Session 2009/2010

Second Report

Committee for Finance and Personnel

Report on the Review of 2010-11 Spending Plans for Northern Ireland Departments

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

Report: NIA 41/09/10R

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 48. 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 inquiries 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:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr David McNarry**
Mr Adrian McQuillan
Mr Declan O'Loan
Mr Ian Paisley Jnr*
Ms Dawn Purvis

* Mr Ian Paisley Jnr replaced Mr Mervyn Storey on the Committee on 30 June 2008

** Mr David McNarry replaced Mr Roy Beggs on 29 September 2008

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List of Abbreviations and Acronyms used in the Report

BTB Bovine Tuberculosis

CAFRE College of Agriculture and Rural Enterprise

CBI NI Confederation of British Industry Northern Ireland

CFG Central Finance Group

CFP Committee for Finance and Personnel

CiNI Children in Northern Ireland

CSR Comprehensive Spending Review

DARD Department of Agriculture and Rural Development

DCAL Department of Culture, Arts and Leisure

DE Department of Education

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

DRD Department for Regional Development

DSD Department for Social Development

EQIA Equality Impact Assessment

ERINI Economic Research Institute of Northern Ireland

ESR Economic and Social Rights

EU European Union

EYF End Year Flexibility

FE Further Education

IFRS International Financial Reporting Standards

LPIS Land Parcel Improvement Project

LPS Land and Property Services

GRO General Records Office

NI Northern Ireland

NIAO Northern Ireland Audit Office

NICS Northern Ireland Civil Service

NIEA Northern Ireland Environment Agency

NITB Northern Ireland Tourist Board

OFMDFM Office of the First Minister and deputy First Minister

PfG Programme for Government

PFI Private Finance Initiative

PSA Public Service Agreements

QUB Queen's University, Belfast

RPA Review of Public Administration

SCS Senior Civil Service

SEN Special Educational Needs

SME Small and Medium Sized Enterprise

SSO Shared Services Organisation

UGC Ulster Gliding Club

UK United Kingdom

List of Abbreviations and Acronyms used in the Report

Executive Summary

In December 2009 the Northern Ireland Executive decided to undertake a review of departmental spending plans for 2010-11. This decision was taken in light of a range of identified public expenditure pressures totalling £367m. This report is a co-ordinated response on behalf of the Assembly's statutory committees to the Review of 2010-11 Spending Plans for Northern Ireland Departments.

The Budget 2008-11 set the allocations for Northern Ireland departments for a three-year period, with an intention that emerging pressures would be addressed as far as possible through the quarterly in-year monitoring round process. In his statement to the Assembly on 12 January 2010 announcing the review, the Minister of Finance and Personnel confirmed that the pressures for 2010-11 are of a scale that cannot be managed through in-year monitoring, and pro-active measures are therefore necessary.

In its scrutiny of the revised expenditure proposals, the Committee received briefings from Department of Finance and Personnel officials on both departmental and strategic finance issues. An oral hearing was also held with the Minister of Finance and Personnel. Despite being unable to undertake public consultation as a consequence of the limited time available to complete the report, the Committee received submissions relating to the revised expenditure proposals from a number of organisations. The Committee also received responses from the other Assembly statutory committees and led a “take note" debate in plenary, which gave all Assembly members the opportunity to debate the plans more fully.

The Committee has identified a number of key findings and recommendations from the evidence and would ask that these, together with the issues raised by the other statutory committees, are taken into consideration by the Executive in finalising the revised Budget for 2010-11.

A particular criticism of this “mini-budget" process has been the lack of detailed information to enable substantive input from the Assembly and the wider public on the proposed reprioritisation of spending allocations between departments. This report therefore aims to identify measures which can help to improve engagement on budgetary issues going forward.

Key Conclusions and Recommendations

1. The Committee recognises that the Executive has limited options available for addressing the additional public expenditure pressures that will arise in 2010-11 and, in principle, endorses the strategic approach of targeted, rather than pro rata, savings in order to minimise the impact on the delivery of frontline public services and Programme for Government targets. (Paragraph 12)

2. The Committee considers that the Review consultation document should have included supporting information to explain the rationale behind the targeted percentage savings for each department, as this would have added transparency to the process and enabled the scrutiny committees and the wider Assembly to make informed judgements on the basis and parameters of the Review proposals. (Paragraph 15)

3. The Committee notes that seven of the eleven Assembly statutory committees have expressed varying levels of dissatisfaction with shortcomings in the information provided by departments on their revised spending proposals for 2010-11, which range from a complete absence of briefing to insufficient detail and lateness of information. The Committee is strongly critical of those departments which failed to engage properly with their departmental committees on their proposed spending plans. (Paragraph 21)

4. The Committee wishes to remind Ministers and senior departmental officials of the legal provisions for consultation with the Assembly on public expenditure proposals, as contained in the Belfast Agreement/Good Friday Agreement, the Northern Ireland Act 1998, and in Assembly Standing Orders. (Paragraph 21)

5. The Committee believes that there is a need to establish firm protocols for the provision of timely and appropriate budgetary information to the statutory committees, and against which departmental performance can be measured going forward. The Committee intends to take this forward with the key stakeholders, including the other statutory committees, the Chairpersons' Liaison Group, and with DFP on behalf of the Executive. The outcome of this exercise will also be informed by international good practice in executive-legislature relations. (Paragraph 22)

6. The Committee believes that some of the difficulties encountered in the current mini-budget process, including in terms of insufficient engagement both by departments with their Assembly committees and by the Executive with the public, could have been minimised or avoided had DFP attached greater urgency to the completion of the Review of the Executive's Budget Process 2008-11 and the establishment of a future Budget process.(Paragraph 24)

7. The Committee calls for the urgent establishment of a formal process for Assembly scrutiny of future Executive Budgets and expenditure, which will both enable the statutory committees to plan the necessary scrutiny and will focus departments' attention on meeting the future briefing requirements of their committees. The Committee further recommends that the detail of the future Budget process is determined in conjunction with the Assembly statutory committees and subsequently launched with an awareness programme for all Assembly Members. (Paragraph 25)

8. The Committee intends to liaise with the Assembly Committee on Procedures to examine how the Assembly's scrutiny of the Executive's Budget and expenditure might be underpinned by having a stronger procedural basis in Assembly Standing Orders. (Paragraph 25)

9. In terms of the proposed reprioritisation of the spending allocations between departments, the Committee for Finance and Personnel recommends that, in finalising the revised Budget 2010–11, the Minister of Finance and Personnel and the wider Executive take on board the concerns, conclusions and recommendations contained in the submissions from the Assembly statutory committees, which have been included in this report. (Paragraph 113)

10. The Committee believes that Assembly consideration of the medium-to-long-term strategic finance issues facing the Executive will also be important in terms of minimising and managing any further public expenditure pressures in the years ahead. As such, the Committee will shortly be reporting to the Assembly on the outcome of its investigation into the drive for greater public sector efficiency and effectiveness. (Paragraph 133)

Introduction

Background

1. The Budget allocations for public services in Northern Ireland (NI) for 2010-11 were set in January 2008, when the Assembly agreed the Budget for the three-year period from 2008–2011. This Budget took into consideration the strategic priorities and key plans of the Programme for Government (PfG). A stocktake of the Budget position for 2009–10 and 2010–11 was undertaken by the Executive in late 2008, in which departments were asked to review progress against their 3-year plans and identify reduced requirements, and also to identify any significant increased requirements together with proposals as to how these could be addressed, through an adjustment of existing plans and priorities.

2. In its submission to the Executive's strategic stocktake in October 2008, the Committee for Finance and Personnel highlighted its concern at the range and amount of new emerging pressures on existing Budget allocations. At that time the Department of Finance and Personnel (DFP) sought to assure the Committee that any pressures could be managed through the in-year monitoring processes. Since then, the level of reduced requirements being declared by departments at monitoring rounds has diminished, and the Committee believes that this suggests a welcome improvement in financial management by departments. There is, however, less flexibility to address emerging pressures as the money available for redistribution is reduced, and it has been necessary for the Executive to undertake a review of the spending plans for 2010-11 for NI Departments.

3. In his statement to the Assembly on 12 January 2010 announcing the Review, the Minister of Finance and Personnel stated that, in 2010-11, the Executive faces spending pressures of £367m, mainly as a result of the further deferral of water and sewage charges, the need to reduce the level of overcommitment and the cost of the Civil Service equal pay claim. Of this, £217.1m is current expenditure and £149.9m is capital expenditure, which equates to 2.6% of

planned current expenditure and 10.2% of planned capital expenditure respectively.[1] Full details of the spending pressures are laid out in Tables 1, 2 and 3 below.

Table 1: Pressures / (Easements) flowing from changes to the funding available to the Executive for 2010-11.

	Current Expenditure (£million)	Capital Investment (£million)
Remove Opening Level of Overcommitment	60.0	0.0
Barnett consequentials from UK Budget 2008 & 2009 and PBR 2008 & 2009	(86.5)	(9.1)
Impact of additional efficiencies confirmed in Budget 2009	100.0	22.8
Balance of EYF Available from CSR 07	(20.0)	(50.0)
Acceleration of capital DEL into 2008-10	0.0	38.4
Shortfall in receipts	44.0	53.4
IFRS PFI Changes	0.1	(9.8)
Clear Line of Sight	(55.2)	0.0
Total Pressure	42.4	45.7

Table 2: Additional Spending Pressures (and Easements)

	Current Expenditure (£million)	Capital Investment (£million)
Deferral of Water Charges	119.7	93.3
Equal Pay	64.6	0.0
Reduced Requirements declared in Strategic Stocktake	(21.1)	(0.0)
Shared Services for all departments - net of amounts held centrally	6.5	0.0
Integrated Development Fund	0.0	3.7
NI Assembly costs	5.0	3.4
Innovation Funding	0.0	3.9
Total Pressure	174.6	104.2

Table 3: Overall level of Public Expenditure Pressures for 2010-11

	Current Expenditure (£million)	Capital Investment (£million)	Total (£million)
Table 1	42.4	45.7	88.1
Table 2	174.6	104.2	278.8
Total	217.1	149.9	366.9

4. During an evidence session with departmental officials on 17 February 2010, the Committee was advised that the block grant for 2010-11 is in fact increasing, although less than originally planned for. Related to this, the Committee queried why the £122.8 million of additional efficiency savings confirmed in the Budget 2009 has been included in calculating the pressures

for 2010-11, given that this represented a reduction in the rate of growth rather than a reduction in the baseline for the next financial year. In response, the Department provided the information at Table 4 below, outlining the changes to the block grant since the Comprehensive Spending Review (CSR) 07. The full response from the Department is provided at Appendix 5.

Table 4: Changes to the NI Executive 2010-11 Block Grant from CSR 071.

	£ million
CSR 07 outcome (aligns with Budget 2008-11 document)	9,673.3
Classification/Treatment changes	156.2
Transfers to/from other UK departments	1.5
Budget 2008 (Barnett additions)	10.1
PBR 2008 (Barnett additions)	11.7
PBR 2008 (Impact of reduced DoH capital plans)2	(42.7)
PBR 2008 (Accelerated capital spend from 2010-11into 2008-09)	(9.4)
Budget 2009 (Barnett additions)	66.1
Budget 2009 (Impact of £5 billion savings for UK departments)	(122.8)
PBR 2009 (Barnett additions)	7.7
Position following PBR 09 (aligns with Tables 1a and 1b in Review of 2010-11 Spending Plans Consultation Document)	9,751.8

Notes:

1. Figures in brackets represent a negative.

2. This will be offset in 2010-11 by enhanced access to the Executive's capital investment EYF stock for the same amount.

5. In his statement to the Assembly, the Minister outlined the Executive's proposal that a targeted approach to managing these pressures is adopted, rather than a pro rata cut from each departmental budget. To complement the consultation document setting out the high level proposals, and to enable Assembly committees to review the position for their respective department, Ministers were asked to publish details of implications for individual departments on their websites, to include how savings are to be made and the improvements in services that will be delivered in 2010-11.

6. The Minister requested that the Committee for Finance and Personnel produce a co-ordinated report on the Review of 2010-11 Spending Plans on behalf of all departmental scrutiny committees, to be completed by the end of February 2010 or as soon as possible thereafter. The Official Report (Hansard transcript) of the Minister's statement is at Appendix 4, and the consultation document is available at the link below.[2]

The Committee's Approach

7. The Committee takes evidence from DFP officials on budgetary matters on an ongoing basis. In addition to scrutinising the quarterly monitoring rounds on both a DFP and a cross-departmental basis, this includes briefings on strategic and cross-cutting public finance issues as well as evidence on Budget Bills and both the main and spring supplementary estimates. Since

November 2009, the Committee has also been undertaking an in-depth investigation into public sector efficiency savings. During its consideration of this report on 24 February 2010, the Committee agreed that the outcome of its scrutiny of efficiencies and other strategic financial issues will be reported to the Assembly separately before summer recess 2010. This report therefore addresses the Review of 2010-11 Spending Plans as a discrete piece of work.

8. The Committee agreed a timetable for gathering evidence on the revised spending proposals and preparing its report within the limited time available to it. The Committee took evidence from DFP officials on the implications of the proposals at a departmental level, and also on strategic financial issues. Members also held an oral hearing with the Minister of Finance and Personnel on 11 February 2010. With regard to input from other Assembly statutory committees, the Committee wrote on 14 January 2010 to invite submissions on their respective departments' positions by 5 February 2010. For lengthy submissions, committees were asked to provide a summary highlighting key findings, conclusions or recommendations which have been included below, with the full response provided at Appendix 3.

9. The limited timescale for consideration of the issues and completion of the report precluded the Committee from undertaking a wider consultation on the Executive's proposals. Nonetheless, the following organisations wrote to the Committee or offered submissions on the consultation document which accompanied the Minister's statement on the Review: Economic Research Institute of Northern Ireland (ERINI); Confederation of British Industry (CBI); the Ulster Gliding Club Ltd (UGC); Children in Northern Ireland (CiNI); Queen's University Belfast (QUB) School of Law / Human Rights Centre and The Stroke Association NI. These are included at Appendix 6.

10. Finally, to provide all Members with the opportunity to debate the proposals for the Review of 2010-11 Spending Plans, and to inform this report, the Committee tabled a motion for a "take note" debate, which took place on Tuesday 9 February 2010. The Hansard transcript of that debate is at Appendix 4.

Consideration of the Evidence

Review Methodology and Evidence Base

11. In his statement to the Assembly on 12 January 2010 and in his subsequent evidence to the Committee on 11 February 2010, the Minister of Finance and Personnel provided a detailed account of the rationale for undertaking the Review of 2010-11 Spending Plans. The Minister stated that he initiated a review of the spending position for 2010-11 in the summer of 2009, when it became evident that emerging pressures could not be managed in the context of the in-year monitoring process.

12. During the evidence session with the Committee, the Minister confirmed that the Executive had examined a range of alternatives to achieving the required savings for 2010-11. The Executive agreed to a targeted approach to reducing existing budget allocations to departments and, in doing so, sought to protect the delivery of front line public services in particular. The Committee recognises that the Executive has limited options available for addressing the additional public expenditure pressures that will arise in 2010-11 and, in principle, endorses the strategic approach of targeted, rather than pro rata, savings in order to minimise the impact on the delivery of frontline public services and Programme for Government targets. An opinion was expressed by some members that a wider ranging mechanism of prioritisation to address the additional public expenditure pressures should have been conducted.

13. That said, the Committee has, on a number of occasions during evidence sessions with both DFP officials and the Minister, and in written correspondence with the Department, sought to

determine the precise methodology which has given rise to the specific percentage savings proposed for individual departments. As noted later in the report, the Committee for Health, Social Services and Public Safety has also queried the methodology which has underpinned the Review. In addition, the Finance and Personnel Committee sought to establish what evidence exists to support the proposed percentages savings across departments. Several stakeholder submissions to the Committee have raised related concerns that the Review has not been accompanied by accessible and transparent information. These concerns are outlined later in the report.

14. From the DFP responses, it is difficult to identify precise supporting evidence for the proposed percentage savings by departments, although a number of factors were taken into account, including:

- consideration of information from Central Finance Group's (CFG) ongoing contact with departments;
- input on how hypothetical savings of x% of current expenditure and y% of capital expenditure might be achieved by individual departments;[3] and
- bilateral discussions between the Finance Minister and individual Ministers, together with collective discussions at Executive level.

The Committee recognises that, by its very nature, the methodology will include an element of subjectivity. The Committee is concerned, however, that while the methodology appears to have been inclusive at all stages and the proposed percentage savings should therefore have been an agreed position, it appears from the submissions from Assembly committees, detailed below, that not all departments have engaged fully in this process.

15. From the Review consultation document, the Committee notes that, in reprioritising the spending allocations between departments, the Review "took into consideration a broad range of factors including the potential impact on the delivery of priority frontline services as well as the implications for the Executive's top priority of growing the economy". The consultation document also explains that "other key issues included evidence of inefficiency and levels of underspend in previous years as well as the growth in available resources under Budget 2008-11 and the extent of any contractual commitments".[4] Whilst welcoming this broad approach, the Committee considers that the Review consultation document should have included supporting information to explain the rationale behind the targeted percentage savings for each department, as this would have added transparency to the process and enabled the scrutiny committees and the wider Assembly to make informed judgements on the basis and parameters of the Review proposals.

Review Process and Departmental Committee Responses

16. As alluded to above, the Committee for Finance and Personnel invited the Assembly's other statutory committees to make written submissions on the outcome of their considerations of the revised spending proposals for 2010-11 from their respective departments. The individual committee submissions are summarised below. To facilitate the statutory committees in fulfilling their scrutiny function, there was an expectation that departments would engage with their committees on the proposals fully and promptly, especially given the time constraints for completing the exercise. Indeed, the consultation document indicated that the departments would provide further details of the revised 2010-11 budget allocations for individual business areas on their websites, and stated that:

"This should include details of the progress made by each department in delivering PfG targets since April 2008 as well as the proposed measures to be taken to deliver additional savings whilst at the same time minimising the impact on the delivery of priority frontline public services.

In addition, departments have been asked to set out the improvements in public services they intend to deliver in 2010-11 with the revised budget allocations and summary details of the implications in respect of Equality, Good Relations and Anti-Poverty".[5]

17. At its meeting on 17 February 2010, the Committee considered the key themes from the submissions from the other statutory committees on their respective departmental positions. Members noted significant differences in the level of detail in the responses received. It should be noted that some committees had meaningful engagement with their department; for example, during the "take note" debate on 9 February 2010, the Chairperson of the Environment Committee commended that Department for the level of detail provided, while the Chairperson of the Committee for Enterprise, Trade and Investment referred to a "frank and open" discussion with departmental officials. The Committee for Finance and Personnel also commends DFP for the level of engagement on both departmental and strategic budgetary issues. The return from the Committee for Employment and Learning did not indicate that it was dissatisfied with the level of engagement with its Department and included a copy of the briefing which it had received.

18. In contrast, neither the Health, Social Services and Public Safety Committee nor the Regional Development Committee were in a position to comment on their departments' proposals as these had not been provided to them. In the case of the committees for Education and Social Development only limited or headline information had been provided, which those committees did not consider enabled them to comment fully on the proposals. The Committee for Agriculture and Rural Development noted that the late receipt of papers in advance of an evidence session did not afford that Committee the opportunity to fully scrutinise the Department's position. In its return, the Committee for the Office of the First Minister and the deputy First Minster also emphasised concern over the continual late receipt of financial papers from its Department. Finally, the Committee for Culture, Arts and Leisure expressed concern at the undue delay by the Department of Culture, Arts and Leisure (DCAL)in publishing its proposals on the departmental website. This Committee also considered that there was insufficient provision for the public to comment on the proposals and a lack of detail and transparency in the information that was eventually made available to the public on the DCAL website.

19. In addition to the aforementioned concerns raised by individual statutory committees, the Chairpersons' Liaison Group expressed serious concerns that "the lack of detailed information provided by departments and the short timescale within which committees were required to consider the draft 2010-11 Spending Plans did not enable committees to effectively carry out their scrutiny role." The Liaison Group is awaiting sight of this report before considering possible courses of action in this regard.

20. The Committee is aware that DFP engages with the other departments on an ongoing basis in terms of financial issues. Furthermore, in his evidence to the Committee on 11 February 2010, the Minister stated that, during November and perhaps even before then, officials in DFP were in discussions with departmental finance officers in relation to the review of 2010-11 spending plans. The Minister also confirmed that he had discussed the worst-case scenario with each Minister and that the figures used during these discussions were in excess of those agreed by the Executive on 17 December 2009, with the exception of two departments. Given this dialogue, the Committee considers that departments would have had knowledge of the requirements of the review of spending plans for some time, and the Executive's decision of 17 December 2009 would not have come as a surprise.

21. The Committee notes that seven of the eleven Assembly statutory committees have expressed varying levels of dissatisfaction with shortcomings in the information provided by departments on their revised spending proposals for 2010-11, which range from a complete absence of briefing to insufficient detail and lateness of information. Given the level of concern

raised by Assembly statutory committees, the Committee is strongly critical of those departments which failed to engage properly with their departmental committees on their proposed spending plans. Such failure on the part of departments stymies the committees and the wider Assembly in carrying out their challenge function. In this regard, the Committee wishes to remind Ministers and senior departmental officials of the legal provisions for consultation with the Assembly on public expenditure proposals, as contained in the Belfast Agreement/Good Friday Agreement, the Northern Ireland Act 1998, and in Assembly Standing Orders.

22. The effective scrutiny of public expenditure is a key function of the Assembly, which must be respected by departments. As such, the Committee believes that there is a need to establish firm protocols for the provision of timely and appropriate budgetary information to the statutory committees, and against which departmental performance can be measured going forward. The Committee intends to take this forward with the key stakeholders, including the other statutory committees, the Chairpersons' Liaison Group, and with DFP on behalf of the Executive. The outcome of this exercise will also be informed by international good practice in executive-legislature relations.

23. As the Committee highlighted during the "take note" debate, the requirement for this mini-budget process and the difficulties arising from the truncated timetable, underscores the need to establish a formal budget process going forward. The extremely tight time constraints have also prevented both the Department from undertaking a wider public consultation on the proposals and the committees from engaging with stakeholders. This shortcoming was highlighted in correspondence to the Committee from Children in NI and, as detailed later, in its submission, the QUB School of Law outlined the requirement in international law to have participation in budget decisions and concluded that the Review consultation document "falls short of good practice for consultations".

