, we must take positive action to encourage greater use of public transport. Although such measures will have little impact on the fight against climate change, they are better than the contribution from the Department of Enterprise, Trade and Investment, which is to end the reconnect grants and to stop funding the Renewable Energy Installer Academy. Peter Hain set up reconnect grants to encourage more householders to install renewable energy systems, making renewable energy cheaper, easier, and more environmentally friendly, and reducing the use of fossil fuels.

Not only will that decision increase carbon emissions, but it is also short-sighted as we have a growing local renewables industry that will be strangled at birth if the grants are removed. If the Department of Enterprise, Trade and Investment is serious about encouraging the development of new technology, that scheme should be expanded. As a result of the decision, jobs and skills in new technology will be lost. Similarly, the decision to reduce funding for home insulation under the warm homes scheme will greatly increase carbon emissions.

Overall, the draft Budget seems to be a case of smoke and mirrors. Any increase in expenditure can be met only by making efficiencies — the proposal to make efficiencies of 5% in administration in each of the next five years is extremely optimistic. If those efficiencies are not achieved, the draft Budget commitments cannot be met; if they are met, thousands of jobs will be lost, as the public sector is labour-intensive. That is not mentioned in the draft Budget, nor is there any indication whether it will mean compulsory redundancies.

The public welcome for the proposals on water charges may be premature. Overall, there appears to be no savings, with the costs transferred from one budget to another. The taxpayer will have to meet the same costs. The main recommendation of the Hillyard Report is that £109 million should be paid to Northern Ireland Water from the regional rate and that the Roads Service should pay £25 million for road drainage costs that are met by Northern Ireland Water at present. I ask the Minister for an assurance that the £25 million will not come from the existing roads budget, as it is already under great pressure, and the roads maintenance budget has been severely cut in recent years.

That will reduce the amount that Northern Ireland Water has to raise, but it also means that there will be £134 million less to spend on other services; that is largely ignored in the draft Budget, and it could explain why the Budget increase for the National Health Service is only 2·6%. As a former member of the Eastern Health and Social Services Board and one who was involved in health for more than 20 years, I am extremely concerned by the draft Budget allocation to the National Health Service. An increase of 2·6% is the lowest that I can recall; it compares with an average of about 8% over the past five years.

Had a direct rule Minister presented such an allocation, the Chairperson of the Committee for Health, Social Services and Public Safety, along with many others, would have protested vigorously, as she did in response to previous direct rule allocations. In fact,a 2·6% increase is equivalent to freezing the budget, when one considers that, due to demographic pressure, Health Service inflation is higher than normal inflation.

A freeze, compared to a 4% increase in real terms in England, is totally unacceptable, particularly since our waiting and trolley lists and other problems are significantly greater than those in England. The differential in health expenditure between Northern Ireland and England has reduced significantly in recent years. A recent study has shown that, taking account of age profile and deprivation levels, the Health Service in Northern Ireland requires 10% more resources per head than England due to greater need.

The present differential is approximately 4%. The proposals for 2008-09 would erode that differential completely.

The Department proposes new programmes to reduce the present suicide rate, promote healthier ways of living, halt the rise in obesity, implement the long-delayed Bamford Review findings and reduce MRSA infections. However, the draft Budget does not provide the new resources that are required for any of those programmes. It is suggested that their funding will be met from 3% efficiency savings in each of the next three years.

5.30 pm

Mrs I Robinson: Does the Member agree that there are significant savings to be made, or does he suggest that, because we have done things a certain way in the past, money should be set aside, without there being a need to make productivity and efficiency savings?

Mr B Wilson: I was just coming to that. I recall, for example, that when I was a member of the Eastern Health and Social Services Board, we had great difficulty in achieving efficiency savings of even 1%. As has been pointed out, there are efficiencies to be made in the NHS. However, those efficiency savings cannot be made overnight. The NHS is a massive organisation, so, like an oil tanker that is changing course, it will take time to make those savings. Restructuring of the organisation could require the introduction of legislation, and that could take some years. Given the labour-intensive nature of the NHS, 1,000 job losses will be required to achieve the 3% efficiency savings. It seems rather strange to hear of job cuts in the NHS, when we regularly hear about the problems associated with the scarcity of doctors, nurses and midwives, and so on.

Although the rates freeze is politically attractive, if healthcare services for the sick and the elderly are reduced in order to pay for it, that is unacceptable. Is it really a freeze at all when the rates bill will include a separate charge, of more than 20%, to pay for water?

The draft Budget lacks substance and is based on unrealistic assumptions. It will lead to an increase in environmental damage, no significant improvement in the Health Service, especially for the mentally ill, and increased hardship for many of the poorest. Therefore, we should look again at its allocations.

The Chairperson of the Committee for Agriculture and Rural Development (Dr W McCrea): I thank you, Mr Speaker, for the opportunity to address the House on the financial package that has been outlined in the draft Budget. I speak today as the Chairman of the Committee for Agriculture and Rural Development. There are many other things that I would like say, outside of that role, but I am unable to do so because Members are limited to 10 minutes in which to speak. As Members are dealing with issues that are complex for the agriculture industry, I feel that it is my duty to that industry to stick to my brief.

It is inevitable that some Members will not be happy with the draft Budget’s allocations. We, in the Committee for Agriculture and Rural Development, are no different. However, many of our disagreements and concerns centre not necessarily on the allocation but on the inescapable bids that the Minister of Agriculture and Rural Development formulated. Therefore, I wish to express my Committee’s concerns and lay them before the House.

At the beginning of October, the Department was presented with a report from the red meat task force, which painted a most worrying and depressing picture of that important agricultural sector. The report recommends that suckler-cow farmers leave the industry altogether; that they diversify into some, as yet unknown, new business; and that they should use their single farm payment — for which they work extremely hard — to aid that transition. Many Committee members cannot accept that position as the way forward for the red-meat sector. As yet, the Department’s response has been to do nothing.

The Department has indicated that a sum of £100 million is available under the rural development programme for diversification schemes. The Committee welcomes that significant investment.However, this investment was budgeted for, and approved by the EU, long before the report on the red-meat sector even began, and did not take account of the serious picture that was painted by that report.

The investment is not just specifically for the suckler-cow farmer, but is available to anyone in a rural area who presents the Department with a viable diversification project. The Committee believes that the findings of the red meat task force provide sufficient evidence to merit an additional and substantial tranche of moneys. Furthermore, the Committee contends that a broader and more strategic approach is required in respect of the current state of the red-meat sector to ensure that the industry thrives in the long term. Action arising out of that strategic approach could include direct support to suckler-herd farmers in a scheme similar to that which operates in the Irish Republic, and a combined producer-processor retail-departmental approach to the Northern Ireland agriculture sector.

I turn to the Department’s administration and resource budgets. The Committee is content with the level of those budgets and the level of efficiency savings that are being sought within them. Those budgets deliver front line services to farming and rural communities that must be maintained in these times of severe pressure on the agriculture industry. It is hoped that those efficiencies will not result in any reduced delivery efficiency, although I am not confident that that will be the case.

The Committee is aware that the Department intends to remove staff from markets and abattoirs as part of the wider efficiency savings. We call on the Department to rethink that intention until such times as new technologies and processes are given the opportunity to bed in.

The Committee has grave reservations about the sale of the entire Crossnacreevy site to fund the farm-nutrient management scheme. The Committee emphasises that it is pleased to see the funding provided for the scheme, although it is of the opinion that, unless derogation from the EU to extend the deadline for the scheme beyond December 2008 is achieved, the budget of £50 million, with access to an additional £29 million, is too high. That is due to the inability to gain planning permission for in excess of 2,500 applications, and to find competent builders to undertake the works within that deadline.

The Committee believes that it is unnecessary to sell the entire Crossnacreevy site, which is still essential to the agriculture industry, particularly in the absence of any business case. The Department has agreed to a sale without presenting a business case either to the Committee or the Executive.

Mr A Maginness: Will the Member give way?

Dr W McCrea: I am sorry; I only have 10 minutes. I am sure that the Member would like to make his own contribution, which, no doubt, will be valuable. I shall continue on behalf of the Committee for Agriculture and Rural Development.

The Committee has been advised that the sale of the entire Crossnacreevy site would result in the potential receipt of £200 million, although, again, the Committee has not been provided with supporting evidence. The Committee is aware, however, that receipt of that sum is dependent on the site’s being included in the Belfast metropolitan area plan as a development plan. That has not been promised in any shape or form either.

The Committee further believes that the Department has not considered alternative options, including the sale of part of the site, that would be sufficient to provide cover for the requirements of the farm-nutrient management scheme. The Committee acknowledges and appreciates that the Minister of Finance and Personnel has promised the funds to aid that scheme, which is essential to the farming community. Nevertheless, we cannot understand why the Minister of Agriculture and Rural Development went to the Minister of Finance and Personnel to ask for £79 million, only to give £200 million back in its place.

I am sure that the Minister of Finance and Personnel, who is very prudent in such matters, clapped his hands and thought that Christmas had come early. It would mean a potential loss of £121 million for the agriculture sector, but a gain of £121 million for the Department of Finance and Personnel. Who would not want such a gift to be handed out to all the other Departments?

5.45 pm

Nevertheless, that money is coming out of the agriculture industry at a time when it is absolutely crippled and on its knees. Given the Department's intention to sell the entire site, the Committee for Agriculture and Rural Development has suggested that some or all of the additional receipts could have been used to fund additional programmes to support the agriculture industry in relation to the findings of the red meat task force report, which I mentioned previously. In summary, the Committee does not support that sale on the current basis, because no business plan or case has been presented to it for examination.

During yesterday's debate, I called on the Executive and the Department to reprioritise the targets for TB and brucellosis, which are currently to reduce incidence levels to 27% and 20% respectively. The Committee believes that the Department should aim to eradicate those diseases, rather than reduce their incidence levels. In the financial year 2006-07, the Department spent £22·7million on TB and approximately £13·5million on brucellosis. The Department has indicated to the Committee that it has successfully reduced disease levels over the past few years. However, the Department must consider whether spending almost £36 million a year represents value for money, instead of solving the problem by eradicating the disease and taking that money out of the pot. Prudence dictates that it is better to eradicate the disease.

My Committee took up many other issues, including animal health, cost sharing, the wildlife intervention programme and the Agri-Food and Biosciences Institute. Those issues must be looked at carefully, bearing in mind that the agriculture industry has faced foot-and-mouth disease, bluetongue, avian flu, brown rot in potatoes and other major diseases that threaten the future of the industry in Northern Ireland.

Mr Brady: Go raibh maith agat, a Cheann Comhairle. I wish to deal specifically with key issues for the Department for Social Development, such as the provision of warmer homes for the most vulnerable in our society. There is no reason why the Minister for Social Development cannot reprioritise her budget to meet stated objectives, such as the eradication of fuel poverty by 2010, which is an unrealistic target that will do nothing but provide false hope to those most in need.

There is special focus on the issue, as it is warm homes week. I urge the Minister to re-examine her strategies for dealing with the matter to ensure that the targets can be met within the timeframe that the Department for Social Development has set.

The Minister of Finance and Personnel addressed the issue of warm homes more positively than the Minister for Social Development, with the consideration of rate relief for homes with cavity wall and loft insulation. The Minister for Social Development will operate within a budget containing the efficiency savings within which all Ministers operate. She is operating within constraints that she agreed could meet that priority requirement.

All Ministers must prioritise within their own budgets, taking the kudos when a project is delivered upon. However, it is not acceptable to blame everyone else, including the Executive, of which she is a member, when natural budgetary constraints come into play.

It is time that the Minister realised that she is part of the Executive. Holding such a position means that she should have the courage to make key decisions and the initiative to provide leadership, not only to her Department, but to the wider community. Go raibh maith agat.

The Deputy Chairperson of the Committee for Regional Development (Mr Wells): At the outset, I apologise that the Chairperson of the Committee for Regional Development, Mr Cobain, has been called away on an urgent matter.

I have been asked to deputise on his behalf, so I will therefore speak on behalf of the Committee for Regional Development. Mr Speaker, I thank you for giving me this opportunity to speak today. I also thank the Committee for Finance and Personnel for co-ordinating the Assembly's response to the draft Budget.

Like other Committees, the Committee for Regional Development has scrutinised the draft Programme for Government over the past few weeks. During that time, it has taken evidence, both oral and written, from a wide range of stakeholders, including the Quarry Products Association; the Inclusive Mobility and Transport Advisory Committee; Help the Aged; Age Concern; the Northern Ireland Council for Voluntary Action; the Federation of Small Businesses; and the CBI. On behalf of the Committee, I want to thank all those organisations and individuals who generously placed their time and expertise at the disposal of the Committee.

Traditionally, Committees have complained that the Budget allocations for their Departments are too low. Our Committee does not intend to break with that tradition. We intend to support the Departments' calls for additional resources. In the case of the Department for Regional Development, the Committee is of the view that, objectively, the allocations for the Department in the Budget are insufficient to meet the infrastructure, economic, social and environmental needs of Northern Ireland. For example, spending on transport in Northern Ireland is £65 a head below spending in England, as measured in the year 2005-06. That is against a backdrop of a much more dispersed pattern of rural settlement.

Funding for road structural maintenance must be adequate, transparent and secure. That is perhaps the major point that the Committee wants to make. The allocations of £56 million, £72 million and £70 million for the next three years are £125 million short of the £110 million per annum identified in the structural maintenance funding plan as being necessary to maintain our roads to an acceptable standard. The Committee is also concerned about the road safety consequences of continued underfunding in that area. Those risks have been highlighted in the most recent Roads Service annual report and accounts.

I realise that the inadequate allocations for structural maintenance are often supplemented with bids in the in-year monitoring rounds. Of course, Roads Service has been successful in many of those monitoring rounds. However, the Committee believes that that is not a viable long-term strategy for funding structural maintenance programmes. The Department is too dependent on being successful in the in-year monitoring round process. The Committee calls on the Minister and the Executive to recognise the value for money represented by planned maintenance and the public-safety risks associated with continued underfunding of the work in that area.

The Committee further calls for structural maintenance funding to be ring-fenced and clearly identified for the period of the Budget. That will allow the industry to make forward plans with confidence and to invest in developing the capacity required to meet Northern Ireland's structural maintenance needs on time and within budget.

Dr W McCrea: Does my honourable friend agree that when the Department for Regional Development is given such a substantial budget, it is vital that it is spent wisely? There was a plan for a bypass for Magherafelt. For 30 years, the people of Magherafelt town have been waiting for that bypass to be built, and we still do not have it. We thought that we might be in the running to get some movement on that matter.

However, a new plan has now been devised by some civil servant. Instead of giving us that bypass, the Department for Regional Development now wants to put that plan on the long finger and build a road that stretches from the Moneymore road right down to the Castledawson roundabout. If that is the kind of brains that are in the Department, it is about time that there was a rethink; the Department is getting too much money instead of too little. [Interruption.]

Mr Wells: I am sure that the Committee would wish to support the honourable Member for South Antrim's call for that bypass after the completion of the Ballynahinch bypass. [Laughter.]

The Committee is also concerned about investment in road infrastructure, which is essential to the social and economic well-being of Northern Ireland. A good-quality road network is crucial to improving journey times in Northern Ireland and to connectivity to and from our ports, airports and tourism facilities. In addition, a substantial amount of public transport is road-based. Access to health and social services, employment, education and cultural and sporting activities depends on an adequate, sustainable, safe and effective road network.

The Committee is concerned about the allocation to the roads capital budget, which, at £572 million, is significantly lower than the low scenario bid in the draft investment strategy. The current allocation will allow for the opening of the M1, Westlink and M2 upgrades in 2009. That project is safe, as is the dualling of the A4 from Dungannon to Ballygawley and the completion of the dualling of the main Belfast to Dublin road — the section from Beech Hill to Cloghogue, a scheme that is close to my heart. However, it is likely that the roads allocation will necessitate the deferral of some schemes; dare I say that two of those are the A6 dual carriageway from Castledawson to Toome and the A2 from Maydown to the airport at Londonderry.

Spending on local transport and safety measures, bridge strengthening, carriageway widening and major works on local roads will need to be less than was envisaged during the three years to 2010-11. The Committee calls on the Executive to review the roads allocation in the light of the importance of a free-flowing road system to the continued economic development of Northern Ireland.

The Committee also examined in detail the issue of investment in public transport, particularly buses and railways. We believe that that is important to the social and economic well-being of Northern Ireland. Like roads infrastructure, a good-quality integrated network of bus and rail transport is key to the underpinning of economic development, as well as access to education, employment, leisure and social services. Investment in public transport also brings enormous environmental benefits in the form of reduced carbon emissions and air and noise pollution.

A Member: You wrote that bit.

Mr Wells: I did.

In the past, there has been persistent underinvestment in public transport infrastructure. The Committee discovered that, in addition to the £426 million capital bid, only £196 million has been allocated in the draft Budget, including £137 million for rail, £47 million for buses, and £1·2 million for improved ferry services to Rathlin Island, which will certainly keep at least one Member happy.

The Committee calls on the Executive to deal with the failures of the past and to invest in public transport. Failure to adequately resource public transport will have an adverse effect on the environment and exacerbate social exclusion, and might jeopardise the recent and much-welcomed positive economic growth.

The Committee has met both Into the West and the Northern Corridor Railways Group and has heard evidence of public safety issues and speed restrictions, which are as low as 10 mph on stretches of track between Belfast and Londonderry. It is absolutely appalling that, after a huge amount of money has been spent on new trains for that line, their speed must be reduced to 10, 15 or 20 mph on various parts of the track. That is totally unacceptable.

Having championed the cause of women's access to concessionary fares, the Committee welcomes the proposal in the draft Budget for the extension of those fares. It is extremely good news for all concerned.

Age Concern and Help the Aged provided evidence to the Committee on the differential patterns of urban and rural use of the senior Smartpass and the bias against disabled people that is posed by the limitation of the concession to single-journey tickets.

Mr Speaker, time is running out fast. Therefore, I will turn quickly to the issue of environmental sustainability. The draft Programme for Government includes a priority to protect and enhance Northern Ireland's environment and natural resources. However, there is little evidence of the radical thinking and policies that are needed to deliver a 60% to 80% reduction in carbon emissions by 2050, which was identified by the Prime Minister in a speech as recently as 19 November. The DRD allocations do not appear to reflect the need to deal with the issue with any immediacy.

The investment strategy's major proposals make substantial reference to the environmental impact of differing forms of infrastructure investment, but it is not clear to the Committee that that has been followed through in the draft Budget and the ISNI 2 allocation stage. Indeed, a quick glance at the draft Programme for Government indicates that it has not taken full cognisance of the hugely demanding targets for carbon reductions that are faced during the next 50 years.

Mr B McCrea: Mr Speaker, can I say at the outset that I am genuinely grateful to all Members? I believe that, in my efforts to get up and say a few words, I have actually lost pounds.

6.00 pm

I will start off in a mode of generosity. I listened genuinely and with good intent yesterday to the First Minister's speech on the draft Programme for Government and the draft investment strategy. I assure the House that we all want to do what is best for the people of Northern Ireland, and we got involved in the process to see if we could work something out. We have some concerns, especially about the lack of a financial package. In fact, Sinn Féin's Chief Whip, Carál Ní Chuilín, mentioned at the start of the debate that everybody agrees that there is not enough money in the draft Budget to go around, and I did not hear anybody demurring. Peter Robinson, Peter Weir and Nigel Dodds — everybody — have said that we need a financial package. The truth is that we did not get enough.

I also want to deal with the comments that have been made about whether or not the Ulster Unionist Party is in Government. We will not agree with every decision that is made by the Executive just because we have two Ministers in it. We reserve the right, as Members of the Assembly, to scrutinise the draft Budget and everything else that is going on.

Mr Kennedy: Does the Member agree that the position of the Ulster Unionist Party in the Executive was dictated by the votes of the people? We are not there at the behest of other political parties — particularly the DUP and least of all, Sinn Féin.

Mr B McCrea: I thank the Member for his intervention. We are represented on the Executive as of right. With regard to whether it is right to oppose or to criticise a Budget, I quote from Ian Paisley Jnr:

"I found the Committee Chairpersons' comments in the report of the draft Budget very interesting — so much for a united approach. The Chairpersons of various Committees — and not just DUP Chairpersons, but Ulster Unionist, SDLP and Sinn Féin Chairpersons — all criticised the Budget proposals." — [Official Report, Bound Volume 8, p131, col 2].

Also, Sammy Wilson — I was rather hoping that Sammy would be here, but unfortunately he has left — declared:

"I want to make the position clear from the start: the DUP is opposed to the Budget." — [Official Report, Bound Volume 7, p185, col 1].

It is entirely legitimate for the Ulster Unionist Party to say that there are better ways to do things. We agree that there are limited budgets, and we will have to find a way of dealing with those.

When we were talking about the draft Programme for Government yesterday, I promised to talk about the Barnett formula. I do not propose to bore Members at this stage, except to say, following on from Mr Wells — [Interruption.]

I could not do that to you. [Interruption.]

I am depending on the indulgence of the Speaker to get through this speech.

The issue is per capita expenditure. Mr Wells talked about roads. Why do we have a higher per capita expenditure on roads? Because we have a large rural area, and we need more roads to go around. Furthermore, we need to have a headquarters. Northern Ireland is a small country compared to England or Scotland, for instance, and therefore we have higher overheads. The Barnett formula recognises that some areas in any union are less economically viable than others, but that does not mean that they are any less valuable. That is why the Barnett formula is important to us, and it applies as much to health issues as it does to anything else.

I listened to the Chairperson of the Committee for Education, Sammy Wilson, talking about the education budget — I presume that he was reading from the same file that I have. Education had a baseline of £1,720 million last year, and this year it has a baseline of £1,626 million, so we have lost about £100 million before we start. Furthermore, in the rest of the United Kingdom, education budgets received an increase of 5·3%. I realise that the increases are unhypothecated, but we only got a 4·3% increase.

That unhelpful differential means that the Committee's analysis to date demonstrates that the Department will face particular difficulties in obtaining funding to maintain projects for children and young people and for the development of integrated education. I agree with Maurice Morrow that those issues and others, such as early-years education, must be tackled.

However, the Committee has stated that the Department will not have any money in years 1 and 2 and will not, therefore, be able to tackle disadvantaged areas or to commit funds to community renewal. That is a problem: the money must be found for those people. The Committee notes its concerns that insufficient Budget resources could delay indefinitely any attempt to tackle the issues of special education needs or to develop the early-years strategy.

The Assembly has said that it will tackle early-years education: it is the right thing to do, but there is no budget. Efforts to improve levels of literacy and numeracy may have to be scaled back significantly. The Committee notes that not receiving the funding for the bid runs counter to PSAs 10 and 19 in the draft Programme for Government and is at odds with the commitments given after the report by the Public Accounts Committee at Westminster. The Assembly simply must deal with literacy and numeracy issues.

Perhaps the Department for Employment and Learning's budget could be used to tackle the issue. However, the Department of Education's bid for the improvement in literacy and numeracy was for £23 million next year, £32 million the following year and £32 million for 2011, but it received nothing. How can problems with literacy and numeracy be tackled if budgets are being cut and no new money is being brought in?

What is being done about adult apprenticeships or making ICT the third essential skill? The draft Budget states that DEL has apparently been granted an extra bid of £36·8 million. However, when inescapable costs are removed, that leaves only £7 million. Alex Attwood pointed out that the departmental budget increases from £731·5 million in 2007-08 to £734·4 million in 2008-09, a rise of only £2·9 million. How can the Assembly tackle all the problems on which it made promises?

As Members have mentioned, resources must be targeted to areas of most need, such as north Belfast. I was quite taken by the fact there have been efficiency savings of £66 million in north and west Belfast over the past three years, and that some 400 teachers have been made redundant. If those redundancies had been in line with the decline in pupil numbers, only 140 teachers would have gone. Therefore, north and west Belfast are losing teachers.

How much money does it take to tackle that? Members have been asked to come up with constructive ideas, and I have done so: £3 million would pay for between two and five additional teaching assistants per school to concentrate on literacy and numeracy and to help children and their parents in north and west Belfast. An extra 100 teaching assistants could be divided between 40 schools in areas that Members know have the greatest social need. Furthermore, that money would pay for six specialist teachers to give instruction on best practice.

London Challenge's report will show that it was able to make huge differences in the levels of literacy and numeracy with a budget of only £4 million. I ask all Departments to work with the Department of Education to amass that money. I agree that cross-cutting issues such as health, parenting skills, early learning and antisocial behaviour must be tackled. The Assembly would have community support in addressing those issues.

I promised the Speaker that I would try to be brief. To conclude, therefore, the Ulster Unionist Party is willing to work with Members in a reasonable, frank and positive manner, but we must work together: the Assembly is not a diktat.

Mr A Maginness: I am slightly confused. Yesterday, and for part of today, some Members wanted to turn the Assembly into the Supreme Soviet in order to rubber-stamp a draft Budget. The Chamber is intended for parliamentary debate, and it is the duty of all Members to scrutinise and criticise where necessary.

The SDLP will do that, as will our colleagues in other parties. To characterise us as being against the Executive or the spirit of the Executive is completely and utterly wrong. It is our duty to criticise. Members who are outside the Executive, specifically from the Alliance Party, should not be criticised for criticising the draft Budget; they have acted honourably in doing so.

Mrs Long: Does the Member agree that if the Government are confident about their programme, they should welcome the scrutiny of those in opposition?

Mr A Maginness: Yes. In fact, yesterday, the First Minister invited criticism, unlike some DUP and Sinn Féin Back Benchers. The Sinn Féin Whip, Carál Ní Chuilín, said that there is not enough money for everyone and that we should not use emotional blackmail. I represent North Belfast and I have no hesitation in criticising the draft Budget for falling short of the social-housing target for the next five years — 2,000 houses. That target will not be reached under the allocation that the Minister of Finance and Personnel has made in the draft Budget.

The Minister of Finance and Personnel told the Minister for Social Development to sell land and finance housing through private means. Only minutes ago, William McCrea was criticising the Minister of Agriculture for selling land — he pointed out the dangers of doing that. There are dangers in selling assets to provide capital for housing development in Northern Ireland, which all Members agree is absolutely necessary. 'Building a Better Future — Draft Investment Strategy 2008-2018' states that that is one of the Executive's top priorities. How can houses be built without money? Does land have to be sold? How much will a Department raise if it sells all its land? How long will that take? If that is a solution — which I doubt — it is a long-term one.

Is Carál Ní Chuilín telling the 2,300 people on the social-housing waiting list in North Belfast not to worry because land will be sold so that in five or 10 years' time homelessness in North Belfast will be solved? That is ridiculous, yet it is what Fra McCann suggested to the House. He said that the Minister for Social Development blames everyone but herself, and he criticised her severely on all areas of her brief. Yet what does Fra McCann do? He backs the Budget that prevents the Minister for Social Development from achieving the housing allocations that will meet the needs of the homeless in Northern Ireland. [Interruption.] He supports —

Mr Speaker: Order. The Member has the Floor.

Mr A Maginness: He supports the Budget that will stop fuel poverty being alleviated in Northern Ireland. That is the right-wing agenda that the Minister of Finance and Personnel is putting before Sinn Féin Members and other Members. Members have a duty to reject that right-wing Thatcherite agenda. If Sinn Féin Members do not recognise that the draft Budget pushes a Thatcherite approach to social development, they must be politically blind and illiterate.

A Sinn Féin Member said that the Minister for Social Development should ask the housing associations for their assets. How can she do that? How can she tell a private body that she needs its money for the Government's housing policy?

It would be impossible for the Minister to do that. The Minister for Social Development and her Department have a duty to make efficiencies; the draft Budget states that that Department will make efficiency savings of £113 million over the next four years, which is an important contribution. All Departments have a duty to look at efficiencies, and to use them to make funds available for other Departments.

6.15 pm

Mr Donaldson: Will the Member give way?

Mr A Maginness: No, I will not, because I have only a few minutes left.

The Minister of Finance has suggested that there are additional sources of private finance — I would love to know where they are, and whether they are readily available.

DSD requested £992 million in its capital bids for housing and urban regeneration, and £373 million over the first three years of the investment strategy. The draft Budget allocations are short by £775 million and £139 million respectively, in terms of urban regeneration. These allocations are completely inadequate, and the Minister has said so to the Committee. The House should note that she had all-party support at the Committee in her quest to gain sufficient allocations for housing, urban regeneration and fuel poverty. No one dissented, so I am surprised that some members of that Committee who are here today are now retrospectively attacking the Minister.

The allocations are completely inadequate. They cannot provide 10,000 new homes over the next five years; that will be unrealistic if the allocations made by the Minister of Finance and Personnel remain. I hope that he listens to the comments made in the House today and amends those allocations, so that we can provide people in Northern Ireland with decent homes and eliminate fuel poverty at last. That is the duty of the Executive.

I note that the First Minister is here. One of my first memories of the First Minister is from the Bannside by-election, which he won. On that occasion he dedicated himself to improving the living standards of ordinary people and to eliminating poverty and the worst housing conditions that he had ever witnessed. I hope that he remembers that, because there is a duty incumbent upon him, and the Executive, to fulfil those promises.

The Minister of Finance and Personnel (Mr P Robinson): I wish that I had some of Mr Maginness's tablets, to allow me to reach the ceiling in the way that he has. I will deal with the points that he raised, as well as the comments made by the Member for Lagan Valley Mr Basil McCrea, who, when he talked about economics and statistics, made a very good case for more money being spent on numeracy. [Laughter.]

I welcome the opportunity to participate in the debate on the four-party mandatory-coalition Executive's draft Budget proposals. I do that following yesterday's debate on the draft Programme for Government and draft investment strategy for Northern Ireland. It is essential, as part of the wider consultation, to hear the issues that concern Members.

The Assembly and its Committees have an important role — now and over the next three years — to ensure that the funds allocated in the Budget are translated into the maximum possible improvements in local public services. In that context, I record my gratitude to the Committee for Finance and Personnel for the efforts it has made, and will continue to make, in drawing the issues together in this important process.

I have listened carefully to Members' comments on the draft Budget flowing from yesterday's debate, and I will attempt to respond to as many of the themes as possible. However, before I do that, I will highlight in broad terms what the four-party mandatory-coalition Executive are seeking to achieve with their public expenditure proposals. I will focus on three main issues: first, our key priority of growing the economy; secondly, core public services; and thirdly, the local contribution to funding public services through the regional rate.

As Members will be aware, the four-party mandatory-coalition Executive have agreed that the key priority should be to secure growth in the economy. That is not only because it is one of the aspects of our society where we are furthest behind the rest of the UK, but also because of its importance in so much of our everyday lives. It is not simply a matter of the amount of money at our disposal, but also of the wider benefits of having a job — not only for one's self-worth, but also for our families and the wider society.

Although progress has been made in some aspects of the economy — there has been an increase of more than 100,000 jobs since 1998 — significant underlying deficiencies remain in the economy that will need to be addressed if we are to sustain that growth in future.

In relation to competitiveness indicators such as business start-up rates and investment in innovation and workforce skills, Northern Ireland performs well below the UK average, and local productivity is about one fifth lower than the UK average. The highly regrettable recent job losses, including those at Seagate Technology in Limavady, Regency Spinning Ltd in

Newtownards and Reid Transport at Cloughmills, have highlighted that we cannot compete solely on cost in the longer term. That point is highlighted in the draft regional economic strategy, which reached the stark conclusion that there will be little or no improvement in Northern Ireland's position relative to the rest of the UK if there is not a radical rethink of the approach to economic development and support to local business.

The clear focus on the economy in the draft Budget, with its increased allocations for DETI, DEL and DRD, reflects an initial step by the Executive in addressing the issue. That move has received a broad welcome from key stakeholders. However, as with all public spending, it is not sufficient simply to increase funding. It is essential that the programmes of support for economic development are continually reviewed and updated to ensure that there is delivery on the key goals of halving the private-sector productivity gap with the UK average — excluding the greater south-east — by 2015, and of increasing the employment rate from 70% to 75% by 2020.

In taking forward plans to provide new and enhanced services for the people of Northern Ireland — for example, the extension of free public transport to everyone of 65 years of age and over — it is also important to strike a balance to ensure that core public services have sufficient funding, and also to provide the incentive to deliver existing services more effectively.

Although all Ministers made the case to me about the need for additional resources for their respective Departments, the main issues since the publication of the draft Budget have been the proposed resource allocation for the Department of Health, Social Services and Public Safety and the capital allocation for the Department for Social Development. Some people have suggested that the position in some way undermines the Health Service, while the allocation for housing will lead to a crisis — indeed, according to the previous Member, the crisis of homelessness has already happened.

The four-party mandatory-coalition Executive would have liked to allocate more public-services funding. However, financial realities mean that that was not possible. In addition, concerns about impacts on services have been exaggerated to an extent that the facts show is not credible.

The draft Budget sets out plans for health and social care to receive an additional £450 million by 2010-11. That is equivalent to 51% of the total additional resources that will be available to the Northern Ireland Departments. There will be a further £340 million increase in spending power from efficiencies that the Minister has agreed to make.

Amid the doom and gloom that some have declared, it is important to recognise that the draft Budget allocation for DHSSPS will allow a number of service developments to be progressed over the three-year period, including improved services for children and meeting the revenue costs for capital investment in new and improved facilities. Additionally, the further funding for pay reform that has already been made should result in improved public services. Those are some examples of what can be achieved from the £700 million of inescapable pressures, as defined by the Health Minister. It is up to him to decide which additional discretionary service developments are to be progressed over the Budget period.

I appreciate that Members wish that more money was made available. However, it is important that the context of the Health Department's proposed allocation be understood. In particular, I reiterate the points that I have made in recent weeks: expenditure on health and social care in Northern Ireland is 10% higher than in England; over the next three years, the draft Budget proposes that the Health Department will receive more than half of the additional resources that are available to all Departments; and, by 2010-11, health will account for almost 48% of the total spend.

The Health Minister will have more — and a larger proportion of — money at his disposal than any of his predecessors. To achieve higher levels of health spending growth would require substantial reductions to other Department's allocations, or a massive hike in rates. That cannot be justified.

Funding levels are only part of the solution. There is no point in pumping money into an inefficient system. It is noticeable that most of the people who opposed the level of the Health budget were silent when it was half of what is being proposed now.

Nothing that I have said suggests that some additional resources for the health and social care sector would not bring further benefits to the people of Northern Ireland. I fully recognise and support that, and I am open to suggestions as to where such funds would yield the most benefit. However, I am also open to suggestions about where those resources might be found. Mr Speaker, you are a patient man and, thus far, you have sat through the whole four-hour debate. When you are driving home to Londonderry, away from the Members who made bids for more money during the debate this afternoon and evening, I challenge you to think of even one who put forward a single suggestion as to how additional resources might be found to fund those bids.

The most obvious example of need in the Health Service is in the mental-health sector — and Members have referred to the Bamford Review. In Northern Ireland, that need is almost 50% higher than in England, and that is one of the main reasons why the overall local need for health and social-care services is higher. However, mental-health service funding is higher per capita than for England, which suggests that, in the past, either sufficient funds were not allocated or funds were diverted to other sectors, such as acute services.

The Health Minister identified mental-health services as a priority for his Department — albeit that that was his seventeenth priority. In that context, the draft Budget identifies just less than £50 million to implement the Bamford Review proposals by 2011.

6.30 pm

Mr Donaldson: I thank my Rt Hon friend for giving way. That issue is so high a priority for the Minister for Health that when the Assembly debated the Bamford Review on 18 December 2006, autism issues on 9 January 2007, and the future of Muckamore Abbey Hospital on 29 January 2007, he made no contribution whatsoever.

Mr P Robinson: I shall divert slightly from my speech to deal with that point, because there is an issue of which the Assembly must be mindful. The four main parties in the Assembly have Ministers in the Executive who are responsible for Departments. Mr Speaker, you decided, quite rightly, that the amendment tabled by the Ulster Unionist Party and the SDLP could not be moved today, but I noted that the only Departments about which those parties were concerned were the Department of Health, Social Services and Public Safety, and the Department for Social Development.

Mr B McCrea: On a point of order, Mr Speaker. You asked us very kindly to withdraw the amendments, which we did to facilitate the House. Is it in order for the Minister to refer to an amendment that we cannot defend?

Mr Speaker: That is not a point of order. That is part of the heat of debate in the Chamber.

Mr P Robinson: Mr Speaker, the Member is right about one point — he cannot defend it; it is indefensible. [Laughter.]

Some parties have decided, somewhat like football supporters, to cheer for the Departments of their respective Ministers. I can understand parties wanting to support their Ministers vocally or in any other way that they can. However, some of us have responsibilities that go beyond departmental vested interests. We must look at the overall position of Northern Ireland. We must balance the issues of all Departments — not fight for only one or two.

Members must be careful when they are putting forward a case for one Department, for which their Minister happens to be responsible, that they do not forget the real need that exists in other areas.

I return to the issue of mental health. The allocation of £4·5 billion for the health budget, with an additional £8 million being made available, means that the figure that I have indicated was discussed by the Department of Health and my officials, as being required to implement the Bamford Review recommendations, would represent only 6% of the additional allocation, or just over 1% of the total allocation to the Health Department.

I am sure that Members will agree that, if the Minister wants to deal with that serious issue, he can ring-fence funding for some of the most vulnerable people in society, given that the required funding amounts to such a small proportion of the additional resources that are at his disposal.

I have been asked, outside the House, whether I could ensure that funds are allocated specifically for mental-health services, given the history of such service provision in Northern Ireland. Having considered that matter, I would be very reluctant to even think about micromanaging any Minister’s Department. I am sure that, when the Minister gets down to the serious business of setting out his actual spending plans when the allocation is agreed, he will deal with that issue.

However, it must be said that the four-party mandatory-coalition Executive could allocate funds to the Health Service, with a ring-fenced portion for mental-health services, if it chose to do so.

Returning to the overall funding for health, a key point is that the figures quoted for additional requirements are simply unrealistic. The focus must be on using existing resources better, rather than asking for more funding. As I have said before, we need a better Health Service, not a more expensive one.

The concerns that have been raised about resource expenditure for health have been repeated about the capital expenditure for social housing. Social housing is an important priority for everyone in Northern Ireland, and it should be available for those who need it most. The Department for Social Development will have almost £720 million to invest in housing over the next three years. The investment strategy proposes further investment of over £1·2 billion over the following seven years, which brings the total funding to almost £2 billion over the next decade.

Members have been fond of quoting comparisons with England; let me join in. The number of social houses per head of population in Northern Ireland is already 30% higher than in England, and levels of housing unfitness here are the lowest in the United Kingdom. In addition, the number of social housing completions over the past five years was 60% higher here than in England.

Therefore, although I fully support the Social Development Minister’s call for more investment in social housing — as reflected in the additional £20·4 million that I announced recently — the Department for Social Development will also need to actively consider how the proposed allocations from the draft Budget can be supplemented by additional income. That could come, for example, from private-developer contributions. I know that the Minister of the Environment has already had talks with the Minister for Social Development regarding issues that relate to planning. Indeed, the Minister for Social Development should also be considering issues such as land sales.

I noted in a press statement issued yesterday by Mr Alban Maginness that he indicated that the allocation for housing was so bad that there was real doubt as to whether the Department for Social Development can build even one social house. Members discredit any cause that they have when they go off the scale in that way. Given the millions of pounds that will be available for housing in the Department for Social Development's budget, to make that kind of claim is petty and ridiculous.

As I have indicated to the Minister for Social Development regarding the scope for additional funding, additional resources are available for capital investment in 2010-11 from the draft Budget. Those resources will be supplemented by the ongoing work of the capital realisation task force. However, it is important to recognise that there will be a number of competing priorities for the additional resources that become available. The four-party mandatory coalition Executive will need to decide what should be delivered in social housing as opposed to other capital projects.

Incidentally, there is one contribution that Members can make — I have asked my colleagues on the Business Committee to press for a debate on the issue of rationalising our political bureaucracy, reducing the number of Departments in Northern Ireland, and reconsidering the number of Assembly Members for this small region of the United Kingdom.

Some Members: Hear, hear.

Mr P Robinson: I am not sure that all Members are saying “hear, hear” at this stage. [Interruption.]

Mr Speaker: Order. The Minister has the Floor. Practically every Member in the House has got to speak today. Allow the Minister to respond.

Mr P Robinson: That will be a way of freeing up resources for use in front line public services. I hope that when the Business Committee considers the matter, there will be enthusiasm on the part of its members to bring that motion to the Assembly. Furthermore, I hope that when it does come before the Assembly, it will receive support across the Chamber.

I will now talk about the regional rate and the local contribution to public services. Despite the promise of a new four-party mandatory-coalition Executive, this remains a time of significant concern for many hard-pressed householders in Northern Ireland. Oil prices continue to rise, and the Bank of England base lending rate is 5·75%, which is almost 65% higher than its low point of 3·5% in July 2003. In addition, the price of household staples such as milk and vegetables are rising at a faster rate than incomes. At this time, a key duty of the four-party mandatory coalition Executive must be to ensure that it does not add to the already heavy burden on households. In that context, Members will hardly need to be reminded that over the past five years, regional domestic rates have increased by 62%, with a 19% increase in one year alone.

Looking forward, the four-party mandatory coalition Executive has unanimously accepted the key recommendations of the Independent Water Review Panel's strand-one report, which will lead to additional, but necessary, household contributions to those services from 2009-10.

While we will mitigate that expense, by recognising that the existing regional rate contains a contribution to those services estimated at an average of £160 per household, it is essential that we also recognise the historical and future pressures on household bills. Accordingly, the draft

Budget proposes that there will be no increase in the regional domestic rate in each of the next three years. That is equivalent to a reduction of over 8% in real terms over that period.

Direct rule Ministers intended to introduce water and sewerage charges from 2007-08 without taking account of rate bills. Increases in the regional rate under direct rule were, on average, 9.8% per annum. Our proposals will mean that each household in Northern Ireland will save, on average, over £1,000 over the period 2007-08 to 2010-11 compared to the direct rule proposals.

Turning to the non-domestic sector, since 2001-02, the increase in the non-domestic regional rate has been 3·3% per annum. Recognising the need to limit the cost pressures on local businesses, the draft Budget proposes that the increase be held at the level of inflation in each of the Budget years. That will mean that there will be no increase in real terms in the burden to business from the regional rate in the planning period.

In recognition of the particular pressures facing the manufacturing sector, I propose to freeze industrial rates liability at 30% across the Budget period, which, again, represents a significant saving against the previous direct rule proposals.

Yesterday, I was astounded to hear one Member say that she opposed my proposals to freeze industrial rates at 30%. She said:

“However, all I see is subsidy to businesses and snubs to those who work for a living in our forgotten communities.” — [Official Report, Vol 25, No 7 Part 1, p338]

She went on to say:

“Chancellor Robinson has made the ludicrous decision to maintain the blanket subsidy to manufacturing companies by continuing rates relief.” — [Official Report, Vol 25, No 7, Part 1, p338]

and continued with:

“fat cats get benefits. Corporate welfare seems to be alive and well in “Robinsonland”. — [Official Report, Vol 25, No 7 Part 1, p338]

That same Member was at a breakfast this morning, which I also attended. There, it was pointed out that 48% of the manufacturing industry in Belfast is in her constituency — and mine — East Belfast. I can tell her, having been around those businesses in East Belfast that, had we not taken that step, one company alone would have had to lay off 100 workers, and it would have been stopped from moving ahead with a proposal that would have meant 1,400 jobs in East Belfast.

Another company that I visited with the Department, only 10 days ago, indicated that the decision that had been taken gave them the confidence to go ahead and make the decisions to expand and therefore bring new jobs to that constituency.

Like the Member for East Antrim Mr Wilson, I noted the comments towards the end of that Member’s speech when she decided to harangue Sinn Féin. She said that the DUP are walking all over it —

“on public-private partnerships, less Government and equality issues.” — [Official Report, Vol 25, No 7, Part 1, p339].

I take from that, that she actually believes that there should be more government. We were talking about the politburo a short time ago. I can remember watching a film about an invasion of the United States by Communist forces drawn from Russia and Cuba. It was the well-named ‘Red Dawn’. [Laughter.]

I believe that the decision taken to freeze industrial rates is a sensible one that will lead to more jobs, and importantly — as everyone will have seen over past weeks — it will do a great deal to safeguard the jobs we already have.

I am appalled by the blinkered and twisted thinking that assumes that a business-friendly Budget is good for business leaders and therefore it must be bad for the workforce. It is that kind of crazy logic that has led to the draft Budget being characterised as neo-Thatcherite and right-wing. That is nonsense.

This is a Budget for everyone. It is a Budget for business, but also one for the working man and woman. It is a Budget to get the economy moving — it is not right wing, simply right. Dawn Purvis chides Sinn Féin and the Democratic Unionist Party. She should speak to the workers in East Belfast whose jobs have been saved, and who will gain jobs as a result of the decision that we have taken.

6.45 pm

Mr Paisley Jnr: Will the Minister remind the House of a quotation in yesterday’s Hansard from the Member for Lagan Valley Basil McCrea, in which he referred to comments that “Red Dawn” made?

Mr P Robinson: I heard the Member for Lagan Valley applaud and welcome Ms Purvis’s speech. I must say, however, that, after an intervention from me, he did qualify his comments by saying that he applauded some of Ms Purvis’ remarks, although he did not specify which of her remarks he was applauding.

Mr B McCrea: Will the Minister allow me to specify those remarks now?

Mr P Robinson: No. The Member managed to wangle the opportunity to make a speech in this debate, and that has left us tight for time.

The approach that I have taken to rates reflects the four-party mandatory coalition Executive’s desire to redress the balance from previous direct rule Budgets, in which the local ratepayer was expected to shoulder too great a share of the burden for the delivery of public services.

The 2004 spending review staff-reduction targets are an indicator of the departmental performance that we can expect. The fit-for-purpose target, which was established in December 2004, required that the number of Civil Service-funded posts in April 2004 be reduced by 2,300 by March 2008. In overview, progress to date is a clear indication that we are well on track to meeting that target. Indeed, the latest information shows that we are ahead of the planned trajectory.

Many commentators, including some present in the House, expressed concern that the target could be achieved only through a form of redundancy scheme; however, the Civil Service labour pool has proved to more dynamic than those commentators thought possible. Our latest figures show that natural turnover in the Civil Service is 5·4%. On that basis, we can be confident that Departments are, and will continue to be, able to adjust numbers without recourse to any form of redundancy scheme. Looking ahead, we can be confident that that dynamism will be maintained, and possibly enhanced, as our plans to develop and grow the economy and a vibrant private sector begin to yield dividends.

The Alliance Party expressed concern at the inability of the draft Budget to address economic growth. The broader question is the extent to which a devolved Executive, with limited fiscal powers and budget, can address economic growth in a global marketplace that is worth many trillions of pounds. The approach adopted represents full use of the powers that we have, with a focus on putting in place the conditions for growth, through working alongside local business and employee representatives. Therefore, I fully believe that the four-party mandatory coalition Executive's draft Budget proposals to reverse the downward trend and funding for economic development and to minimise the rates burden on business, together with plans to improve our economic infrastructure, are a significant improvement on the plans of each of our previous Administrations. I am under no illusion that even more could have been done, but I was determined to protect our public services, such as health and education, which also required additional funding, so my Budget has sought to strike a balance.

I share the view of many that savings could have been made from various sources, including the cost of division, which it is perhaps necessary for me to spell out. I dealt in some detail during Question Time with some of the Alliance Party's unrealistic expectations about what savings may come from that source. However, I share the view that savings could be made from that source, albeit on a more limited scale than the Alliance Party suggests. I have asked my officials to examine the findings of the Deloitte report, with a view to identifying those elements in it that can be addressed in the short term. Similarly, I encourage all Ministers to make as many savings as possible from that area, particularly as they have made it clear to me that the efficiency savings already expected over the next three years will represent a significant challenge to them.

Therefore, all scope for savings needs to be vigorously pursued. In taking forward its work, I will also ask the performance and efficiency delivery unit to consider the potential savings to be gained from reducing the cost of division.

There are two issues that I must address, the first of which is the role of the Executive. In any Government, the intention is that people who intend to seek a mandate should put their proposals before the electorate and seek an endorsement of those proposals. If it is a one-party Government, the process is simple: they use their manifesto as their Programme for Government, and they proceed. However, in the case of a voluntary or mandatory coalition, there is a requirement for them to agree on a Programme for Government. If there is no agreed Programme for Government, there is no coalition.

One cannot adopt a position whereby some people decide to be in Government, but do not want to agree with the Government's programme. That is an untenable position. That is not to say that Members of Government parties — in the Executive or in the Assembly — cannot choose to make comments, criticise — or suggest changes to — the Programme for Government, the investment strategy or the Budget. Last night, there was not one squeak from any of the Ministers who were prepared to allow their parties to vote against the draft Programme for Government. Not one of them suggested any change to that programme. Therefore, we need to have some sincerity in an Executive.

If there are going to be changes, and if there is a feeling that changes are needed, some Ministers have let down their Assembly colleagues by not suggesting those changes within the Executive. I am quite content for Members to express concerns, and for the Executive to consider those concerns when making final decisions about the draft Programme for Government and the draft Budget.

The second issue that I must address is the fact that some parties in the Chamber appear to be in denial. It is clear that an attempt is being made to suggest that there is an Executive in Northern Ireland that consists only of two parties. That is, quite transparently, not the case. I hope that, in the references that I have made tonight, that it is abundantly clear that we have a four-party mandatory-coalition Executive, of which the Ulster Unionist Party and the SDLP are part. [Interruption.]

I am quite happy if Members wish to say that their party is withdrawing from the Executive. The Executive is built on a system that was negotiated by the Ulster Unionist Party and the SDLP. They are the parties — [Interruption.]

Mr Speaker: Order. I call for order on all sides of the House. I have continually said that almost all Members from all sides of the House have contributed to the debate, as far as possible. The Minister is responding. I realise that, in the heat of debate, it is not easy for some Members to sit and listen. Nevertheless, the Minister is now responding. Allow the Minister to respond.

Mr P Robinson: Again, I make it clear that the four parties who are in the Executive need to have an agreed Programme for Government and need to agree a Budget. In neither case, was an amendment suggested that would reduce the Budget in one area so that additional funding could be provided in another. No such proposal was put by any party in the Executive, including the two parties that are complaining.

No change was recommended to the draft Programme for Government by either of the parties who have now decided that they want to decry it. They are in denial and attempting to pretend that they are, somehow, out of Government, but at the same time taking the benefits of being in Government. That type of hokey-cokey party politics simply will not wash with the people of Northern Ireland. They know that the SDLP and the Ulster Unionist Party are a part of the Government and are responsible, as is every party in the Government, for the decisions that are taken. In particular, the Ulster Unionist Party was gagging to get into Government.

It was gagging to get into Government so much that it put out statements telling the electorate of Northern Ireland that it would be in Government. Come what may, the Ulster Unionist Party would be in the Executive and would take its seats. I could spend time reciting its quotations, but the Ulster Unionist Party is on the record as saying that it would take its seats in the Executive and be accountable. I am quite content that the Ulster Unionist Party has signed up to the four-party mandatory coalition Executive. However, if it decides that it does not want to proceed on that basis, we can go back and negotiate a new and different process from the one that currently exists.

This is the system that the Ulster Unionists negotiated. It was the DUP that said it was not satisfied with that system. It was our party that insisted on a requirement in the St Andrews Agreement legislation to examine the methodology and structures of Government in Northern Ireland, because we did not like the system that the Ulster Unionist Party had negotiated. We made significant changes to the accountability within that system, as many members of that party have already found out.

Indeed, it has to be said that the Ulster Unionists found out about the accountability functions so acutely that instead of coming into this Chamber to join their colleagues in the vote, their Ministers were skulking outside and were not prepared to come in. They knew that if they did they would be in breach of the ministerial code and would jeopardise their positions in the Executive.

I will deal with one further issue that has arisen in the debate. There has been a great deal of talk about the financial package. Let me give the full history of that package. Leaving aside the fact that the Ulster Unionist Party and the SDLP negotiated nothing positive in financial terms when they were in the lead position, they ended up with a reinvestment and reform initiative that forced rates in Northern Ireland up by 62% over five years. That is the legacy of the Ulster Unionist Party's negotiations. On the other hand, the Democratic Unionist Party renegotiated — [Interruption.]

Mr Speaker: Order. Members must allow the Minister to continue.

Mr P Robinson: We successfully renegotiated the reinvestment and reform initiative so that I am now able to freeze the regional rate, which I could not have done under the agreement that was reached by the Ulster Unionist Party. We have managed to increase the Budget for Northern Ireland. Let us remember that the £1 billion peace package that was mentioned was based on capital, not resource: that had always been the case. The increase amounts to significantly more than £1 billion of capital. There is no automatic end-year flexibility (EYF) for Northern Ireland. There is no automatic right to the asset sales. Those were delivered during the course of the negotiations with the Chancellor. The Ulster Unionists should know that, because their representatives were there too. [Interruption.]

The Member should speak to Sir Reg Empey, because Sir Reg was at Number 11 Downing Street with the rest of us. If the Member is suggesting that there is failure, then there is failure on the part of his party. [Interruption.]

Mr Speaker: Order. Let us have some order in the Chamber, please.

Mr P Robinson: The denial seems to go well beyond whether the Ulster Unionists are in Government or not, but the facts are established historically and are on the record. I remember going to Number 11 Downing Street with Sir Reg and others as part of the negotiations for this package. If the Member is saying that his party stopped negotiations because it was no longer interested and gave up on a financial package, he can go and be answerable to the people of Northern Ireland. We managed to get the increase in EYF, and the asset sales, from which we will receive £1·1 billion over this period.

Mr Durkan: Will the Member give way?

Mr P Robinson: I would love to give way, but as the Member can see, I am literally about halfway through what I want and need to say.

If we had taken the advice of the Member for Strangford Mr McNarry regarding the financial package, we would never have set about the business of trying to get it.

7.00 pm

Mr McNarry's statement, which is still on the Ulster Unionist Party's website, makes it clear that he criticised and attacked the Democratic Unionist Party for getting involved — and he is still wrong.

Some Members: Hear, hear.

Mr P Robinson: He believed that by asking for a financial package we were handing a veto over to others.

The Member for East Antrim Mr Beggs referred to fuel poverty, as did the Member for Foyle. Since 2001, fuel poverty has been reduced in 50,000 Northern Ireland homes. Over the past five years, the warm homes scheme provided energy-efficiency measures to over 11,000 households, with approximately 4,000 households receiving new or upgraded heating systems.

That is an important initiative, and the allocation of funding will need to be balanced with the range of initiatives in the wider housing budget, including new build, co-ownership, decent homes and private-sector grants. I agree that it is important that the Minister for Social Development should consult with stakeholders in taking those decisions.

The Member for North Antrim Mr O'Loan mentioned social housing. The fact that there is a draft Programme for Government with targets is a matter of security to the Minister for Social Development. As the targets are there, the responsibility lies with the Executive collectively to ensure that she has the resources to meet those targets. Do not decry the targets: it is right that they are there, and it is the responsibility of the Executive to ensure that they are met.

The Member for East Antrim Mr Beggs seemed to think that the budget for the Office of the First Minister and deputy First Minister was open to criticism. It is interesting that he criticised an increase of £15·1 million over the three years in OFMDFM's budget, yet he did not criticise an increase of £688·8 million in the health budget. Considering that some of the increase in OFMDFM's budget will go to victims and their dependants, I would have thought that he may not have wanted to raise that issue.

The Minister of Health, Social Service and Public Safety, Mr McGimpsey, made an intervention during the debate. There was one notable factor in that. Although he indicated that he needed more money, not once did he suggest where it would come from. However, we have a clue where he thinks it would come from. I am saddened that, behind the scenes, Minister McGimpsey's Department has been arguing that additional water charging and higher rates bills could have been used to fund Health Service bids. I resisted such a course. The logic of the Department of Health argument would require ratepayers to pay more than three times what they are paying today. That is totally unacceptable.

I will give the same advice to the Minister of Health that his Department received from the expert who examined thoroughly the workings of the Department of Health, Social Services and Public Safety in Northern Ireland — Professor John Appleby. The Department of Health had some communication with Professor Appleby to try to convince him of a particular issue, and that has been brought to my attention. In Professor Appleby's reply, he states:

"My impression is that a lot of work has gone into disputing the findings of the original report, in particular as I note to boost the need for more funding and to underplay the need for tackling poor productivity. Maybe this was only to be expected, but is disappointing nonetheless."

He goes on to say:

"It is surely hard to believe that the Northern Ireland health and social care system has or is operating at the very edge of its production possibility frontier."

Subsequently, he states:

"Surely the appropriate response now is to focus exclusively on how Northern Ireland can start to demonstrably and radically improve its productivity both in cost and quality terms. During the time that I spent on the original review, I was told by a number of people that the problem with waiting times was either intractable or only solvable with large amounts of extra funding. Neither has turned out to be true, and what appeared to be inevitable long-term trends have been dramatically reversed."

The lesson to be learned from Professor Appleby is to properly use the funds that are already available, rather than crying out for more funds.

The Chairperson of the Committee for Finance and Personnel (Mr McLaughlin): Go raibh maith agat, a Cheann Comhairle. I thank the Members and the Minister for their contributions to what has proved to be a healthy and generally constructive debate on the departmental allocations, and other issues, contained in the Executive's draft Budget.

In particular, I wish to thank Mervyn Storey, the Deputy Chairperson of the Committee for Finance and Personnel, for the expert manner in which he set out the issues that have thus far been considered by the Committee. Of course, the Committee will continue that work in the weeks ahead.

Obviously, it is difficult to do full justice to the many contributions that were made in today's wide-ranging debate. With the Assembly's indulgence, I will start by commenting on the various policy headings, and I will reflect some of Members' comments on those matters. If I do not recognise some individual contributions, I hope that there will be no misunderstanding — there is certainly no intention on my part to ignore those comments.

In her comments, Martina Anderson set out the stark realities of a pattern of social and economic disadvantage. That is another legacy issue, so to speak, and one of the many that we must all continue to address. Mr Roy Beggs questioned the achievement of the economic package from the Chancellor. The Minister has pointed out that the four parties to the Executive — I will not attempt to repeat the tongue-twister that the Minister seems to have very expertly got his tongue around — were part of the negotiations. If we did not succeed in achieving all our objectives, it is clear that that consensus approach resulted in some achievements. In his typically sober and understated fashion, Sammy Wilson pointed out some examples of that consensus. In particular, he mentioned the punitive levy that was attached to the RRI, and, of course, the increased access to end-year flexibility.

Declan O'Loan called for flexibility when considering revisions to the draft Budget, particularly given that several issues, including further efficiencies and asset sales, are ongoing. That is fair enough — the purpose of the negotiation and the period of consultation is to allow an opportunity for evidence-based arguments to be advanced. Mr O'Loan also called for a critical examination of the efficiency targets and the role of the performance and efficiency delivery unit. He will be aware that the Committee is just about to receive a detailed briefing on that unit, including its remit and terms of reference.

Dr Stephen Farry welcomed the economic focus of the Budget, as did many other Members. However, he raised underlying concerns, including the high cost of economic inactivity and the large productivity gap with Britain. That is yet another legacy, but this time a legacy of failure of the Westminster policy that direct rule Ministers administered for many years. I believe that the Executive have begun the task of correcting that long period of failure. Furthermore, Dr Farry called for the Treasury's one-size-fits-all approach to be challenged effectively, and he questioned whether the existing resources and economic tools, including the four economic drivers, are being used to maximum effect.

Predictably, I suppose, he addressed the cost to the economy of division. Again, the Minister acknowledged that there are some issues that could be considered. Everyone must be sensible and recognise that, although we have made significant progress, particularly in moving out of conflict, the work to heal divisions will take time as those divisions have emerged over many generations. Confidence-building in our community will also take time, especially as regards guarantees. Debates such as this could be informed by an awareness that there is an audience. We must inform people that we have re-established the primacy of politics.

To turn again to the financial and economic issues, Simon Hamilton highlighted the positive responses to the draft Budget from the Federation of Small Businesses, the Chamber of Commerce, the Institute of Directors, and other key stakeholders.

It also pointed to the continued cap on industrial rates and the freeze on regional domestic rates as positive outcomes for the economy. Again, the Minister has responded to that directly. The Committee for Finance and Personnel have acknowledged and welcomed those measures unanimously. Mr Hamilton's point was supported by Mr McQuillan, who also welcomed the economic emphasis of October's draft Budget statement.

The Chairperson of the Committee for Enterprise, Trade and Investment, Mr Durkan addressed the finance issue and highlighted the need to include visible funding and focus on the social economy and on innovation. His Committee looks forward to engagement with the Department of Enterprise, Trade and Investment on tourism development. Mr Durkan also informed the Assembly that his Committee would have preferred Safe Start's allocation to be brought forward within the first year of the Budget period. Those are helpful and constructive suggestions.

Basil McCrea, among many contributors, discussed the lack of a sufficient financial package and raised the issue of the Barnett formula and the needs that remain unaddressed by the draft Budget allocations. All parties would acknowledge that the Assembly is, inevitably, in the era of deficit Budget projections because there is simply not enough money. The financial cake must be divided in such a way that as many as possible of the parties' priorities can be dealt with. The judgement is not — as is the argument from some parties — as to whether there are sufficient resources, but whether there has been equitable and fair distribution of available resources. The defenders of the draft Budget, of which I am one, would argue that a good beginning has been made.

Ms Anderson highlighted fuel poverty and social housing, as, indeed, did several others Members. She called on the Minister for Social Development to prioritise those issues in the context of tackling disadvantage and achieving equality. Mr Beggs also picked up on the issue of housing and fuel poverty, as did Mr O'Loan, who also focused on energy efficiency. Although Ms Ní Chuilín supported those arguments, she also called upon the Department for Social Development to examine its unused asset base with a view to freeing up resources.

Mr McCann reiterated the call to progress the social housing programme and called on the Minister for Social Development to reprioritise in that regard, while not conceding on the case for additional funding. Mr Brady mentioned the issue of warm homes and drew attention to a ministerial statement on the matter. He also discussed fuel poverty and echoed the call for reprioritisation of departmental spending plans. In a passionate address, Alban Maginness warned that the budget for social housing would not be met under the existing allocation.

Simon Hamilton pointed out the comparison between health costs here and elsewhere and highlighted the Appleby Report's conclusions, to which the Minister responded that health provision is about improved performance rather than increased spend. Ms Ní Chuilín highlighted investment in health as a strategic measure that would boost economic development. In particular, she, and several other Members, highlighted the need to deal with the priorities that are identified in the Bamford Review of Mental Health and Learning Disability.

The Minister, Mr McGimpsey, set out his case for additional funding for health. He referred to increasing pressures while also reconfirming his commitment to tackle efficiencies. He also argued that the Health Service is underfunded compared to that in other regions and highlighted the greater need that exists here. The Assembly can anticipate that that debate will continue until the settlement of the Budget allocations.

The Chairperson of the Health Committee, Mrs Robinson, called for money to be found to meet the needs of the Rape Crisis Centre. Although she supported the case for social housing, she cautioned against any funding transfer away from health in that regard and warned against any further delay in the implementation of the reform of health and personal social services.

She emphasised — as she has previously in the House — that mental health is a priority for her Committee, echoing the comments of Carál Ní Chuilín. Brian Wilson expressed his dissatisfaction at the allocations for the Department of Health, Social Services and Public Safety and his concerns at the reliance on efficiency savings.