24. In December 2007, when it published its Report on the Executive's Draft Budget 2008-11, the Committee called for the future budget process and timetable to be settled early in 2008, to enable Assembly statutory committees to schedule the necessary scrutiny into their work programmes and thereby provide departments with notice in terms of the future briefing requirements of committees. Subsequently, in its Submission to the Review of the Executive's Budget Process, in October 2008, the Committee reiterated its call for the establishment of a future budget process, which maximises the contribution from elected representatives in the Assembly. In this regard, the Committee anxiously awaits the outcome from DFP's Review of the Executive's Budget Process 2008-11, which was due for completion by the end of 2008, and which should inform the establishment of an effective process for determining future budgets, once the Review of 2010-11 Spending Plans has been concluded. The Committee believes that some of the difficulties encountered in the current mini-budget process, including in terms of insufficient engagement both by departments with their Assembly committees and by the Executive with the public, could have been minimised or avoided had DFP attached greater urgency to the completion of the Review of the Executive's Budget Process 2008-11 and the establishment of a future Budget process.

25. Therefore, the Committee calls for the urgent establishment of a formal process for Assembly scrutiny of future Executive Budgets and expenditure, which will both enable the statutory committees to plan the necessary scrutiny and will focus departments' attention on meeting the future briefing requirements of their committees. The Committee further recommends that the detail of the future Budget process is determined in conjunction with the Assembly statutory committees and subsequently launched with an awareness programme for all Assembly Members. The Committee intends to take the lead in co-ordinating this awareness programme in conjunction with DFP and, as part of its ongoing Inquiry into the role of the NI Assembly in scrutinising the Executive's Budget and Expenditure, will also be reviewing the resources available for assisting Assembly statutory committees and members in undertaking

budget and financial scrutiny, with a view to putting forward a set of practical recommendations for enhancing the capacity of the Assembly in this regard. Also, the Committee intends to liaise with the Assembly Committee on Procedures to examine how the Assembly's scrutiny of the Executive's Budget and expenditure might be underpinned by having a stronger procedural basis in Assembly Standing Orders.

26. The response from each statutory committee is set out below. In addition, some of the committees provided fuller submissions and/or details of their departments' proposals and these are included at Appendix 3.

Committee for Agriculture and Rural Development

27. The Committee received a presentation on the Review of 2010–11 Spending Plans as it applied to the Department on 26 January 2010 in plenary session.

28. The Committee notes that the Executive decision for the Department of Agriculture and Rural Development (DARD) is that the Department has been set a target to save £6.3m on current expenditure and £3.4m on capital investment.

29. The Committee is concerned, however, that the Department appears to have targeted the softer options of research and education to cover the majority of these additional pressures, including the sale of land. The Committee is aware that the Department is undertaking a review of its estate and would place on record its opposition to the Department asset-stripping prime public property in order to pay for its mistakes.

30. The Department is also concerned that the pressures now facing them will begin to have a significant impact on their Public Service Agreement (PSA) targets within the Programme for Government.

31. The Department has identified a number of other significant areas that will result in increased pressures during 2010–11. These are as follows:

(a) Crossnacreevy

The over-evaluation of the Crossnacreevy site by the Department has resulted in a negative capital investment budget of £174m. The Committee has long held the view that this valuation was totally inaccurate and unsubstantiated by the Department. Whilst the £200m receipt identified by the Department in their accounts may be covered by slippage of other departmental programmes, the Committee is of the view this represents a major loss to the NI economy.

(b) EU Disallowances

The Department is facing disallowances arising from non compliance with EU regulations governing their EU area based payments schemes. A disallowance of £30m has been proposed for the 2004 – 2006 scheme years, with an additional £30m in respect of 2007 and 2008.

(c) Rolled-Up Modulation Match Funding

The Committee was astonished to learn that the Department had failed to insert a budget requirement in respect of Axis 3 of the Northern Ireland Rural Development Programme. Applications to the programme have been approved and the Department now needs to bid for £5m to meet in year commitments.

The Department is bidding to secure these monies from rolled up modulation match funding, totaling some £27m, apparently being held by DFP. The Department has duly bid for £5m for the next financial year but rates its chances of being successful in its bid at approximately 40%.

The Committee for Agriculture and Rural Development would support this bid on the basis that rural businesses are already making their element of the project ventures. Another injection of £5m into the rural economy would be a significant economic driver.

Invest to Save Proposals

32. The Department has proposed bids in three areas. These are as follows:

(a) Land Parcel Improvement (LPIS) Project

The LPIS project aims to support the drive to better compliance with EC area and scheme regulations, and reduce the risk of Commission disallowance. Non-compliance with the scheme rules can result in significant levels of disallowance being placed against the Managing Authority, with the Department currently facing up to £60m disallowance. The project will improve IT systems and will involve a significant amount of cross departmental working with DFP's Land and Property Services Division. The overall cost is around £14m, and payback will be achieved in 2 years.

The Committee for Agriculture and Rural Development supports this bid on the basis that it will alleviate significant future disallowance bids.

(b) College of Agriculture and Rural Enterprise (CAFRE) Enniskillen Campus Improvements

Construction of new facilities and to ensure compliance with disability legislation at a cost of £1m will enable CAFRE to disengage from the Necarne estate. There are net forecast savings of £0.16m per year, which gives payback of the initial investment of 7 years.

The Committee for Agriculture and Rural Development is supportive of this action.

(c) Badger Prevalence Study

The objective of the study is to provide a measure of bovine tuberculosis (BTB) in badgers in order to give a solid scientific basis about where to target future interventions and provide baseline data to compare against the results of any intervention. The cost of the study is £2.5m over 2 years.

The Committee for Agriculture and Rural Development is opposed to this bid.

33. There was a consensus within the Committee that the Department is heading towards a severe financial crisis, given the extreme levels of financial pressures that it faces. Indeed, during the evidence session with the Department, the Deputy Secretary argued that the Revised Expenditure Plan was a means of avoiding bankruptcy.

34. The very unfortunate aspect to this is that it will be the wider NI community that will have to bear the brunt for the financial mis-management of the Department.

Committee for Culture, Arts and Leisure

35. The Culture, Arts and Leisure Committee took evidence from departmental officials on the proposed revised budget for 2010-11 at its meeting on Thursday 28 January 2010.

36. The Committee was disappointed that, in terms of percentage cuts to existing budgets, DCAL had the highest cuts of all the departments. The Committee is of the view that DCAL is sometimes regarded as a “soft target" in terms of budgetary cuts because the impact of its business areas is not fully understood or recognised.

37. The Committee makes the point that investment in DCAL business areas contributes to key areas of economic growth such as the creative industries and cultural tourism. These kinds of activities have the potential to generate jobs and attract tourists to this region.

38. The Committee took evidence from Sport NI on how the proposed cuts will affect its ability to deliver key projects and programmes on the ground. The Committee is concerned that if the cuts to Sport NI’s budget are realised, opportunities for young people and adults to participate in sport and physical activity will be lessened. There is a particular concern that these cuts will negatively impact on people living in socially deprived areas in terms of their ability to pursue sport and physical activity, which is key to improving health and well being.

39. In terms of public consultation and public access to the proposed changes to the Department’s budget, the Committee had a number of concerns. On 12 January, the Finance Minister announced the proposed savings to the 2010-11 budget to the House. In his statement he said that he had asked Executive colleagues to publish details of the implications for their individual departments on their departmental websites.

40. However, DCAL did not publish this information on its website until 25 January, almost two weeks later. This would seem to be an undue delay given the importance of the issue. The document provided on the DCAL website was entitled “DCAL 2010-2011 Budget consultation". However, no information was provided as to how members of the public should make their views known to the Department and there was no closing date for the consultation period.

41. The Committee also noted that the figures provided on the Department’s website only gave details of the headline cuts to various spending areas. It did not provide details of the final proposed budgets after internal re-allocations between business areas had been made. This information was provided to the Committee, and it is the Committee’s view that the same information should have been available to the public through the Department’s website.

42. The Committee understands that the main form of consultation on the revised budget is to be through the Assembly committees. However, this does not mean that the public should not be provided with transparent information about the process and how they make known their views.

Committee for Education

43. Introduction - The Committee for Education receives regular (normally monthly) briefings from Department of Education (DE) senior officials on the education budget. At its 18 November 2009 meeting, the Committee questioned officials how the then £33 million resource pressures and £70 million capital requirement for 2010-11 would be addressed, together with further expected additional efficiencies from the Executive’s Spending Plans for 2010/11. The Committee heard that, in the absence of any additional capital funding, DE will not release any further capital projects and cease work on bringing new projects into the process.

44. The Committee received a letter dated 14 January 2010 (included at Appendix 3) from the Minister of Education setting out the Executive's draft proposals for 2010-11 Spending Plans amounting to savings of £51.7 million (2.6%) current expenditure and £22 million (11.5%) capital expenditure for the education budget. The letter highlighted that there are other pressures on the 2010-11 education budget of some £40 million current expenditure.

45. At the Committee's request, the Minister of Education attended the 3 February 2010 Committee meeting. The Minister stressed:

- the need to reduce bureaucracy and streamline delivery of administration in education; with the delay in establishing the Education and Skills Authority, a Convergence Delivery Plan has been produced to maintain the momentum of reform and deliver the 50% management saving (430 posts) through "invest to save", generating £20 million annual saving;
- with 70% of the education budget being salary costs, the need to protect as far as possible frontline services ; and
- the need for an equality impact assessment (EQIA) of proposed spending reductions.

46. The question and answer session raised various points on these issues, with the Committee highlighting to the Minister that the primary role of the Committee was to scrutinise the Minister's proposals to address proposed savings and pressures and it was not in a position to consider and give its view on:

(a) the five areas for potential reductions identified by the Minister as the Committee has not been provided with sufficient information on the nature of the spend in these areas and, in particular, the impact of potential reductions;

(b) the Convergence Delivery Plan, as the Committee has yet to see the Plan despite its earlier requests to be briefed on the Plan;

(c) the Minister's review of the capital programme, as the Committee has not been provided with the criteria to be used in the review or any outcomes, despite its earlier requests for this; and

(d) any other measures the Minister may be considering to deliver additional savings, as the Committee has not been informed on this and no information has been posted on the DE website.

47. Through its recent scrutiny of the Special Educational Needs (SEN) & Inclusion Review Policy Proposals the Committee was able to comment on £24.3 million that is currently allocated in the 2010-11 baseline for SEN Review. The Committee understands that this is for teacher training and capacity building, with presumably a large proportion of it to implement the new SEN and Inclusion Review policy proposals - bearing in mind the baseline allocation for this area in 2009-10 was £1 million. Given that key stakeholders and the Committee have serious concerns with a number of the Department's consultation policy proposals, the Committee raised the issue of the timing of such a significant spend bearing in mind that officials said that more detailed proposals will also need to be developed for consultation. The Committee concludes that a substantial proportion of the £24.3 million could be utilised to address pressures in the 2010-11 budget on the basis that the resources would (subject to the outcomes of the consultations) be a priority and would be required in subsequent years.

48. The Committee has not commented on other areas of spend proposed in the 2010-11 education budget, primarily because it was not in a position to fully assess the impact which

potential reductions in spend would have on services, in particular on frontline classroom services.

Committee for Employment and Learning

49. At its meeting on 27 January 2010 the Committee for Employment and Learning was briefed by departmental officials on details of the impact of the Review of 2010-11 Spending Plans on the budget of the Department for Employment and Learning (DEL). A copy of the briefing paper is attached at Appendix 3.

50. The Department has put a positive slant on the spending cuts by emphasising that they are to be made from what is termed “growth" – increased budget allocation – rather than from a baseline budget projection, and confirms that it will still be able to deliver on PSA targets and PfG key goals.

51. The spending reductions total £28.7m, £19.7m to be made from current revenue expenditure and £9.0m from the capital expenditure budget. Both the current expenditure and the capital cuts will be made primarily from the Higher Education sector, with £12.8m (65% of the total £19.7m) from current expenditure and £8.1m (90% of the total £9m) from capital expenditure. There are no planned cuts for Further Education but this is dependent on £10m being realised as capital receipts.

52. Members raised the following concerns:

Current expenditure

- The Committee is acutely aware of the importance of the delivery of skills and training, and, in particular, the value of apprenticeships. Members expressed concern that budget cuts of £6.0m would impact on the Programme-led Apprenticeships scheme but received assurances from officials that the remaining increase in funding (£17.4m) would protect training services.

Capital expenditure

- The Strategic Capital Investment Fund for universities and university colleges has been reduced from £14.0m to £5.9m. Members were concerned as to how this will impact on the future expansion plans of the universities, which have recently been outlined to the Committee. Officials made it clear that this funding was the only area of the Higher Education budget which had not yet been formally committed, and on that basis, members accepted that it would have a lesser immediate effect on the development of Higher Education.
- Members considered correspondence from the Vice-Chancellor of the University of Ulster challenging the basis on which the Executive is reviewing spending and outlining the implications for the University. Members agreed that this letter should be forwarded to the Minister for comment and voiced concerns that the Department had not consulted adequately with the management of the universities.
- Members welcomed the lack of cuts planned for the Further Education (FE) sector but expressed concern that this was critically dependent on the planned capital receipts of £10.0m being fully realised. Officials outlined the possible impact on on-going FE projects which would have to be scaled back.

Committee for the Environment

53. At its meeting on 28 January 2010 the Environment Committee received a briefing on the Department of the Environment's (DOE) revised spending plans for 2010-11.

54. The Department has been required by the Executive to make savings of £3.9m on the current budget and £0.2m on the capital budget.

55. This is in addition to a number of other pressures totalling £11.38m resulting predominantly from the shortfall in the planning fees and planning reform (£7m), equal pay pressures (£2.4m), RPA admin pressures (£1.2m) and other internal pressures (£0.73m). In all, this adds up to a total of £15.3m; 11.3% of the Department's 2010-11 baseline budget.

56. The Department intends to address the funding pressures by pro-active management measures that will include:

- the cessation of low priority activities;
- reductions in consultancy spend;
- reductions in other departmental running costs;
- realigning Planning Service's operating costs with future fee income and DPF funding; and
- review of Corporate Service functions across the Department.

The £0.2m capital reduction will be met from the Strategic Waste Infrastructure Funding.

57. The Committee acknowledged that the Department is facing significant financial pressures.

58. Members welcomed the Department's commitment to reduce consultancy spend and to reduce its running costs and review Corporate Service functions across the Department. Members were advised that because of the "upfront" costs involved in rapidly addressing staff numbers, the Department would be focusing any savings in relation to staff costs on not filling vacancies.

59. Members also welcomed the Department's decision to realign Planning Service operating costs and urged them to expedite the process. Having established that this would involve relocating staff rather than making them redundant, members felt that, as planning receipts have now been in rapid decline since 2007, this process should and could have commenced sooner. Failing to react to this issue quickly has resulted in greater pressure on the non-core services of the Department which are now having to bear the brunt of the cost cuts.

60. The Committee accepted the approach of allocating pressures across each business area along with the proposal to exclude Local Government even though this would result in greater pressures on the other areas. However Members expressed concern about the proposed deferral of contracts and grant funding for the following reasons:

- It is unlikely that the non-government organisations affected by cuts would have the opportunity to relocate staff and this decision, unlike the one to realign Planning Service, could lead to redundancies and the loss of expertise from the sector or the region.
- Some of the non-government organisations affected by this decision deliver or contribute to statutory environmental protection obligations by levering in significant amounts of private money as well as direct action. Cutting their funding to meet current pressures

may not be the most cost-effective approach in the longer term if it leads to further deterioration of protected sites and/or EU infraction proceedings. A value for money approach is needed which includes ensuring that the immediate, medium and long term contributions of non-government organisations that have received grants can be objectively assessed when funding pressures arise.

61. The Department allayed some of these concerns when it indicated that it is looking at options such as phasing grants over a longer period and targeting organisations that have a variety of funding streams available to them and are not solely dependent on the Department's funding. The Committee welcomed that the Department was liaising closely with the organisations affected but asked for a more detailed picture on which organisations will be cut so that the Committee can assess the real impact of the Department's proposals.

62. Members questioned whether Northern Ireland Environment Agency (NIEA) will retain sufficient funds to address illegal dumping. The Department indicated it has sought to maintain staffing levels in NIEA enforcement but accepts there is always scope to improve enforcement activities.

63. The Committee also stressed the importance of using powers afforded by the Northern Ireland Audit Office (NIAO) to “data-match" information across government departments and ensure that receipts for any breaches for which the Department of the Environment has responsibility are maximised.

Committee for Enterprise, Trade and Investment

Summary of Key Spending Plan Adjustments

64. The Department of Enterprise, Trade and Investment (DETI) has identified that £200.6 million (71%) of DETI's budget is contractually committed. The Department considers this to be a little higher than what it considers normal (65%). The available headroom from which savings can be made amounts to £35 million current expenditure and £37 million capital investment.

65. The Executive agreed to DETI savings of £4.6 million (2.2%) current and £6.6 million (8.2%) capital based on opening 2010-11 budget allocations.

66. Savings options for current expenditure (Table 5) and for capital expenditure (Table 6) are detailed below. [More detail on savings options is included in DETI Review of 2010-11 Spending Plans ETI Committee Briefing at Appendix 3]

Table 5. – Proposed Option for Current Expenditure Savings

Priority	Savings Options	Value £m	EU Drawdown £m
1	IntertradeIreland	1.6	
2	TIL	1.0	
3	Economic Policy and Research	0.6	
4	Economic Infrastructure	0.7	
5	Energy Resource & Consultancy	0.3	
6	Tourism	0.4	0.4
	Total	4.6	0.4

Table 6. – Proposed Option for Capital Expenditure Savings

Priority	Savings Options	Value £m	EU Drawdown £m
1	Energy From Waste Projects	0.6	
2	Invest NI	6.0	
	Total	6.6	

67. The most notable savings are £1.6 million from InterTradeIreland and £1.0 million from Tourism Ireland in current expenditure and £6.0 million from Invest NI in capital expenditure. Invest NI savings will probably come from expenditure reductions in land acquisition and development.

Committee Members' Concerns relating to Spending Plan Adjustments

68. Individual Committee members expressed concerns in relation to some proposals. Concerns concentrated on InterTradeIreland, Tourism and Invest NI. There were two general concerns expressed. Firstly, in relation to 71% of DETI's budget being already committed and secondly, in relation to lack of awareness, from the Departments evidence, of the impact that cuts will have on affected organisations.

69. Concerns expressed in relation to InterTradeIreland included:

- the risk that cuts could put the stimulation of trade at risk;
- the assertion that the economy here is based on the small and medium sized enterprise (SME) sector and the need to develop this sector across the island of Ireland.

70. Concerns expressed in relation to Tourism included:

- the need to strengthen the economy through stimulation of tourism;
- a perceived inconsistency between proposed cuts in Northern Ireland Tourist Board and Tourism Ireland and the Department's ethos of building a dynamic economy.

71. Concerns expressed in relation to Invest NI included:

- the need to have adequate land available for business investment to take advantage of the economic upturn;
- the current level of vacant rental properties, owned by Invest NI; and
- the current level of undeveloped land owned by Invest NI and the need to balance between holding too much vacant land and being able to make land available if and when investment can be found.

Departmental Oral Briefing Response to Committee Concerns

72. Savings in InterTradeIreland and Tourism Ireland would have been coming in any case as this has been agreed by the relevant departments in both jurisdictions. The need for this funding for InterTradeIreland has not been demonstrated.

73. The other options open to DETI were savings as follows:

- £1 million to marketing in overseas markets;
- £1 million from the NITB Tourism Innovation Fund;
- £0.5 million from Invest NI's trade budget;
- Cease all funding in the Belfast Visitor and Convention Centre and MATRIX;

74. Land acquisitions are being prioritised by Invest NI with land still being acquired Armagh, Newry, Omagh and Strabane.

75. The number of vacant properties in Invest NI is a small portion of the complete list (DETI agreed to provide details to the Committee).

76. DETI considers committed expenditure of 71% to be high. If it was much higher (80%+) DETI would have to cease all activities and only monitor existing commitments.

77. Current stocks of development land have not reduced as much as was expected. Land is therefore available. It is considered uneconomic to sell land in the current climate.

78. The Department provided a written response to the Committee outlining the impact of savings options on Invest NI, NITB, Tourism Ireland and InterTradeIreland. [See Appendix 3].

Committee for Finance and Personnel

79. The Committee for Finance and Personnel took evidence from DFP officials at its meeting on 20 January 2010 on the implications of the Review of 2010-11 Spending Plans for the Department. In response to the Review, DFP is required to make savings of £4.1m in current expenditure and £2.1m in capital expenditure, which equates to 2.4% and 12.3% respectively. In clarifying how these figures were determined, departmental officials advised that options were developed by various business areas and considered by the Departmental Board. In considering and agreeing the options put forward, the Board took account of the potential impact on the delivery of the Department's PfG and PSA targets. The DFP briefing paper is included at Appendix 5 of this Report, together with a table illustrating the breakdown of proposed savings across DFP business areas.

80. The Committee noted that the Department provides front line services through the General Records Office (GRO) and Land and Property Services (LPS), both of which have been protected from the proposed savings in terms of current expenditure. A reduction of £0.3m is proposed for the LPS capital budget against a baseline of £2m. Taking into account that capital expenditure in LPS is forecast at £1.6m for 2009-10, it is not anticipated that this proposed reduction will impact on service delivery. Nevertheless, DFP officials have given an assurance that this will be kept under close review.

81. The Committee recognises that the budget for LPS was set in advance of the introduction of some 43 rating reforms, and the Agency has faced significant challenges as a result. During an evidence session with LPS officials on 17 February 2010, the Committee heard that, while it is not proposed that LPS will be required to make savings in current expenditure as a result of this Review, it nonetheless faces pressures of £11.2m for 2010-11. LPS has plans in place to manage this, which will include a bid for £5m in the in-year monitoring rounds, realisation of additional income and staff reductions. The Committee is concerned that LPS has had to rely on the allocation of additional funding in the monitoring rounds in each year of the three-year Budget period to alleviate, in part, the budget shortfall. The Committee is also anxious that further staff

reductions should not have a detrimental impact on service delivery and the improved performance by LPS. Given the important role of LPS with regard to revenue and benefits, the Committee considers that it is essential a firm funding base is established for LPS for future years.

82. Apart from LPS, staff reductions were proposed across a number of other business areas to achieve savings, and it is anticipated these will be achieved mainly by a process of redeployment either across the Department, or in the wider Northern Ireland Civil Service. In response to members' queries whether this could be regarded as true savings or simply a movement of costs from one business area to another, DFP officials made clear that staff will be redeployed to fill vacancies for which budgets currently exist. The Committee noted that further savings will also be realised through the closure of the Rating Policy Division as the raft of rating reforms comes to a natural end, and staff are redeployed to fill funded vacancies in other business areas.

83. The Committee is mindful that DFP has a disproportionately high share of higher-paid senior civil servants (SCS) compared to other departments, though it recognises that this is due, in part, to the professional grades which are essential in some business areas, for example the Departmental Solicitors Office. The Committee welcomes the modest reductions that have been made to date in the number of SCS within the Department, and recommends that a review of DFP's senior management structure is undertaken with a view to identifying where further reductions could be made in this regard.

84. The Committee noted that estimated annual recurring cost of the recently agreed Equal Pay settlement is estimated at £3m for DFP, which will be an additional pressure on the 2010-11 budget.

85. The Committee noted that the £2.8m in capital slippage for HR Connect for 2009-10 will now be required in 2010-11, and that the Department hopes to address this through the in-year monitoring process. Given that this funding is required to meet contractual commitments, members questioned DFP officials from the Shared Services Organisation (SSO) on the implications of such a bid not being met, during a briefing on 27 January 2010. In response to subsequent correspondence on this matter, the Department has advised that capital budgets for other business areas may be reduced if such a bid was not successful.

86. The decision to move the Census forward to March 2011 means that expenditure planned for 2011-12 will now be incurred in 2010-11. The Committee has been advised that the existing budget baseline is therefore not sufficient. The Census is important in that it is used to determine allocations within the Barnett formula, and also within NI. Furthermore, the Census must be undertaken to fulfil EU Regulations. In this respect, the Committee believes that additional expenditure requirements relating to the Census should be afforded priority in the 2010-11 in-year monitoring process.

87. The Committee notes that reductions of £1.2m in current expenditure and £0.3m capital expenditure are proposed for Properties Division, and is concerned that failure to maintain the estate to an adequate standard will have cost implications for future years. The Committee further notes that the Department has declared a pressure to be managed of up to £5m for essential property maintenance, in relation to developing the office estate in line with the Workplace 2010 principles. The Department is currently undertaking a review of the work required to develop the office estate and the associated cost implications, and the Committee looks forward to being appraised of the outcome of this review.

88. Finally, the Committee notes that, in responding to members' contributions to the "take note" debate, the Minister pointed out that the £26m for Invest to Save does not represents a budgetary cut but, rather, this money will be redistributed to the departments which make

successful bids. Whilst the Committee is supportive of the Invest to Save concept, it has sought clarity on a range of issues in this regard. In response to a query around the criteria for assessing bids from departments, DFP has advised that each proposal “will be assessed in terms of the quantity of projected savings versus the level of upfront cost as well as the quality of the proposal in respect of, for example, deliverability". The Committee has also enquired as to whether the successful projects will focus on short-term savings or longer-term efficiencies, and also whether provision will be made for cross-departmental bids. In terms of its own position, the Department is currently giving consideration to the feasibility of the delivery of some projects within the parameters of the Invest to Save fund, though it has pointed out that deliverability within 2010-11 is a key issue. The Committee would welcome more information which would enable it to take a considered view and lend support to any such bids, where appropriate.

Committee for Health, Social Services and Public Safety

89. The Committee for Health, Social Services and Public Safety explained that it was unable to provide a substantive reply because Minister McGimpsey had not supplied a detailed breakdown of how he intends to implement the additional savings across his Department.

90. The Committee took evidence from the Minister and his officials on 28 January 2010. The Committee also took evidence from various Trade Unions on the same date.

91. The Minister has taken the position that the Department of Health, Social Service and Public Safety (DHSSPS) should be exempt from having to make any additional savings as outlined in the “Review of 2010 -11 Spending Plans for NI Departments" i.e. £92m in revenue and £21.5m in capital funding.

92. To back up his position, the Minister stated that there was rising demand for health and social care services. He quoted that there had been a 19.3% increase in day case admissions to hospitals since 2004/05 and a 7% increase in the number of inpatient admissions. The Minister referred to a £600m spending gap between NI and the rest of the UK and that according to Prof Appleby, the health service in NI was underfunded. He noted that the Department should be receiving more money and not facing cuts.

93. The Minister asked the Committee to keep in mind that health and social care services are delivered by people. Salaries and associated costs are the largest part of the budget and therefore it is very difficult to make the sudden and abrupt changes required by this spending review. Budget changes means changing staff resources, facilities and locations and this can not be done quickly.

94. Minister McGimpsey noted that the heaviest usage of the health service was by people in the first and last ten years of life (i.e. the young and elderly). These are vulnerable groups and therefore a detailed EQIA will be required.

95. While the Committee has some sympathy and understanding of the pressures facing the Minister, it has and will continue to push for the Minister to provide the detailed information as soon as possible.

96. The Committee would also ask that the Minister of Finance and Personnel provides information on the methodology used to decide the level of proposed additional savings that each department should make.

97. The Committee also heard from Trade Unions and noted with interest one particular point relating to the DFP document “Review of the 2010 -11 Spending Plans for NI Departments" as detailed below –

“The Committee need to be clear as to how the baseline before reduction has developed through 2008/2009 to 2010/11. Does the baseline for 2010 – 2011 include 3% efficiencies or the larger figure (4.5%) drawn down from the Chancellor’s 2009 ‘emergency’ statement? It is not clear from the DFP paper whether the £113 million has been cut from the 2010 base before these cuts arrived."

98. The Committee for Health, Social Services and Public Safety would ask if this aspect could be clarified by the Committee for Finance and Personnel.

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

99. The Committee for the Office of the First and deputy First Minister (OFMDFM) explained that it was due to receive a briefing on the Revised Departmental Expenditure Plans 2010 – 11 at its meeting on 20 January 2010. However no papers were received from the Department. The Committee was then scheduled to receive a briefing on the plans at its meeting of 27 January 2010, and although the meeting was cancelled, no papers were received from the Department. Again the Committee was scheduled to receive a briefing on the plans at its meeting of 3 February 2010 and again no papers were received. The Committee had no opportunity to scrutinise the plans before the “take note debate" on Tuesday 9 February 2010. The papers arrived from the Department on Tuesday evening. The Committee wish to put on record its concern over the continual late receipt of financial papers from the Department as this delay restricts the ability of this Committee to fulfil its scrutiny function.

100. The Committee has concerns about when decisions will be made about the Civic Forum and when an International Relations Strategy will be developed. This Strategy will be of importance to the promotion of NI on a positive basis in Europe, North America and elsewhere.

101. The Committee notes the work that the Department has done to address the outstanding number of appeals coming before the Planning Appeals Commission, down from 2,800 to 943. However, the Committee is concerned about whether there continues to be sufficient staffing resources and funding to handle the substantial number of area plans and Article 31 inquiries.

Committee for Regional Development

102. The Committee for Regional Development, at its meeting on 3 February 2010, considered its response to the Executive’s Revised Expenditure Plans for 2010-11 and decided to make the following comment in response to your Committee’s request for input.

103. Briefing was requested for the meeting of 27 January 2010 from the Department for Regional Development (DRD) on the following issues:

- details of the revised 2010-11 budget allocations for individual business areas;
- progress made in delivering PfG targets since April 2008;
- the proposed measures to be taken to deliver additional savings whilst at the same time minimising the impact on the delivery of priority frontline public services;

- improvements in public services that it is intended will be delivered in 2010-11 with revised budget allocations; and
- details of the implications in respect of Equality, Good Relations and Anti-Poverty.

104. Unfortunately, the Department indicated on 26 January 2010 that it was not yet in a position to brief the Committee on the Department's Revised Expenditure Plans for 2010-11. In its letter of 26 January 2010, DRD offered an alternative date of 3 February 2010. The Committee accepted this rescheduled date, although it provided Members with little time to consider the detail of the Department's Revised Expenditure Plans. Members also offered to make themselves, or the Chairperson and Deputy Chairperson, available in advance of the meeting on Wednesday for pre-briefing. Despite these efforts, the Department remained unable to brief the Committee at the meeting of 3 February 2010.

105. In the absence of this briefing, the Committee is unable to make any comment on the Revised Expenditure Plans for 2010-2011. At the meeting of 27 January 2010, the Committee received a useful briefing from the Research Service on the role of infrastructure investment in stimulating growth during a recession. This has been published on the Assembly's web pages and Members decided to forward it to the Committee for Finance and Personnel for information (see Appendix 3).

106. The Committee for Regional Development has always had constructive and co-operative engagements with the Department on the annual Budget and in-year monitoring, and for this reason is disappointed that it has not been possible for the Department to brief the Committee on what is a very important budgetary year. The Committee will be writing to the Minister for Regional Development, expressing its disappointment and seeking an explanation of this situation.

Committee for Social Development

107. The Committee for Social Development considered revised departmental expenditure plans at its meetings of 28 January and 4 February 2010.

108. The Committee was provided with limited written information on which to base its analysis. The Department indicated that a Ministerial briefing on the revised expenditure plans was expected to be provided in late February or early March.

109. In respect of capital expenditure reductions (£16.9m), the Committee was advised that cuts could not be allocated until a decision had been reached by the Department of Finance and Personnel in respect of the treatment of slippage associated with the Royal Exchange programme.

110. In relation to resource expenditure reductions (£13.4m), the Department advised that cuts of around 2.6% had been allocated to each of the major resource groups. The Committee questioned the validity and effectiveness of apportioning resource reductions in this way. The Department would not provide further information on the impact on individual programmes or front-line services.

111. The Department indicated that the ongoing costs of the NICS Equal Pay settlement would amount to approximately £12m in 2010-11 but did not set out how these additional costs were to be met from resource budgets.

112. Given the Committee's dissatisfaction with the departmental response, the Committee Chairperson wrote to the Minister seeking an urgent briefing on the Equality, Good Relations and

Anti-Poverty implications of the reductions in both the capital and current expenditure budget for the Department for Social Development (DSD) (see Appendix 3). The Committee for Social Development is was awaiting a response to this request.

113. In terms of the proposed reprioritisation of the spending allocations between departments, the Committee for Finance and Personnel recommends that, in finalising the revised Budget 2010–11, the Minister of Finance and Personnel and the wider Executive take on board the concerns, conclusions and recommendations contained in the submissions from the Assembly statutory committees, which have been included in this report.

Other Evidence Received

114. The Committee received correspondence from Children in Northern Ireland (CiNI), the Ulster Gliding Club Ltd (UGC) and The Stroke Association NI, which are provided at Appendix 6. In its correspondence to the Minister, copied to the Committee, CiNI notes its concern at the level of public engagement on the expenditure proposals, and seeks clarification from the Minister on how this compares to the obligations set out under Section 75 of the Northern Ireland Act 1998. CiNI also notes that proposals have not been published on all departmental websites, and meaningful consultation is therefore “impossible". CiNI has requested that the outcome of DFP’s review of the Executive’s budget process is published as a matter of urgency.

115. In its correspondence, UGC “strongly objects" to the proposed cut to DCAL’s budget for 2010-11. UGC believes that Sport NI will not remain unaffected by such a cut, which will have an adverse impact on people’s health, particularly those in lower socio-economic groups. UGC notes that the Executive is committed to improving the health of individuals and communities, and asks that the proposed cut in DCAL’s budget is reversed. Similarly, the Stroke Association NI notes its concern at the proposed cut for DHSSPS and believes it is inevitable that front line services will be affected. It states that “this lack of priority and protection for Health is extremely worrying" and calls for DHSSPS to be exempt from the proposed reductions.

116. The Committee also receive three written submissions from ERINI, CBI Northern Ireland and QUB School of Law / Human Rights Centre. Key points from each submission are summarised below, with the full submission provided at Appendix 6.

Economic Research Institute of Northern Ireland (ERINI)

117. ERINI provided a comprehensive written submission, The State of the Public Finances: 2010 and Projections to 2014, which examined the proposals for the review of 2010-11 expenditure and also looked beyond 2010-11 to 2013-14. In the paper, ERINI noted that in response to the spending pressures for 2010-11, the Executive has “done two things:

(i) Rejected any attempt to improve its revenue stream from instruments such as the Regional Rate in favour of meeting all pressures through selective cuts in planned expenditure.

(ii) Increased the short term pressures it faces by creating a new Spend to Save Fund to help finance the upfront costs of securing greater efficiencies in future years, including redundancy costs".

118. ERINI questions whether it is sensible to seek to address the spending pressures by applying percentage cuts to departmental budgets, rather than by also considering alternative revenue raising options that would be available to the Executive. ERINI points out that a detailed study of the final incidence of additional taxation and budget cuts is required to enable informed judgements to be made with regard to the way forward. However, this has not been done.

119. ERINI concedes that the imposition of additional charges and taxes would not be popular, particularly in the current economic climate, and also states that “bringing in any substantial amount from the Regional Rate, for example, would require an annual increase in double digits". However, NI contributes less to funding public services than any other region of the UK, accounting for only half of public expenditure in or on behalf of the region. ERINI believes that “being in receipt of such high levels of subsidy may be rationalised by need but we should also recognise that this soft budget constraint is a disincentive to take the actions needed to create an economy dynamic enough to pay its way. This is the hidden cost of relying on others to properly fund public services". Furthermore, ERINI considers that the continued deferral of water charges is of more benefit to those who are better off than those less well off. It contends that there has been little by way of informed debate on what would be reasonable for people to contribute to the cost of public services or how the cost should be shared.

120. With regard to the proposed spending cuts, ERINI argues that any Department that had previously benefitted from large increases in spending should not be “disproportionately protected from making its contribution when times are harder". In this respect, it cites the proposed reductions for DE and DHSSPS as being lower than might otherwise be expected. This also applies to OFMDFM and the Northern Ireland Assembly. ERINI also contends that it would be logical to assume that DETI, DEL, DCAL and, to a lesser extent, DRD and DSD would have smaller percentage reductions to their budgets, given that these departments are more closely linked to the economy and economic development is a top priority for the Executive. Therefore, in the view of ERINI, the proposed reductions “appear to be somewhat erratic".

121. In the absence of detailed information at this time as to how savings will be applied within individual departments, ERINI has not provided any comment on the extent to which it believes front line services will be protected.

122. ERINI believes that the UK is now entering into a “prolonged period of public spending restraint" and the need to reduce public borrowing will have an impact on public expenditure in NI. It expects Departmental Expenditure Limits to fall between 2.9% and 3.2% from 2011-12 to 2013-14, and predicts that NI will lose between £500-600m in real terms over the three-year period in the block grant. Additional local pressures may also exacerbate this further; for example, water and sewerage charges are deferred at an estimated cost of £210m annually. Should this deferral continue, the Executive could face spending pressures in excess of £1 billion over the three-year period. This, ERINI believes, “is an excellent and pressing case for settling the water and sewerage issue and those other unfunded commitments embraced by the Executive one way or the other". The only alternative would be a reduction in other public services.

123. Finally, ERINI has briefly examined the implications of the devolution of Policing and Justice powers on expenditure. Whilst in the short term a package has been agreed to meet pressures identified over the next three to four years, expenditure in this respect will be included in the NI block once devolved and thus subject to the Barnett formula, with funding dependent on spending on similar activities in England. As the cost of policing and justice is currently twice that of any other region in the UK, this could lead to significant difficulties for future years.

CBI Northern Ireland (CBI NI)

124. In its submission to the Committee, CBI NI notes a number of positive points in relation to expenditure plans for 2010-11. Despite the pressures on the 2010-11 budget and the savings necessary, there will still be an increase in current expenditure in 2010-11. In addition, CBI NI views the Invest to Save fund not as an added pressure, but as a welcome initiative; however, it considers that the fund should be substantially larger to enable the achievement of “the

necessary redesign and re-engineering required to enhance service provision in the future in light of expected cuts in public expenditure post 2011".

125. CBI NI notes a number of concerns similar to those raised by ERINI. These include the continued deferral of water and sewerage charges and the freeze on domestic rates, which it believes are impacting on the provision of other public services. In this respect, it has called for the Executive to commit to the recovery of water and sewerage charges from 2011-12 onwards. Additionally, and similar to the points made by ERINI in this regard, CBI NI states that the Executive's commitment to developing the economy does not appear to be reflected in terms of the proposed percentage reductions for departments.

126. CBI NI is critical that detailed plans have not all been published on departmental websites as requested by the Minister of Finance and Personnel, and this has prohibited detailed comment. It has particular concerns in respect of gross capital expenditure for 2010-11, which it believes could be reduced by 10-15%. CBI NI argues that construction is "one of the most effective sectors to stimulate the economy", and, in this regard, considers that it is critical to maintain capital expenditure. The construction sector would therefore welcome a clearer estimate of gross expenditure planned for 2010-11.

127. The public sector in NI raises concerns for CBI NI, for both the coming financial year and in the medium-to-long term. For 2010-11, it notes disappointment at "the lack of explicit commitment to secure a wage freeze across the public sector," together with a reduction or freeze in recruitment. In the medium term, CBI NI advocates a reduction of 10% in the civil service workforce, which would equate to approximately 2,800 employees, and estimates a reduction in bureaucracy would release some £60-70m to be reinvested in frontline services. It also calls for a freeze in the overall pay bill in the medium term and an end to early retirement and accelerated pension provision. In addition, CBI NI believes that the delivery of public services must be reviewed to identify means of achieving greater efficiencies and better outcomes. It cites a number of measures that should be taken, including:

- radically redesigning the way public services are delivered;
- improving workforce management;
- outsourcing "backroom functions" to private companies;
- rolling out more "shared services" and cutting duplication; and
- reducing non-essential expenditure, e.g. reducing the number of press officers employed in the public sector.

128. In concluding, CBI NI states that it believes "the funding challenges ahead are an opportunity to enhance service provision and outcomes and not reduce them".

QUB School of Law / Human Rights Centre

129. In its written submission, the QUB School of Law / Human Rights Centre outlined a two year study which it has undertaken on the contribution of budgets to the advancement of economic and social rights, the Budget Analysis and the Advancement of Economic and Social Rights Project (the Budget Analysis Project). The QUB School of Law explains that this submission was provided in response to the Review of 2010-11 Spending Plans to "highlight some of the international legal obligations that the UK is required to give effect to when making budgetary decisions". The response draws attention to obligations arising from the United Nations International Covenant on Economic Social and Cultural Rights 1966 (ICESCR) (ratified by the UK), and subsequent interpretation and development by the Committee on Economic Social and Cultural Rights (ComESCR).

130. The Budget Analysis Project points out that “States have a duty to progressively realise economic and social rights" (ESR). This recognises that the attainment of ESR is not immediate, but rather will happen over a period of time. This therefore precludes the implementation of measures which could be considered to be deliberately retrogressive, such as “unjustified reduction in public expenditure devoted to implementation of ESR in the absence of adequate compensatory measures aimed at protecting the injured individuals". A number of minimum core rights for everyone should be protected from financial pressures including education, health and food. The Budget Analysis Project states that it is therefore necessary for Departments to ensure that services relating to these core rights are “prioritised and protected from spending cuts". This also applies to “immediate obligations", such as non-discrimination and, in this regard, the submission welcomes the efforts to settle the NICS equal pay claim from a human rights perspective. The Project also points to an obligation to ensure that the maximum amount of resources is used, as far as possible, in working towards the attainment of ESR for everyone. Resources should not be used “to achieve results not relevant to the realisation of human rights" at the expense of ESR.

131. Whilst welcoming the Review consultation document, the Budget Analysis Project is disappointed that it “falls short of good practice for consultations". It is critical of the lack of clarity on how to respond to the document and the absence of a deadline for response, and also that detailed information on how the additional savings will be realised are not included. It is also critical of the accessibility of plans on individual departmental websites and the lack of detailed information contained therein.

Key Issues Going Forward

132. Arising from the evidence received and from the “take note" debate, and given the likelihood of mounting public expenditure pressures in coming years, the Committee highlights the following key issues to be addressed in 2010-11 and beyond:

- measures to ensure that departments engage fully with their statutory committees and the wider public on budgetary issues, including the provision of appropriate and timely financial information;
- the establishment of a formal Budget process which provides for proper scrutiny and input by the Assembly and for wider public participation;
- a continued focus on the delivery of PfG priorities and safeguarding key frontline services in the face of competing budgetary pressures across departments;
- continued improvement in the financial forecasting, monitoring and spending performance of departments in the context of zero overcommitment and given the increased need to maximise the impact from available resources;
- an assessment of the impact on the provision of public services from the continued deferral of water and sewerage charges and from the freeze on domestic rates;
- consideration of the implications for economic recovery from further reductions or delays in capital investment;
- an examination of the additional options for addressing spending pressures going forward; and
- a renewed focus on improving public sector efficiency and effectiveness.

133. On this latter point, during evidence to the Committee, the Minister emphasised the need to demonstrate to the public that departments are making the most effective use of their existing resources before introducing new or increased charges. In concurring with this view, the

Committee believes that Assembly consideration of the medium-to-long-term strategic finance issues facing the Executive will also be important in terms of minimising and managing any further public expenditure pressures in the years ahead. As such, the Committee will shortly be reporting to the Assembly on the outcome of its investigation into the drive for greater public sector efficiency and effectiveness.

[1] These figures include £26m set aside for the invest to save fund.

[2] http://www.pfgbudgetni.gov.uk/final_review_of_2010-11_spending_plans_consultation_document_-_11_january_2010__2_.pdf

[3] The Committee was not provided with the figures that departments had been asked to consider in respect of current and capital expenditure; however, DFP officials assured the Committee that the same figures were considered by all departments at this stage in the process.