7.15 pm

The Chairperson of the Committee for the Environment, Patsy McGlone, called for additional provision to benefit a range of projects, and he is concerned that the efficiency drive will impact on some lower-priority services. I guess that that is a common cause of concern across the board. In response to an intervention from Declan O'Loan, Mr McGlone also called for financial resources to enable the establishment of an environmental protection agency. Brian Wilson also addressed that matter, and he said that the targets for reducing carbon emissions were inadequate, and that there was insufficient allocation to promote sustainable development.

Mr Roy Beggs mentioned funding for children, which is cross-cutting issue. He also mentioned the recent report on the work of the Commissioner for Children and Young People, and said that the outcome of that report should be reflected in the draft Budget. Maurice Morrow placed focus on investing in provision for childcare in the early education of young children and emphasised the priority objective of improving the quality of life for our senior citizens.

The Chairperson of the Committee for Employment and Learning, Sue Ramsey, informed the Assembly that the Committee considers that the overall allocation will not be sufficient to meet the goals and targets of the draft Programme for Government. She made a range of suggestions about the Department's allocation and said that a higher priority should be given to research and development, funding for PhDs and to the promotion of ICT as an essential skill. She also called for a range of measures in the areas of further and higher education. Paul Butler also underlined the need to give high priority to the education and further-education and higher-education sectors, as did other Members. Paul Butler also placed great emphasis on the linkage between education and economic development.

The Deputy Chairperson of the Committee for Culture, Arts and Leisure, David McNarry, emphasised the need for further and timely information on draft Budget issues from DCAL. He also called for a complete uplift for that Department's budget, and highlighted a range of specific proposals.

The Deputy Chairperson of the Committee for Regional Development, Jim Wells, spoke on behalf of that Committee. He supported his Department's call for additional resources, and he highlighted the shortfall in roads spending compared to other regions. On behalf of his Committee, he also supported further investment in public transport.

The Chairperson of the Committee for Agriculture and Rural Development, the Rev McCrea, set out his concerns arising from the report of the red meat task force. He stated that his Committee was content with the level of administration and resource allocation in the draft Budget for the Department of Agriculture and Rural Development, but he emphasised his concerns about the sale of the entire Crossmacreevy site.

The Minister of Finance and Personnel reminded Members of the benefits that will accrue for wider society from the focus on economic development, and he pointed to the importance of striking a balance between ensuring that core public services have sufficient funding, and taking steps to maximise the performance and value for money of those services. He also robustly challenged those who are advocating additional funding requirements to state how they believe those issues can be funded out of finite financial resources that are presently available to the Executive.

He defended the overall allocation for the Department of Health, Social Services and Public Safety, and called on the Department for Social Development to consider how the social-housing allocation can be supplemented by greater revenue, effort and other measures within the Department. The Minister pointed to the savings that householders will make from the freeze on the domestic regional rate, and urged them to compare that to the position under direct rule. He also highlighted the continued cap on industrial rating, and highlighted the favourable position now, compared to the direct rule system.

The Minister informed Members that the Civil Service headcount-reduction target will be achieved without any compulsory redundancies. The Minister, as I said earlier, defended the financial package and pointed to the renegotiation of the reinvestment and reform initiative as enabling the freeze on the domestic regional rate. He also highlighted gains in respect of the end-year conditions and sale of assets. Go raibh míle maith agat.

The need to maximise cash-releasing efficiency savings is a core theme throughout the draft Budget. A total of £793 million is targeted for efficiency savings by 2010-11, which is equivalent to 3% annually over the CSR period. That target will be achieved, in part, by specific, targeted reductions in the administration costs of Departments.

In addition, the proposed performance and efficiency delivery unit will, with agreed and appropriate terms of reference, examine the scope for Departments to deliver even greater cash-releasing efficiencies. In the drive for greater efficiency, it is crucial to redirect the resulting savings to front-line services, and I doubt that anyone would object to that being the overriding aim.

However, I sound a note of caution at this point. The Committee is aware that the targeted savings of £793 million have already been removed from departmental baseline budgets. Therefore any slippage in achieving the planned efficiencies could result in a cut in spending on front-line services. Nothing better underlines the requirement for all Members — members of Committees and Ministers — to work together to ensure that we meet the targets that we have set ourselves, while maintaining, sustaining and developing the delivery of front-line services.

The Committee plans to publish final departmental efficiency delivery plans alongside the final Budget. The departmental Committees will, therefore, have vital roles to play in monitoring and scrutinising the progress of their respective Departments in achieving those planned efficiencies. That is a practical example of sharing power and responsibility.

The draft Budget includes other strategic and cross-cutting issues, not least of which is the planned reduction in over-commitment and the need to bear down on underspend. Again, the Assembly Committees will have an important role in monitoring and scrutinising departmental progress.

The Committee for Finance and Personnel looks forward to receiving formal feedback from the other Statutory Committees on the draft Budget's allocations to their respective Departments. Those will be included in the Committee's report on the draft Budget that will be submitted to the Department of Finance and Personnel before Christmas and published shortly thereafter. The report will also reflect the themes that emerge from this debate and will consider the main strategic and cross-cutting issues.

The Committee looks forward to examining the final Budget and to debating it in the Chamber next January. Go raibh maith agat.

Question put and agreed to.

Resolved:

That this Assembly takes note of the draft Budget, announced on 25 October 2007 by the Minister of Finance and Personnel.

Adjourned at 7.23 pm.

Appendix 2

Statutory Committee Submissions

Letter to Statutory Committees inviting input to the report on the Draft Budget 2008-2011

Northern Ireland Assembly

Committee for Finance and Personnel

Room 419
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24 October 2007

To: Chairpersons of Statutory Committees

Draft Budget 2007

The Minister of Finance and Personnel will make a statement to the Assembly on 25 October 2007 on the Draft Budget 2007. That statement, together with the statement by the First Minister and Deputy First Minister on the Programme for Government and the Investment Strategy, marks the beginning of the next scrutiny stage of the Budget process.

The Committee for Finance and Personnel has agreed to commission the views of the other Assembly statutory committees on the draft budgets of their respective departments for inclusion in a co-ordinated report to the Minister of Finance and Personnel. Whilst the committees may already have taken the opportunity to examine the budget bids by their respective departments and to consider related strategic and policy issues, the formal launch of the Draft Budget will provide a basis for further engagement during November.

The Committee for Finance and Personnel will table a 'take note' motion for an Assembly debate on the Draft Budget towards the end of November in advance of presenting the report to the Minister of Finance and Personnel before Christmas recess. This report will inform the Executive's deliberations on the Draft Budget in preparation for a substantive Assembly debate on the revised Budget in January 2008.

An indicative Budget timetable has been provided by the Department of Finance and Personnel and is attached for your information (Appendix 1).

The Committee for Finance and Personnel invites each statutory committee to put forward its views on the Draft Budget by Wednesday 28 November 2007. In this regard, the Committee has agreed broad themes and issues which the committees may wish to follow when taking evidence from their respective departments and in structuring their responses. These are provided at Appendix 2.

I look forward to receiving your committee's response.

Yours sincerely

Mitchel McLaughlin MLA

Chairperson
Committee for Finance and Personnel

cc: Minister of Finance and Personnel
The Speaker
Clerk to the Assembly
Deputy Clerk
Clerk Assistant
Principal Clerks

Appendix 1

Indicative Budget Timetable

October

- 18th & 23rd – Executive to agree Programme for Government, Investment Strategy and Draft Budget.
- 25th – Assembly Statement on above.
- 25th – Draft Budget out for public consultation.

November

- Statutory committees' scrutiny of Draft Budget.
- 26th or 27th November – Committee for Finance and Personnel 'Take Note' Debate on Draft Budget.

- 28th statutory committees make responses on Draft Budget to Committee for Finance and Personnel.

December

- 14th – Committee for Finance and Personnel issues co-ordinated report on Draft Budget.

January

- 4th – Public consultation ends.
- Mid – Budget proposals formulated.
- Mid / Late – Executive meeting to agree.
- Late – Statement on Budget.
- End – Motion on Budget.

Appendix 2

Draft Budget 2007 – Suggested Themes for Committee Responses

Spending Priorities

1. Committee's views on the Department's resource and capital allocations in the Draft Budget, including how these align with what the Committee considers should be the Department's key spending priorities.

2. Importance of the Department's spending priorities to the strategic and cross-cutting priorities of the Executive.

Budget Allocations

3. Comparison with the Department's budget allocations in recent years.

4. Evidence-based arguments for additions to the allocations in the Department's draft budget.

5. Committee's recommendations on transfers of funding between programmes within the Department's budget.

Budget Reductions and Efficiencies

6. Impact of any proposed funding reductions on service delivery and associated mitigating measures to be taken by the Department.

7. Extent to which the Department's efficiency plan is achievable and the risk of a major detrimental affect on delivery of public services.

8. Opportunities for the Department to achieve additional cash-releasing efficiencies, to raise revenue or to identify further disposals of excess assets to support front line services and strategic spending priorities.

Budget Information and Process

9. Proposals for improving the quality and relevance of financial and performance information in the Draft Budget.

10. Proposals for improving the future budget process.

Committee for Agriculture and Rural Development

Northern Ireland Assembly

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22 November 2007

Dear Chairman

Draft Budget 2007

I refer to your correspondence dated 24 October 2007.

The Committee for Agriculture and Rural Development (the Committee) formally considered the draft budget 2007 at its meeting of 20 November 2007 and would make its response to you below. I have recorded these comments using the themes suggested in your letter of 24 October.

(a) Spending Priorities

(i) The industry has recently received a report from the Red Meat Taskforce which presents a very bleak outlook for the future of suckler herd farmers in Northern Ireland. This report basically recommends that farmers diversify out of the industry and use their Single Farm Payment (SFP) entitlement to aid the transition.

The Committee believes that the findings of the Red Meat task force provide sufficient evidence to merit an additional and substantive tranche of monies. The Department has stated that £100m is available for diversification projects under the Northern Ireland Rural Development

Programme (NIRDP). Whilst this is welcome, the Committee is of the view that this is insufficient, particularly given that the NIRDP was budgeted for well in advance of the Red Meat task force review and report.

In addition, the Committee believes that a broader and more strategic approach is required in relation to the current state of the red meat sector to ensure that the industry thrives in the long term. Actions arising out of this strategic approach could include direct support to suckler herd farmers, in a scheme similar to that being operated in the Republic of Ireland, and a combined producer/processor/retail approach to the Northern Ireland agricultural sector.

(ii) The Committee was, on the whole, content with the resource allocations, as this provides the funding for the front-line service to farmers. However, it has concerns regarding the Department's intention to remove such staff from markets and abattoirs throughout Northern Ireland. The Committee believes that this will not only result in the cost of this service passing to the farming industry but also that it will create difficulties during the transition from manned to unmanned posts.

The Committee recommends, therefore, that the Department retain a minimum of one official at markets etc. until such times as new technology and processes have had the opportunity to bed in. The Committee believes that the cost of such action is minimal and will be offset by the efficient processing of animals at these venues.

(b) Budget allocations

(i) The Committee has grave concerns regarding the sale of the entire Crossnacreevy site to fund the Farm Nutrient Management Scheme (FNMS). The Committee would emphasis at the outset that it is pleased to see the funding provided for the scheme, although it is of the opinion that, unless a derogation from the EU to extend the deadline for the scheme beyond December 2008 is achieved, the budget of £50m (with access to an additional £29m) is too high. This is due to the inability to gain planning permission potentially in for in excess of 2,500 applications and to access a competent builder to undertake the works within the deadline.

The Committee believes that it is unnecessary to sell the entire Crossnacreevy site, particularly in the absence of any business case having been undertaken. The Committee is advised that the sale of the entire site would result in a potential receipt of £200m, although, again, the Committee has not been provided with evidence supporting this. The Committee is aware, however, that receipt of this sum is dependent on the site being included in the Belfast Metropolitan Area Plan as developmental land.

The Committee further believes that the Department has not considered alternative options, including the sale of part of the site, sufficient to provide cover for the requirements of the FNMS. This is resulting in a potential lose of £121m to the agricultural sector (£200m less £79m funding for FNMS). The Committee has, in the past, suggested that, given the Departments intention to sale the entire site, some of all of these additional receipts could have been used to fund additional programmes to support the agricultural industry, such as a farm modernisation programme or in relation to the findings of the Red Meat task force report detailed above.

In summary, the Committee does not support the sale of Crossnacreevy on the current basis, and as presented by the Department, and calls on the Department to produce a business plan specifically examining options for the funding of the Farm Nutrient Management Scheme, which may or may not include the sale of all or part of the Crossnacreevy site.

(ii) The Committee would recommend that the Department reprioritise their budget allocation from the reduction of TB and Brucellosis to the eradication of these diseases. The Committee remains concerned that high monetary levels of compensation are paid each year which could be redirected to other departmental priorities.

(iii) The Committee has raised the issue of the purchase of the ex-army base at Forkhill with the Department on a number of occasions. The Committee is totally supportive of the ventures planned for this site; however, Committee believes that responsibility for these ventures lies with other government departments and that the Department should not be taking the lead, financially or otherwise, with this development. The Committee remains of the view that this should not be prioritised as an "inescapable bid".

(iv) The Committee is concerned that the Department has not addressed the issue of appropriate salary levels to recruit and retain qualified professional staff within the Rivers Agency. The Committee is aware that the market for such grades is competitive but feels that the alternative, namely not being able to complete planned work programmes and continued use of private sector contracts, does not offer a long term solution. The Committee would call therefore call on the Department to re-visit salary levels for these grades and reprioritise the Rivers Agency resource budget accordingly.

(c) Budget Reductions and Efficiencies

(i) The Committee has made comments at (a) above regarding staff reductions at markets and abattoirs and at (b) in respect of Rivers Agency specialist grades. Those comments are equally applicable under this heading.

(ii) The Committee is totally opposed to the following departmental Efficiency Delivery Plans (EDPs):

- Animal Health and Cost Sharing. The Committee recognises that the industry has concerns in relation to the concept of shared responsibility. The Committee also believes that disease control is a public health matter and should not, therefore, be imposed solely on the farming community. In addition, the Committee is of the opinion that the industry, namely the primary producers, cannot afford this cost imposition, particularly in light of the findings of the Red Meat task force, the current high feed costs and the dreadful state of pig industry;
- TB/Brucellosis control programmes. The Committee has previously commented on the need for the Department to reprioritise away from seeking a year-on-year reduction in these diseases and towards a total eradication, particularly given that the United Kingdom and Ireland are the only countries in the EU to still have TB and Brucellosis. The Committee believes that the Department could achieve very substantial efficiencies through savings of compensation payments currently being paid by means of introducing an eradication programme. The Committee also commented on the perception that a level of complacency exists whenever disease levels are reduced, resulting in levels subsequently rising. The Committee would urge the Department to guard against this. Finally, the Committee has asked that the Department strive towards greater coordination of testing for TB and brucellosis, with the aim of one farm visit being sufficient to undertake both tests
- Wildlife Intervention Programme. The Committee is of the view that this is another attempt by the Department to introduce cost sharing, essentially through reducing compensation levels currently paid for animals diagnosed with TB. The Committee is of the opinion that, if the Department believes there to be a correlation between badgers and TB in cattle, they should address this issue (as part of the above eradication programme) rather than penalise the farming community.

- Agri-Food and Biosciences Institute (AFBI). The Committee cannot see the logic in the Department reducing resources to the main diagnostic and research centre in Northern Ireland to the extent that it recognises in the EDP that AFBI will be unable to respond to emergency situations. The Committee strongly believes that the evidence of the summer months to date (Foot and Mouth Disease, Bluetongue, Avian Influenza and brown rot in potatoes) is sufficient to ensure that a strong and fit for purpose Institute is adequately resourced.

(d) Budget Information and Process

(i) Whilst it was pleased to do so, as other business resulted in delayed payments being made to farmers, the Committee would question the need for it to be the only Committee recalled from the Summer Recess to consider the Department's priorities and budgets.

I hope that the above meets with your requirements.

Yours faithfully

Dr William McCrea MP MLA

Chairperson to the Committee for Agriculture and Rural Development

cc: Deputy Chairperson
Committee Members

Committee for Culture, Arts and Leisure

Response to Committee for Finance and Personnel on Draft Budget

Introduction

The Culture, Arts and Leisure Committee has carefully considered the Draft Budget in respect of the allocations to the Department of Culture, Arts and Leisure (DCAL).

The Committee is of the view that the level of detail provided in the draft Budget document made it very difficult for the Committee to comment constructively on the Draft Budget, particularly the impact of the funding, when it does not know which bids are to be met and which will not.

The resource and capital allocations only list the overall areas of spend – for example, arts, sport, museums. Despite making a request, the Committee received no detailed information from the Department. The Committee understands that other committees were more successful in obtaining detailed information from their respective departments.

The Committee is of the view that in future there needs to be proper consultation between the Department and Committee on how the Department intends to allocate its budget in order to facilitate the Committee in making a meaningful response to the Draft Budget consultation exercise.

Overall allocation

DCAL advised the Committee in June 2007 that DFP has recognised that "DCAL's budgets are not on a scale that affects the strategic issues for the bigger public services, but each makes a "niche" contribution to the public good and each gives rise to significant political and presentational issues". DCAL went on to advise "DCAL has a high public profile. 72% of the public submissions received by DFP during the public consultation period of the Draft Priorities and Budget 2005-08 process conveyed strong objections to proposed reductions to the DCAL budget."

In overall terms, the Committee is of the view that the Draft Budget allocation to DCAL is small and inadequate. DCAL is suffering from a legacy of the past in which government has consistently undervalued the contribution that culture, arts and leisure make to all sectors of society. The Committee would therefore advocate an uplift across all areas of the DCAL Draft Budget.

Resource allocation

The Committee is disappointed with the level of funding which has been allocated to the arts. With over 35,000 people bringing in £30 million into the local economy, the arts industries are major contributors to the Northern Ireland economy. The potential exists for greater expansion of these industries across Northern Ireland but this can not be done without adequate funding. One of the key targets within the Draft Programme for Government for the economy is to grow the creative industries by 15% by 2011. However, if the funding is not increased to support local artists the Committee believes it is unlikely that this target will be met. Similarly, the Programme for Government contains a goal of increasing the proportion of the population attending arts events by 2% by 2011. The Committee would question how this will be possible under the limited funding available to the arts under the Draft Budget. In addition to the economic benefits, the Committee would also point out the contribution which the arts make to health and education, particularly in aiding recovery from illness.

The arts sector in Northern Ireland has endured standstill funding for the past three years and the Committee had hoped that the Draft Budget would go some way to bridging the gap between Northern Ireland and the rest of the United Kingdom and Ireland in relation to per capita funding. However, this has not been the case. The 2007/2008 baseline for Northern Ireland is £6.13 per head, substantially less than the figures for England (£8.27), Scotland (£11.93) and the Republic of Ireland (£12.61). The Draft Budget for arts does nothing to bridge these gaps and Northern Ireland remains significantly behind. The Committee is of the view that the people of Northern Ireland should have the same cultural entitlement as their neighbours on these islands. The advantages to be gained from meaningful investment in the arts was recognised by all of the parties which gave their support in October 2007 to a Private Members' Motion, calling on the Executive to 'raise the level of arts funding to at least the United Kingdom average within the forthcoming Comprehensive Spending Review'. Members agreed that the arts provide a high return on investment – for community development and cohesion. The Committee is disappointed that the Draft Budget does not reflect the consensus of the motion.

The draft allocation for arts will make life very difficult for the Arts Council of Northern Ireland in terms of distributing its limited funding. The Arts Council has raised concerns that the current Draft Budget settlement for the arts will put at risk as many as 200 full-time and part-time jobs, and over 25,000 participants from across Northern Ireland may be denied access to outreach activities and engagement in the arts. In a statement on 8 November 2007, the Council's Chief Executive said that 'the arts in Northern Ireland require an additional £26 million investment over the coming three-year spending period – the equivalent of £11.55 per capita'.

The Committee is also concerned about the effect of the loss of the Children's Fund on creative learning centres in Derry and Belfast. The Children's Fund currently provides these centres with 50% of their funding. Those centres are involved in huge projects that are making a difference in communities, where they are creating a confidence and a capacity that perhaps did not exist before. These centres must be protected by the provision of adequate funding.

The Committee would point out that funding available to the arts will be further reduced because of the diversion of Lottery money to the 2012 Olympics. A total of £4.5 million lottery funding will be diverted from the Arts Council between 2009 and 2012. Arts in Northern Ireland are further disadvantaged in that they do not receive significant private funding as would be the case in England and other parts of the United Kingdom.

Taking a more long-term view, the Committee believes that the arts sector in Northern Ireland must work to increase audience attendance at events in order to generate more revenue. The Committee would also advocate organisations in the arts community working in partnership to ensure there is no duplication of facilities or services.

In relation to the allocation for sport, the Committee is concerned that the Department will not be able to deliver its targets for increasing participation among young people with the current level of funding set aside in the Draft Budget. DCAL has informed the Committee that within the capital allocation, there is no provision for spend on community-based infrastructure and yet it is at a local level that young people participate in sport. The Committee is disappointed that more emphasis has not been put on community sport and assisting local sports clubs in the ongoing work they do with young people. The Committee is concerned that unless the resource budget for sport is uplifted resulting redundancies will occur in organisations such as the Gaelic Athletic Association and Ulster Rugby who are doing excellent work with young people.

The Committee notes that in Scotland money was taken directly from the Health budget and allocated to sport, in recognition that savings can be made in the longer term on health if more people are encouraged to engage in physical recreation. For every £1 here that goes into sport, £900 is spent on health. A moderate increase in our sports budget could generate considerable improvement in health and well-being. This is something that the Committee would wish the Executive to consider in for the future. Sport is substantially under-funded in Northern, and the Departments of Health, Education, Social Development and the Office of the First Minister and Deputy First Minister need to look at how they can contribute to solving this issue.

The Committee would also point out the economic benefits of investment in sport. In 2007, 2% of Northern Ireland's GDP was related to sport, 7,000 full-time equivalent jobs were sport-related and for every £1 of public investment in sport there was an £8 return.

The Committee would point out that funding available to sport will be further reduced because of the diversion of Lottery money to the 2012 Olympics. A total of £4.1 million lottery funding will be diverted from Sport NI between 2009 and 2012. Sport in Northern Ireland is further disadvantaged in that it does not receive significant private funding as would be the case in England and other parts of the United Kingdom.

In relation to the funding allocated for museums, the Committee is of the view that this too should be uplifted. Recognition needs to be given to the role which museums, culture, the arts have in attracting tourists to Northern Ireland, thus contributing to the economy. Museums attract almost one million visitors per year.

The Committee noted that only one figure is provided for the 'North –South Body Languages'. However, there are two bodies in question – The Ulster Scots Agency and Foras na Gaeilge. The Committee is of the view that separate figures should be provided for each of the bodies.

In terms of the balance in the DCAL resource allocation, the Committee notes that almost half of the departmental budget will be spent on libraries and museums (£53 million). That is more than twice the amount that will be spent on sport and the arts combined (£23 million). The Committee does not accept the argument that arts and sport organisations can rely on a large amount of volunteers, whereas libraries and museums require paid staff. This is not a valid argument for under-funding sport and art. The fact that there are so many volunteers in arts and sports should lead Government to ensure that they have the best support mechanisms available in order to encourage them to continue in their volunteering and that their work is of the highest calibre. This includes the provision of better local facilities. In previous debates in the Chamber, Members have referred to the huge benefits that sport brings to communities and to the population, and to the cross-community aspects of sport. The Committee would advocate that arts and sports are brought more to the fore and additional monies allocated to them.

Capital allocation

The Committee is concerned about the manner in which the Department is intending to spend its capital allocation for sport. DCAL's priorities are elite facilities such as a 50m swimming pool and the multi-sports stadium, with the intention that they will be used in connection to the 2012 Olympics. The Committee has concerns about the lasting legacy that the Olympic Games will bring to Northern Ireland, and what it will mean in real, measurable terms. The Committee also believes there is a high level of uncertainty about whether Northern Ireland will have a multi-sports stadium by 2012, and also uncertainty about how much it might cost and whether there is adequate funding to pay for it. There is also uncertainty around the funding for elite facilities. The Secretary of State previously gave a commitment of £53 million for elite sports facilities, yet £18 million has been taken off that budget. The Committee is disappointed that promises previously made by the Secretary of State may not materialise.

The Committee welcomes the £21 million that is to be allocated to the building of the new Public Record Office of Northern Ireland (PRONI). Given the new location at the Titanic Quarter, there is a significant tourist market for PRONI to tap into. There is a great potential for PRONI to benefit from people coming to Northern Ireland to investigate their roots and this spend on PRONI will contribute to the wider economy in that respect. If additional funding could be found to enhance the visitor experience at PRONI this would be most welcome.

The Committee would underline the importance of ensuring that the total capital allocation is used for the best advantage of culture, arts and leisure activities and that the potential for underspends is minimised..

To conclude, the Committee for Culture, Arts and Leisure would recommend that the capital budget for the Department is uplifted, particularly in relation to sports and arts, in recognition of the vital role they play in our society and in building a better future.

Committee for Education

Mr Sammy Wilson
Chairperson, Committee for Education

3 December 2007

Mitchell McLaughlin, MLA
Chairperson
Committee for Finance and Personnel

Draft Budget 2008 - 2011

1. Thank you for your letter of 24 October 2007 which invited each Statutory Committee to put forward its views on the Draft Budget 2007.

Background and Analysis

2. The Committee for Education commenced its scrutiny of the CSR 07 and the Draft Budget 2007 implications for education with a full Departmental briefing session at its meeting of 7 September 2007. This was followed up by comprehensive briefings from senior officials on 9 and 16 November, culminating in a presentation from and discussion with the Minister for Education on 20 November 2007.

3. It was clear from the initial briefing that a key issue for the Department of Education (DE) in delivering the required efficiency savings (cumulative cash releasing savings of 3% each year over the CSR period i.e. £49m, £97m and £144m) is the nature and structure of the DE budget in that some 60% of the resource budget is allocated directly to schools under the common funding formula and a further 15% goes directly to the schools/classrooms. The schools' delegated budget alone is in excess of £1bn. The key cost driver with schools and related budgets is pay, with over 75% of schools' delegated budgets relating to teachers salaries and over 10% relating to non-teaching pay. The challenge therefore, given the scale of the efficiencies required, is that any additional resources secured must be put to the best possible use to minimise their direct impact on the schools budget, while at the same time to invest in measures to secure the efficient delivery of education services.

4. One other key issue for the DE resource budget is that the DE opening recurrent expenditure baseline for 2008 to 2011 will not only be net of efficiency savings, but also the Children and Young Peoples' Funding Package (CYP) and the Integrated Development Fund (IDF) allocation – some £38m and £5m respectively per annum.

5. The above deductions on the opening baseline for DE means that the opening baselines for 2008/09 to 2010/11 are £1626m, £1578m and £1531m, compared to the opening baseline for 2007/08 of £1720m. The Draft Budget proposed allocations of £144m, £292m and £421m results in Draft Budget baselines of £1770m, £1870m and £1952m representing a year on year uplift of 3%, 5.6% and 4.4% (average 4.3%). The Department for Children Schools and Families (DCSF, formally DFES) outcome from the CSR 07 means that the increase in spending on education in England is 5.3% in cash terms on average between 2007-08 and 2010-11, compared to the proposed 4.3% Draft Budget DE allocation increase. The DCSF settlement is fully reflected in the Barnett consequentials for the NI Block over the 3 year period 2008/09 to 2010/11. Even though Barnett consequentials are unhypothicated – this is clearly a relevant issue in considering spending proposals for schools in Northern Ireland.

6. The Committee for Education scrutinised in some detail the Minister's prioritised bids during the period leading up to the finalisation of the Draft Budget. The Committee followed this up by scrutinising a scenario prepared by the Department of how the DE's Draft Budget resource allocation increase might be utilised to meet inescapable bids and some highly desirable bids. This involved not only a considerable prioritisation of, but also a scaling back of original bids and in some areas only meeting bids in part on the final year of the Budget period. The Committee found this a highly useful and informative exercise, but would highlight that since the Minister had yet to make decisions on her priorities on how available Draft Budget resource allocations might be used, the Committee found it difficult to make firm judgements and recommendations on the implications of the Draft Budget for education. However, as detailed below, the Committee has reflected some of its specific concerns/priorities; but in most instances has simply noted and highlighted possible/probable Draft Budget implications and the associated concerns of the Department/Minister.

7. DE's strategic objectives and therefore its key top priorities for allocation of resources must be maintaining core education services at 2007-08 levels in real terms after taking account of demography and pay and price pressures; and meeting contractual, statutory and other inescapable pressures. However, it is also clear that to maintain education core services over the next three years and beyond it is essential to invest in the short term to deliver existing and planned education reforms. The Committee has scrutinised, in particular, over the last 6 months two main interlocking key VFM reforms being progressed by DE i.e. the RPA Education Reform and the Modernising of the School Estate with the move to strategic area planning. Although the Committee has currently some reservations on how these reforms will be achieved, it is clear and all-important in the short, medium and long term that the efficiency outcomes are delivered. Therefore, in welcoming the proposed allocation to DE of non-recurrent largely 'Invest to Save' money of £10m, £25m and £10m, the Committee notes these allocations are immediately absorbed to take forward the reforms highlighted above and £10m and £5m to continue CYP and IDF long-term essential services now in place, addressing both youth and school provision in disadvantaged areas. Some of these services give clear priority to improving core skills of Literacy and Numeracy. The Committee's analysis to date shows that DE would have particular difficulties in finding funding to maintain CYP and IDF projects/activities in Years 1 & 2 of the Budget period at 2007/08 levels – the Committee would therefore share concerns that this is removing key services targeting disadvantaged school children and other initiatives now established such as the Extended School, Renewing Communities Programmes, and work engaging parents in the life and work of schools. The Committee noted recent research by the University of Ulster which concluded that school children in areas of high social disadvantage face a diminishing educational experience. Also, the Committee noted one particular cost pressure arising regarding DE support for the reforms is Departmental administration of £2.1m, £2.5m and £2.6m over the Budget period and the Committee noted it is essential that these resources are secured under the classification of administration.

8. Another key area for funding is Curriculum Reform - again the Committee has some reservations on aspects of this, but it clearly has to be advanced and indeed the Department has a statutory responsibility to do so. The Committee examined DE's original bids to DFP and a possible scenario of bids to be met under the Draft Budget proposals. It noted that resource budget pressures under the proposed Draft Budget may well result in scaling back of funding and delays in implementing Curriculum reforms. The Committee was informed that an important part of the reforms is to ensure that young people leave school having had the opportunity to follow a range of subject options that include skills and subject areas identified as being most relevant to the local and wider economy and to the need of local business – in line with the Draft Programme for Government Priority of Growing a Dynamic Economy.

9. Although the Committee has yet to be appraised of the potential benefits and outcomes of the Special Education Needs (SEN) and Inclusion Review and the Early Years Strategy thinking, the Committee noted the general concerns that budget resource pressures could well delay improvements and efficiencies in these areas. For example, for SEN, measures to place a greater emphasis on early identification and intervention, co-operative working within and between schools and emerging diversity of need in the classroom. The Committee also noted the particular concerns that School Improvement Fund work and measures to promote Literacy and Numeracy may well be scaled back significantly. Some of this bid was specific to the current Literacy and Numeracy Strategy, while the bulk of it would have been devoted to Literacy and Numeracy enhancement through centralised services raising school standards and through specific programmes, for example, programmes for disadvantaged areas, reading recovery, and parenting. Again, not finding the funding for this bid runs counter to the draft Programme for Government PSAs 10 and 19 and is at odds with commitments given following the Westminster PAC Report criticisms.

10. The Committee noted a specific bid to enhance Science, Technology, Engineering and Mathematics (STEM) skills may not be met at all. This bid would have enhanced the equipment used in STEM and the professional development of STEM teachers, the recruitment of STEM graduates into teaching and the uptake of STEM subjects by pupils. This again runs counter to the Draft Programme for Government Priority of Growing a Dynamic Economy, specifically PSA 2 and the fact that there has been a 31% decline over the past decades in the number of students at A-level taking maths, chemistry, and physics in combination. The Committee recommends that DE pro-actively pursues funding from the Innovation Fund for elements of STEM and other appropriate areas.

11. The Committee would question why none of the bid for Maintenance of the School Estate might not be met – again a spend-to-save issue. Also, the committee noted with concern that a specific bid to enhance the Youth Service may not be met.

12. The Committee examined in some detail one of the Department's substantial inescapable bids to maintain educational services through the Aggregated School Budgets. It was found that these were adjusted to be net of demography changes, and were based on approximately 2.5% inflation. The latter contrasted to English School Budgets with guaranteed per pupil uplift of 5.5%.

13. The Committee over the last few months has received substantial written and oral evidence and taken a particular interest in the need to reduce the differential in funding levels between primary and post-primary schools. The Committee noted the Common Funding Scheme (LMS) consultation with schools launched in mid-November 2007. This seeks views on the proposal to raise the Age Weighted Pupil Unit (AWPU) for primary pupils from 1.02 to either 1.03 or 1.04. The Committee sees the higher weighting (1.04, which generates only an average annual uplift of £24 per pupil) as a minimum uplift and understand that to have no negative effect on post-primary pupil funding would cost some £6m per annum over the next 3 years. The Committee considers it essential that this money is found. It also welcomes the commitments in the Draft Budget to fund the second day of Teaching Principals' Planning, Preparation and Assessment (PPA). Again the Committee considers this to be essential funding as this would mainly benefit Primary School Principals where the evidence for PPA is clear. This is only a fraction of the PPA/Leadership and Management time measures emanating from the Curran Inquiry which would cost £44m per year, with the total package of recommendations at over £80m a year. Associated with this, the Committee enquired about the costs of employing Newly Qualified Teachers to cover part of teachers' productive time and introducing a guaranteed induction year. The Committee were informed that this would cost approximately £19m per year. This was not on the original list of DE bids and the Committee considers it should be given active consideration, along with the issue of using Newly Qualified Teachers (approx. £24.5k) as opposed to experienced teachers (approx. £42k) for substitution teachers.

14. Turning now to Draft Budget proposals for capital funding for DE under the Draft Investment Strategy. The Committee welcomes the recognition in the Draft Budget that it is important to deliver a modern and sustainable school (and youth) estate to support the development of a well-educated populace with the skills to engage fully and positively in society and the economy. The Draft Programme for Government proposed PSA 16 'investing to provide a modern fit-for-purpose education estate in line with best practice and VFM' sets out DE's specific actions and targets in this area. The Committee sees it important to replace deficient school buildings, but alongside this an area-based planning approach must be delivered and implemented as soon as possible. A total of £714.5m is proposed for allocation to Schools and Youth Services over the 3 year Budget period, with an indicative allocation of £2,792m over the remaining 7 years (£3,506m in total). This will enable over 100 major schools projects (previously announced) to be taken forward over the period, including 8 special needs schools, as well as continued investment in the school estate.

15. The Committee noted that this will include both conventionally funded and PFI projects and that the Department is currently analysing anticipated profiles of project capital spend to determine how best to manage the delivery of the projects within the budget allocations. The Committee will carefully scrutinise the Department's Investment Delivery Plans under the new procurement framework when published early 2008, as the Committee has concerns about delays in school capital projects and the £30m capital underspend reported in 2006-07. In particular, the Committee will be asking for feedback from DE on what additional resources for investment can be found from the disposal of DE assets under the new 'Capital Realisation Taskforce' set up by OFM/DFM and DFP. In this respect the Committee notes the assumption that DE capital receipts from the disposal of surplus assets over the three year budget period is £48.5m.

Conclusions

16. Bearing in mind the position outlined in paragraph 6 above, the Committee would highlight the following conclusions:

a. The Committee noted the significant resource budget pressures arising from the Draft Budget proposals; from required efficiency savings, the netting off of CYP and IDF funding, and where 80% of the DE resource budget is committed to salaries; the need to maintain core education services at 2007/08 levels in real terms; and meeting contractual, statutory and other inescapable pressures. (paragraphs 3, 4, 5 & 7);

b. The Committee noted the DCSF CSR 07 outcome of an increase of 5.3% in cash terms for spending in education in England compared to the Draft Budget 4.3% increase for Northern Ireland.

c. The Committee noted the clear need to invest in the short term to deliver existing and planned education reforms; to achieve necessary efficiencies, and reform the curriculum and improve school standards. Linked to 'invest to save' is the need to secure resources under the classification of administration. (paragraphs 7, 8, and 9);

d. The Committee noted the particular concerns and difficulties arising in finding funding to maintain CYP and IDF projects/activities targeting disadvantaged school children. (paragraph 7);

e. The Committee noted the general concerns that resource budget pressures could well delay improvements and efficiencies in SEN and Early Years, and in particular the concerns that School Improvement work and measures to promote Literacy and Numeracy may well be scaled back significantly – such as programmes for disadvantaged areas, reading recover and parenting. (paragraph 9);

f. The Committee noted a specific bid to enhance STEM and a bid for maintenance of the school estate, may not be met at all. The Committee recommends that DE pro-actively pursues funding from the Innovation Fund for elements of STEM and other appropriate areas. The Committee note with concern that bids for the Maintenance of the School Estate and a specific bid to enhance the Youth Service may not be met (paragraph 10);

g. The Committee noted the Department's main bids to maintain educational services through the Aggregated Schools Budget were net of demographic changes and based on 2% to 2.5% inflation compared to English School Budget guaranteed per pupil uplift of 5.5%. (paragraph 12);

h. The Committee noted with concern that money has not been found to reduce the funding differential between primary and post-primary schools; that only minimal PPA funding is available and DE should actively consider funding the costs of employing Newly Qualified Teachers to cover part of teachers' productive time and introduce a guaranteed induction year. (paragraph 13);

i. The Committee noted and welcomes the capital funding allocations in the Draft Investment Strategy and will carefully scrutinise the DE Investment Delivery Plans and what additional resources can be made available from the disposal of DE assets under the new Capital Realisation Taskforce.

Yours sincerely

Sammy Wilson, MP MLA

Chairperson, Committee for Education

Committee for Employment and Learning

Sue Ramsey MLA, Chairperson,
Committee for Employment and Learning

Mr Mitchel McLaughlin MLA,
Chairperson
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont
Belfast
BT4 3XX

28th November 2007

Dear Mitchel,

I am writing to you attaching the Committee for Employment and Learning's response to the Draft Budget 2007.

Yours sincerely

Sue Ramsey

Sue Ramsey MLA
Chairperson

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Committee for Employment and Learning response to the Committee for Finance and Personnel on the Draft Budget 2007

Spending priorities – cross cutting themes

1. The Committee for Employment and Learning ('the Committee') considers the role the Department for Employment and Learning as central to the delivery of two of the following two key priorities in the Programme for Government ('PfG'). These are:
   - Growing a dynamic and innovative economy; and
   - Promote tolerance, inclusion and health and well-being

   The role of the Department in delivering on both an innovative approach to economic development and working towards reducing social disadvantage and poverty is critical.
2. The Committee would assess that the Department achieved a 'mid – ranking' result with regard to CSR bid outcomes. The Committee considers that the allocation for achieving cross-cutting themes, while strong in places will not be sufficient to meet the significant priorities and goals laid out in the PfG with regard to economic development. In particular, while the Committee welcomes the emphasis on initiatives to be delivered by the Department of Enterprise Trade and Investment, there is concern that the monies allocated to deliver on skills requirement could fall short of achieving the necessary synergy between business growth and skills development.

Budget allocations

3. The Committee has no major concerns with the budget relative to previous Departmental budgets or on the arguments and evidence put forward by the Department in terms of the rationale for priorities and needs. The Committee would also endorse the main Departmental spending priorities. The Committee's main concerns relate to the ability of the Department to deliver key programmes and initiatives relative to the allocations that it has achieved. In particular, the Committee is concerned that unless the skills base is there to 'pre-empt' and meet the opportunities, investors could be frustrated and opportunities could be missed.

4. From this general point, there are a number of specific issues that are of concern to the Committee. These include:

   a. An apparent disconnect between the ambitious PfG goals relating to R & D and innovation and the apparent lack of resources, or at least clarity on resources. The funding available for innovation appear to be inadequate to take forward the leading edge research in the universities and within the private sector that the Executive considers are required to bring about a transformation from a traditional to knowledge - based economy. The Committee is aware that there are opportunities available, for example via the Science Foundation Ireland, which only exist as narrow windows of opportunity. The Committee would urge that the Executive is creative in ensuring that R & D investment is prioritised in the short and medium term in order that longer term economic gains are secured.

   b. The commitment on PhDs laid out in the PfG is an unfunded bid. The Committee has heard that a proportion of the funding for innovation will be utilised to meet this goal. The Committee is concerned that this would be spreading an already relatively small amount of money even more thinly. The Department has indicated that there is a small amount of unallocated money from bids that could be utilised on the PhDs and the Committee would welcome any movement in this direction.

   c. Since devolution much has been made of the need for re-skilling of the population currently in the workforce. The recent Leitch Review sets the context for this and establishes challenging targets. However, a CSR bid from the Department for Foreign Direct Investment / Employer Support Programme for Further Education has not been funded. The Committee is concerned that this could lead to a serious general gap with regard to adult training and apprenticeships.

d. In addition, the critical sector initiatives (a programme designed specifically to pre-empt and prepare for foreign direct investment) has only received £9 million over 3 years and nothing in the first year. The Department's original bid was for £24 million over the three years so less than 40% of the bid has been achieved.

e. A major part of Leitch focuses on Essential Skills the Committee has serious concerns on the budget allocation to deliver on this vital component. The Department has indicated that to an extent the bid may have been speculative on this particular issue. Nevertheless, the Department has stated that it believes it has sufficient funding in relation to this to initiate relevant programmes. The Committee will be ensuring that this issue remains on its future work programme to assess if that is indeed the case.

f. Linked to this, the Committee is fully supportive of the Department's bid to include ICT as a third essential skill. However, the Department is faced with a position where only £5 million has been received of a £11.4 million bid (44%) over the next three years. The Committee is particularly concerned that there is no baseline budget being dedicated to this issue at the moment and currently nothing has been secured for the first year. The Committee is concerned that the Department will struggle to deliver on this important programme.

6. In addition to these broad economic and skills related themes, there are a number of other issues which are of concern to the Committee. In particular, a number of issues have arisen at Committee relating to the further and higher education sectors where the Department states that these organisations are autonomous with regard to their budgetary priorities. While the Committee accepts that there is a need for commercial autonomy of the universities and colleges, the Committee is concerned that this autonomy means that the Department could be losing control on very significant social goals. This is more an issue for the further education sector rather than the universities. For example, concession rates offered

by colleges are clearly an important way of facilitating training for particular groups, such as people on benefits. Yet there is no consistency in how concession rates are being applied. The Committee has a general concern that budgetary autonomy may not always work to deliver important goals relating to social cohesion. The Committee wishes to see clear incentives for further and higher education institutions to deliver on tackling social inequalities. The Committee would to see these evidenced in the very near future.

7. With regard to issue of maintenance in higher education, the Committee has concerns that potential changes and widening of the upper and lower income thresholds would require an additional £18 million over the next three years. The Committee has been informed that bids to meet this need are unfunded. The Committee would not wish to see any detriment to local students' maintenance arrangements and would ask this situation is urgently addressed.

Budget reductions and efficiencies

8. The Committee expressed extreme concern on the general lack of programme and initiative funding for the 2008/09 financial year. Particularly on new initiatives were there is no existing baseline and where there is a clear urgency, For example, the Department's proposed strategy and action plan for migrant workers has no baseline and will not be receiving funding in 2008/09. The bid only received £800,000 over three years from a bid of £1.5 million.

Budget information and process

9. The Committee has expressed concern that the overall budget process is based on one of prioritising bids. The Committee considers that this does not easily sit with the necessary cross – cutting themes articulated in the PfG. The Committee considers that a more thematic approach to tackling core issues would be more appropriate in setting budgetary policy.

10. The Committee considers it important that communication on the budget is particularly focused on the Department's community sector delivery

partners particularly in the area of adult education provision. This is in order that the wide range of partners can plan appropriately for future delivery of services.

Committee for Enterprise, Trade and Investment

Submission to the Committee for Finance and Personnel on the Draft Budget 2008-2011

Introduction

1. The Committee is required to report to the Finance and Personnel Committee by 28 November giving its views on the budget proposals for the Department of Enterprise, Trade and Investment for 2008-2011.

2. The Minister gave evidence to the Committee on 6 November on the draft budget and Programme for Government and draft Investment Strategy. Officials from the Department subsequently attended a second briefing on 15 November and answered a number of questions put by Members of the Committee.

3. Views were also sought from key stakeholders in the business, energy and voluntary sectors. A number of submissions were received from the Confederation of British Industry, the Federation of Small Businesses, the Northern Ireland Chamber of Commerce, the Northern Ireland Council for Voluntary Action and the Carbon Trust (see Appendix 1).

4. On 6 November, the Minister indicated that he was generally content with the outcome of the budget. He added that resources and affordability had, inevitably, shaped the Programme for Government and therefore a balance had to be reached between policy ambitions and resources constraints. He stated that this was one of the most crucial challenges for both the Executive and the Assembly.

5. On 15 November, officials informed the Committee that the majority of bids had been successful. While this was a good outcome for the Department, the Permanent Secretary stated that Department had been realistic in its bidding and had not overbid.

6. The Committee welcomes the draft budget proposals for the Department but also acknowledges that balancing policy ambitions with resource constraints is one of the most crucial challenges which lie ahead for the Executive, Assembly and the Department.

7. The Committee particularly welcomes the fact that Growing the Economy will be the top priority over the lifetime of the Programme for Government. The Committee recognises that Growing the Economy is not a new priority and that it was included in previous Programmes for Government. It was also agreed as part of the work of the Committee on the Preparation for Government. However the Committee welcomes that this priority is repeated and restated and is accompanied by cross-cutting PSAs, in the Programme for Government.

8. The Committee believes that building a dynamic economy is essential to the overarching aim of building a peaceful, fair and prosperous society in Northern Ireland. The Committee agrees with the Chamber of Commerce that increased economic performance will, through the generation of employment opportunities and societal wealth, enable Northern Ireland to develop the health, education and environmental structures, which will be needed in the coming months.

Spending Priorities

9. The Department's resource and capital allocations in the draft Budget, align with what the Committee generally considers should be the Department's key spending priorities in contributing to the PfG role of 'growing a dynamic, innovative economy.'

10. However the Committee has noted that no specific identifiable resources or support plans have been allocated so far to local enterprise and the social economy.

The Committee recommends that further consideration is given to ensuring adequate resources and support plans are put in place, in the draft Budget, to address this shortfall in supporting and developing local enterprise and the social economy.

Cross-cutting priorities of the Executive

11. An analysis indicates that DETI bids mostly focus on growing a dynamic, innovative economy, and on the cross-cutting sustainability theme. Energy bids focus on protecting and enhancing the environment and natural resources and the cross-cutting sustainability theme. Business regulation, Consumer Council issues and HSENI bids focus on promoting tolerance, inclusion and health and the well being cross-cutting theme. The productivity bids focus on the cross-cutting skills theme.

Budget Allocations

Resource Budget

12. The Minister indicated that the resource allocation is a good one for DETI. Most bids were met apart from a small number of bids in year 1.

Invest NI

13. The Committee welcomes that funding for Invest NI will be put on a more secure basis than was previously possible under the Concordat mechanism. The current mechanism is unable to address the multi-year nature of projects and creates a high degree of uncertainty as to whether funding will be made available in-year. However the Committee recognises that some of the spirit of the concordat remains in the Industrial Development Guarantee. This states that no worthwhile proposal for eligible support to investment in industry or tradable services will be lost, even if that means diverting resources.

Whilst the Committee welcomes the new arrangements for Invest NI funding, it would seek assurances that, if the need to resort to the Industrial Development Guarantee should arise, possibly as a result of the US/NI investment conference, it would not be at the expense of some of the other budget commitments relating to DETI and the wider economy. In particular, that it would not be at the cost of commitments relating to cross-cutting efforts on skills, wider economic development, research and development, training and innovation. These matters are integral to growing an innovative economy.

14. In responding to the recent announcement regarding Seagate Technologies in Limavady, the Committee has noted that the draft Programme for Government and the draft Budget anticipate the demise of the Integrated Development Fund, which was the final remainder of the sort of Executive Programme Funds created during the previous period of devolution. For circumstances requiring a coherent strategic response to a crisis, the Integrated Development Fund would be a useful tool and the Committee asks the Executive to further consider this option.

15. Finally, the Committee believes that, while the FDI focus is welcome, it is not clear from the actions, targets and draft budget what business support will be made available to certain key business activities that are essential for improving productivity, including business improvement services, support for innovation and the use of technology provided by Invest NI.

Innovation

16. The Committee welcomes the resource bids to increase inward investment and the creation of 6500+ new jobs from inward investment by 2011. While acknowledging the potential risk at the lack of permanence of inward investment, the Committee acknowledges that FDI has the potential to bring much needed new industries and technologies that will create higher valued added jobs to the region.

17. In attracting inward investors to the region, the Committee would like to stress the importance of ensuring that the skills shortages in the STEM subjects are addressed. The Committee therefore welcomes the level of resources being allocated to the joint Higher Education Innovation Fund and MATRIX, which will assist the practical exploitation of the Northern Ireland Science Based economy.

18. However the Committee would question whether there are sufficient resources to improve the skills supply in key high value-added sectors of the economy and believes that immediate milestones should be set to monitor progress.

It is unclear to the Committee, where innovation funding provided by Treasury and the Irish Government is reflected in the Budget. We believe that these monies should be clearly set out in the Budget so that both the new funding and the additional outcome sought are identifiable.

The Committee would therefore seek assurances that the new innovation funding is not being used to cover pre-existing innovation funds. The Committee hopes that further work on this issue will be more visible and positive in the revised budget

Tourism

19. The Committee welcomes the draft resource and capital allocations for tourism (see paragraphs 31 and 32 for details on capital allocations). The resource allocations will enable the Northern Ireland Tourist Board (NITB) to intensify its marketing effort in the Irish Republic, a key market for Northern Ireland. Furthermore, funding of £2.1m in 2008/09, £3.1m in 2009/10 and £3.6m in 2010/11 has been allocated to Tourism Ireland Limited (TIL). Whilst £1.19m of the resource bid for 2008/09 is not available, the Department has indicated that funding allocated will substantially implement the TIL Corporate Plan. TIL operates in an intensely competitive market in GB and overseas. The Committee welcomes the fact that this funding aligns with NSMC Ministerial Agreement since ‘Helping Northern Ireland achieve its potential’ is one of TIL’s key objectives. The Department has indicated that this funding will be matched by commitments from the Irish Republic’s Government and the Committee looks forward to seeing more detail on this commitment.

20. The Committee is disappointed that there has been no indication of any bids being made to support the Regional Tourism Partnership Boards (RTPs), and thus it is not clear what allocation they will receive. NITB and Tourism Ireland have an important role in promoting tourism, particularly in relation to availing of the ‘curiosity factor’ which the ending of the Troubles has presented. The RTPs also have an important role and need to be able to collaborate directly with Tourism Ireland on marketing as well as with the Tourist Board.

The Committee therefore recommends that that the roles of Regional Tourism Partnerships are enhanced and that sufficient resources are made available to RTPs in the draft Budget.

Health and Safety Executive Northern Ireland (HSENI)

21. The Committee welcomes the positive reference to the wider capacity in the draft HSENI Corporate Plan (2008 – 2011) that is reflected in the draft Budget.

HSENI Safestart NI

22. The Committee welcomes that funding in relation to SafeStart NI, a frontline service to prepare young people and apprentices on entering work, has been met for 2009/10. However

the Committee is disappointed that the new initiative will be delayed for one year, given the importance this initiative will have in preparing young people to be better equipped to work safely. The Committee has previously stressed the importance of such schemes, given that the desired outcome is to ultimately reduce the incidence of work related injuries, illnesses and fatalities.

Unmet Resource Bids

Administration Bids Supporting New EU Programmes

23. DETI will take on a significantly enhanced role under the 2007-13 rounds of EU Structural Funds as Managing and Certifying Authority for the Competitiveness Programme. This function is currently undertaken by DFP in the current round. In addition, the Invest NI budget will be subject to greater EU compliance requirements as a result of the new Telecoms, Energy and Tourism programmes and projects which are currently being negotiated with the EU Commission.

24. The Committee is highly concerned that inescapable bids, supporting the New EU Structural Funds, have not been met in any year of the CSR period and questions whether DETI is sufficiently resourced to meet its contractual obligations in this regard.

Administration Bids to Support Sustainable Energy

25. A high discretionary bid administration bid for £0.111m in 2008/09, £0.113m in 2009/10 and £0.115m in 2010/11 has not been met to enable Northern Ireland to meet its associated obligations under the Energy-End use and Energy Services Directive 200632EC.

The Committee is concerned that DETI will not be able to fulfill its contractual obligations as an EU Managing Authority, meet its compliance requirements for the New EU Programmes and also meet its obligations under the Energy-End use and Energy Services Directive 200632EC. It therefore recommends that this shortfall is urgently addressed as a budget priority for the Executive.

EU Peace III Funds

26. The Committee recognises that DETI is benefiting considerably from the Peace III programme. It also recognises that different parties and other sectors might have different views and that these may be reflected by other Departments during the course of the draft Budget.

In the event that the Peace III funding allocation, envisaged for DETI, is revisited and is reallocated to other Department's budget lines, the Committee would urge that any shortfall in DETI's budget is addressed. This is to ensure that the purposes and priorities of the Programme for Government are properly reflected in any reallocations.

Capital Allocations in Draft Budget/ISNI

27. The Committee welcomes the capital allocations in the draft budget and draft ISNI. However the Committee notes the materiality of capital receipts, not least EU receipts, and acknowledges the unpredictability of receipts in areas such as grant claw-back and assets sales.

28. Telecoms and Energy Bids have been classified as discrete Measures within ISNI under the Networks Pillar. Tourism (NITB Capital Grant and Signature projects) and Enterprise (mainly

Invest NI) bids have also been classified as discrete Measures within ISNI under the Productive Pillar.

29. On 6 November, the Minister indicated to the Committee, that he was generally satisfied with the capital bids in the draft Budget and the draft Investment Strategy for Northern Ireland. DETI's potential capital investment requirements have been met under the CSR period. Funding under the Industrial Development Guarantee could also be accessed, should it be required for the Bombardier C Series. The Industrial Development Guarantee states that "no worthwhile proposal for eligible support to investment in industry or tradable services will be lost even if that means diverting resource from other programmes."

The Committee would like to reiterate its earlier point that, if the need to resort to the industrial development guarantee should arise, that it should not be at the expense of some of the other DETI budget commitments or wider measures to support securing a dynamic economy. In particular that it would not be at the cost of commitments relating to cross-cutting efforts on skills, wider economic development, research and development, training and innovation.

Enterprise Support

30. The Enterprise Support Measure has forecast gross expenditure of £194.m over the CSR period. In the main the measure encompasses forecast capital investment required by Invest NI to encourage the development of a high value added, innovative, enterprising and competitive economy. The Committee welcomes the stated focus of this measure. The capital investment includes capital grants and shares of £120m to support investment by existing businesses, increasing capability, enhancing exporting performance and promoting Northern Ireland internationally to secure new inward investment projects.

The proposals to support the NI export base are strongly welcomed by the Committee. However the Committee would like to stress the importance of ensuring that support for existing businesses must be a top priority and that existing programmes are continually reviewed to ensure the right balance between supporting indigenous companies and attracting FDI is achieved.

The Committee welcomes the importance attached to the provision of suitable industrial sites including ensuring the availability of such sites across Northern Ireland. However the Committee would share the Minister's concern over land availability, land banking and market prices and would query if the budget proposal to purchase land and buildings (£62.9m) is adequate given these market conditions.

Tourism

31. The Committee welcomes the target of increasing tourism spend to £520m by 2011 and notes that this target is 40% higher than tourism spend in 2006. However, the Committee felt that some of this increase should be directed at product development at both local and regional level.

32. The Committee welcomes the commitment to invest in the five signature projects but is concerned by the Minister's statement about "the funding gap of the Titanic Quarter project and the conditional nature of the allocation for the Giant's Causeway project". The Committee will be further exploring what will happen to the budget allocation that is provided for the Giant's Causeway Visitors' Centre.

Budget Reductions and Efficiencies

33. In relation to efficiency savings, the draft Budget has already presumed that efficiencies will be met and these savings have been built into the draft Budget. It is unclear from the draft Budget what will be the outcome for allocations if the presumed efficiencies are not met. The Committee believes that, in times of budget difficulty, it has been the DETI budget which has traditionally curbed to accommodate pressures in other departments

The Committee is therefore seeking assurances that any adjustments needed to correct "holes in the budget" will not be at the expense of measures to support a growing, dynamic, innovative economy.

Furthermore, if Departments are to achieve the challenging efficiency targets, we would seek assurances that adequate systems are in place to ensure the delivery of efficiency savings so that the delivery of public services will not be affected. This system will need to be monitored and targets reviewed on an ongoing basis.

34. In relation to DETI's budget, its efficiency delivery plans states that it has protected front line services. It also states that statutory frontline services have been protected through reclassification from Administration to Resource.

The Committee is seeking clarification on what is meant by 'frontline' services' and needs assurances that the proposed efficiency savings will not be detrimental to important client support work.

Opportunities for the Department to achieve efficiencies through capital/asset realisation

35. DETI itself has an asset base of only £3.44m. The asset base of the Health and Safety Executive for Northern Ireland, the Northern Ireland Tourist Board and the Consumer Council for Northern Ireland are all less than £3m. DETI has no proposals for disposal of excess assets in these areas and the Committee agrees that it is unlikely that there will be significant opportunities for asset disposal in this area.

36. Invest NI, has an asset base which includes £127m in land and buildings and £39m of shares and investments. Invest NI's property portfolio of land and buildings provides property solutions for its Client companies, including the sale of serviced sites to enable construction of industrial premises and sale or lease of buildings. The Committee recognises that these should be regarded as an essential part of the infrastructure required to support economic development and are recognised as such in the draft ISNI.

37. The Committee notes that Invest NI has an asset disposal programme which is reflected in the ISNI, and has agreed to deliver additional asset sales of £5m in each of the first three years of the ISNI period. The Committee will seek clarification on the balance between asset disposal and land acquisition requirements.

Budget Information and Process

38. The Committee acknowledges the time constraints associated with the CSR process which has been challenging for the Executive and Assembly Committees.

39. The scrutiny process enables Committees to respond to the draft Budget and draft Programme for Government through the co-ordinating process of the Committee of the Office of the First and deputy First Minster and the Committee for Finance and Personnel. This process is reasonably transparent and enables Committees to consider draft proposals at a broad level.

However there would appear to be a transparency gap, where less is known about the decision making process at Departmental level.

The Committee believes that this transparency gap should be addressed and that arrangements should be made to enable Departmental statements to be made to the Assembly after the budget has been passed. However the Committee acknowledges that where possible, this should be done at no additional cost to other Assembly business.

Annexe 1

Summary of Responses to the Draft Budget/PFG/ISNI

Northern Ireland Chamber of Commerce and Industry (NICCI)

1. Growing the Economy

Based on research carried out by the Chamber's Export Focus Group the Chamber recommends the following:

- More aggressive marketing of the Agency's Business Information Centre.
- Tailored, company-specific export coaching / mentoring of companies with export potential.
- Greater involvement of the private sector in the development of an exporting culture among local companies.
- Intensification of the joint Invest NI/Enterprise Ireland effort to identify and develop export markets overseas.
- Company-specific support in new export markets.
- Sharper focus by Invest NI's client executives on the development of client companies' export performance. Specific targets for individual client executives and credit for success in areas such as export development should be enhanced.

2. Reducing the Productivity Gap with the UK average

The management of locally owned companies needs assistance, and mentoring that will enable them to understand and respond to the factors inhibiting productivity growth. It would also suggest that indigenous companies find it difficult to invest in the requisite in-house workforce training – something which Invest NI and DEL need to address co-operatively.

3. Increasing Inward Investment and the Creation of 6500+ New Jobs by 2011

Invest NI should be encouraged to explore new avenues for contacting new potential investors. The situation must be avoided where inward investors fail to find the labour that they have been promised. Close co-operation between Invest NI, DEL and DE, with meaningful private sector involvement, is essential if the skills shortages in certain areas, e.g. engineering, construction and IT, are not to become a major barrier to growth.

4. Increasing Tourism Spend

Tourists all too often find their tourism experience in Northern Ireland undermined by levels of skill and service below that which they would expect at home. Greater investment in recruitment and training – assisted where necessary by DEL and / or NITB.

Some consideration should be given to the level of arts funding in the draft budget and that very small reductions in other Departmental budgets, if applied to particular areas of arts funding, could make disproportionate, positive contributions to the tourism offering.

Federation of Small Businesses (FSB)

Invest NI must have in place the programmes to assist those encouraged to look beyond local borders. There are two distinct types of such businesses; those newly formed with a focus upon hi-tech industries and traditional, established enterprises with the potential to consider expanding into new markets for the first time. The support programmes should recognise the distinctions and where possible be tailored to meet the different needs.

FSB believes that the Northern Ireland Executive has much work to do in terms of upgrading infrastructure and skills and training availability to meet this target. Undoubtedly a high proportion of this figure, at least in the short term, can only be reached by attracting large, quality overseas corporations to Northern Ireland.

The development of an effective tourism strategy is essential. There are many natural and historical attractions which can be exploited, sensitively, supplemented by increasingly sophisticated man-made attractions.

The identification of 'tourist hotspots' and targeting resources towards these can help the industry to bring the best to the fore. There must be effective partnership between businesses and the government, the latter responsible for ensuring the tourist infrastructure is in place, and that an effective marketing campaign promotes the province in the best possible light through the Northern Ireland Tourist Board.

Confederation of British Industry (CBI)

1. Reducing the Productivity gap

CBI believes that fiscal incentives will be required to help achieve this goal, and hope that the Varney Report will reach the same conclusions. Another concern is that insufficient resources are being targeted to improve the skills supply in key high value-added sectors of the economy

2. Increasing Inward Investment

Increasing the quantity and quality of foreign direct investment (FDI) will make a major contribution towards achieving the productivity goal set for 2015. The goal set is reasonable though some consideration should be given to having a target of net new jobs taking account of potential job losses over the period.

The skills base and supply side must be adequate

3. Increasing Tourism Spend

CBI welcomes the targets which will deliver more tourism spend per tourist (by around 12%) although the revenue target could be set at an even more ambitious level.

4. Growing a dynamic, innovative economy

Creating a ‘can do’ mentality and ensuring this is reflected in the public sector’s ability to make speedy decisions and get things done. A revised Regional Economic Strategy is required with ‘transformational actions’ to set the economy onto a new trajectory.

5. Draft Programme for Government

CBI strongly welcomes the importance and priority attached to the economy. The business community is pleased to see a more strategic and outcome focused program which has ambitious goals agreed by the entire Executive.