[4] Review of 2010-11 Spending Plans for NI Departments, Consultation Document, paragraph 4.4, p.24 http://www.pfgbudgetni.gov.uk/final_review_of_2010-11_spending_plans_consultation_document_-_11_january_2010__2_.pdf

[5] Review of 2010-11 Spending Plans for NI Departments, Consultation Document, paragraph 4.12, p.28 http://www.pfgbudgetni.gov.uk/final_review_of_2010-11_spending_plans_consultation_document_-_11_january_2010__2_.pdf

Appendix 1

Minutes of Proceedings relating to the Report

Wednesday, 23 September 2009
Room 152, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Mitchel McLaughlin MLA
David McNarry MLA
Declan O'Loan MLA
Ian Paisley Jr MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Adrian McQuillan MLA

3. Matters Arising

The Committee discussed recent media reports of proposals for departmental spending cuts being considered by the Executive. The Committee also noted a BBC News Release, which reported comments by the First Minister that the Minister of Finance and Personnel will be publishing a budget report in the near future.

Agreed: the Committee will seek clarification from DFP on the reports of an impending budget process. Members also agreed to invite the Minister and/or his officials to brief the Committee on this matter as soon as possible

Wednesday, 7 October 2009
Room 152, Parliament Buildings

Present: Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Mitchel McLaughlin MLA
David McNarry MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Ian Paisley Jr MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Jennifer McCann MLA (Chairperson)

As notification had been received that the Chairperson would not be present, the Deputy Chairperson took the Chair and commenced the meeting at 10.06 am in open session.

3. Matters Arising

Members noted correspondence from DFP advising that the Minister is not available to brief the Committee as requested on the Revised Departmental Expenditure Plans or to attend the Public Procurement Stakeholder Conference.

Agreed: that DFP officials be requested to give evidence to the Committee on the Revised Departmental Expenditure Plans as soon as possible. The Minister will also be invited to brief the Committee on this issue at the earliest available opportunity.

Wednesday, 4 November 2009
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA

Fra McCann MLA
Mitchel McLaughlin MLA
David McNarry MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Ian Paisley Jr MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

10.09 am The meeting commenced in open session.

3. Matters Arising

The Committee noted a response from the Minister to the invitation to brief the Committee on the proposed revised departmental expenditure plans.

Wednesday, 11 November 2009
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
David McNarry MLA
Declan O'Loan MLA
Ian Paisley Jr MLA

In Attendance: Shane McAteer (Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

10.09 am The meeting commenced in open session.

8. Any Other Business

Members discussed issues relating to the costs of deferring the introduction of water charges in Northern Ireland. It was noted that the Committee for Regional Development will receive a briefing from DFP officials on this matter.

Agreed: to invite DFP officials to brief the Committee on the costs of deferring the introduction of water charges, as part of its wider scrutiny of strategic financial pressures; and, to request a copy of any briefing material provided by DFP officials to the Committee for Regional Development.

Wednesday, 2 December 2009
Room 135, Parliament Buildings

Present: Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Fra McCann MLA
Mitchel McLaughlin MLA
David McNarry MLA
Adrian McQuillan MLA
Ian Paisley Jr MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Jennifer McCann MLA (Chairperson)
Simon Hamilton MLA
Declan O'Loan MLA

3. Matters Arising

The Committee noted correspondence from DFP regarding the rescheduling of the evidence session on Strategic Financial Pressures, which was originally scheduled for today

Wednesday, 9 December 2009
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Mitchel McLaughlin MLA
Declan O'Loan MLA
Ian Paisley Jr MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Peter Weir MLA (Deputy Chairperson)
David McNarry MLA
Fra McCann MLA

10.10 am The meeting commenced in open session.

8. Committee Work Programme

Members considered the current draft of the Committee work programme until February 2010 and its key priorities until summer recess 2010.

Agreed: that the current draft of the work programme be published on the Assembly website.

Agreed: that the Committee writes to the Minister of Finance and Personnel expressing its disappointment that no date has been set for his officials to complete the Review of the Budget 2008 – 2011 process and inviting him to brief members on the Review at an early opportunity;

Wednesday, 6 January 2010
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Mitchel McLaughlin MLA
David McNarry MLA
Declan O'Loan MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

10.03 am The meeting commenced in open session.

9. Committee Work Programme

The Committee noted the correspondence from the Minister of Finance and Personnel on the Review of 2010-11 Departmental Expenditure Plans.

Members considered and approved a draft suggested timeline for Assembly scrutiny of the revised departmental expenditure plans.

Agreed: that the timeline for Assembly scrutiny of the revised departmental expenditure plans is circulated to the other statutory committees for information.

Agreed: the Committee will invite the Minister to discuss the Review of 2010-11 Departmental Expenditure Plans at its meeting on 13 January.

10. Any Other Business

The Committee discussed the Barnett consequential for NI arising from the boiler scrappage scheme for England, announced in the Chancellor's pre-Budget report.

Agreed: to seek information on what consideration the Department has given to the use of this additional funding. The Committee also agreed that it would be content for the additional funding to be used to create a similar boiler scrappage scheme for NI.

Wednesday, 13 January 2010
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Mitchel McLaughlin MLA
David McNarry MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Ian Paisley Jr MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

10.06 am The meeting commenced in open session.

3. Matters Arising

Members also noted correspondence from the Minister of Finance and Personnel on the Review of the Executive's 2008-11 Budget Process and the Review of Spending Plans for Northern Ireland Departments 2010-11, in which he advised of his availability to brief the Committee on the latter issue.

Agreed: to invite the Minister of Finance and Personnel to brief the Committee on the Review of Spending Plans 2010-11 at a special meeting on Monday 8 February, providing an earlier date cannot be scheduled.

5. Strategic Financial Pressures (Evidence from DFP)

Dr Farry declared an interest as a member of North Down Borough Council.

The Committee took evidence from the following DFP officials: Richard Pengelly, Public Spending Director, Central Finance Group, DFP; Paul Montgomery, Central Expenditure Division, DFP; and Adrian Arbuthnot, Supply Division, DFP.

The session was recorded by Hansard.

Agreed: a list of issues on Strategic Financial Pressures for forwarding to DFP for a written response in order to inform the Committee's forthcoming report on the Review of Spending Plans for NI Departments 2010-11.

10.38am Mr Paisley Jr returned to the meeting.

10.47am Mr McNarry joined the meeting.

10.51am Mr Weir left the meeting.

10.53am Mr Weir returned to the meeting.

10.55am Mr Hamilton left the meeting.

10.59am Mr Weir left the meeting.

11.04am Mr Hamilton returned to the meeting.

11.09am Mr Weir returned to the meeting.

11.15am Mr Paisley Jr left the meeting.

11.20am Mr Weir left the meeting.

11.26am Mr Weir returned to the meeting.

11.38am Mr Hamilton left the meeting.

11.39am Mr Hamilton returned to the meeting.

11.40am Mr McCann left the meeting.

11.47am Dr Farry left the meeting.

11.55am Mr McCann returned to the meeting.

11.56am Mr McLaughlin left the meeting.

11.58am Mr McLaughlin returned to the meeting.

Agreed: that the DFP officials will provide information as requested by the Committee during the evidence session.

Members noted that the Minister's statement of 12 January 2010 asked for the Committee to publish its co-ordinated Report on the Review of 2010-11 Spending Plan by the end of February and subsequently considered whether the draft timetable for completion of the report should be amended.

Agreed: that the Committee will endeavour to complete its report by its scheduled meeting on Wednesday 3 March at the latest, whilst recognising the need for all statutory committees to be afforded sufficient time for scrutiny.

The Committee also considered a draft minute to the Business Office seeking a “take note" debate on the Review of 2010-11 Spending Plans.

Agreed: that the minute will be submitted to the Business Office requesting that the “take note" debate be scheduled for 15 or 16 February 2010.

12.07pm Mr McNarry left the meeting.

Wednesday, 20 January 2010
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
David McNarry MLA
Declan O'Loan MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Mitchel McLaughlin MLA
Adrian McQuillan MLA

10.05 am The meeting commenced in open session.

4. Review of 2010-11 Spending Plans: DFP Position (Evidence from DFP)

The Committee took evidence from the following DFP officials: Deborah McNeilly, Finance Director, and Adrian Doherty, Finance Branch.

The session was recorded by Hansard.

10.08am Mr Weir joined the meeting.

10.40am Mr Weir left the meeting.

Agreed: that the witnesses will provide further information as requested by the Committee during the evidence session.

Agreed: that a list of issues on the Department's proposals in respect of the Review of 2010-11 Spending Plans is forwarded to DFP for written response.

Agreed: that the Business Office will be advised that the Committee would now prefer the date of Tuesday 9 February for the Take Note debate on the Review of 2010-11 Spending Plans.

Wednesday, 27 January 2010
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Simon Hamilton MLA
Fra McCann MLA
David McNarry MLA
Declan O'Loan MLA
Mitchel McLaughlin MLA
Adrian McQuillan MLA

In Attendance: Shane McAteer (Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Dr Farry MLA

10.05 am The meeting commenced in open session.

9. Committee Work Programme

Members considered the current draft of the Committee work programme until March 2010.

Agreed: that an oral briefing with officials from Land and Property Services will be scheduled in light of the proposed DFP Revised Spending Plans 2010-11.

Agreed: that the current draft of the programme will be published on the Assembly website.

Wednesday, 10 February 2010
Room 135, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Adrian McQuillan MLA
Declan O'Loan MLA
Ian Paisley Jr MLA
Dawn Purvis MLA

In Attendance: Shane McAteer (Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Mitchel McLaughlin MLA
David McNarry MLA

10.07 am The meeting commenced in open session.

12. Correspondence

- DFP: Follow up to Review of 2010-11 DFP Spending Plans;

Agreed: that the correspondence will be included in the evidence base for the Committee's forthcoming report on the Review of 2010-11 Spending Plans for NI Departments;

- Victor Hewitt: The State of the Public Finances - 2010 and Projections to 2014;

Agreed: that the paper will be included in the evidence base of the Committee's forthcoming report on the Review of Spending Plans 2010-11 for NI Departments.

- DFP Revised Expenditure Plans 2010-11 (DFP Position) Follow up information;

Agreed: that the correspondence will be included in the evidence base of the Committee's forthcoming report on the Review of Spending Plans 2010-11 for NI Departments.

6. DFP Response on Strategic Financial Issues

The Committee considered a written response from DFP on Strategic Financial Issues arising from the oral evidence session on 20 January 2010.

Agreed: that the response will be included in the evidence base for the Committee's forthcoming report on the Review of Spending Plans 2010-11 for NI Departments.

Thursday, 11 February 2010
Senate Chamber, Parliament Buildings

Present: Jennifer McCann MLA (Chairperson)
Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Simon Hamilton MLA
Fra McCann MLA
Mitchel McLaughlin MLA
David McNarry MLA
Adrian McQuillan MLA
Declan O'Loan MLA

In Attendance: Shane McAteer (Assembly Clerk)
Kathy O'Hanlon (Assistant Assembly Clerk)
Karen Jardine (Assistant Assembly Clerk)
David McKee (Clerical Supervisor)
Kevin Marks (Clerical Officer)

Apologies: Ian Paisley Jr MLA
Dawn Purvis MLA

11.20 am The meeting commenced in open session.

4. Review of 2010-11 Spending Plans for Northern Ireland Departments

The Committee took evidence from the Minister of Finance and Personnel on the Review of 2010-11 Spending Plans for NI Departments. The Minister was accompanied by Richard Pengelly, Public Spending Director, Central Finance Group, DFP and Michael Daly, Head of Central Expenditure Division, Central Finance Group, DFP. The session was recorded by Hansard.

11.53am Dr Farry joined the meeting.

11.53am Mr McCann joined the meeting.

11.56am Mr Hamilton joined the meeting.

12.27pm Mr McQuillan left the meeting.

12.29pm Mr McLaughlin left the meeting.

12.30pm Mr McNarry joined the meeting.

12.34pm Dr Farry left the meeting.

12.38pm Dr Farry rejoined the meeting.

12.41pm Mr O'Loan left the meeting.

The Committee noted a paper from the Confederation of British Industry (CBI) on its response to the Executive's Spending Plans 2010/11.

Agreed: that the paper will be included in the evidence base of the Committee's forthcoming Report on the Review of 2010-11 Spending Plans for NI Departments.

Wednesday, 17 February 2010
Room 135, Parliament Buildings

Present: Ms Jennifer McCann MLA (Chairperson)
Mr Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Mr Simon Hamilton MLA
Mr Fra McCann MLA
Mr Mitchel McLaughlin MLA
Mr Declan O'Loan MLA
Ms Dawn Purvis MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)
Miss Karen Jardine (Assistant Assembly Clerk)
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)
Mr David McKee (Clerical Supervisor)
Mr Kevin Marks (Clerical Officer)

Apologies: Mr David McNarry MLA

10.07 am The meeting commenced in open session.

4. Strategic Financial Issues (DFP Briefing)

The Committee took evidence from the following DFP officials: Mr Michael Daly, Head of Central Expenditure Division, Central Finance Group; and Mr Paul Montgomery, Central Expenditure Division, Central Finance Group.

The session was recorded by Hansard.

10.17 am Mr Weir left the meeting.

10.19 am Mr Weir returned to the meeting.

10.24 am Mr Hamilton joined the meeting.

10.49 am Dr Farry joined the meeting.

Agreed: that the DFP officials will provide further information as requested by the Committee during the evidence session.

5. Land and Property Services – Implications of Revised 2010-11 Spending Plans

The Committee took evidence from the following LPS officials: Mr John Wilkinson, Chief Executive; Mr Iain Greenway, Director of Operations; and Mr Stephen Boyd, Director of Finance and Corporate Support.

Dr Farry declared an interest as a member of North Down Borough Council.

Mr O'Loan declared an interest as a member of Ballymena Borough Council.

11.00 am Mr O'Loan left the meeting.

11.14 am Mr O'Loan returned to the meeting.

11.22 am Mr Hamilton left the meeting.

11.24 am Mr Hamilton returned to the meeting.

11.35 am Mr Weir left the meeting.

11.37 am Mr Weir returned to the meeting.

11.55 am Mr McLaughlin left the meeting.

11.57 am Mr McLaughlin left the meeting.

The session was recorded by Hansard.

Agreed: that the LPS officials will provide further information as requested by the Committee during the evidence session.

6. Consideration of Statutory Committee Responses to the Review of 2010-11 Spending Plans

The Committee considered responses from the other statutory committees to the Review of 2010-11 Spending Plans. Members also noted concerns raised at the Chairpersons' Liaison Group about the difficulties committees experienced in obtaining appropriate and detailed information from Departments, in relation to their Review of 2010-11 Spending Plans.

Agreed: to forward the responses from the other statutory committees to DFP in advance of the Committee's co-ordinated report being prepared.

Agreed: to include the responses from the statutory committees in the Report on the Review of 2010-11 Spending Plans; and to include a section on strategic and cross-cutting issues within the Report.

Agreed: to schedule a short meeting on Monday 1 March to formally agree the Committee Report on the Review of 2010-11 Spending Plans to meet the Minister's request that the Committee report be completed as close to the end of February as possible.

10. Correspondence

The Committee noted the following correspondence:

- Ulster Gliding Club Ltd: Impact of Review of 2010-11 Spending Plans on Department of Culture, Arts and Leisure

Agreed: to forward the correspondence to the Committee for Culture, Arts and Leisure for information and, to include the correspondence in the Committee Report on the Review of Spending Plans 2010-11.

- Children in Northern Ireland: Review of 2010-11 Spending Plans;

Agreed: to include the correspondence in the Committee Report on the Review of Spending Plans 2010-11.

Wednesday, 24 February 2010
Room 135, Parliament Buildings

Present: Ms Jennifer McCann MLA (Chairperson)
Mr Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Mr Simon Hamilton MLA
Mr Mitchel McLaughlin MLA
Mr Declan O'Loan MLA
Ms Dawn Purvis MLA
Mr David McNarry MLA
Mr Adrian McQuillan MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)
Miss Karen Jardine (Assistant Assembly Clerk)
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)

Mr David McKee (Clerical Supervisor)
Mr Kevin Marks (Clerical Officer)

Apologies: Mr Fra McCann MLA

3. Matters Arising

Agreed: that correspondence from Land and Property Services, received as a follow-up to last week's evidence session, be included in the forthcoming report on the Review of 2010-11 Spending Plans for NI Departments.

6. Review of 2010-11 Spending Plans for NI Departments: Consideration of Draft Report

12.08 pm The Committee moved into closed session.

12.12 pm Mr Weir returned to the meeting.

Members considered a working draft of the Committee's Report on the Review of 2010-11 Spending Plans for NI Departments, which includes a section on Strategic Finance Issues.

Agreed: to split the report in two, the first focusing on the Review of 2010-11 Spending Plans for NI Departments, which will be published to inform the Minister's decisions; and the second on Public Sector Efficiencies and Effectiveness, to be published later this year.

The Committee discussed the procedure that exists for drawing attention to opposing views when formally considering a Committee report; that is to include a reference in the main body of the report to the Minutes of Proceedings, which record amendments moved to the report but not agreed.

Agreed: that this approach could be applied when the Report of 2010-11 Spending Plans for NI Departments is under formal consideration.

Agreed: that the draft Report will be developed, taking account of points raised, and will be brought to the Committee for formal consideration at next week's meeting.

12.22 pm The Committee moved into open session.

(Unapproved)
Wednesday, 3 March 2010
Room 135, Parliament Buildings

Present: Ms Jennifer McCann MLA (Chairperson)
Mr Peter Weir MLA (Deputy Chairperson)
Dr Stephen Farry MLA
Mr Simon Hamilton MLA
Mr Declan O'Loan MLA
Ms Dawn Purvis MLA
Mr David McNarry MLA
Mr Fra McCann MLA
Mr Ian Paisley Jnr MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)
Miss Karen Jardine (Assistant Assembly Clerk)
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)
Mr David McKee (Clerical Supervisor)
Mr Kevin Marks (Clerical Officer)

Apologies: Mr Mitchel McLaughlin MLA

10.07 am The meeting commenced in open session.

10.40 am The meeting moved to closed session.

7. Review of 2010-11 Spending Plans for NI Departments: Consideration of Draft Report

10.41 am Mr McNarry returned to the meeting.

The Committee undertook paragraph-by-paragraph consideration of its draft Report on the Review of 2010-11 Spending Plans for NI Departments.

Agreed: that paragraphs 1–6 stand part of the Report;

Agreed: that paragraphs 7–10 stand part of the Report;

Agreed: that paragraph 11stands part of the Report;

Agreed: that paragraph 12 stands part of the Report subject to the addition of the following sentence to the end of the paragraph, as proposed by Mr O'Loan:

"An opinion was expressed by some members that a wider ranging mechanism of prioritisation to address the additional public expenditure pressures should have been conducted".

Agreed: that paragraphs 13–15 stand part of the Report;

Agreed: that paragraphs 16–20 stand part of the Report;

Agreed: that paragraph 21 stands part of the Report;

Agreed: that paragraph 22 stands part of the Report;

Agreed: that paragraphs 23–24 stand part of the Report;

Agreed: that paragraph 25 stands part of the Report;

Agreed: that paragraphs 26–112 stand part of the Report;

Agreed: that paragraph 113 stands part of the Report;

Agreed: that paragraphs 114–131 stand part of the Report, with minor amendments to paragraphs 114 and 115;

Agreed: that paragraphs 132–133 stand part of the Report;

Agreed: that the Executive Summary stands part of the Report;

Agreed: that the Appendices stand part of the Report;

Agreed: that the extract of the unapproved minutes of proceedings of today's meeting will be checked by the Chairperson and included in Appendix 1;

Agreed: that the Report, as amended, be the Second Report of the Committee for Finance and Personnel to the Assembly for session 2009/10.

Agreed: that the Report on the Review of 2010-11 Spending Plans for NI Departments be printed.

Agreed: a draft press release for issuing when the Report is published.

Members noted that, in line with normal protocol, a typescript copy of the report will be issued to DFP and two typescript copies will be laid in the Business Office in advance of printed copies being made available.

Agreed: that the Report will be issued to all MLAs when published, and also to the following recipients:

- All Assembly statutory committees;
- Chairpersons' Liaison Group;
- Those who have provided written submissions.

10.50 am Dr Farry left the meeting.

10.50 am The Committee moved into open session.

8. Correspondence

The Committee noted the following correspondence:

- DFP: Strategic Financial Issues - Block Grant Query.

The Committee noted that the correspondence is included evidence base for the Committee's Report on the Review of 2010-11 Spending Plans for NI Departments.

- DFP: Strategic Financial Issues - Staffing Level Query.

The Committee noted that the correspondence is included in the evidence base for Report on the Review of 2010-11 Spending Plans for NI Departments.

Agreed: the correspondence will also be included in the evidence base for the Committee's forthcoming report on public sector efficiencies and effectiveness.

- QUB School of Law / Human Rights Centre: Response to the DFP Review of 2010-11 Spending Plans for NI Departments.

The Committee noted that the submission is included in the evidence base for the Committee's Report on the Review of 2010-11 Spending Plans for NI Departments.

- The Stroke Association NI: Response to the DFP Review of 2010-11 Spending Plans for NI Departments.

The Committee noted that the correspondence is included in the evidence base for the Committee's Report on the Review of 2010-11 Spending Plans for NI Departments.

Appendix 2

Minutes of Evidence

13 January 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr David McNarry
Mr Adrian McQuillan
Mr Declan O'Loan
Mr Ian Paisley Jnr
Ms Dawn Purvis

Witnesses:

Mr Richard Pengelly Mr Paul Montgomery	Department of Finance and Personnel

1. The Chairperson (Ms J McCann): I welcome Department of Finance and Personnel (DFP) officials Richard Pengelly from the public spending directorate central finance group, Paul Montgomery from the central expenditure division and Adrian Arbuthnot from supply division. I invite you to make some brief comments, after which members will ask questions.

2. Mr Richard Pengelly (Department of Finance and Personnel): I will be brief, because I am sure that members are keen to ask questions. The Minister's statement yesterday outlined most of the detail on this issue. Since the Executive and the Assembly endorsed the three-year Budget in January 2008, there have been some changes to the overall position, most notably the subsequent deferral of the introduction of water charges and the wider change in Departments' spending performance, which has been the focus of much attention from this Committee. That has helped to improve performance across Departments. Moreover, the equal pay issue has had an impact. Those are the three big issues.

3. Our Minister concluded that the issues were sufficiently material that, rather than let them fall to be addressed as part of the in-year process, some proactive steps needed to be taken in advance of the year. That has resulted in an overall adjustment of £370 million. A lot of that involves moving money about among Departments. The overall adjustment is 0·1% of the block

in current expenditure and 1% in capital. The important point is that in 2010-11, public expenditure — the money that flows on to the streets of Northern Ireland — is planned to grow by 2·8% on the figure for this financial year. Therefore, public expenditure is still growing despite the difficult times. That will hopefully pay dividends by delivering high-quality public services and driving economic growth, which is the key priority of the Executive.

4. Mr Weir: One of the innovative measures in yesterday's statement was the invest to save fund. Will you flesh that out? There is not a great deal of flesh on the bones at this stage. How is that intended to work? Obviously, there will be a central pot of money. However, will it then be a question of Departments making bids and saying that if they get £2 million here they could actually unlock £15 million through a different route? Will you give us a bit more detail?

5. Mr Pengelly: The definitive detail will be subject to Executive agreement. However, I can talk about our Minister's thinking on the proposals. As we head into a constrained public expenditure position, we need to take some additional costs out of the system. The reality is that taking costs out sometimes requires an upfront investment, particularly if we are to reduce the size of some organisations, leading to redundancy costs. Redundancy costs typically have a three-year pay-off. However, an upfront payment to reduce the number of staff will bring annual payroll savings. In the Chamber yesterday, the Minister quoted the example of agriculture and said that a couple of million pounds of investment could head off the possibility of a £30 million problem in terms of any new adjustment.

6. The Minister is inclined to write to his Executive colleagues asking Departments to table bids against the £26 million fund, but any bid must clearly articulate its payback. It is intended that the fund will be sustained over a period of time. For every pound that a Department takes out, it must clearly indicate how it will repay that to the fund. That repayment can take place over more than one year, because it may take a few years for Departments to repay the upfront investment. The invest to save fund will continue over time, and it may be enhanced during the next Budget period if there is good uptake of it during the first wave and if it drives real value by reducing costs.

7. Mr Weir: The fund has a limited pot of money. Will Departments be in a position to act as middlemen? Could the invest to save fund have broader criteria so that it could be used, for example, in the reform of local government? We are talking about big amounts of money for that. It has been said that there will be a range of upfront costs for redundancy packages for chief executives. However, reducing the number of people in those posts will mean that the councils will start to recoup money. Some decisions will be taken outside local government level. Is there openness? Can a Department become a facilitator for the invest to save fund, as well as being directly involved itself?

8. Mr Pengelly: Absolutely. There has not been specific thought about what should be ruled in or out, but that mechanism could work. In many ways an invest to save fund is like a bank making money available through a normal banking facility. A private sector organisation that is thinking of restructuring its normal course of business can secure a short-term loan or overdraft facility from its bank to cover the upfront costs on the basis that the organisation will deliver cash savings to allow it to repay its debt in the future. Departments and public sector bodies do not have the ability to go to the bank, so the invest to save fund puts that facility in place. The one caveat is that district councils do have the ability to secure loans from banks. Unlike central government Departments, councils can borrow from the market for restructuring costs.

9. Mr Weir: I though that a lot of the issues with borrowing powers were tied in with getting sanction from central government and, consequently, were tied in with central government.

10. Mr Pengelly: The borrowing powers are subject to central government approval. However, a government Department that borrowed would score directly against the Executive's spending power. If a district council borrowed, there would not be an impact on central government spending power. There is just an oversight role. I am not suggesting that that situation would not happen; it is just another consideration.

11. Mr Weir: I appreciate that. You said that the issue at this stage is the Minister's thoughts on the invest to save fund; the idea still has to go to the Executive. What sort of timescale do you see for the establishment of the fund?

12. Mr Pengelly: We need to speak to the Minister on the back of his announcement yesterday. Our advice will be to contact Departments very quickly so as to commission bids and bring them back to the Executive.

13. Mr Weir: To see what the level of potential interest is.

14. Mr Pengelly: The fund is intended to help deliver savings in 2010-11, so it is important that Departments are clear on what money is available and how they can use it as soon as possible.

15. Mr O'Loan: I support the invest to save concept, and it is very good that we are doing that during a difficult time for spending. I asked the Minister yesterday whether the proposed fund is just for presentational and how real it is, but I did not receive clarification. It is extremely important that there is absolute clarity on the meaning of the figures.

16. Spending pressures are £367 million in total, and, once the £26 million for the invest to save fund is added, are equivalent to 2·6% of planned current expenditure and 10·2% of capital investment. I understand that to mean that the total money available to Departments is being reduced next year by £367 million.

17. In 'The Irish News' today, there is a table entitled "Departmental Cuts in Government in Stormont Spending", which details the cuts in current expenditure and capital investment. The table shows that the cut to the Health Department's current expenditure will be £92 million and that the capital cut will be £21·5 million. I cannot find that table in your 'Review of 2010-11 Spending Plans'.

18. Your document quotes quite different and lower percentages. It says that the actual effect will be a reduction of only 0·1% in current expenditure to £9 billion and of only 1% in capital investment. The only departmental table that is provided in your document tells us that the current expenditure budget for the Health Department has increased from £4,273 million to £4,298 million — an actual increase. A small reduction in the capital spend is mentioned. Explain in layman's language whether we are right to think that the total amount of departmental spending is being reduced by £370 million. What other talk is going on in the document?

19. Mr Pengelly: I will do my best to answer that, but the issue can be quite complex.

20. Mr O'Loan: It ought not to me; it should be very clear.

21. Mr Pengelly: From our perspective, there is some advantage in the issue being complex.

22. The easiest illustration of the point is to take the position with water charges. The overall pressure due to deferred water charges is £213 million; about £120 million in current expenditure and £93 million in capital investment. That means that the Department for Regional Development faces an additional pressure of £213 million. Therefore, £213 million has to be

taken off other planned spending to address that pressure. In overall terms, that has a zero impact, because, if it was funded just through reductions in other Departments, the spend of other Departments would be reduced by £213 million and the spend of the Department for Regional Development would increase by £213 million, because the pressure was supposed to be funded externally. In overall departmental expenditure terms, that has a net zero impact.

23. There are other issues with regard to health that I will come to in a moment. The table on page 26 of the spending plans review document shows that the total additional savings were £243 million. Against that, there were allocations, primarily to the Department for Regional Development, but also to the creation of the invest to save fund, which come to £157 million. There is some churn within the £370 million gross adjustment, but some of that is being allocated to other Departments. The net effect of that is the very small reduction in overall terms.

24. The other component which is particularly significant for health relates to technical changes and is also shown on in the table on page 26 of the review document. Health has benefited from a technical change of £116 million. We can write to the Committee to explain the situation in more detail, but it relates primarily to a change in the treatment of pension costs. That means that the Treasury is giving us additional spending power to deal with that issue. That is why health expenditure seems to increase over the period in current expenditure terms. It is due to that technical change. In a sense, however, it is still more public expenditure scoring against Departments, and that is why there is an anomaly whereby there is a gross reduction of £370 million — 2·4% current and approximately 10·4% capital — is only 0·1% current and 1% capital in overall terms.

25. Mr O'Loan: I am just using health as an example. The Minister is faced with a situation in which he has something like £100 million less to spend. It is as simple as that.

26. Mr Pengelly: The Health Minister?

27. Mr O'Loan: Yes.

28. Mr Pengelly: Yes. That is a fair summary of the situation with regard to the Health Department.

29. Mr O'Loan: I do find that strange.

30. Mr Paul Montgomery (Department of Finance and Personnel): He has to make savings of £100 million. His budget, because of the additional budget cover provided for technical changes, has actually increased. There is a subtlety there.

31. Mr O'Loan: Is the table presented in your document a more truthful reflection of things? Does the Health Minister have more money to spend?

32. Mr Montgomery: His budget has increased, compared with what is set out in the previous budget document.

33. Mr Pengelly: It depends on how we focus on the measurement. Simply put, the figure is bigger because of technical changes. To be absolutely fair, the technical change reflects that a certain activity that was recorded at a certain value will have to be recorded in future at a bigger value. Although the number is bigger, it does not put any more money into the Health Service for the delivery of healthcare.

34. Mr O’Loan: The question, across all Departments, is what money is available to allow Ministers to do their job and deliver their departmental targets.

35. Mr Pengelly: In those terms, the reduction is £92 million and £21 million.

36. Mr O’Loan: That is the reality.

37. Mr Pengelly: Yes, but the reality of the Minister’s view is that, in the context of a budget of over £4 billion, there is scope for additional efficiency savings. That means that although the amount of money that is spent will be reduced, it will not necessarily have a one-for-one impact on the provision of healthcare.

38. Mr O’Loan: How he responds to that becomes a matter of management. There has already been a succession of efficiency savings, and we are saying that the response to that may be that there will be others. We have bottomed this out to some degree. I still find the presentation of the table in your document to be strange, but the reality is that there are departmental cuts of the order of £370 million.

39. Mr Pengelly: They are reductions.

40. Mr O’Loan: They are reductions in the money available to the Departments, which is a cut in their budgets, of the order of £370 million.

41. The £100 million for the Civil Service equal pay claim is mentioned on page 19 of your spending review document. It is worded as follows:

“This is offset by the £100 million in additional current expenditure which was negotiated with the UK Government in late 2008."

42. My recollection of how that £100 million was talked about was that £100 million had been made available to deal with a number of pressures, not just equal pay. Part of it was extra borrowing, and part of it came from money that was brought forward. I do not see how money can be brought forward any more, because this is the final year of a three-year round. I might be wrong, but I thought that we had already availed ourselves of some of that facility. An extra £100 million was certainly not put into the Northern Ireland block to deal with the equal pay issue. Is it a question of seeking permission to borrow a total of £100 million and using that entirely to address equal pay?

43. Mr Pengelly: The agreement, which was made in November 2008, referred to bringing forward capital expenditure from 2010-11 to 2009-2010. At that time, it was anticipated that the equal pay issue would crystallise in the current financial year. The likelihood and expectation now is that it will crystallise in 2010-11, so the £100 million facility will amount to using some money that was allocated for capital in 2010-11 to address the current expenditure pressure of equal pay.

44. The consequences of that for capital expenditure have been built in to the adjustments for 2010-11. Of an overall forecast cost of equal pay in the region of £160 million, £100 million has already been provided for, so the adjustment that will be needed in 2010-11 is the residual amount of £60 million. None of that package has been used to date.

45. Mr O’Loan: None of the £100 million has been used? What form does the £100 million now take? Is it increased borrowing?

46. Mr Montgomery: There is £71 million comes from reinvestment and reform initiative (RRI) borrowing and £29 million from the use of capital.

47. Mr O'Loan: To achieve the savings that have been talked about, are we into an arena of having an embargo on promotion and recruitment and measures such as pay freezes? The document does not seem to refer to that, but I hear elsewhere that that is part of the thinking.

48. Mr Pengelly: We have commissioned inputs from Departments on that, because pay costs are clearly a significant component of overall public expenditure. Something in excess of 50% of total current expenditure ultimately manifests itself as public sector pay through the health and education sectors. Therefore, we are looking at the scope for containing that expenditure, and that will include looking at pay, recruitment and promotion embargoes, but no decisions have been taken on that yet. We are looking at the numbers that would be associated with that, and, more importantly, what the implications would be. Although a promotion freeze would save money, it could make delivery of the core public services impossible; certain vacancies must be filled. We are looking at that issue in detail, but we must proceed with caution.

49. Mr O'Loan: One Department could not do its own thing on that; a joint response would be required.

50. Mr Pengelly: The Executive have asked for more information, and an Executive discussion will take place on that specific issue.

51. Mr O'Loan: Is the thinking from DFP that that is a significant element of dealing with the pressures for next year?

52. Mr Pengelly: That thinking is prevalent across the Executive; all Executive members recognise that pay is a significant component.

53. Mr O'Loan: Are we talking about a public sector pay freeze for next year?

54. Mr Pengelly: No decisions have been taken. We are trying to understand the position and what the implications of any approach would be. It will be for the Executive to reach a conclusion on that, but no conclusions have been reached.

55. Mr O'Loan: Are you having discussions with Departments along those lines?

56. Mr Pengelly: We are not having discussions with Departments. We are analysing the position, which will be brought to the Executive for them to take a view on how they wish to proceed.

57. Mr McQuillan: Is there an audit trail between the Departments' budget lines that provides evidence that the efficiencies saved in the 2008-2011 Budget are being reinvested in front line services?

58. Mr Pengelly: The main audit trail for that is that the efficiencies that Departments were charged with delivering in the 2008-2011 period were removed from them and the Executive allocated that money to other Departments. The money has already been removed and allocated and is being spent by other Departments. We are not asking Departments to deliver savings and reinvest them. The money was taken from Departments, and that is the clearest demonstration that that has happened.

59. Mr McQuillan: There is still no guarantee that the money has been reinvested in front line services. Departments could use that money, when it is reallocated, for anything.

60. Mr Pengelly: In late 2007 and early 2008, the total efficiencies across the three-year period were removed from departmental baselines and were looked at by the Executive, in conjunction with the money that came out through the national spending review and through the Barnett consequentials. That formed an overall pot of money, which the Executive then allocated to Departments, based on the bids presented. However, it was not kept in two discrete areas, through which some bids were financed through efficiency savings and others through Barnett consequentials. The money was removed and it was allocated to front line service improvements. It is very difficult to get an absolutely clear linkage, but, at the macro level, we could clearly demonstrate that allocations were funded by that.

61. Mr McQuillan: This paper went through the Executive, and all the Ministers agreed to it. However, yesterday, after the paper was introduced to the Assembly, I found it very strange that it seemed as though the Minister of Health did not know anything about it. He seemed to be very shocked about losing £100 million of spending.

62. Mr Pengelly: As regards the discussion that took place at the Executive; obviously, I was not present at that meeting, so I am not privy to the discussion or the points that were made. However, our Minister is clear that he has published a set of proposals that he took to the Executive, and he has Executive agreement to publish those proposals and to consult on that basis.

63. Mr McLaughlin: My question on end-year flexibility came a bit left of field to the Minister yesterday, but it was not my intention to ambush him. I know that he had to engage in some rapid consultation. Did he get the figures right?

64. Mr Pengelly: Clearly, I am reluctant to criticise him.

65. Mr McLaughlin: It is not a criticism. He did not have his notes with him, and, in fairness, he indicated that he would come back to us on the matter.

66. Mr Pengelly: As members will appreciate, the problem with end-year flexibility is that it can be quite complex, because there are many different ways that we can analyse the end-year flexibility and come up with different figures. I think your question was about how much end-year flexibility is available at the moment. That is a difficult question for me to answer without putting some supplementary questions to you. With respect to previous underspends by Departments, there is a pot of money that sits in Treasury that is marked against the Northern Ireland Executive. The separate question is how much of that money has Treasury agreed that we can draw down annually. Then, as we move forward, that gets topped up by subsequent underspends.

67. We talked briefly to the Minister yesterday, and we are in the process of putting together a comprehensive analysis of the EYF position. He is planning to write to you with that information in the next few days to give you full clarity. You will then be able to see all the different components and how it is made up. You can get back to us if you want further clarity on that.

68. Mr McLaughlin: It would be prudent to wait on that analysis, so I will not press that issue any further. In respect of the asset management capital realisation, when will the central asset register be available? It has been recommended for some time now.

69. Mr Pengelly: There is a national asset register, which was produced a number of years ago, and it has been through two or three iterations. I cannot remember when the last register was produced, but it was a UK-wide publication that covered all the devolved Administrations.

70. Mr McLaughlin: The task force was asking for that, and it was doing so in respect of how the register was built into the Programme for Government and receipts being projected into the expenditure programme.

71. Mr Pengelly: The initial work that Ed Vernon led in respect of the realisation task force was reported in late 2008. The First Minister and deputy First Minister invited Ed back to provide an update report, and my understanding is that he presented it to the First Minister and deputy First Minister a month ago. They are currently considering how to roll that forward in the light of the changed circumstances since November/December 2008. He has made some subtle tweaks to the report, but there is no fundamental change in respect of the original approach. However, we hope to engage with colleagues in OFMDFM on the issue fairly soon. We see that as a significant component. We are dealing today with marginal adjustments to the 2010-11 position. The next big strategic exercise that we face concerns spending plans for 2011-12 and beyond.

72. Mr McLaughlin: Exactly, and that is what I am leaning towards.

73. Mr Pengelly: We have a real sense of urgency that that needs to be fundamentally embedded into the process. We must look at how we manage our capital base, make best use of it and dispose of, or recycle, the bits that we do not need.

74. Mr McLaughlin: There are two issues arising, one of which is the loss in receipts. Even though market conditions have changed so dramatically and detrimentally, is any ongoing consideration being given to releasing some of the assets to the market in a graduated way in order to generate revenues?

75. Mr Pengelly: The assets —

76. Mr McLaughlin: In his statement yesterday, the Minister seemed to indicate that no consideration had been given to that in the past two years and that there will not be any consideration given to it next year. To me, that seems to indicate that there is no proactivity.

77. Mr Pengelly: There are two different levels to the issue, and you are focusing on what I see as the more important and strategic approach. At the moment, all assets belong to individual Departments of some shape, size or description. Therefore, they can be looking at assets that are under-utilised, or unutilised, and think about disposing of them. In some cases, Departments may think that the market is at such a low point that it is better to let assets sit for a period of time. In other cases, they may conclude that it is better to sell assets and take the money now rather than waiting for two or three years only to see a relatively small increase in their value.

78. Mr McLaughlin: It is that calculation that I want to look at now. Is the cost of retaining the assets factored in, and, if so, who factors it in? For instance, how does the Executive take a strategic decision that strikes a balance between the potential to realise revenues now and the cost of waiting until the market improves?

79. Mr Pengelly: At the moment, decisions with respect to value for money are for individual Ministers.

80. Mr McLaughlin: Is there any strategic Executive approach to the issue?

81. Mr Pengelly: Not on a case-by case basis. Moving forward, the intention, which came through in the report, is that we need to take a more holistic view, not so much about what we do with individual assets, but, more importantly, that we should consider bundling together assets, from different Departments, that border one other. There is also an issue about whether the Executive needs to secure planning permission before assets are disposed of to the market. We also need to make sure that Department A does not sell an asset in year 1, only for Department B to seek to buy it back in year 3 or year 4 because it needs it for a particular piece of business: that would merely allow a property developer to make money in the interim. We want to embed that key point into the process.

82. Mr McLaughlin: Is that an argument for having a centralised approach?

83. Mr Pengelly: It is, and that is the work that we are doing at the moment. We hope to have it firmly in place as we move forward with developing plans for 2011-12 and beyond.

84. Mr McLaughlin: Does that mean that there is an ongoing exercise to identify, and keep an up-to-date register of, surplus property that is owned by the Departments across the spectrum? Is there some kind of independent mechanism that will inform Ministers or departmental officials?

85. Mr Pengelly: As part of the review, considerable work done was done to identify those assets. It was not done across Departments; it focused primarily on Departments with big asset bases. Moving forward, we want to do that on a comprehensive basis across all Departments and to update the record regularly. The value of such an approach is not so much in individual Departments knowing what they have as in the entire block knowing exactly what is there and providing greater management of it.

86. It is very much a work in progress. The report is with the two Ministers, and there are recommendations to put infrastructure in place underneath that will take responsibility for the management of that programme of work. That will help to ensure that it is done properly and with the full engagement of Ministers in the Office of the First Minister and deputy First Minister and the Executive.

87. Mr McLaughlin: Does that indicate that, for a combination of reasons, there may not be any investors who are prepared to take the assets on at this point in time? Is it safe to assume that that is not a factor in calculating how to respond to pressures; in other words, that the Executive or individual Departments will not try to offload some of the surplus assets?

88. Mr Pengelly: It has not been a significant factor in the present consideration for 2010-11. Some of the issues with respect to 2010-11 have arisen because the disposal of assets has not taken place at the pace anticipated when the plans were set. The Executive are obviously reluctant to try to address the problem —

89. Mr McLaughlin: The baseline calculations are now totally awry.

90. Mr Pengelly: Yes; however, against that, there are some signs of recovery in the property market. It is very early to be getting too optimistic about that, but, as we move into 2010-11, although there are no coherent plans based on figures, the Executive have left some capacity on the property management side, on which we will keep a strong focus.

91. As we move into 2010-11, greater signs of recovery will ease the position and provide greater scope for additional investment. Therefore, the issue has not been completely ignored, but we have recognised the risks of trying to quantify it too precisely at this early stage.

92. Mr McLaughlin: In facing into the next Budget, as opposed to working out the existing one, is there an opportunity to recast the entire capital assets realisation process, which, I assume, will stay in place?

93. Mr Pengelly: It will.

94. Mr McLaughlin: Will the projected receipts reflect the real world costs? It will be seen whether property will ever return to the same level, so that exercise must be conducted.

95. Mr Pengelly: Yes, all that will be revisited and that will be a substantive and early piece of work in the next process.

96. The Chairperson: You mentioned a “more strategic approach" to that issue. In relation to the Minister’s statement to the House, the booklet ‘Review of 2010-11 Spending Plans for NI Departments’ submitted to the Committee by the Department, refers to efficiency savings involving:

“a reprioritisation of the spending allocations between departments"

97. being done on a more targeted basis. Who is setting those targets? Within them, how can we be assured that front line services or Programme for Government targets are not affected?

98. Mr Pengelly: The key evidence base for the targeted savings was inputs by individual Ministers to our Minister. That was followed by a round of bilateral meetings with each member of the Executive to talk about the position from the individual Minister’s perspective and what the issues were in his or her Department. That allowed our Minister to propose to the Executive how to target the reductions across Departments. That proposal was put to the Executive and agreed as the basis for this public consultation. Thus, there was inclusive dialogue; first, between the Finance Minister and each individual Minister, and then in a round-table discussion at the Executive.

99. The Chairperson: Did other Ministers have an input into setting those targets?

100. Mr Pengelly: Yes, absolutely; through both bilateral engagement and collective discussion.

101. The Chairperson: Has some sort of evidence-based inquiry been carried out to show that targets will not affect front line services or the Programme for Government?

102. Mr Pengelly: That is almost the next stage. The targeted reductions — for Health, 2·1%, and DETI, 2·2% — are based on the bilateral engagements, which very much dealt with strategic positions for Departments on some key issues. That was debated by the Executive.