Commitments on policy areas are particularly welcomed:

- ambitious goals for increasing private sector productivity and increasing economic activity rates;
- commitment of intent by the Finance Minister to cap industrial rates at 30%;
- a new program to commercialise university and college research;
- a salary target level for high value jobs set at a higher level, i.e. 75% of inward investment jobs with salaries some 30% above average private sector earnings;
- delivery of widespread access to next generation broadband by 2011; and
- targets on efficiency savings on administration of 5% pa for three years

There are some emerging areas where greater clarity, more ambition or greater focus is required:

- Many large retail, housing, renewable energy, waste etc developments may fall outside the scope of the six month commitment for a planning decision – yet these are critical for Northern Ireland’s future development. There is a need for greater clarity on which projects will meet these criteria. The Executive should consider the introduction of ‘planning zones’ for significant industrial and commercial sites which could help reduce planning delays and bureaucracy.
- Growing the creative industries sector by 15% by 2011 does not appear to be a particularly challenging target
- It is essential that the GCSE target includes Maths and English.

6. Draft Budget

- The removal of the Invest NI concordat is welcomed.
- The focus on productivity and closing the productivity gap is welcomed.
- The increased resources being allocated to tourism is welcomed.
- The FDI target of focusing on higher quality and higher paid jobs is welcomed.
- The proposals to develop a new telecoms link with the transatlantic network, (when six cables already exist) are welcomed. However this does raise the issue of what precisely is the problem and whether the proposed solution is the best value for money solution.
- There is a need to ensure that DEL has sufficient resources to ensure that suitable skills are available.

7. Draft Investment Strategy

- The increased focus on capital expenditure on infrastructure is very welcome.
- The proposals to support the NI export base are strongly welcomed including the availability of suitable and affordable land.
- CBI welcomes the commitment to invest in the five tourism signature projects.
- CBI welcomes the importance attached to the provision of suitable industrial sites across Northern Ireland.

Carbon Trust

Draft Programme for Government (PfG) 2008-11

1. Growing a Dynamic, Innovative Economy

The reference to "sustainable economic growth" is to be welcomed. There have been a number of international, national and local developments in recent years that has given impetus to the need to make rapid, deep cuts in carbon emissions.

The Committee (and the Executive) should recognise the existence of investor confidence in clean energy technologies and take action to support indigenous low carbon research, development and innovation in order to encourage the creation and development of local businesses that are able to commercially exploit the substantial opportunities that exist for low carbon solutions globally.

The Carbon Trust welcome's the PfG's determination to reduce carbon emissions and to support the development of an indigenous renewable energy sector.

The Executive's target of "ensuring that 12% of our electricity is generated from indigenous renewable sources by 2012" is achievable and should be delivered within existing policy frameworks (assuming planning considerations do not unduly stymie developments). However, attainment of the target stated in the NI Sustainable Development Strategy requiring 40% of electricity consumed beyond 2025 from indigenous renewable sources (with at least 25% from non-wind technologies) will require very careful stewardship of energy demands.

There is a real possibility that Northern Ireland's carbon footprint could easily exceed current levels by 2025, unless major initiatives are taken to decouple economic activity and lifestyles from the consumption of fossil fuels.

However, there are compelling economic and environmental reasons for ensuring that the planned new-build program achieves the very highest standards of design and performance regarding their energy requirements, carbon emissions and workplace productivity.

The Strategic Investment Board's investment strategy could play a pivotal role in ensuring that low carbon buildings become the norm in Northern Ireland ahead of regulatory requirements.

Northern Ireland Council for Voluntary Action (NICVA)

1. Skills

No child should leave primary school without being able to read, write and count and those that slip through the net should be able to access these skills at any stage in their lives.

The loss of the Children's and Young People's Fund is a cause for concern.

2. Enterprise and Innovation:

Women in Northern Ireland are 2.5 times less likely to be entrepreneurs than men. These figures point to the need to invest in creating the necessary conditions to enable women to engage in innovation, such as access to affordable childcare and providing information on a wide range of educational, training and employment opportunities including areas of economic life.

3. Infrastructure (including employment)

There is a need to see the economic value of investing in measures to help people with disabilities get and keep the jobs they want. There is also a need to provide affordable quality childcare and to provide quality apprenticeships and training for young people.

The PfG and budget does not indicate clearly how these will be tackled. It also does not deal with the concern that aiming for a 75% rate of economic inactivity by the next decade will require employment in the tens of thousands.

With regard to the draft Investment Strategy, most of the programme for the next three years is funded from within the resources of the Northern Ireland Executive. However it is not clear how robust the plan might be as it depends on a sell off of unused assets.

4. Sustainability

The PfG, budget and investment strategy all refer to sustainable development as a key strategic focus. The actual spending patterns are a cause for concern and the associated target of a ‘carbon footprint’ reduction is confusing. This is neither the recognized ecological footprint measure nor a carbon emissions target which is what is needed.

There is still no commitment to the creation of an Environmental Protection Agency (EPA) as recommended by an independent panel and no budget provision seems to have been made in this regard.

NICVA are surprised to see that a Renewable Energy Fund has not been included in the budget.

5. Social Enterprise

NICVA would like to see DETI further develop its lead role in encouraging the growth of social enterprise in Northern Ireland in a similar way to the Social Enterprise Action Plan 2006, building on the Governments 2002 Social Enterprise Strategy (by The Office of the Third Sector OTS).

6. Delivering On Promises

NICVA has concerns over levels of inward investment in the midst of what looks like a global slowdown.

The new Performance and Efficiency Delivery Unit, set up to monitor these savings, will be important in monitoring and hopefully reacting to this issue.

Public assets can only be sold once. After that public money has to be used. There is no mention of any consultation on this nor of a comprehensive plan to examine what assets are currently needed, likely to be needed and never needed.

Commmittee for the Environment

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27 November 2007

Dear Mitchell

Committee Response on draft Budget 2008 – 2011 document

Spending Priorities

The Committee notes that the draft Budget sets out the NI Executive's proposed spending plans for the period April 2008 – March 2011.

The Committee notes that the Budget allocation addresses the following key issues: -

- Road Safety: Road casualty reductions, road transport compliance and enforcement, reduction in vehicle related crime and reduced emissions.
- Through the Environment and Heritages Service, an enhanced environmental protection and improvement through Better Regulation: Establishment of a dedicated environmental crime team to combat the illegal dumping of waste and the establishment of a new strategic development and delivery support team to co-ordinate cross-cutting regulation activities, implementation of the air quality strategy.
- Support for district councils and the three Waste Management Groups from the programme delivery support unit in implementing major waste procurement plans.
- The development in part of an agreed programme for the modernisation and structure reform of local government.
- The proposed capital allocations will provide funding to District Councils to cover a percentage of the overall costs associated with compliance with EU Landfill Directive targets. Under "Reform Programme" the draft Budget states that the Department intends to take forward further reform of the Planning System and that the allocations would also enable the Review of Environmental Governance to be progressed which will address the structure, management and resourcing of the publicly funded elements of the environmental governance system within central and local government, and implement proposals for the future environmental governance arrangements, in relation to environmental protection, the natural heritage and the built heritage.

The Committee notes that the allocations received in the draft Budget largely meet the following spending proposals (bids): -

1. Road Safety Services – requiring £4.55m other resources and £3.3m administration over the priorities and budget period.

2. Enforcement and Better Regulation (EHS) – requiring £1.53m other resources and £3.4m administration over the priorities and budget period.

3. Programme Delivery Support Unit (PDSU) – requiring £2m over the priorities and budget period.

The Committee notes that the following spending proposals (bids) were not met: -

4. Planning Reform requiring £0.55m other resources and £2.5m administration over the priorities and budget period.

5. Review of Public Administration (covering the costs incurred by Planning Service and Local Government Reform Unit in taking forward the RPA agenda) requiring £13.55m other resources and £4.55m administration over the priorities and budget period. LGRU requiring £13m other resources and £1.7m administration over the priorities and budget period.

6. Local Government Division requiring £2.4m other resources over the priorities and budget period.

7. Waste and Contaminated Land requiring £3.7m other resources and £0.83m administration over the priorities and budget period.

The Committee have particular concerns regarding the shortfalls relating to the spending proposals regarding the cost of implementing the RPA proposal.

Budget Allocations

The Committee welcomes the additional funding for enhanced roadside enforcement (£3.8m over the three year budget period) and enforcement and better regulation for environmental protection (£4.1m over the three years).

The Committee recommends that extra resources should be used to benefit one or more aspects of the ASSI programme. This could include an increased number of ASSI declarations made each year in order to complete the priority designations before 2016 and a quicker response rate on consent applications. This would lead to greater progress towards achieving favourable conditions of features within designated sites; and more robust protection and enforcement measures, particularly with regard to Natura 2000 sites.

Budget Efficiencies

The Committee is concerned that in order to deliver the administration savings in the final year (2010 – 2011), the Department of the Environment may have to suppress up to 300 posts, even after a board decision to reduce non-salary running costs by 15%.

The Committee are concerned that there will be a detrimental impact on service delivery particularly in certain lower priority areas of the Environment and Heritage Service (EHS).

Members are concerned at the proposed cutbacks in relation to the Environment and Heritage Service budget and the impacts they will have on training/resources/investment within the EHS.

Members are concerned at the proposed efficiency savings of £1.1m in relation to the Planning Service and how this will impact on any major reform of the Planning Service.

Planning Resource Need

The Committee is aware of the Minister's intention to reform the planning process. The Committee acknowledge that the Planning Service is also facing a very significant structural reform arising from the Review of Public Administration (RPA).

The Committee notes that the Department's additional funding for 2008 – 09 (£4.4m) includes an amount for the Planning Service of £2.2m which, in the main, will be used to pay for staff costs. The Committee recommends that similar amounts are also allocated to the Department in the final two Budget years, 2009 – 2010 and 2010 – 2011.

Yours Sincerely

Patsy McGlone MLA

Chairperson

Committee for Finance and Personnel

Theme 1 – Spending Priorities

For the Department of Finance and Personnel (DFP) the draft Budget document for 2008-11 highlights the importance of the Department leading reform, delivering value and promoting sustainability in the public sector. The key issues for DFP in the draft PfG are the implementation of the NI Direct programme, which will see a single telephone number point of contact being taken forward over the PfG period, and delivering the wider Northern Ireland Civil Service (NICS) reform programme. In addition, the Workplace 2010 programme is expected to contribute an estimated £175m to the Investment Strategy for NI (ISNI).

The Committee is generally content that the Department's spending priorities align with the priorities and key goals in the draft PfG and with the related PSA objectives. In particular, the Committee considers that DFP's role in leading and co-ordinating both the reform agenda and the financial management agenda will be critical to realising the aspirations of the PfG and the efficiency and value-for-money drive which underpins the Budget. These areas are examined in greater detail later in the report.

Theme 2 – Budget Allocations

The draft Budget 2008-11 prescribes a significant reduction in the share of DEL allocated to DFP: the current year allocation is 17.1% lower than that allocated for 2006-07, and this trend will continue in subsequent years:

Earlier in the year, the Committee was informed of a bid to cover administration costs and inflationary pressures of £6.2m per annum over the 3 years of the draft Budget and was also informed that, if this bid was not met, it would be necessary to cut funding in lowest priority areas. When explaining the draft Budget outcome, officials informed the Committee that this bid had not been submitted and that work was underway to contain administration costs and inflationary pressures which would entail the following:

- a detailed review of General Administrative Expenditure budgets;
- identification of lowest priority areas from which funding can be redirected;
- review of scope for extending charging and
- reviewing systems and processes to drive greater operational efficiency.

DFP has undertaken to inform the Committee of the outcome of this exercise.

The Committee was also concerned that DFP received no allocation against a £9m bid relating to the sustainable development strategy. This was to fund a range of projects including the installation of metering to establish more refined baseline data as well as cost effective energy efficiency measures and renewable technologies. The Committee considers that this shortfall runs contrary to the draft PfG objective to drive sustainable development.

The Committee has focused in particular on DFP's proposed capital expenditure in the draft Budget, which is intended, as part of the Civil Service Reform, to enable the replacement and modernisation of business processes across the NICS. It should also enable the capital accommodations programmes associated with the NICS estate, and the enhancement/maintenance of DFP's ICT systems. Additionally, capital expenditure will be incurred to improve both the energy performance of, and the level of carbon omissions from, buildings occupied by public bodies. The Department bid for approximately £94.2m over the three financial years from 2008 – 2011 (£38.3m, £32.8m and £23.1m) and was allocated £68.7m (£30m, £22.7m, £16m). The Committee will continue to monitor the potential effect which the proposed capital allocations will have on delivery and how DFP plans to manage with an allocation significantly below the amount sought.

The Committee had concerns as to whether the proposed capital allocations for Land and Property Services (LPS) are sufficient to allow the organisation to alleviate the difficulties associated with its IT systems, especially with regard to processing applications for rates relief. A response was obtained from DFP stating that the allocations were considered sufficient and the Committee will be keeping a watching brief on this matter. However, the Department also highlighted the fact that the Agency's capital requirements will need to be further assessed in light of the outcome of the current review of domestic rating, the first stage of which was announced by the Minister of Finance and Personnel on 26 November. LPS has a key role in the implementation of the reforms to be introduced in April 2008 and beyond and the Committee considers that any further funding requirements arising from rating reform should be met in any revised allocations. In particular, the Minister's recent decision to introduce rating of vacant domestic properties and the potential role for LPS in issuing bills for water charges will place significant strain on the organisation.

DFP also bid for £15m over the 3-year period for the Central Energy Efficiency Fund, used to support measures to improve the energy performance of, and reduce emissions of CO2 from, buildings occupied by NI public bodies. As alluded to earlier, the Committee believes that the £6m allocated to this fund in the draft Budget and draft ISNI runs contrary to the prominence given to sustainability by the Executive in the draft Programme for Government. One of the Department's major contributions to the draft ISNI is the delivery of £175m capital receipt from the Workplace 2010 programme. The Committee was given an assurance by departmental officials as to the accuracy of this figure and also that it will be delivered in the 2008/09 financial year, despite potential delays from the current legal challenge regarding the procurement process. The Committee will be monitoring progress on the key goals and milestones for Workplace 2010, as set out under the 'Productive' Investment pillar in the draft ISNI.

The Committee has also highlighted the review of public sector sites by 2008, which is detailed as a key milestone in the draft ISNI, and has been briefed on the work of the Capital Realisation Taskforce. Whilst recognising that the Taskforce has cross-departmental membership (Strategic Investment Board, OFMDFM and DFP officials) the Committee intends to examine the work of the Taskforce in so far as it may affect the capital allocation covered in the draft Budget period. In terms of the review of public sector sites, DFP has informed the Committee that a significant proportion of public sector sites managed by DFP will form part of the Workplace 2010 programme and that the Department's input to the review will therefore focus largely on the remaining office estate properties. DFP has already engaged with the Capital Realisation Taskforce on the utilisation of assets for which it is responsible.

In relation to monitoring the Department's performance, the Committee has already requested DFP's Investment Delivery Plan, and has been informed that Investment Plans will be published alongside the revised ISNI in January 2008. The Committee believes that the monitoring arrangements being developed should include a clear role for the Assembly's statutory committees.

Finally, DFP officials have informed the Committee that the Department is currently considering how the Draft Budget allocations would be allocated to the respective bids submitted and the Committee has asked to be briefed on the outcome of this ongoing process early in the New Year.

Theme 3 – Budget Reductions and Efficiencies

The relative decline in the resources available to DFP is, as with other departments, intended to be supplemented by the achievement of efficiencies. DFP has a target to deliver cash-releasing efficiencies of £5.7m, £10.3m and £14.8 m respectively, over the period 2008-09 to 2010-11. It is anticipated that savings will accrue from the ongoing review of administrative expenditure and staff budgets, and by improving organisational structure. Additionally, by improving productivity and rationalising NICS office accommodation, DFP should realise additional spending power. DFP is currently revising its Efficiency Delivery Plan and will brief the Committee on the final plan after Christmas recess. The Committee understands that departmental Efficiency Delivery Plans will be published alongside the final Budget document and will therefore be available to statutory committees for scrutiny. The Committee has been briefed on the role of the Performance Efficiency Delivery Unit and plans to monitor the outputs from the Unit in driving higher levels of savings. This issue is considered later in the report.

The NICS reform programme, which is being co-ordinated by DFP, will realise significant savings to be redirected to delivering key services. The Committee requested quantification of the savings to be generated by the reform programme over the 3-year budgetary period and was informed that the delivery of benefits across all 11 departments, both financial and non-financial, including shared services, will take time and will be measured by a series of key performance indicators, which will be integrated within departmental business planning. DFP is currently developing a benefits realisation framework which will address the delivery of both quantitative and qualitative benefits in respect of the reform programmes/projects being implemented within DFP. The Committee will wish to undertake regular reviews of progress against this benefits realisation framework and considers that the finalised framework should be placed in the public domain. Moreover, the Committee considers that the Department should outline the anticipated efficiency savings to accrue across all 11 departments from the various reform programmes.

The Committee believes that the significant savings from the reform programmes are an important part of the Executive's Draft Budget and will play a key role in the delivery of the PfG. Target dates for the various NICS reform programmes are included in the draft PfG. The Committee sought and received clarification from DFP that these targets are for the full implementation of the various programmes, as opposed to piloting the programmes. A notable exception here is the target for Workplace 2010, as the Committee was informed that the target date of 30 November 2008 reflects only partial implementation and has asked for this to be clarified in the finalised document. Whilst the target dates in the draft PfG represent some slippage in original plans across a number of programmes, the Committee has been assured that the programmes are currently on track for delivery by the target dates included in the draft PfG.

The Committee was also briefed on DFP's intention to review its policy on hard charging with the objective of recovering full cost, including a review of the scope for extending hard charges for services it provides in line with legislative authority. Whilst, in some cases this will entail movements between departmental budgets, the Committee has been informed that this will also involve increases in overall levels of income.

Theme 4 – Budget Information and Process

The Committee considers that the draft Budget is to a large extent driven by the PfG and that there should therefore be as much readacross as possible between the two documents. The Committee noted the Committee for Regional Development's call for the departmental objectives in the Budget to align more closely with the objectives in the PSAs which accompany the PfG, to allow Committees to more easily assess what their respective departments are to achieve with the funding allocated.

It is noteworthy that a similar theme emerged in the predecessor Committee for Finance and Personnel's Report on the Draft Budget 2002/03, published in November 2001, when concerns were raised by certain committees that funding for priorities and targets in the draft PfG were not obviously reflected in the draft Budget. The Committee noted at that time that Strand 1 paragraph 20 of the Belfast Agreement requires the Executive to 'seek to agree each year, and review as necessary, a programme incorporating an agreed budget linked to policies and programmes, subject to approval by the Assembly, after scrutiny in Assembly Committees, on a cross-community basis'. The present Committee reiterates the recommendation by its predecessor that, where a priority has been accepted into the PfG, the funding to deliver it should be transparent in the draft budget allocations.

The Committee agrees with the views of the Committee for Culture, Arts and Leisure that the level of detail in the draft Budget document, where resource and capital allocations are shown only under overall levels of spend, make constructive scrutiny of draft Budget allocations more difficult. This puts the onus on departments to provide the necessary information. The Committee for Enterprise, Trade and Investment also highlighted the transparency gap in the decision making process at Departmental level and suggested the possibility of Departmental statements being made in the assembly after the Budget has been passed.

The Committee for Finance and Personnel notes that there is a target of January 2009 for the first review of the Budget for 2008 – 2011. The Committee considers that an annual timetable for budget setting and review, which builds in sufficient time for the effective involvement of the Assembly's statutory committees needs to be published by DFP as soon as possible and the Committee will be working with the Department to achieve this. The Committee agrees with the Committee for Regional Development that the publication of an annual report, showing spend and delivery, would greatly assist the Assembly and its committees in their scrutiny and advisory functions.

To summarise on the issue of Budget information, the Committee echoes the call, made by a number of the Assembly statutory committees, for a closer alignment between the revised Budget and the revised PfG than exists in the draft documents; in particular a more visible linkage is required between PfG priorities and goals, PSA objectives and the allocations, departmental objectives and spending areas in the Budget. The Committee also considers that there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments' bids and their outcomes being published as part of the draft Budget process.

Looking ahead, the Committee considers that the future budget process and timetable needs to be settled early in 2008 to enable the Assembly statutory committees to schedule the necessary scrutiny into their work programmes and thereby provide departments with notice in terms of the future information and briefing requirements of committees.

In conclusion, in terms of the draft budget allocations for individual departments, the Committee recommends that, in finalising the Budget 2008 – 11, the Minister of Finance and Personnel and the wider Executive take on board the conclusions and recommendations contained in the substantive submissions from each of the Assembly statutory committees, which have been included as appendices to this report.

Committee for Health, Social Services and Public Safety

Iris Robinson MP MLA

Chairperson, Committee for Health, Social Services and Public Safety

17 December 2007

Mitchell McLaughlin, MLA
Chairperson
Committee for Finance and Personnel

Draft Budget 2008 - 2011

1. Thank you for your letter of 24 October 2007 inviting each Statutory Committee to put forward its views on the Draft Budget 2007. I am sorry that the Committee has not been able to meet your deadline. However, the Committee is fully conscious that health and social services account for by far the largest portion of public spending in Northern Ireland and it wished to undertake as thorough a scrutiny as possible in the time available.

Introduction

2. The Committee for Health, Social Services and Public Safety commenced its scrutiny of the CSR 07 and the Draft Budget 2007 implications for health, social services and public safety with a briefing from Departmental officials at its meeting on 15 November 2007. This was followed by formal evidence from Professor Roy McClelland, Chairman of the Mental Health and Learning Disability Board, and from representatives of the four Health and Social Services Boards on 22 November 2007. The Committee concluded its formal evidence with a presentation from and discussion with the Minister for Health, Social Services and Public Safety on 6 December 2007. A transcript of these evidence sessions will be published on the Committee website.

3. In addition the Committee considered the draft Budget at closed meetings on 15 November, 22 November, 29 November, 6 December and 13 December 2007. The Committee is grateful to all who gave evidence and would like to thank Professor Ciaran O'Neill, Health Economist, Queens University Belfast, for his advice and assistance to the Committee during its deliberations.

Background

4. The draft Programme for Government recognises that “the overall health status of our population needs urgent attention” and highlights the higher than UK average mortality from heart disease, cancer and stroke, as well as the over-reliance on long-stay hospitals and limited services available in primary and community care for people with mental health and learning disabilities. The relatively poor state of health of the population in Northern Ireland was clearly identified in ‘A Healthier Future: A Twenty Year Vision for Health and Wellbeing in Northern Ireland 2005-2025’. The strategy also highlighted the higher rates of people with disabilities and mental health problems compared to GB.

5. The Committee believes that health and social care in Northern Ireland has been under funded for many years, particularly throughout the years of the troubles, despite an increased priority given to spending in DHSSPS in recent years by Direct Rule Ministers reflecting general UK trends. The Committee concurs with the view in the draft Budget that “one of the most significant issues facing this and future Executives will be the priority that should be given to health and social services compared to other public services”.

6. The Committee, however, has some concern with the draft Budget conclusion that “Northern Ireland compares relatively well on several … health … indicators” and refers only to overall mortality rates. This is at variance with the entry under ‘Key Issues/Challenges over period to 2010-11’ in the DHSSPS section of the draft budget document which states that “Northern Ireland has a lower life expectancy and higher incidence of some serious diseases, such as coronary heart disease, respiratory disease, than the UK average. …… Northern Ireland also has the highest prevalence in the UK of mental illness.” The proposal to make growing the economy the top priority, while fully recognised, will inevitably have significant implications for tackling health and social care issues over the next three years.

Departmental Bids

7. Officials briefed the Committee on 21 June 2007 on the Department’s spending priorities under the Comprehensive Spending Review - a transcript is available on the Committee website. The Department recognised that while the health and social care needs of the population will always outstrip the resources available it had to be “prudent about prioritisation and about coping with a much tighter financial environment”. It was fully conscious of the likelihood of a much lower rate of growth than in previous years and emphasised that it was placing a greater emphasis on improving health and wellbeing than in the past.

8. The Committee fully supported the overall proposals put forward by the Department and particularly highlighted the need to secure funding to implement the Bamford recommendations and deliver improvements in services for people with mental health and learning disabilities. In evidence to the Committee on 22 November officials reiterated that the bids were “deliberately modest” and “highly prioritised”.

Inescapables

9. The first priority for any additional resources obtained by the Department will go to meet inescapable or unavoidable commitments. Inescapable costs are costs relating to, for example, meeting national pay awards, meeting an increased demand for drug treatments, or providing existing community care services to an increasing number of older people. In written evidence to the Committee the Department set out the five main elements of inescapable costs as, costs relating to pay and superannuation for the 68,000 health and social care workforce (£339m); growth in the pharmaceutical budget for new drug treatments in both the hospital and primary

sectors (£150m); 500 additional community care packages a year (£25m); preparations for a pandemic flu (£20m); and the revenue costs of capital schemes (£70).

10. The Committee asked for and received additional information and a further breakdown of the inescapable budget requirements. Members questioned the Minister and officials on some of these areas. However, without a very detailed audit of each of the elements of these costs it is not possible for the Committee to identify areas where spending could be scaled back. Health and Social Services Boards told the Committee that, in their view, there is limited flexibility within the inescapables elements. They also cautioned that there are additional risks of an unprecedented health crisis arising during the period, for example, preparation for a pandemic flu has been included in the costs but not dealing with the pandemic itself. The Committee calls on the Minister to ensure that there is rigorous monitoring of all inescapable costs over the course of the CSR period.

Efficiency Gains

11. The draft Budget sets out the Executive agreement that all Departments should work to deliver cumulative efficiency gains of 3% a year for the next three years and all these efficiency savings must be resource releasing. The Committee notes that in the previous three year period a 2.5% efficiency target was in place but only around half of this needed to be resource releasing with the rest being realised, for example, through increased productivity for the same outlay.

12. The Committee notes that for DHSSPS the 3% target amounts to £343m over the three year period and is a very significant sum. The Boards warned that this will be a “very painful process” and cannot be achieved through cuts in administrative costs alone. The Committee recognises that if DHSSPS is to continue to deliver vital services it is essential that the efficiency savings are achieved in full. The Committee welcomes the unequivocal commitment by the Minister that he will deliver those efficiencies and meet the target of £343m.

13. The Department stated that “these efficiencies will be attained through a range of measures such as improved procurement; more efficient prescribing and dispensing of medicines; improved productivity; and reduced administration”. The Committee in its scrutiny of the planned efficiency measures has concentrated largely on the last of these, namely, reduced administration. Members questioned the Minister and officials on this in some detail and received a further breakdown relating to the expected savings under RPA.

14. As part of the RPA the Department plans to reduce staffing levels by 1,700 and save £53m. This was said to represent a 15% reduction in administration and managerial staff costs in HSC Trusts and 24% reduction in other HSC organisations such as Boards, Agencies and NDPBs. However, the Department indicated that the split of savings between bodies “will not be finalised until HSC bodies submit their RPA savings proposals for Ministerial approval (January 2008)”. The Committee raised questions with the Department about management structures in the new Trusts and the re-employment of redundant senior administrative staff. The Committee is concerned that the full potential level of savings resulting from the RPA changes may not be achieved.

15. The Boards provided a breakdown of how the 3% efficiency target will impact on services. RPA changes resulting in a reduction in staff of 1,700 and releasing £53m amounts to 15% of the total. Within that the reorganisation of Boards will account for about £13m or between 3% and 4% of the total. Procurement efficiencies will provide around 10%; pharmaceutical services programmes will account for a further 12%. This leaves 63% or around £215m to be delivered from direct service provision. The Boards warned that “cash cannot be extracted unless the size

of the workforce is reduced" and they said that political support will be needed for unpalatable decisions to implement these efficiencies.

16. The Department also stated that "the exact savings to be achieved from Boards are dependent on the ongoing decisions on organisational restructuring". The Committee has serious concerns that the ongoing delay in reaching a decision on structures to replace Boards is causing uncertainty, frustration and loss of morale among existing staff. It is also absorbing resources that could be directed to other key service developments. The Committee will continue to press the Minister to make an early decision and implement it without further delay. The Committee believes that further delay will put at risk the likelihood of the Department achieving the planned £53m savings from RPA.

17. The Committee is convinced there may still be scope for further efficiency savings above the required 3% and welcomes the plans by the Department for Finance and Personnel to establish a Performance and Efficiency Delivery Unit (PEDU) to examine the scope for higher levels of efficiency. The Committee would ask for an assurance that, rather than impose efficiencies, this Unit will work closely with each Department to reach consensus on how best to achieve such efficiencies. The Committee would seek an assurance that the Department would be able to retain any additional savings achieved in this way for service development needs. This, the Committee believes, would provide an additional incentive.

18. The Boards in evidence to the Committee pointed out that "it may be much more efficient to treat people at home and admit them to hospital only if it is absolutely essential". They argued that providing effective care in the community could reduce the number of people going into hospital. The Boards identified integration and collocation of out-of-hours services as an area where there is scope for improvement. The Boards also suggested that the large number of A&E departments in and around the Greater Belfast area needed to be examined. The Committee recommends that the Department examine each of the following areas to determine whether there is potential for further efficiencies, namely, the funding set aside each year to cover medical negligence or litigation; wastage in the prescription system, such as, the number of drugs prescribed and not used; the number of missed appointments and cancelled clinics; and the amount of private work undertaken by doctors in health service time.

19. The Committee noted the review of health and social care services in Northern Ireland carried out by Professor John Appleby in 2005. At that time Professor Appleby concluded that there was considerable scope for improvement in the provision of services and highlighted problems relating to the use of resources. He referred to the numbers on waiting lists and waiting times for treatment as "the most obvious indication of poor performance". The Committee recognises the significant achievements in relation to waiting lists recently, although realised at considerable cost, and will continue to take a close interest in how the Department uses its resources and tackles inefficiencies.

20. Professor Appleby also concluded that even when services are more efficient more funding will be required to cope with changing demographics. The Committee notes that Professor Appleby has continued to offer comment and advice to the Department particularly in relation to the implementation of his recommendations. The Committee has therefore invited Professor Appleby to brief the members in the near future on the findings in his review and their subsequent implementation.

Infrastructure

21. The Committee notes that the Department bid for £1.1bn for infrastructure requirements over the CSR period made up of Primary and Community Care (£262m), Hospital Modernisation

(£616m), and Public Safety and Technology (£232m). The draft Investment Strategy would provide the Department with £714.5m.

22. The Committee notes the establishment of a Capital Realisation Taskforce set up by the Executive to report before the draft budget and draft Investment Strategy are finalised. The Committee believes that the disposal of any surplus assets identified by the Taskforce could provide welcome additional capital funds for investment. However, the Committee is concerned that only social housing and schools have been identified in the draft Investment Strategy as priority areas for any additional funds. The Committee believes that health should be added to those priorities and would urge that the Department be permitted to retain at least part of any additional capital funds realised from the sale of surplus assets as an added incentive.

23. The Committee notes the warning from the Health and Social Services Boards that if a capital project is postponed additional "investments to shore up a vulnerable service may be needed". The Committee also recognises that a reduction in capital assets will result in reduced capital costs outlay from the revenue budget.

New Service Developments

24. After meeting its inescapable costs the Department indicated that its top priority is implementation of the Bamford recommendations on mental health and learning disability. The Department bid for £17m, £29m and £48m across the three years. Professor Roy McClelland, who had chaired the Bamford Review and now Chairs the independent Board for Mental Health and Learning Disability, gave evidence to the Committee on his analysis of the implications of the draft budget. Professor McClelland stated that "in the long term, if an evidence based approach to mental health and learning disability is to be adopted, a doubling of investment will be required". Professor McClelland estimated that the service needed £311 million and he argued for an additional investment of around 4% or £20m each year for the next 15 years. This is more than the Department had bid for but he said that he fully supported the bid by the Department.

25. Professor McClelland expressed serious concerns about the implications for people with mental health and learning disability based on the draft budget proposals which, under the Department's indicative allocations, would mean an addition of £4m, £7m, and £18m for both mental health and learning disability over the next three years. He argued that there was "a coalescence of attitudes and minds among the professionals, the users and the carers" in support of the Bamford recommendations but that there was now a real risk that implementation could be stalled. He expressed particular concerns about the consequences in years 1 and 2. He argued that for mental health it would mean that resources would either be spread too thin to have any impact or concentred on one aspect to the detriment of other areas. He argued that the implication for learning disability was that "far fewer people will move into decent living conditions ….. They will either be in hospital or in oversubscribed long-stay institutions".

26. Professor McClelland referred to the position in England where the Government has "committed to the provision of 10,000 therapists in primary care over the next year. We need a similar model in Northern Ireland." He proposed that if an additional £4m could be provided each year, that is, £4m, £8m, and £12m, over and above the indicative outcome of the draft budget "we could transform primary care and lower the level of secondary care". He argued that this was based on "a crucial and hard-nosed economic argument and we have an evidence base with which to demonstrate it".

27. Professor McClelland also referred to his understanding of an additional £1m, £2m, and £4m, proposed in the budget for mental health promotion and suicide prevention but he believed this could be completely used up through extending the current pilot helpline throughout Northern

Ireland. He said “a proper crisis service and adolescence service will be needed to back up the helpline, and there is no money in the budget for that”.

28. The representatives of Boards expressed a ‘sense of disappointment’ with the draft budget outcome and argued that more needs to be done. They stated “we must invest more in mental health services, further develop childcare services and procedures, continue to provide services for the sick and most vulnerable, ensure that services keep pace with advances in medical technology, and ensure that high quality services are supported by modern infrastructures”. They pointed out that, for example, the older population will increase by 30,000 over the next three year period and this will increase pressure on health and social care services. The Boards said that reforming and modernising will improve efficiency but it has to be accepted that “not all demands or needs can be met”.

29. The Chief Medical Officer in evidence to the Committee highlighted his concerns about the impact on patients if the draft budget remains at the same level. He pointed to significant health inequalities between those living in the most deprived areas compared to the Northern Ireland average and identified health problems prevalent in those areas including childhood obesity; high numbers of smokers; alcohol and drug use, including binge drinking and underage drinking; and sexual health and teenage pregnancy. He said “The stark reality is that people who live in the most deprived areas are three times more likely to die before the age of 75. The draft Budget, if accepted, will present us with significant problems, particularly in those communities that are hard to reach. Years 1 and 2 will be particularly challenging.”

30. The Chief Medical Officer also highlighted the impact of three other programmes which he said would not be able to be taken forward. He said that 40,000 to 45,000 women over 64 years would not benefit from the breast screening programme until 2010; 13-17 year old girls will not benefit from the catch-up programme for HPV vaccine to prevent cervical cancer; and there will be a delay in offering a bowel cancer screening programme for people aged 60 to 69 years whereas Scotland already offers bowel cancer screening between 50 and 74 years.

31. The Committee remains strongly supportive of the need to address the issues identified in the Bamford recommendations. However, it recognises the potential difficulty in providing adequate services particularly in years 1 and 2 and welcomes the compromise proposal by Professor McClelland that, given some additional resources, would provide additional therapists in primary care. The Committee believes it would be helpful if this money allocated for mental health could be ring fenced. The Committee would also wish to explore ways of ensuring that other important service developments identified in the Department’s bids, such as breast and bowel screening, can be taken forward.

Draft Budget Allocation

32. The Committee notes that the outcome of the Comprehensive Spending Review for Northern Ireland represents an average annual growth of 1.2% in real terms and that this will mean a much reduced level of spending compared to recent years. The Committee accepts the view of the Executive that growing the economy will be the top priority over the lifetime of the Programme for Government but is also conscious that building a strong economy will require a healthy workforce.

33. The Committee noted the argument by the Department that “Expenditure in Northern Ireland today is over £300m less than it should be if allocated on the basis of need indices fully agreed with DFP”. The Boards supported this assessment and stated “all commentators agree that the budgetary provision over the next three years, compared with that for England, will increase the funding gap by a further £300 million, simply based on applying the difference between real term funding increases of 1.1% in Northern Ireland and 3.7% in England”. The

Department also argued that expenditure in England is 35% higher on children's social needs despite the higher needs in Northern Ireland. It also argued that expenditure on mental health and learning disability per head is 34% lower than in England when adjusted to reflect need.

34. The Committee accepts that the outcome for DHSSPS in the draft Budget, even allowing for any increased efficiencies above the required 3%, will not enable the Department to implement the much needed new service developments in the Department's bids and recognises the particular pressures that the Department will face in years 1 and 2. The Committee fully recognises the need for additional funding on health and social care. However, it also recognises that all departments are facing significant economic pressures and would not wish to impact on the indicative budgets of other departments set out in the draft budget.

35. The Committee puts forward the following proposal for consideration as a way of providing some additional resources to tackle very real and pressing needs in health and social care. With the rapid growth in public expenditure in recent years there has been a growing problem of year-end underspend. The amount underspent across all departments in 2005-06 was £138.7m and in 2006-07 £155m. The Committee notes that successive administrations have used the mechanism of planned over-commitment to reduce levels of year-end underspend. This enables some additional allocations to be made in anticipation of in-year reduced spending. The Committee understands that the level of planned over-commitment is about £153m in the current year and notes the proposal in the budget to reduce this level to £100m, £80m, and £60m respectively over the period. One suggestion which emerged from the Committee is that the rate of reduction in over-commitment be slowed down in years 1 and 2 to perhaps £125m and £100m respectively and believes that this potential additional allocation would make a very significant impact on health and social care provision, particularly in relation to mental health and learning disability services.

36. The Committee appreciates the argument in the draft budget that a high level of over-commitment will reduce the Executive's flexibility to provide for contingencies and respond to emergencies during the year. However, if in the event the funding is not required it would be allocated to Departments during in-year monitoring rounds. The Committee suggests that the proposed level of over-commitment would still allow an element for contingencies and strongly believes that it is much more efficient if resources for service developments can be identified before the start of the financial year to allow time to prepare and develop new services.

37. The Committee would put forward the view that the Barnett consequentials of any in-year additional allocations by the Treasury for health or social care should go directly to these services in Northern Ireland.

Equality

38. The Committee believes that the impact of the draft Budget, including the impact of any efficiency measures, and the draft Investment Strategy should be subject to a rigorous equality impact assessment.

Conclusions

39. The Committee concurs with the view in the draft Budget that "one of the most significant issues facing this and future Executives will be the priority that should be given to health and social services compared to other public services". The proposal to make growing the economy the top priority, while fully recognised, will inevitably have significant implications for tackling health and social care issues over the next three years.

40. The Committee fully supported the overall proposals put forward by the Department and particularly highlighted the need to secure funding to implement the Bamford recommendations and deliver improvements in services for people with mental health and learning disabilities.

41. The Committee calls on the Minister to ensure that there is rigorous monitoring of all inescapable costs over the course of the CSR period.

42. The Committee recognises that if DHSSPS is to continue to deliver vital services it is essential that the efficiency savings are achieved in full. The Committee welcomes the unequivocal commitment by the Minister that he will deliver those efficiencies and meet the target of £343m.

43. The Committee is concerned that the full potential level of savings resulting from the RPA changes may not be achieved. The Committee has serious concerns that the ongoing delay in reaching a decision on structures to replace Boards is causing uncertainty, frustration and loss of morale among existing staff. It is also absorbing resources that could be directed to other key service developments. The Committee will continue to press the Minister to make an early decision and implement it without further delay.

44. The Committee is convinced there may still be scope for further efficiency savings above the required 3% and welcomes the plans by the Department for Finance and Personnel to establish a Performance and Efficiency Delivery Unit (PEDU) to examine the scope for higher levels of efficiency. The Committee would seek an assurance that the Department would be able to retain any additional savings achieved in this way for service development needs.

45. The Committee remains strongly supportive of the need to address the issues identified in the Bamford recommendations. However, it recognises the potential difficulty in providing adequate services particularly in years 1 and 2 and welcomes the compromise proposal by Professor McClelland that, given some additional resources, would provide additional therapists in primary care.

46. The Committee accepts that the outcome for DHSSPS in the draft Budget, even allowing for any increased efficiencies above the required 3%, will not enable the Department to implement the much needed new service developments in the Department's bids and recognises the particular pressures that the Department will face in years 1 and 2. The Committee fully recognises the need for additional funding on health and social care.

47. One suggestion which emerged from the Committee is that the rate of reduction in over-commitment be slowed down in years 1 and 2 to perhaps £125m and £100m respectively and believes that this potential additional allocation would make a very significant impact on health provision, particularly in relation to mental health and learning disability services.

Iris Robinson, MP MLA

Chairperson

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Date: 30 November 2007

Dear Mitchel

Committee response to consultation on the Executive's Draft Budget 2008-11

The Committee for the Office of the First Minister and Deputy First Minister has now completed its consideration of the implications of the draft Budget for the public services being delivered by OFMDFM. The Committee found the exercise to be very worthwhile but was restricted in its considerations by the limited time available – we comment more on this later in this response. Nevertheless, some of the preliminary performance and budget scrutiny of the OFMDFM directorates that the Committee undertook earlier in this Assembly session helped us understand many of the priorities, budgetary pressures and proposed efficiencies which OFMDFM faces.

My Committee recognises that your Committee's role in co-ordinating a response from the statutory committee's on the draft Budget is a similar role to the one which this Committee is carrying out on the draft Programme for Government and the draft Investment Strategy for Northern Ireland. The Committee for the Office of the First Minister and Deputy First Minister also recognises that if both Committees work together in relation to developing the process and documentation for future consultation, this can lead to better scrutiny by the statutory committees, the Assembly and the wider public. This will in turn provide more accountability for the delivery of public services in Northern Ireland.

This Committee believes that it is therefore prudent that our respective Committee Chairpersons and Clerks meet to discuss proposals for developing the process and documentation for future consultation which are evolving through our Committee discussions and through responses to our consultations with the other statutory committees. I would welcome your views on this proposal.

The Committee for the Office of the First Minister and Deputy First Minister's response to the draft Budget is set out below in line with the themes and issues framed by your Committee.

Yours sincerely

Danny Kennedy

Chairperson,
Committee for the Office of the First Minister and Deputy First Minister

Spending priorities

How resource and capital allocations align with Committee priorities.

The Committee discussed the proposed bids for additional resources and the proposed efficiency plans for the Office of the First Minister and Deputy First Minister at its meetings on 12 and 26 September and 3 October 2007 and forwarded its views to OFMDFM on 3 October 2007. Those priorities were:

- additional financial resources to allow the Planning Appeals Commission to recruit and deploy additional Commissioners to address the backlog in planning appeals in Northern Ireland;
- additional resources for the programme for Good Relations;
- additional funding to support the needs of victims and survivors;
- additional funding to develop a play policy for Northern Ireland;
- additional funding to take forward sustainable development in Northern Ireland; and
- additional funding to take forward the anti-poverty strategy.

The Committee is generally content with the additional resources allocated but has concerns about a number of areas in relation to these priorities and these are covered in this response under “Budget allocations”.

The Committee also welcomes the allocation of resources for taking forward the Older People’s agenda from 2009/10.

Importance of Department’s spending priorities to the Executive’s strategic and cross-cutting priorities

The Committee considers that the majority of the departmental functions and corresponding spending priorities will directly help to deliver on the Executive’s strategic and cross-cutting priorities if managed and delivered well. Several of the key functions are within the Equality and Strategy and Regeneration directorates and these have clear relationships with promoting tolerance, inclusion, health and well-being, investing to build our infrastructure and protecting and enhancing our environment and natural resources.

The Committee recommends that the Executive recognises the importance of the findings in the “Cost of Division Report” to the Executive’s strategic, cross-cutting and spending priorities.

Budget allocations

Comparison with other years

The Committee welcomes the additional resources for the Planning Appeals Commission and Water Appeals Commission which will make provision for additional full-time Commissioners. The Committee is well aware of the increasing number of appeals being lodged and the increasing backlog in the handling of appeals. Members are very concerned about the effect that this is having in relation to planning and development and the consequent impact on the Northern Ireland economy.

The Committee welcomes the additional resources for the programme areas relating to good relations and for projects to help develop children’s health, knowledge and skills. The Committee also welcomes additional resources for taking forward the wider agenda of sustainable development.

It is the view of the Committee that it is essential that the work to deliver cross-cutting strategies to tackle poverty, social exclusion and deprivation and to improve the sustainability of development are properly resourced and effectively led and managed. To that end the Committee wil be seeking robust arrangements for the delivery of cross-cutting priorities and will also be seeking clear identification of resources being used to address these priorities.

The Committee does have concerns about the timing of additional budget allocations in relation to victims and survivors, older people, children and young people and good relations, which may imply delays in delivering in these areas.

Evidence based arguments for additions

The Committee has concerns about the additional resources allocated to tackling poverty and will consider this matter further during its Inquiry into Child Poverty.

Transfers between programmes

The Committee is seeking further information on what controls there were in place when the resources in the Integrated Development Fund were transferred from OFMDFM in the 2007/08 financial year. The Committee will be seeking assurances that in future when transfers of funding between departments take place, that mechanisms, which are fit for purpose, are in place to ensure that proper delivery of these programmes take place within deadlines.

The Committee recognises that there is Department of Finance and Personnel guidance regarding reallocation of funding to other programmes within the departmental remit. The Committee sees many of the OFMDFM programmes as high priority, cross-cutting and making a major contribution to achievement of the Executive's over-arching aim, it does not therefore feel it necessary to depart from the indicative budgets.

In the longer term, the Committee considers that any significant resources identified as additional and/or surplus to in-year budgets should feature in quarterly monitoring rounds for reallocation. The Committee will of course consider each bid/surrender in its own merit.

Budget reductions and efficiencies

Impact of reductions and mitigating circumstances

The Committee recognises the need for reprioritisation and for OFMDFM to deliver efficiency savings. The Committee therefore accepts OFMDFM's proposals for real-term reductions and efficiency savings in a number of administrative and support functions. The Committee does, however, have some concerns about the potential impact of reductions and proposed efficiencies on front-line programme areas relating to equality, economic policy, the Office in Brussels and the Commissioner for Children and Young People and is seeking further information on the impact of these reductions.

Extent to which efficiency plan is achievable and risk of major detrimental effect on delivery

The Committee has concerns in relation to efficiencies identified by OFMDFM in the Northern Ireland Bureau which appear to be based on the assumption that the officers in post do not and will not have dependants over the Spending Review period. The Committee believes that although the amount of resources is not significantly high, it depends on the circumstances of the person in post and therefore cannot be relied upon as an area for efficiency.

Opportunities for more cash releasing efficiencies, opportunities to raise revenue, disposal of assets

No comments.

Budget information and process

Proposals for improving quality and relevance of financial and performance indication in draft Budget

From a departmental perspective, the draft Budget document allows the departments to outline the key issues and challenges they face in the budget period and beyond. It also discusses what the budget allocations will help the departments achieve and there is evidence that there are some timeframes against which performance can be measured. However, much of what is stated here is a continuation of existing services under what may be considered existing policies and programmes. It is recognised that there are a number of new interventions by the Executive within these statements and that these are more clearly identifiable in the lower level Public Service Agreements, but there is the potential to undersell the new interventions by assuming that these documents will be read in tandem.

The Committee for the Office of the First Minister and Deputy First Minister recommends that the Minister of Finance and Personnel considers providing clearer indication of the new interventions in his high level document in each departmental section.

The Committee recommends that more indications of timings are provided, where appropriate.

Proposals for improving future process

Consultations on the Programme for Government (PfG), Investment Strategy Northern Ireland (ISNI) and Budget were launched in the Assembly on Thursday 25 October 2007 by the First Minister and deputy First Minister and the Minister for Finance and Personnel and began an 8 week consultation period. It must be noted that the launch of these consultations on this date meant that the consultation period would cover three weeks when the Assembly is in Christmas recess. However, it is also recognised that the launch of the consultation was hindered by the late announcement of the result of the Comprehensive Spending Review by the Chancellor of the Exchequer which confirmed the available resources in the Northern Ireland Block.

The Committee for the Office of the First Minister and Deputy First Minister and the Committee for Finance and Personnel agreed to co-ordinate responses to the consultations from the Assembly's statutory committees. Due to the imminent Christmas recess period it was therefore necessary for Committees to carry out consultation with their respective departments and to respond to the two Committees by 28 November 2007. This further curtailed the statutory committees' ability to consider the implications of the proposals contained in the PfG, ISNI and Budget documents.

The Committee for the Office of the First Minister and Deputy First Minister recommends that the Minister of Finance and Personnel and the Executive examine the schedule for future consultations on Programme for Government, Investment Strategy and Budget with a view to maximising the capacity for statutory committees to fulfil their statutory roles to advise Ministers on departmental budgets.

Specifically, the Committee for the Office of the First Minister and Deputy First Minister asks that following consultation with his Executive colleagues, the Minister for Finance and Personnel provides a timetable for Budget 2008 to facilitate early consideration and engagement by statutory committees.

The Committee also recommends that the process for Budget 2008 builds into the process early production of Equality Impact Assessments for in-depth consideration by Committees.

Committee for Regional Development

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28 November 2007

Dear Mitchel,

1. Following Committee consideration of the draft Budget at its meetings of 7 November, 14 November and 21 November 2007, the Committee would make the following response to the request by the Committee for Finance and Personnel for committee views.

2. The Committee agreed an outline approach to its scrutiny and consideration of the draft Budget 2007, draft PfG and draft ISNI at its meeting of 24 October 2007. This approach involved receipt of oral and written briefing from Departmental officials on 7 November 2007. Following this, the Committee sought oral and written evidence from the following stakeholder groups.

- Quarry Products Association (QPA)
- Inclusive Mobility and Transport Advisory Group (IMTAC)
- Help the Aged / Age Concern
- Northern Ireland Council for Voluntary Action (NICVA)
- Economic Research Institute of Northern Ireland (ERINI)
- Irish Congress of Trade Unions (NIC ICTU)
- Federation of Small Businesses (FSB)
- Confederation of British Industry (CBI)

3. With the exception of ERINI and NIC ICTU, all of the stakeholders above submitted written and oral briefing to the Committee. A summary of the main points raised by stakeholders in evidence is contained at Annex A to this paper.

4. Following stakeholder briefings, the Committee had a meeting to discuss its emerging views with the Minister on 20 November 2007. Stakeholder views, together with written and oral briefing from Departmental officials and engagement with the Minister on 20 November 2007 formed the basis for the Committee for Regional Development's response which follows.

Key points arising from the Committee for Regional Development's consideration of the draft Budget 2007

5. Traditionally Committees complain that budget allocations for their Departments are too low, and they will tend to support their Departments' calls for additional resources. In the case of the Department for Regional Development, the Committee is of the view that, objectively, the allocations for the Department for Regional Development in Budget 2007 are insufficient to meet the infrastructure, economic, social and environmental needs of Northern Ireland. For example, spending per capita on transport in Northern Ireland is £65 below spending per capita in England in the year 2005-06, and this against a backdrop of a more dispersed, lower density pattern of settlement. In addition, structural maintenance funding is £125m below the level identified in the Structural Funding Maintenance Plan, and the legacy of under-investment in water and sewerage services in Northern Ireland has been demonstrated in the Strand One report by the Independent Water Review Panel, published in October of this year.

6. The Committee for Regional Development's comments will address the following key points in relation to the Budget 2007 allocations to the Department for Regional Development (DRD):

- Funding for structural maintenance must be adequate, transparent and secure;
- Investment in roads and public transport infrastructure is essential to the social and economic well being of all of Northern Ireland;
- Investment in public transport (buses and railways) infrastructure is essential to the social and economic well being of all of Northern Ireland;
- Infrastructure investment must be environmentally sustainable;
- Achieving planned Departmental efficiency targets must not be at the expense of essential investment, service levels or public safety;
- Decisions by the Executive on the outstanding issues in Strand One together with those in Strand Two of the Independent Review of Water should not fall to the DRD budget, but must be funded by the Executive; and
- Clarification, simplification and harmonisation of the terminology used in the draft Programme for Government, PSAs, draft Budget and the draft ISNI is needed.

Funding for roads structural maintenance must be adequate, transparent and secure.

7. Structural roads maintenance has been underfunded year on year. Although the Committee was pleased to note the slight increase, compared to recent years, in structural maintenance budget allocations, the Committee was concerned to note that the allocations of £56m, £72m and £70m for the budget period is £125m short of the circa. £110m per annum identified in the Structural Maintenance Funding Plan. The Committee is concerned about the road safety consequences of continued under-funding in this area, and the Acting Chief Executive has highlighted these risks in the most recent Roads Service Annual Report and Accounts.

8. Analysis of the bid documentation, together with briefing from the Department and discussions with the Minister, indicated that the strategy for funding structural maintenance has been to bid for 60% to 70% of the planned allocations as a high priority bid, with the balance lower down the priority list of bids. This has been done with the intention of seeking additional funding through the in-year monitoring rounds. The Department has a good record in managing capital funding with very low annual underspends in this area, and historically has been successful in bidding in this way.

9. However, the Committee is of the view that this approach is not a viable long term strategy for funding structural maintenance programmes. It is too dependent on being successful through the in-year monitoring round process. Given the pattern of year on year under-funding of structural maintenance programmes, the backlog this creates, and the outcome of the two in-year monitoring rounds so far this year [5], the Committee would call on the Minister and the Executive to recognise the value for money represented by planned structural maintenance and the public safety risks associated with continued under-funding of work in this area, by allocating adequate funding at the level identified in the Structural Maintenance Finding Plan in the final budget.

10. The Committee further recommends to the Executive and the Minister that this amount be ring-fenced and clearly identified for the period of the budget. This will allow the industry to forward plan with confidence and to invest in developing the capacity required to meet Northern Ireland's structural maintenance needs on time and budget.

Investment in roads infrastructure is essential to the social and economic well being of all of Northern Ireland.

11. Investment in roads infrastructure is essential to the social and economic wellbeing of Northern Ireland. A good quality road network is critical to improving journey times within Northern Ireland and connectivity to and from our ports and airports, facilitating business, tourism and balanced regional development. In addition, a substantial amount of our public transport is roads based and access to health and social services, employment, education and training and cultural and sporting activities depends on an adequate, sustainable, safe and effective roads network.

12. The Committee was concerned that the allocation for roads capital of £572m was significantly below the approximately £1bn 'low scenario' bid for in the draft ISNI. The current allocation would allow for the opening of the M1 / Westlink and M2 upgrades in 2009, the dualling of the A4 form Dungannon to Ballygawley and the completion of dualling the main route from Belfast to Dublin (opening of the A1 Beechhill to Cloghogue in 2010).

13. However, it is likely that the roads allocations would necessitate the deferral of some key schemes such as the A6 Castledawson to Toome dual carriageway and the A2 Maydown to City of Derry Airport. Spending on local transport and safety measures, bridge strengthening, carriageways widening and major works on local roads would all have to be less than envisaged over the 3 years to 2010/11. The Committee also expressed concern that a number of bypasses needed to improve traffic flow and air, noise and environment quality in towns may not now progress.

14. The Committee calls on the Executive and the Minister to review the roads allocation in light of the importance of connectivity and free following roads network to continued economic development in Northern Ireland.

Investment in public transport (buses and railways) infrastructure is essential to the social and economic well being of all of Northern Ireland.

15. Like roads infrastructure, a good quality, integrated network of bus and rail transport services is key to underpinning economic development, and access to education, employment, leisure and social services. Investment in public transport also brings environmental benefits, in the form of reduced carbon emissions, landscape, air and noise pollution.

16. Investment in buses and trains in recent years has made public transport a more attractive option, and helped generate increased passenger journeys. Evidence from DRD has demonstrated that investment does not have to be in bus or rail; recent investment in bus and rail in Belfast and Londonderrry has resulted in increased passenger numbers on both modes of transport.

17. Of the £426.5m capital bid for, only £196m was allocated in the draft Budget; £137m for rail, £45m for buses, £12m for rapid transport, and £1.2m for improved ferry services to Rathlin Island. The Committee noted the split in rail funding for new rolling stock and rail and track works.

18. Recent research has indicated that Northern Ireland's railway expenditure remained almost stagnant between 2001/02 and 2004/05, with a substantial leap following in 2005/06 (expected to continue in 2006/07). In the other three regions the rate of growth remained constant until 2006/06 when all three experienced a slight decline. Total expenditure on rail in England is over 10 times greater than Wales, the region closest to it terms of spend. [6]

Ranked by total expenditure the four regions perform as follows:

1. England - £16,994 million

2. Wales - £1,371 million

3. Scotland - £1,157 million

4. Northern Ireland - £ 28 million [7]

In terms of per capita rankings, the following results are evident:

1. Wales – c£463.18

2. England – c£335.19

3. Scotland - c£226.86

4. Northern Ireland – c£16.47 [8]

19. There have been persistent shortfalls in annual spending allocations for capital investment in the public transport infrastructure. The Committee calls on the Executive and the Minister to address the failures of the past and to invest in public transport. Failure to address this historic under investment, and to adequately resource public transport will have an adverse effect on the environment, exacerbate social exclusion, and may jeopardise the recent and much welcome positive economic growth.

20. In addition to the general public transport needs outlined above, the Committee has some particular concerns, as outlined below.

21. The Belfast to Derry/Londonderry rail line is a cause of significant concern to the Committee. Members have met with both Into the West and Northern Corridor Railway Group and heard evidence of public safety issues and speed restrictions as low as 10mph on stretches of track. Despite this, passenger journeys on this line have reached the 1 million mark. The Committee is concerned that these issues have remained unaddressed in the past, and are pleased to note that although there is no provision for the capital works within the current Budget, there is provision for preparatory works. However, it was concerned to note that applications for funding from EU sources could not proceed until the project was in place.

22. Having championed the cause of women's access to concessionary fares at age 60 years, the Committee welcomed the draft Budget provision for the extension of the concessionary fares scheme to all those over 60 years. However, it was concerned to note that that those bids for the extension of full concessionary fares to people with a disability; concessionary half fares to 16-17 year olds; reduced fares to people using rural transport services; and concessionary travel to those returning to work after a period of long term unemployment were unsuccessful.

23. Age Concern and Help the Aged, and IMTAC provided evidence to the Committee on the differential patterns of urban and rural use of the senior SmartPass and the barriers to those with disabilities posed by the limitation of the concession to single journey tickets. The Committee recognises these issues as significant barriers to those with disabilities, especially those in rural areas, and is keen to pursue this issue, with stakeholders, in its forward work programme.

24. The Committee was particularly concerned to note that the bid to provide hourly bus services in 29 towns and 35 villages was unsuccessful. The issue of access to public transport in rural areas is one of social inclusion as well as access to education, and employment. The Committee is of the view that adequately funded rural transport measures, developed in partnership with local communities, local councils and Translink is the best way forward in tackling this problem.

25. The Committee noted that the NILGOS bid to cover additional bus and rail pension contributions was unmet at the draft Budget. It is concerned that the options to cover this shortfall - increasing fares or reducing services – will both have negative consequences in terms of social exclusion, environmental damage and economic development.

Infrastructure investment must be environmentally sustainable.

26. The Committee noted with some concern that, although the PfG includes the priority Protect and enhance Northern Ireland's environment and natural resources, which it welcomes, there is little evidence of the radical rethinking of policies needed to deliver the 60%-80% reduction in carbon emissions by 2050 identified by the Prime Minister in his speech on 19 November 2007. The DRD allocation does not appear to reflect the need to address this in any immediate way. The ISNI Measure Investment Proposals make substantial reference to the environmental impact of differing forms of infrastructure investment; however it is not clear to the Committee that this has been followed through to the Budget and ISNI 2 allocation stage. For example, there has been a successful bid for 200 new buses in the draft Budget, which the Committee welcomes, however it could have been stipulated that these were hybrid / alternative fuel / low emission vehicles. The Committee notes that the average fleet age of buses (combined) is similar to that in England, Scotland and Wales, and for Metro services, the bus fleet age is approximately 3 years younger than those in England, Scotland and Wales.[9]

27. On a related issue, PSA 22 Protecting our environment and reducing our carbon footprint does not contain a DRD objective to deliver this PSA. Given the impact of public and private transport on levels of carbon emissions, air, environment and noise pollution, it is worrying to the Committee that the role of DRD in this area has not been recognised.

Achieving planned Departmental efficiency targets must not be at the expense of essential investment, service levels or public safety.

28. The Departmental briefing received by the Committee indicated that the Department is finalising plans to deliver efficiency savings of £22m, £44m and £65m over the period of the Budget. Of these efficiency savings, £0.8m, £3.1m and £5.4m must be Admin cost reductions in the Department's DEL baseline. The Department provided the following table setting out in some detail the categories within which it aims to deliver efficiency related reductions at this stage. These are in addition to those that will be necessary in corporate service functions as a result of implementing the corporate reform programme.

Efficiency Delivery Plan - Categories	**2008/09 £'000**	**2009/10 £'000**	**2010/11 £'000**
Overall DRD Efficiencies	**22,463**	**44,250**	**65,384**
Water Efficiencies - to be incorporated within the NIW subsidy requirement	**9,014**	**17,758**	**26,239**
Remaining DRD Efficiencies	**13,449**	**26,492**	**39,145**
Of which Admin Efficiencies	**830**	**3,130**	**5,366**
Generation of additional income	3,494	3,952	4,412
Reduction in capital budget for plant / depot additions / refurbishment	2,500	2,500	2,500
Other Capital efficiencies	2,600	8,000	7,790
Reductions in rail / bus capital	1,100	5,950	4,500
NITHC Asset Disposals	0	0	11,600
Core Costs	475	510	527
Bus route subsidy	2,450	2,450	2,450
Subtotal	12,619	23,362	33,779
Service Delivery Efficiencies (Admin)	830	2,995	5,099
Reductions in Core Costs (Admin)	0	135	267
Admin Subtotal	830	3,130	5,366
Total	13,449	26,492	39,145

29. Although the narrative accompanying this table states that the Department would not anticipate service levels and operating capacity to be adversely affected by the planned efficiency measures, the Committee has some concerns in relation to the following issue.

30. The impact of the removal of the bus route subsidy is dependent on the extent to which Translink will reduce services, which is still uncertain. The Department states that it will be trying to ensure that services are maintained and that the efficiencies should be managed by generating additional income or better cost management with Translink. Taken together with the unmet bid for additional bus and rail NILGOS pension contributions, this pressure will be difficult to manage.

31. The Committee is of the view that the promotion of social inclusion, particularly in rural areas, and the positive environmental benefits of increased public transport use must be factored into any decisions to achieve efficiency targets through service reduction.

32. The Committee also heard from the Department that no Admin bids were met at draft budget stage. The Department has identified some £6.0m, £8.6m and £11.8m in Admin pressures over the budget period. These arise in areas such as roads infrastructure investment,

rapid transit, public transport reform, trust ports governance and legislation, sustainable development and rail safety legislation. The Department is of the view that these pressures, together with absorbing the negotiated pay award and meeting the efficiency targets outlined above, in the absence of new funding, would inevitably impact on services and require DRD to reduce the number of funded posts in the Department.

33. The Committee understands that DFP has indicated that it would consider applications to switch Resource cover to meet Admin pressures, and in line with this, the Department has identified potential cover from Other Resources, in the amount of £0.4m, £1.4m and £3.4m over the budget period, which could go some way towards meeting the Admin pressures it faces.

34. However, this still leaves the Department with uncovered Admin pressures of £5.6m, £7.2m and £8.4m. The Committee supports the Department's Admin bids, and is of the view that failure to provide adequate Admin cover for the development of capital projects will adversely impact on the Department's ability to deliver on its planned infrastructure investment, and its legislative and reform programmes.