103. The next stage is for individual Ministers to take the issue that is specific to their Department and consider how they will deliver on that issue in the context of that Department. As reflected in the booklet given to the Committee, our Minister has written to all his colleagues asking for detailed information on how savings will be delivered to be published on the departmental websites. We see that as the key evidence base for the consultation process, along with the dialogue with individual Assembly Committees and this Committee’s overview of that process, which will come back to the Executive before a final decision is made.

104. Mr Farry: To pick up on the latter point; did the Ministers suggest what was achievable in their Departments, or was that determined by the Finance Minister, based upon more informal soundings with the Ministers?

105. Mr Pengelly: It started with the key question posed by the Finance Minister to all Departments asking how they would deliver savings of x% and y%. Some Departments answered by agreeing to deliver savings in certain areas but said that the only way to deliver more would be to stop particular services. That would be untenable for public service provision. So, it is about getting that information from all Ministers and, based on that, —

106. Dr Farry: I note that you said x% and y%. I do not necessarily expect you to tell us what x and y were, but were they the same for each Department?

107. Mr Pengelly: They were the same in all cases. We set the saving targets higher than the total that we would need, because that technique gives us a bit of wriggle room: taking less from one Department means taking more from others.

108. Dr Farry: How do you factor in the fact that some Ministers will enter into the spirit of the process more generously by being upfront about what is achievable, while others may play games, hold back, and portray a more pessimistic position about what is achievable in their Departments?

109. Mr McLaughlin: You assume that they will all play games.

110. Mr Pengelly: I will deal with the question conceptually. Otherwise, it will be suggested that I am encouraging Ministers to act in such a way.

111. Dr Farry: I am not pointing a finger at anyone.

112. Mr Pengelly: In effect, that is where I and my colleagues from the Department of Finance and Personnel come in. Our day job is to have detailed interaction with Departments and understand them. For instance, Adrian Arbuthnot leads our health team. On a daily basis, he undertakes detailed dialogue with Health Department officials. He understands its programmes and policies and how it is delivering services, although I am not trying to say that it is Adrian's fault.

113. Dr Farry: We are glad to have him with us. He is a key person in government.

114. Mr Pengelly: Our Minister had a bilateral meeting with each Minister to get his or her view, and, during internal discussions with our Minister, we factored in our sense of where the Department was on efficiencies, programmes and new policies. That allowed the Minister to form his view and to table a proposal for the Executive. Subsequently, in open discussions in the Executive, individual Ministers have an opportunity to rebut such proposals.

115. Dr Farry: Will the revised spending plans be subject to a vote in the Assembly, or will they be picked up in the forthcoming Budget?

116. Mr Pengelly: Ultimately, they will be subject to a cross-community vote in the Assembly.

117. Dr Farry: The matter will therefore, in effect, be treated as a Budget revision.

118. Mr Pengelly: Yes.

119. Dr Farry: The difficulty with the figures on pages 26 and 27 of the 'Review of 2010-11 Spending Plans for NI Departments' lies in the difference between resource and cash accounting. A layman thinks in cash terms, whereas, as officials, you think in resource terms, so it is difficult to get a clear picture. In simplistic terms, the key comparison to make is between the published

2008-2011 figures and the savings. However, on a stand-alone basis, the draft revised spending plans do not give a true picture of the cash challenges that Departments face.

120. Mr Pengelly: One would need to brigade the additional savings and allocations together. I think your point is that you could nearly set the technical changes to one side.

121. Dr Farry: As regards allocations, that is almost exclusively water charges in both cases against the two DRD figures.

122. Mr Pengelly: It is, but there are some additional allocations to the Assembly, the invest to save fund, DETI and DFP.

123. Dr Farry: I missed the detail of your answer to Declan's question about the source of the money for water charges. It will not come from any Department, and those two figures considerably distort the overall impression of where things are going. Will you clarify where the money will come from?

124. Mr Pengelly: As regards water charges, the money is coming off all 11 Department and is going to the DRD. The money will still be spent; it will just be spent in a different place than was originally planned.

125. Dr Farry: Where do you see the money coming from, with respect to savings?

126. Mr Pengelly: In current expenditure terms, the saving of £243 million, one of the components of that figure is the impact of water charges. That comes off all Departments. In effect, it is being shifted into the DRD; although it will not reduce the overall spend by Departments.

127. Dr Farry: When the Budget was first struck in 2007 for 2008-09 and, subsequently, when the decision was taken to continue funding water charges, it was understood that there would be current and capital investment in water services in 2010-11. The expectation was that that money would be raised through water charges.

128. Mr Pengelly: As regards 2010-11, the assumption was that two thirds of that cost would be raised from charges; one third in this current year and two thirds in —

129. Dr Farry: So, the goalposts have shifted in that sense, because a decision was taken, for political reasons, to defer water charges further, which means that that money has to be found elsewhere?

130. Mr Pengelly: Yes.

131. Dr Farry: That money, therefore, comes from Departments. If that distorting aspect is removed, particularly from the capital end, we are talking about a 10% decrease across the board. I could understand an argument about how those efficiencies could be made in current expenditure through administration costs. However, there comes a point at which one is talking about cuts in services, even at times when administration is part of the service; especially if it interacts with customers. With respect to capital, in particular, the decision, in essence, is that certain projects will not go ahead.

132. Mr Pengelly: We certainly do not accept that. I will use a pretty crude example: if, in January 2008, when the Executive agreed the plans, a person decided to build a house in 2010-11, they would have set aside a certain amount of money to build it. I suspect that if that person

tries to build that house in June 2010, they would spend significantly less money than they had set aside. Construction prices have fallen fairly significantly since the plans were set. Inflation, generally, has fallen. Land acquisition costs have fallen materially. A very significant component of the Executive’s planned capital investment is in those sorts of areas. Therefore, it is not beyond the realms of possibility that we will be able to deliver the same volume and quantity of projects that were planned, but that they will be delivered at a much lower cost. It is a change in how much will be spent; it is not necessarily a change in activity.

133. Dr Farry: So, you are optimistic that there will be no loss of departmental projects because, on the capital side, you will be able to deliver the original plans? That is critical for the construction industry. I appreciate that not everything involves construction, but a key element of the plans do.

134. Mr Pengelly: Obviously, I cannot give a complete guarantee that that will happen. As regards the figure that we have looked at, we are, by nature, optimists in the Department of Finance.

135. Dr Farry: With respect to current expenditure, the Minister is making the point that administration costs can carry the burden of efficiencies. How long can we keep squeezing out more and more money from the administration pot without having an impact on front line services?

136. Mr Hamilton: Until they squeak.

137. Mr Pengelly: When we talk about efficiency, I am not sure that we restrict that to administrative efficiency. That is important. Perhaps I could ask Dr Farry a question: as a member of the Finance Committee and in your scrutiny of the Department of Finance, if we are looking at one or two percentage points in efficiency savings, would you be confident that I am operating at something in excess of 99% efficiency?

138. Dr Farry: Personally? I think extremely highly of you.

139. Mr Pengelly: In contextual points —

140. Mr McLaughlin: Could your organisation improve on that figure?

141. Mr Pengelly: Since the late 1990s, public expenditure has been through the most buoyant period of growth that I suspect that any of us will ever experience. However, when there are massive increases in public expenditure, organisational inefficiencies tend to become embedded. We have been at the efficiency game for three or four years now, and we have made some inroads. Organisations are becoming more and more efficient, and many deserve huge credit for the strides that they have taken.

142. Each additional pound of efficiency savings is becoming harder to generate. We are not there yet, and there is further to go. However, the first stages of efficiency tended to be a broad brush approach, such as everyone having to become 3% more efficient. We needed to become smart at that, hence the targeted approach. Some organisations have more scope for efficiency than others. More importantly, many programmes and policies that Departments are operating have been there for many years and are now in a completely different political and economic context. There are efficiencies to be had when we ask radical questions about whether a programme still fulfils a need and whether the money could be better used elsewhere in the context of a re-shaped policy.

143. Dr Farry: I am certainly more comfortable with a review of policies, which would determine which are most relevant today, than base assumptions on what took place in the past.

144. I am concerned at the simplistic approach that some people take in thinking that more and more can be squeezed out of administration. Policy delivery requires management, and people require management. One might ask whether someone sitting at a reception desk in a hospital is part of administration or is providing a front line service. One might say that that person provides a front line service. Sometimes, the impression can be given that this task is easy and that it is all about squeezing administration harder and harder without touching public services. However, it is often a grey area.

145. My final question relates to invest to save. You spoke about the payback period stretching over a period of years. Is that within a three-year budget cycle, or can it span budget cycles?

146. Mr Pengelly: No definitive decision has been taken. There is no reason, in view of the budgeting framework, why it could not extend beyond the budget period. A £26 million fund would be a valuable addition. Depending on the amounts involved, the payback period might be a key factor for the Executive. If the choice is between one Department borrowing from the fund and offering a two- or three-year payback and another Department offering a seven- or eight-year payback, the Executive will probably take the quick win. Payback time would influence what is allocated, but there is no reason why extending it beyond the budget period cannot happen.

147. Dr Farry: It strikes me that one invest to save project is the RPA. I declare an interest as a councillor. Does the potential to deliver RPA feature within the 2010-11 framework, or is viewed as being a 2011-onwards issue to be addressed?

148. Mr Pengelly: The change will fall in 2011 and beyond. It has not been ruled out; it is not specifically provided for in 2010-11, but we acknowledge that to deliver the changes in 2011 and beyond there may be some need for investment and spend in that period. I certainly would not rule out access to the fund on that basis.

149. Dr Farry: I assume that it has not been covered in DOE budgets.

150. Mr Pengelly: No.

151. Dr Farry: So, it would have to be as the need arises.

152. Mr Pengelly: Yes.

153. Mr F McCann: Paragraph 3.22 in the consultation document ‘Review of 2010-11 Spending Plans for NI Departments’ refers to expected slippage in two major projects planned for 2010-11:

“which are broadly equivalent in value to the anticipated shortfall in receipts".

154. What projects are being referred to, and what is their estimated value?

155. Mr Pengelly: The projects are: Royal Exchange, which is worth £110 million; and waste management, DOE, which is £180 million in total.

156. Mr F McCann: What are the implications for those projects?

157. Mr Pengelly: At the moment, the discussion around those projects at the Executive has been to clearly acknowledge that both are viewed as being of fundamental importance. The Royal Exchange project is a very significant development in a part of the city centre, which the Executive accepts, unanimously, is in dire need of redevelopment. The reason for slippage in the project is that the developers, site assembly and other aspects have been slow to progress. So, it physically cannot happen in 2010-11. The intention is that that project should, and will, go ahead in future years.

158. Similarly, as regards the DOE waste management treatment project, there are issues about advancing it. Therefore, I am differentiating clearly between a review of the need for the projects, as opposed to logistical issues with delivering them. Both are viewed as being important projects that will happen in future years.

159. In a more benign environment, in which the Treasury had not changed the rules on end-year flexibility, the easy thing to do would be to say that, if the projects do not happen in 2010-11, whatever money was allocated in 2010-11 will not be spent, but will automatically be carried forward into future years and spent as the projects roll out. Treasury end-year flexibility rules do not now allow that to happen.

160. If we underspend by almost £300 million — if that is simply not spent in 2010-11 — that money will be returned to the Treasury and will sit there until some time in the future when the Executive can negotiate access to it.

161. A better approach, as we have outlined, is that when money is available but cannot be spent on those projects, it should be spent on other things in the interim. That will relieve other pressures, thereby allowing us a way to restore money for those projects in future years. That is the best way of managing the issue in the context that the Treasury has determined for us.

162. Mr F McCann: Has the Minister for Social Development asked for the money from the Royal Exchange project to be reallocated to other projects in her Department?

163. Mr Pengelly: No.

164. Mr F McCann: We heard earlier that money that is surrendered, or slippage, is used in the next financial year, and is not guaranteed in future years. What are the long-term implications for the Royal Exchange project?

165. Mr Pengelly: During recent discussions around the Royal Exchange project, it was accepted that the project is of fundamental importance. There are no spending plans for 2011-12 and beyond, so it is difficult to say with certainty, in the normal run of events, that something that does not happen in one year will happen in another budget process.

166. The difference in this context is that a 10-year investment strategy has been signed off by the Executive. Both those projects were embedded and approved by the Executive within the investment strategy. I see the only issue as being one of timing rather than whether the projects happen. Other issues will have to be factored in as we progress the strategic budgeting process and the investment strategy for 2011-12 and beyond.

167. Mr F McCann: There are no guarantees, in other words?

168. Mr Pengelly: There cannot be guarantees until the Executive formally conclude. I certainly cannot give guarantees on behalf of the Executive, but they have clearly committed to the two

projects as part of a 10-year investment strategy. I can see no reason why those projects should not proceed, albeit at a slightly slower pace than was originally envisaged.

169. Mr Hamilton: I fear that I am becoming more like Fra, and viewing these sessions as an extension of the Social Development Committee.

170. How will the equal pay claim affect the Civil Service in general, specifically the Department for Social Development (DSD) and its various agencies? There is a section in the review document about the equal pay claim and its payment, but there are obvious ramifications in the longer term in terms of increased pay. How has that been factored into the review of expenditure plans? I know that this is only for one year and that the impact will go beyond that, but what work is being done for the incoming year and beyond?

171. Mr Pengelly: The equal pay claim has two components. There is the back pay element, because there is six years' back pay, and then there is an adjustment to salary scales, which means that there will be a recurrent cost going forward. The element up to and including the end of the 2009-2010 financial year is being addressed as a central pressure. That component of £160 million has been factored in to the review.

172. The annual cost going forward is an issue for Departments. That is part of the normal cost of running a Department; it is just an increase in payroll costs. If departmental budgets for payroll costs were to be adjusted, it would be done on a pro rata approach within Departments. Money would be taken from Departments and returned to them on the same basis. It is seen as an issue for Departments.

173. Mr Hamilton: I should have said that the reason I raise the point from a Social Development perspective is because of the higher numbers of those affected by the equal pay claim and subsequent adjustments. It probably has a more significant impact on that Department than it would on others. In the Social Security Agency, the workload of staff is also going up, and that is the context in which I raised that point.

174. There is also the issue of the pre-Budget report briefing. Have the Executive taken the decision that Barnett consequentials are being used generally to offset, or has any suggestion been made by any Minister that some of the Barnett consequentials be used for similar schemes to that which they were created for or from which they were derived on the mainland? I am thinking specifically of the boiler scrappage scheme. Has there been any proposal or thought on that at an Executive level, or, as in the past, has it been decided that those funds will go into a central pot and used to address pressures?

175. Mr Pengelly: Just before I come to that, on the contextual point that you made about the impact of equal pay on DSD, I should record that the impact on DFP in proportionate terms is pretty similar. That is particularly the case with Land and Property Services, which has a very significant number of staff at those grades. I would have been shot when I got back to Rathgael House if I had not made that point.

176. Mr Hamilton: You are allowed to go back now.

177. Mr Pengelly: With respect to the pre-Budget report, the Barnett consequentials for 2010-11 were fairly limited — approximately £7·7 million in total. The process for considering the 2010-11 position had already started, and that was obviously dealing with a reduction. The view taken was that the £7·7 million should be used to slightly reduce the level of reduction being applied to Departments, rather than set aside as a separate fund. Therefore, replicating issues such as the boiler scrappage scheme will be left to individual Departments.

178. One of the key points of what the Executive are proposing for 2010-11 is the reduction of levels of overcommitment to zero. We will talk about the annual monitoring round later, but there has been a steady decline over several years, from a period of intense buoyancy, when a lot of money was being allocating in each round to deal with difficult pressures that had emerged in Departments, to the last couple of years when the main issue has been about managing the overcommitment. That is partly because departmental spending performance has improved; we are not in the territory of significant underspends. In that context, the Department feels that reducing overcommitment to zero will get us back to a more stable basis and allow us to create some greater flexibility in the course of the year to address pressures.

179. If DSD wants to think about introducing a boiler scrappage scheme, there will be an opportunity to table a bid for that in-year. The expectation for 2010-11 is that there will be more capacity for the Executive to respond to such issues than has been the case over the last couple of years. In overall terms, the amounts associated with such a scheme would be fairly marginal.

180. Mr McNarry: You said earlier that you were not at the Executive meeting when those decisions were taken. Which officials accompany the Minister to Executive meetings?

181. Mr Pengelly: Executive meetings are just for Ministers.

182. Mr McNarry: Are there no officials at the periphery of those meetings?

183. Mr Pengelly: No.

184. Dr Farry: The head of the Civil Service attends.

185. Mr Pengelly: Yes, in his capacity as secretary to the Executive. At the specific Executive meeting when those proposals were concerned, there was no DFP official in the Executive room.

186. Mr McNarry: Or outside the room?

187. Mr Pengelly: I was there outside the meeting, but I was not in the room.

188. Mr Hamilton: If they are not inside the room they must be outside the room, unless they are in some sort of twilight zone.

189. Mr F McCann: Or in a bubble.

190. Mr McNarry: What is your point?

191. Mr Weir: By definition, if someone is not inside the room they must be outside it.

192. Mr McNarry: I was trying to establish how far outside the room the officials were.

193. Mr Weir: Perhaps they should bring a tape measure to Executive meetings.

194. The Chairperson: Can we please give David the space to ask his questions?

195. Mr Hamilton: I am going outside.

196. Mr McNarry: It may actually hit someone one day why I was asking that question, but we will leave it where it is.

197. In response to Adrian's reasonable question and your answer to it, is it factual that the Health Minister was ill on the day of that Executive meeting, and that he sent in a strong letter of resistance to the reduction of his use of money?

198. Mr Pengelly: I am not sure whether I would want to comment on the state of an individual Minister's health. You asked me if is it factual that he was ill, and I am clearly not in a position to offer a factual opinion.

199. Mr McNarry: Are you aware that he sent a letter in on the basis that he was ill? I am not asking you to give a medical opinion, but did he state that he was ill?

200. Mr Pengelly: Sorry —

201. The Chairperson: If I may intervene, David, that is a question for the Minister to answer, not the officials.

202. Mr McNarry: The official responded to Adrian's question, which was a good question. I am trying to bring an element of fact to the situation.

203. Dr Farry: Was Reg Empey ill?

204. Mr Pengelly: I am happy to record the facts as I know them. In advance of the Executive meeting, a letter came from the Department indicating that the Health Minister was unwell and unable to attend the Executive meeting. In that letter, he outlined his views on the Executive paper. From memory, I think that letter was sent to the Finance Minister and copied to all Executive colleagues. The letter was received in advance of the Executive meeting; as I said, I was not part of that meeting, so I do not know how the discussions took place during it. The records of the meeting show that agreement was reached on the proposals that were tabled by my Minister. That allowed the basis for the Minister's statement to the Assembly yesterday.

205. Mr McNarry: No vote took place.

206. Mr Pengelly: I cannot comment on that.

207. Mr McNarry: I was not there either, but that is my understanding.

208. The Health Minister says that he will raise the issue at the next Executive meeting. It is unfortunate that that was said yesterday following the Finance Minister's statement and that he and the Health Minister aired their differences in public, but the Health Minister said that he will raise the issue at the next Executive meeting, and that is an important issue. Is the Committee to take it that yesterday's statement is written in stone?

209. Mr Pengelly: I am trying to be careful not to cover areas that are outside my remit. The Finance Minister presented a paper to the Executive, and that paper was considered on 17 December 2009. Executive agreement was reached on that paper, and one of the points of agreement that the Minister was seeking was on the reductions as a basis for a statement to the Assembly on 12 January 2010, which would launch a period of public consultation. That was agreed and has happened. I cannot speculate, but the Executive may consider that the next time they meet and decide on an alternative. The Executive have primacy, but they have already taken the decision to launch the public consultation on that basis.

210. Mr McNarry: That is why I asked whether the statement is written in stone. Correct me if I am wrong, because I am looking for some answers. The Department of Finance and Personnel is

involved in bringing together Departments to the Executive, where the Ministers who were in attendance agreed to the paper and the Minister's statement. Did the Health Minister, or his Department, make a reasonable case to your Department to challenge the £100 million reduction? If so, did your Department decide to rebut that case, or was the decision taken by the Executive in his absence?

211. Mr Pengelly: Any and all decisions about public expenditure allocations or reductions are matters that are solely for the Executive. That is the only body with decision-making powers. The role of my Minister is to make recommendations and proposals to the Executive for consideration and approval or rejection. My role is to provide advice to him. Based on our knowledge —

212. Mr McNarry: Can I stop you there? Was your advice to deduct £100 million from the health budget? Did your Minister make that case to the Health Minister based on that advice?

213. Mr Pengelly: It would not be fair if I were to talk in an open forum about my advice to the Minister or about the Minister's advice to the Executive.

214. Mr McNarry: What are you here for?

215. Mr Pengelly: I am here to explain decisions that have been taken by the Executive.

216. Mr McNarry: Are we not allowed to scrutinise your decisions and advice? I am only asking whether you advised the Minister to deduct £100 million from the health budget.

217. Mr Pengelly: I am not sure that my advice has any value or meaning. The reality is that the Executive's decisions are what matters.

218. Mr McNarry: You are paid well enough that your advice should have value, meaning and respect in the Committee.

219. Mr Weir: Surely the advice that civil servants give to their Minister is, ultimately, confidential. It is not appropriate to query individual advice.

220. The Chairperson: Members need to be careful with their line of questioning and comments. Members should have the space to question officials. However, they must decide whether that questioning is inappropriate or appropriate. If it is not appropriate — and I have been advised that it is not — I will have to say that. I want to give members as much space as possible to ask those questions

221. Mr Pengelly: I have mentioned specific advice to the Minister. Is the question about the case that the Department of Health makes about its position?

222. Mr McNarry: At some point, a proposition was made to reduce the Health Department's budget by £100 million. That had to then be discussed with the Health Department. What feedback did you receive from that Department apart from the Minister's letter? You said that one of your jobs in the Department is to talk to your opposite numbers in other Departments. I am trying to determine at what stage the Department of Health made the case with you or your officials on the prospect of its budget being knocked back by £100 million. Obviously you accept that the Department is not going to roll over on that. What was the Department's case? It was either a fait accompli that the £100 million was written in a tablet of stone, or else the Department made a poor case.