Decisions by the Executive on the outstanding issues in Strand One together with those in Strand Two of the Independent Review of Water should not fall to the DRD budget but be funded by the Executive.

35. Water reform issues were identified by Members as a top priority for the Committee as early as May 2007, and since that time the Committee has enjoyed a constructive engagement with the Department and the Independent Water Review Panel on the ongoing Executive Review of Water and Sewerage Services. As the recent Committee sponsored debate on the Independent Panel's Strand One report illustrated, the Committee's view has much in common with the Executive's response to this report. There are a number of issues on which the Executive has reserved its opinion, pending receipt of additional information and research. Of particular concern to the Committee are those issues which could have financial consequences for the Departmental budget. Those arising from Strand One which most clearly relate to the Departmental budget include:

a. The level of efficiency targets and the achievability of same;

b. The funding of roads drainage;

c. The partial waiver of the dividend; and

d. The affordability tariff.

36. Any costs arising from the Executive's decisions on the outstanding Strand One issues, together with the Strand Two issues yet to be addressed, including decisions on enhanced affordability arrangements and any costs arising from proposed changes to the governance and accountability arrangements, must in the view of the Committee, be accompanied by budgetary cover where responsibility and costs fall to the Department for Regional Development.

37. The Committee heard from the Minister that the Executive has agreed to deal with the financial implications of its decisions on the recommendations of the review, and welcomes this approach. The Committee is strongly supportive of the view that the Department for Regional Development should not have to find from within its existing budget, funding to cover roads drainage and any other costs arising from decisions taken by the Executive.

Clarification, simplification and harmonisation of the terminology used in the draft Programme for Government, PSAs, draft Budget and the draft ISNI is needed.

38. The Committee understands that, because of the timing of restoration, the Programme for Government, ISNI and Budget process for this year has been somewhat shorter than normal. However, it is the view of the Committee that the time scale this year was too short to allow sufficient time for Committee consideration and the Assembly process.

39. The Committee would like to see clarification, simplification and harmonisation of the terminology used in the Programme for Government, the Investment Strategy, and the Budget.

40. Within the Programme for Government there is one overarching aim, five strategic and interrelated priorities of which one is the top priority, two cross-cutting themes and 38 goals, in addition to 23 PSAs, encompassing 95 objectives above a myriad of actions and targets.

41. Within the Investment Strategy, which it states shares the overarching aim of the Programme for Government, there are six investment pillars encompassing 23 sub-pillars.

42. Within the Budget, each department's DEL is split between capital and investment, which are delineated into objectives labelled by a letter rather than an activity, although they should align with the Department's objectives, and below that into spending areas. The spending areas align closely with the sub-pillars of the Investment Strategy because of the relationship between the capital budget and the ISNI. However the departmental objectives used to organise the Budget are at a different level to the objectives used in the PSAs and differ again from the PSAs themselves.

43. The Committee is of the view that aligning the PSAs more closely with the Budget documents (Departmental objectives and spending areas) would allow Committees to assess what their Department is to achieve with the funding allocated to it, which would in turn enhance ongoing Committee scrutiny.

44. There is also the question of the hierarchy and relationship between the PSA objectives and targets in the PSA annex to the PfG, and the key goals listed in the PfG. This is not clear, nor is it clear that when a commitment is given to monitoring and reporting on progress, what exactly is to be monitored and reported on.

45. It is the view of the Committee that the Departmental Position Report and Executive Position Report stages of the budget process under the previous Assembly provided useful and timely information to Committees and should be considered for inclusion in the process for next year. In addition to the alignment of budget allocations to priorities and actions, the publication of an annual report illustrating both spend and delivery would begin to provide the information needed by Committees and the Assembly to discharge their scrutiny and advisory functions.

46. On behalf of the Committee for Regional Development, I wish to thank you and the Committee for Finance and Personnel for your co-ordination work on the draft Budget. I am forwarding a copy of this letter to the Minister for Regional Development.

Yours sincerely,

Fred Cobain

Chairperson
Committee for Regional Development

Annex A

The Committee for Regional Development timetable for consideration of the draft PfG, draft ISNI and draft Budget 2007

47. The table below summarises the approach taken by the Regional Development Committee to its scrutiny of the Departmental allocations, actions and targets in the draft PfG, draft Budget 2007 and draft ISNI

Wednesday 7 November 2007	Briefing from officials on draft budget, draft ISNI and draft PfG
Wednesday 14 November 2007	Briefing on Research & Library Services paper on the draft budget Stakeholder views ▪ Quarry Products Association ▪ Inclusive Mobility and Transport Advisory Group IMTAC ▪ Help the Aged / Age Concern ▪ Northern Ireland Council for Voluntary Action ▪ Federation of Small Businesses ▪ Confederation of British Industry
* Tuesday 20 November 2007	Meeting with the Minister for Regional Development
Wednesday 21 November 2007	Consideration of an outline Committee response to the draft PfG, draft ISNI and Budget 2007.
26 & 27 November 2007	Take note debates on the draft PfG, draft ISNI and draft budget
28 November 2007	Regional Development Committee response to the Committee for the Office of the First Minister and Deputy First Minister on the draft PfG and draft ISNI, and to the Committee for Finance and Personnel on the draft Budget 2007.

48. In addition to the above, ICTU and ERINI were invited to submit oral and written evidence but declined due to the timescale.

49. The reader may wish to note that this approach to scrutiny was agreed at the Committee meeting of 24 October 2007, however the meeting with the Minster scheduled for 20 November 2007 was agreed at the meeting of 7 November 2007.

Summary of issues raised by stakeholders:

50. The following are some of the issues raised by stakeholders in written and oral submissions at the meeting of 17 November 2007. In the coming weeks, the official report transcript of these sessions, together with copies of written submissions, will be published on the Committee for Regional Development's web page.

Help the Aged and Age Concern

- PfG was shorter than pervious documents, and would have welcomed more detail.

- Neither the Budget nor PfG address the longer term demographic challenges and opportunities facing Northern Ireland and the Executive need to look at the practicalities of what is needed in terms of investment and infrastructure for an ageing population.
- Both organisations were disappointed that the priorities in the PfG were not more closely related to those in the Comprehensive Spending Review, and that anti-poverty is no longer a priority as 1 in 5 older people live in poverty, and that “a shared future” is now “a better future”. Would like to see a stronger commitment to social inclusion.
- They welcomed the proposal to extend free travel to all those over 60 years, but would like to see fuller consultation on the concessionary fares scheme with a full impact analysis.
- Would like to see adequately resourced community transport schemes, taking account of those with a disability.
- Would like to see fuller consideration of differences in usage patterns between urban and rural SmartPass holders, and how the package to combat rural social exclusion and poverty in the PfG will deliver and directly impact on older people.
- In the context of water reforms, both organisations reiterate the importance of developing affordability and protection mechanisms for all those in poverty or on low incomes, including pensioner households.

IMTAC

- IMTAC welcomed the proposal to extend free travel to all those over 60 years.
- However, it also highlighted the disparities in treatment between some disabled people and other disabled people and between disabled people and older people in the application of concessionary fares schemes.
- Another issue for IMTAC was the differential treatment of people with disabilities in Northern Ireland when compared to people with disabilities in England, Scotland and Wales and the Republic of Ireland, and what they state is the greater benefit experienced by those living in urban areas from the concessionary fares scheme.
- IMTAC suggests that a rural transport taskforce be established to identify a means to address the inadequacies of rural transport.
- The Committee heard that as the half fare concession is only available on single journeys this can place an onerous burden on those with disabilities, and in some instances special offers provide greater benefit than a half fare concession on a single journey basis.
- IMTAC welcomed the additional investment proposed in new rolling stock, buses and coaches, and the proposals for rapid transit for Belfast, highlighting the need to ensure that accessibility is built into any new public transport initiatives.

FSB

- FSB broadly welcomed the proposals and ambitions set out in the PfG and draft Budget.
- The clear link between infrastructure investment and economic development should be at the forefront of the Budget allocations. FSB welcomed plans to progress rapid transport in Belfast as a positive contribution to tourism and business in Belfast. FSB also stressed the importance of balanced regional development, and the negative consequences for small businesses of any congestion charging or road pricing schemes.

- FSB urge delivery on the proposals contained in the Budget and PfG and that any savings identified within DRD should be ring-fenced and retained within the Department for other infrastructure projects.

QPA

- QPA expressed their disappointment that only £572 m of the original £1bn bid in the draft ISNI and draft Budget was successful.
- QPA also has some concerns that the unsettled questions arising from the water review, on roads drainage Budget, a partial waiver on the dividend, and the level and achievability of opex efficiency targets will have a negative impact on the structural maintenance and roads budgets.
- QPA suggests ring fencing and index linking a rolling 3 year budget for structural maintenance in the order of £110m per annum, and prioritising value for money by focusing on resurfacing activities.
- In addition, it suggests that DRD be more aggressive in highlighting the importance of network maintenance, and reduces the dependence on successful in-year monitoring bids to adequately fund structural maintenance activities.

CBI

- CBI welcome the commitment to and investment in infrastructure, in particular the strategic road network, and encourage rapid delivery on these projects. CBI expresses particular support for the A5 Western Corridor and the A8 Belfast Larne schemes.
- CBI also welcome future investment in water and waste water treatment, rapid transit schemes and free transport for those over 60 years, although the impact of free travel on peak time demand was raised. The omission of a further extension of the concessionary fares to persons returning to work after a long period of unemployment was noted with concern by CBI.
- CBI question whether the proposed investment levels are sufficient to deliver significant improvement in journey times, which CBI sees as essential in improving Northern Ireland's connectivity.
- CBI is disappointed to see that the M2 to A6 Castledawson scheme is not proceeding because of Budget restrictions and would suggest that this is a higher priority than the works to the Coleraine to Derry/Londonderry rail track relay. CBI is also disappointed that there are no firm commitments / milestones for improvements to the Dublin Belfast Enterprise service.
- CBI supports the creation of five year ring-fenced budgets for structural maintenance to the levels envisaged in the Regional Transportation Strategy.
- Additional investment in Metro services is welcomed and CBI will be consulting their members on demand for services after 23:00 hours and to key employment locations.
- CBI broadly welcomes the proposals in the draft ISNI, in particular, the commitment to produce delivery plans for each area and the recognition that co-operation with the Republic of Ireland, especially in border areas, will help deliver more balanced regional development.

NICVA

- NICVA reiterates its position that economic development and social inclusion are not competing agendas.

- It is NICVA's view that the draft ISNI is attempting to bring together the social and economic agendas, and looks technically reasonably sound and achievable.
- The slimness of the PfG and the short attention paid to an analysis of the challenges facing Northern Ireland, in comparison to previous years, was noted. NICVA notes that "a Shared Future" has become "a better future" with no definition of what the watchwords of fairness, inclusion and equality of opportunity might mean. NICVA is also critical of the trickledown assumptions inherent in the approach used in the PfG.
- On sustainability, NICVA highlights the imbalance between spending on roads in comparison to planned spending on public transport, the little consideration of carbon emissions in transport, and the absence of a carbon emissions target.
- NICVA is also concerned that the public sector does "not do efficiencies well", and that frontline service delivery is not negatively impacted by the planned efficiency targets.
- NICVA urges caution in the disposal of surplus assets and suggests that a task force be established to ensure that assets are disposed of in a planned and orderly manner. It notes that there is no definition of "under used assets", nor any mention of consultation on assets proposed for disposal.
- On a more general note, NICVA notes that there are little new or innovative approaches in the PfG and draft Budget, and that many of the targets are process rather than outcome focused and that some measures lack targets or have very limited targets.

  [] Bids were not commissioned in the June 2007 monitoring round, and the Department was not successful in its bids for additional structural maintenance funding in October 2007, and an additional £4.4m which could otherwise have been used for structural maintenance was used to offset the Northern Ireland Water subsidy pressures.

Committee for Social Development

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Email: committee.socialdevelopment@niassembly.gov.uk

Response to the Committee for Finance and Personnel on the Draft Budget

Spending priorities

1. The Department for Social Development contributes, either at key goal level or at Public Service Agreement Outcome level, to all of the Executive's strategic and cross-cutting priorities. The Committee is of the view that the spending priorities agreed by the Department for the 2008-2011 budget period support the Executive's strategic priorities and key plans.

Budget allocations

2. The draft Budget offers the Department for Social Development £31.7/42/59.9m across the three years in additional resource and, working from a zero base, the draft Investment Strategy offers £153.4/144.7/222.2m against bids amounting to £545.7/514.1/356.2m. In percentage

terms this falls short of the provision required by 5% (Resource) and 63% (Capital). The Committee believes that the allocations in the draft Budget are inadequate to allow the Department for Social Development to fully meet its objectives to tackle disadvantage; encourage self-sufficiency; and improve the physical, economic and social environment where people live. The Committee recognises the very tight financial constraints that currently exist, but nonetheless hopes that there will be opportunities for the Department to access additional funding to supplement its budget.

3. The Committee understands that the work of the Capital Realisation Taskforce and the Performance and Efficiency Delivery Unit will present opportunities for the Department for Social Development to access additional funding to help meet its objectives and associated targets. The Committee would hope that access to any additional funding identified will become available in the short-term.

4. The Committee had expressed particular concerns in relation to the funding allocated to housing and is reassured that social housing features in the Investment Strategy for Northern Ireland as a priority for capital return receipts. Given the current housing crisis, the Committee would strongly support the Minister for Social Development in her efforts to obtain from the Department for Finance and Personnel, an assurance that her Department will benefit from the capital return receipts from the sale of its own land and some indication of what it will receive from the land sale receipts from other departments. Money from such receipts will be vital to help meet the shortfall in the housing budget.

5. The Committee would wish to stress that the housing crisis is not just an issue for the Department for Social Development. The draft Programme for Government priority to ‘Invest to Build our Infrastructure’ has an associated key goal to invest at least £1.4bn in social and affordable housing by 2018 - this places a commitment on all Executive departments to provide the funding necessary to ensure it is met.

Budget process

6. The Committee would wish to draw your attention to the comments made by the Department for Social Development in relation to the budget process:

“Communication between the key stakeholders involved would need to be strengthened in the future to ensure greater understanding of the business of the Department and an understanding of how decisions by the Department of Finance and Personnel and the Strategic Investment Board have been taken. From the beginning of the Investment Strategy, Comprehensive Spending Review and budget process, the Department has devoted significant time and energy to provide vast amounts of information to support its bids. However, the extent to which this has informed decisions on allocation remains unclear”.

Appendix 3

Minutes of Proceedings (Extracts)

Wednesday, 19 September 2007 Room 152, Parliament Buildings

Present: Mitchel McLaughlin MLA (Chairperson)
Roy Beggs MLA

Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Jennifer McCann MLA
Adrian McQuillan MLA
Dawn Purvis MLA
Peter Weir MLA

In Attendance: Shane McAteer (Assembly Clerk)
Vivien Ireland (Assistant Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Mary Thompson (Clerical Officer)

Apologies: Mervyn Storey MLA (Deputy Chairperson)
Declan O'Loan MLA

The meeting commenced at 10.03 am in open session.

4. DFP Briefing on Draft Priorities and Budget 2007 and Comprehensive Spending Review

Agreed: that the meeting will be adjourned to allow the Committee to consider the DFP paper to accompany the briefing as it had not been received in advance of the meeting.

The Chairperson adjourned the meeting at 10.07am.

The Chairperson reconvened the meeting at 10.15am.

Mr McCann and Ms McCann joined the meeting at 10.15am.

The Committee was briefed by Chris Thompson, Director, Corporate Services Group and Jim O'Hagan, Finance Director, on the Department's preparations to date for Budget 2007 and the Comprehensive Spending Review.

Agreed: that, as the Committee had not had sufficient time to consider the Department's paper in detail, DFP officials will attend next week to respond to members' questions.

Wednesday, 26 September 2007 Room 152, Parliament Buildings

Present: Mervyn Storey MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Simon Hamilton MLA
Jennifer McCann MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Dawn Purvis MLA
Peter Weir MLA

In Attendance: Alan Patterson (Principal Clerk)
Shane McAteer (Assembly Clerk)
Vivien Ireland (Assistant Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Mary Thompson (Clerical Officer)

Apologies: Mitchel McLaughlin MLA (Chairperson)
Fra McCann MLA

The meeting commenced at 10.06 am in open session.

5. Briefing from DFP on Budget 2008 and Comprehensive Spending Review

Members were briefed at last week's meeting on the DFP's position in respect of the Comprehensive Spending Review and the Draft Priorities and Budget 2007. Officials were invited back to this week's meeting to answer Committee questions.

The Committee was given a recap of last week's presentation by Jim O'Hagan, Finance Director and Deborah O'Neilly, Assistant Finance Director.

Agreed: that further requests for information will be sent to DFP for a written response.

Wednesday, 7 November 2007 Room 152, Parliament Buildings

Present: Mitchel McLaughlin MLA (Chairperson)
Mervyn Storey MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Peter Weir MLA

In Attendance: Shane McAteer (Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Mary Thompson (Clerical Officer)

Apologies: Jennifer McCann MLA
Dawn Purvis MLA

The meeting commenced at 10.05 am in open session.

4. Evidence Session on Northern Ireland Civil Service Reform

The Committee received oral and written evidence on the NICS Reform programme from Bruce Robinson, Permanent Secretary, and Emma Wilson, Corporate Services Group, DFP. The session was recorded by Hansard.

Officials agreed to provide further analysis of progress to date against the target for a headcount reduction in the NICS.

Mr Storey joined the meeting at 10.55 am.

Agreed: that any further issues which the Committee wished to raise would be forwarded to officials for a written response.

Wednesday, 14 November 2007 Senate Chamber, Parliament Buildings

Present: Mitchel McLaughlin MLA (Chairperson)
Mervyn Storey MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Jennifer McCann MLA
Declan O'Loan MLA
Peter Weir MLA

In Attendance: Shane McAteer (Assembly Clerk)
Vivien Ireland (Assistant Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Mary Thompson (Clerical Officer)

Apologies:
Adrian McQuillan MLA
Dawn Purvis MLA

The meeting commenced at 10.05 am in open session.

4. DFP Ministerial Evidence Session on Executive's Draft Budget

The Committee received oral evidence on the Executive's Draft Budget from the Minister of Finance and Personnel, Rt Hon Peter D Robinson, MP, MLA; Leo O'Reilly, Second Permanent Secretary, DFP and Paul Montgomery, Central Expenditure Division, DFP. The session was recorded by Hansard.

Mr Storey left the meeting at 11.00 am.
Mr Storey joined the meeting at 11.12 am.

Members noted that a briefing from DFP officials on strategic budget issues had been scheduled for the next meeting and subsequent briefings on the work of both the proposed Performance and Efficiency Delivery Unit and the Capital Realisation Taskforce were currently being arranged.

5. DFP Evidence Session on the Department's Draft Budget and its contribution to the draft Programme for Government and Investment Strategy for Northern Ireland.

The Committee received oral and written evidence from Jim O'Hagan, Finance Director, DFP and Deborah McNeilly, Assistant Finance Director, DFP. The session was recorded by Hansard.

Mr Weir left the meeting at 11.34 am.
Mr O'Loan left the meeting at 11.45 am.
Dr Farry left the meeting at 11.50 am.
Mr Weir joined the meeting at 12.00 pm.
Mr Storey left the meeting at 12.00 pm.

Agreed: that outstanding issues not covered in the evidence session will be forwarded to officials for a written response and that this will include clarification that Land and Property Services has sufficient resources to resolve the difficulties with its IT systems, especially in relation to rates relief.

7. DFP Briefing on the Report by the Economic Research Institute of Northern Ireland (ERINI) on Industrial Derating

The Committee was briefed by Brian McClure, Head of Rating Division, DFP; Victor Hewitt, Director, ERINI and Stephen Pearson, Principal Economist, DFP (seconded to ERINI).

Dr Farry joined the meeting at 12.25 pm.

Members noted correspondence from the Minister of Finance and Personnel in relation to freight transport rate relief.

The Committee considered the current 30% liability in relation to industrial derating proposed by the Minister for the next financial year, together with the conclusion in the ERINI Report that the 75% figure for freight transport rate relief should remain in place for the time being.

Agreed: that the Committee will write to the Minister indicating that it is content with both of these proposals.

Agreed: that the ERINI Report will be forwarded to the Committee for Enterprise, Trade and Investment.

Wednesday, 21 November 2007 Room 152, Parliament Buildings

Present: Mitchel McLaughlin MLA (Chairperson)
Mervyn Storey MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Simon Hamilton MLA
Jennifer McCann MLA
Adrian McQuillan MLA
Dawn Purvis MLA
Peter Weir MLA

In Attendance: Shane McAteer (Assembly Clerk)
Vivien Ireland (Assistant Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Mary Thompson (Clerical Officer)

Apologies: Fra McCann MLA
Declan O'Loan MLA

The meeting commenced at 10.04 am in open session.

4. Assembly Research Briefing on Executive Draft Budget

The Committee was briefed by Jodie Carson, Assembly Researcher on the comparative analysis of the Draft Budget 2008-11. In addition, Dr Robert Barry, Senior Assembly Researcher briefed the Committee on a recent inter-parliamentary conference held in Spain on regional fiscal powers.

Agreed: that the research papers will be copied to DFP for information.

5. Evidence Session on Strategic Budget Issues.

Agreed: that a Hansard recording will be made of today's evidence session from DFP officials on strategic budget issues.

The Committee received oral and written evidence from Leo O'Reilly, 2nd Permanent Secretary and Richard Pengelly, Head of Central Expenditure Division, DFP on the strategic and cross-cutting issues arising from the Draft Budget.

Mr McQuillan left the meeting at 10.57 am.
Mr McQuillan joined the meeting at 11.07 am.
Mr Hamilton left the meeting at 11.34 am.
Mr Beggs left the meeting at 11.45 am.
Mr Beggs joined the meeting at 11.46 am.
Mr Hamilton joined the meeting at 11.47 am.
Mr Storey left the meeting at 11.50 am.
Mr Storey joined the meeting at 11.52 am.

Agreed: that follow up questions on strategic budget issues will be sent to DFP for written response.

Wednesday, 28 November 2007 Room 152, Parliament Buildings

Present: Mitchel McLaughlin MLA (Chairperson)
Mervyn Storey MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Jennifer McCann MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Dawn Purvis MLA
Peter Weir MLA

In Attendance: Shane McAteer (Assembly Clerk)
Vivien Ireland (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Mary Thompson (Clerical Officer)

Apologies: None

The meeting commenced at 10.06 am in open session.

4. DFP Evidence Session on Performance and Efficiency Delivery Unit (PEDU)

The Committee received oral and written evidence from DFP officials: Leo O'Reilly, 2nd Permanent Secretary and Richard Pengelly, Budget Director (Acting) on the proposed PEDU, which will examine the scope for generating additional cash-releasing efficiencies and improving delivery and performance across departments.

Mr Storey left the meeting at 10.10 am.
Mr Storey returned to the meeting at 10.15 am.
Mr Farry joined the meeting at 10.18 am.
Ms McCann joined the meeting at 10.20 am.
Mr McCann joined the meeting at 10.20 am.
Ms Purvis left the meeting at 11.10 am.
Ms Purvis returned to the meeting at 11.12 am.
Mr Weir left the meeting at 11.18 am.
Mr Weir returned to the meeting at 11.21 am.
Mr Farry left the meeting at 11.47 am.
Mr Farry returned to the meeting at 12.12 pm.

Agreed: that the Chairperson and Deputy Chairperson will take up an offer by the Minister to be briefed on the composition of PEDU and will report back to the Committee.

Agreed: that any further issues which the Committee wished to raise will be forwarded to DFP officials for a written response.

5. DFP Evidence Session on Capital Realisation Taskforce

The Committee was briefed by Leo O'Reilly, 2nd Permanent Secretary, DFP and Richard Pengelly, Budget Director (Acting), DFP on the role of the Capital Realisation Taskforce, which is to examine the scope for more efficient and economically effective use of the asset base, held by departments, realising additional resources through the disposal of surplus or under utilised assets.

Agreed: that the Committee will be briefed on the interim report due from the Taskforce at the end of November or early December. It was also agreed that any further issues which the Committee wished to raise will be forwarded to DFP officials for written response.

6. DFP Evidence Session on Public Procurement Delivering Best Value for Money

The Committee was briefed by DFP officials: Leo O'Reilly, 2nd Permanent Secretary, Des Armstrong Divisional Director, Construction and Advisory, Central Procurement Directorate and Brendan O'Neill, Divisional Director, Policy Support, Central Procurement Directorate on public procurement delivering best value for money.

Agreed: that a copy of the public procurement strategic plan will be forwarded to the Committee when available.

Mr Storey left the meeting at 12.19 pm.
Mr Beggs left the meeting at 12.25 pm.
Mr O'Loan left the meeting at 12.37 pm.
Ms McCann left the meeting at 12.38 pm.

Agreed: that the DFP officials will provide a written response to a number of issues raised by the Committee.

Mr O'Loan returned to the meeting at 12.38 pm.

Members noted that DFP officials and representatives from the University of Ulster will be arranging a seminar for MLAs on public procurement and that members will be briefed again when details are confirmed.

Meeting continued in closed session at 12.39 pm.

Wednesday, 05 December 2007 Room 152, Parliament Buildings

Present: Mitchel McLaughlin MLA (Chairperson)
Mervyn Storey MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Jennifer McCann MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Dawn Purvis MLA
Peter Weir MLA

In Attendance: Shane McAteer (Assembly Clerk)
Vivien Ireland (Assistant Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Mary Thompson (Clerical Officer)

Apologies: None.

The meeting commenced at 10.03 am in open session.

4. Consideration of Working Draft of Committee Report on Draft Budget 2008-11

Agreed: that the consideration of the working draft of the Committee Report on Draft Budget 2008-11will be held in closed session, which is in line with normal practice for consideration of draft committee reports.

Members noted the responses received from eight statutory committees in respect of the Draft Budget and were advised that two responses remain outstanding from the Committee for Health, Social Services and Public Safety and the Committee for Social Development.

Agreed: that all responses from statutory committees received before going to print will be included as appendices in the report.

The Committee deliberated on the emerging conclusions and recommendations in the working draft of the Committee's report.

Agreed: that the draft report will be updated and included in members packs for formal consideration and agreement at the next meeting of the Committee on 12 December.

Members noted that DFP require the typescript version of the agreed report before Christmas recess.

Wednesday, 12 December 2007 Room 135, Parliament Buildings

Unapproved Minutes of Proceedings

Present: Mitchel McLaughlin MLA (Chairperson)
Mervyn Storey MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Adrian McQuillan MLA
Declan O'Loan MLA

In Attendance: Shane McAteer (Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Mary Thompson (Clerical Officer)

Apologies: Jennifer McCann MLA
Dawn Purvis MLA
Peter Weir MLA

4. Consideration of Committee's Draft Report on Draft Budget 2008-2011

Members noted the submission from the Committee for Social Development, which had been summarised in the draft Report. Members were informed that the Committee for Health, Social Services and Public Safety was considering its response tomorrow and will forward the submission once it is agreed. Members noted that the submission will be included as an appendix to the Committee's Report, provided it was received prior to the deadline for going to print on Wednesday 19 December.

Members noted a response from DFP to the Committee's query on Northern Ireland Civil Service headcount reductions.

Members considered the Committee's draft report on a paragraph-by-paragraph basis.

Paragraphs 1 – 5 were agreed.

Paragraphs 6 – 8 were agreed.

Paragraphs 9 – 13 were agreed.

Paragraphs 14 – 15 were agreed.

Paragraphs 16 – 18 were agreed.

Paragraph 19 was agreed.

Paragraph 20, in relation to the response from the Committee for Health, Social Services and Public Safety was agreed, subject to an amendment which had been tabled. It was also agreed to insert a subsequent paragraph to read as follows: ‘The Committee considers that the tight timetable for statutory committees to scrutinise the budget allocations of their respective departments was unfortunate. However, the Committee recognises that, on this occasion, there were particular circumstances which contributed to this situation.’

Paragraph 21 was agreed.

Paragraphs 22 – 24 were agreed.

Paragraphs 25 – 28 were agreed.

Paragraphs 29 – 34 were agreed.

Paragraphs 35 – 38 were agreed.

Paragraphs 39 – 43 were agreed.

Paragraphs 44 – 47 were agreed.

Paragraphs 48 – 53 were agreed.

Paragraphs 54 – 57 were agreed.

Paragraphs 58 – 62 were agreed.

Paragraphs 63 – 64 were agreed.

Paragraphs 65 – 66 were agreed.

Paragraphs 67 – 68 were agreed.

Paragraph 69 was agreed subject to minor amendment.

Paragraphs 70 – 74 were agreed.

Paragraphs 75 – 79 were agreed.

Paragraphs 80 – 85 were agreed.

Paragraphs 86 – 92 were agreed.

Paragraphs 93 – 97 were agreed.

Paragraphs 98 – 103 were agreed.

Paragraphs 104 – 108 were agreed.

Paragraphs 109 – 112 were agreed.

Paragraphs 113 – 116 were agreed.

Paragraphs 117 – 120 were agreed.

Paragraphs 121 – 124 were agreed.

Paragraphs 125 – 128 were agreed.

Paragraphs 129 – 131 were agreed.

Paragraphs 132 – 135 were agreed.

Paragraphs 136 – 141 were agreed.

Paragraphs 142 – 146 were agreed.

Paragraphs 147 – 150 were agreed.

Paragraph 151 was agreed, subject to the insertion of an additional sentence at the end of the paragraph to read as follows: 'The Committee also considers that there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments' bids and their outcomes being published as part of the draft Budget process.'

Paragraphs 152 – 153 were agreed.

Paragraphs 154 – 157 were agreed.

Paragraphs 158 – 161 were agreed.

Paragraphs 162 – 166 were agreed.

Paragraph 167 was agreed subject to minor amendment.

Paragraph 168 was agreed subject to an amendment to reflect DFP's clarification on the Fit for Purpose headcount reductions.

Paragraphs 169 – 173 were agreed.

Paragraphs 174 – 178 were agreed.

Paragraphs 179 – 181 were agreed.

Paragraph 182 was agreed as amended.

Paragraphs 183 – 186 were agreed.

Paragraphs 187 – 190 were agreed.

Paragraphs 191 – 194 were agreed.

Paragraphs 195 – 199 were agreed.

Paragraphs 200 – 204 were agreed.

Agreed: that the executive summary, as amended, stands part of the report.

Agreed: that the appendices stand part of the report.

Agreed: that the Report, as amended, be the Third Report of the Committee for Finance and Personnel to the Assembly for session 2007/08.

Appendix 4

Minutes of Evidence

7 November 2007

Members present for all or part of the proceedings:
Mr Mitchel McLaughlin (Chairperson)
Mr Mervyn Storey (Deputy Chairperson)
Mr Roy Beggs
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Adrian McQuillan
Mr Declan O'Loan
Mr Peter Weir

Witnesses:

Mr Bruce Robinson Ms Emma Wilson	Department of Finance and Personnel

1. The Chairperson (Mr McLaughlin): I welcome Bruce Robinson, the permanent secretary of the Department of Finance and Personnel (DFP), and Emma Wilson, of the corporate services group of DFP, to this morning's Committee meeting. The members' pack contains documents that are relevant to the evidence session, and, of course, Civil Service reform is central to the Executive's draft Budget. Consideration of that area can be included in the Committee for Finance and Personnel's report on the draft Budget.

2. Mr Bruce Robinson (Department of Finance and Personnel): Thank you, Chairperson, for your welcome. I am pleased to be back with the Committee. In our update report we have chosen not to detail individual projects — which are important — but to convey to you how crucial a piece of work we regard the reform of the Civil Service. The projects themselves have reached important stages in their implementation. Those projects and work on them are significant aspects of the Programme for Government, and, therefore, lie at the core of what the Executive want to achieve in the incoming period.

3. That has served to increase the focus that that work attracts. That is not to say that it did not attract a great deal of energy, input and effort previously, but the important contribution that the work will make to the Programme for Government doubly underlines those.

4. I want to point out a typo in our submission that escaped our proofing and for which I apologise. The final section of the penultimate bullet point, which is at the bottom of first page, should read:

“against a target of 2303 by 31 March 2008”.

5. Mr O’Loan: That is a nice coincidence.

6. Mr B Robinson: We will happily talk about each of the projects, or, if you prefer, we can respond to questions from members.

7. The Chairperson: If members are of a mind to proceed with the discussion, we will do that, and we may want further information as the session moves along.

8. Mr Weir: A headcount reduction has been mentioned. Having grown up watching ‘Yes Minister’ and ‘Yes Prime Minister’, some of us may be cynical. What assurances can you give that reducing headcounts and consequently making efficiency savings is not an exercise in playing with figures, for want of a better term? Can you assure us that people have not simply been reallocated under a different heading to make it look as though changes have been made, when, in fact, the figures have been massaged?

9. Mr B Robinson: Regarding the numbers to which I have just referred, there have been three components to the progress that we have made on that. We are actually achieving a reduction in posts. Over the past two and a half years until the end of September, the posts of approximately 650 people who were part of the total number of the Northern Ireland Civil Service have been taken out. Over the same period, some people have been redeployed to the reform projects that are in question. Approximately 400 people have been redeployed to those projects on a short-term basis. In the medium term, those posts will no longer exist; the people will remain.

10. I am sure that the Committee will appreciate that, quite simply, as we build up the capabilities to implement Account NI next month in the Office of the First Minister and deputy First Minister (OFMDFM) and DFP, people who are familiar with the new systems will be needed in the shared-service centre to work on them and be ready to take delivery of that work. Some dummy runs on that work are currently taking place. We have not been able to remove those people who are working on that task in their original Departments; to do so would create the severe risk of the systems’ not delivering. That is the reason for the overlap.

11. The timetable under the public service agreements (PSAs) refers to Account NI being fully operational by 1 April 2009. By that stage, we will have wound down the numbers of people who are in the current Departments, which will allow the shared-service centre to take on that activity. Ring-fencing the workers is a short-term, time-bound and specific measure.

12. Inevitably, in a system that has approximately 25,000 people, at any point there will be a fair number of vacancies. Those posts are funded but unfilled. We have been tightening up that system, and a significant reduction has resulted.

13. We have developed some of our work that has been outsourced to us from England. The Department for Work and Pensions (DWP) has outsourced work to the Department for Social Development (DSD), and we have seen growth in that. The Department of Agriculture and Rural Development (DARD) has taken on a small amount of work that was done previously across the water and is now done by the Agri-Food and Biosciences Institute (AFBI). Therefore, there are particular areas to which we have redeployed people. I have no doubt that the Minister will make that clear in the run-up to his speech on the acceptance of the Budget. He will want to set out not only where we have come from, but he will develop what he sees as the next stage.

14. It is difficult to do anything other than to reassure you that we have set about the task in a serious way, and we have made progress that does not involve massaging or manipulating numbers. There is no doubt that the efficiency savings that we must achieve under the comprehensive spending review (CSR) over the next Budget period are such that all the Departments know that they must examine seriously how they deliver services. Part of the solution will come through the new projects, and with much better use of technology we can eliminate exercises that are carried out manually. The next stage will be the only way that we can offer you proof of how that system is taken on board on a Department-by-Department basis.

15. Mr Weir: Your submission refers to procurement savings that have been reallocated effectively and have presumably been used in front-line services through the Budget. In addition to the procurement savings, which are part of process of creating efficiencies, have any additional efficiency savings to date been made as a result of the programme? Could you identify the scale of those? The £200 million figure is a top-line figure, but to what extent have other efficiency savings been made?

16. Mr B Robinson: To make a distinction, in the current phase we have made saved around £200 million. Between now and publication of the final Budget, Departments are working on the allocations that they will receive. A significant amount of that work has yet to come through.

17. The projects in the Civil Service reform programme are funded on the basis of value for money (VFM) savings that have been worked out on a project-by-project basis. Therefore, savings that are related to those projects still have to be released. For example, the HR Connect project will mean that approximately 500 fewer people are employed in the Civil Service on personnel activities than has been the case up to now. That is part of the transfer of the work to our major contractor. Each of those projects has savings built in, but given the CSR climate and as the date of implementation draws near, one of the challenges that the DFP is setting for itself — and that it wants other Departments to set for themselves — is to ask what additional savings can be made. If savings can be made, they will help to deliver on our target of 5% administration savings over the course of the CSR.

18. The Chairperson: What is the business case for outsourcing work from Departments in Britain? Does that take into account the impact that the administrative burden of that outsourcing has on the domestic efficiency programme? Is it a net income generator, or is it robustly reviewed and assessed in the first instance?

19. Mr B Robinson: In outsourcing work to the Department for Social Development, DWP wants to ensure that it can secure that work at a cost that suits its own purposes, within the CSR. DWP has a settlement that is -5%, which is one of the tightest settlements for the CSR period across the water. Therefore, DWP will not outsource that work to DSD without ensuring that it will achieve its targets in the cost of processing. The fact that DWP has that reduction is creating a need for negotiation between DSD and DWP about continuing that work over the next three years. The drivers to achieve efficiencies are coming from the contracting party, and not from DFP. The jobs that are associated with the work that comes from across the water are outside the purview of our work on savings because they are being driven by DWP.

20. The Chairperson: I do not want the Committee to become bogged down in the issue. However, I assume that we are not dealing with a like-for-like comparator whereby DWP can outsource work to what is, effectively, another Civil Service branch, at a reduction that from its point of view makes savings and makes the effort worthwhile. Should we include the additional administrative costs in our calculations? Does that create any difficulties in achieving the type of efficiency targets that we have set for ourselves?

21. Mr B Robinson: No; that is not my understanding of the matter. DSD looks at the outsourcing as a complete, stand-alone piece of business that includes the administrative costs.

22. The Chairperson: That represents a value-for-money proposition.

23. Mr B Robinson: A cross-subsidisation does not occur.

24. Mr Beggs: What proportion of that 2303 headcount reduction has resulted from efficiencies, such as the introduction of new processes and from work being done more efficiently? What proportion of that reduction is a result of work having been subcontracted through another method such as outsourcing? I am trying to determine how much of that figure is due to genuine efficiencies — where jobs and funding have been saved — and where jobs have merely been outsourced from the Civil Service and, consequently huge savings have not been made. How much of that figure accounts for real savings?

25. Mr B Robinson: The core presumption is that they represent savings. We have not analysed the figures on the basis of asking whether any of the work was subcontracted. However, I am happy to return to the Committee on that point. The savings that are outlined in our submission are concerned with work that Departments carry out and that they have become more efficient in doing. However, I cannot give you a specific answer on whether outsourcing has been included in the figure. I will check on that matter and report back to you.

26. Mr Beggs: If savings are to be made, you ought to be able to give figures that describe what the change can deliver. If the Department were a business, it would be able to do that. Financial savings and improvements in service are the key points that should be illustrated; a number by itself is meaningless unless you know that money is available for use elsewhere in the Budget.

27. Mr B Robinson: I explained in my answer to an earlier question, I am sure that either in the Budget speech or between now and when he makes it, the Minister will talk about how savings have been achieved. We have already discussed the matter because it is an important component. I accept entirely your concern that having only a number does not illustrate that savings that have been made, which is the case.

28. Mr Beggs: Saving £47 million between September and March is a procurement target. Given that ‘Fit for Purpose: The Reform Agenda in the Northern Ireland Civil Service’ was published in October 2004, are you confident of achieving that saving?

29. Mr B Robinson: We will be stretched to get there. I am more confident now about meeting that target than I was a year ago. It took us some time to build up momentum, not just in the drive to save the money, but in the structured capturing of those savings and in dealing with the Audit Office to meet criteria with which it was comfortable. A great deal of work was involved in that. We drew together the experiences in Scotland, Wales and London in a conference with the Audit Office to settle some issues around quantification. We will get there, but we will not exceed that target by much.

30. Mr Beggs: Annex C of your submission discusses the details of Account NI. You have indicated that user-acceptance testing is due to be completed at the end of October 2007. Has that been completed, and has it been accepted as a valid system?

31. Mr B Robinson: Yes. We will implement the system at the beginning of December. We will go live on 3 December in OFMDFM and in DFP. That is a month later than we had anticipated. We were delayed for a week — not a month — but we can implement the system only at the month’s end, because there is added risk if it is done at any other time. Therefore, we decided to defer. However, the user-acceptance work has been completed.

32. Mr F McCann: I have asked this question in the past. How can the service be fit for purpose if it is losing so many jobs? Usually, those who leave are those who have been offered the best packages or who have been the longest in their positions. The service is losing a great deal of expertise. Have any measures been put in place that will reveal whether Departments are under severe stress as a result of the loss of jobs and expertise? Recently, in another Committee, the head of the Social Security Agency forecast the loss of 40% of his workforce. He said that that would have a dramatic effect on how the agency was run and would also have an impact on the quality of service to the public.

33. I have raised that issue because I want to know whether any measures are in place that will allow the detection of severe stress with the loss of so many jobs.

34. Mr B Robinson: Let me draw an important distinction. Here, we are reporting what has happened; however, you are referring to what might happen with DSD and the Social Security Agency as a result of the discussions with DWP.

35. Our work to date has not brought about any redundancies. Natural wastage has meant that all the jobs and people concerned have been absorbed elsewhere in the system. The Northern Ireland Civil Service has an annual turnover of something like 5% of the workforce. With 25,000 people, that means that there is substantial scope for change.

36. All our work up to now has been in organisations where work has ceased, and the people who have been doing that work have been deployed elsewhere in that Department or the NICS. At present, therefore, no one has been made redundant. The loss of experience has largely been coped with, as people retire and choose to move to other jobs.

37. We have not, therefore, experienced the stress or strain to which the Member refers. Page 2 of our submission contains a diagram that illustrates the reform process. Account NI or Records NI are described the heading “new working methods”. Very different jobs will be created under those projects, given that several of the components that used to be done directly by people are now done automatically by the technology. Part of our challenge is to reconfigure how we work and capture the benefits that the new technology will bring.

38. We are moving from a phase where there has been considerable emphasis on that, to one which will be much more intensive. At present, in answer to the Committee’s very proper concerns, the Department must put a lot of emphasis on training people and providing them with the skills to deal with the new tasks.

39. Much of the stress comes from individuals feeling uncertain about were they will be and what demands their jobs will place on them in the future. The Department has improved the way in which it predicts the numbers of people that it will need, and people are reassured by seeing significant numbers of staff being successfully redeployed. Clear planning of the staff numbers involved and, above all, working really hard to cope with the new demands should contribute greatly to a reduction in anxiety and stress, or even avoid it in the first place.

40. Mr Hamilton: The issue that I want to raise has partially been touched on. Most, if not all, of the reforms are centred on IT or telecommunications. In the Committee’s experience, IT roll-outs, including some of those in your Department, have not been good. How rigorous is the phasing in and testing of the new systems? In order to achieve the sort of savings that we all want to see, the systems must be right and fit for purpose from the moment that they go live. How have the lessons learned from previous schemes been implemented in the roll-out of the new programmes?

41. Mr B Robinson: The Department is doing two things differently, which will undoubtedly mean that it is doing them better. However, I am anxious about that. Until the system is up and running, I will fret about it. One must have some anxiety about such big projects.

42. As I said, we are doing things differently. Gateway reviews have been introduced as standard practice with such projects as a direct response to some of the difficulties and problems that arose in the past. The Office of Government Commerce (OGC) in London developed the framework for gateway reviews. I had not encountered them before coming to work on the current projects, but my experience of them has been very positive.

43. The review is a formal five-stage structured process. The senior responsible officer (SRO) in charge of each project asks for the review to be done. The review panel is made up of trained and experienced personnel. The panel reviews the project in one week. A key part of the review is choosing who to interview. The SRO gives the panel the names of 50 key people, 25 of whom will be involved in the project and 25 will be stakeholders. The chairperson of the gateway review chooses who to interview; and those interviews last for about one hour.

44. In my experience, all the gateway reviews work the same way. The review team begins work on a Monday morning and produces a draft report for the SRO by Thursday afternoon. Although the report is given personally to the SRO, he or she is duty bound to flag up the outcome. The red, amber, green (RAG) system is used to assess the report. If the gateway review is labelled as red, there are clearly serious issues to be addressed, or issues to be addressed quickly, and the report explains what they are. Amber status usually means that the review team is flagging up an issue that it considers important, but recognises that action is happening in the project to address it. The gateway review seems to have been a powerful tool. `

45. A year ago, DFP also set up an oversight board for those projects. The subtlety is that there are proper governance arrangements in place for all of those. The Department was concerned to get an overview about how they interact together. Therefore, the oversight board is not actually part of the strict corporate governance of the projects, but a subgroup of DFP’s own departmental board. It is chaired by Dennis Licence, who is an independent board member with a lot of experience in those areas. The SROs who are in charge of each of the projects attend board meetings. That is a mechanism by which the Department manages what it calls the interdependencies and the bigger associated risks. The process was reviewed externally in August. At present, the Northern Ireland Audit Office (NIAO) is also examining how the Department deals with the matter. Feedback from the August review was reasonably positive. It advised the Department of steps that it could take to strengthen the process.

46. To be candid, I cannot give the Committee any guarantee. It would be foolish to do so. However, the Department now takes two different approaches to such projects with the objective of making sure that it does not repeat previous mistakes.

47. Mr O’Loan: There are a few questions that I want to ask, although they overlap a little. I appreciate the frankness of Mr Robinson’s answer about the inability to give absolute guarantees on the matter. It is better that the Committee is naive to the risks.

48. With regard to the NI Direct programme, particularly the most public element of that, which is the introduction of a single phone number, the concern is that if it goes wrong, it goes wrong in a public way and the whole programme will look incredibly foolish. The Department has mentioned partial roll-out in December 2008. Even that seems as though it will be difficult to manage. As well as getting the programme to work, presenting it to the public will be difficult. Although it might sound like a sensible approach to a big project, how can the public understand that the pilot is being only partially rolled out? There will be huge frustration when people try to contact Government only to be told that the NI Direct number does not apply and that they must

go through the ordinary channels, whatever they are. I envisage that there will be much difficulty and high-level risks with that.

49. Mr B Robinson: The member is absolutely right. I feel much happier that the Department is doing the NI Direct work with the experience that it has gained from having done those other projects. I agree absolutely: NI Direct will be the litmus test of confidence. The Department has learnt a lot from those other projects — for example, about the degree of planning that must be done. One might believe that a good degree of planning has been carried out for a project that will last two or three years, and then discover 18 months into it that there were issues that should have been considered with clarity at the beginning, but were not. That is all grist to the mill for tackling the project. Therefore, it gives me, and, I hope, the Committee, reassurance that it is best that the Department undertakes the project with the benefit of all of its other experience.

50. At present, I cannot go nap as to what the precise model will look like. The Department will examine that during the new few months. With regard to the point that the member raised about the partial roll-out versus the single-number issue, the Department must bottom out some elements of that. Although I cannot commit as to what the Department will do, as not enough work has been done for it to be certain, it is feasible to introduce a single number and for the work that will come from that to go into more than one strand. The important element will go into the new strand of NI Direct, which, therefore, will have responsiveness and quality. However, for some time, you will be forced to thole other work going into areas that are not yet part of phase-one roll-out. Simultaneously, you will want everyone — even those who are not involved in phase one — to understand how the service has been improved and to create the sense that things can be done better.

51. The Civil Service has improved the quality of its telephony response to the public. I am not inviting everyone around the table to send me lists of complaints that they have in their constituency offices, because I know that they will be substantial. However, we have done work on our basic telephony, and feedback has shown that to be improved. We are also trying to create a climate in which people are aware that they do not have to wait for NI Direct and that the service can be improved between now and the end of next year. We are trying to create a dynamic that says that we are challenging how our services are being carried out and delivered. Everyone will be watching this space for the next while. The Minister has made clear his personal commitment to that. That is part of what I suggested earlier: alongside its firm inclusion in the Programme for Government, we are planning to take it up a gear as part and parcel of our response.

52. The Chairperson: The fact that other people have delivered this service, as the Minister has pointed out, puts the onus on people to successfully deploy it.

53. Mr B Robinson: He probably reminds us of that weekly.

54. The Chairperson: I can imagine that he does.

55. Mr O'Loan: You mentioned the spend-to-save issue and stated that approximately 500 civil servants would be released from carrying out transactional HR activities under the HR Connect element of the reform. That is a huge change in just one area, which might be quantified — albeit rather crudely — at around £10 million a year. Have you quantified and factored in the anticipated savings from HR Connect into the CSR-period budgets?

56. Mr B Robinson: In essence, yes, and I tried to convey that in an earlier answer. In building up the business case for each of the projects, the Department had to ensure that it was achieving value for money. That work, therefore, has been completed. The contracts have been

signed and, as that work comes on stream, we are paying on those contracts, and that has been factored in going forward.

57. Beyond what we identified a couple of years ago as the changed way of working and the need for people not to be doing those jobs, we should also look at whether there is an opportunity for us to be smarter about this and whether the integrated model, for instance, has the potential to deliver more savings. The planning of that work is well advanced, but the potential for further savings will be rolled out as the projects are rolled out. Therefore it will be some time before that becomes clear. The PSA 20 framework aims to roll out the projects in 2008 and a fair bit of 2009, so that work will have to go in parallel. We may identify areas that we think might help us achieve savings, but it will take some time to do that; it is a two-stage process.

58. Mr Beggs: You mentioned the savings that might be made, but is there also the potential that significant costs might be incurred if 500 HR specialists are redeployed into new areas, retrained and, perhaps, placed in posts in which they will be working below their original grade? Is it inevitable that there will be significant initial costs and that any savings will come much later?

59. Mr B Robinson: Around 350 people will be retained in HR. The jobs of the more experienced HR specialists will not go; they will be retained to deal with all of the key policies around HR and recruitment. The bulk of those whose jobs are affected are engaged in administrative activities that the technology will have removed the need for. For example, our payroll technology is very old. Therefore, much manual activity has to take place to support the system. That will not be the case when the new HR Connect contract is introduced.

60. Mr O'Loan: Obviously, the measures, to which you have referred, will result in payback over many years. Can you quantify, in any ballpark way, the savings that will occur in the CSR period?

61. Mr B Robinson: The savings are largely about recognising that the contracts are affordable. Value for money will be achieved by the Department's move to fixed-price contracts to deliver services. The contracts are affordable, and the cost savings in staff are greater than the costs of the contract. As part of the benefits-realisation work, the Department is committed to making extra efficiencies in parallel. We are confident that it makes sense to sign the contracts, but we still have some work to do in achieving the efficiencies. We need to see how all that interacts as a major programme.

62. The Chairperson: Does that mean that, for example, the current Budget projections do not embody any specific savings that have been reallocated?

63. Mr B Robinson: The current budgets incorporate two distinct and, as yet, not joined-up streams. One is the payment for the contracts, and the Department knows that it can afford them. The other is the commitment to achieve 5% efficiency savings across the piece.

64. The Chairperson: Is that a downstream benefit that will emerge, which is not currently projected?

65. Mr B Robinson: The money has been withdrawn from the departmental baselines, so it is part of the money that the Executive have had to redeploy in areas of expenditure that the draft Budget is pointing to. At this point, I cannot join up those two pieces. However, it is inevitable that the contracts and the efficiency savings will be joined up because the reform programme will allow the Department to continue its business and to do so at a lower cost, thus achieving the savings that are built into the CSR. Those two aspects will be directly linked. As is outlined in the draft Budget, the 5% of efficiency savings will represent £780 million. That is a grossed-up

number but I cannot disaggregate that to show that savings of £25 million, or £50 million, will be made in certain areas. That will become apparent as the reforms are brought together, and the Department has the ambition to consider whether further savings can be achieved and released.

66. Mr O'Loan: I read what your paper said on Workplace 2010. Are you getting worried about the delivery of Workplace 2010?

67. Mr B Robinson: The Department would have preferred not to have had a delay so, in the narrow sense, that is a concern. However, we are not any more concerned than is outlined in the paper. The Department is now in the legal process, and that is where the matter sits.

68. Mr McQuillan: In your answer to Fra's question, you said that the Civil Service employees would have to be absorbed into different positions. What happens after that? You have not ruled out that there will be redundancies?

69. Mr B Robinson: I would describe it this way: three years ago, when the reform agenda was outlined and a target headcount reduction of 2,303 was set, there would have been a lot of anxiety that that reduction could be achieved only through redundancies. However, we learnt much as we worked through the specifics of the agenda. It must be remembered that people learn new skills when they are set a new task; we had never had to carry out such a task before. A key issue was our own internal labour market, which is much more dynamic than I personally would have appreciated. The Civil Service has 5% natural turnover each year; that figure is probably much higher than most people would have imagined. That figure has grown a bit, and, as the Committee will know, job switching is a much more modern employment trend. Despite what the Committee might think, the Civil Service is not immune to that new trend.

70. The turnover figure of 5% — or one in twenty — equates to 1,200 people leaving the service per annum. That alone was more than capable of coping with what we had to do. I probably have less anxiety about the issue of redundancies than I did, but I also recognise what has happened in the reorganisation of the health structures. Reform can lead to the need for some redundancy programmes as regards specific specialised posts. However, although I am definitely not saying that there will not be redundancies, at this point, redundancy would not be our biggest concern.

71. Mr McQuillan: There will not be major redundancies, if any at all.

72. Mr B Robinson: I do not think so. We all know the disadvantages of introducing a redundancy programme in a big structure such as the Civil Service; a service-wide scheme would have to be run, and so on. The redundancy option is not without its downsides; it is not as big a solution as people sometimes think it is. However, that is only a comment; it is not a judgement as to where we are.

73. The Chairperson: Has any consideration been given to extending the customer base for the shared service centres beyond the Civil Service?

74. Mr B Robinson: There has been some consideration of that issue. When we looked at the RPA 18 months ago, there would not have been the same sort of interest in such a proposal. However, because of the changes to parts of the RPA timetable and given that the project is as advanced as it is, I suspect that the possibility of extending the customer base is now greater — as opposed to projects to produce answers, we are actually producing them and rolling them out. That opens up that opportunity.

75. Certainly, as regards the HR Connect contract, we have an agreement with the contractor that if the service is extended, and if there is a potential upside to such an arrangement, we can

share in those benefits. Therefore, we have kept that matter in mind. However, as the Committee will appreciate, our key focus has been on getting the programmes up and running. That is base one — ensuring that these programmes work.

76. The Chairperson: That is the clear priority, and there should be no diversion from it. However, surely it would be possible to commission a study to examine how the customer base could be extended going forward. That study could at least be kept on the shelf, as it were.

77. Mr B Robinson: There is no reluctance to do that; it is just that it is simply not a priority at present. We were pretty stretched in keeping these projects on track. We have kept those matters as possibilities, if you like. We were conscious of the fact that we did not particularly want central Government to be actively looking at business from that point of view. It would be better if local government could find an effective and efficient way to do things — that would be the better way to initiate discussions.

78. I am hesitant about the aspect of your suggestion that would take away resources that currently make those projects work. In six months, when we have had a chance to digest the implications, I will happily reconsider the matter.

79. The Chairperson: That is fair enough, although I am not suggesting anything that would distract from the established priorities. Given the additional time that has been created and the fact that this matter may inform discussions on the review of public administration and its outcomes, in the future, people may reflect on why more consideration was not given to it.

80. Mr B Robinson: Perhaps, in our traditional supply role and in order to keep the pressure on, we might give more consideration to cost savings rather than to the projects. If substantial cost savings are to be achieved in local government, it is hard to envisage how shared-service models would not appear high on the list of things to be considered.

81. The Chairperson: OK. I wonder whether it is necessary for such a small region to duplicate and replicate services.

82. Mr B Robinson: The Committee’s view on that matter would be helpful.

83. The Chairperson: I am conscious that the Deputy Chairperson has joined us. If there are no additional questions from around the table, does Mr Storey have anything to say?

84. Mr Storey: I am fine, thank you.

85. The Chairperson: Mr Robinson, you have responded well to our questions and I appreciate your candour. Since no overview was given at the start of the session, are there any issues that you or Ms Wilson wish to bring to the Committee’s attention? We will consider in the normal way what you have said and, subsequently, if anything occurs to us and you are agreeable, we will write to you with a view to further exploring those issues.

86. Mr B Robinson: Absolutely. Civil Service reform is an issue in which we find the Committee’s interest particularly helpful. Although the reforms will apply across the Northern Ireland Civil Service, the Department of Finance and Personnel will implement many of them early and, to some extent, will be leading the horse to the water. Therefore, the Committee’s interest, and the stress that it places on the importance of those reforms, is helpful — not just for DFP. I hope that with the reforms being central to the Programme for Government, it will push their implementation far up everybody’s priority list. If that does not happen, the Executive’s aims will not be achieved.

87. In moving the Civil Service forward, we must also recognise and be realistic about the fact that a new set of demands will arise in the process of managing those big, long-term, sophisticated and expensive contracts. We must grow skills and are currently seeking to do so. However, as we begin those activities, we must be aware of the reality of the new demands that they will impose. Those are two issues coming towards us down the track.

88. The Chairperson: The Committee regards Civil Service reform to be a key priority and wishes to play a constructive role in ensuring that it remains so for other Committees. Discussions on that subject will, I am sure, be ongoing.

89. I thank Bruce Robinson and Emma Wilson for their helpful contributions.

90. If any issues arise from your evidence today, we will write to you.

91. Mr B Robinson: I suspect that this is not the last discussion that we will have on the subject.

92. The Chairperson: I absolutely agree. Thank you.

14 November 2007

Members present for all or part of the proceedings:
Mr Mitchel McLaughlin (Chairperson)
Mr Mervyn Storey (Deputy Chairperson)
Mr Roy Beggs
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Ms Jennifer McCann
Mr Declan O'Loan
Mr Peter Weir

Witnesses:

Mr P Robinson	The Minister for Finance and Personnel
Mr Paul Montgomery Mr Leo O'Reilly	Department for Finance and Personnel

93. The Chairperson (Mr McLaughlin): Good morning. How are you?

94. The Minister of Finance and Personnel (Mr P Robinson): I am very well.

95. The Chairperson: You are very welcome. Thank you very much, Minister, and officials, for attending. Do you need any refreshments?

96. Mr P Robinson: We are well provided for.

97. The Chairperson: I am sorry that the chairs are not as comfortable as they are in your room; you must understand that this is a very hard-working Committee. Minister, you are most welcome. I invite you to address the Committee.

98. Mr P Robinson: Thank you very much for inviting me to do so. I suspect that I will have to give very clear indications about why I have made Budget allocations in the way in which I have.

At the same time, I want everyone to bear in mind that it is a consultative process that will stretch through to January 2008. Therefore, I do not want to give the impression that it is like the law of the Medes and Persians and cannot be changed. However, there are limits to the flexibility of the process because of fiscal restraints.

99. By way of introduction, I want to make the point that the Committee for Finance and Personnel is, perhaps, in a unique position — in one respect — with regard to other Statutory Committees. Committees and parties have a tendency to fight the case to which they have a particular allegiance when dealing with the Budget. Members will fight hardest for the Departments of which their party colleagues are Ministers, and Committee members will fight hardest for their Committee. That is as it should be. However, the role of the Committee for Finance and Personnel is distinct in that it has to stand above such considerations and consider the overall position for Northern Ireland as a whole; it must sift out the propaganda from the real arguments.

100. I welcome the opportunity to discuss the draft Budget and the strategic issues with the Committee. Members will appreciate that examination of detailed points is largely a matter for Departments. The purpose of the local Budget is to determine the spending plans for Northern Ireland Departments from 2008-09 to 2010-11. The process will be completed early in 2008 when the final report on the Budget will be published, alongside the Executive's Programme for Government and investment strategy.

101. Additional funding, made available as a result of the UK-wide comprehensive spending review (CSR), is a major factor in determining resources for allocation to public services. Committee members will recall that, at the early stages, the Department made assumptions based on 1% real growth. Although the Treasury would have us believe that the allocation to Northern Ireland is 1·7% real growth, we have decided to be more transparent and to indicate that it is, in real terms, 1·2% real growth. The Treasury managed to reduce the baselines to give the appearance of greater growth, but we want to be honest with the people of Northern Ireland and, in particular, the Committee for Finance and Personnel.

102. The Chancellor announced the outcome of the comprehensive spending review on 9 October, which informed us what our block grant would be. Everyone will have noted that it is below the rate of growth for previous years. Although there is still growth of 1·2% in real terms, it does not match the 4% growth of previous years. Overall, the Executive will receive an additional £1·1 billion in resource and capital from the Treasury by 2010-11, compared with 2007-08. It is therefore imperative that efficiency savings be made to meet the public's expectations for improvements in public services. An efficiency target of 3% was identified, and we have maintained it. We are setting up a performance and efficiency delivery unit that will look for areas in which further departmental savings can be made.

103. On the capital side, along with the Office of the First Minister and the deputy First Minister, the Department of Finance and Personnel (DFP) has provided the Committee with the remit of a capital realisation task force.

104. Mr Vernon is already working on that area. That is, perhaps, one area on the capital side in which it may be possible to identify some additional funding between now and when the final Budget allocations come before the Assembly.

105. There is little room for any additional funding on the resource side, unless some of the Departments want to adjust their figures, either because they think that something that they have put into the resource side should be put into capital or for another reason. However, the resource cake has been baked, and it is now largely a case of how it will be sliced up.

106. There are several points to make about allocations to Departments, all of which were constrained because of the decisions that the Executive had to take on water and sewerage services. As everyone is aware of the background to that debate, I will not go over it again, but those decisions limited the flexibility that the Executive might otherwise have had.

107. The Committee will know about the process of allocations to Departments. In early summer, my officials and I engaged with each of the Departments; they put forward proposals to the Department of Finance and Personnel for their bids for resource spending. We received about 270 proposals, which accumulated to a bid of £2·6 billion. The additional money available was considerably less than that, so decisions and choices had to be made. My officials and I worked with each of the Departments to develop an initial set of indicative Budget allocations. That usually concentrates the minds in each of the Departments as to where their priorities lie.

108. On the capital side, my officials worked with the Strategic Investment Board (SIB) on the development of the investment strategy. That path is somewhat confusing because of the interrelationship between the SIB and the Office of the First Minister and the deputy First Minister, on the one side, and DFP on the other. However, the proposals have been worked up, and the investment strategy is the one area in which there is some possibility of movement as a result of the capital realisation task force.

109. I welcome the fact that — perhaps for the first time in many years as a result of the new era that we have been enjoying — we have had a debate about the issues arising out of the draft Budget. There has certainly not been a debate in such detail. I also welcome the generally positive initial view of the draft Budget, although there have been concerns, if not criticisms, in one or two areas. I will now touch on the areas that may be most in the mind of Committee members as they approach consideration of the Budget.

110. The first is the general charge that because the Budget is business-friendly, it is in some way an attack on public services. That, of course, is inconsistent with the data that the Committee will have seen. There is no inconsistency between wanting to improve public services while wishing to provide business with the kind of growth that our economy needs, in particular dealing with areas that encourage growth by improving skills and ensuring that we provide for the private sector. The incentive is to overcome the structural weaknesses in our economy, which is proportionately too heavily reliant on the public rather than the private sector. I will return to the general issue of economic growth later.

111. The one area of the public sector in which there has been some discussion is funding for health services.

112. Several commentators, some of whom should know better, have attempted to sell the inaccurate line that somehow our Health Service is less satisfactorily funded than England's, for example.

113. The facts are that the Health Service in Northern Ireland receives 10% more per head of population than the Health Service in England. I realise that the argument can be made that there is greater need in Northern Ireland. Professor Appleby carried out an independent review of the Health Service that confirmed that there was greater need in Northern Ireland, but that that need was approximately 7%. Therefore, even taking into account the greater need as identified by the independent evaluator, we still have higher per capita funding than England.

114. It is evident from Professor Appleby's review that an issue of concern is the lower productivity rates of health care in Northern Ireland compared to England. However, it is important to note that England is hardly a glowing example of a most efficient system.

115. The Northern Ireland Health Service is running at approximately 10% or 11% less efficiently than a comparator that itself is somewhat inefficient. The figures are easy to work out: if we could achieve even the same level of inefficiency as England, we would have hundreds of millions of pounds extra to spend on front-line services in health.

116. Professor Appleby's review also draws attention to hospitals. In response, the draft Budget proposes an increase in funding of 11·9% for the Department of Health, Social Services and Public Safety in 2007-08. That compares favourably, for example, with Wales.

117. DHSSPS has been allocated 51% of additional resources. The charts show that more than half the additional funds available to the Department of Finance and Personnel for allocation have been allocated to the Health Service: DHSSPS will receive more than the other 10 Departments put together. That gives the Health Department total departmental spending of 48·1%. That means that the Minister of Health, Social Services and Public Safety will have more funds and a larger chunk of the Northern Ireland block grant at his disposal than any of his predecessors.

118. Current spend will increase to £4·3 billion by 2010-11, which is an increase of 18·8% compared with 2006-07; efficiency savings will add a further 9% to that amount. Those are telling statistics.

119. The efficiency figures show that staff productivity is approximately 11% less in Northern Ireland than in England. Over the past five years, the number of Health Service staff has increased by 21·4%, while hospital activity has increased by only 6·3%. That implies that productivity has fallen by 12·5%. The number of administrators in the Health Service has increased by 36·5% since 1997.

120. Those are important issues because a better Health Service, not a more expensive one, is needed for the future. That is a challenge for the Health Minister and for those who must provide funding for the Health Service, the Health Committee and the Assembly.

121. I could give the Committee several statistics — for example, that prescription costs are more than 10% higher in Northern Ireland than in England — that indicate that per capita of the population, and taking account of its greater need, Northern Ireland funds its Health Service better than the English Health Service is funded.

122. I must also deal with the misleading figure that some people throw about that Northern Ireland does not keep up with the increase in England. When people trot out that figure, they ignore the baseline. The baseline for the Department of Health in England was reduced, and its statistical increases are based on the reduced baseline figure; however, Northern Ireland's Health Department's baseline figure was not reduced. Departments took that hit right across the board. Therefore, there is a differential.

123. I am happy to discuss health. Despite the constraints, the Department of Health has been given a good allocation. Of course, I would love to have been able to allocate more money to the Health Department and, indeed, to all the Departments. However, the cake to be shared out is finite. Some people have advanced the argument that another £600 million should be given to the Department of Health. I urge them to examine the chart and tell me which four or five Northern Ireland Departments they would like to close down in order to do that. Should £600 million be taken from the education system? We must be realistic.

124. In a letter that was published by the 'Belfast Telegraph', Ed Curran recognised that if more money is to be provided for health, it must be taken from somewhere else. Unfortunately for him, he said that it should come by way of an increase in personal or household taxation, either

through water charging or the regional rate. Personal taxation would probably have to be quadrupled in order to meet the figures that are being sought for the Health Service.

125. There has been a suggestion that health funding could have been sorted out had the regional rate not been frozen. In fact, if the regional rate had been kept at the rate of inflation, £7 million might have been freed up in 2008. The Health Service in Northern Ireland spends that before lunchtime. That is the quantum that is faced when dealing with Health Service funding. I am afraid that the 'Belfast Telegraph' did not provide the answers to the questions that it raised.

126. However, that poses a genuine question: if spending on health, or on any other area, is to increase, from which area will the resources be taken? I had to make that difficult choice when I submitted the draft Budget to the Executive and the Assembly. The Finance Committee and others must also make that difficult choice if they want to adjust the figures.

127. I welcome the debate on the Budget. Is it not so much better that Members discuss the bread-and-butter issues that matter to people in Northern Ireland than have the kind of debates that we had in previous generations?

128. It is good to get to that point. I believe that the allocations stand up to rigorous scrutiny. I am happy to stand by them, although not to the extent that I claim perfection. If changes can be made that are agreeable to people across the board, we can look at those in the final draft that will come before the Assembly. I suspect that such changes will be more agreeable to those who will gain than to those who will lose.

129. The Chairperson: If Mr O'Reilly or Mr Montgomery have no initial comments, I invite Committee members to ask questions.

130. Mr Hamilton: Thank you, Minister, for your presentation. You dwelt somewhat on the issue of health spending. That is ingrained in my mind as I look at the charts behind you. You will have noticed the criticism that has been made in some media circles and also by the Minister of Health, Social Services and Public Safety, who has raised the spectre of Northern Ireland's Health Service sliding into Third World status. He has levelled at you the charge that you have failed to keep funding at UK levels. One UUP MLA has recently accused you specifically of that, and has demanded to know why you are not funding health to that level. I welcome the clarity that you have brought to that position in your opening remarks.

131. Could you elaborate further in respect of differences in productivity between the NHS here and in the rest of the UK? Could you describe how the allocation in the draft Budget to the Department of Health, Social Services and Public Safety relates to historic levels of spending in that Department? Have you any suggestions as to how the Health Minister could improve the situation in his Department with regard to the funding available to him for spending on front-line services?

132. Mr P Robinson: You refer to a concentration on health. I do that only because health is the issue that has been most raised. Only one of the charts behind me deals with the health issue. The other charts may look as though they deal with that issue, simply because health dominates the spend in Northern Ireland and gets more than half the money available for allocation. It gets over 48·1% of the overall Budget, and the bar chart shows how much money each Minister will have available. In case the chart cannot be seen, the purple colour represents the increase from the 2007-08 baseline; the light blue figure above is the additional spending power that comes through efficiencies. That leaves health with £800 million, additionally, to spend.

133. I draw the Committee's attention to the chart on the far right. As a spending Minister in a previous Executive, I used to watch enviously during the Budget allocations as large chunks of

money went to health. However, is anyone here prepared to say that, comparing the position in 2001, when we had just over £2 billion spent on health, to the position now, when £4 billion is spent, the Health Service has become twice as good? Is anyone even prepared to say that there has been a substantial improvement in the Health Service, for all the additional money that has gone into it? That is why I return to the premise that what we need is a better Health Service — not a dearer, more costly or more expensive one. Big issues must be dealt with.

134. No one expects the Health Minister to have solved all those problems after six months. To begin with, he was dealing with the Budget set by direct rule Ministers. Now he is in a position to set his own priorities. He has £4 billion a year to prioritise, and very significant savings can be made in his Department. He has a very difficult task; we all recognise that. If the Health Minister wants the immediate assistance of the performance and efficiency delivery unit (PEDU), it will be happy to assist in identifying those efficiencies for him, so that we can get down to the business of making sure that money is used where it will be most effective.

135. On the subject of productivity, the number of staff employed by the Health Service has increased significantly. Therefore, much of the health budget will be invested in staff resources. However, staff resources in Northern Ireland are significantly higher than elsewhere in the UK. We must ensure that the limited money in the Health Service goes to provide services and not simply to bloat the surrounding bureaucracy. Earlier, I stated the level of increase in administration. I am not singling out administration, but bureaucracy and administration must be closely examined to identify where savings can be made.

136. Mr Weir: Thank you for your presentation, Minister. I want to touch on two fairly prominent issues in the draft Budget, which, to be fair, have been welcomed. The freezing of the regional rates at the current level was widely welcomed, particularly by hard-pressed councils. Will you give members some background on the rationale behind that decision and how much it cost?

137. Mr P Robinson: As I indicated earlier, had the Department decided to increase the regional rate in line with inflation, an additional sum of just over £7 million would have been available, which is a very small proportion of the overall Budget. The rationale for the freeze was twofold: people in Northern Ireland have suffered significant increases in the regional rate: over the past five years, there has been a 62% increase, 37% of which was over the last three years. It is right to acknowledge that people have taken a fair bit of pain and to try to keep the rate as low as possible.

138. The introduction of additional funding for water must also be taken into account. People will receive a water bill, albeit as part of an overall household bill. All parties promised to identify the amount of money that people had already paid for water as part of the regional rate and to reduce the regional rate by that amount, so that people were not paying twice, and my Department has done that. However, despite that and the fact that my Department may seek to introduce charging for water on a phased basis, there will be additional pain. In those circumstances, it seemed right to freeze the regional rate to allow the new charge to be better assimilated by the community. Those are two factors that caused me to move in that direction.

139. However, there is still a danger, because the household bill also includes a district rate. I trust that councils will manage to curtail the district rate, so that the ratepayer will see the real benefit of a freeze rather than district councils taking up the slack.

140. Mr Weir: The freeze on industrial rates also received considerable prominence in the draft Budget and was widely welcomed. The manufacturing sector had been pressing strongly for that, and there was concern that inaction would lead to the erosion of competitiveness and particularly of the manufacturing base in Northern Ireland. The freeze in the industrial rate was most welcome. However, will you comment on how you envisage the situation post-2011?

141. Mr P Robinson: It would be better to allow the Committee to consider the matter and advise me on that. I examined closely the report by the Economic Research Institute of Northern Ireland (ERINI) on the industrial rate. That was helpful in providing background information, and it identified the difficulties faced by the manufacturing sector, although, the extent to which you can rely on data provided by that sector is an issue. Nonetheless, there is empirical evidence to suggest that that sector has severe difficulties, and that position is underscored by recent job losses.

142. At the end of the day, the decision must be political. It would be hard to convince people that we are serious about economic growth if that were the key element of the Programme for Government and, at the same time, we made it more difficult for people to work in the economy. It was on that basis that I took the decision, and I could only take it based on the Budget period.

143. I explained to the Chairman and the Deputy Chairman that I regretted having to take that decision before the Committee had a proper opportunity to consider the report, but the timetable required me to do so. I have not heard any evidence that would persuade me to increase that amount in future years. However, we are still in the process of considering that, and the Committee’s view will form an important part of that.

144. The Chairperson: There is some interference with the electronics. Will colleagues check that their mobile phones are properly switched off? Simply switching them to silent does not protect us.

145. Mr F McCann: I thank the Minister for his presentation. Although there has been a heavy concentration on health, the serious crisis in the provision of social and affordable housing is an issue that we have all had to deal with. The graphs show that the Department for Social Development (DSD) will get new money only after it makes efficiency savings. I understand that, lately, £20 million has been provided in that way, which is equivalent to about 120 new-build houses. Will the Minister explain how, given the current Budget allocations, we will get out of the social and affordable housing mess that we are in?

146. Mr P Robinson: I am at one with the Minister for Social Development in wanting to reach the house-building targets. Funding will come from three sources. It will come from the departmental allocations, and members have the strategic investment board’s figures to illustrate our position on those. In the in-year monitoring round, I also identified a further £20 million of savings, which I hope will provide a few more than 120 houses. As time goes on, we will be able to free up additional funds in-year.

147. Planning policy is one of the other two areas in which I wish to assist the Minister for Social Development. In GB, the Republic of Ireland and many parts of Europe, developers are required to free up land for affordable and social housing in their development plans. That seems sensible, and I support the proposal. Although it will take some time to put the legislation in place, the Minister of the Environment has the article 40 provisions at her disposal, which allow for such agreements to be reached before planning permission is granted and which can be a sobering reality for developers who hope to get those permissions. Therefore, we are not without immediate power to start increasing in that area.

148. The other big area is, of course, asset disposal. The Department for Social Development has considerable assets at its disposal. However, we should not simply rely on the resources available in DSD. There is land and other areas of asset disposal that are possible, all of which can increase the amount of money that we have to spend for social housing. I have very publicly indicated to the Minister that I see that as one of the priority areas with regard to the work carried out by the capital realisation task force. I am looking for results from it, because that area would be a perfect candidate for making allocations from such additional resources.

149. Mr F McCann: I have one further question about the DSD budget. Neighbourhood renewal has been one of the main Government strategies in dealing with social deprivation over the last few years and yet, going by the budget that has been outlined to the Committee this morning, there will be no new money available to allow communities to deal with the severe deprivation that exists. Is there any hope that money will become available for that purpose?

150. Mr P Robinson: Perhaps I should say a word, because that applies across all Departments and not just DSD. While in the first instance the allocations are made on the foot of bids that have been made for various programmes from each Department, after the allocation has been made each Minister will look at the priorities in that Department and decide if any of the programmes need to be adjusted. I cannot micromanage the Departments, so it will be entirely a matter for the Minister to decide what the Department's priorities are.

151. In the course of the four monitoring rounds during the year — and particularly because we have managed to reduce the overcommitment for this year — funds will be able to be freed up for whatever purpose the Executive, collectively, decide. That is one of a number of areas where bids will be made during the course of the years.

152. Mr F McCann: I appreciate that, but the bulk of the DSD budget is eaten up by one source, leaving a minimal amount of money for housing and for neighbourhood renewal, which deals with those most in need.

153. Mr P Robinson: Those are arguments that can be made during the course of the consultation. The pressure upon DSD has not been directed so much towards its resource budget but towards its capital budget. That is the area where the Minister for Social Development indicated that she would like to see movement.

154. Mr Storey: Thank you, Minister, for this morning's briefing. In your estimation, how has the financial package impacted on the Budget settlement and the process that we are now in, particularly on the reinvestment and reform initiative (RRI) link break? Can you comment on that, because there are those who are still in denial about the benefit that will bring?

155. Mr P Robinson: A number of people were seized by the opportunity that was lost during the previous spell of devolution, when we did not get anything that was particularly helpful out of the financial negotiations that took place. I always approved of the move made by the Ulster Unionists, and the SDLP in particular, to negotiate the RRI. I felt that it was a good vehicle; however, it had a very major flaw, which was the requirement that, to access borrowing from the RRI, it was necessary for Northern Ireland to keep ahead of the increases in local taxation in GB. As a result of that, we had the massive rate hikes over the intervening period.

156. Consequently, one of the priorities for the parties when they were negotiating financial issues arising out of the Leeds Castle talks, and the subsequent St Andrews Agreement was the reform of the RRI. I would not have been able to freeze the regional rate if it had not been for the changes that we got through the financial package where that restriction was removed. Indeed, there are other changes in the RRI that were helpful.

157. With regard to the overall financial package, I doubt that anyone characterises Gordon Brown as a generous man, but a Budget of £17 billion, which takes account not only of the departmental expenditure limits but of annually managed expenditure (AME), is a significant contribution to the funding of services for citizens in Northern Ireland.

158. We did, however, manage to wring additional end-year flexibility (EYF) from the Government, which was negotiated during the financial-package period. We have made full use of their agreement to give us full resources from asset disposal — during the three-year period

we will take advantage of that to the extent of £1·1 billion — and we are not finished in that respect but continue to examine what we can further achieve. Asset sales will form a significant part in giving us the kind of flexibility that we need. Therefore, EYF, asset sales and the £100 million, some of which I have allocated in this Budget, and some of which had been used previously, all combine to make a satisfactory, but not generous, package. All of us would like to have more, but howling at the moon will not do any good. We must recognise where we are and make the best that we can of the provision that is there.

159. Mr O'Loan: Minister, I too welcome the opportunity to get involved in a serious debate on serious issues. The Budget gives us a genuine platform for such a debate. Equally, no doubt you will reassure us that you will be receptive to making adjustments if genuine points are made through the political system, by outside groups or by individuals.

160. I endorse Fra McCann's question in relation to social housing, but I will not ask you to revisit that question since it has already been asked.

161. On page five of the Budget document, there is a comment in relation to the Varney Review and our request to reduce corporation tax to the rate that applies in the Republic of Ireland. There is a surprising line at the end of that paragraph that says:

"This would have transformed the region's attractiveness as an investment location."

Does that public statement mean that the Minister has given up on the Varney process?

162. Mr P Robinson: That is very perceptive of the member — I am sure that it was a typographical error. However, even if it had not been in that document the member will have picked up on my body language and some of the terms that I have used over recent weeks, which indicate that I am not expecting the Varney Review to make the kind of recommendation that the Executive and, indeed, this Committee urged it to make. All of us recognise that there is a strong case, but some people had doubts about whether the Treasury was open-minded in how it set up the review. The report is due to be published around the third week in November. Although I have not seen it, the system is such that it is possible to feel a vibration or two.

163. Mr O'Loan: I thank the Minister for his answer. In regard to effective cross-departmental working, there are areas where financial contributions from a number of Departments are needed to deliver programmes properly. Will the Minister assure the Committee that cross-departmental initiatives will be fully funded by all the relevant Departments?

164. Mr P Robinson: There are a number of areas where there is an overlap. That is a feature of having so many Departments and, perhaps, an argument for reducing the number to, in my view, six or seven. However, while that overlap exists, responsibility for wide-ranging areas — such as children and young people — will be delegated to at least two, but sometimes more, Departments. Where there are cross-cutting issues, it is, particularly, the role of the Office of the First Minister and deputy First Minister (OFMDFM) to ensure that the system works properly. DFP is responsible for ensuring that money is spent for the purpose that it is allocated, and we want to ensure that that is the case.

165. The situation under devolution will be somewhat different than it would have been under direct rule, because this Committee, and the various departmental Committees, will have an important role in ensuring that there is joined-up government. If that co-ordination falls down, it will be identified earlier and exposed more quickly under devolution.

166. Mr O'Loan: A number of agencies that work in the area of fuel poverty have expressed concern that the Budget does not adequately fund the programmes, such as the warm homes

scheme, that deal with the problem. Poor quality, damp and cold housing leads to significant costs to the Health Service, so fuel poverty is an area where investment could end up rapidly saving money. Will the Minister provide some assurance that that is an issue that could be revisited in the funding stream?

167. Mr P Robinson: I have read a number of similar comments that relate to various Departments, and I am not sure how anybody can reach those conclusions. I indicated earlier that when Ministers receive their final allocation, they identify the programmes that they want to fund and the extent of that funding. I cannot indicate what other Ministers will do with their allocation; although I have been led by their bids, I am told that shifts between the bidding stage and a Minister's decision about spending plans are a consistent feature of budgeting.

168. No small part of that is the strategy and tactics adopted by Departments when they put in their bids. It is not unknown for Ministers to put an issue that is sexy to the community well down in the bidding stream so that its ranking order will get down to that level in order to be funded. Obviously, it is a matter for Ministers to revisit the bids that they made, and the spending plans that they have, to see what is most appropriate. I cannot make those decisions for Ministers; they will have to make those decisions and justify them.

169. Mr Beggs: With regard to Declan's point about cross-cutting issues, do you accept that there is a danger that some areas that straddle two Departments — such as children's services and issues — may not be high on the priority list of either, even though they should be? Without the mechanism for funding children's services, which encouraged the cross-working of issues, there is a danger that some of those priority areas will lose out. How will that be addressed?

170. Mr P Robinson: I can combine several previous answers to respond to those concerns. During the bidding process, I was concerned about that issue, but it did not seem to have the same ranking with some of the Ministers as I expected it to have. As a consequence, it partially worked because between the indicative Budget and the draft Budget I provided another £21 million for that area of activity, because it is important. There is a danger that a cross-cutting issue that falls between two Departments may lose out, but the Office of the First Minister and the deputy First Minister has a statutory responsibility for it. Services for children and young people have been delegated to the junior Ministers for their consideration. Children's issues should not pose a problem, because the Office of the First Minister and the deputy First Minister has an overarching statutory role.

171. Mr Beggs: The Department of Finance and Personnel has identified priorities for expenditure, and some Departments have received allocations above inflation for areas that DFP is keen to fund. One such is the Office of the First Minister and the deputy First Minister. Why are its allocations above inflation when it no longer has funding for children's services? It has received significant increases since last there was devolution.

172. Mr P Robinson: The issue is simple. We are moving from a baseline that existed when devolution was not up and running to a devolution baseline; therefore significant additional costs are required to service the Executive. The Office of the First Minister and the deputy First Minister baseline budget was small; therefore any increase in it will look significant. However, the graph shows it that takes a very small slice of the cake. The additional funding was, therefore, necessary because of the start-up of devolution — funding was required for victims, for example. I am sure that Mr Beggs will accept that that is worthwhile.

173. Mr Beggs: I accept that the start-up of devolution will mean additional costs, but the Office of the First Minister and the deputy First Minister has already received significantly increased funding compared to the previous period of devolution.

174. Mr P Robinson: What time are you talking about? What significant increases are you talking about? If you compare it to the health budget, you will see that — proportionately — it is a small fraction of the increase.

175. Mr Beggs: Capital realisation is another important area. I can think of several instances in East Antrim where property is not being used efficiently: an under-utilised Roads Service depot that is preventing the expansion of park-and-ride facilities; an under-used former depot of the Water Service; and significant amounts of Housing Executive land that have lain vacant and undeveloped for many years. It would be better to have improved park-and-ride facilities, lower water bills and additional social housing. Will the task force report quickly so that those assets can be used for the benefit of all?

176. Mr P Robinson: I did exactly the same thing as Mr Beggs is doing when I met Mr Vernon: I identified areas of derelict land in my constituency, which people had approached me to buy but which had not been released for sale. Gathering the 108 Members together would provide the task force with plenty of suggestions for its remit.

177. Along with the First Minister and the deputy First Minister, I would like to consider giving the task force a longer-term role than it has at present. The immediate job of the task force is to provide us with advice before we finalise our Budget. That work will be done over the coming weeks, and we expect it to report to us. I suspect, however, in those circumstances that the task force may provide only a cursory glance at the situation and will pick only the low-hanging fruit. There may, however, be work for the task force beyond its immediate remit. There is no point in our having assets that are not being used when we need funds for purposes that will benefit the community. That is a no-brainer. The task force will complete its work in time for us to make changes, if we can, to the capital element of the Budget.

178. Mr Beggs: Will that happen in six months' or a year's time?

179. Mr P Robinson: I want that to happen before the end of this year.

180. Mr Beggs: What about possible future financial difficulties? Workplace 2010 has a cashback proposal, and under the new reform and reinvestment initiative (RRI) borrowing arrangements, the Department will have to find funds from the block grant to meet the cost of borrowing. Have you considered the difficulties that we may be storing up for the future?

181. Mr P Robinson: Our borrowing under the RRI arrangements is fairly predictable, so all the calculations are easy to make. The Workplace 2010 proposal, once the courts dispose of the issue, will provide significant capital that will assist us in meeting the challenges of the capital programme. That is one of the areas in which difficulties may arise. We make assumptions about the capital programme on the sale of assets. Should some of them drag on longer than is expected, that could damage our programme, and that is why it is more valuable for the capital realisation task force to provide us with additional possibilities in case there are delays. Let us be clear: Workplace 2010 adds to our resources; it does not detract from them. By and large, the resource spend for Workplace 2010 will be within the present baselines.

182. Ms J McCann: May I ask about the public procurement process? The declared purpose of the Programme for Government and the Budget is not only to grow a dynamic and innovative economy but to reduce poverty and disadvantage and to empower communities. What direction or encouragement will be given to Departments to give priority to unemployed people when jobs created through the public procurement process are to be filled?

183. Mr P Robinson: That is a priority, and not just for the jobs that are created. The labour market is such that if we attract the higher-value-added jobs that we want, it is more likely that

skilled people who are not best using their talents in their existing employment will move into those jobs, freeing up positions for the economically inactive. We must engage in a major drive to reduce the number of economically inactive people, which is much higher in Northern Ireland than in either the Republic of Ireland or Great Britain. Northern Ireland's unemployment rate is low compared to anywhere else in the British Isles.

184. However, there are still people who need to develop the skills required for jobs. For example, the new shopping facility that is being built in the centre of Belfast will provide hundreds, if not thousands, of jobs. There will be massive opportunities for people to develop skills for those jobs.

185. We need to drive that forward. My colleagues Reg Empey in the Department for Employment and Learning and Nigel Dodds in the Department of Enterprise, Trade and Investment are working together on those areas. The Executive recognise the issue, and part of the Programme for Government deals with it. There will be an overarching role for the First Minister and the deputy First Minister to ensure that we deliver on our targets.

186. Ms J McCann: My question concerns Civil Service reform. Although I welcome any cutback in bureaucracy and improved delivery of services to the community, how will you ensure that the savings of 3% that have been proposed will be put back into front-line services and not used simply to meet departmental targets?

187. Mr P Robinson: Each Minister must ensure that the money in his or her Department is used for front-line services. The money will not go back to the Treasury, nor will it go to the Department of Finance and Personnel. Each Department has examined where it can make savings, and it can redirect the money that is saved through making efficiencies to front-line services. I cannot make decisions on behalf of other Departments, and it will be up to the Committees to examine them closely to ensure that services are receiving the added value.

188. I can hang another hat on the issue that was raised in the 'Belfast Telegraph'. I was appalled to read an article claiming to outline the woes that the Health Service would suffer due to the Budget. The first point was about the loss of jobs in the Health Service. It is not the Administration's intention to increase the number of jobs in the Civil Service or in the public sector for the sake of it. People are employed as civil servants or in the public sector in order to provide the most efficient and effective service for the least cost. The Government is not a job agency. We want to move people out of the public sector and into the private sector, because our economy requires us to do so.

189. I want to reduce the number of civil servants and the number of people working in the public sector. That will be anathema to the unions, because they seem to think that there is merit in simply increasing the number of people who are employed in public service. That is not the case; the service is what is required. If we can achieve the same, or better, service using fewer people and resources, we must do so. The people and resources that are freed up can better serve the community.

190. Dr Farry: I welcome the Minister and congratulate him on his Budget. Although I might not agree with some of its contents, I recognise that it was a substantial piece of work this far into the Assembly's mandate.

191. First, what is the status of the regional economic strategy? I think that the Minister is on record as saying that the Budget for 2008-11 would encompass the formal strategy. There was much criticism of the draft strategy that was published in January 2007. How have things changed since then?

192. Mr P Robinson: I will let one of my officials respond to the precise details. The regional economic strategy is being revisited because it lacked ambition. The Programme for Government has distinctly more ambitious figures than those in the strategy. Perhaps Leo will take up that issue.

193. Mr Leo O'Reilly (Department of Finance and Personnel): As Dr Farry said, concerns were raised about the draft regional economic strategy when it was published.

194. As I recall, the primary concern that elected representatives expressed at the time was about the lack of any meaningful fiscal incentive in the package to stimulate economic activity. Of course, the Minister mentioned earlier that he and other colleagues have pursued with the Treasury the possibility of enhancing the financial package by including some further fiscal incentives that would enable economic development, particularly in the private sector. We must await the outcome of the Varney Review to see whether the Treasury has moved in that direction in its response to those arguments, either through a reduction in corporation tax or some other form of tax relief that can incentivise business.

195. The draft strategy is being revised to take account of the types of fiscal measures that we can take, and the Minister has already referred to rates and property tax on business. There is also a significant additional stream of issues around funding that is becoming available for innovation over the next three years and beyond. The balance of the £25 million that is available from the Chancellor's package will be rolled out, and that will go towards innovation. Significant funding is also coming onstream from the European Union through its competitiveness and employment programmes. Furthermore, the Irish Government have also allocated £36 million for the development of joint partnerships in areas of innovation. A new agenda has come on the table since the draft strategy was published under direct rule, so we are now revising the strategy to take account of those matters. We intend to bring forward a revised strategy for the approval of the Minister, the Executive and the Assembly.

196. Dr Farry: Are we still talking about making a step change in the economy on the back of the draft Budget, even without corporation tax coming to the fore?

197. Mr P Robinson: We will look at the findings of the Varney Review, but, more importantly, we will await the response from Her Majesty's Government. I continue to be in contact with the chief secretary to the Treasury on those issues because even if the Varney Review does not recommend a reduction in corporation tax, there is a responsibility on the Government to provide us with another fiscal instrument that will enable us to make a step change.

198. As I said in the Assembly — I think in response to a question from the member — I believe that our economy will grow and that there will be considerable improvement in our gross value added over the years ahead. The difference will simply be that if we have to deal with the matter within our own confines as opposed to being given an additional instrument by the Treasury, that improvement will occur more slowly.

199. Dr Farry: I believe that it is hoped that some £790 million in efficiency savings will be generated over the three-year period. That is a very exacting target — we have that in common with our counterparts across the water. What are the consequences if those targets are not met?

200. Mr P Robinson: I do not intend to start by expecting failure. The Committee will be aware that far from expecting not to meet those targets, I have set up a unit to ensure that we surpass them.

201. Anyone who has been a Minister — and I know that the member has not — will know from their day-to-day experience that significant savings can be made in Departments. Although thus

far we have not heard Departments squealing about reductions as a result of efficiencies, we are always told that a measure will cause great problems in the future. There is a great deal of waste in the system; many programmes do not deliver the value that the community expects for the money that is being spent on them; we could improve the processes to get work done much more cost effectively. We have to drive those efficiencies through the system. DFP is considering how that can be achieved in the Civil Service through the reform programme and by using new technologies to assist in the process.

202. Workplace 2010 is another area where we are driving efficiencies, and the review of public administration can make a contribution. Rather than consider what we will do if things do not turn out as expected in the draft Budget, I am moving in the other direction: I want to do better than the efficiencies proposed in the draft Budget.

203. Dr Farry: Many of the individual departmental commitments on efficiency savings are geared towards internal administration or procurement. Is there any pressure on the Department of Finance and Personnel to examine how other Departments deliver services and whether there is a more efficient and rational basis on which they can deliver those services? For example, the sustainable schools policy is still on the Department of Education's back burner. The school estate could be delivered in a more rational, cost-effective manner. However, that does not feature in the draft Budget.

204. Mr P Robinson: Without dealing with that specific issue, I agree with the general context of the member's question. When I was considering how I might make greater efficiencies, I decided to move towards setting up an efficiency unit. However, I reconsidered that and decided to set up a performance and efficiency delivery unit to examine performance as well, as it is important. If Departments do not voluntarily consider efficiencies and performance, we will gain advice from the performance and efficiency delivery unit on whether there are ways of improving performance and delivery.

205. Dr Farry: The Minister stated that the Departments made 270 bids. How many of those have been met in the draft Budget?

206. Mr P Robinson: The difficulty in answering that question is that those bids will be further adjusted by Ministers in their spending plans as opposed to their bidding programme. However, we had £790 million from efficiencies and about £750 million from the comprehensive spending review, so we had about £1·5 billion in resources against bids, and that came to about £2·6 billion. In quantum terms it is probably about a half.

207. The Chairperson: Thank you, Minister. As usual, you provided full answers to the questions. Inevitably, issues will arise, which we will forward for written response, as usual. On behalf of the Committee, I thank you and your officials for the useful information that you provided. These are stimulating and challenging issues.

208. Mr P Robinson: Thank you, Chairman. For your information, the charts that we used today will also be used during the public consultation process. All that money was not spent merely for one day's presentation. [Laughter.]

21 November 2007

Members present for all or part of the proceedings:
Mr Mitchel McLaughlin (Chairperson)
Mr Mervyn Storey (Deputy Chairperson)
Mr Roy Beggs

Dr Stephen Farry
Mr Simon Hamilton
Ms Jennifer McCann
Mr Adrian McQuillan
Mrs Dawn Purvis
Mr Peter Weir

Witnesses:

Mr Leo O'Reilly Mr Richard Pengelly	Department for Finance and Personnel

209. The Chairperson (Mr McLaughlin): I remind everyone that, because this session is being recorded for Hansard, they need to make doubly certain that their telephones are switched off. Members have been provided with a paper from the Department of Finance and Personnel (DFP) and a paper from the secretariat.

210. Mr O'Reilly and Mr Pengelly are no strangers to this Committee. Please start when you are ready.

211. Mr Leo O'Reilly (Department of Finance and Personnel): We are conscious that the information that we have been asked to provide for this session of the Committee has been described as a "strategic overview" of the Budget. Obviously, the Budget and its associated materials contain a great deal of detailed information. Other Committees are already discussing the implications of the Budget with their Departments and officials. If Committee members want to raise any points of detail with us, we will, as far as we can, deal with those. If we do not have the answers, we will provide them in writing.

212. The Chairperson: Thank you.

213. Mr O'Reilly: On the basis of the information that the Committee requested from us, we have provided a relatively short background paper that explains the roles of the various sections of DFP — central expenditure division, supply, and the strategic policy division — in the work that leads to the production of the Budget outcome. We have also provided a note about efficiency savings and the process by which the efficiency savings were identified, both under the previous direct rule Administration, and, subsequently, under the arrangements that are now in place.

214. Obviously, the process of producing a Budget takes a number of months. The work intensifies from the summer onwards as we receive detailed bids from all Departments. That essentially involves each Department setting out a series of bids for particular items of expenditure, and what additional amounts of money they think they require over the following three-year period. They provided a lot of associated material to DFP as part of that exercise.

215. As is inevitable with these exercises, there is a substantial difference between the totality of what Departments seek and what, at that time, we think will be available for allocation over the next three years. A summary of the detail and the amounts involved has already been provided to the Committee.

216. Therefore, there is a period of engagement at official level between us and Departments in order to explore their bids and to ascertain the extent to which they can be justified. Most importantly, we have to ask Departments to think about prioritising the bids that they have made, so that, given the limited resources against the totality of bids received, they can begin to

reprioritise. That process of bilateral engagement at official level goes on intensively between August and September.

217. However, inevitably, there is a point beyond which officials cannot engage; Ministers have to become directly involved. That part of the process starts with a series of bilateral meetings between the Minister of Finance and Personnel and all the other Ministers. That is followed by a period of further meetings, as required, and as appropriate, between the Finance Minister and individual Ministers to discuss the detail, to explore where there are still pressures, and to seek, as far as possible, to produce a set of recommendations to the Executive that we, as officials, feel — and, more importantly, that the Minister of Finance and Personnel feels — can be justified given the totality of resources available, the pressures on the system, and the cases made by individual Departments for additional resources.

218. This draft Budget was considered at two formal meetings of the Executive. At the second meeting, the Executive agreed the draft Budget as a basis for public consultation. That is the stage of the process that we are now at. The various documents and the material that has been published is where we have got to.

219. Mr Beggs: First, with regard to the overall Budget situation, it is difficult to have an appreciation of whether the balance between Departments is appropriate without being aware of the pressures that exist. I and, I am sure, other Assembly Members have had difficulty in acquiring copies of the bids that all the Departments have submitted and the outcomes of those bids. When does that information enter the public domain?

220. Secondly, with regard to the capital expenditure plan for the next three years, I see there is a negative figure for DFP in 2008-09 and for the Department of Agriculture and Rural Development (DARD) in 2010-11. I assume that the DFP figure is related to Workplace 2010, but I would like more information on why DARD has a negative capital figure of £171·1 million in 2010-11. What is the reason for that significant figure?

221. Mr O'Reilly: I will ask Mr Pengelly to deal with the details of the specific departmental allocations. On the first point about the details of the bids that were received from Departments, I recall that the Member has submitted an Assembly question on that matter, although I am not sure whether is due to be answered next week. However, subject to the answer's being cleared by the Finance Minister, the Department will, in response to the Member's question, provide a summary of the overall bids that it has received. Obviously, the details of those bids are a matter for each Department to provide. DFP will, however, provide a summary.

222. Certainly, the question has been raised at official level about disclosure of the bids that have been made by Departments. The advice that DFP has provided to Departments through the Office of the First Minister and deputy First Minister is that, now that the Executive have considered the overall position and published their proposals, that information can and should be made available in order that all Assembly Members can see the totality of bids that have been made by Departments.

223. Mr Beggs: It would be dreadful if Members had to resort to the Freedom of Information Act 2000 to get that information, which should be in the public domain.

224. Mr O'Reilly: Yes.

225. Mr Richard Pengelly (Department of Finance and Personnel): The £171·1 million that the member referred to with regard to DARD relates to the disposal of the Crossnacreevy site. It is estimated that there will be receipts of around £200 million in 2010-11, which exceed planned capital spend in that year, giving a negative net figure.

226. Mr Beggs: Will it take three years to sell the site?

227. Mr Pengelly: Yes, because planning permission must be secured and there are also site-assembly issues.

228. Mr Beggs: In the past there has been expenditure overcommitment, and there is a plan to reduce it. The latest available figures that were given to the Committee for 2006-07 show under-expenditure of £155 million on current expenditure and £96·7 million on capital expenditure. That is approximately £250 million. Why is there a proposal to budget for under-expenditure of £100 million in the next financial year? Is that being overly prudent?

229. Mr O'Reilly: Certainly, on resource spending, my recollection is that the overcommitment figures for the next three years are £100 million, £80 million and £60 million. The Department is not budgeting for underspending. However, we acknowledge that, for various reasons, there will be an element of underspending in the system each year. The question is how much of that underspending should be anticipated in advance — how much money must be overcommitted, or allocated, before the start of the financial year in anticipation of underspending — and how much is left to be reallocated during the course of the year as underspending emerges. The view of the Finance Minister and the Executive is that the balance that had been struck previously by the direct rule Administration had got too far out of kilter and too much underspend was being anticipated in advance, which left the Executive with little discretion to reallocate money in-year in response to any emerging pressures.

230. So far this year, fortunately, no significant unexpected pressures have emerged, apart from the flooding episode in June. However, in the nature of public-sector activity, it is inevitable that such pressures could emerge. The Department's concern is to ensure that sufficient flexibility is left in the system in future years to allow the Executive to respond to those pressures when they happen.

231. Mr Beggs: There must be a balance between the two. There is a danger of having too much money committed in a year that may be short-term expenditure and that it might not be well-spent.

232. Mr O'Reilly: Yes, it is a balance. The Finance Minister's view — and the Executive agree with him — is that starting off at £155 million is too high.

233. Mr Pengelly: It is £100 million, £80 million and £60 million for current expenditure. The other important contextual point is to compare the 2006-07 year, when current expenditure underspending was £155 million, with 2008-09. The financial year 2006-07 was part of the spending review of 2004, in which real-terms growth was around 4%. The overcommitment in 2008-09 is £100 million, and real-terms growth is less than 2%. The declining public expenditure environment suggests lower levels of year-end underspending. DFP is also aggressively pursuing a financial management agenda with Departments to make better use of money in-year, which will also seek to minimise underspending.

234. The Chairperson: The fact that it is a phased process means that it can continually be reviewed in the light of changing economic circumstances.

235. Mr Pengelly: There is no overcommitment on capital expenditure. You mentioned an underspend figure of about £100 million, but the issue is different on capital. With current underspending, money that Departments do not spend from their budgets by the end of the year can be reallocated. Generally, the reason that the money is not spent is because it is not needed. However, capital underspending tends to arise because a project has run into difficulties, or because there is a problem with it. However, it cannot be reallocated because a

school or a building cannot be left half-completed. The overcommitment has been limited on capital for different reasons.

236. The Chairperson: The Committee had a discussion based on an interesting paper that came from Research Services which informed that question. You do not have that background; we will supply that paper to you to help with transparency.

237. Dr Farry: On the point about transparency, some of my colleagues have tabled questions asking the individual Departments for information on their bids and the results of those bids. Some of the Departments have already responded, and I have noted that there are major variations in the format of, and the amount of detail in, those responses. That is not helpful. I have also been contacted by a number of non-governmental organisations (NGOs) which are having difficulty in getting beyond the headline figures to truly understand what is happening on key aspects of public expenditure. If it is difficult for MLAs to try to find out what is happening, it will be even more difficult for NGOs, never mind members of the public.

238. A proper consultation process is supposed to be taking place over the next six or seven weeks, but I am not sure how effective that will be. This reinforces the need for a standardised list of the bids that were made and the responses to those bids. When making a judgement on the Budget, one of the things that people will be interested in is how much money is available to the Departments compared with the requirements that they faced, and whether or not those requirements were met. In that light of that information, people could take a view on whether the balance of the Budget was correct.

239. Mr O'Reilly: I will take away the requests that have been made by two Members concerning the format of the information. The information, when you receive it, is likely to list the bids that were made by Departments in prioritised order. Inevitably, Departments presenting bids go through a process whereby they seek to present those bids in a way that is as favourable as possible, in order to secure the resources that they need. The bids are presented in the expectation that not all of them can or will be met. Therefore, when the money is allocated to Departments, what actually happens to it may not be the same as what is listed in the bids. For example, if a Department makes 30 bids, and bids one to 15, say, are met through its allocation, that does not necessarily mean that nothing will happen on bids 16 to 30. Once the Department has received its allocation, its Minister will review the position and may wish to adjust the allocations to take account of the actual amount of money that is available. The Finance Minister has stressed that he expects individual Ministers to go through their proposed allocations and how they propose to spend them over the next three years.

240. Mr Pengelly: If there is a perceived inconsistency, that is inevitable to a certain extent, because although the Departments present their bids within a common framework when we commission the inputs, different Departments do things in different ways, and rank and analyse bids in different ways. We have seen some of the questions, while others have gone directly to Departments. The point that we have made to Departments, as Mr O'Reilly said, is that now that process has concluded for the draft Budget and there is a public consultation process, they should release that.

241. Dr Farry: My second question relates to the regional economic strategy. Will you clarify the current status of that? A draft document was published by the Department in January and put out for a public consultation that closed in April. The Minister of Finance and Personnel originally stated that the regional economic strategy would be encompassed within the Budget for the forthcoming three years. Last week, when I asked the Minister about that in Committee, he seemed to imply that there would be a separate regional economic strategy. Can you clarify its status? Will it be part of the Budget, or a free-standing strategy that will come out later?

242. Mr O'Reilly: The answer is the latter. It will be a separate document that we hope will be published early in the new year. As you know, a draft regional economic strategy was published before devolution, and there has been a prolonged period of consultation. Concerns have been expressed about that, mainly around the fact that it was drafted in the context of the direct rule Ministers' approach.

243. The Chairperson: It was modest in its expectations.

244. Mr O'Reilly: There was also concern about the expectations implicit in some of the targets in the document. That is being revised to take account of a number of factors; one is the different priorities and views of the Executive Ministers about economic policy. Also, it has to be revised to take account of the specific announcements in the draft Budget in relation to, for example, the proposals that the Minister has made on industrial derating and other aspects of business taxation, which this Committee has considered separately.

245. It also has to take account of the outcome of the Varney Review, when that is published, which we hope will be soon. We do not have a firm and final date for publication from the Treasury. The final strand of the strategy that must be reviewed to take account of developments is in the area of funding for innovation. There is the balance of the £25 million that was allocated by the Chancellor last year, which it is now proposed should be spread out over the coming three years to allow it to be spend in a phased way. That is in accordance with the views of a number of Ministers, who felt that in order to spend the money meaningfully it should be spread over a number of years.

246. On top of that, there is the £36 million that was announced by the Irish Government for partnership projects to promote innovation. We also have the innovation funding streams that have come on from the new European funding programmes for competitiveness and employment, which include significant allocations earmarked for innovation activity.

247. A strand of work is ongoing between the draft and final Budget to allow those aspects to be pulled together into a coherent strategy. Those will be reflected in a revised version.

248. Dr Farry: In the draft Budget, there was some historical economic analysis of trends such as economic growth. However, the Department made no projections for the consequences of the Budget and the Programme for Government. Will such projections be contained in the regional economic strategy?

249. Mr O'Reilly: Yes, they will be contained in the revised version.

250. The Chairperson: Does that mean that a red line has been drawn through the draft, so that this will effectively become an Executive document, or is it the original document amended following consultation and subsequent developments?

251. Mr O'Reilly: The economic strategy will be revised to reflect the Executive's priorities.

252. The Chairperson: Will the strategy be presented as a departure or as an evolution of the draft?

253. Mr O'Reilly: I expect that it will be presented as the Executive's economic strategy. Parts of it are simply factual and analytical material, which will probably stay in much the same format. However, I suspect that substantial parts of it will be rewritten to take account of the new priorities and approach that the Executive want to take to promoting economic growth and development. When the Scottish Government published their revised economic strategy last

week, they effectively revised and rewrote the previous Administration's strategy to reflect the priorities of the new Government in Scotland.

254. The Chairperson: Did you indicate a timeline for the process? Obviously, the Varney Review will be an essential element.

255. Mr O'Reilly: I expect that we will conclude the Budget process by the end of January 2008. By the end of March 2008, a revised draft will be circulated for comment among Committees and MLAs before the Executive finally sign it off. We would like it to be signed off quickly so that it runs in parallel with the timescale for the Budget and the other documents that the Executive have published.

256. Dr Farry: Do you aim to have the strategy in place before the investment conference next spring?

257. The Chairperson: That seems to be the plan. The Department is blessed to have such a co-operative Committee.

258. Mr Weir: Just as there is no uniformity in the way in which Departments produce their bids, presumably the methodology that they apply in deciding whether to submit bids is more or less up to individual Departments. It is not just the ranking of the bids or the number that have been met. You have put a bit of a health warning on that, in that certain bids may appear to be fully met while others, on the face of it, have not been met, but may well then be met by the Department.

259. Presumably there should also be a health warning on the response that we get from each Department as to its bids. Is it your experience that different Departments and Ministers employ a slightly different culture when it comes to putting together bids? Do some Ministers produce long wish lists, on the basis that at least it demonstrates that the Department is showing some commitment to a particular issue, while others take the view that, if they are likely to get, say, an extra £30 million, they should bid for perhaps £50 million on the basis that there is little point in going beyond that? Some Ministers may be realistic, while others make lengthy wish lists. Is there any uniformity in the Departments' approach to submitting bids?

260. Mr O'Reilly: Departments do use different patterns, and I suppose that one way of measuring that would be to measure the totality of the bids received against the size of their present budget and see what the difference is. Having said that, we have gone through all the bids in recent months and found them to be fully rationalised, justified and well articulated.

261. Departments, inevitably, start off with what they refer to as their "inescapables". They make some assumptions about pay inflation, and, for instance, health-cost or drug-cost inflation in the Health Service. If a service is to be maintained to a particular standard, there will be a level of inescapability about those sorts of bids. That is the basis from which Departments generally start their bidding process. Following that, they move through a prioritised list of initiatives or improvements that they wish to make. The length of those lists does vary, but sometimes it reflects the nature of a Department's business. There is an element of the approach of individual Ministers and their officials.

262. Mr Pengelly: There are differences, but I would categorise them more as variations on a theme than as fundamental differences in technique. It is most obvious at the low end of the priority list. Departments tend to have a fairly similar approach in that they put their "inescapables", high priorities and fundamental issues on the table. Departments are aware that we are unable to go very far down the list in terms of our scrutiny, due to the amount of money that is available at block level. Some Departments will, perhaps, have a slightly longer tail, and

include a couple of initiatives just on the off chance that some extra money might be available in a particular year. However, the difference in approach is not a fundamental issue, and not one that causes us any problems with any Departments.

263. Mr Weir: My point is that we have to ensure that we do not take all the figures at face value. If one Department ends up with £30 million even though it bid for £100 million, and a similar Department received the same amount having bid for £60 million, one should not assume that one Department has been more harshly treated than the other.

264. I appreciate that a lot of “inescapables” are in fact inescapable, but I presume that DFP carries out some analysis on whether they agree that certain issues fall into that category. People may act with the best will in the world, but they will not always agree on whether something can be classed as inescapable.

265. Mr Pengelly: “Inescapable” is a word used by Departments; we only use it when talking about how Departments classify their bids. We accept that Departments face cost pressures that are truly inescapable — contractual and ministerial commitments, pay and price pressures. However, we do not accept that additional funding is required merely because a cost is inescapable. There are other ways — for example looking at their own internal prioritisation. Departments generally have large budgets. Therefore, they can deal with budget issues in ways other than through the receipt of additional resources.

266. Mr Weir: Have there been cases where a Department says that something is inescapable and DFP says that it is not?

267. Mr Pengelly: Yes; that has happened. With regard to benchmarking, you quoted an example of a £30 million outcome compared to bids of £60 million or £100 million. We do not indulge in a debate with Departments about that as a measure of performance.

268. Mr Weir: I appreciate that. I am thinking more about the Committee’s point of view in respect of whatever figures we get back.

269. My final question relates to contingencies. Earlier in the year, we had that flooding in parts of Northern Ireland. In the grand scheme of things, that did not cost a fortune. However, some emergency situations might arise that do cost a lot of money. Has any separate contingency fund been set aside, or is it intended that any emergencies that do arise will simply get higher priority in the monitoring rounds or end-year flexibility?

270. Mr Pengelly: Our view, in discussion with Ministers, has always been that, considering the size of the block and the pressures that all Departments face, to set money aside as a contingency fund would mean that it is sitting doing nothing for a chunk of the year. If no emergency has arisen by month nine or month 10 of the year, the money will, most probably, be spent on something of a fairly low priority — just so long as it is spent.

271. We have never taken that approach. Instead, we use the in-year monitoring system. The empirical evidence over a number of years shows that there is a genuine, material amount of flexibility. However, that has been eroded somewhat by the previous approach of a significant level of overcommitment. We are trying to reduce the level of planned overcommitment so that our contingency fund is really the normal churn within the system throughout the year. Evidence suggests that that approach provides a sufficient safety net to deal with an unanticipated emergency.

272. Mr O’Reilly: This is an element of self-analysis and self-criticism: in the budgeting process there is a strong element of incrementalism. In other words, Departments start with 100, seek

120 and end up with 110. The debate tends to be around whether they should get 10 or 20. There is a weakness in that system, which is that we tend to have less focus on what they are doing with the original 100. That is an area where we are conscious that we could have greater focus on the 100 as well as on whether the Department should get 10 or 20. Inevitably, in the nature of the process and the way that it is run, there tends to be a focus on marginal differences, rather than on the big chunk of money that each Department has. That does not tend to get debated. That is why the Minister has placed such a focus on putting mechanisms in place in future to look at the efficiency and the effectiveness of the way that we look at both the 100 and the 10 or 20.

273. The Chairperson: This Committee does not have the responsibility of drilling into each individual Department's spending priorities. They have their own scrutiny Committees, and there is a demarcation in terms of our relationship with DFP on strategic issues, and of course on your own spending programme. I do not think that we have got into the business of another Committee, but there is a limit to how far this Committee can take that line of discussion.

274. Mr Hamilton: I found the final comments about incrementalism interesting, and I am tempted to get into the discussion about zero-based budgeting.

275. I have two questions on the issues of efficiency, one general and one specific. Generally, the performance and efficiency delivery unit (PEDU) is an interesting idea. Will you elaborate on its remit, how often it will report, and what it will report on? More specifically, on page 7 of your paper there is a table with the top ten efficiency options for savings by 2010-11. The first one is a programme of measures to enhance productivity in the health and social care sector, including the review of public administration (RPA). The health reforms through the RPA are currently on hold — what are the ramifications of that freeze? Has it been taken into account in the projected savings of £160 million?

276. Mr O'Reilly: The precise format and coverage of those individual saving areas will continue to be subject to review by the individual Departments. No Department has told us that it will not deliver the efficiency saving targets identified. However, they may adjust the precise programme of work to achieve the efficiency savings. I am not sure if we have had any communications with the Department of Health on that specific point.

277. Mr Pengelly: That table largely reflects the position on 8 May, and the plans developed at that time. In many cases, individual Ministers, upon appointment, pressed the pause button and commenced a review of the approach to delivering the savings: but all Ministers, without exception, have committed to delivering the 3% efficiencies. They may be looking at the exact mechanism to do that; that process will be concluded by the time of the final Budget. As the paper suggests, Departments will be publishing efficiency delivery plans. There may be some variation in how they do it, but the overall number will still be delivered.

278. Mr O'Reilly: PEDU is on the agenda for next week. The Minister of Finance and Personnel is still working through the precise mechanisms that should be put in place to ensure that the unit operates effectively. We may talk more about the detail of that next week. The principle is relatively straightforward — there is a facility and resource in the system that is external to individual Departments, but can work with Departments on specific areas of concern that are identified and agreed between the relevant Minister and the Finance Minister. That will not be done in a judgemental way.

279. There are lots of areas of Government activity in Northern Ireland about which we can say that, when measured objectively, they are not as efficient as those in England, Scotland or Wales. What are the reasons for that? What could be done differently in order to achieve more — and to deliver better results — with the funding that has been provided? Therefore, it is not

just about “efficiency” reductions in spending, it is also about performance and the better use of existing resources. There is a facility in the system that will allow specific topics to be examined in depth to see what scope there is to secure improvements. We have looked at parallel examples elsewhere, including, for example, the Prime Minister’s delivery unit in Whitehall which, in working along with Whitehall Departments, performs a similar function to PEDU.

280. The Chairperson: What is PEDU’s role, and how does it compare with the Audit Office or DFP’s supply division?

281. Mr O’Reilly: We will have more detail next week. I would not say that there is an overlap, but PEDU is coterminous with the Audit Office. Audit Office activities generally tend to be retrospective, because it examines what has happened and the lessons that can be learned from it. There is also coterminosity with the work of supply division and my area of responsibility. As with the Prime Minister’s delivery unit in Whitehall, which is physically — and, to some extent, organisationally — located in the Treasury, the idea is to create a specific focus on particular areas of concern.

282. The other key lesson is that it is very important that that sort of unit focuses on specific areas. It should not be general or broad-brush in its approach; it needs to focus on specific areas of concern so that its work can be targeted at a particular area for a specific period of time, come up with recommendations, and then move on to other areas of concern in the system.

283. The Chairperson: I suppose the question of retrospection deals with the Audit Office. You may then have a Chinese wall as regards DFP’s supply division. What is the mechanism for ensuring that it is an innovation? I am perfectly content with the broad principle, but there is potential for duplication and replication. What are the accountability and scrutiny arrangements, and how will the performance of PEDU be measured?

284. Mr O’Reilly: There should be a matching-up between the responsibilities of supply division. Again, I stress that the point of the unit is to create a specific and more high-profile focus on issues of performance and efficiency specifically. That is the reason for creating a separate unit to look at those things. It does not mean that the ongoing work of supply division — processing bids, considering supply estimates and dealing with individual casework in Departments — will not go ahead as a matter of routine. However, I also expect that — if the unit was looking at some particular aspect of some particular Department — the relevant supply division people in my group would also be involved, and would support and work with the people in the unit. Moreover, where specific areas of activity are being examined, we anticipate that the relevant Department would be involved in a joint venture. That has happened on other occasions, when looking at a particular area in an effort to work together to identify ways of doing things better.

285. The Chairperson: OK. As you say, we will return to what I suspect is an issue that might need to be spelt out in some detail so that we can see the structure and, maybe, even the hierarchical relationship between the different functions within the Department.

286. Ms J McCann: Given the history of some PFI projects, the difficulties and delays, to what extent will capital investment over the next three years be dependent upon any current or proposed PFI projects?

287. My second question relates to consultation. Your briefing paper states that part of the Department’s remit is to undertake consultations with the general public and specific groups. Will that include consultation on the draft Budget? If so, how will it be rolled out? In particular, how will the voluntary and community sector be included? How will their responses be relayed back to the Minister, and what impact will that have on the final Budget?

288. Mr Pengelly: I cannot give you a precise figure as to PFIs, but the figure predicated in the first version of the investment strategy for Northern Ireland, which was published a couple of years ago, was that about 20% of overall investment was likely to be made through some sort of PFI mechanism. There has been no fundamental shift in that figure; it certainly has not increased significantly. The figure work is still subject to variation until the final Budget and investment strategy are nailed down; however, it is a figure of that size. The other point that I would make in relation to PFI — without giving you ammunition — is to concede that, in some cases, projects fail. However, that is not necessarily because of the mechanism chosen to fund the project; it may be because it was not properly managed. There are a whole range of issues.

289. There is a difference between what happens in England and in Northern Ireland. In many cases in England, because of the slightly different public expenditure framework, the PFI route is chosen because it offers an advantage in budgetary control. That advantage does not apply in Northern Ireland. Therefore, the only test for PFI procurement in Northern Ireland is whether it produces value for money. Whether it is conventional or PFI procurement, the same rigour will apply in project management. That offers some assurance: there is a value-for-money test underpinned by good project management skills.

290. The consultation runs until 4 January. We will hold four public meetings, which were advertised on 29 October in all the local news media: one each in Belfast, Enniskillen, Derry and Armagh. All will be held in the evening, to facilitate working people who want to contribute. As to the voluntary and community sector, the Northern Ireland Council for Voluntary Action (NICVA) is separately organising either five or six events— there is a question mark over one of them. We will attend those, in order to work with NICVA and try to facilitate that debate. We are also holding a range of other meetings, for example with the Confederation of British Industry, the Northern Ireland Committee, Irish Congress of Trade Unions, and other social and economic partners. All the comments made will be recorded and put in a substantial consultation report to Ministers. That will be available to them before they conclude the Programme for Government, the Budget and the investment strategy. People can also make written submissions through a website. Everything will be collated, analysed and presented to Ministers in advance of decisions being taken.

291. Mr Storey: The top ten efficiency options relate to only five of the 11 Departments. Have they been prioritised by the amount of money involved? How do we come to have that top 10?

292. Mr O’Reilly: I think it is simply on the basis of size.

293. Mr Pengelly: It is just the size, because —

294. Mr Storey: The amount of money?

295. Mr Pengelly: Yes.

296. Mr Storey: OK. I just wanted that clarified.

297. Where are we in relation to the implementation of the recommendations in the Pannell Kerr Forster (PKF) report? Given that in the long term, the way in which we are allocated funds is going to change, do you think that there is any merit in reopening the entire debate regarding the Barnett formula? We received an interesting paper this morning, which we are going to share with you, regarding a fiscal conference. Obviously, the Scottish constitutional reform paper will inevitably open up that entire debate.

298. Mr Pengelly: The final PKF report was received in June; I think that a copy was passed to the Committee. Our immediate response to that has been to secure a specific resource within

DFP to take the lead in the “implementation of PKF” — that is the generic term, but it is really about a wider financial management agenda, to which the PKF report has made a valuable contribution. An action plan has been produced, and immediate steps have been taken. Some training courses for the senior Civil Service have been arranged, focusing on the key skills that are required for better financial management. That cuts through all sorts of issues, including the levels of overcommitment and underspending that we talked about earlier.

299. We are also focusing on measures such as trying to develop standard board reporting packs. That will mean that, at board level in Departments, non-department public bodies and all public-sector organisations, there are a common set of what we call the key metrics, which are things that should be available to a board at every monthly meeting. They give a good sense of how the organisation is performing financially, and flag up warning signs about issues that need to be addressed. That is continuing to be rolled out. We are also working with the finance network across Departments to continue to develop training packages.

300. We are not seeking to turn every public servant into an accountant. Public servants need a whole range of skills; the last thing that they need is to become accountants. However, they do need to know what sort of questions they should ask, and they need to know where the accountant — as the person who can answer those questions — sits within their Department. Therefore, it is about education, but it is not a brainwashing exercise of management by numbers. We will continue to roll that out in the coming months. We have started to see some benefits in the in-year cycle, in the quality of information that Departments are producing and in their responses regarding reduced requirements and pressures. We expect that to continue in the coming months and years.

301. Mr O’Reilly: We have also recently held a senior Civil Service best-practice event specifically on the PKF report and the follow-up to it. Follow-up actions will include a mandatory two-hour seminar for all senior civil servants to reinforce the messages. A two-day training programme will also be developed for those who need to improve their budgeting skills. In addition, the Treasury has a website called ‘love learning’. It is a self-learning programme, and people can go through budgeting issues over a number of weeks. Therefore, that particular strand of work is continuing.

302. Last week, I attended a Government finance professionals’ conference in Brighton. There was a separate session on financial management in Northern Ireland, and we were able to talk to people about what we are doing. There was a fair degree of interest in that.

303. Regarding the question about Barnett and all that —

304. The Chairperson: That is a good way of putting it. [Laughter.]

305. Mr O’Reilly: A great deal has been, and probably will be, written about the way that the Barnett formula operates. I am sure that the research report referred to the background and the basis for the formula. The formula is named after Joel Barnett, who was Chief Secretary to the Treasury in 1976 when it was introduced. He is on record as saying in the House of Lords some years ago that he was surprised that the formula had lasted 15 minutes, never mind 15 years.

306. The formula has advantages and disadvantages. It is crude and simple, but fairly easy to understand. One of the very good developments in recent years is that the full details of the workings of it have now been made fully public. In fact, the Treasury has just published an updated version of its statement of funding policy, which includes all the nitty-gritty detail of how the formula operates.

307. I describe it as crude in the sense that it is a population-based mechanism; effectively, it transposes changes in spending programmes in England, on a population basis, to the devolved Administrations. The advantage for the devolved Administrations is that, over the years, it has allowed them to maintain a fairly high lead in terms of spend per head, over and above both England and the average for the UK. That, in turn, is simply based on the lead that was in place when the formula was introduced in 1976-77.

308. I am sure that your researchers will explain the mathematics, but the formula also has what is called a convergent effect, which means that, over time, it will cause spend per head to converge to the UK average — but never actually become the UK average, for some mathematical reason that I am sure somebody else can explain. That convergent effect is quicker when there are higher increases in spending in England compared to the rest of the UK.

309. I suppose that the question is at what point that convergent effect will result in a substantial differential between the spending that has been allocated to the devolved regions and their needs. Of course, a mechanism is in place whereby, if a particular devolved Administration formally request a needs-assessment review, there will be a fundamental review by the Treasury of spending against needs in each of the devolved Administrations. I suspect that there is a reluctance to request such a review because we are not sure what the result would be. Indeed, we could end up worse off. In recent years, the balance of judgement has tended to be not to seek such a fundamental review. I suspect that, in coming years, as the convergent effect comes into play, the pressure from within individual Administrations will increase. I will not go on at length about that.

310. The other aspect is the relationship between taxation and spending. Under the UK system, which is fairly unique across Europe — and, indeed, more widely — there is frankly very little relationship between the levels of revenue raised in any particular part of the UK and the levels of public spending. The two issues are determined entirely separately. That means that the devolved Administrations receive net transfers in terms of the totality of tax revenues allocated to them. However, that is not really surprising; it is a feature of any diverse national economy that individual regions will have variations between their spending needs and their ability to raise taxes. In fact, very often the spending need is higher in regions that are remote and deprived, in contrast with those regions' capacity to raise public funding. Therefore, there are usually fiscal transfers in any economy. The issue for the devolved Administrations is that their transfers can be easily measured, whereas there are equally significant transfers in, for example, England, between the south-east, the north-east and the north-west.

311. The fundamental issue is whether there should be some greater relationship between levels of revenues raised in regions and their levels of spending. Again, the judgement in the past, particularly in Northern Ireland, has been that that is probably not a path that we would want to go down, based on our understanding of relative revenue-raising capacities in Northern Ireland compared to other parts of the UK. That is a brief overview of a very complex subject.

312. Mr McQuillan: Will the Budget allocations be affected by any decisions that the Varney Review might make? When can we expect to hear the outcome of that review?

313. Mr O'Reilly: We expect to hear an announcement on the Varney Review very shortly — I say that, but it is in the Treasury's hands. We expect it to be announced in a week or two. Do we expect that review to affect budget allocations? The short answer is not very much, and certainly not in the short term.

314. We have not seen the Varney Report. Our expectations, however, are that it is not likely to have public expenditure implications. It will not, therefore, affect the Budget allocations as such.

Obviously, it has major implications for the regional economic strategy, which the Chairman mentioned earlier.