223. Mr Pengelly: Once a proposal is circulated in draft format to all Departments, they respond with their cases against it. It is difficult to say whether any Department made a more compelling case against the proposed reduction. In an isolated case-by-case analysis, virtually every Department, if not all of them, makes a strong case about the importance of what it does. At the end of the day, we are dealing with Departments that are in the business of delivering important public services. That is certainly true for the Department of Health. However, it is also true that all other Departments deliver valuable services to people, often vulnerable people who are in dire need of additional money. Although an individual Department's case may be compelling, it is not about considering them in isolation. The reality is that the Executive had to apply reductions to square a difficult position.

224. Mr McNarry: I am trying to say that the reduction was £100 million at the beginning. It was not £80 million that went to £100 million, and it did not come down from £150 million to £100 million. I am trying to establish whether there were negotiations when the advice was given to the Minister to come up with those chops. Was that Department told to take it or leave it? There is no flexibility; this is what we are putting to you as one of a number of Departments. However, I will concentrate on the Department of Health. Was the £100 million negotiable?

225. Mr Pengelly: Everything is, by definition, negotiable until the Executive take a final decision. We start by trying to quantify the extent of the problem at Executive level. It was approximately £367 million.

226. Mr McNarry: I understand that somebody pointed the problem out to you a long time ago and that you did not believe it. I am not interested in the problem; I am interested in how we deal with it.

227. Mr Pengelly: Once we quantified the overall problem we then began a process to deal with it, which included seeking inputs from Departments at official level, having substantive dialogue at official level, having ministerial bilateral meetings and exchanging ministerial correspondence. A draft Executive paper was then circulated, and Ministers had further opportunity both to comment in writing in advance of an Executive meeting and then in open discussion. There were quite a number of discussions about the issue at Executive meetings. The position was always fluid throughout that process, up until 17 December, when the Executive agreed the proposal as the basis for public consultation.

228. I emphasise that it is a proposal by the Executive for public consultation. In that sense, it remains fluid. The Executive will not take final decisions on it until March, when they will lock down the firm expenditure plans for Departments. The public consultation and the consultation with this and other Assembly Committees is still part of that fluid process.

229. Mr McNarry: I am glad of that.

230. The Chairperson: On what information do you base your analysis that that amount is what is needed?

231. Mr Pengelly: In relation to one Department?

232. The Chairperson: In relation to what you are expecting of any Department.

233. Mr Pengelly: It is based on a number of factors, including the knowledge that we in DFP accumulate through our day-to-day business and specific dialogue with Departments. We also commissioned a specific input from each Department as to the position in the Department, how the Department would effect a series of reductions if applied to it, and how it says it would deal with an issue. That is supplemented by bilateral discussions between the Finance Minister and

the relevant Minister. There are a number of components. It is not a mathematical formula enabling us to churn in some numbers into a machine and get a definitive answer. There is a heavy degree of subjectivity and analysis at both ministerial and official level.

234. Mr McNarry: Do you take the point that we are here in this Committee — I realise that I cannot push you as much as I would like to — and you have said that all those efforts have been made to prevent what happened yesterday, but they did not prevent what happened yesterday. What happened was a public row between two Ministers of the Executive about the statement and the money. That is now going to run until 2 March, which is when the Minister wants a report back from us. That is why I am asking whether the proposal is written in tablets of stone. If the Minister is saying that he needs £400 million, are we saying that he is getting it? Are we going to be entertained with “McGimpsey had some concessions; he is giving up £60 million instead of £100 million, but whatever else is needed is being taken from the Departments of some other Ministers."

235. Mr Pengelly: Both my Minister and the Executive see the value of the consultation process, which remains fluid. The concern that my Minister articulated yesterday is that when he goes into periods of external dialogue and consultation he tends to get a series of messages that he should not take so much from Department X or Department Y. That is understandable, but he would see it as a valuable input if he received a report back suggesting a different way of doing it, and that would be tabled by him for the Executive to consider. It remains fluid.

236. Mr McNarry: Does he have alternatives?

237. Mr Pengelly: This is the proposal that the Executive have endorsed. That is now progressing through the Assembly structures and the consultation.

238. Mr McNarry: Then yesterday’s row was about nothing.

239. The Chairperson: Mr Pengelly is not here to answer questions about yesterday’s row, but I can understand the point you are trying to make. What analysis and information is the proposal based on?

240. Mr McNarry: I appreciate your position, but I still think that you are being shielded.

241. The Chairperson: I am conscious that Dawn has been waiting, Peter.

242. Mr Weir: I just want to check a couple of factual points. I will not take Mr Pengelly into any difficult territory. For clarification, the position regarding health in this Budget, roughly speaking, £100 million out of the £370 million — which amounts to a little more than a quarter, about 26% or 27%, is that right?

243. Mr Pengelly: Yes.

244. Mr Weir: And is the overall share of the Budget given to the Department of Health above or below 50%?

245. Mr Pengelly: It constitutes about 48% of current expenditure; in capital expenditure it is a bit lower. The best way that we can illustrate the degree of skewing is to split current and capital expenditure. If we took a straight, pro rata reduction off every Department, it would be 2·4%. The reduction for Health is 2·1%. The average for all other Departments, to compensate for that, is 2·6%. Therefore, our Minister’s position is that some protection has clearly been afforded in recognition of Health.

246. Mr Weir: If the £370 million reduction was pro rata, would something around £150 million or £170 million have come off Health?

247. Mr Montgomery: The overall figure would have been about £140 million or £150 million.

248. Mr Weir: No one wants to see any degree of cuts, so Health would, at least proportionately —

249. Mr McNarry: You are codding. You are kidding.

250. Mr Weir: Sorry, I am dealing with the facts, David, and the reality is that it is clear that Health has received less of a reduction, in percentage terms, than any other Department.

251. Mr McNarry: Oh percentages, yes, percentages.

252. Mr Weir: Health has a much bigger budget. Clearly, we are not in a position to cut £100 million out of some of the other Departments.

253. Mr McNarry: You are doing very well. You did not take £150 million or £100 million off —

254. The Chairperson: I cannot hear —

255. Mr Weir: Hold on a second. Let me clarify the factual position. The Executive meeting has been mentioned, and I accept that the Minister of Health was ill that day. I am happy to take his word for that. He clearly was not there. Does the Department of Finance and Personnel have any indication of whether anybody else was missing during that meeting?

256. Mr Pengelly: I am not aware of anyone else missing it.

257. Mr Weir: I think that we are aware that the Minister for Employment and Leaning was at the meeting.

258. Mr McNarry: The Ulster Unionist Minister; is that the point that you are trying to make? Leave the politics out of it, Peter.

259. The Chairperson: I must intervene. It is not the officials' place to tell members what Ministers were at an Executive meeting and what —

260. Mr Weir: With respect, I am simply asking a factual question.

261. The Chairperson: We stopped it the last time, so —

262. Mr Weir: All right, can I ask a slightly separate question then? The decision to support this Budget was taken by the Executive as a whole, leaving aside who was or was not there. Is that correct?

263. Mr Pengelly: Yes, that is my understanding.

264. Mr Weir: And I understand, because I think that there was some reference to a vote not being taken, that, for procedural purposes, a vote is taken in the Executive only when there is a division; is that also correct?

265. Mr Pengelly: I must confess that I am not that familiar with the procedures.

266. Mr Weir: However, the understanding is that the Budget, leaving aside the issue of who was missing or present, was agreed by the Executive as a whole, and we are not aware of anybody dissenting from that decision. Is that correct?

267. Mr Pengelly: Yes.

268. Mr Weir: OK.

269. Mr McNarry: No one is disputing that.

270. The Chairperson: Dawn Purvis has been waiting patiently, and I am going to bring her in now.

271. Ms Purvis: Does the Department refer to efficiency delivery plans when it advises Ministers on making cuts to their budgets?

272. Mr Pengelly: We do so as part of our supply role. It may be helpful for Adrian Arbuthnot to speak in a moment about our day-to-day engagement with Departments. However, the supply role is the real point of interface between the Department of Finance and other Departments. Departments publish efficiency delivery plans, and colleagues in supply will look at them on a regular basis. That informs the overall supply perspective on a Department's state of efficiency — how well it is performing on delivering previous efficiencies. That can be a double-edged sword for Departments. If they are delivering on targets easily, we will congratulate them on a solid performance, but there is a risk that we might think that delivery was a wee bit too easy.

273. Ms Purvis: I want to draw that out a wee bit, because you did issue guidance to Departments on efficiency delivery plans. Did that guidance stipulate exactly which savings would be allowed as efficiencies?

274. Mr Pengelly: I cannot remember. We issued that guidance a couple of years ago. I think that we tried to define, in broad terms, what we saw as efficiencies, but I am not sure that it was completely prescriptive.

275. Ms Purvis: Do you think that that guidance needs to be reviewed?

276. Mr Pengelly: I think that as we move into the next process in 2011-12 and beyond, we will certainly refresh all guidance. We intend to produce comprehensive guidance on all components.

277. Ms Purvis: You made the point about when a Department does well in delivering efficiencies. The Committee raised concerns that some Departments may deliver efficiencies better than others. DFP undertook to do a review of the comparative impact of efficiency savings on different Departments. Have you carried out that review?

278. Mr Pengelly: I was not aware that we had undertaken to do such a review.

279. Ms Purvis: It is in the Committee's report on the Executive's draft Budget. The Department undertook to review the situation with respect to the comparative impact: in other words, that some Departments do well in delivering efficiencies and maybe others do not do so well. Have you looked at that overall?

280. Mr Pengelly: We continue to monitor how well Departments are delivering efficiencies.

281. Ms Purvis: Is that done centrally?

282. Mr Pengelly: Yes, we do that twice a year. We collate information on Departments' target efficiencies, how those are being delivered, whether the efficiencies have been delivered or whether they are on track for delivery, and what the risks are.

283. Ms Purvis: How do you validate whether efficiencies as opposed to cuts are being made? Do you depend on Departments' information to do that?

284. Mr Pengelly: Yes. Ultimately, money is being taken off Departments, and they have set out their efficiency plans. In many ways, we look to the Committee structure to ensure that there is a healthy debate. We ask Departments to publish their efficiency delivery plans, so that their respective Committees will apply oversight and scrutiny on that point.

285. Ms Purvis: Therefore, is your role to centrally monitor Departments' efficiencies by looking at figures as opposed to front line services?

286. Mr Pengelly: Yes.

287. The Chairperson: Are there any more questions?

288. Mr McNarry: I have just one more question. The Minister said yesterday and previously — and I was glad to hear him say it — that he was encouraging the Committee and individuals to initiate a debate on what he was talking about yesterday.

289. Mr Hamilton: Which we have done.

290. Mr McNarry: Pardon?

291. Mr F McCann: The Minister was talking about the Committees.

292. Mr McNarry: He was talking about a debate, and I am certainly up for a wider debate, hopefully, in the House.

293. The Chairperson: I am going to speak about whether the Committee should propose a motion for debate after we have finished talking to the officials.

294. Mr McNarry: OK.

295. The Chairperson: Richard, paragraph 3.24 of the 'Review of 2010-11 Spending Plans of NI Departments' states:

“the net impact is that the Executive faces an overall public expenditure pressure of £367 million".

296. Will you provide the Committee with information about that in a table, because that statement does not really give us the detail that we could be given?

297. Mr Pengelly: Yes.

298. The Chairperson: Also, will you elaborate on what the technical changes mean? It will make it simpler for us when we are doing our report.

299. Mr Pengelly: Yes.

300. The Chairperson: Thank you, Richard.

20 January 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Adrian Doherty Ms Deborah McNeilly	Department of Finance and Personnel

301. The Chairperson (Ms J McCann): I welcome Deborah McNeilly, finance director, and Adrian Doherty of the finance branch, Department of Finance and Personnel (DFP). Deborah will make a few opening remarks and then we will take questions.

302. Ms Deborah McNeilly (Department of Finance and Personnel): In 2009-2010, the Department faced pressures across business areas and, in particular, within the Land and Property Services agency (LPS). However, we hope that, with the outcome of the December monitoring round and as the February monitoring round approaches, those issues will be resolved and there will be an easement of the financial position in 2009-2010. However, we have always recognised that 2010-11 would be a challenging year, and in preparation for this, business areas across the Department had already been developing plans to live within their baselines.

303. As Members will have seen from the briefing paper, the most significant funding problem that faces the Department is in Land and Property Services. We will return to that later.

304. In the light of the draft revised spending plans, the Department is required to deliver further savings of £4·1 million in current expenditure, which is about 2·4%, and £2·1 million in capital investment, which is about 12%. Those are to help mitigate the wider financial pressures faced at the Northern Ireland block grant level. In view of that, and of the need for DFP to contribute towards it, business areas have had to re-evaluate their savings options and see how they can both contribute to those central reductions and live within their means. That has not been an easy task, but we have focused on it at departmental board level and across business areas.

305. Business areas have had to look at their statutory requirements — what they must do to maintain service delivery and to meet Programme for Government (PFG), departmental and ministerial targets — and to see whether there is any expenditure that they can stop. However, the nature of the Department is that there are no large taps that we can suddenly turn off. We cannot decide not to provide accommodation, IT or HR services. The challenge for the Department is to consider what it can do and how it can improve and do things better, as opposed to turning off anything obvious. The savings that have been put forward to manage the central reduction and meet internal pressures focus on different areas to streamline and improve, rather than turn off a large chunk of the Department.

306. All the business areas of the Department have in place plans to implement those savings, and steps have already been taken in some cases to start the chain of events that will deliver those savings. Delivering the required savings will be a challenge for us, particularly where there are staffing implications. If we are to make savings in staffing, there may be a need for redeployment, and helping staff to redeploy before the new financial year will be difficult.

307. The key message from the Department is that it has plans in place to deliver the savings required. Members will have seen from the paper that there are key issues, particularly in regard to LPS. It will be a very difficult year for us.

308. Ms Purvis: How were the figures of £4·1 million in current expenditure and £2·1 million in capital arrived at?

309. Ms McNeilly: As part of the ongoing review of spending plans, the Department was asked to submit options to central finance group and to the Minister. They subsequently reviewed those options and set the level of savings that the Department must deliver.

310. Ms Purvis: Is there any supporting information to show that those are appropriate amounts, that the delivery of front line services will be safeguarded, and that the Department will still be able to meet its Programme for Government and public service agreement (PSA) targets?

311. Ms McNeilly: I understand from the Executive's paper, which was agreed on the 17 December, that the Executive set the level of savings for the Department, particularly on the resource front, and took account of the fact that DFP's baseline was one of the few to be reduced in cash terms — by 1·4% — in 2010-11. I think that that was part of the consideration of the centre.

312. DFP provides front line services through the General Register Office (GRO), in respect of the registration of births, deaths and marriages, and Land and Property Services. The proposed savings, which are set out in our paper, do not apply to GRO or LPS. Although no reductions are being applied to LPS's current budget, it has a funding deficit. What was the second part of your question?

313. Ms Purvis: It was about what information has been used to arrive at those figures. How did the Department determine whether the amounts are appropriate and not detrimental to delivering front line services and whether it can still meet its PFG and PSA targets?

314. Ms McNeilly: As I said, we are not applying any reductions to front line services. The options were developed by the various business areas. The departmental board then reviewed and assessed them to see whether they were high-pain, medium-pain or low-pain options. The board also assessed whether or not the options would impede the delivery of our Programme for Government targets. The Workplace 2010 contract is the key target that will be difficult for us to deliver in light of the current economic climate and market conditions; that has already been highlighted. These savings have not been identified as having any further detrimental impact.

315. Ms Purvis: Do the savings that will be made from closing the rating policy division relate to staff costs?

316. Ms McNeilly: Yes.

317. Ms Purvis: If staff are transferred to another branch, that is not really a saving. Are staff actually leaving?

318. Ms McNeilly: Staff numbers will be reduced because that service will no longer be provided. Savings will, therefore, be made in that business area.

319. Ms Purvis: Will staff be transferred to other business areas?

320. Ms McNeilly: They will fill vacancies in business areas that have a budget for them.

321. Ms Purvis: OK. Where will Central Procurement Directorate (CPD) derive the realisation of income from? Does that include charging?

322. Ms McNeilly: Yes.

323. Ms Purvis: Is it a true saving in respect of the wider system if CPD will be charging other business areas?

324. Ms McNeilly: CPD provides discretionary services; Departments can go elsewhere, to a degree, for those services. Failing that, CPD will have to reduce its staffing levels and respond to the state of the market.

325. Ms Purvis: Is it possible for the information on each business area and the baselines for the 2008-2011 budget to be provided in a table so that we can make comparisons?

326. Ms McNeilly: So that the Committee can see the reductions that have been applied at business area level? Yes, we can get that for you.

327. Mr Hamilton: Dawn touched on the issue of the part saving from closing the rating policy division. I want to establish how that will work out. I presume that the Department is not doing away with rating or devising rating policy, so where is that division moving to?

328. Ms McNeilly: It will move into the wider central finance group. Until the recent round of reforms in the past few years, only a few staff were involved in rating policy. Given the high focus on it, staffing levels have obviously increased, and it is now about bringing them back to pre-change levels. Staff will be redeployed to funded areas in DFP or to other Departments.

329. Mr Hamilton: In the overall context, it is a small saving. However, it is significant on the scale of that division. Is it effectively administration cost, rather than personnel cost, that will be saved?

330. Ms McNeilly: It will be salary costs and associated general administrative expenditure (GAE). Therefore, administration expenditure will be reduced in that division. Where other business areas have budgeted for staffing levels and have potential vacancies or wastage, staff will be moved across into other funded areas.

331. Mr Hamilton: We can see where savings are being made on the capital side. We can see that it is not being targeted at front line services. In many respects, the Department is not customer-facing, with the notable exception of LPS. I suppose that it does not matter to customers whether spending on the Civil Service office estate is not improved annually, its IT equipment is not updated or data systems are not improved. None of that, in itself, affects customers. However, it could if it continues for a period of time. You mention, for example, reduced replacement of IT equipment. What does that mean in practice? Rather than upgrading systems or computers after three years, will it be four years? Is it just a matter of simply knocking any replacements down the line by a year?

332. Ms McNeilly: That business area has a £7·3 million capital budget for IT. The quantum of £300,000, therefore, is not a significant reduction for that area. For its replacement programme, that might mean that some equipment is replaced in the next financial year. However, it is not a big amount in the context of the overall capital budget.

333. Mr Hamilton: Clearly, if a system breaks down, it has to be replaced.

334. Ms McNeilly: It has to be fixed.

335. Mr Hamilton: I suppose that it does not matter whether someone operates a five-year-old computer as opposed to one that is four years old.

336. Ms McNeilly: With the IT Assist shared service centre being set up, the aim is to ensure that all Departments are sitting on similar assets. Some Departments had different standards of assets. Work is currently being done to standardise all of that. Afterwards, it will look at whether a new strategy for replacement should be adopted. At present, I believe that replacement is after four years, which could become four and a half years.

337. Mr O'Loan: I want to ask about staffing reductions. There is reference to redeployment of 90 staff. Out of roughly how many staff would that be?

338. Ms McNeilly: There are over 3,000 staff; around 3,300.

339. Mr O'Loan: Therefore, it is a small proportion of the overall number of staff. Did you say already that front line services would be protected?

340. Ms McNeilly: None of the reductions that are being applied to meet central requirements are being applied to front line service budgets.

341. Mr O'Loan: Where will the 90 staff who are redeployed in order to effect savings go? Do you anticipate that they will go outside the Department? If you simply redeploy them inside the Department, it is not obvious where any savings would be made.

342. Ms McNeilly: Staff could be redeployed either inside the Department or outside it. A business area may want to redeploy staff at a certain grade because of business change or need, but may require a member of staff at a different grade. Therefore, it will, effectively, try to recycle those staff. That means that staffing levels in a business area may be reduced. However, there may be critical requirement and budgeted staffing levels in another business area where there are some vacancies built in.

343. Mr O'Loan: I see. You will use redeployment to fill vacancies.

344. Ms McNeilly: Yes.

345. Mr O'Loan: You will fill vacancies rather than go to external recruitment.

346. Ms McNeilly: Yes, we will recycle staff, if you like, and try to maximise.

347. Mr O'Loan: I had anticipated that there could be redundancies in this.

348. Ms McNeilly: At this stage, we do not anticipate any redundancies. Further discussions regarding the figure of 90 are ongoing. We met the trade union side earlier this week. The number could be cut to about 60 because our permanent secretary has made it very clear to

business areas that they need to look at what else they can do before they start into high numbers of staff.

349. Mr O’Loan: Relative to other Departments, DFP is top-heavy in relation to senior staff. Has this exercise led to any sort of rethinking around that issue? Is the structure in DFP inappropriate?

350. Ms McNeilly: Obviously, the new shared service organisation has been set up. That has led to some restructuring in the central finance group, which has cut a grade 3. It has also cut one grade 5 and plans to cut another. However, as we go forward, I suspect that it will be revisited because 2010-11 will clearly be a difficult year, but 2011-12 will get more difficult.

351. Mr O’Loan: I welcome that small step in the thinking in those terms because the question is clearly significant in relation to DFP.

352. How is the equal pay issue bedding down in DFP? It bears differently on different Departments. Do you have any estimate of the recurring cost to DFP?

353. Ms McNeilly: We have received figures for 2009-2010 from colleagues in central finance group in relation to the costs of equal pay and the impact on us as a Department. In 2009-2010, the cover is being provided centrally for us. It is estimated that for DFP the recurrent elements going forward into 2010-11 will be in the region of £3 million.

354. Two things will impact on those figures: the pay award that was due to staff on 1 August 2009, which is currently the subject of negotiation with the trade union side, and any pay award or pay freeze implications going forward in 2010-11. All of those numbers together will impact on staff costs and the relative budget for the 2010-11 year. It is something that has been reviewed by the Department. Some money has been set aside for the ordinary pay award this year and next year. We will see, in relation to the outcome of that wider discussion on the pay award, whether there is any netting off from the costs of equal pay.

355. Mr O’Loan: Was the £3 million the cost of the equal pay element alone?

356. Ms McNeilly: It is in relation to the revised scales going forward for the next 12 months.

357. Mr O’Loan: That is quite substantial.

358. Ms McNeilly: Yes.

359. Mr F McCann: Paragraph 6.2 of your briefing paper states that LPS:

“has plans in place to realise current expenditure savings of up to £6.2m."

360. What level of staff reductions or redeployments will be necessary in LPS? What other plans are in place to achieve the necessary savings?