315. The Chairperson: We would need to hear the pronouncements of the Treasury before we could make any projections.

316. Ms Purvis: Where do the cash-releasing efficiency savings go?

317. Mr Pengelly: There will be a total of around £790 million by the third year. The starting point for the Budget process is to establish the baseline for each Department. The Budget covers three years: 2008-09, 2009-10 and 2010-11. The 2007-08 baseline position is rolled forward on a flat cash basis for the three years. Cumulative efficiency savings of 3% are then calculated. That amount is taken off the total and held at the centre with the additional revenue that we get through the Barnett formula. That forms a pot of money for which the Executive makes allocation decisions. Therefore, the money is initially taken from a Department and is then reallocated back to the same one or to a different mix of Departments. The key point is that the money absolutely stays in Northern Ireland.

318. Ms Purvis: Therefore, the money is not necessarily ploughed back into the same Department? Instead, it goes back to the Executive to be reallocated?

319. Mr Pengelly: That is correct.

320. The Chairperson: Are you confirming that the money goes back to the Executive for reallocation?

321. Mr Pengelly: Yes.

322. Ms Purvis: I have just done a quick calculation, which is probably totally off-the-wall. According to your top 10 efficiency options for the period until 2010-11, the Department of Health is looking at cash efficiency savings of £326 million. However, its departmental expenditure limit for the three-year period from 2008-09 to 2010-11 will only be increased by £455 million. Why is the Health Department being asked to make savings in the first place, if its allocation will only be £129 million after savings?

323. Mr Pengelly: That money will come back and be reallocated to the Departments. If a Department’s budget is £100 million, £3 million of efficiency savings are taken away and it only gets £2 million back, its net budget is £99 million as opposed to £100 million, but it is still £2 million better off, because it has initially managed to provide the same level of public service for less money. The fact that efficiency savings are made means that the Department has provided the same level of service, but that it has cost less money. Therefore, the money that Departments are given back is for service improvements and for meeting other pressures.

324. Ms Purvis: That goes back to my previous question: if the money goes back to the Executive to be reallocated, it is reallocated to the same Department or to a different Department?

325. Mr Pengelly: The money that comes back from all 11 Departments goes into a central pot. The Executive then assesses bids that are received from all Departments and decides how the available resources can be best deployed. It is not a matter of X amount being taken from a particular Department and that same amount being given back: it could be more or less than that amount, depending on the circumstances and the pressures on that Department.

326. Mr O'Reilly: On a rough calculation, the cash growth in the Department of Health's allocation for 2006-07, or, indeed, 2007-08, is roughly in the region of a £500 million cash increase. The efficiency savings would be on top of that again for 2007-08 and the plan for 2010-11 current expenditure. There is another £40 million or £50 million in increases in capital allocations.

327. Ms Purvis: How will the Department monitor and report progress in achieving savings?

328. Mr Pengelly: Alongside the publication of the final Budget, the Departments will publish delivery plans that will set out the details. They will be monitored within the system. The Executive have yet to conclude on external reporting. They will consider that issue when finalising the Budget.

329. Mr O'Reilly: The paper that we provided to the Committee contains the guidance that DFP has given to Departments in the construction of the delivery plans.

330. Ms Purvis: How will any slippage in delivering the plans be addressed?

331. Mr Pengelly: The key incentive for Departments is that the money has already been taken off them. The Departments have signed up to these levels of efficiencies; they have produced efficiency delivery plans that set out a clear approach to delivering them. Ministers expect those plans to be followed. If delivery were not to occur because of reasons within the Department, that would need to be addressed and understood. It is not as black and white as to say that the Department would be left to suffer if it were not to deliver. Ministers would always avoid that. The efficiencies are underpinning key public services, which cannot be allowed to suffer because public servants are not doing the job. That would be an issue that would be addressed in the course of in-year monitoring. If the efficiencies could not be delivered, DFP would examine the reasons for that. We would consider the introduction of mechanisms to deliver the efficiencies. Failing that, Ministers would consider deploying some of the available in-year flexibility to address the issue. All of that would be in the context of the impact on public services.

332. Ms Purvis: You mentioned that funds were found to compensate people for the flooding episode in June. Is a contingency fund set aside for such emergencies?

333. Mr Pengelly: The full cost of the flooding episode was slightly less than £5million. That money was found through the in-year monitoring process. The October monitoring round has been announced; the next round will be in December. That will create a contingency, and pressures identified by Departments will mop up that contingency.

334. Ms Purvis: So there is no particular fund for emergencies.

335. Mr Pengelly: There is not a pot of money.

336. The Chairperson: If the efficiency amounts are being removed from the baseline, does that mean that the centre already has that money? It is not money that is to be achieved; it has been removed from the baseline of Departments.

337. Mr Pengelly: It is easier to talk about one year, rather than three years. In the third year of the Budget, 2010-11, the Executive has a total of around £1·8 billion to allocate, of which £1·1 billion comes from additions through the Barnett mechanism and £700 million to £800 million from the efficiency agenda. The money comes from Departments back to the Executive, and is then redeployed in Departments.

338. The Chairperson: Yes, but Departments have had 3% taken out of their budgets from the beginning. It is not a question of their realising those savings and surrendering them at some stage.

339. Mr Pengelly: That 3% is taken out on the basis that the Departments will deliver the necessary efficiency to release those funds.

340. The Chairperson: The consequence of the money being taken out of the original budget and the Department missing its efficiency commitments is an impact on the delivery of public services.

341. Mr O'Reilly: That is why the efficiency delivery plans are so important. In those plans, the Departments set out, in some detail, the actions that they will take to deliver the efficiencies. In other words, they remain as efficiencies and do not become cuts in public services. Your description of the mechanism is correct. We use that mechanism quite deliberately to ensure that there is an element of re-profiling. In the absence of zero-based budgeting, Departments are forced to consider how they can re-profile and reprioritise their activities, year on year. Provision is removed from Departments and is given back to the centre for reallocation. Departments can then bid for activities that they believe to be their priority activities. It is a deliberate mechanism to create an element of pressure on the system and to constantly review its priorities and to ensure that money is being used by the highest priority activities.

342. The Chairperson: The Minister gave us an example — and I do not intend to examine another Department — of very significant additional resources built up incrementally over the past number of years almost to the point of having a budget that is worth twice what it was 10 years ago. The Minister asked whether the delivery of the front-line service is twice as good as it was 10 years ago. Is that an inbuilt contradiction? Reducing the baseline on the basis of experience does not necessarily mean that you will get the same services at the same level.

343. Mr O'Reilly: In our presentation of figures, we always attempt to distinguish between totals that include efficiency savings and totals that do not. For example, the vast majority of figures in the Budget do not include efficiency savings, but are simple, real cash increases, as distinct from recycled savings. In a few places we do include the efficiency savings as well to illustrate the total increase in spending capacity, but generally the figures that we use are the cash figures excluding money released through greater efficiencies.

344. Mr Pengelly: Surrendering 3% in a budget that perhaps has a lot of fat in it does not necessarily mean becoming more efficient — it may just mean doing a little bit less of something that may, or may not, have needed to be done. The efficiency delivery plans have two main purposes. On the one hand, for those Departments that genuinely experience difficulties in becoming more efficient —or those Departments that are working hard to become as efficient as possible — they can set out a clear methodology and mechanism, and deliver real and meaningful efficiencies. On the other hand, for those Departments that might adopt the easier approach, as you have suggested, they set out a delivery plan that will demonstrate meaningful consideration of real efficiencies and how they will be delivered. The plans have a dual purpose.

345. Mr O'Reilly: There should always be clarity on the distinction between cash growth and any growth that becomes available through greater efficiency, and hence through greater spending power. A clear distinction needs to be drawn between those two types of figures, and we try to ensure that that always happens.

346. The Chairperson: Your submission states: "A significant contribution was to come from a 5% real terms reduction in administration Budgets".

347. To what extent does the reclassification exercise contribute to that 5% target? It is not a matter of shifting the goalposts, I assume.

348. Mr Pengelly: The starting point for Departments is that there has to be a 3% cash reduction, and a component of that must be delivered through a 5% real-terms reduction in administration costs. Quite a number of Departments felt that there was a problem with the classification of administration, and that if they reduced what was called administration by 5% in real terms, they were actually reducing spend on front-line services, because the classification was poor. So we worked with all Departments, and now the things that are classed as administration are those things that all Departments accept are pure administration and bureaucracy.

349. The Chairperson: That is a common definition?

350. Mr Pengelly: That is a common definition across all Departments. The 3% target has not changed in any way as a result of the classification, although the element that comes from administration may have been tightened a little.

351. The Chairperson: Which leaves less room for people to manipulate.

352. Mr Pengelly: Absolutely.

353. Mr Beggs: Under the reinvestment and reform initiative there was borrowing of £200 million a year, paid for in the past by above-inflation increases in the regional rate. That no longer being the case, it will obviously be paid for out of the block grant. If in your household budget you continued to borrow an additional £2,000 a year for ever, you would still have to pay that back out of your limited baseline income. What assessment has been made of whether this accumulative debt will get out of control at some point?

354. The Executive programme funds and priority funding packages that were previously available were particularly useful in dealing with cross-cutting issues. Now that those are being done away with, how will DFP ensure that issues that may be of importance to a number of Departments and have a collective significance to Northern Ireland and to the Executive, but fall between bidding processes because they may not be one particular Department's top priority, do not fall by the wayside?

355. Mr O'Reilly: The facts that you have set out in relation to the borrowing of £200 million are absolutely accurate. When we borrow money, we have to repay it. It is borrowed through the National Loans Fund, which has the advantage of providing a competitive rate of interest. Every £100 million that we borrow over 25 years costs £7 million a year to repay.

356. Your second point is also accurate. There is a limit; we cannot keep on borrowing £200 million a year ad infinitum. We would end up in difficulties, as a private individual would do if he kept on borrowing. We believe that the total amount of borrowing that we have undertaken at present is relatively modest, and is easy to manage within our overall allocations. Obviously, however, we could not keep on borrowing ad infinitum, because that would ultimately create serious problems in other services.

357. Mr Pengelly: The previous arrangement was that in order to access borrowing, there had to be a certain level of increase in the regional rate. Beyond that, the servicing of the loan was still a charge on the regional rate. There is now no need for increased access to borrowing; the fact is that we can now borrow £200 million a year.

358. The draft Budget sets out the regional rate forecast across three years. Notwithstanding the fact that the domestic regional rate has been held flat, there is an inflation-based increase in the non-domestic rate and the normal incremental drift, with new properties being built. The revenue from rates is going up by about £20 million a year, and if we borrow £200 million a year, as Mr O'Reilly says, at £7 million per £100 million, it only costs an additional £14 million a year. There is sufficient additional revenue coming through that stream to deal with the situation without it eating too significantly into the overall resource availability.

359. The Chairperson: There might be a bigger issue. PFI is a means of front-loading capital expenditure, and that has an impact on flexibility going forward.

360. Mr O'Reilly: The costs of PFI are recurrent also. One of the judgements that have to be made in value-for-money terms is the cost to the private-sector provider of raising capital. That ultimately feeds through into what we refer to as the unitary charges. That still offers value for money against any alternative facility that is available to Government. First of all, most of our money is "free" in the sense that we do not have to pay interest on it; it comes to us through taxation and an additional element of borrowing. There is always a judgement to be made as to the relative value for money when financing particular projects.

361. Mr Beggs: What about the cross-cutting issues?

362. Mr Pengelly: There was a real practical difficulty with the old Executive programme funds and the Secretary of State's priority funding packages. In the first instance we had to top-slice the amount of resources available for the generality of pressures across Departments. The money that was top-sliced went into a specific fund, which, as you say, sought to address cross-cutting issues. Our experience over the past couple of years has showed us that levels of underspend in those specific, ring-fenced funds, were at least double the normal rate of underspend. The projects were small, and because the money was ring-fenced, it was very difficult to get them moving. The nature of the ring-fencing and cross-cutting element meant that the ability of the Departments to be flexible in managing the programmes that delivered the services was more limited than was the case in normal circumstances.

363. Our view was that there was a better approach. Rather than reduce the amounts available to Departments through top-slicing, we would leave the money in the general pot. However, it would be made clear to Departments that where these sorts of issues to be addressed through those funds are of high priority, they should be treated as a priority in the preparation of normal bids. The cross-cutting dimension is dealt with through the Executive's public service agreements, which cascade through all Departments and focus on issues such as children and the family, as well as other issues that would have been picked up previously. Those issues are still there for consideration; they have not been relegated in terms of importance, but the way in which funding reaches projects has subtly changed.

364. Mr Beggs: The feedback that I have received from the community and voluntary sector is that that is not how it is working out in the bid process. However, I have not yet seen the figures, so I do not know.

365. Mr O'Reilly: There is a consultation process involving the voluntary and community sector. Some of that sector's leading figures have arranged to meet the officials who are carrying out the consultation exercise to discuss their concerns about that aspect of the Budget.

366. The Chairperson: That is a significant issue, and we will come back to it.

367. Finally, do we now have a fixed view going forward on the annual limits and level of access to end-year flexibility? It has been something of a moveable feast as the situation has evolved.

368. Mr Pengelly: The settlement letter from the Treasury to the Executive represents the outcome of the comprehensive spending review. The end-year flexibility in current expenditure for the three years will be £125 million, £35 million and £25 million. I need to double-check those figures, but the figure of £125 million is definitely correct. For capital expenditure end-year flexibility, it is £100 million, £50 million and £50 million. That gives us full access to the stock of end-year flexibility as it stands today. That is guaranteed access and an agreed profile over the three years of the Budget period. The pot of end-year flexibility will be topped up when we get to the end of the current financial year. The Minister made the point strongly to the Chief Secretary that he will want to return to that debate when we find out our end-year flexibility entitlement. He will want another debate about securing access to that.

369. The Chairperson: That will be a product of our own capability to match the projections with the actuals.

370. Mr O'Reilly: Ideally, we would have complete flexible access to end-year flexibility. That is where we should be with the Treasury, but, given its insistence on spreading the end-year flexibility access, the deal that the Minister of Finance and Personnel has secured from the Chief Secretary was as good as it could get in the circumstances. The front-loading of end-year flexibility, in particular, allows us to deal with other pressures in the system next year.

371. The Chairperson: I think so too.

372. Thank you for an interesting session. We managed to cover a range of issues. I also thank Hansard staff for their support.

28 November 2007

Members present for all or part of the proceedings:
Mr Mitchel McLaughlin (Chairperson)
Mr Mervyn Storey (Deputy Chairperson)
Mr Roy Beggs
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Ms Jennifer McCann
Mr Adrian McQuillan
Mr Declan O'Loan
Mrs Dawn Purvis
Mr Peter Weir

Witnesses:

Mr Des Armstrong Mr Brendan O'Neill Mr Leo O'Reilly Mr Richard Pengelly	Department of Finance and Personnel

373. The Chairperson (Mr McLaughlin): We now move to the evidence session on the performance and efficiency delivery unit (PEDU). We are joined by Mr Leo O'Reilly and Mr Richard Pengelly from the Department of Finance and Personnel (DFP), who are both very welcome.

374. Mr O'Reilly (Department of Finance and Personnel): Thank you, Chairman. We have sent you a brief note on the background to PEDU and its progress to date. We are still working on finalising the arrangements, consulting with various organisations and groups — including the Prime Minister's Delivery Unit at Whitehall, which might provide a model for PEDU.

375. The Minister of Finance and Personnel first highlighted his belief that there is scope in the system for such a unit as PEDU during a speech to the Chartered Institute of Public Finance and Accountancy conference in Newcastle in September. The conference's theme was living with restricted resources — it was called 'Surviving the Big Squeeze'. With that in mind, the Minister believed that, as well as the structures that are in place to ensure good practice and value for money in the delivery and funding of services, there was scope for some additional organisation or unit that would serve effectively to create a focus on issues where there is concern about performance, value for money or efficiency. He wanted to ensure that such areas could be identified and become the focus of a period of analysis and review so that they could be resolved.

376. Nationally, such issues as hospital waiting lists, crime levels in areas of England and attainment in schools have become a focus for the Prime Minister's Delivery Unit. The initial approach has been, first, to reach a consensus that the issue needs to be looked at — and I stress that there needs to be a consensus between the Departments and the Ministers involved. Once that is achieved, a period of intensive analysis is undertaken to understand the facts behind the figures. The clear focus of this type of unit is on establishing what the problem is and where it is occurring, rather than decrying the problem or engaging in rhetoric about how awful things are in schools or how the level of crime on the streets is becoming intolerable. The next step is to establish what might be the causes of the problem. Once those are identified, action plans can be developed and targets set for addressing the issue or concern.

377. The unit takes an analytical, objective approach. It is not intended to be — nor would anyone want it to be — confrontational. They do not set out to investigate why individuals or groups are not doing their jobs properly. The causes of underperformance in the public sector are often complex, and there can be a vast number of factors feeding into why areas of the public sector underperform against the standards that the public, Ministers or elected representatives expect. Therefore, there is a need for a strong analytical approach.

378. It is also important to avoid creating a blame culture. Rather, the culture should be one of identifying problems, sharing them, and working with the Departments concerned to seek ways of resolving them. Ultimately, as in any part of the system, it is only the Departments and public-sector agencies with responsibility for a particular service that can address and resolve the problems.

379. Translating that into our local environment, we are still working through the detail. No particular personalities have been confirmed as yet to undertake this work. However, the broad vision for the unit is that it will probably be headed by an individual from outside the Civil Service — outside the public sector, even — with a proven track record of delivering organisational improvement and ensuring that organisational change happens in a productive way. That person might not be a household name; it could be someone who has worked in local government or in the private sector here or elsewhere in Ireland or in the rest of the UK.

380. We envisage that the unit will be staffed by individuals with strong analytical skills who can look at issues in an objective way and produce reports and analysis that support the organisations concerned. Additionally, and reflecting the point about engagement, we also envisage that for particular tasks, or particular areas of investigation, staff and individuals from the Department or organisation concerned will also be directly involved in the review of a particular area of concern. The focus will be on working in partnership.

381. We will also focus on targeting particular areas, rather than having too broad a focus. To take the point that I made earlier about street crime in England, analysis of that situation revealed that the problem was concentrated in a relatively small number of inner-city-areas. That meant that, rather than resources being spread across the entire system of policing in England, they were able to be focused on a relatively small number of areas. In that way, rapid results were achieved in reducing levels of street crime. Similarly in education, the process of focusing on particular areas is important. Although numbers have not yet been finalised, the unit will comprise no more than 10 people at any one time; perhaps few less than that. Its resources will and should be limited, because it is not meant to add to the existing structures and bureaucracy in the system.

382. Questions have been asked about the likely relationship between this unit and the spending divisions in DFP, which also have a general mandate to monitor and report on the efficiency and effectiveness of public expenditure. We envisage that, when the unit focuses on particular areas that are the responsibility of particular parts of DFP, it will work closely with the DFP teams on the investigation of particular problems.

383. That is a broad outline of our current thinking on how the unit will operate. The Minister intends to confirm all the details of the work that we are doing by the time he makes his final Budget statement to the Assembly in January. We are happy to answer any questions from members of the Committee, or, more usefully perhaps, listen to any suggestions or concerns that the Committee may have.

384. Mr Weir: It may be that some areas that have not been entirely drilled down. I want to know how the unit will work in practice. You say that the unit will examine specific areas, rather than using a broad brush. Presumably, the unit could have a cross-cutting function in the sense that it could focus on one Department or on an activity that relates to a number of Departments. Is that correct?

385. Mr O’Reilly: Yes.

386. Mr Weir: How will the unit identify what topics to consider? Will it operate in broadly the same way as the Public Accounts Committee? Will it concentrate on one or two topics, or might many topics be considered separately at any one time? For example, will it focus on and complete one issue before moving on to the next?

387. Mr O’Reilly: Identifying topics for consideration will probably have to start with engagement between Ministers, as it is important to secure a consensus on the areas of concern. This Committee and other Committees will probably ask at some stage why performance in one area seems to be less efficient than in others, or why improvements cannot be secured in X, Y or Z. The initial stage will probably be a fairly wide trawl of views — particularly those of Ministers, Departments and Assembly Committees — to find areas of concern that can productively be considered to find the problem behind underperformance in a particular area.

388. On the question of a comparison with the work of the Northern Ireland Audit Office in its value-for-money reports, and with the role of the Public Accounts Committee, there are three points to make. First, the Audit Office reports are post hoc in that they tend to consider problems or difficulties that have occurred in the past or where there has been underperformance in a broad area. However, they do also make recommendations for better practice in future. The difference is that we envisage these studies being “within the system”, in the sense that that they are within Departments and within the existing system. Secondly, the unit will engage directly with those involved in an issue to identify the nature and reasons for the problems and any solutions to them. Thirdly, the unit will ensure that a matter under

investigation is focused and targeted, and it will conduct relatively short-term exercises: six months would be the absolute maximum.

389. If the unit's focus is to be kept relatively narrow, it should be selective in what it deals with and focus intensively on that, rather than engaging in a broad-brush programme that covers a wide range of topics.

390. Mr Weir: Say, for the sake of argument, that the unit starts its work on 1 January. It could be decided, after consultation with Ministers, that its focus for the first three months would be on hospital waiting lists. Once that had been completed, presumably another topic would be selected.

391. Mr O'Reilly: Yes.

392. Mr Weir: Will the unit's work be both qualitative and quantitative, rather than focusing simply on figures and whether targets are being met?

393. Mr O'Reilly: Yes.

394. Mr Richard Pengelly (Department of Finance and Personnel): As Mr O'Reilly said, the unit is a work in progress. Colleagues in the Prime Minister's Delivery Unit told us that when they looked at improving performance in education, for example, they seconded teachers and head teachers on to the team that was investigating the issue. It is not simply working by numbers or looking at the quantitative aspect; it is a matter of involving people who know the service and who are familiar with the needs of the client group. It focuses on those qualitative dimensions too, and we will bear that in mind.

395. Ms Purvis: When will the unit be up and running?

396. Mr O'Reilly: The work on refining its terms of reference and membership structure is ongoing. The Minister envisages that he will be in a position to set out the details to the Assembly and the Committees by the time that he makes his final Budget statement in January. We hope, therefore, that the unit will be under way by the beginning of February at the latest. We may have some people in place before that.

397. Ms Purvis: Why must the unit be led by an external figurehead? Is there no one in the Departments with the appropriate expertise?

398. Mr O'Reilly: There is expertise in the Departments, but there is a belief — based on experience — that this type of unit benefits from an external perspective. However, there might be suitable people involved in the wider public sector either here, in Ireland or in the rest of the UK. The intention is to bring in people who have some other perspective beyond the particular framework within which DFP, or civil servants generally, work. There is an advantage in bringing in someone who is able to bring experience and wider perspectives to the problems that are faced in the public sector.

399. Ms Purvis: Will the job be advertised?

400. Mr O'Reilly: A final decision has not been made on that.

401. Ms Purvis: Where will the small core of staff come from?

402. Mr Pengelly: We are still discussing that with the Minister, but, as the nature of the organisation is about delivering efficiency and delivery, his starting point is probably going to be to look at redeploying staff; this is not a job creation agency.

403. Mr O'Reilly: We envisage that there will be a small core of permanent staff who have analytical skills. "Permanent" does not mean long term; the positions will be for, perhaps, a year or two at the most. As Mr Pengelly said, PEDU will also second departmental employees or professionals involved in the delivery of front-line services, such as teachers or health professionals, to work on particular exercises and pieces of work.

404. Ms Purvis: To whom will the unit be accountable?

405. Mr O'Reilly: In the first instance, it will report to the Finance Minister, but I am sure that he will want to ensure that its work is endorsed and supported by the Executive, and, ultimately, the Assembly.

406. Ms Purvis: Will this Committee have the opportunity to take evidence from PEDU?

407. Mr O'Reilly: I am sure that that will be possible.

408. Mr Weir: We do not want them evaluating us for performance and efficiency.

409. Ms Purvis: Do not even go there.

410. Who will identify the areas to be examined by PEDU?

411. Mr Pengelly: That process will need to be moved forward in the short term as we crystallise the arrangements for it. There are a number of different dimensions. With regard to efficiency, for instance, colleagues in DFP who work day to day with Departments could, at very short notice, produce a long list of areas in which there are good and bad performance. The more important aspects are performance and delivery, and the key starting point for the consideration of the Executive will be the draft Programme for Government and the 23 public service agreements — they are a manifestation of the key performance areas that are important to the Executive. That would be a good starting point for improving performance across the system.

412. Recent work carried out by Departments must also be taken into account. Not so long ago, Professor Appleby carried out a significant piece of work for the Department of Health, for instance, and the Bain Report was undertaken for the Department of Education. Should PEDU go in and look at how to crystallise that work, or should it start elsewhere, because those pieces of work have already been subject to a recent review? That is a discussion that we still need to have with Ministers.

413. Ms Purvis: Public servants often associate the word "efficiency" with job losses. What assurances can you give staff that this initiative is not just another chopping board?

414. Mr Pengelly: The unit is definitely about making services more efficient and releasing the resources for reinvestment within Northern Ireland; it is not about taking money out of Northern Ireland. The staff reduction targets under the "fit for purpose" heading in the Gershon efficiency review were pretty ambitious and caused great fear among public servants that there would be redundancies. Although we are on track to achieve those targets, experience has shown that there is flexibility in the system of more than 5%. The system has proved to be more dynamic than we thought. With the Programme for Government prioritising economic growth, the private sector will start to grow, and that will introduce more dynamism into the labour market in

Northern Ireland. Therefore, we are confident that this will not take us into the territory of redundancies. It is about efficiency, flexibility and focus on service delivery.

415. Mr O'Loan: I take it that, in so far as anything can be considered to be permanent in this life, the unit will be a permanent body owned by the Department of Finance and Personnel.

416. Mr O'Reilly: I can only speculate, as the Minister is still working through the detail; but there is a case for placing an initial time limit on the body of, say, three years. The danger is that such bodies can become institutionalised and slowly morph into being part of the bureaucracy themselves, whereas part of their job is to ensure that the systems are delivering. It might be appropriate to set an initial time frame and then review the body's effectiveness.

417. Mr O'Loan: I said in yesterday's debate on the draft Budget that the Minister of Finance had suggested to the Minister of Health that he might like to avail of PEDU's services. That made me wonder where the activity comes from and how they relate to continuing departmental work. To what extent is it seen by Departments as an intrusion? If PEDU says that it will consider a particular issue, the first instinct, quite naturally, of Ministers and officials will be to say that it is theirs; that they have been working on it and do not want someone else coming in. Nobody should think that getting the relationships and responsibilities right is simple.

418. This idea has a great deal of potential, but, at its worst, it could descend into silliness and run away with trivial themes. It could start taking its themes from the front page of the 'Daily Mirror' or the 'Sunday World' or 'The Stephen Nolan Show'. The media play an important role in democracy, but they do not always focus on the right targets; there is a pack mentality in the media. The spotlight can turn on an issue and make it seem the dominant issue of our times, even though it may not be the most important issue. It may reflect something that is to the side of an important issue rather than homing in on the right thing.

419. Mr Weir: Are you looking for a spot on the 'The Stephen Nolan Show' tomorrow morning? I can see the headline: "Assembly Member denounces show".

420. Mr O'Loan: There is a big issue about the identification of themes. Will they come out of Departments or Committees? That ties in with the issue of accountability, which Dawn raised. Who will PEDU be answerable to? Will its accountability be post hoc? Will we be reading its reports after it has done its job? There are also questions about how the Assembly and its Committees can raise issues for investigation by PEDU. There is a stack of issues to consider. The unit has a lot of potential, but there is also potential for it to grind to a halt and be seen to not be doing very much.

421. Mr O'Reilly: All those points are very pertinent; those are the very issues that we are considering at the moment. Part of the reason why we do not want to rush out a detailed statement on how the unit will operate is that we want to address some of the specific concerns that you have identified.

422. With regard to buy-in from Departments, Ministers and Committees, the simple fact of life is that if a Minister is not signed up to the idea of the unit's involvement in his or her Department, it will not work. If the civil servants or the officials or the employees of the organisation do not come on board, it will not work. They have the capacity to stymie any investigation. That is why there has to be an emphasis on identifying areas on which there is a shared agreement among Ministers, the Department of Finance and Personnel, and at least one, if not several, of the Committees of the Assembly that there is a genuine concern that some aspect of public-service delivery is not operating as well as it should do. The purpose of this is to focus on those areas. Rather than engaging in a rhetorical blame game about why things are not working, the unit will provide an objective analysis of the reasons why they are not working and

of what might be done to address the problem. It will draw on both analytical work and, as Mr Pengelly said, the work and experience of people involved in the delivery of front-line services. The unit will also draw on input from elected Members of the Assembly and its Committees.

423. You are absolutely right that, if the unit came to be perceived as a negative influence that blamed people for things that have gone wrong, it would not get very far. It would rapidly run into the sand.

424. Mr Pengelly: The points are well made, and will be worth bearing in mind in our discussions with the Minister of Finance and Personnel and the Executive on the programme of work. As Mr O'Reilly has said, the unit will have only a small number of staff. It is therefore important that it should retain an absolute strategic focus on what it is trying to achieve. I made the point earlier about the links to the draft Programme for Government and the public service agreements. That is not to say that the unit will not — at times, within a strategic work programme — go into detailed elements. Mr O'Reilly mentioned an example that was given to us by the Prime Minister's Delivery Unit about regional crime units. There are 300 of them across GB; to improve performance across the board, the delivery unit focused on 10 or 15 units whose performance was appalling. It was an attempt to address strategic improvement in service, albeit at a low level of detail.

425. On the question of the media driving the agenda, there are other mechanisms, such as the Audit Office, to deal with particular problems. In addition, Departments have internal audit mechanisms. We have to look to those bodies for the main response to a situation, leaving the unit to maintain a strategic focus and lift performance in line with the Executive's overarching priorities.

426. The Chairperson: Will this unit take as its initial compass the 3% target that each Department has signed up to, given that, as we were told last week, those efficiency savings have been taken away from the baseline allocation, which means that any slippage at all will have a direct impact on the delivery of front-line services? Is it the role of PEDU to ensure that those slippages do not occur and that the efficiency targets are met on an ongoing basis, or will it concentrate on other areas of work?

427. Mr Pengelly: The starting point will be to look at the additional elements of work. All Ministers are signed up to delivering the 3% efficiency savings, and Departments are advanced in producing robust delivery plans, which will be published on the departmental websites alongside the final budgets. Therefore, there is a plan of action to deliver those, and it has been quality-assured by our colleagues in the Department of Finance and Personnel. That process of engagement and challenge will continue.

428. It is not anticipated that PEDU will initially get involved in the 3% efficiency savings, but efficiency savings beyond that might come onto the radar of PEDU. It is possible that, six or eight months down the line, a particular problem or some external factors might emerge — notwithstanding the robustness of delivery plans. At that point, Ministers might decide to ask PEDU to go in and do a short-term look at a piece of work to try to get the efficiency delivery back on target. However, that would only be in response to a problem. As things stand, PEDU will not be involved in the delivery of the 3% efficiency savings.

429. The Chairperson: You said that Ministers would ask PEDU to get involved. Do you mean one Minister or the Executive?

430. Mr Pengelly: The Minister of a particular Department could issue the call for help. There are two dimensions to the 3% efficiency savings. It is easy for DFP to tell a Department that it must deliver 3% efficiency savings and that there will be a problem with its budget if it only delivers

2%. We will be concerned about whether that 1% gap represents a gap in the delivery of public services, which individuals need and rely on. It is not a departmental issue: problems that impact on public services are an issue for everyone. Therefore, it is up to the Minister to identify a problem with delivery, and for the Executive to sign up to an immediate response.

431. Dr Farry: Is it anticipated that PEDU will operate on a statutory basis, or will the unit draw upon existing statutory powers? The audit process operates within a fairly robust legal framework. Furthermore, the UK's system of government is different from ours in that it is a single-party Government, and the legal structure is also different. It is much more cohesive; our Departments are free-standing units. As the Finance Minister reminded us yesterday, we have a four-party mandatory coalition. He may have mentioned that once or twice in his speech.

432. The Chairperson: It trips off the tongue.

433. Dr Farry: Will Departments be obliged to co-operate with PEDU, or will it be voluntary? Can anything be done within the system to address the problem of Departments resisting the involvement of PEDU?

434. Mr O'Reilly: There is no intention to put PEDU on a statutory basis; it will be part of the administration of the system, and that is part of its ethos. It is not intended that PEDU will become some overly bureaucratic system. The intention is to create a small organisation that is focused on improving results and helping to improve performance and efficiency in the public sector. Dr Farry's comments about the differing structures of Government in Northern Ireland and Whitehall are obvious — and highly relevant when seeking to take forward something like PEDU. A unit like this in Whitehall can draw upon the authority and power of the Prime Minister to secure results and benefit from his authority over his party colleagues — all of whom are in Government. There is no other party in Government, so that, to some extent, creates a different context for a unit such as PEDU.

435. We cannot translate the model straight across to our local context, because it would not work in our circumstances. That is why the emphasis must be on building consensus, particularly around the issues that need to be looked at. I suspect that, if each public representative in this room had five minutes to come up with issues of delivery about which their constituents were concerned, there would be at least 20 different areas. There will not be any problem with identifying topics, but, they have to be isolated and prioritised. Furthermore, Departments, Ministers and other bodies will have to be engaged and agree that the issue in question is of concern and should be looked at.

436. Dr Farry: With regard to the results that come from the process, how will that fit in with the three-year Budget? If the unit achieves results in the short-term within the time frame of that Budget, will the additional savings that emerge automatically go to the Department from which the savings arose, or will they be thrown back into the pot to be reallocated through a monitoring round?

437. Mr O'Reilly: The general principle in DFP is that reduced requirements and savings in the system should always go back to the Executive and they should decide how those should be used. That is a strong, basic principle for us. However, we are not pushing it as a cost-cutting exercise, which is why, in choosing the title the Minister wanted to include both the words "efficiency" and "performance". It is about making best use of existing resources rather than seeking to cut back on resources in a particular Department — it is more about securing performance.

438. You made a comment at the beginning about the unit "achieving results". We envisage that it will not be the unit but the people who are responsible for delivering the services who will

ultimately achieve the results. Improvements will only happen if the people who are responsible for delivering the service can make them happen. The unit will simply seek to identify ways that that may happen, but the results will be achieved by the people on the ground who deliver the service.

439. Dr Farry: Finally, in order to wind up Mervyn Storey, I must mention the Deloitte report into the cost of division, which Mervyn thinks is my bedtime reading.

440. Mr Storey: I was just going to mention that.

441. Dr Farry: Yesterday, the Minister was keen to stress in his Budget speech that that is one of the areas that the unit will look at, in the short term. Could you give me an indication as to how quickly that work will begin, and the approach that it will take?

442. Mr Pengelly: As part of the initial scoping exercise, the Minister has asked officials to do a further analysis of the report. Large elements of the savings in the report fall to the Northern Ireland Office (NIO) through the law and order budget, and are outside our scope. Similarly, there are elements that fall to the local authorities. There are significant savings in education, many of which were addressed by the Bain review. It is important to understand where and when those parts might fall within the Executive's remit and factor that into the unit's developing work programme to the greatest extent possible. We need greater clarity about those issues.

443. The Chairperson: In relation to the comment about attempting to take that forward on a consensual basis, how will we know if the unit is worth its room? How do we measure that?

444. Mr Pengelly: One answer is that the success of the unit may be that you never hear of it again. One of the biggest achievements of the Prime Minister's Delivery Unit, if you were to drill down, was to work with the Department of Health in Whitehall to make massive improvements to waiting times and access to healthcare. However, if you did a Google search for Prime Minister's Delivery Unit and improvements to waiting times, I suggest that there would be no hits. All the credit went to the relevant Department, and, to build on earlier points, that is one of the key ways of ensuring that there is no friction between Departments and the unit coming in.

445. At an internal level we will want to understand the areas that the unit has looked at and the subsequent improvements; however, it will be in terms of how the unit has worked with the Department to facilitate the Department to capture savings and improvements. The National Audit Office publishes a measure that for every £1 that it spends, it saves the taxpayer £7 or £8. We do not want to be in that territory, as that creates tension between the unit and the Departments.

446. The Chairperson: If the unit puts to a Minister a recommendation that is not accepted, does the unit simply withdraw?

447. Mr Pengelly: It is difficult to know the answer to that question until we get there. Our sense, which may be naive but is influenced by the discussions that we have had with the Prime Minister's Delivery Unit, is that we will rapidly get into a scenario where everyone buys into it and works and pulls in the same direction to deliver those quantitative and qualitative efficiencies.

448. Mr Weir: A couple of points have occurred to me. First, the principal responsibility for the conduct of an internal review of a Department's activities lies with its Minister. PEDU operates under the authority of DFP: does that mean that the Minister of Finance and Personnel will be made aware of any blocking tactics by a ministerial colleague?

449. It may be that Ministers will want to embrace the opportunity to find greater efficiencies in their own Departments. There may be a strong consensus around the Executive table that a particular matter merited investigation. However, human nature dictates that some Ministers may occasionally recoil from the idea of an investigation of their Departments because it might lead to embarrassment or information being leaked.

450. Mr Pengelly mentioned the comparison with the Prime Minister's Delivery Unit. I am not entirely surprised that it enjoys a high degree of co-operation. If the Secretary of State for Health in England tried to block an investigation, the Prime Minister could remove him. In Northern Ireland, however, the same incentive for co-operation does not exist. That poses a number of problems.

451. The Chairperson: Would a Department retain any additional resources identified as a result of the work of the unit? Is that an incentive?

452. Mr Pengelly: As Mr O'Reilly said, the starting assumption is that if resource capacity is being generated anywhere in the system, the normal rule of thumb is that the Executive should decide where the best interests of Northern Ireland are served. We may reach a point at which some form of incentivisation is introduced. As we will discuss shortly, a similar situation may pertain in the case of the capital realisation task force.

453. The members of the Committee have made many valid points about the focus on efficiency. As we move forward, there may be a greater focus on performance and delivery. There is scope for conflict with regard to efficiency, because Ministers may feel that the unit is there to reduce their budgets. However, if the unit's purpose is to improve performance and delivery, the debate, without a review of the budgets, is about how to create a maximum level of public service within a relatively constrained public expenditure envelope. The debate may differ depending on the perception of the unit's work. As we move forward, the performance and delivery aspects may become much more material, compared to the efficiency aspect.

454. Mr O'Reilly: A member raised the possibility that a Minister might disagree with an investigation into his or her Department. Ultimately, if there is resistance or disagreement from a Minister, the work would not get very far, because the unit needs the co-operation of the area being examined. The difficulties caused by that lack of co-operation would have to be worked on at a political level.

455. Mr Storey: Other members have made many relevant points. I am concerned that we will have to pursue a consensus before PEDU begins its work. Once PEDU is established, do we go to the Executive and ask them to outline to Departments what efficiencies they must make, in light of PEDU's objectives? Given that we have a four-party mandatory coalition Executive, as we have been reminded, is that where the emphasis must remain? As Mr O'Reilly said, we cannot duplicate what has been done by the Prime Minister's Delivery Unit because of the nature of the arrangements here. At that stage, PEDU would have an idea of the areas of work that it would be engaged in over a period. A wealth of data has been produced over the past months and years that tells us of the inefficiencies that exist in a range of Departments.

456. There will be resistance from some of those — Stephen referred to the Deloitte report. We must face up to the fact that we are unfortunately doomed for having a five-sectoral educational system. However, we can still have massive savings within that system by doing things differently, but that will only be achieved if the Minister and the Department buy into that particular process. That would give us a clearer focus, because we do not want to end up with a situation where, yet again, we focus in on the things that we cannot do that we know will bring us efficiencies. We must focus on what we can do that will bring better efficiencies, so that they can be released to the enhancement of public services.

457. Mr O'Reilly: I am not sure that I can qualify that. Everything that the member has said is precisely right. It is unlikely that people will say that we should not improve waiting times, or turnaround times, or some other aspect of public services. Hopefully, it is self-evident that that is what is desired. Where the difficulties arise is how to do that and the best ways of doing that.

458. Sometimes there are fundamental disagreements as to what the underlying problem is. For example, a few years ago there was the issue of hospital waiting lists in Northern Ireland. However, there was a clear political will to address it, and it was clear that at a political level that it was not acceptable and would not be tolerated any longer. Once you have that momentum and agreement in the system, things can happen very quickly, as they did in that case. That is a good example, but the result was not achieved by anyone at the centre; it was achieved by the people on the ground delivering the service. It is important to build the consensus around the need to secure improvement in a particular area, but to try to do it by understanding why it is not performing, and identifying ways of addressing the problems, rather than by placing blame.

459. Mr Storey: If a need or efficiency were identified, but the Minister decided that the Department could achieve the efficiency in another way, you would still end up at the same destination, having achieved the objectives of PEDU?

460. Mr O'Reilly: Yes.

461. Mr Beggs: In principle, I support the concept, which has huge potential. We have been talking about a specialist team, fresh thinking, and drawing on knowledge of what has happened in GB in the Prime Minister's office, which may already have provided some lessons.

462. I support the idea of an independent outsider, in the style of Varney — someone who has done that in large commercial organisations, and can bring in fresh thinking. If that person could only deliver the proposals, that would help. Sometimes, a fresh approach is needed from someone who can walk in, see things differently and challenge the organisation by asking about performance and how delivery is achieved. It is important that that challenge is there.

463. It is vital that a blame situation does not arise. How can you ensure that it will be voluntary and for mutual benefit? There is a danger that conflict could exist, and the situation may then backfire with no one benefiting. How can that be avoided? I hope that it will be moved forward in a positive way as there is huge potential in helping Departments to meet their Gershon targets, which will be demanding.

464. With regard to the Prime Minister's Delivery Unit, how long has that been in place? You say that it has made a major input to the reduction in waiting lists; have those lessons already come across to Northern Ireland, and is that one of the reasons that we have had a reduction in our waiting lists? Have the lessons that were picked up in GB been passed across to Northern Ireland already, and are there other lessons that could be applied?

465. Mr O'Reilly: Richard will deal with the history and contribution of the Prime Minister's Delivery Unit. You mentioned that Sir David Varney might lead the unit, but I would like to see the contents of his forthcoming report before I comment on that.

466. Mr Beggs: It looks like he is providing analysis for the politicians to make decisions on.

467. Mr O'Reilly: We have been told that one of the characteristics that the leaders of these types of units should have is a high level of humility, and there are a number of reasons for that. If the unit or the individuals involved seek to become "the success story", that will immediately have a negative effect on the people who are delivering the services. They will feel that they are making all the effort, and other people are receiving the credit. Therefore, credit should always

go to where it belongs — to the people who are delivering the services. It is important that the leaders of the unit do not become the story. Some people who have an interest in this sort of area might know who the head of the Prime Minister's Delivery Unit was, or is — and I suspect that very few people will know who it is now. Holders of such positions are not household names; they do not appear in the media. Any media work is left entirely to the Ministers in the Departments. To be successful, therefore, it is important that PEDU will operate in that way.

468. Mr Pengelly: The Prime Minister's Delivery Unit was established in the early years of new Labour's Administration; I am not sure of the exact date. New Labour wanted to place greater emphasis on delivery. The Prime Minister's Delivery Unit has had success with the Department of Health in respect of hospital waiting lists. Where possible, lessons have been learned and transported to Northern Ireland. Colleagues from the Department of Health, Social Services and Public Safety liaise closely with their colleagues in the Department of Health in Westminster, but lessons learned from those experiences touch on another point that was mentioned earlier.

469. The focus of the unit is not so much about policy scrutiny; it is about operational delivery of that policy. Although we can learn lessons from Whitehall, the circumstances are different here. Our education system, for instance, is structured differently. Therefore, there is a limit to how far lessons can be imported. We need to take a fresh look at the structures in our delivery of operations. We still see strong value in that.

470. Mr Beggs: Have there been other experiences in the Whitehall unit, which could be applied but have not been brought across?

471. Mr Pengelly: We would encourage and cajole all Northern Ireland Departments to liaise more closely with their Whitehall counterparts and the local authorities in Great Britain that have responsibility for the delivery of particular services. We continually push them, and it is part of our challenge role to ask what lessons they have learned and to bring in any improvements in efficiency and delivery that have been made across the water. However, there is a limit to what can be done, because of the different structures.

472. The Chairperson: Especially with regard to securing confidential data.

473. Ms J McCann: I apologise for missing your briefing. Everybody wants more effective and efficient public services, but there are concerns, particularly around the issue of the 3% efficiency savings. Some people are concerned that the objective of achieving the efficiency savings targets will be to the detriment of social outcomes. On occasions when public services are told to cut back, services that are delivered by the community and voluntary sector are among those that are usually cut. They are the front-line services that make a difference and enhance the quality of people's lives. There is concern that the financial outcome will dominate, and not the social outcome. What are your thoughts on that? How will you convince people that that will not be the case?

474. Mr O'Reilly: The point that the member makes has been made directly, and indirectly, by representatives from the voluntary and community sector. There is a concern that the first thing that will be cut will be funding for the type of services that it provides, if Departments are under pressure. That has been relayed to me on quite a few occasions over recent years.

475. There are two ways to address that. Richard referred earlier to the drawing up and publication of efficiency delivery plans, which are meant to set out in detail how the 3% cumulative efficiencies will be delivered, which provides a basis for scrutiny by departmental Committees, who can go through them with individual Departments. Those plans also provide a basis for ongoing monitoring to ensure that what is meant to happen will happen and that there are no unintended adverse consequences for other sectors.

476. The other way to address that is through continuing monitoring and scrutiny, particularly by Ministers and relevant Departments, when there are allocations of funding. The best way to address that is for Departments to ensure that funding streams for voluntary and community sector activities are built into departmental budgets, and published and profiled over a three- to four-year period. We have done a lot of work to try to provide the sector with greater security of funding, and longer-term funding streams. We are not entirely there, but we have done a substantial amount of work over recent years in seeking to work with the sector.

477. During a period of contraction of traditional funding routes, particularly the previous European structural funds programmes, which had a large segment of funds allocated to the sector, we worked with it on the challenge of redirecting its activities into delivering public services. There are areas where the voluntary and community sector is recognised as generally being better than other types of statutory agencies delivering services. Childcare is an obvious example, and in work with offenders, and young offenders in particular, it has been shown that voluntary and community organisations are more effective, for various reasons. It is important that the funding streams to those organisations continue.

478. The final way is that the organisations continue in the way that they have done in the past, both in initially raising concerns that they may have directly with the relevant Minister, and also with us in DFP. I am conscious of that because I have an engagement with one of the leading members of the voluntary and community sector soon to discuss the matter and the concerns at the moment.

479. Mr F McCann: To pick up on a point that Jennifer made, I know that a number of years ago the former Government initiated a series of percentage efficiency savings over a period of some years, which had a direct impact on the services that were delivered. I am concerned that we give recognition to the harm that the 3% efficiency savings may do to Departments. Can we reverse that? Will the finance be there to reverse any damage that may be done?

480. Mr Pengelly: Looking across the three years of the draft Budget, the position is that all the resources available to the Executive have been allocated, including the anticipated release of efficiency savings. If efficiencies are not delivered there will be no pot available to deal with that. There would have to be some form of intervention to address the failure to deliver.

481. Against that, and picking up on last week’s points, we do not have a contingency fund. There is an in-year monitoring process, which gives some flexibility if the failure is due to external reasons or other factors. However, we will be driving hard with Departments to crystallise and deliver the efficiencies. I do not wish to be pejorative to our colleagues across the Civil Service — and I include DFP — but do we all believe that we are operating at efficiency levels at or in excess of 97%? We have scope to become more efficient and to release the money for reinvestment in front-line services, whether through the medium of the voluntary and community sector, or through the public sector.

482. Mr O’Reilly: At the previous meeting of the Committee, members raised the issue of overcommitment. The Minister wants to reduce the level of overcommitment precisely for the reason mentioned — to give the Executive and the Committees of the Assembly greater scope to examine issues as they arise, and deal with them by allocating the resources that are freed up accordingly.

483. Mr F McCann: What are the set-up costs of the unit? Does it have a budget, and should we expect that budget to grow as the unit grows?

484. Mr O’Reilly: We have not yet finalised a budget for the unit, but there will have to be an allocation of resources to allow it to do its work. The overall pot of resources will not increase, so

it will have to be found from within existing funds, either from DFP or from other Departments. We do not anticipate or wish to see its costs growing. I am sure that this Committee and others will keep a wary eye on that.

485. Mr F McCann: The old saying is: who monitors the monitors?

486. Mr O'Reilly: The Committee does that.

487. The Chairperson: I hope that Hansard has captured the admission by Leo that there is fat in his budget.

488. It seems to me, on the basis of the information that we have been given, that there is some degree of overlap of function and effect between the role of DFP Supply and the performance and efficiency delivery unit. If there is scope in the budget, will PEDU examine the Department of Finance and Personnel, and the role of Supply?

489. Mr O'Reilly: Absolutely. Members have mentioned two potential interfaces — DFP Supply, and the Northern Ireland Audit Office. You are absolutely right, Chairperson. There is potential for an overlap of work, but that should not be a negative overlap, in the sense that the work of the unit complements rather than contradicts or cuts across the work of DFP Supply. We anticipate that when PEDU looks at a particular area, Supply staff would act as an additional resource to enable the unit to do its work properly.

490. The way in which DFP carries out its functions, particularly within the central finance group, is always under review, but I can say that it is specifically under review at the moment. Having come through the draft Budget process and six months of devolution, my colleagues and I are looking at whether our structures enable us to do our work in the best way possible. We may be able to come back to the Committee early in the new year to explain the changes that we propose to make.

491. The Chairperson: We would like to follow those developments. I am sure that you will be pleased, judging by the comments that have been made, that most members seem to view the unit as having potential. I have no further questions, but just before we close this session, I will remind members that the Minister has reaffirmed his previous offer to brief me and the Deputy Chairperson on the composition of PEDU. As his thinking advances, members will be content that we take up that offer and report back.

492. We will now move to the next agenda item, which is our discussion of the capital realisation task force. You are both starring in that, so perhaps you would like to stay in your seats.

493. Mr O'Reilly: The Committee already has some background information on the task force. I will not go through its terms of reference in detail again. As part of the work to be done between the draft Budget and the final Budget, and because of the difficulties that arose in identifying all of the areas in which Departments required additional capital infrastructure investment, the Executive agreed to a proposal from the First Minister, deputy First Minister and the Minister of Finance and Personnel to have a concentrated look at what assets might be available for realisation and thus enhance the capacity of the Executive and the Assembly to plan for a greater level of capital investment over the next few years.

494. The task force, which has been working intensively over the last few weeks, has engaged with all Departments and has already identified a range of potential areas and assets that might be realised for reinvestment. I can anticipate the questions that some members might ask — this is not intended to be a fire sale. The key concern is to ensure that, first, scope for asset disposal is identified, and secondly, that it is planned in an orderly fashion. By that I mean a proper

programme of asset disposal over three to seven years. It is important that the planned disposal of assets is managed in a way that does not distort wider markets. Also, it is essential that one part of the public sector does not dispose of an asset that another part of the public sector might need in a few months' or a year's time. Important work must be done behind the scenes. If even £100 million to £200 million could be anticipated from additional asset sales over the next three years — in the context of our anticipated annual budget of £1·6 billion — it would go a long way to addressing some of the concerns that Ministers and Departments still have about their capital allocations in the draft Budget.

495. Mr Beggs: I am glad to hear that the asset sales will not all happen at once. The value of the sales would be affected if attempts were made to sell all the assets at once. Will you, where necessary, be getting outline planning permissions so as to maximise value, rather than leaving developers with the opportunity to benefit? How will you encourage the better use of underutilised assets through interdepartmental co-operation or even exchanges within Departments? A classic example from my constituency of East Antrim is the park-and-ride at Carrickfergus railway station. That facility is at capacity while there is an underutilised Roads Service depot, but agreement cannot be reached between Translink and Roads Service to transfer the assets between two publicly-owned organisations for the benefit of the public. How will the Department encourage public organisations to exchange property so that the public benefits, rather than have needs remaining unaddressed? That issue affects traffic congestion, pollution and the quality of life for many people. Will Departments be required to consider issues such as that professionally?

496. Mr O'Reilly: Mr Pengelly is the DFP representative on the task force and has been involved in its deliberations to date.

497. Mr Pengelly: I had hoped to get away with that.

498. We are trying to trying to enforce a two-stage process on planning permission. The first stage is for Departments to identify an asset that is either underutilised, over-specified or surplus. We recognise that Departments have their day jobs to do; they are not estate agents in the business of selling assets. Therefore, expertise is needed centrally to deal with such issues, but the first stage is to get the assets from the Departments into central oversight.

499. The issues about planning permission and working with other Departments must then be considered. One of the big successes may not necessarily be the sale of assets, but the identification of pockets of land that are owned by the public sector and are, for example, good sites for the development of social housing, rather than having to purchase those sites on the market. We will examine issues relating to redeployment within the wider public sector, and planning permission. If a site has planning permission, will we get the best value by selling it this year or next year? We do not want to flood the market.

500. The immediate focus of the task force will be to draft a report by early December looking at the immediate Budget period and any surplus assets that might come into that. Better utilisation is an important issue for the report. You quoted a very good example: it is strange, because those are not even two massively different organisations. They sit within the same sponsor Department. The establishment of better links within and between Departments and across the public sector should be a key part of our work as we go forward.

501. Ms Purvis: I am concerned that this is not really a capital realisation task force: it is more a "selling the family silver" task force. Therefore, I welcome your comment that it is not necessarily about selling off assets. In my own experience in East Belfast, a former youth club owned by the education and library board was referred to the Department of Education and then went round the houses to see if it could be used by any other Department. At the same time, a

community organisation was crying out for facilities. That process has taken almost a year, and the community organisation, which was interested in buying the property and retaining it for community use, has nearly lost interest in the whole affair. That situation should be examined in the context of cross-departmental work. The use of properties should be properly considered.

502. I also welcome your comments about land used for housing. I am being selfish again by talking about East Belfast in particular, where there is a real lack of public land for social housing. The onus has fallen on the community to identify closed public buildings in order to claim them back for the Department for Social Development to build houses. I will be interested in how that part of the task force unfolds.

503. Will resources that have been released be kept within departmental budgets? To soften the blow of the loss of public assets, will those resources be spent on front-line services?

504. Mr Pengelly: The answer is no. We discussed a similar point about Departments retaining the proceeds of investigations by the performance and efficiency delivery unit. That money would have to be referred to the Executive for their consideration. In the wake of the launch of the draft Budget and the associated investment strategy, social housing has been acknowledged and identified by many Members of the Assembly as the single biggest issue in relation to capital expenditure. In that context, it would be perverse if, for example, through the transport holding company, the Department for Regional Development sold off surplus assets when there is a clear need, expressed by the Executive, for capital for social housing.

505. Against that, we recognise that this work is difficult, and that it comes on top of the day job. We are asking Departments to think outside the box and examine new ways of working. Some form of incentive might be for the greater good, as long as some element comes back for central consideration. The Executive will have to focus on that issue when they receive the task force report from the Minister of Finance and Personnel. I do not rule any approach out at this stage.

506. Mr O'Reilly: The point is well made. People might be more reconciled to the concept if they knew what the proceeds of the sale were going to be used for, rather than hearing us saying that the matter is being referred back to the Executive for consideration. DFP is certainly open to proposals by Departments to retain the proceeds of the disposal of assets. We will look at such proposals on a case-by-case basis. People should know what happens to the proceeds of disposed-of assets.

507. Dr Farry: Are the proceeds from capital sales exclusively used for new capital projects, or are there any circumstances where a capital sale can be used for revenue purposes?

508. Mr Pengelly: It must all be used for capital purposes; that is a Treasury rule.

509. Mr O'Reilly: If it were not, it would be our rule.

510. Dr Farry: It is important, and I wanted to establish that we are rigorous in that respect.

511. Ms J McCann: I have the same concerns as I raised at the last Committee meeting — that assets will be sold off for purely financial reasons. In an era when efforts are being made to decentralise Government, public services that have been based in the community for some time will be taken away. For example, in my constituency of West Belfast a Housing Executive office, the Dairy Farm, has been there for 30 years. They have been told that they will lose that building, and that they will be redeployed in a more central location. That will result in staff cuts, and in local area partnerships losing the benefit of having someone there from a statutory organisation. I have no doubt that that will also happen to other statutory organisations. Face-

to-face contact with people in the local community will be lost. My concern is that the main focus is financial, and those social outcomes will not be taken into consideration.

512. Mr Pengelly: That is a valid point that should be borne in mind as we go forward. We are looking at identifying assets that are mostly sitting idle or unused, as opposed to asking whether a service is being provided in a property that, because of market reasons, might be valuable, an thinking “Let’s sell it.” The work that the task force is doing with Ministers is not in that territory.

513. Ms J McCann: Do you see that people think that that will happen down the road? You must convince people, because those things are already happening in the community, where statutory bodies provide a public service, and it is important that people be given guarantees. As Dawn says, if assets are taken then people must know where the resources will go. Those resources must go back into the community. People are taking the view that the Government are centralising again instead of decentralising and making services available in the community.

514. Mr Pengelly: To try to take a positive out of that — the sort of example that you quote is driven by the extreme pressures on individual Departments to release resources for investment, as all Departments are facing a range of pressures. The task force was created because we are aware that while there are many unused and surplus assets, it has been difficult to release them because of issues such as obtaining planning permission. If we can push on assets that are completely unused, or underutilised, pressure is taken off the need to think about those examples. However, I take the point, and we need to factor that in. We must bear in mind not to focus only on asset realisation, but also on face-to-face contact.

515. Mr O’Reilly: The member has identified genuine community concerns. I hope that, when the interim report is published in early December, its content will reassure the Committee and others about the scope and the areas that the task force has been looking at. Once you have the interim report you may have —

516. The Chairperson: When did you say that that was coming?

517. Mr Pengelly: It is due to go to the Minister in early December.

518. Mr O’Reilly: You may want to have other members of the task force here, in addition to Mr Pengelly, in order to go through those concerns when you have the interim report.

519. Mr O’Loan: Can we get an assurance that the proceeds of the recent sales of any NIO lands will remain in Northern Ireland and, preferably, stay with the Executive? Will NIO lands be looked at by the task force?

520. Mr Pengelly: The task force will look solely at assets that are being underused in connection with devolved services. With regard to the proceeds of any asset sales on the part of the Northern Ireland Office, I can say no more than what I know from the public expenditure framework: those proceeds will remain with the NIO, but I think that those decisions are for NIO Ministers at this stage.

521. Mr O’Reilly: It is on an ad hoc basis; the Treasury has not given the same sort of blanket guarantee as has been provided to the Executive. However, we anticipate that as and when responsibility for those functions is transferred to the Assembly and Executive, the same rules will apply to any further disposal of those types of assets in the future.

522. Mr O’Loan: So there is no guarantee that proceeds already realised will remain in Northern Ireland?

523. Mr O’Reilly: There is no absolute guarantee; it is a matter for the NIO and the Treasury to decide what happens to the proceeds from the disposal of particular assets associated with law and order functions.

524. Mr O’Loan: Is there any pragmatic work being done to ensure that proceeds already realised are staying here?

525. The Chairperson: There are examples of bases that have been practically sold back to us.

526. Mr O’Reilly: On the specific issue of military bases, if that is what you are asking about —

527. Mr O’Loan: No.

528. The Chairperson: It is an example of the range of options before us.

529. Mr O’Reilly: There is no general guarantee at present, because the matter is dealt with between the NIO and the Treasury; we do not have direct involvement.

530. Mr O’Loan: And the task force is not currently looking at NIO properties?

531. Mr Pengelly: The task force has been established by the Executive to look at devolved services. Devolved Ministers do not have the legislative capacity to ask the task force to look at NIO assets.

532. Mr O’Loan: We should be very conscious of that area of concern.

533. The Chairperson: There is a lot of work to be done there.

534. Mr F McCann: Further to Declan’s comments, I received a letter a number of weeks ago about land owned by the Ministry of Defence. If it is sold, the proceeds go to the Treasury rather than the Executive. I fear that we will wake up one morning, and there will be nothing left to sell. When people talk about realising assets and looking at surplus land, it usually means that the land will be sold; that is one of the difficulties. Dawn mentioned social housing, and that relates to what we are talking about now. One can do more with land than simply sell it; for instance, deals can be made to build social housing. In areas of social need, particularly, there is a lack of playing spaces, playing surfaces and green spaces. There is a fear that land that is being sold that could be valuable in assisting communities to grow. Is that ever taken into consideration? Do things like this ever go out to consultation? Do the people involved ever look at how the sale of land in a community will impact on that community? Are the local people asked for their opinions?

535. Mr O’Reilly: Mr Pengelly will respond on the detail of what the task force is currently doing. It was not merely for the sake of semantics that the task force was called the “capital realisation” task force and not the “asset disposal” task force.

536. Mr F McCann: It depends what happens with it.

537. Mr O’Reilly: I appreciate that it is what it does, rather than what it is called, is what really matters. The reason for calling it the capital realisation task force was precisely because of the concern that it would be about selling off and getting rid of assets as quickly as possible. In fact, it is about making the best use of the capital assets that currently exists in the public sector. Sometimes, that can mean that assets are sold off, but it can also mean doing the very sorts of things that you are suggesting, such as using the assets for other purposes and achieving deals.

538. The Chairperson: When I hear about realising the best value or end use, I think back to work that the Public Accounts Committee has done recently in relation to the bundling of land for PFI contracts in the education sector. Will there be a baseline requirement that the planning potential of any land be considered before either its disposal or reallocation to another Government priority?

539. Mr Pengelly: The first priority is to assemble the land that has the potential —

540. The Chairperson: Yes, to map what is potentially available.

541. Mr Pengelly: The first stage of that will not be to assess how much the land would be worth with planning permission. The first question will be: are there any organisations or public services that could usefully use the land to deliver priority public services? Only if that test is failed will we be in the territory of considering how much we could get by selling it, and whether planning permission would be advantageous. One of the points that DFP has particularly made to the task force is that the measure of its success is not in the value of proceeds from asset disposals; it is in the value of land that is used for alternative purposes. Some of the land may be disposed of, but if we free up land for use and save another organisation from buying a plot of land in five or six years —

542. The Chairperson: That is clear and, although it does not always happen, that is common sense and is what should happen. In fact, the Department should get the first bid but, in the event of a situation in which there is land that could be sold on to a third party outside the Executive’s area of responsibility, will it be a requirement that the planning potential be assessed before the land is released to the market?

543. Mr Pengelly: We certainly want to consider the potential for planning permission, but that would also take into account the qualitative factors. I am not answering your question specifically, because each case is different and will be considered separately. The task force has discussed the possibility of cases in which, although we want to sell land to free investment, we might want to sell it with some form of restrictive covenants on it to protect the environment and the space. In different places, different approaches will be adopted.

544. Mr F McCann: When a decision is taken to sell land that may affect a community, is the community ever consulted? Earlier this month, a community project in Connswater received £23 million in lottery funding, and I fear that if the land had been under our control we would have been considering selling it. It boggles the mind that communities can see their assets being stripped away.

545. Mr Pengelly: That sort of issue has to be considered in the round with the management of the asset base. At this stage, the work is about identifying what capacity there is and how that is taken forward. Community dialogue and consultation need to be considered for individual assets, but there is not a black-and-white answer for when it will or will not happen.

546. Mr Weir: It is vital that, when there are sales of land, all the factors are properly considered to ensure that the sale gets maximum value. At both Public Accounts Committee level and other levels, there has been, at times, rightful criticism of Government agencies and Departments in their selling-off of land because they have not got the proper value for it. In particular, there is an issue from a social development point of view about the level of funding that is available. One of the criticisms that can be made at times is that the Housing Executive, for instance, has not always been the wisest at selling off bits of land. It has not always got the highest level of value.

547. The sale of some land in Dundonald was recently highlighted on the radio. Additional land was sold off on a secondary level, which, in the space of a year, was worth 30% more. The loss to the public purse was massive, as the proceeds could have been reinvested.

548. I want to pick up on the points made by Dawn and Jennifer. All of us will have some sympathy for the effects that things have on communities. There is also concern about centralisation — and not just in relation to land sales. Sometimes it is services as well. In my own constituency and in the neighbouring one, there have been problems with social security appeals tribunals. On the other hand, the sale of land is not just a question of swelling someone’s bank account. The idea is to try to get the best possible return on an asset and to ensure that the proceeds are reinvested in services.

549. I appreciate that when assets are realised, the proceeds go into a central pool. However, a great deal of thought must be given to selling of this, because the regeneration of unused resources into direct public services is a good idea. Although the capital realisation task force should be the body through which the sale of assets is conducted, the realisation of that money should be announced separately, so that people can see where assets have been realised and can appreciate their tangible benefits. For example, if an announcement is made that £25 million has been raised through capital realisation, and, of that, £18 million has been put into social housing and £5 million into sports grounds — any maybe there is a slight degree of fiction within that — it is important, from a public relations point of view, to show the tangible benefits of realisation.

550. Ms Purvis: Are you doing public relations now too?

551. Mr Weir: No, I am just saying that even if an asset is not being used by a community, for whatever reason, and has to be sold off to a private third party, the realisation task force will carry a degree of community blame for that. The fact that the proceeds of that sale are going towards funding public services must also be made transparent.

552. Mr O’Reilly: We have not been as good at public relations and professional communications as we could have been. That is quite a straightforward statement to make. There has been a disjointed approach to asset disposal. Frankly, as Mr Pengelly said earlier, it is a difficult professional area. Departments are engaged in other important activities, and asset disposal is often regarded as a secondary activity. Therefore, the whole process is not managed as well as it should be.

553. One of the potential outcomes of the work of the task force could be to create an ongoing source of co-ordinated and professional support for Departments and agencies when they contemplate asset disposal. There have been instances in which assets have been disposed of, and very soon after it is realised that a much higher sale price could have been secured had the process been managed in a different way. We hope to avoid those difficulties in the future.

554. Mr McQuillan: I am not sure whether we are talking about some unused assets or all assets. At what stage do you envisage the task force engaging with the local community?

555. Mr Pengelly: There will be a longer-term, more comprehensive piece of work in the future. Initially, given the time pressures, the task force will scan the asset base of all Departments in an attempt to identify assets that are idle and not being used for any form of public service, in order to examine whether an idle asset will meet a future public-service investment need during the 10 years of the investment strategy, or whether it could be sold off and the proceeds used to meet needs. There is a second-order issue about better utilisation and deployment of assets.

556. For reasons that Leo outlined, Departments do not have expertise in securing planning permission — I am thinking about various bits of site assembly. The task force will want to put in place a central source of expertise for that process.

557. In relation to the issue of engaging with the local community about assets, we will look to the Departments to maintain that dialogue at local level.

558. Mr Beggs: At present, do the various Departments and agencies report only the unused assets? How do you ensure that you gather information to make you aware of underutilised assets? For example, a Northern Ireland Water depot that is not regularly used, but is occasionally used for storing large pipes may be said to be in use. How do you get that information if the agency or Department does not want to give it to you?

559. Mr Pengelly: There are a couple of ways. As part of the requirement to publish annual accounts that are subject to scrutiny and audit by the Northern Ireland Audit Office and presented to the Assembly, Departments must produce a balance sheets that are underpinned by a register of all assets, so that complete list, which has been audited on an annual basis, is a starting point. The ownership of assets is transparent.

560. The Chairperson: You know that the assets are there, but Roy’s issue is whether the usage is essential and proper.

561. Mr Pengelly: The first stage is that there is a complete list of everything that is owned, some of which is evidently in use. The task force also uses Google Maps and aerial photography. For example, the task force has identified a plot of land used by a hospital that is sitting as a greenfield site, on which nothing has happened for years. It is on a balance sheet, but, as you say, it is part of larger hospital estate and no one knows whether it is being used or not, so the task is to match up all that information.

562. Mr Beggs: Do you need to engage with the community so that people can volunteer ideas, or are you satisfied with your process?

563. Mr Pengelly: That is a strong point, which I will take back to the task force.

564. Mr O’Reilly: The question also asked about what are categorised as underutilised assets. The asset, or building may be used but if the activity were moved two miles down the road, the building could be used for a much more productive purpose, which is a further layer of investigation that lies below simply saying that the asset is surplus and is not used for anything. Sometimes assets are used, but for purposes that are not ideal, or optimum.

565. There are specific examples, which it may be best that I do not quote here for commercial reasons, of stores being identified in particular locations that are considered to be “prime sites”, for various reasons. There is no reason why such a store could not be moved two miles away to another location.

566. Ms J McCann: Are you talking about land as well as buildings?

567. Mr O’Reilly: Yes.

568. Ms J McCann: If the task force identified a piece of land in an unused area, and sold it to a private developer, how would you have any influence over what that private developer would put there, if the land were in a housing estate? Are there safeguards to prevent the developer from

building apartments in the middle of a housing estate where people may not want them, for instance? Is there a built-in safeguard when you sell off assets to a private developer?

569. Mr Pengelly: The initial point is that if that surplus land is identified there would be contact with all Departments — the Department of Social Development may have a strong interest in such land for social housing, or other purposes. As part of the process, there will be constant dialogue between Departments and the Planning Service, which would provide professional advice. There will be planning considerations at the point of any disposal. We do not rule out the possibility of selling land with some form of restricted covenant on it.

570. The Chairperson: Therefore you will address the stated priorities of the Executive or the Programme for Government before the land is put on the market.

571. Why are there so many members of the strategic investment board (SIB) on the task force?

572. Mr Pengelly: Perhaps one DFP mind is worth six SIB minds. The majority of SIB members on the task force are there to provide secretarial support. Furthermore, a couple of people have come in to work on short-term projects, and they are badged as SIB but they are not permanent members.

573. The Chairperson: SIB is represented by its chief executive officer. The make-up of the task force seems very in-house; have you considered whether its balance is right and whether there should be more external expertise?

574. Mr Pengelly: In the longer term, more external expertise will be required. There is a difference in what will be required for a piece of work that has to be completed by November — which is more like a scoping exercise — and the requirements for the 10-year planning period for the investment strategy. However, you have made a fair point on which further consideration will be required for the medium and longer term.

575. Dr Farry: There are not too many women on the task force.

576. The Chairperson: You beat me to it. This meeting is being reported by Hansard, so our comments are noted.

577. This session has overrun slightly, but it is an interesting discussion. What are the reporting arrangements for the task force? Will it be accountable to OFMDFM, DFP or the SIB? Which Assembly Committee will scrutinise its work?

578. Mr O'Reilly: The chairperson of the task force was appointed jointly by the First Minister, the deputy First Minister and the Minister of Finance and Personnel, so that will be the immediate reporting line. There will also be a further reporting line to the Executive.

579. Mr Pengelly: I think that the three Ministers who appointed the chairperson will be kept abreast of the progression of the task force.

580. The Chairperson: Which Committee will scrutinise the task force? Has that been catered for?

581. Mr Pengelly: It has not been catered for. However, given that those three Ministers have an interest, the scrutiny could be carried out by any interested Committee between the First Minister, the deputy First Minister and Finance and Personnel.

582. The Chairperson: Has that been prescribed?

583. Mr O'Reilly: No, but there is a working assumption that this Committee will want to talk to members of the task force when it produces an interim report. That will probably be early in the new year.

584. The Chairperson: I suppose that we will see the interim report soon. We could have talked about some of the emerging themes or priorities, but we will hear about those soon enough. We will write to you if any queries arise from Committee discussions. Thank you for attending.

585. We move to item six on the agenda — public procurement delivering best value for money. Leo O'Reilly is joined by some colleagues who are, I am sure, fed up waiting. We are running behind schedule, and for that I apologise.

586. From central procurement directorate (CPD), Department of Finance and Personnel, I welcome Mr Des Armstrong, director, construction advisory division; and Mr Brendan O'Neill, director of the policy and support division. I thank both of you for joining us. I invite you to address the Committee.

587. Mr O'Reilly: I will just make a brief opening statement — you have heard quite a bit from me this morning already. The director of the central procurement directorate, Mr David Orr, is unable to be here. He is national president of the Institution of Civil Engineers this year and had a commitment today in respect of that. Given the relatively short notice, he was unable to attend this morning.

588. Mr O'Neill and Mr Armstrong will set out the key issues relating to procurement in Northern Ireland, which include procurement policy, value for money, the draft Programme for Government and the draft investment strategy for Northern Ireland (ISNI). Before handing over to my colleagues, it might be useful to provide an update on progress made in the past few years in public procurement, as I understand that this is the first time that the Committee has engaged with the procurement function in DFP. Procurement forms a large part of the Department's responsibilities and activities in Government.

589. In May 2002, the Executive endorsed over 80 policy recommendations contained in a review of public procurement that had been undertaken at that time. Those recommendations related to the production of a revised procurement policy and the establishment of new institutional arrangements to take forward public procurement in Northern Ireland. There was also a focus on improving operational procurement processes and the integration of economic, social and environmental policies into public procurement.

590. The Executive — the procurement board at that time — agreed a target date of 31 March 2005 for the implementation of those recommendations, and during that time, all of the structures and recommendations were put in place, as envisaged by the original review team. Since 2005, the procurement board, which had been chaired in the previous period of devolution and is chaired now by the Minister of Finance and Personnel, included senior representatives of all Departments and external members. That procurement board has been engaged in a wide range of activities, which Brendan will outline. It has also been involved in monitoring the target of achieving £250 million of value-for-money gains in public procurement by 31 March 2008.

591. There have also been more detailed progress reports in implementing the review team's recommendations, and the procurement board's activities have been reported in successive annual reports, which have been published on the directorate's website. Copies are also available in the Assembly Library for Members.

592. In looking to the future, the procurement board is currently in the process of drafting its key targets for the next strategic planning period of 2011. That will take account of the draft Programme for Government and the draft investment strategy, both of which will underpin the public service agreement (PSA) targets. I will be happy to forward the strategic plan once it is available; the Committee may want to have another evidence session on that subject.

593. That is the general context and background. I will now hand over to Brendan O'Neill, who will speak about procurement policy, value for money and the draft Programme for Government.

594. Mr Brendan O'Neill (Department of Finance and Personnel): On behalf of the central procurement directorate, I thank the Committee for the invitation to attend this session and the opportunity to give members an insight into the work of the central procurement directorate and the public procurement process. As Leo has said, this is our first opportunity to meet the Committee.

595. The Northern Ireland Executive's legislative responsibility for public procurement extends to procurement covering all devolved matters carried out by contracting authorities, which are defined within procurement regulations, but are in essence public bodies. Those bodies include Departments, agencies, non-departmental public bodies (NDPBs) and local authorities.

596. Public procurement itself is guided by a clear definition of the term, which is the process of the acquisition, usually by means of a contractual arrangement after a competition, of goods, services and works.

597. It covers all types of procurement, both conventionally funded and more innovative types of procurement, such as PPP and PFI. The procurement process spans the whole life cycle from the mutual conception and definition of a need to the useful life of an asset or the end of a contract. The key aspect of the policy is the concept of best value for money, which covers not only value for money but allows for the inclusion, within the public process as appropriate, of social, economic and environmental goals — the three pillars of sustainable development.

598. Public procurement policy is governed by 12 principles, which are listed in the background note that was sent to the Committee. The Northern Ireland public procurement professionals strive to meet those principles. When the principles have been satisfied to an acceptable level, best value for money can be said to have been achieved.

599. Leo O'Reilly mentioned the procurement board. As well as comprising the 11 permanent secretaries, the Treasury officer of accounts, the director of CPD and two external experts, the board also has two observers, one from the Northern Ireland Audit Office, and the other from the strategic investment board. The second institution that governs public procurement is the central procurement directorate and the centres of procurement expertise. CPD was established after the review in 2002, and it supports the procurement board in the development and implementation of public policy. It also provides a centralised professional procurement service to the Northern Ireland public sector.

600. In addition to CPD, there are seven centres of procurement expertise. Those are: Roads Service and Northern Ireland Water, which covers infrastructure; the Regional Supplies Service of the Central Services Agency and health estates, which looks after the health sector; the Housing Executive, for the housing sector; education and library boards for education; and Translink for transport. In line with public procurement policy, all Northern Ireland Departments, agencies, NDPBs and public corporations are required to carry out public procurement by means of documented service-level agreements with CPD or the relevant centre of procurement expertise.

601. The third institution that governs procurement is the procurement practitioners' group. It comprises the heads of the centres of procurement expertise and provides direction to the centres in ensuring the integration of the procurement board's priorities and monitoring their delivery. That group meets twice a year under CPD direction. One example of the output of the group was the development of a methodology to calculate and report on value-for-money savings in respect of operational procurement activity. That methodology, which takes account of guidance from the Office of Government Commerce, has been incorporated into CPD guidance and was approved by the Audit Office. The components of the methodology have been selected on the basis of being simple, robust and auditable. Application of the methodology across the public sector ensures a uniform approach to measuring the savings. The common principles and the specified processes also allow for aggregation of the data and details how we are achieving savings against the £250 million value-for-money target that was set by the procurement board.

602. Although each Department is accountable for its own budget, and how that budget is spent, the central procurement directorate and the centres of procurement expertise work with the Departments to assist them in obtaining best value for money and delivering their Programme for Government commitments through the application of our procurement policy and best practice.

603. A cross-cutting theme of the draft Programme for Government is sustainable development. CPD and the centres of procurement expertise have a key role to play in the drive towards the integration of sustainable development objectives in the procurement process, and by assisting public-sector bodies to embed the sustainable considerations into their spending and investment decisions.

604. One of the objectives of the Northern Ireland sustainable development strategy is:

"To make the Northern Ireland public sector a UK regional leader in sustainable procurement".

A key target in taking that objective forward is the production of a sustainable procurement action plan. CPD has been tasked with the delivery of this action plan by 31 March 2008. A draft of the action plan is due to be issued shortly to key stakeholders for consultation.

605. We think that public procurement will have a direct impact on the delivery of a number of supporting PSAs, in particular PSA 11, which supports the strategic priority of driving investment and sustainable development. That includes a number of targets that are linked to the development of the sustainable procurement action plan, and there is also reference to our work to encourage small and medium-sized enterprises to compete for public-sector business.

606. The second PSA, PSA 21 — enabling efficient Government — sets out three targets that focus on: obtaining value for money from procurement spend; increasing the level of Government spend through centres of procurement expertise; and increasing the capability of each centre of procurement expertise. Those three measures are under consideration by the procurement board as part of its strategic plan. That is a quick résumé of public procurement. I understand that we are short for time, but Des Armstrong may cover several areas in relation to construction.

607. Mr O'Reilly: Chairman, I suggest that Des focuses on the interaction between CPD and the investment strategy, and the achieving excellence initiative.

608. Mr Des Armstrong (Department of Finance and Personnel): With regard to the delivery of the investment strategy, over the last few years, we have worked on a key initiative for construction procurement, namely the achieving excellence for construction initiative, or achieving excellence, as we refer to it.

609. The achieving excellence initiative has been developed to improve the performance of Government as a construction client. The review of public procurement contained the recommendation that a Northern Ireland version of achieving excellence would be developed, and that work was undertaken by the Government's construction clients group. A group of senior officials that represented all of the Departments undertook the task, and achieving excellence for Northern Ireland was launched in May 2002.

610. It is considered that the implementation of achieving excellence can deliver significant value-for-money gains from construction procurement. After a slow start, the lack of reporting on the initiative was criticised by the Northern Ireland Audit Office in its report 'Modernising Construction Procurement in Northern Ireland'.

611. The Departments are fully committed to the achieving excellence initiative, and central procurement directorate provides twice-yearly reports to the procurement board on progress against the initiatives. The procurement board has agreed that the initiative would be extended until March 2008 to support the delivery of the first phase of ISNI.

612. In relation to the impact on the investment strategy, achieving excellence requires Departments to focus on the following key, critical factors for success: the involvement of key stakeholders throughout the time of the project; an integrated approach in which design, construction, operation and maintenance are considered as a whole; consideration of issues such as design quality, health and safety and sustainability in projects; and to develop procurement contract strategies that ensure the provision of an integrated team of designers and contractors. Contracts will be awarded on best value for money and no longer on the lowest tender price.

613. The outcome of the achieving excellence initiative is to increase the capability of Departments to successfully deliver different sorts of projects. To further support the delivery aim, Departments are required to comply with policy framework for construction procurement, and that policy framework brings together a number of best-practice approaches and initiatives that are aimed at delivering best value for money and improving client/Department performance.

614. Mr F McCann: Forgive my ignorance, but I am not sure of the procurement procedure. There has been some discussion on procurement in the Committee in the past, but my impression of procurement is that it usually means putting work out to tender, forcing people into competition and giving the job to whoever can do it the cheapest. That always has a knock-on effect and an impact on the smaller businesses that are not in the position to apply for tenders. I raised the question of procurement at another Committee. In the area of construction, particularly, major companies that are in the position to tender, do so; they then get the job, take 15% off the top and subcontract it out to a smaller contractor. Is there any way to ensure that that does not happen, because it should not happen? Not only does it impact on the service, but it impacts on the quality of the work being delivered.

615. People are encouraged — as much as possible — to buy local. Is there anything in the contract to encourage local labour or the buying from local contractors and businesses, because that would also maintain local employment? That is particularly relevant now as, under European directives, contracts must be put out widely.

616. Mr D Armstrong: The achieving excellence initiative is designed to address the type of issue that you have raised. In the past, the industry has been driven by clients who take the lowest price — as Mr McCann said — without considering the standard of quality delivered. The achieving excellence initiative then moves away from the concept of taking the lowest tender to looking at how the contractor proposes to deliver the project and what sort of other added benefits he can deliver as part of the delivery process for the contract.

617. With regard to your comments on subcontracting, we have been in discussion with the local construction industry through the Construction Industry Forum, and we have agreed a code of practice for supply chains that take on board the 12 principles that we had outlined for public procurement, and added three more — the delivery of which the construction industry feels is important to deliver the quality infrastructure and projects that we need going forward. One of those principles relates to how subcontractors are treated in respect of fair pay and terms and conditions, and consideration is also given to how the conditions of a contract will be passed down the supply chain from the client to the main contractor and, subsequently, to the subcontractors. Those issues can be addressed through the supply-chain management.

618. In addition to that, we are working with the construction industry group to look at a set of proposals that will address the three pillars of sustainability: social; economic; and environmental. Within the economic pillar, we are — through the construction industry group — looking at how opportunities for local businesses in the industry will arise. That will apply equally to new players from outside Northern Ireland, as European directives mean that tendering competitions must be put out widely.

619. Mr F McCann: Has any work been done to assess what impact the lumping of most of the contracts into one will have on local businesses?

620. Mr D Armstrong: The investment programme shows that we have not gone with the idea of a single contract.

621. Mr F McCann: Even the contracts put out by the Housing Executive do that.

622. Mr D Armstrong: It reduces the number of players in direct contract —

623. Mr F McCann: To one?

624. Mr D Armstrong: I am not sure of the detail of that, but the number of contractors is generally reduced. Those contractors then have to find a way into the supply chain, which is a reasonable place to be, as the client database shows.

625. Mr Storey: I will be brief: I appreciate this opportunity, because this is an important issue that we will want to come back to again. We are disadvantaged, unfortunately, given that one of the principles that we will use is legality. I say that for all the right reasons, given that we are tied into European directives. We have to face up to the fact that those directives put local businesses at a disadvantage.

626. I would like more clarity on the issue of framework agreements. There has been a great deal of discussion, for example, about the education and library boards. The size of some of the bidders has meant that local subcontractors, who have been used down through the years to supply and deliver good projects, will not be in the game at all, and will disappear. One company in my constituency that has carried out immense work for the education and library board sector is no longer at the table. The framework agreements contain elements such as major works, professional services, minor works and maintenance, and there are worries now that the latter two elements will be put together. People are telling me that they have serious concerns about where this is heading.

627. Mr D Armstrong: One of the issues is that the level of infrastructure expenditure has risen steeply over the past few years. Three or four years ago it was £676 million; the draft investment strategy forecast puts the latest figure well above £1 billion. The problem with that level of activity is that one can be made very busy by the tendering process. When single

contracts are put out to tender, anything worth more than £3·5 million has to have European approval, which creates a lot of activity in the tendering process.

628. The advantage of the frameworks is that they produce a great deal of the procurement activity that is required by European law in advance of the client's requirements. That can shorten the project delivery time frame by up to eight months, compared to the normal process of going out for a designer and then back out again for a contractor. It produces delivery, but we do recognise that opportunities must be created within the supply chains for those contractors who have the experience in delivering the work, but have not been successful through the competitive process, which has to be transparent and legal.

629. Mr Storey: Do you not accept that these are crumbs on the table? We have moved to such a different way of achieving these objectives that offering the contractor a place on the supply chain is little consolation compared to the core project that they could have delivered had they not been restricted by the framework agreements.

630. Mr D Armstrong: The benefit is that the level of activity in that sector will increase dramatically. Therefore, experienced contractors and suppliers can find their way into the supply chain.

631. Mr O'Reilly: One of the main reasons for going down the framework contract route, particularly with regard to the education sector, is that in recent years there have been a significant number of delays, leading to significant levels of underspending on capital investment in schools. That problem had to be addressed.

632. We hope that these arrangements will result in a rapid escalation in spending on the ground for investment in schools. The money had been earmarked in the past, but it was underspent. Previously, we were able to carry that money forward but now that we are in a slightly different regime, delivery is important. That is part of the drive behind the framework contract arrangements.

633. Mr O'Loan: In your briefing paper, you say that:

"Northern Ireland Public Procurement Policy applies to all Central Government Departments, their Agencies, Non-Departmental Public Bodies and Public Corporations".

The policy identifies 12 principles, and I particularly want to mention "Fair Dealing" and "Integrity". Do you have a clear role in ensuring that those two principles in particular are observed throughout the public sector? If someone had concerns about a particular sphere of activity, how would they get something done about it?

634. Mr B O'Neill: The 12 principles are applied by the centres of procurement expertise in conducting procurement. There is a formal complaints procedure within the central procurement directorate and the centres of procurement expertise, should anyone wish to follow it, if they think that the principles or the processes have not been followed properly. However, we would expect that we could discuss and resolve complaints without taking them to the formal process.

635. Ms J McCann: Your briefing paper says that £5·6 billion of new infrastructure will be delivered over the next three years. The draft investment strategy says that social outcomes will be embedded in the procurement of major infrastructure. The draft Programme for Government talks about tackling disadvantage and poverty. The procurement of major infrastructure provides a perfect opportunity to do that. However, I am bit confused. You say that public procurement must, under EU regulations, be put out to a tendering process. Is it written into contracts that priority can be given to local companies if they fit the quality of service that is required? Is there

anything written into contracts that says that local unemployed people should get the jobs that come from infrastructure projects? My experience of the major works on the Westlink, for instance, is that the jobs went to people from outside the area despite the volume of unemployment in west Belfast. Those people need jobs as well, but how can the specific consideration of social outcomes in procurement processes be ensured? Can it be written into a contract, or is it merely an aspiration?

636. Mr D Armstrong: Those would be conditions of contract. In addition to the delivery of the hard infrastructure, there would be specific requirements within the contracts to address whatever issues are appropriate for the type of contract. We have run a pilot to consider how unemployed people can be brought back into employment through Government contracts, and that seemed to be greeted with a fair degree of welcome and success. That is a model that we would try to build on. For example, we have introduced requirements that all operatives must have at least basic, minimum health and safety training before they go on site. Contractors must have accredited health and safety management systems to work on Government sites. That has led a decrease in accident rates on Government sites relative to spending.

637. Apprenticeship is one issue where we could agree a requirement with the industry — £x produces one apprentice. We need to talk to the industry about the outworking of that, but we are engaged in that type of discussion.

638. Mr B O'Neill: Under European rules and regulations we cannot be specific about locus. We can use the contract to help the unemployed, or to create apprenticeships, but we cannot confine it to a local area, because the subject matter of the contract must relate directly to the social, economic or environmental objective that we are trying to achieve. The rules do not allow for local sourcing or local employment. Inevitably, the use of that concept to achieve the aim means that workers are quite often from the local area, but we cannot specifically restrict it to a local area in the tender documentation.

639. Ms J McCann: Can you make specific use of the Noble indices of social and economic deprivation? Can you factor that in when you consider employing people from those areas because they are the most disadvantaged, and are therefore the people that social outcomes in the procurement process should benefit?

640. Mr B O'Neill: No, we cannot be specific, and the terminology that we use must be general. We are not able to confine it to local areas.

641. The Chairperson: In the area of construction skills and trades, as part of the value for money concept we could examine outcomes, and whether the approach — creative and well-meaning as it is — results in the creation of employment or apprenticeship opportunities for local people. The outcomes could be monitored to see whether we are sufficiently focused in our approach.

642. Mr D Armstrong: One thing that we can ask for is an employment plan.

643. The Chairperson: You can ask for that?

644. Mr D Armstrong: Yes. You cannot draw around a clear area, either in Northern Ireland or a specific region of Northern Ireland. However, you can use contracts to create demand, and then help the contractors, through activity in local areas to make contracts known. A good example would be the work that happened at Coolkeeragh, where the contract was awarded to a company outside Northern Ireland, but the north-west marketing model was used. They were able to sell skills back into that contract. That type of activity creates a demand within contracts

for that resource to be made available. It is necessary that other sectors come in, in order to provide the push and pull.

645. Mr B O'Neill: We also encourage corporate social responsibility in the contracting firms, and we can encourage and promote areas of specific need so that the contractor is encouraged by the contracting authority to try to address some of those areas, albeit outside of a condition of contract. We can use our influence to try to address that.

646. Mr F McCann: That is interesting. There have been horror stories on television about people who have travelled from other countries to work here, and about the rates that they are paid. Is there anything built in to those contracts to ensure that people are paid the proper rate?

647. Mr D Armstrong: We have been in discussions with the trade unions and the construction employers about an approach that would allow us to take the working rules agreement that applies across the construction industry and make the terms of payment within those rules a condition of contracts, which would create a level playing field where minimum standards would be applied with a contract.

648. The Chairperson: That assumes that the local construction industry will play the game as well.

649. Mr F McCann: You do see horror stories about how people are treated when they come in to work, especially the discrepancy in the rates of pay. Many people will not complain because they are totally reliant on the job.

650. The Chairperson: In your briefing paper you describe the efficiency savings and the value-for-money gains. I assume that there is also preparation for the ongoing target, particularly over the Budget period. When will there be a report on that?

651. Mr B O'Neill: Our procurement targets are set by the procurement board. We have submitted draft targets, similar to those included in the public service agreement, to the board, and the board is considering those. The procurement board is due to meet, hopefully before Christmas, in a subgroup, to set targets in time for the new financial year in April 2008. At the moment we are working through the £250-million-pound target, which takes us up to March 2008.

652. Ms Purvis: It is important that when any private business wants to do business with Government, it is lucrative for it to do so. It is important that Government maximises the value-for-money aspect for themselves and for the benefit of the community. In relation to tendering for contracts, you mentioned the three pillars of sustainable development. Are any, or all, of those three pillars conditional on entering into contracts, or are they merely encouraged outside of the negotiations for the contract?

653. Mr B O'Neill: The three pillars can be conditional on contracts, as long as the consideration that one wants to achieve is related to the subject matter of the contract. If, for example, you want to encourage apprenticeships and it is an electrical installation contract, you would be expected to require apprentices who are electricians, and not plumbers. There must be a relationship between the aim and the subject matter of the contract. That can be a condition of the contract.

654. Ms Purvis: How many contracts are conditional?

655. Mr D Armstrong: There are currently a number of conditions on contracts, particularly in the environmental area, in which there are requirements for contractors to produce waste-management plans and to consider recycling material on site. There are requirements for the design of facilities to achieve an excellent rating for environmental performance. The Department has already used conditions for contract in that way. We are considering increasing the requirements and we are talking to the industry to agree a set of proposals to go forward with that will specifically detail social, economic and environmental issues.

656. Ms Purvis: In recent years, for example, DFP has been involved with the programme for change within the Civil Service, and some lucrative contracts have been negotiated. Can you find out whether any of those contracts were conditional?

657. Mr B O'Neill: Yes.

658. Ms Purvis: Jennifer McCann touched on the point that £5·6 billion of new infrastructure is planned over the next three years. I disagree with Jennifer about social need not being prioritised in the draft Programme for Government and the draft Budget.

659. I would be interested to find out the priority that is given to social, economic and environmental objectives in this £5·6 billion of new infrastructure. Saying these things is well and good, but I understand that delivering them is much more complex and difficult. I should like to see, through an open and transparent tendering process, the exact benefits in terms of social, economic and environmental objectives. I would appreciate some drilling down into contracts and what has been delivered, or what it is hoped will be delivered over the next three years through the £5·6 billion of new infrastructure.

660. The Chairperson: That brings the Committee meeting to a close. Dawn has referred to one issue, and there may be others that we will write to you about. Thank you for you time and patience.

661. Mr B O'Neill: It is our intention to organise a seminar on public procurement for MLAs. We held a similar seminar in 2002, which was successful. We are in discussion with the University of Ulster to draw up a programme, and we will be in touch with the Assembly to arrange an appropriate date.

662. The Chairperson: I am sure that that will be helpful, thank you.

Appendix 5

Memoranda and Papers from Department of Finance and Personnel

Priority Funding Packages and Capital Underspend

Assembly Section

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Shane McAteer
Committee Clerk
Committee Office
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19 June 2007

Dear Shane

In your letters dated 24 May and 11 June 2007 you sought the following information:

Priority Funding Packages:

- actual spend for 2006-07 for each of the packages against the overall budget of £77.7 million; and
- what will happen with any underspend in relation to end year flexibility (i.e. whether the underspend will be lost to the wider EYF pool).

Members also requested overall underspend figures for 2006-07 for the 11 departments, showing:

- total underspend as a percentage of total budget; and
- the amount awarded EYF.

Members asked for these to be benchmarked against Westminster departments and for similar DFP figures to be provided for the last 5 financial years to aid comparison.

Please find attached the following tables setting out the information sought:

- Annex A: Figurework sought on the Priority Funding Packages;
- Annex B: Underspend data for each NI department since 2003-04 (For comparative purposes, figurework predating 2003-04 was not on a full resource budgeting basis); and

- Annex C: A comparison of NI performance against other Devolved Administrations and the Whitehall average (note, this figurework is based on the overall NI DEL and therefore will differ from the departmental figurework provided in Annex B).

DFP officials will be available on Wednesday 20 June to further elaborate on this information and answer any specific questions you may have.

Yours sincerely

NORMAN IRWIN

Annex A

PRIORITY FUNDING PACKAGES 2006-07 (£000s)

Resource DEL

	Final Plan	Provisional Outturn	Underspend	
Children & Young People	44,074	32,446	**-11,628**	*26.4%*
Skills & Science	15,000	14,244	-756	*5.0%*
Environment & Renewable Energy	4,955	2,584	-2,371	*47.9%*
Total	**64,029**	**49,274**	**-14,755**	***23.0%***

Capital DEL

	Final Plan	Provisional Outturn	Underspend	
Children & Young People	561	161	-400	*71.3%*
Skills & Science	0	0	0	
Environment & Renewable Energy	13,045	9,607	-3,438	*26.4%*
Total	**13,606**	**9,768**	**-3,838**	***28.2%***

DEPARTMENTAL UNDERSPENDING

Current Expenditure **£ million**

Department	2003-04		2004-05		2005-06		2006-07	
	Underspend	%	Underspend	%	Underspend	%	Underspend	%
Agriculture and Rural Development	15.1	6.5%	28.8	11.5%	14.3	6.3%	11.8	5.1%
Culture, Arts and Leisure	2.8	2.9%	1.1	1.3%	3.9	4.0%	2.3	2.3%
Education	24.9	1.7%	28.0	1.9%	30.2	1.9%	70.7	4.3%
Employment and Learning	24.0	4.1%	9.7	1.6%	23.9	3.9%	15.6	2.5%
Enterprise, Trade and Investment	1.6	0.8%	3.4	1.8%	2.0	1.0%	9.0	4.6%
Finance and Personnel	5.7	4.0%	13.1	9.0%	13.3	8.0%	19.3	10.6%
Health, Social Services and Public Safety	35.4	1.2%	1.6	0.1%	10.4	0.3%	6.3	0.2%
Environment	8.9	7.1%	1.8	1.4%	3.9	3.0%	2.1	1.7%
Regional Development	9.0	2.6%	4.9	1.4%	11.3	3.1%	7.0	1.9%
Social Development	16.2	3.5%	17.0	3.7%	20.3	4.3%	7.8	1.6%
Office of First Minister and Deputy First Minister	3.8	8.5%	2.7	4.9%	1.4	2.7%	1.7	3.1%
Ombudsman's Office	0.0	3.4%	0.1	4.5%	0.1	4.1%	0.0	3.3%
Food Standards Agency [1]			0.0	0.6%	0.4	4.5%	0.2	2.2%
Assembly	1.0	2.9%	0.7	2.0%	1.7	5.2%	0.7	2.0%
NI Authority for Energy Regulation	0.1	23.7%	0.1	12.0%	0.8	51.5%	0.4	15.5%
NI Audit Office	1.3	19.2%	0.4	4.8%	0.7	8.6%	0.3	3.9%
TOTAL	149.6	2.3%	113.4	1.6%	138.7	1.9%	155.3	2.0%

Annex B

Capital Expenditure £ million

Department	2003-04		2004-05		2005-06		2006-07	
	Underspend	%	Underspend	%	Underspend	%	Underspend	%
Agriculture and Rural Development	2.2	7.0%	8.3	18.8%	29.6	43.2%	5.7	11.9%
Culture, Arts and Leisure	1.4	17.1%	6.6	51.2%	7.4	31.5%	6.6	30.3%
Education	27.0	16.4%	46.9	24.4%	38.8	23.0%	30.7	19.4%
Employment and Learning	12.1	23.3%	13.0	23.3%	22.9	30.9%	6.4	10.7%
Enterprise, Trade and Investment	1.6	4.9%	5.7	9.2%	8.3	17.8%	1.3	5.3%
Finance and Personnel	10.0	19.5%	16.1	88.3%	32.6	73.4%	9.7	18.3%
Health, Social Services and Public Safety	76.2	38.0%	31.4	17.3%	1.9	1.2%	13.1	6.6%
Environment	5.9	44.4%	7.5	39.1%	8.4	43.6%	4.2	24.1%
Regional Development	16.3	6.1%	13.0	3.1%	32.4	6.9%	0.0	0.0%
Social Development	15.2	49.0%	22.3	16.6%	43.8	25.3%	17.5	20.3%
Office of First Minister and Deputy First Minister	1.0	56.3%	1.0	60.5%	1.0	32.8%	0.8	36.5%
Ombudsman's Office	0.0	10.0%	0.0	12.2%	0.0	11.5%	0.0	54.5%
Food Standards Agency (1)			0.0	6.5%	0.0	21.7%	0.0	22.2%
Assembly	2.0	98.4%	0.1	86.6%	0.0	50.0%	0.2	78.4%
NI Authority for Energy Regulation	0.0	50.0%	0.0	47.4%	0.1	46.8%	0.1	78.2%
NI Audit Office	0.0	7.0%	0.0	16.0%	0.1	32.5%	0.2	21.9%
TOTAL	**170.8**	**20.0%**	**171.8**	**15.0%**	**227.4**	**18.2%**	**96.7**	**8.9%**

(1) In 2003-04, the Food Standards Agency was part of the Department for Health, Social Services and Public Safety.
(2) Due to rounding, totals may not always sum.

Provisional Outturn 2003-04 to 2005-06: Resource DEL

Department/Group	2003-04 Final Plan	2003-04 Provisional Outturn	2003-04 Underspend	2003-04 %	2004-05 Final Plan	2004-05 Provisional Outturn	2004-05 Underspend	2004-05 %	2005-06 Final Plan	2005-06 Provisional Outturn	2005-06 Underspend	2005-06 %
Scottish Executive	18,700,350	18,479,407	220,943	1.2%	20,461,452	20,042,598	418,859	2.0%	20,878,814	20,792,813	86,001	0.4%
Northern Ireland Executive	6,718,592	6,378,105	340,487	5.1%	7,101,467	6,887,025	214,442	3.0%	6,635,057	6,504,542	140,515	2.1%
National Assembly for Wales	9,952,070	9,740,361	212,735	2.1%	10,724,184	10,598,764	125,420	1.2%	11,126,658	10,845,390	281,268	2.5%
Overall Average (Whitehall Depts & DAs)	280,139,378	276,521,504	3,617,874	1.3%	272,923,195	266,890,951	6,032,244	2.2%	280,139,378	276,521,504	3,617,874	1.3%
NI Ranking (44 Dept/Groups)				25				20				20

Provisional Outturn 2003-04 to 2005-06: Capital DEL

Department/Group	2003-04 Final Plan	2003-04 Provisional Outturn	2003-04 Underspend	2003-04 %	2004-05 Final Plan	2004-05 Provisional Outturn	2004-05 Underspend	2004-05 %	2005-06 Final Plan	2005-06 Provisional Outturn	2005-06 Underspend	2005-06 %
National Assembly of Wales	829,721	778,716	51,005	6.1%	977,206	858,734	118,472	12.1%	1,261,922	1,220,877	41,045	3.3%
Scottish Executive	2,085,105	1,429,190	655,915	31.5%	1,960,097	1,661,233	298,864	15.2%	2,445,123	2,331,958	113,165	4.6%
Northern Ireland Executive	473,986	354,658	119,328	25.2%	416,666	391,841	24,825	6.0%	1,022,098	856,867	165,231	16.2%
Overall Average (Whitehall Depts & DAs)	25,867,173	23,220,903	2,646,270	10.2%	27,403,727	25,270,147	2,133,580	7.8%	39,443,536	36,245,363	3,198,173	8.1%
NI Ranking (44 Dept/Groups)				31				14				26

Annex C

Comprehensive Spending Review 2007 - Value for Money Studies

HRConnect

Background

In March 2006 DFP entered into a Strategic Partnering Agreement (the Contract) with Fujitsu Services Limited to deliver the transformed HR services. The transition and implementation phase commenced on 3 April 2006 with full operation of services scheduled to be complete by April 2008.

Programme Delivery

HRConnect will modernise and transform the personnel function throughout the Northern Ireland Civil Service (NICS) and Northern Ireland Office (NIO) by replacing out-of-date systems with modern payroll and personnel processes. Centralised administrative personnel services will be provided from a Shared Service Centre (SSC), located in central Belfast, which will be staffed by around 200 private sector staff. The creation of an SSC to handle routine queries and transactions and the online self-service facilities encompassed within the new solution will provide Departments with the opportunity to focus on strategic HR planning.

A number of deliverables have been achieved in the first number of months following contract award and full implementation is scheduled for April 2008 with initial services scheduled to go live in August 2007.

Funding

The financial affordability assessment contained within the Full Business Case confirmed that the project is affordable over the life of the contract and from full implementation in 2008/9 is cash neutral. The overall contract value is £185m (unindexed).

The programme is funded by upfront capital investment from DFP, with the year on year running costs being funded from the existing Departmental HR budgets. Overall the programme is within its allocated budget but requires flexibility to move capital and admin resource funds during the transition period to match the actual cost profile. The annual service charges are around £12.25m per year.

There is an end of Year Flexibility (EYF) Requirement from 2006/07 to 2007/08 for the Project of £7.1m admin resource cash and £3.2m capital. This EYF request reflects the re-profiling of expenditure necessary to support contractual commitments associated with the ongoing implementation. The original profiling of expenditure pre-dated the signing of the contract in March 2006.

Benefits

The rationalisation and modernisation of HR processes will release around 500 staff for redeployment with the annual service charges (£12.25m) covered by this efficiency saving. The key benefits expected from the programme include increased efficiency of HR service delivery, which is consistent in terms of common processes, systems and standards. There will be improvements in HR decision-making across the Departments. There will also be a much improved electronic HR capability and a reduced reliance on HR paper files.

Ensuring that the benefits are realised is a priority. Benefits management is a requirement within the Contract, and a best practice approach process has been put in place to ensure the programme delivers the expected business benefits. The Contract defines Service Levels and Key Performance Indicators which the Contractor has to meet. The Contractor's performance will be monitored under the programme governance arrangements.

Workplace 2010

Background

Committee Members will be aware of the background to the Workplace 2010 programme. The Executive will shortly have the opportunity to fully consider Workplace 2010 including the key issues that were raised earlier this year by the Programme for Government Committee. In the meantime no decisions on proceeding with the competition will be taken.

Key Issues

The key issues include:

- Dispersal;
- PFI/Value for money; and

- Facilities management and impact of contract on staff

Detailed background briefing and lines to take on each of these issues has previously been submitted.

The Programme for Government Committee raised the wider issues of PFI, public sector job location and the impact of the contract on local businesses and asked that the new Executive would consider these. On the specific matter of Workplace 2010 it asked that the contract should contain provisions to allow for:

- The full realisation of benefits to the taxpayer, such as profit sharing and claw back;
- Premiums and surcharges to the unitary charges to be tightly controlled;
- No compulsory transfer of public sector staff to the private sector; and
- The accurate evaluation of the assets.

It also stated that the contract should not act as a constraint on any future policy on public sector job location. The final contract will be able to take on board all of these issues.

Account NI

Background

Account NI (formerly ASP) is a major reform programme aimed at providing the NICS with a modern fit for purpose accounting system which will provide significant technical and system improvements over existing systems.

In June 2006 the Department of Finance and Personnel, acting on behalf of the Northern Ireland Civil Service, entered into a twelve-year contract with a British Telecom plc led consortium for the design, build and delivery of a new financial accounting solution. The solution involves the delivery of an integrated accounting system and transaction processing service using Oracle Financials.

A key element of the Programme is the setting up of a Shared Service Centre (SSC) which will process financial transactions and payments for the whole NICS. It will be dedicated to the delivery of high quality services, on a centralised basis.

The SSC will be governed, managed, staffed and operated by civil servants. The BT consortium is responsible for designing the integrated solution, providing and maintaining the technical infrastructure support, managing the services, and facilitating the necessary business change processes.

Cost

The total projected cost of the programme, as at May 2007, over the twelve-year contract period is £178.4m (£151m capital and £27.4m revenue).

Benefits

For the first time all Government Departments will be on the same operating system and working to an agreed common chart of accounts. This will make the financial system more flexible and will faciltate any future changes in the scope and structure of the Government Departments.

The new system will provide significantly better management information than was available before and on a timely basis.

Transaction processing will be rationalised and improved through greater sharing of resources which will minimise the cost of transactions. Over the twelve-year contract period there is a projected reduction in transaction processing staff of circa 100 FTEs. The cash releasing efficiencies associated with this reduction in staff numbers are required to meet the costs of the new contract.

Current Position

The programme is currently in the design and build phase. The implementation plan envisages progressive migration of NI departments to the new Shared Service Centre, commencing in November 2007 with DFP and OFMDFM. By April 2009, all departments will have migrated on to the new service.

Civil Service Reform

Paper for the Finance and Personnel Commitee

Issue: Update on Civil Service Reform

Recommendation: That the Committee notes the update and provides a view on the key issues

Date: 30 October 2007

Introduction

1. The reform agenda across the NICS is about creating a modern public service that delivers, is respected and contributes significantly to a successful Northern Ireland. The Civil Service reform programme forms a significant part of the overall reform agenda and will help us to focus energy and resources on frontline priorities through improving efficiency, rationalising support services and harnessing technology.

2. We are now in the critical phase of implementation across the Civil Service reform projects. This note provides a brief overview of the Civil Service reform programme and an update on progress on each of the projects is attached at annexes A – G.

Civil service reform overview

3. The initial Civil Service reform agenda was set out in Fit for Purpose (published October 2004) as part of the 04 Budget Settlement. Significant progress has been made since then:

- A NICS headcount reduction of 2134 by 30 June 2007 against a target of 2134 by 30 June 2008; and
- Procurement savings of £203m at end September 2007 against a target of £250m by end March 2008.

4. Since then there have been some additions to the Civil Service Reform Programme. The current key projects within the programme are summarised in the diagram below:

There are two objectives focused on civil service reform within the draft PSA framework recently published as part of the draft Programme for Government:

PSA 20 Improving public services

Improve the quality and the cost-effectiveness of public services to include delivery of the wider public sector reform programme and efficiency savings and outworking of decisions on the RPA

	Objective	Actions	Target	Dept.
1	Deliver a programme of Civil Service Reform	Take forward NICS reform programme to deliver a modern, high quality and efficient public services by improving NICS capacity and providing NICS staff with the necessary tools and technology.	Deliver shared NICS corporate services through the implementation and realisation of the benefits of the following reform programmes: Financial and accounting services through Account NI by 01 April 2009. Human resources services through HR Connect by November 2008. Information communication and technology (ICT services) through the ICT Shared Service Centre by April 2009 Network services through Network NI by 30 September 2009	DFP All Departments

Objective		Actions	Target	Dept.
			Office estate services through Workplace 2010 by 30 November 2008	
4	Promote and improve access to public services and information in Northern Ireland	Improve access for the people of Northern Ireland to public services and information including the delivery of an improved range of contact channels for citizen access to public services	Introduction of a single telephone number point of contact for selected public services by 31 December 2008 Consolidation of 70% of NICS Department and Agency websites into a single thematic based web presence by March 2009. Reduce barriers to citizen access to online public services through delivery of a Digital Inclusion programme.	DFP

6. A brief overview of each project, progress to date and forward look is attached as the following annexes:

- Annex A – NI Direct
- Annex B – Records NI
- Annex C – Account NI
- Annex D – HR Connect
- Annex E – Workplace 2010
- Annex F – Network NI
- Annex G – IT Assist (ICT Shared Services)

7. The Central Advertising Unit will deliver effective co-ordination, management and procurement of all government advertising to ensure better value for money and increased effectiveness. The Advertising Shared Service centre went live in April 2007 so the project is now formally closed.

8. Centre for Applied Learning (CAL) is a shared service centre for NICS training and development. It was established and has been fully operational since October 2006 so the project is now formally closed. In 2007-08 CAL is positioned to directly support Civil Service reform and service to its customers.

Implementation

9. The implementation schedule at Annex H provides an overview of the civil service reform projects going live in financial year 2007/08. All NICS Departments are responsible for implementing the reforms in their respective departments to ensure we realise the benefits for the citizen and release the savings identified.

Bruce Robinson

Annex A – NI Direct

Background

An NICS Multi-Channel Contact Centre Strategy (2005) recommended that a contact centre solution should be adopted on a large scale. This was based on evidence that the quality of NICS telephone services was poor when compared to other organisations. Multi-channel contact centres enable substantial efficiency and effectiveness gains.

The Strategy recommended the creation of a single NICS-wide multi-channel contact centre capability, which was subsequently branded "NI Direct". NI Direct will simplify and improve citizen access to public services in Northern Ireland through multiple electronic channels, but initially concentrating on telephony, including moving towards a single telephone number for all Northern Ireland public service enquiries. The initial focus on telephony reflects research which shows that over 70% of our customers prefer to deal with their government business using the phone.

Progress / Current position

A Strategic Outline Case confirmed that delivery of the project was achievable and affordable. Work has been underway on the Outline Business Case during 2007 and formal submission of the OBC to DFP Supply is expected in early November 2007.

Forward look

NI Direct will proceed in two phases:

Phase 1: this will build on the existing NI Citizen Information Centre (NICIC) base to deliver an interim solution hopefully using the short-dial code '101' to provide informational and transactional services for a limited range of 'anchor' tenants, including the Planning Service, the Department of Agriculture and Rural Development, the General Registrar's Office and Land and Property Services. This will involve a procurement exercise to procure the necessary additional support and capacity on a two year contract (with the option of a one year extension). Following completion of the outline business case we plan to go to the market early in 2008 with a view to signing a contract in summer 2008 and '101' being effectively operational in late 2008.

Phase 2: in parallel we will continue to work on the long term strategy to deliver informational and transactional services for all NICS organisations, bringing in services with the support of a strategic partner. This would include an analogous web-based service. As things stand we would be seeking to run a separate procurement exercise over the next two years for a contract that is more likely to run for 7-10 years.

Annex B – Records NI

Background

The Records NI Project is in the middle of the implementation phase. Its aim is to deliver a central NICS managed Electronic Documents and Records Management (EDRM) service with the policies, procedures and standards required to govern its use to all NI Departments. If used to its full potential and alongside other relevant projects it can be a vehicle for delivering cultural and business change across the NICS impacting on an estimated 15,500 civil servants, substantially reducing bureaucracy and paper usage and improving records management.

Progress / current position

To date, over 12,000 staff have been implemented to the RecordsNI service. In addition, two Lead Implementation* areas within PRONI and OFMDFM have been migrated to the new service.

Outlook for next 3 month period

The migration of the final Lead Implementer (i.e. 700 DETI staff and their documents) is scheduled to take place in November. In addition, the implementations across the NICS are scheduled for completion by the end of December. On completion of implementation, each departmental information management branch will be commencing initiatives to bed down the new service in their department. At that stage the computer record will become the official document for record keeping purposes.

* [Note: Three local Lead Implementations were initiated two years in advance of RecordsNI to provide valuable lessons to the NICS]

Annex C – Account NI

Background

Account NI is a major transformation programme to provide a common accounting system across NICS. A key element of the Programme is setting up of a Shared Service Centre dedicated to the delivery of high quality services, on a centralised basis. NI Departments will progressively migrate to the Shared Service Centre between December 2007 and April 2009. The contract to deliver the solution was formally signed with BT 5th June 2006.

Progress / Current Position

The solution for Wave 1 Departments (DFP/OFMDFM) has been designed and built. Testing is currently underway; user acceptance testing is due to complete end of October 2007.

Training for Shared Service and departmental staff is largely completed. E-Learning facilities will be available to all NICS staff prior to 'Go-Live' in relation to the key services available on-line.

Outlook for next 3 month Period

Service Readiness Testing is due to commence early November 2007 and is designed to ensure the readiness of the people and processes underpinning the solution and will involve staff in the Shared Service Centre and Departments assessing the new processes from end-to-end in preparation for 'Go Live' December 2007. Specific focus will be placed on business critical and high volume activities.

Design activities are underway for Wave 2 (DETI/DEL) and Wave 3 (DSD/DHSSPS) with a view to 'Go-Live' April 2007 and July 2007 respectively.

Annex D – HR Connect

Background

HR Connect is a key element of the Northern Ireland Civil Service reform programme of change. HRConnect will automate and introduce greater consistency to many existing HR processes and enable staff to access better quality HR related information quickly and easily from their desktops. HRConnect will be delivered by the private sector partner from a Service Centre in Belfast which has created 200 new jobs. When all HRConnect services are implemented it will release around 500 civil service staff from carrying out transactional HR activity.

Progress / current position

All preparatory work for the first release (External Recruitment) has now been completed satisfactorily and this service became operational in October 2007. Negotiations with the Contractor in relation to a re-phasing of the delivery of all the other releases within the original overall target date of November 2008 are well advanced. Release dates for the various Human Resource and Payroll services remain under detailed scrutiny by the Programme Board and will be finalised as part of these negotiations.

Overall the Programme remains within its allocated budget but has required flexibility to move capital and admin resource funds during the transition period (2006/07 to 2009/10) to match the actual cost profile associated with the implementation of the new services. This has resulted in changes to the original estimated profile of expenditure on the Programme on both capital (in respect of milestone payments) and resource.

Outlook for next three month period

Go-live dates for the further releases covering Employee Relations, Payroll, Learning and Development, Performance Management and Internal Promotions remain under detailed scrutiny by the Programme Board and will be finalised as part of the commercial negotiations with the Contractor. The original overall date for full implementation of all services by November 2008 remains on target.

The next release (Employee Relations, Exit and HR Data Management) is on target for implementation during the next three month period. This is a major release of functionality across the NICS and NIO and will include employee records, grievance, dignity at work, welfare and health & safety services. The design, build and testing of all other releases is on-going and will continue during the next three month period.

Annex E – Workplace 2010

Background

Members are familiar with the background of Workplace 2010 upon which the Committee took evidence and produced its first report on the programme in June 2007. The Committee's recommendations informed the decision by the Executive that the procurement process should proceed to the next stage. This was announced to the Assembly by the Finance Minister on 24 September. The Committee's Take Note motion was subsequently passed on 8 October.

Progress / current position

The Department is now ready to move forward with the procurement process. The documentation that would be issued to bidders as part of the invitation to submit best and final offers has been finalised and departmental requirements and budgetary transfers are being signed off. However, the Department is currently awaiting a judgment on the court injunction and to date this is still outstanding. Until such times, as there is a decision on the injunction no further progress can be made.

Outlook for next 3 month period

Progress over the next three months is very much dependent on the judgment. In the event of a positive outcome the Department would seek to invite best and final offers after which bidders would have three months to respond. If, however, the judge were to retain the injunction the procurement could not proceed and we would have to consider the options available to us depending on the nature of the ruling.

Annex F – Network NI

Background

The Network NI project was launched in early 2006 to purchase broadband services for the NICS and potentially C2k. The Project will ensure that the NICS demands for broadband services are delivered in a joined up manner to meet line of business needs and those of key reform projects such as RecordsNI, HR Connect and Account NI. The Network NI solution will be capable of carrying voice, video and data traffic simultaneously and will ensure that state-of the art secure, scalable and reliable network services will be available.

Progress / current position

The procurement process was completed on 18 September 2007 with Contract signature and award to Eircom. The Full Business Case has been approved by DFP Supply, a Gateway 3 review completed and the establishment of baselines for the Benefit Realisation Plan is well underway. Phase 1, the Proof of Solution, has commenced and Eircom have installed cables and hardware at a number of phase 1 sites.

Outlook for next three month period

Over the next 3 months Phase 1 will be completed; connecting all NICS department HQs to Network NI. A first security health check will be completed; after which the Network NI service will be put forward to the NICS Accreditation panel for security accreditation. Following a review of Phase 1 and security accreditation being granted, the service will be rolled out to the remainder of the NICS in 7 further phases.

Annex G – IT Assist (ICT Shared Services)

Background

Public and Private Sector organizations worldwide see Shared Service Centres as an opportunity to improve service and reduce cost. An Outline Business Case for the creation of an in-house shared service centre for ICT was approved by DFP Supply in July 2006 and some “start-up” funding agreed by DFP in August 2006.

Progress / current position

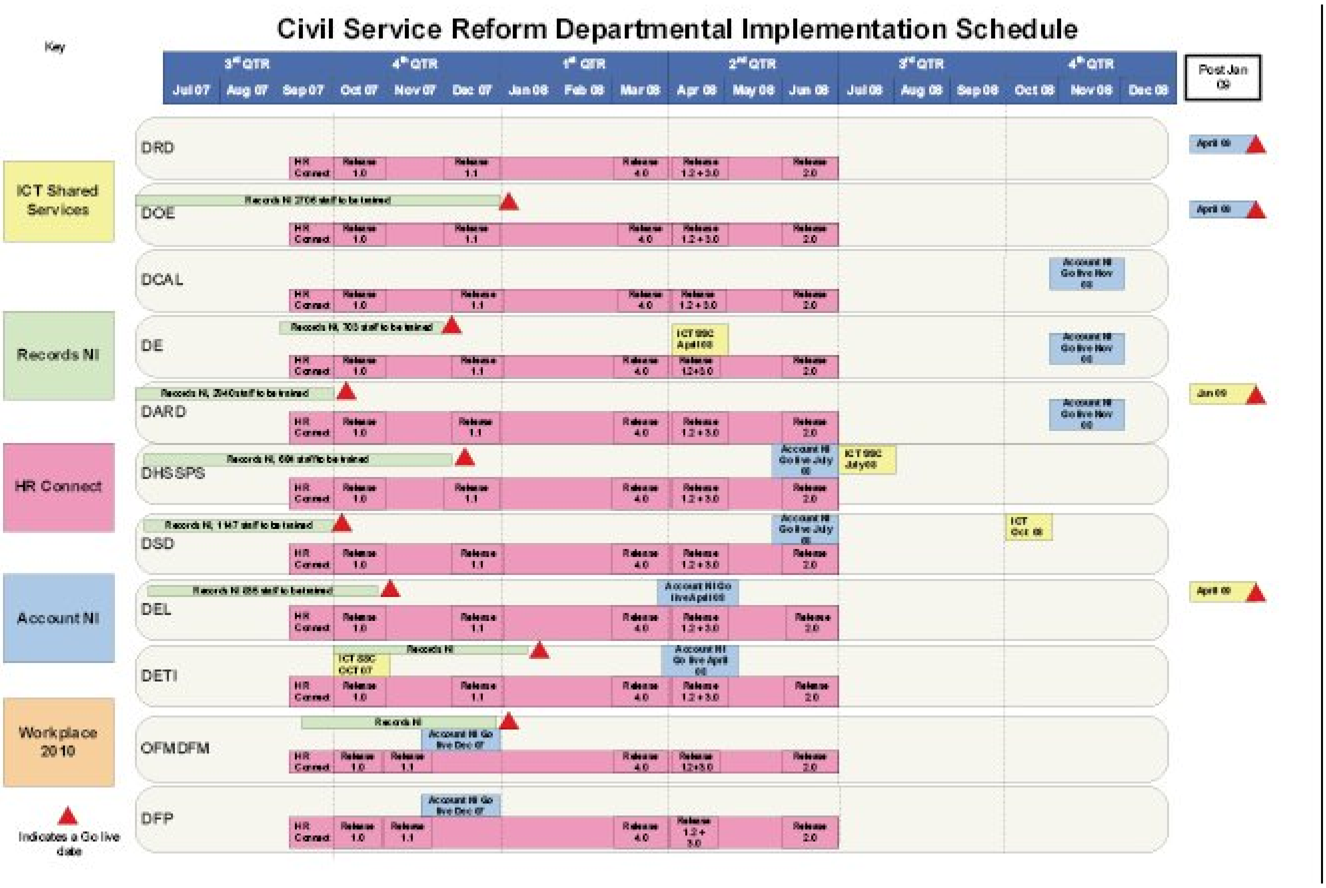
The first phase of the transition programme, involving 5 departments, completed in May 2007 and the sixth department, DETI, was brought onto the new service, which is called IT Assist, on 1 October. The migration is planned to run through to April 2009, at which point the SSC will support some 18,000 users across the 11 NI departments, providing a range of common ICT Services such as desktop systems, help desk support, e-mail etc. Line-of-business support will remain in departments.

Outlook for next 3 month period

A process to finalise the departmental contributions to the funding of the SSC for the next three years has almost completed. In addition, bids have been made to DFP for the remainder of the additional start-up funding required.

The priority over the next three months will be to progress some key infrastructure consolidation work. This includes moving IT hardware to the new data centres, sourced from BT following an extensive procurement exercise, and building a resilient e-mail solution.

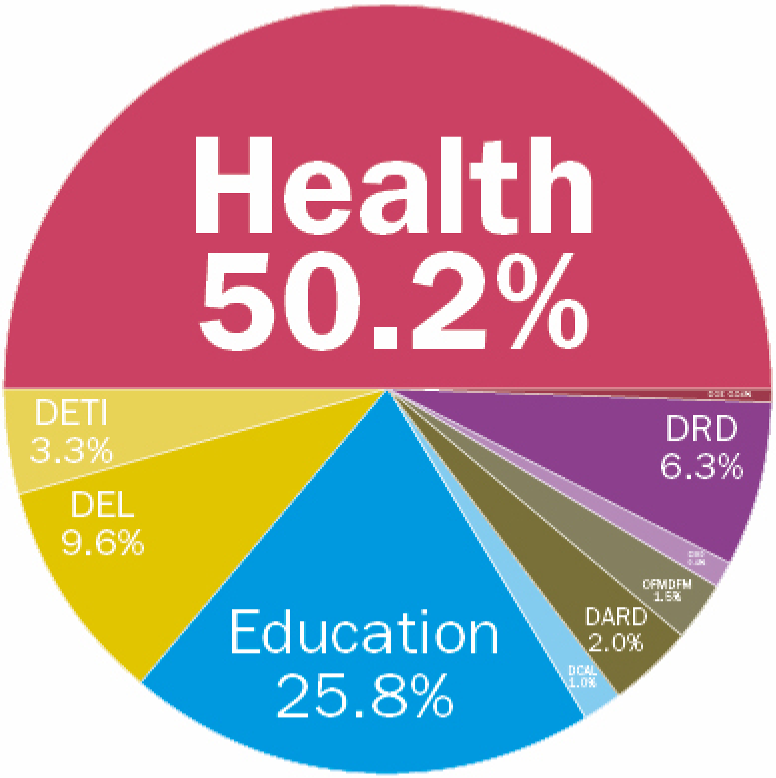
Annex H



Handout Provided to Committee during Ministerial Briefing 21/11/07

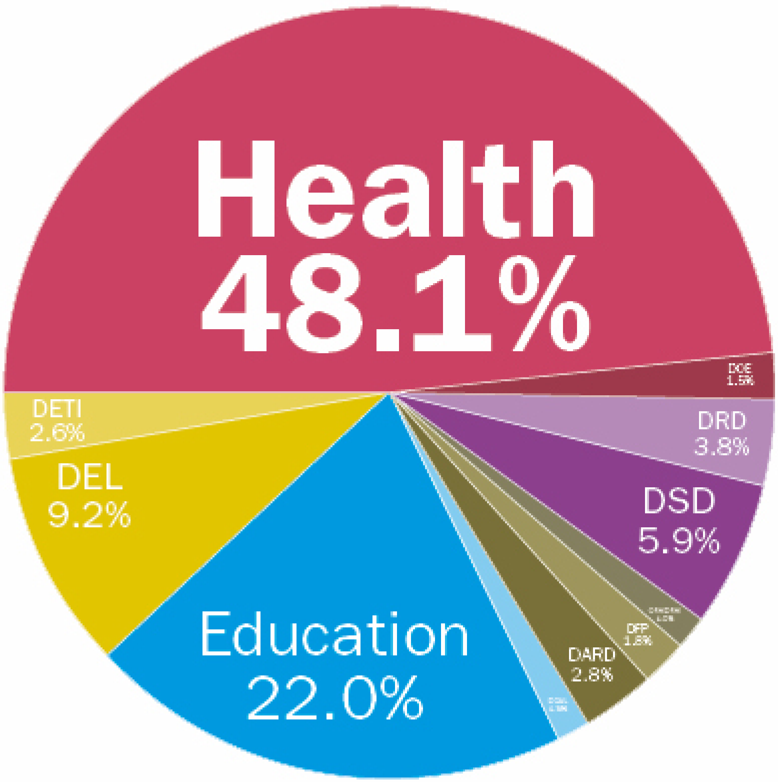
Share of Increase in Funding 2007-08 to 2010-11

Draft Budget

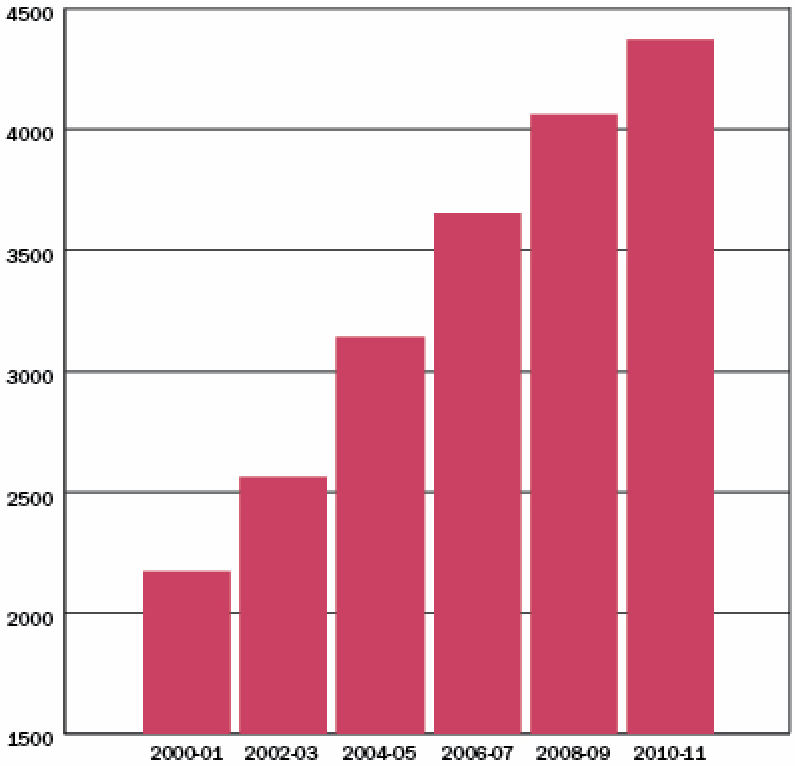


Share of
Total Departmental Spending
2010 - 2011

Draft Budget



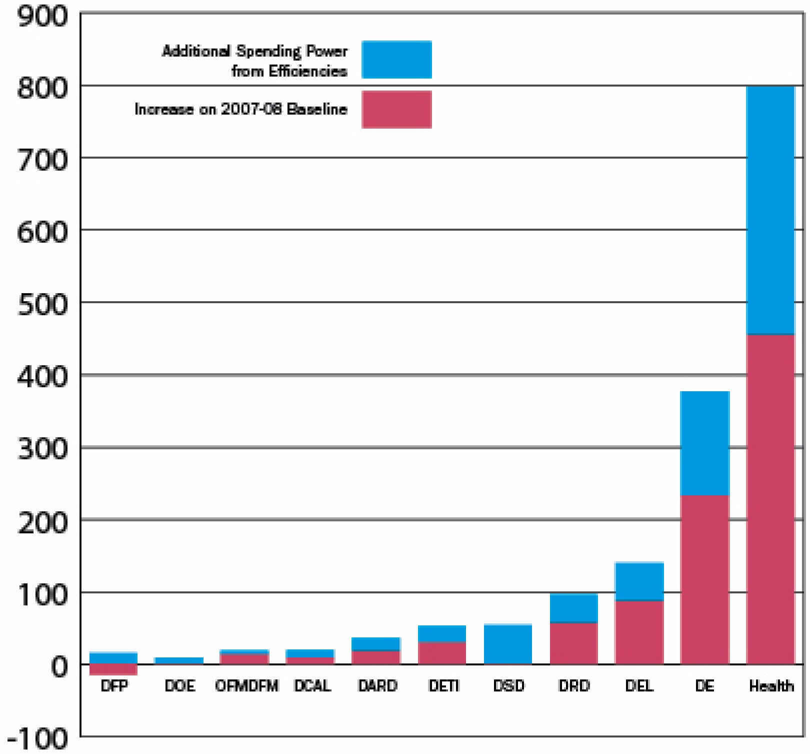
Northern Ireland
Health & Social Care Spend



£ million

Source: PESA, Draft Budget 2008-11

Increase in Departmental Spending Power, 2010-11 Compared to 2007-08



£ million

Source: Draft Budget 2008-11

Strategic Budget Briefing to the Committee

Budget Process - Roles

DFP

DFP is charged with establishing the Government's Priorities and Plans by ensuring that allocations of public expenditure reflect priorities and targets set by Ministers; to achieve best value for money from Departments and public bodies. The various divisions involved have the following roles:

Central Expenditure Division

- Advise Finance Minister on the planning, management, control and accountability of Northern Ireland public expenditure.
- Coordinates advice to the Finance Minister on the prioritisation of public spending and allocation of resources to Departments.
- Main interface with HM Treasury and other Devolved Administrations on Comprehensive Spending Review and other public expenditure matters
- Produces draft Budget Executive Papers and develops iterations of draft Budget scenarios for Ministerial consideration.
- Produces detailed spending plans and Budget documents for consideration by the Finance Minister.
- Co-ordinates Budget process between departments by producing guidance, as well as holding meetings and bi-laterals with departmental officials.
- Manages the Public Expenditure database for the NI Executive.
- Undertakes consultation meetings with the general public and specific groups. Also compiles the responses received during consultation for Ministerial decisions.
- Coordinates with OFMDFM and SIB regarding the interaction between draft Budget and PfG/ISNI.
- Provides briefing and support to the Minister for Ministerial bi-laterals, Assembly debates, Committee discussions and for meeting lobby groups.

Supply

- Main interface with Northern Ireland Departments including:
- providing advice and guidance to Departments about financial exercises
- scrutinising Departments' proposals and baselines and challenging that these are in line with government priorities
- putting forward evidence-based recommendations on the Departments' proposals, and
- ensuring that budget documents accurately reflect the agreed financial position.
- Provide briefing and support to the Finance Minister for Ministerial bi-laterals, Assembly debates, Committee discussions and for meeting lobby groups.
- Provide the draft text for the departmental chapters of the Budget documents.

Strategic Policy Division

Drafts the economic, social and environmental context chapter of the Budget document.

Comprehensive Spending Review Outcome

In 2005 the Chief Secretary to the Treasury announced the launch of a second Comprehensive Spending Review (CSR), to identify what further investments and reforms are needed to equip the UK for the global challenges of the decade ahead.

The Chancellor of the Exchequer announced the findings from the CSR and Pre-Budget Report (PBR) on 9 October 2007. The CSR determines the Northern Ireland Department Expenditure Limit (DEL) over the period 2008-09 to 2010-11 from the outworking, through the Barnet formula, of the NI share of the settlements for Whitehall Departments. The PBR sets out the position as regards public finances more generally and any change in resources for the remainder of this financial year.

The increase in the NI DEL as a result of the CSR formed the single largest element of the resources available for allocation as part of the local Budget 2008-11 process. NI had already received Barnett consequentials as a result of the CSR settlements for some Whitehall Departments (most notably DFES) whilst Treasury officials had provided a broad steer as regards the expected outcome.

The main points as regards the CSR outcome for the NI Executive are set out below:

- Northern Ireland (NI) Total DEL (ie resource plus capital) will increase by £368 million / £736 million / £1,175 million over the years 2008-09 to 2010-11 to reach £9.6 billion.
- This equates to annual average real growth of 1.7%.
- However, the largest growth is in 2010-11 (2.0%) with slower growth in 2008-09 (1.6%) and 2009-10 (1.4%).
- There is significantly greater growth with respect to capital (4.4%) than resource (1.3%). However, the growth in resource DEL is more evenly distributed over the CSR years whilst the main growth for Capital is in 2010-11. The annual resource / capital split is:
- Resource – 1.4% / 1.1% 1.4% (average 1.3%)
- Capital – 3.3% / 3.6% / 6.4% (average 4.4%)
- This growth is however based on a reduced baseline (£114 million) flowing from reductions for comparable Whitehall departments. Therefore, annual average real growth compared to the actual 2007-08 position is only 1.2%.
- The Scottish Executive has a slightly higher rate of (unadjusted) growth, 1.8% than NI whilst the Welsh Assembly Government has growth of 2.3%.
- In Whitehall, the Department of Health (3.9%) and the Department for Children, Schools and Families (3.1%) both have had higher settlements than previously expected.

PKF Report Update

A Senior Civil Service (SCS) Masterclass on Financial Management took place as planned in the Park Avenue Hotel on 7 November. Margaret Ewing, a senior partner with Deloitte's, used examples from her own experience in senior management positions in the private sector to illustrate the benefits of prudent financial management, finance transformation, the implementation of shared service centres etc. This was well attended by both finance and non-finance SCS members and the subsequent feedback was very positive.

Following this, all SCS members are being encouraged to access the Treasury's online eLearning package "Love Learning" which navigates users through a range of modules, including: Financial Planning and Control, Resource Budget Management, Investment Appraisal and Evaluation and Strategic and Business Planning. The package provides a useful tool for individuals to identify gaps in their understanding which can then be met as part of future training plans.

Specifications have been developed for a two-hour budget management seminar and a two-day budgeting course for those who are directly involved in managing and setting budgets. The seminar will be mandatory for all SCS members to ensure comprehensive coverage and is due to be piloted in early December for further roll-out thereafter.

To ensure departmental ownership and a coordinated approach to improving financial management in the medium to longer term DFP's Centre for Applied Learning will soon be facilitating a workshop for Finance Grade 5s to discuss ideas and views and to agree a shared vision for the future. An important outcome of the workshop will be a more detailed action plan with agreed milestones.

Work is also commencing on the development of reporting templates which will be made available to departments as a resource to improve the nature and quality of reports used by departmental boards for decision-making.

Efficiency Savings

As part of the early work on the Comprehensive Spending Review a number of Value for Money studies were initiated in early 2006 to examine the scope to deliver efficiencies savings over the period to 2010-11. These were then superseded by the Secretary of State's commitment, in mid 2006, that each NI Department would deliver 3% per annum cash releasing savings over the CSR period.

This is a significant increase on the cash releasing efficiency savings target for period covered by Spending Review 2004 (2005-06 to 2007-08). Although a 2.5% efficiency savings target was set for SR04 a large proportion of these savings were non-resource releasing in nature and hence were less amenable to verification.

Table 1 below provides the current breakdown of the efficiencies to be delivered over the period to 2010-11 in terms of capital, admin and other resource efficiencies, although this is under review.

Table 1: NI Efficiency CSR 07 Savings Targets £ million

	2008-09	2009-10	2010-11
Other Resource	241,568	465,838	684,553
Administration	4,182	15,774	27,041
Capital	27,461	55,684	81,903
Total	273,211	537,296	793,497

Departments developed over 90 Efficiency Delivery Plans (EDP's) under Direct Rule with the top ten by value, as set in Table 2 below, accounting for around 70% of the total value of savings. The guidance for completing the EDP's is set out at Annex A for information.

Table 2: Top 10 Efficiency Options in terms of savings by 2010/11, £m

Efficiency Option	Dept	Savings
Programme of measures to improve productivity in the Health & Social Care sector(including RPA)	DHSSPS	160.1
Removal of lower priority projects from the Schools Estate Capital Investment Programme	DE	97.8
Constrained growth in pay growth for Health & Social Care sector flowing from DoH efficiency	DHSSPS	71.0
Improved efficiency in the provision of Pharmaceuticals	DHSSPS	58.7
More cost effective procurement arrangements in the Health & Social Care Sector.	DHSSPS	36.3

Efficiency Option	Dept	Savings
Aggregated Schools Budget- impact of changes in demography.	DE	32.0
Housing Executive VfM Study	DSD	27.4
Water Service- Efficiency Target for GoCO	DRD	26.2
Withdrawal of Electricity Contract But Out proposal	DETI	19.7
Review of Public Administration in the Education sector	DE	16.0
Total		545.2

A significant contribution was to come from a 5% real terms reduction in administration Budgets involving 2.8% cash reductions with the remaining 2.2% achieved by absorbing inflationary pressures. In this context the 2.8% cash target was reduced for 2008-09 in light of the 4% NICS pay settlement for this year. In addition, Departments had raised concerns that the administration target would have an unintended impact on frontline services currently with Departments administration budgets. In response a reclassification exercise was conducted to allow Departments to transfer such functions out of administration.

Although Executive Ministers are currently reviewing the make up of the Efficiency Delivery Plans, the Executive has agreed that the 3% efficiency savings target is necessary in order to provide sufficient funding for public services. While it is planned to publish final EDPs alongside the Final Budget, as with the situation for Whitehall Department, it may not be possible to publish some EDPs because for example, the potential impact on contract negotiations.

Although EDPs set out how departments intend to deliver Efficiency Savings the main mechanism through which delivery, in terms of resource spend, has been assured is that the amount of efficiency savings were removed from departments starting baselines for the years 2008-09 to 2010-11 as part of the draft Budget 2008-11 process.

On 27 September 2007, at a speech to the Chartered Institute of Public Finance and Accountancy (CIPFA) the Finance Minister put forward the suggestion that that a high level taskforce should be created- the Performance and Efficiency Delivery Unit (PEDU)- to examine the scope for generating cash-releasing efficiencies and improving delivery and performance within Departments and across the wider public sector.

Annex A

Efficiency Delivery Plans-Guidance

The objective of the efficiency 10 delivery plans is to demonstrate how a department proposes to achieve the 3% annual net cashable savings target set for all NI departments over the CSR period. Specifically the plan will:

- provide an account of the measures required to realise these savings,
- set out the timetable for their implementation and risks to be managed in taking them forward; and
- form the basis regarding the arrangements for monitoring the implementation and delivery of savings over the CSR07 period.

The delivery plan should be comprised of three main sections:

A. A summary of the measures that make up the department's efficiency programme and the overall net cashable savings to be delivered over the CSR07 period.

B. A detailed delivery plan for each efficiency measure which includes a forecast of the expected savings, an account of the actions to be undertaken to realise those savings, timetable for their implementation and proposals for managing key risks and interdependencies including equality impact assessment.

C. A breakdown of the savings being delivered by the department's efficiency programme according to a standardised categorisation to enable inter-departmental comparison as well as a cross-Departmental account of the sources of efficiencies.

(A) Summary of main Efficiency Measures

The delivery plan should start with a brief (maximum 2 page) summary of the departments efficiency programme for the CSR07 years which sets out:

- a short description of the department's efficiency programme and its role in releasing resources to meet the aggregate target for NI departments;
- the measures that comprise the departments' efficiency programme,
- the respective contribution of each efficiency measure to the total net cashable savings being delivered by the department's efficiency programme over the CSR07 period.

This section should be based around a summary table that sets out:

- a breakdown of the main measures that make up the departments efficiency programme. For each measure this should include:
- an agreed (with Supply) baseline for expenditure in that area in 2007-08;
- a profile of the overall net cashable efficiency savings being delivered over the CSR07 years expressed in £m; and
- a summary of the total net cashable savings being delivered over the CSR07 period expressed as £m savings to 2010-11.

Following the Prime Minister and Chancellor's announcement of their intention to reduce administration budgets in nominal terms, departments should also demonstrate how they propose to match or exceed a 5% annual real (2.8% nominal) reduction in administration budgets over the CSR period as committed to by the Secretary of State. Departments' proposals on administration costs should form part of their efficiency delivery plans and should contain an account that draws together how efficiencies of this scale on administration costs will be delivered.

The baseline efficiency savings profile and percentage savings figures for each efficiency measure in the summary table should be derived directly from the more detailed, measure-by-measure breakdown in the body of the efficiency delivery plan.

Efficiency Programme Summary Table 11

£m	2007-08 baseline	2008-09	2009-10	2010-11
Efficiency Savings Accruing to Department				
Near Cash Resource DEL1				
Efficiency Measure 1				
Efficiency Measure 2				
Efficiency Measure 3				

£m	2007-08 baseline	2008-09	2009-10	2010-11
Efficiency Measure 4				
TOTAL NEAR CASH RDEL (a)				
Capital DEL 2				
Efficiency Measure 5				
Efficiency Measure 6				
Efficiency Measure 7				
Efficiency Measure 8				
TOTAL CDEL (b)				
TOTAL DEPARTMENTAL SAVINGS (a+b)				

In aggregating the total savings delivered by their efficiency programmes, Departments should be careful not to double count savings across efficiency measures. Where baseline expenditure for different efficiency measures overlap, departments should explain how they corrected for any double counting of savings and, where appropriate, include a line in the summary table, which strips this out before arriving at the total savings figures.

(B) Delivery plan for each Efficiency Measure- see Annex A(i) for pro-forma

The body of this section should be comprised of a set of detailed delivery plans for each efficiency measure, which sets out:

i. a forecast of the savings generated in each year of the CSR07 period;

ii. a summary of the evidence supporting the scope for realising these savings as well as an account of the wider benefits that may arise (including any non-cashable gains);

iii. a description of the actions required to realise those savings and a timetable for their implementation;

iv. an account of how the delivery of savings will be monitored over the CSR07 period including an assessment of the nature of the data being relied upon; and

v. an account of how the department proposes to manage the key risks to implementation, including equality impact assessment, as well as any interdependencies within or across departments.

- Departments should ensure that the standard of analysis used to underpin the conclusions they draw in these delivery plans is sufficient to withstand external scrutiny.

i. Forecast of savings

The delivery plan for each efficiency measure should begin by setting out the savings to be generated in each of the CSR07 years.

ii. Supporting Evidence

The summary table should be followed by a brief account of the evidence underpinning the department's estimate of the scope for realising savings and in particular why a greater level of savings is not achievable. Departments should provide an account of the evidence for their estimate of the net cashable savings to be generated by the proposed efficiency measure based on, for example, data on unit costs relative to public or private sector benchmarks, performance variation across delivery units, the gains from collaboration or process integration or the scope for scaling back activity in a particular area. The underpinning evidence should be subject to rigorous scrutiny within the department and by Supply, supported by expert analysis where possible.

Where an efficiency measure yields wider benefits not captured by the net cashable savings figure above, such as improvements in service quality, departments should also provide a brief account of those benefits. This should include an account of any non-cashable gains associated with the initiative together with an explanation as to why these gains cannot be redeployed [12]. Non-cashable gains do not count toward the 3 per cent minimum net cashable savings ambition expected of all departments' efficiency programmes.

iii. Actions and implementation timetable

The section on actions and implementation timetable should provide a summary of the key actions the department proposes to undertake in order to realise the savings identified.

Where departments have identified up-front or transitional costs associated with realising savings in this area, they should use this section to explain the nature of these costs and how they will be met from with the department's DEL. Departments should not assume that any central transitional or challenge funding will be available to meet these costs.

The description of proposed actions should be accompanied by a timetable for their implementation based on the table below, which:

- sets out the critical decisions and actions to be taken in order to meet the profile of savings identified for this measure;
- identifies the individuals/organisations responsible for implementation; and
- specifies the critical outcomes expected at each stage of implementation against which progress can be assured.

Timetable For Delivering Efficiencies

Date	Action	Owner	Outcome

iv. Monitoring Arrangements

The monitoring section should give an account of the arrangements for monitoring progress on delivery of savings over the CSR07 years. In addition to monitoring the profile of savings, departments are expected to identify at least one supporting indicator against which progress in improving efficiency can be monitored. These could include, for example:

- headcount or full-time equivalent staff in an area where savings are being delivered through workforce reductions;
- profile of key inputs costs against historic, public or private sector benchmarks over time;
- profile of key unit costs or index against the 2007-08 baseline; and/or
- profile for reduction in performance variation across delivery units using comparative data between similar units, or other standard benchmarks.
- Departments should specify the data systems and data sources they will be using to monitor both the expenditure saving in DEL (in many cases this will be usual financial management systems) and any supporting indicators. Departments should choose indicators that are supported by regular, reliable flows of data that can be used to

monitor progress on a monthly, quarterly or, at most, biannual basis. This should take into account the quality of the data system as a monitoring tool including frequency of reporting, lag in reporting, level of assurance in data received, likelihood of data revision, seasonality and fluctuation problems.

- One of the recommendations from the recent Public Accounts Committee's report (June 2006) Progress in Improving Government Efficiency was that, with respect to the SR04 savings, "Greater assurance is needed that the quality of public services is not being adversely affected". In monitoring the implementation of efficiencies in high priority areas of front line service delivery, Departments will be expected to provide evidence that there has not been a detrimental impact on services to the public.

v. Risks and Interdependencies

The final section should give an account of the key risks to the Department's Efficiency programme. This should include an assessment of the potential impact of efficiency measures on the quality of services to end users, in particular any vulnerable groups, and their plans for mitigating any adverse impact on service quality and for ensuring overall service standards are maintained or enhanced. In addition, NI departments should provide a summary of the equality impact assessment of each efficiency measure. This should flow from the ongoing work to assess the equality, good relations, social inclusion, New TSN and sustainable development impact of the proposed efficiency measures.

This should also include an account of the key links and interdependencies between this measure and the department's other efficiency measures as well as other department's efficiency programmes. This section should include an explanation of how those interdependencies are being managed and how any issues around double-counting have been resolved. Measures that merely shift costs onto other government departments will not be considered. Where departments are proposing savings that involve some cost shifting, these will only been considered if they are agreed in partnership and if cost shifts are properly monitored and taken into account by all parties.

(C) Breakdown of Savings by Category

To allow cross-departmental comparisons of where savings are being generated and to provide the basis for a summary account of the sources of savings being delivered by the efficiency programme for CSR07, the final section should provide a breakdown of the departments' efficiency measures into the following standardised categories which build on the original Gershon Review typology:

- Procurement: getting better value from purchases of goods and services by the public sector;
- Productive time: freeing up more time for frontline service delivery;
- Corporate services: reducing running costs in human resources, IT support and finance across the public sector;
- Transactions: streamlining government's interactions with citizens and businesses;
- Administration/policy, funding and regulation: rationalising central machinery engaged in policy-making, allocating funding to delivery bodies, regulating and inspecting service quality and developing guidance and support initiatives;
- Allocative efficiency: releasing resource by transferring activity from less effective to more effective policy interventions; and

- Other: as in the current programme, there may be efficiencies that do not fit neatly into any of the above categories.

This categorisation will be used to benchmark Department's efficiency programmes against each other and to communicate to the public the sources of savings at a Government-wide level. Departments will not be rigidly held to this categorization in implementing or reporting on their efficiency programmes.

Delivery Plan Pro Forma Annex A(i)

1. Title of Efficiency Measure

Department
Efficiency Measure
Ministerial Agreement to plan received Yes/No
Senior Responsible Officer

2. Forecast of Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
2007-08	2008-09	2009-10	2010-11	
Admin				
Resource				
Capital				
Total				

3. Summary of evidence supporting scope for realising savings

4. Summary of any potential wider benefits (including non-resource releasing gains)

5. Summary of Key Actions and any Up- Front Costs

5a: Description of Key Actions
5b: Details of any Up-Front Costs

6. Timetable

TIMETABLE FOR DELIVERING EFFICIENCIES

Date	Action	Owner	Outcome

7. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?

8. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action

9. Key risks and interdependencies to implementation and details of contingencies.

Key risks	Contingent Action

Strategic Budget Issues – Questions to the Department of Finance and Personnel

Northern Ireland Assembly

Committee for Finance and Personnel

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22 November 2007

Dear Norman

Strategic Budget Issues

At the Committee for Finance and Personnel's meeting today, it was agreed to forward some follow up queries arising from the session on 'strategic budget issues' for the Department to provide a written response.

I shall be grateful for a reply to the attached questions by close of play on Monday 26 November 2007.

Yours sincerely

Shane McAteer

Committee Clerk

Strategic Budget Issues

1. In relation to overcommitment, there is a planned 3 year reduction from £153m to £100m/£80m/£60m. What measures are being taken by the Department to improve the management of underspend in line with this reduction?

2. Can the Department provide a detailed explanation on the present arrangements for End Year Flexibility, including the annual limits and the level of access?

3. What costs and efficiencies are associated with the Review of Public Administration and how have these been reflected in the Draft Budget?

4. How are the Chancellor's Package and Irish Government's Package reflected in the budget allocations?

5. New Revenue/Funding Sources:- What scope is there for further improving NI's fiscal effort (via new local taxes or charges on services) and how might this have a bearing on the future budget?

6. Can the Department provide an update on the public consultation on the Draft Budget 2008/11? Also, which stakeholder groups are being consulted during this process?

7. Can the Department provide an explanation of the arrangements for taking forward (including funding) cross cutting issues, including those covered in the Executive's PSAs?

8. To what extent is the Draft Budget based on a zero-based approach to budgeting? Was this approach not taken within departments as part of the preparations for the Comprehensive Spending Review?

Strategic Budget Issues – Response to Committee Questions

Department of Finance and Personnel
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email: Norman.Irwin@dfpni.gov.uk

27 November 2007

Dear Shane

Strategic Budget Issues

Thank you for your letter of 22 November 2007 requesting clarification on a number of Strategic Budget Issues. Attached at Annex A are the responses provided by the respective business areas.

Yours faithfully

Norman Irwin

Annex A

Departmental Response to Committee Clerk Queries with Respect Strategic Budget Issues

1. In relation to overcommitment, there is a planned 3 year reduction from £153m to £100m/£80m/£60m. What measures are being taken by the Department to improve the management of underspend in line with this reduction?

The issue of underspend is a symptom of the need to improve the level and quality of fiscal management generally, rather than being a stand alone issue.

Following receipt and analysis of the PKF Report, a number of actions are being taken forward to improve financial management across central government. Details of the initial measures are set out below:

A Senior Civil Service (SCS) Masterclass on Financial Management took place on 7 November. Margaret Ewing, a senior partner with Deloitte's, used examples from her own experience in senior management positions in the private sector to illustrate the benefits of prudent financial management, finance transformation, the implementation of shared service centres etc. Following this, all SCS members are being encouraged to access the Treasury's online eLearning package "Love Learning" which navigates users through a range of modules, including: Financial Planning and Control, Resource Budget Management, Investment Appraisal and Evaluation and Strategic and Business Planning. The package provides a useful tool for individuals to identify gaps in their understanding which can then be met as part of future training plans.

- Specifications have been developed for a two-hour budget management seminar and a two-day budgeting course for those who are directly involved in managing and setting budgets. The seminar will be mandatory for all SCS members to ensure comprehensive coverage and is due to be piloted in early December for further roll-out thereafter.
- To ensure departmental ownership and a coordinated approach to improving financial management in the medium to longer term DFP's Centre for Applied Learning will soon be facilitating a workshop for Finance Grade 5s to discuss ideas and views and to agree a shared vision for the future. An important outcome of the workshop will be a more detailed action plan with agreed milestones.
- Work is also commencing on the development of reporting templates which will be made available to departments as a resource to improve the nature and quality of reports used by departmental boards for decision-making.

2. Can the Department provide a detailed explanation on the present arrangements for End Year Flexibility, including the annual limits and the level of access?

All unspent resources, both current and capital, at the year-end are available for carried forward under the Treasury End Year Flexibility (EYF) mechanism. This mechanism ensures unspent resources are not lost to Northern Ireland, but are instead carried forward as EYF stock to be accessed in subsequent years.

However, recognising the overall constraints on UK public expenditure, and the emerging risk to the Chancellor's fiscal rules, in 2005-06 the Treasury introduced a restriction on access to current EYF, and later restricted access to capital EYF (with effect from 2007-08). As a consequence, there is now a requirement to agree with the Treasury access to our EYF stock in each financial year.

The Minister for Finance and Personnel has negotiated a profile full access to both the existing current and capital EYF stock available to the Executive. This is broken down, across the Budget period 2008-11, as follows:

	Current	Capital
2008-09	125.0	100.0
2009-10	35.0	100.0
2010-11	30.0	50.0

At the beginning of 2008-09, there will be a further opportunity to engage with the Treasury on access to any underspend arising from the 2007-08 financial year.

3. What costs and efficiencies are associated with the Review of Public Administration and how have these been reflected in the Draft Budget?

Executive Ministers are currently reviewing the plans of Direct Rule Ministers with regards the Review of Public Administration (RPA).

The draft Budget allocations to Northern Ireland (NI) Departments was predicated on the delivery of 3% per annum efficiency savings by all major Departments and, in some cases these will be delivered by elements of the RPA work. Ministers are currently reviewing the plans to deliver this level of savings over the period 2008-09 to 2010-11, and full details will be published on departmental websites, alongside the finalisation of the Budget in January.

In terms of costs, the draft Budget proposals for NI Departments were set at a strategic level. It will be for individual Ministers to review the extent to which specific spending proposals should be funded from the additional resources available.

4. How are the Chancellor's Package and Irish Government's Package reflected in the budget allocations?

The 2007 Comprehensive Spending Review outcome for the NI Executive fully incorporates the additional funding from the Chancellor's Package. In addition, £142 million in time limited resource allocations have been made from the enhanced access to End Year Flexibility (EYF).

The additional funding committed by the Government of the Republic of Ireland falls outside the three year Budget period, and thus has not been incorporated into the draft Budget proposals although work continues as regards funding for innovation.

5. New Revenue/Funding Sources:- What scope is there for further improving NI's fiscal effort (via new local taxes or charges on services) and how might this have a bearing on the future budget?

Taxation is a Reserved Matter for determination by the Chancellor. It therefore leaves little discretion for the Executive in terms of revenue-raising flexibility. At present the Executive can avail of revenue generated through charges (such as water and rates) and fees (vehicle testing, licensing etc). The Finance Minister is open to considering all suggestions on additional or alternative revenue-raising mechanisms.

6. Can the Department provide an update on the public consultation on the Draft Budget 2008/11? Also, which stakeholder groups are being consulted during this process?

There will be joint public consultation on the draft Budget, Programme for Government and Investment Strategy for Northern Ireland. As in the past, public consultation events will be held at a series of venues across Northern Ireland. Four such events will be held in the following areas:

- Belfast (5 December- Spires Centre);
- Derry/Londonderry (29 November- Guildhall);
- Armagh (11 December- SELB Headquarters); and
- Enniskillen (3 December-Clinton Centre).

The events will be held during the evening in order to facilitate public attendance. They will begin with a short opening statement and a brief presentation on the PfG, Budget and ISNI and then will be opened up for discussion. A panel of senior officials from OFMDFM, DFP and SIB will be in attendance to provide clarification.

The events will be held either in public sector facilities or, where appropriate, local community facilities. In organizing the events, officials in OFMDFM (who are leading as regards the logistical arrangements) are working closely with representatives of key stakeholders at a local level. The aim in this regard is to ensure that the events are well publicised and attended and every effort is made to engage marginalized groups and communities who do not tend to respond to government consultations.

Officials will also undertake a series of meetings with key stakeholder groups to discuss specific issues. As part of this process, the Equality Commission has agreed to facilitate a meeting with members of the Equality Coalition, drawing together representatives of the section 75 groups. Officials will also meet with key bodies such as the CBI, FSB, NICVA, NIC/ICTU, NILGA and others.

7. Can the Department provide an explanation of the arrangements for taking forward (including funding) cross cutting issues, including those covered in the Executive's PSAs?

Responsibility for taking forward cross-cutting issues, specifically the Executive's PSAs, lies with OFMDFM. Departments have the responsibility for putting forward spending proposals for that element of delivery with respect to cross- cutting issues for which they are responsible.

8. To what extent is the Draft Budget based on a zero-based approach to budgeting? Was this approach not taken within departments as part of the preparations for the Comprehensive Spending Review?

NI Departments, in common with their Whitehall equivalents, were required to take a zero based approach to the identification of efficiency savings to achieve the 3% savings target. As part of this process in Whitehall, departments were required to consider around 50% of their baseline spend for this purpose. In Northern Ireland, as a consequence of the extensive and ambitious Performance Programme, over 80% of our DEL was the subject of such work.

Capital Realisation Taskforce

Briefing Paper on the Capital Realisation Taskforce for the DFP Committee

Why the need for a Capital Realisation Taskforce?

Government departments have a responsibility to effectively and efficiently manage their assets in support of the delivery of public services. In doing so, departments should be continually reassessing the utilisation of those assets, and when appropriate, the retention and disposal of their assets. However, the complexities of the issues involved in asset management, particularly in relation to the rationalisation or disposal of assets, which are often resource intensive, has meant that the management of assets has been afforded a lower priority than the need to focus on the delivery of services.

In particular, it is difficult for individual departments to make progress as:

- their attention tends to be on the delivery of services and the development of policies in support of them – they often therefore do not have the human resources available to devote to releasing or fully utilising assets when this is not critical to their core business;
- there are public accountability risks associated with releasing assets and not achieving the full potential market value;
- in some instances, there is a need for cross departmental working. Where the priorities of those departments involved are not aligned, this creates difficulties in terms of the pace of delivery and ultimately whether the disposal is progressed at all;
- individual departments do not always adopt a 'corporate' approach as they may not directly benefit from any release of resources from the disposal of assets.

Through the establishment of a Capital Realisation Taskforce, there is an opportunity for a more strategic approach to be adopted in the management of the entire public sector asset base across Government Departments.

The Role of the Taskforce

The aim of the Taskforce is to make recommendations that remove barriers to much more efficient and economically effective use of the asset base, realising additional resources through the disposal of surplus or under utilised assets.

The Taskforce will:

- Identify assets that can be realised over the life of the Investment Strategy. This will entail a full and thorough examination of the use of all capital assets held by departments;

- Assess the timing and potential size of the receipts, both capital and resource;
- Consider whether the aggregation of assets might give rise to greater economies of scale and other strategic benefits rather than a piecemeal approach;
- Consider whether there is the need for additional resources or other forms of support to unlock greater value from departmental assets;

Membership of the Task Force

- Ed Vernon (Chairperson)
- David Gavaghan (Chief Executive, SIB)
- Paul Priestly (OFMDFM)
- Richard Pengelly (DFP)
- Denis McMahon (SIB)
- Tony Whitehead (SIB)
- Scott Wilson (SIB)
- Kyle Alexander (SIB)
- David Gilmour (SIB)
- Martin Spollen (SIB)
- Patrick McMeekin (SIB)
- David Rainey (DFP – VLA)

Timing of Report / Recommendations

The Taskforce intend to have a draft report with recommendations completed by the end of November or early December. The out workings of this report will help inform the final Budget and Investment Strategy planned for publication in late January following the consultation period.

Performance and Efficiency Delivery Unit

Briefing Note on PEDU for Committee for Finance and Personnel

In September 2007, the Minister for Finance and Personnel indicated his intention:

“to create a new high level Efficiency taskforce – the Performance & Efficiency Delivery Unit (PEDU) – supported by a small number of staff to re-examine the scope for generating cash releasing efficiencies and improving delivery and performance within departments and across the wider public sector.”

Since then, DFP officials have been considering the optimum structure, scope and remit for the Unit. This process has involved discussions with Whitehall colleagues who have had considerable experience of working within the Prime Minister’s Delivery Unit (PMDU).

At this stage, the Minister has not concluded on the related issues, however the emerging themes – particularly reflecting the successful aspects of PMDU - are as follows:

- The Unit should be led by a credible and external figurehead;

- The work should be targeted and focussed on specific areas, rather than applying a broad brush approach to the system in totality
- The Unit will have a small core staff, and should be supplemented on specific assignments by secondees from the area under examination;
- Rather than holding departments and other bodies to account for delivery (for which separate mechanisms exist), the Unit should seek to work with delivery bodies, to seek improve efficiency and delivery

The Minster has yet to conclude on the detailed logistical issues associated with the creation of the Unit, and further discussion on these aspects will be held with the Committee in due course.

Department of Finance and Personnel

November 2007

DFP Response on Fit For Purpose Headcount Reductions

Department of
Finance and Personnel
www.dfpni.gov.uk

Assembly Section
Craigantlet Buildings
Stormont
BT4 3SX

Tel No: 02890 529147
Fax No: 02890 529148
email: Norman.Irwin@dfpni.gov.uk

10 December 2007

Dear Shane,

At a recent DFP Committee meeting further information was requested by Mr Roy Beggs MLA on progress to date against the target for headcount reductions, specifically, how many of the reductions to date represent true efficiencies, i.e. posts reduced releasing money for frontline services, and how many have been achieved by transferring the work out of the Civil Service.

The latest figures on Fit for Purpose reductions, currently being collated for the period up to 30 September 2007, indicate a total of 2,233 against the target of 2,303 reductions by 31 March 2008. Departments have advised that, of these 2,233 reductions, all but 3 were achieved through efficiencies. The 3 exceptions were notified to DFP following the transfer, under TUPE-type arrangements, of 2 Dental Surgery Assistants and 1 Social Services Inspector. Work is still ongoing to clarify the precise status of these 3 reductions.

Fit for Purpose targets were set to achieve efficiency improvements across all departments. The reductions achieved (noted above) therefore exclude any changes in posts funded by receipts, by GB departments or external secondments. Furthermore, Fit for Purpose reductions above do not include major transfers-out of NICS functions such as the move of DARD staff to AFBI or DRD Water Service staff to Water NI. Savings achieved as a result of recent Reform Initiatives such as HR Connect or AccountNI are also excluded.

Since 1 April 2004 some new reform or special project related posts have been created with the approval of DFP Supply.

I trust the Committee finds this information helpful.

Yours sincerely,

Norman Irwin

Appendix 6

Northern Ireland Assembly Research Paper

Research and Library Services

Northern Ireland Assembly

Research Paper
21/11/07

Comparative Analysis of Draft Budget 2008-2011

Jodie Carson

Research Officer

Research Papers are compiled for the benefit of Members of The Assembly and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

1. Introduction

This paper highlights a number of comparisons between the recently announced ‘Draft Budget 2008-11’ and the previous ‘Priorities and Budget 2006-08’. It begins by considering the impact of the Comprehensive Spending Review 2007 upon the level of resources available to Northern Ireland. The current and capital allocations are then considered, by department, in Section 4. Section 5 details the specific implications of Draft Budget 2008-11 for the Department of Finance and Personnel. Finally, Section 6 considers trends in the Executive’s priorities and levels of underspend and planned over-commitment.

2. Context

The Minister for Finance and Personnel, Peter Robinson, presented the Draft Budget 2008-11 on 25 October 2007. The Minister identified economic growth as the main theme;

“The Executive is committed to delivering the economic vision of an innovative, entrepreneurial, wealth-generating, export-oriented economy. To achieve this we need to ensure that policies are in place which will encourage private sector growth and expansion. For too long the local private sector has been constrained by the influence of the Northern Ireland public sector. Now is an opportune time to change the focus of economic policy.” 13

This focus is consistent with the priorities identified in the Executive’s Draft Programme for Government (PfG), namely:

1. Grow a dynamic innovative economy
2. Promote tolerance, inclusion, health and well being
3. Invest to build our infrastructure
4. Deliver modern, high quality and efficient Public Services
5. Protect and enhance our Environment and natural resources

3. The Impact of the Comprehensive Spending Review 2007

The resources available to the Executive for allocation depend primarily upon changes in comparable spending programmes in England. On 9th October 2007, the outcome of the Comprehensive Spending Review was announced, confirming that the resources available for Northern Ireland would be less than in recent years. The resultant Departmental Expenditure Limits (DEL) for Northern Ireland from 2007-08 to 2010-11 are as follows:

Table 2.1 Northern Ireland Departmental Expenditure Limits (DEL) 2007-08 to 2010-11

(£millions)	2007-08	2008-09	2009-10	2010-11
Departmental Expenditure Limit (DEL)	8,036.9	8,275.1	8,553.7	8,927.2
Percentage Increase on previous year		+3%	+3.4%	+4.4%

Source: Draft Budget 2008-11

In relation to previous annual increases, the 3% increment in Northern Ireland’s DEL between 2007-08 and 2008-09 is relatively low. Priorities and Budget (P&B) 2006-08 set out plans for 4.8% annual increases in current expenditure between 2005-07 and 2006-08.

To reflect the true resource DEL, Annex 1 shows the reconciliation of planned current expenditure to HM Treasury Resource Control Totals.

4. The Northern Ireland Departmental Expenditure Limits 2005-11

Departmental budgets are separated into current and capital budgets:

Current budgets, or resource budgets, include most direct expenditure on public sector pay and providing services, e.g. health or education reflecting continuing programmes;

Capital budgets include expenditure on new construction, land, extensions / alterations of existing buildings, and the purchase of fixed assets such as plant and machinery. It also includes expenditure on stocks and grants / lending for capital purposes.

4.1 Departmental Allocations: Current Expenditure

Annex 2 shows the departmental allocations for current expenditure, as outlined in Draft Budget 2008-11. To enable a comparative analysis, table 4.1 overleaf shows these projections alongside those for 2005-06 and 2006-07 presented in Priorities and Budget 2006-08. The key trends which emerge are as follows:

The nominal increase in total DEL from 2006-07 to 2007-08 is 2.7% versus a budgeted increase of 4.8% between 2005-06 and 2006-07;

In terms of the planned current expenditure allocations for 2007-08, the biggest 'losers' are the Departments of Regional Development and Finance and Personnel, with reductions of 27.3% and 17.1% respectively;

The Departments of Employment and Learning and Education have both been awarded an additional 6.4% on the previous year's DEL allocations. The Department of Health has been allocated an additional 5.9%.

Subsequent changes to departmental shares are less significant, as below:

Figure 4.1 Departmental Allocations of DEL (Nominal)

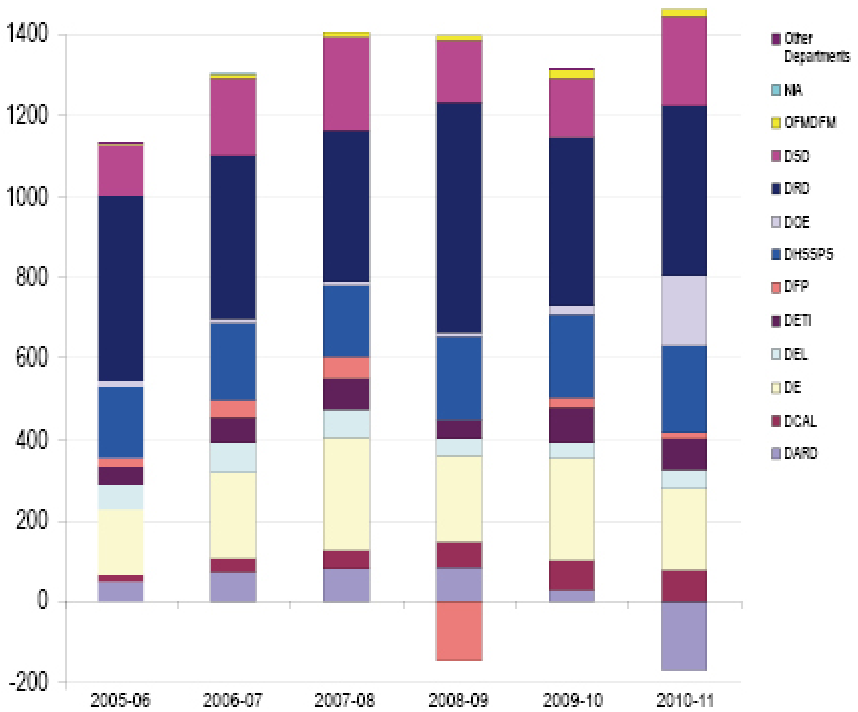


Table 4.1 Draft Departmental Expenditure Limits 2005-11 14

	2005-06	2006-07	% Change	2007-08	% Change	2008-09	% Change	2009-10	% Change	2010-11	% Change
DARD	255.7	233.3	-8.8	226.4	-3.0	235.7	4.1	237.8	0.9	244.7	2.9
DCAL	99.5	102.7	3.2	108.3	5.5	107.3	-0.9	109.4	2.0	117.5	7.4
DE	1566.8	1632.8	4.2	1719.2	5.3	1770.5	3.0	1870.5	5.6	1952.3	4.4
DEL	646.4	687.4	6.3	731.5	6.4	734.4	0.4	771.2	5.0	818.8	6.2
DETI	199.9	199.8	-0.1	199.6	-0.1	214.2	7.3	223.9	4.5	229.8	2.6
DFP	205.9	211.7	2.8	175.4	-17.1	179.5	2.3	162.4	-9.5	160.5	-1.2
DHSSPS	3340.3	3591.9	7.5	3804.8	5.9	3938.8	3.5	4064.1	3.2	4259.2	4.8

	2005-06	2006-07	% Change	2007-08	% Change	2008-09	% Change	2009-10	% Change	2010-11	% Change
DOE	133.3	126.6	-5.0	134.7	6.4	137.2	1.9	136.2	-0.7	135.1	-0.8
DRD	375.5	382.3	1.8	278.0	-27.3	287.6	3.5	309.2	7.5	335.2	8.4
DSD	510.2	516.8	1.3	521.0	0.8	529.5	1.6	522.6	-1.3	522.3	-0.1
OFMDFM	70.8	74.8	5.6	70.9	-5.2	73.9	4.2	79.4	7.4	84.3	6.2
NIA	47.6	47.6	0.0	47.6	0.0	47.6	0.0	47.6	0.0	47.6	0.0
Other Departments	17.4	19	9.2	19.6	3.2	18.9	-3.6	19.4	2.6	19.8	2.1
Total DEL	7469.3	7826.7	4.8	8036.9	2.7	8275.1	3.0	8553.7	3.4	8927.2	4.4

4.2 Departmental Allocations: Capital Expenditure

Annex 3 presents the draft departmental allocations for capital expenditure. Table 4.2 compares these with those outlined in Priorities and Budget 2006-08:

- It should be noted that the values presented in Draft Budget 2008-11 are expressed “net of receipts”. This explains the negative trend emerging in 2008-09 in respect of DFP, and in 2010-11 in respect of DARD:

Figure 4.2 Departmental Allocations of Capital Investment (Nominal)

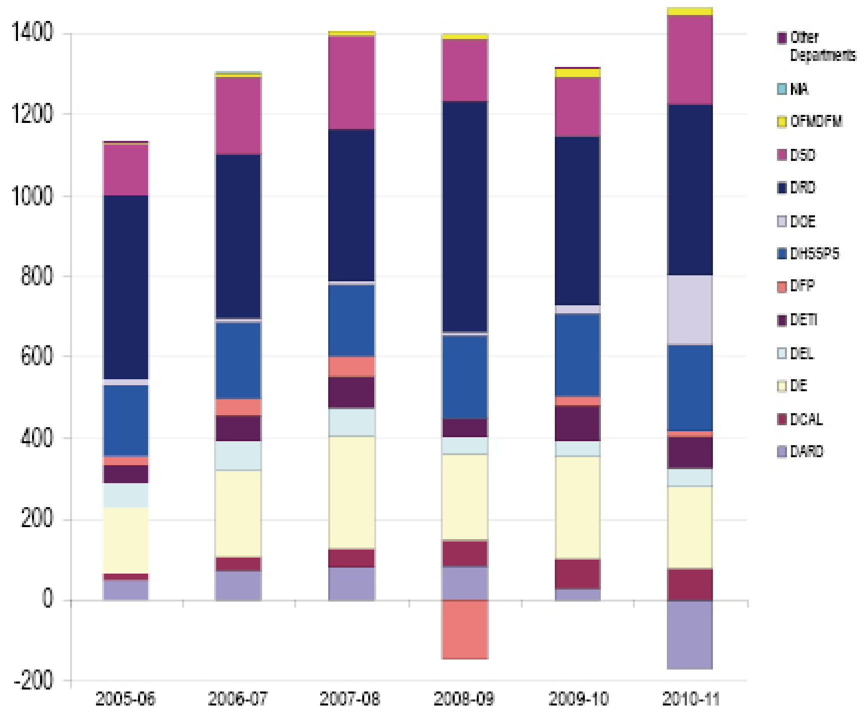


Table 4.2 Draft Capital Investment Allocations (Net of Receipts) 2005-11 15

	2005-06	2006-07	% change	2007-08	% change	2008-09	% change	2009-10	% change	2010-11	% change
	Capital Inv	Capital Inv		Capital Inv		Capital Inv		Capital Inv		Capital Inv	
DARD	49.4	73.3	48.4	83.0	13.2	83.6	0.7	28.6	-65.8	-171.1	-698.3

	2005-06	2006-07	% change	2007-08	% change	2008-09	% change	2009-10	% change	2010-11	% change
	Capital Inv	Capital Inv		Capital Inv		Capital Inv		Capital Inv		Capital Inv	
DCAL	17.8	31.8	78.7	43.0	35.2	64.5	50.0	74.1	14.9	79.9	7.8
DE	162.3	213.5	31.5	279.8	31.1	213.6	-23.7	252.3	18.1	200.1	-20.7
DEL	60.2	75.5	25.4	68.9	-8.7	40.7	-40.9	38.7	-4.9	44.6	15.2
DETI	43.4	62.1	43.1	77.5	24.8	48.0	-38.1	87.9	83.1	78.2	-11.0
DFP	22.6	42.2	86.7	51.1	21.1	-145.0	-383.8	22.7	-115.7	16.0	-29.5
DHSSPS	176.3	188.2	6.7	177.8	-5.5	202.6	13.9	203.7	0.5	213.2	4.7
DOE	14.1	11.0	-22.0	9.8	-10.9	10.7	9.2	22.5	110.3	171.2	660.9
DRD	455.6	403.3	-11.5	373.1	-7.5	568.7	52.4	416.0	-26.9	419.9	0.9
DSD	125.8	192.4	52.9	231.3	20.2	153.7	-33.5	145.3	-5.5	223.4	53.8
OFMDFM	3.2	8.8	175.0	11.7	33.0	12.4	6.0	23.2	87.1	17.3	-25.4
NIA	2.0	2.0	0.0	2.0	0.0	0.3	-85.0	0.3	0.0	0.3	0.0
Other Departments	0.2	0.4	100.0	0.4	0.0	0.4	0.0	0.4	0.0	0.4	0.0
Total Allocations	1132.9	1304.5	15.1	1409.4	8.0	1254.2	-11.0	1315.7	4.9	1293.4	-1.7

Source: Draft Budget 2008-11 and Priorities and Budget 2006-08

5. Department of Finance and Personnel (DFP) Allocations

5.1 Departmental Priorities

In Priorities and Budget 2006-08 (P&B 2006-08), the key objectives of DFP were as follows:

- To prioritise the use of resources available to NI, ensure that these are used efficiently and secure the reform and modernisation of public services.
- To deliver efficient and cost effective services to the public in the Department's area of executive responsibility.

Draft Budget 2008-11 highlights, for DFP, the importance of:

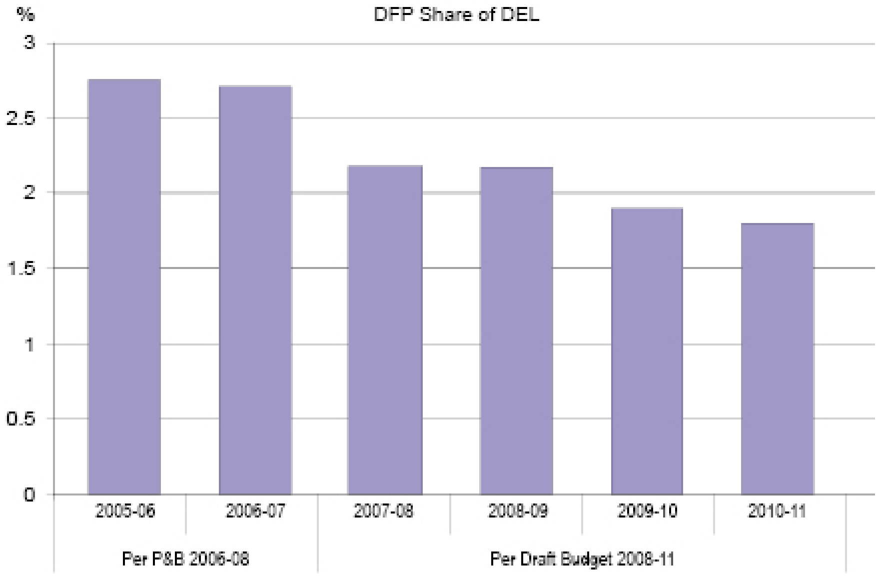
- Leading Reform;
- Delivering Value; and
- Promoting Sustainability

5.2 Current Expenditure

The key focus for 2008-11 will be the delivery of Civil Service Reform within DFP and the Northern Ireland Civil Service (NICS). DFP will also lead on simplifying and improving citizen access to public services in Northern Ireland, including the introduction of a single telephone number point of contact for selected services by the end of 2008.

Draft Budget 2008-11 prescribes a significant reduction in the share of DEL allocated to DFP. With the exception of the Department for Regional Development, (DRD), DFP has suffered the largest cut; the current year allocation is 17.1% lower than that allocated for 2006-07, and this trend will continue in subsequent years:

Figure 5.1 Share of Current Expenditure Allocated to DFP

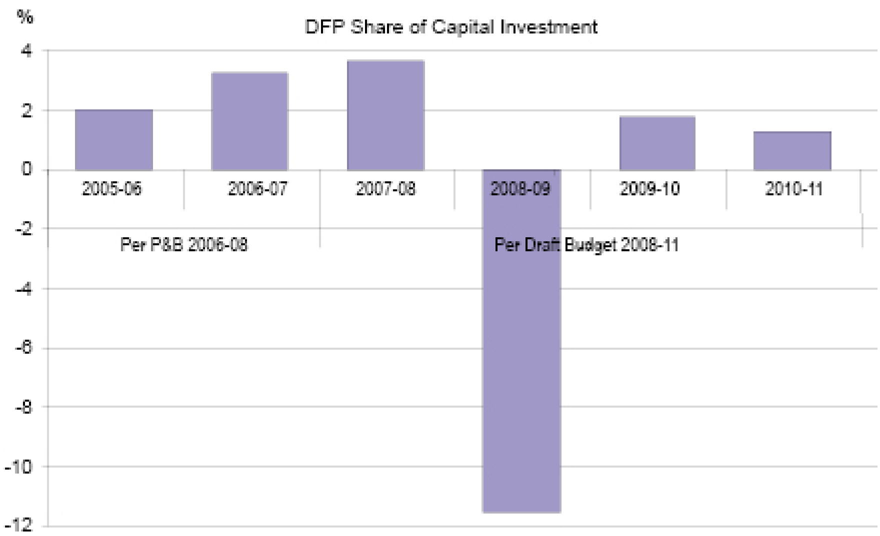


Source: Derived from Draft Budget 2008-11 & Priorities and Budget 2006-08

5.3 Capital Expenditure

The Department's proposed capital allocation is intended, as part of the Civil Service Reform, to enable the replacement and modernisation of business processes across the NICS. It should also enable the capital accommodations programmes associated with the NICS estate, and the enhancement / maintenance of the Department's ICT systems. Additionally, capital expenditure will be incurred to improve both the energy performance of, and the level of carbon omissions from, buildings occupied by public bodies.

Figure 5.2 Share of Capital Investment Allocated to DFP



Source: Derived from Draft Budget 2008-11 & Priorities and Budget 2006-08

The negative investment value for 2008-09 is due to the projected £162m cash injection in respect of NICS accommodation services.

5.4 Efficiency Targets

The graphs above have shown the relative decline in the resources available to DFP, however, it is intended that this be supplemented by the achievement of efficiencies. The Department has a target to deliver cash releasing efficiencies of £5.7 million, £10.3 million and £14.8 million respectively, over the period 2008-09 to 2010-11.

It is anticipated that savings will accrue from the ongoing review of administrative expenditure and staff budgets, and by improving organisational structure. Additionally, by improving productivity and rationalising NICS office accommodation, DFP should realise additional spending power.

Annex 4 details the specific current and capital expenditure plans for the Department of Finance and Personnel.

6. Other Trends

6.1 Spending Priorities

Draft Budget 2008-11 has shown the economy to be the key focus; this has become increasingly prioritised over recent years. The figure below reflects the Executive's changing priorities, per the Budget and Programme for Government, and Priorities and Budget documents [16].

Figure 6.1 Trends in Executive's Priorities 2003-08

2003-06	2004-06	2005-08	2006-08
▪ Grow as community ▪ Work for a Healthier People ▪ Invest in Skills and Education ▪ Secure a Competitive Economy; and ▪ Develop North/South, East/West relations	▪ As in 2003-06, with renewed focus upon: ▪ Tackling sectarianism, division and disadvantage ▪ Equality, rights and victims ▪ Improving service delivery; and ▪ Reinvestment and Reform	▪ Economic competitiveness ▪ Building Equality and Community Cohesion ▪ Better Public Services	▪ Economic Growth ▪ High quality public services; ▪ Public sector reform; and ▪ Society based on partnership, equality, inclusion and mutual respect

6.2 Underspend

In the period from 2003-04 to 2005-06, approximately 1-2% of revenue budgets across the Northern Ireland block remained unused at year end. This represented between £113 million and

£150 million per annum. In the same period, between 15-20% of capital budgets remained unused, amounting to some £170 million - £230 million.

To address this issue, the Department of Finance and Personnel (DFP) commissioned PKF consultants to undertake an external review of forecasting and monitoring by government departments in Northern Ireland. Reported in June 2007, the overriding finding of the report was that there was insufficient priority afforded to forecasting and monitoring.

However, the study also highlighted the fact that 'average' underspend figures fail to reflect the variance across departments. Whilst identifying considerable scope for improvement, the report also acknowledged that the performance of some departments was acceptable. The tables below breaks down the resource and capital underspend figures, by department; the degree of variance in inter-departmental underspend is clear 17:

Table 6.1 Departmental Underspend: Current Expenditure 2005 – 2007 18

	2005-06		2006-07	
Department 19	£ million	%	£ million	%
DARD	14.3	6.3	11.8	5.1
DCAL	3.9	4.0	2.3	2.3
DE	30.2	1.9	70.7	4.3
DEL	23.9	3.9	15.6	2.5
DETI	2.0	1.0	9.0	4.6
DFP	13.3	8.0	19.3	10.6
DHSSPS	10.4	0.3	6.3	0.2
DOE	3.9	3.0	2.1	1.7
DRD	11.3	3.1	7.0	1.9
DSD	20.3	4.3	7.8	1.6
OFMDFM	1.4	2.7	1.7	3.1
FSA	0.4	4.5	0.0	3.3
NIA	1.7	5.2	0.2	2.2
AOCC	0.1	4.1	0.7	2.0
NIAER	0.8	51.5	0.4	15.5
NIAO	0.7	8.6	0.3	3.9
Total Departments	138.7	1.9	155.3	2.0

Table 6.2 Departmental Underspend: Capital Expenditure 2005 – 2007 20

	2005-06		2006-07	
Department 21	£ million	%	£ million	%
DARD	29.6	43.2	5.7	11.9
DCAL	7.4	31.5	6.6	30.3
DE	38.8	23.0	30.7	19.4
DEL	22.9	30.9	6.4	10.7
DETI	8.3	17.8	1.3	5.3
DFP	32.6	73.4	9.7	18.3
DHSSPS	1.9	1.2	13.1	6.6

	2005-06		2006-07	
Department 21	£ million	%	£ million	%
DOE	8.4	43.6	4.2	24.1
DRD	32.4	6.9	0.0	0.0
DSD	43.8	25.3	17.5	20.3
OFMDFM	1.0	32.8	0.8	36.5
FSA	0.0	21.7	0.0	54.5
NIA	0.0	-50.0	0.0	22.2
AOCC	0.0	11.5	0.2	78.4
NIAER	0.1	46.8	0.1	78.2
NIAO	0.1	32.5	0.2	21.9
Total Departments	227.4	18.2	96.7	8.9

The tables above show that the level of current underspend in the period from 2005-06 to 2006-07 is comparable with that between 2003-04 and 2005-06. However, the degree of capital underspend has improved significantly; from between 15-20% to 9% in 2006-07.

6.3 Over-commitment

The concept of 'over-commitment' was introduced by the Minister for Finance in July 2002. The idea behind this was that by allocating departments surplus funds, (i.e. an amount in excess of their actual spending power), they would be less likely to incur underspend. In practice, over-commitment was introduced in Budget 2003-06 and has continued thereafter.

Draft Budget 2008-11 proposes that, in order to ensure some degree of in-year flexibility, the level of planned over-commitment should be reduced to £100 million in 2008-09; £80 million in 2009-10; and £60 million in 2010-11. To put this in context, the levels in previous years are outlined below:

Table 6.3 Planned Overcommitment in Previous Years

	2003-04	2004-05	2005-06	2006-07
Planned over-commitment	£136.2	£178.3	£186.5	£130.3 22

1. Because a large part of GVA in RoI consists of profits belonging to foreign-owned companies, it is advisable to use GNP for comparison as
this excludes foreign-owned profits and includes only income accruing to RoI residents.
2. Committee on the Preparation for Government, Second Report on the Economic Challenges Facing Northern Ireland, (2006), pp. 10 – 12.
3. Due to rounding, totals less than £50,000 may be shown as zero. DFP: ww.dfpni.gov.uk/departmental_spend_and_underspends_in_2005.pdf
4. Due to rounding, totals less than £50,000 may be shown as zero. DFP: ww.dfpni.gov.uk/departmental_spend_and_underspends_in_2005.pdf
5. Bids were not commissioned in the June 2007 monitoring round, and the Department was not successful in its bids for additional structural maintenance funding in October 2007, and an additional £4.4m which could otherwise have been used for structural maintenance was used to offset the Northern Ireland Water subsidy pressures.
6. Northern Ireland Assembly, Research and Library Services Research Paper 2007.
7. Northern Ireland Assembly, Research and Library Services Research Paper 2007.

8. Northern Ireland Assembly, Research and Library Services Research Paper 2007.
9. Supplementary draft Budget 2007 and draft ISNI 2008 briefing paper from the Department dated 16 November 2007
10. In the CSR context a broader definition of efficiency is used beyond the “pure” efficiency concept of outputs increasing/decreasing at a faster/slower rate than inputs. Also included is “allocative” efficiency whereby resources are transferred from low to high priority/effectiveness areas in terms of service delivery
11. Near-Cash is an accruals measure of transactions that normally turn into cash flows soon. The main components of near-cash in resource budgets are: pay, current procurement, grants and subsidies to the private sector and subsidies to public corporations.
12. For example, why resources could not be released by opting for a lower level of service improvement.
13. http://www.northernireland.gov.uk/news/news-dfp/news-dfp-251007-new-era-new.htm
14. Figures in bold are from Draft Budget 2008-11. Other figures are taken from Draft Budget 2006-08 and provided by way of comparison 2007-08 figures have been updated per Draft Budget 2008-11
15. Figures in bold are from Draft Budget 2008-11; other figures are taken from Draft Budget 2006-08
16. Priorities and Budget 2004-06 was the first document in which Priorities and Budget were integrated.
17. PFK Consultants: "Review of Forecasting and Monitoring", June 2007
18. Due to rounding, totals less than £50,000 may be shown as zero.
DFP: www.dfpni.gov.uk/departmental_spend_and_underspends_in_2005.pdf
19. Appendix 1 explains abbreviations
20. Due to rounding, totals less than £50,000 may be shown as zero.
DFP: www.dfpni.gov.uk/departmental_spend_and_underspends_in_2005.pdf
21. Appendix 1 explains abbreviations
22. Per Priorities and Budget 2006-08