361. Ms McNeilly: LPS has had a detailed engagement on this. In the current year, 2009-2010, it has already made savings of £1·2 million, which has involved releasing some 40 temporary staff. Those savings will roll forward into next year. In addition, it is expected that LPS will have to drop about 37 further temporary staff. That will give combined savings of about £3 million when rolled forward with the associated GAE savings for those staff.

362. Action has been taken to redeploy staff within the agency, for example, from registration services because of the downturn in the housing market. It now has to work the temporary staff out of the system. There is possibly a need for some redeployment in LPS, but the figures are changing quite quickly, so I do not want to quote any numbers. However, the numbers are not significant for LPS. It is also trying to get further income in relation to mapping. It is working with the Department of Agriculture and Rural Development, which has an issue with regard to the need for mapping support. It is hoped that we will get additional support from that to mitigate some of the pressures in LPS.

363. One of the other issues is that LPS will be able to make a saving on its bad debt costs because of a change in the budgeting treatment. There are some references to technical issues in the consultation paper, and LPS will be able to make a saving of about £1 million simply from a technical change, and that has helped to mitigate the £6·2 million. Therefore, it has been taking significant steps to take the matter forward.

364. Mr F McCann: You spoke about releasing agency workers. Will they be redeployed, or will they lose their jobs altogether?

365. Ms McNeilly: The agency workers will no longer be employed by LPS; they will go back to the recruitment agency to find other work. There will be a general reduction in staffing levels in LPS, but it started down that road in 2009-2010, and it has realised savings by reducing the number of temporary workers. There was a peak in number of temporary workers because of the backlogs, but LPS has indicated that some of the backlogs have been addressed in respect of the administration of rate reliefs, revaluations and registration, and that has allowed it to reduce staff numbers.

366. Mr F McCann: In your paper, it states that there was reduced spending of £300,000 on data systems in Land and Property Services. I know that Land and Property Services has been going through a period of restructuring, but will that reduction in staff and lack of spending on new data systems not impact on its ability to deliver an efficient service?

367. Ms McNeilly: LPS has indicated that it will be able to manage the reductions that it has to apply. LPS developed that plan; it has not been imposed on it.

368. The LPS capital budget for next year was £2 million; therefore, the £300,000 is not significant this year. Its spend this year is about £1·5 million, but during the in-year monitoring round we will have to keep an eye on its needs in respect of IT equipment, and, if it does have an issue or a problem, we may have to reduce spend somewhere else and pass it to LPS. It is something that we are alert to, and we will keep an eye on it as we go through next year. However, at the minute it has indicated that the figure is reasonable.

369. Mr F McCann: When efficiencies are mentioned, I am always concerned that staff will be first to take the hit. If they are providing a service up to that date, it must have some impact. Over the next year, will a review be carried out in the Departments to ensure that it is not affecting front line services, or that they are not understaffed and unable to deliver the efficient service?

370. Ms McNeilly: Obviously it will have targets to meet, and it will have the expectations of the customers to meet, and there will be scrutiny in respect of councils, etc. From that point of view, there will be a lot of focus on whether it is still able to deliver the service that is required. We will have to respond if there are any issues, so there will be monitoring to that effect at those levels.

371. Ms Purvis: You said that LPS had £2 million capital for next year, and there is £300,000 reduced capital spend on the table, but in the September monitoring round, LPS made bids for

£900,000 and £300,000 capital grant. Those bids were not met, and the culmination of that is greater than £300,000.

372. Ms McNeilly: As part of the December monitoring round, we were able to internally reallocate LPS some money to meet its identified pressures, and even as part of the February monitoring round, LPS has been looking for another £100,000 or £200,000, and we have sought to provide that money. Therefore, in the current year, we have given LPS what it wanted.

373. Dr Farry: You also talked about the realisation of additional income into LPS. What does that involve?

374. Ms McNeilly: At the minute, LPS is looking at a new fees Order for land registration fees. It is required to recover full cost in land registration and, in the current year, because of the downturn in the market, and even though LPS has taken steps to significantly reduce staffing levels in land registration, it is not quite recovering its full cost. Therefore, it is looking at a new fees Order. It is also hoping that there will be a slight upward trend in the housing market that will give it a further modest increase. Overall, from those sources combined, it hopes to increase its income by about £1·2 million.

375. Dr Farry: The balance of that £6·2 million will be addressed from cuts, reductions, savings or efficiencies — however you term it.

376. Ms McNeilly: LPS's forecast increase in income is £1·2 million. The roll-forward of the savings made in the year 2009-2010 to a 12-month impact — the savings were only implemented late on in this year — gives £2·2 million. A further review of staffing levels, which represents another 30 or 40 temporary staff, will give savings of another £1·2 million. On top of that, there is the change in the budgetary treatment, which will give another £1 million. Those four actions bring us almost there.

377. Dr Farry: On a very superficial reading, LPS is ring-fenced from the direct financial savings and efficiencies in this round. There is a recognition that its budget is inadequate. It has got through the monitoring round, but, as you have identified, there is in effect a practical £6·2 million deficit to be addressed. Can you remind me of the overall budget set for 2010-11 for LPS?

378. Ms McNeilly: In 2010-11, LPS has a gross expenditure forecast of £55·9 million. Against that, it has an expected income, forecast before the increase which we talked about, of £29 million, and that gives it a net spend of £26·9 million. It has an available baseline of £15·7 million. That figure is net.

379. Dr Farry: Therefore, the budget allocated from the Northern Ireland block grant to LPS is £15·7 million for 2010-11. In practice, there is a working acceptance that that budget has a shortfall of about 40%, in relation to the net costs of running LPS.

380. Ms McNeilly: Over the last two years, LPS has had a deficit of £5 million per annum.

381. Dr Farry: If you compare the £6·2 million with the net running cost of, what is in effect, £26 million, you are talking about a 25% efficiency saving that LPS has to find.

382. Ms McNeilly: That is net. In gross terms, where expenditure is being reduced, that is against a gross expenditure budget of £55 million.

383. Dr Farry: Yes.

384. Ms McNeilly: LPS is trying to protect the income-generation aspect. Savings are having to be made be on the expenditure side.

385. Dr Farry: However, LPS is being asked to find a saving of 25% in relation to the net figure, which, for our purposes, is the money that is transferred to LPS. My point is that LPS is the main customer-facing organisation in DFP, and it is taking a 25% hit.

386. In the wider community, I am sure that there is no love for LPS, as compared to the Health Service. However, it is one aspect of the Department's work, and a customer-facing one, which is taking a disproportionate hit.

387. Ms McNeilly: Yes. The Department looked at options whereby it might take £11·2 million from the rest of the Department to put into LPS, and where money might be found for the purpose. However, that option implied 25% and 30% cuts to accommodation, Account NI, HR Connect and all of the other business areas. When that was considered at departmental board level, it was decided that the Department could not sustain the business that it had to provide in those areas. Other Departments would not have accepted that option either. We cannot withdraw services from those areas. You will be aware of the background to the situation in LPS. Some 43 changes and reforms have been made recently, and they have not received funds —

388. Dr Farry: That is the point that I was going to make. When the budget for 2008-11 was set, the level of reform that LPS would be asked to manage was not envisaged.

389. As a result of these changes, and especially in relation to LPS, what is your assessment of the risks to the delivery of services from these efficiencies?

390. Ms McNeilly: The total pressure facing LPS is £11·2 million. LPS has indicated that, if it were to make savings of £6·2 million and the Department was able to provide it with an extra £5 million of funding, it would be in the same position as it was in this financial year and should be able to continue with service delivery without a detrimental impact. It is focused on the priority areas of its business — the revenue and benefits side, which impacts on customers.

391. Dr Farry: Is that bravado on the part of LPS, or does the Department feel that those figures can be stood over and delivered?

392. Ms McNeilly: The Department feels that it is deliverable, given that £5 million has been required in each of the previous two years. A significant increase in revenue is forecast for next year. The board and the permanent secretary are monitoring that.

393. Dr Farry: Do you anticipate changing the risk assessment of a deterioration in the service in that aspect of the Department's work as a consequence of those savings?

394. Ms McNeilly: Not at this stage, no.

395. Dr Farry: Can the move from 100% grants for capital investment to 50% grants be viewed as something of a false economy?

396. Ms McNeilly: The reduction of grants to 50% means that other business partners will have to put 50% into capital projects. Therefore, they will have to be more committed to those schemes than they have been in the past, when they got 100% grants. This will allow those partners to put in their share of the investment, and they will benefit from 100% of the savings.

397. Dr Farry: Will we have to factor in any resource implications to the figures?

398. Ms McNeilly: Are you referring to the savings?

399. Dr Farry: Yes, the savings that can be made from the running costs.

400. Ms McNeilly: The savings can be realised by district councils or by other public bodies such as libraries. Those bodies get to keep 100% of the savings that they make from energy efficiency.

401. Mr Weir: I appreciate the logic that, at a certain level, a 100% grant is unrealistic. Will a reduction of that nature, which is intended to save £1 million, act as a discouragement to save public money? Logic suggests that reducing a 100% grant to 50% makes it less attractive. How does the potential reduction of the energy efficiency fund fit in with the concept of invest to save?

402. Ms McNeilly: It is not my area, but a new carbon reduction commitment is coming into effect. Although we are reducing central energy efficiency fund grants by 50%, that reduction will not dispel the interest of public bodies in this area, because it may have cost implications for bodies that are not in the right place in the league table for their use of carbon. From that perspective, there is going to be an increased focus.

403. Mr Weir: If I were being cynical, I would suggest that some carrot is being taken away and being replaced with more stick.

404. Ms McNeilly: A stick is possibly being introduced at central government level as a result of an EU directive.

405. Mr Weir: You are taking away the carrot and handing the stick to someone else.

406. Ms McNeilly: Quite possibly, yes. There are EU aspects to it. As I said, it is not my area, but it is being driven by central government.

407. The Chairperson: Declan asked about staffing reductions. Evidence shows that DFP has a high percentage of higher earners in the Senior Civil Service (SCS), who earn a substantial amount of money. In DFP, 97 staff earn between £50,000 and £71,000, eight earn between £71,000 and £82,000 and 14 earn in excess of £82,000. Why is that the case with DFP? Is there any suggestion that a review or an assessment of that will take place?

408. Ms McNeilly: Staff numbers have been reviewed as part of the ongoing work in developing options, and SCS levels have been reduced. The reductions are modest, but a start.

409. In DFP there are professional grades — for example, the Departmental Solicitor's Office — where pay scales tend to be higher than in some of the administration grades. On pay in general, the Executive asked for options such as a pay freeze and a hold on recruitment or promotion to be considered as part of the engagement on revised spending plans. Central personnel group and corporate HR are looking at those options on behalf of SCS staff and non-SCS staff across the Civil Service. I understand that a submission or a paper from them on the issues involved will be going to our Minister.

410. The Chairperson: I thank the witnesses for attending.

11 February 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr David McNarry
Mr Adrian McQuillan
Mr Declan O'Loan

Witnesses:

Mr Sammy Wilson	The Minister of Finance and Personnel
Mr Michael Daly Mr Richard Pengelly	Department of Finance and Personnel

411. The Chairperson (Ms J McCann): I welcome Minister Sammy Wilson, Richard Pengelly and Michael Daly.

412. Several pieces of correspondence are included in the Committee packs for members, including the Minister's statement to the Assembly on the review of the 2010-11 spending plans, the accompanying consultation paper and a copy of the response from the Confederation of British Industry (CBI) to the spending plans. Are members content to include that paper, which we did not receive in time for yesterday's meeting?

Members indicated assent.

413. The Chairperson: Minister, perhaps you could make a few opening remarks, and I will then open up the meeting for questions.

414. The Minister of Finance and Personnel (Mr S Wilson): My introductory remarks may be a bit repetitive, but they set the scene. We have gone through the spending plans a couple of times in the Assembly, and I know that the Committee has gone through them with officials, too.

415. On 12 January 2010, I set out the Executive's proposals for the review of the 2010-11 spending plans. Although in the previous two years the Executive have been able to address emerging pressures through the in-year monitoring process, last summer, I took the view that the amounts involved for 2011 were simply too large and that early intervention was needed. For that reason, I initiated the review of the 2010-11 spending plans.

416. The Executive face a large number of pressures and easements next year. The main issues are water charges, the level of overcommitment and the equal pay claim.

417. The original funding applications to the Northern Ireland Departments for 2011 were based on domestic water charges being in place next year. However, following an agreed deferral by the Executive in November 2008, charges will not be introduced in 2010-11. That will save the average household around £400 next year. However, the net cost to the Executive will be £119·7 million in current spending and £93·3 million in capital investment.

418. The planned level of overcommitment for 2010-11 was £60 million, down from £100 million in 2008-09. In light of the progress that has been made — I am glad to see Departments spending their full allocations — it was decided to reduce the level of overcommitment to zero. That is not a failure. It should be regarded as a success in so far as Departments can now look

at the Programme for Government (PFG) and the commitments that they have made in it and, rather than underspend, spend in accordance with the programme. The result of that is, of course, that we cannot rely on an overcommitment at the end of the year. However, the good news is that, if we reduce the level of overcommitment, we will have greater scope to address emerging pressures as part of the in-year monitoring process, because we will know that we do not have to look to end-year overcommitment.

419. The formal proposal on the equal pay claim was made to NIPSA in November 2009. It was overwhelmingly accepted, and my officials are consulting on the logistics. We hope that payments will be made as soon as possible. There is a gross cost to the Executive as a one-off payment, which is expected to be in excess of £160 million. We put down that it would be within the range of £155 million to £170 million, and I explained why there cannot be a definitive figure at present. That will be offset by the £100 million of support that was negotiated by Nigel Dodds in 2008.

420. Other minor figures are outlined in the review of spending plans booklet, but the total cost of all the pressures and easements facing the Executive will be £217·1 million in current spending, which is 2·4% of the 2010-11 Budget, and £149·9 million of capital investment, which represents 10·2%. That is lower than the level of funding left unspent by Departments at the end of 2005-06, when there was a £378·1 million underspend. Although a large amount of savings will be reallocated to other public services, there will be only marginal changes in the overall level of planned spending in Departments. The tables in the booklet provided to members show that the net impact on total capital spending is minimal.

421. Capital receipts was the one area on which the Executive agreed to defer formal consideration until the 2010-11 in-year monitoring process, and that was because of continuing volatility in the property market. Slippage is expected in the Royal Exchange project, which falls under the remit of the Department for Social Development (DSD), and in the waste management project, which falls under the remit of the Department of the Environment (DOE). That slippage is expected to provide enough scope to offset most, if not all, of the shortfall in receipts.

422. The other element in the Budget was the invest to save fund. Although there were immediate issues to address, I am also critically aware of the public expenditure constraints that the Executive will face in coming years as the Government seek to reduce borrowing to a more sustainable level. Although the position remains unclear, the most likely outcome for the Executive is flat cash, or, to use the Prime Minister’s term, 0% growth — I am not too sure how you get 0% growth — in current spending and a reduction in capital spending.

423. In response to that, I established a £26 million invest to save fund to provide Departments with upfront investment, which is often needed to deliver savings. To date, about 60 proposals have been received from Departments. Those will be assessed on the amount of savings compared with upfront costs, and on quality and deliverability. We have to make a judgement on those, and I will announce the details of the allocations to Departments from the invest to save fund when finalising the revised plans for 2010-11.

424. The Executive examined a range of alternatives to achieve the savings required for 2010-11, but the only realistic option was to reduce existing budget allocations to Departments. In order to maintain the maximum delivery of front line public services, the Executive agreed to a targeted approach, with the Department of Health, Social Services and Public Safety (DHSSPS) having the lowest percentage savings target for current expenditure at 2·1%, and the Office of the First Minister and deputy First Minister and the Department of Culture, Arts and Leisure (DCAL) having the highest at 5%. I am sure that you will understand, Chairperson, that that will be dead popular with my party colleagues who are Ministers in those Departments, but the decision was based on sound judgement and on the information available.

425. In deciding upon the level of savings for each Department, consideration was given to the broad range of contextual factors, which included evidence of inefficiency and spending performance in recent years. The Departments were also asked to provide an indication of the actions that they would take to deliver an upper limit of savings. That formed the basis of the initial recommendations to the Executive, which were subject to significant discussion among Ministers and special advisers before we arrived at the proposals that were agreed on 17 December by the whole of the Executive.

426. Inevitably, there will be calls for one Department or another to be asked to deliver a lower level of savings or, perhaps, none at all. However, that would require additional savings to be made in other Departments. The main call has come from DHSSPS, but, given that the other Departments account for only 50% of the Budget, it would not have been practical to impose all of the changes on that 50% of the Budget. That was simply not a workable solution.

427. As far as the consultation process is concerned, I hope that the Committee will appreciate the need for the final revised spending plans to be in place before the start of the new financial year. As I have already put on record, I would have much preferred the entire process to have been completed before Christmas. Unfortunately, however, that means that there is only a limited time available for consultation with the Assembly, although a number of interesting points were made during the take note-debate on Tuesday.

428. To facilitate the process, I have published a consultation document that sets out the changes in the public expenditure context and the Executive’s proposed response. I have also asked my Executive colleagues to publish further details on how they intend to deliver the additional savings that were proposed by the Executive for their respective Departments. During the take-note debate, I said that I was disappointed with the lack of progress in that respect. I have written recently to Ministers to remind them of the importance of transparency in the consultation process.

429. I am most grateful to the Committee for the role that it plays in putting forward its views on the Executive’s spending proposals as well as in co-ordinating the responses from other Committees. I understand the difficulty that the Committee has in co-ordinating the responses if the other Committees have not yet received the necessary information from their Ministers. I also appreciate the logistical challenges that are involved. I would be most grateful for a response from the Committee by the end of February — I hope that you will keep members in to get that done, Chairperson — or as soon as possible afterwards in order to allow the Executive to consider fully the views of the Assembly.

430. Before I take questions from members, I must stress that the draft revised plans at Executive and departmental levels are only proposals at this stage. I do not believe that my ministerial colleagues and I are all-knowing in respect of every single aspect of the work of Departments and the impact on the people of Northern Ireland. Therefore, we are open to any suggestions as to how savings could be made in a different way to that which is being proposed by our individual Departments. I am most interested to know whether the Committee has any views about which Department, or Departments, should be asked to deliver more savings in order to reduce the amount that is required of another.

431. There is also the question of reducing the level of overcommitment to zero and the invest to save fund. Does the Committee think that the Executive should go further, given that that would require further savings to be made? Those are some of the issues on which I would certainly be pleased to hear the Committee’s views. For the rest of this meeting, I am quite happy to take questions. I hope that, if I do not have the answers, my officials will.

432. The Chairperson: Thank you very much. The Committee has heard evidence that there should be a more strategic approach to efficiency savings. The people who are in the most need in our communities should not bear the brunt of those efficiency savings. Front line services should not be affected. The Committee has heard evidence from witnesses that, rather than top-slice budgets within individual Departments, a more strategic approach should be adopted. That is the view of the Committee, too.

433. The Minister of Finance and Personnel: I am pleased that the Committee endorses the approach that we have taken. We do not want to top-slice because it is not strategic in any way. There is some difficulty. The only instruction that we can give to individual Ministers is that we have adopted a strategic approach at Executive level; it is up to Ministers to respect those judgements at Executive level by ensuring that savings are directed, as far as possible — it may not always be possible — to areas that do not affect front line services. They could consider more innovative ways for Departments to do that.

434. We can provide the top-level strategic guidance, but it comes down to Ministers. Committees can probe Ministers' plans to ensure that they do not simply go for the headline-grabbing cuts, as some of the more cynical ones might decide to, or for options that they know the Committee will refuse to accept, hence creating pressure that cuts should be made in other Departments. That is a departmental management problem, and it is the Committees' job to probe to ensure that Ministers do not behave in that way.

435. Mr McLaughlin: You are very welcome. At the outset, I want to say that this is a very challenging exercise; the Minister has made a fair fist of it. There is no point in picking at it unless we have the feedback from the other Departments. There may be some issues.

436. The Minister made a valid point about getting advice and assistance from the Committees, and he mentioned innovative ideas. In an ideal world, that type of synergy might exist. We might be moving in that direction, but these plans were prepared during the maelstrom of negotiation and questions about whether we were facing an election. It would not be surprising if some people were keeping their powder dry and if we have not seen the colour of their money. You, as Minister, had to take the lead and make decisions, and that is exactly what you have done. It is now up to Departments to respond. I hope that, when developing our composite response, we will have the benefit of detailed consideration from individual scrutiny Committees. It is a collaborative process, inherently at least, but it does not always work out that way.

437. I will talk about process for a moment. During the take-note debate on spending plans, I said that there needs to be more access to achieve that type of collaboration and ownership in the budgetary process. People do not have the information and are driven back into partisan perspectives. That does not make it easier to identify innovative responses to challenging economic circumstances or come up with mature and well-considered arguments because there may be a need to challenge ministerial proposals. That could be entirely valid but, more often than not, a partisan or party political perspective impinges on the process. The Minister should seriously consider how the Budget process can be opened up to the Assembly and when that can happen. In the timeline that has been outlined, we will struggle to provide an adequate consultation process. We will do our best, and the other Committees will respond to the deadline that we have had to impose. However, it is not the best approach.

438. The performance and efficiency delivery unit (PEDU) is a very good idea. I am concerned that we have not sold its benefits to individual Ministers. PEDU can bring expertise and assistance to those Ministers, within their own autonomy and departmental operational authority. Departments should be open their hearts as well as their books to PEDU; that message has not been delivered. That would help the Assembly to respond adequately and in the best way to the ongoing economic challenges in the period ahead.

439. The Minister of Finance and Personnel: Thank you for your remarks about the process. As I said, I do not regard the proposals that I bring forward and the judgements that we make as all-knowing because, of course, I cannot be on top of the detail and issues of every Department. That is why the entire exercise — the Executive making a decision, it going out for consultation to the Committees and the Finance Committee collating the responses — is very important.

440. I understand your point that that takes time. One of the reasons why I first took the paper to the Executive in September was to try to allow for a longer process. The last thing that I wanted was to make a statement in January and to have a report by the end of February. I take the point that the member has made. I am not going to blame anybody, but this paper did not get to the Executive for three months. For that reason, there was a delay in the whole process. Through the Agreement at Hillsborough Castle and the working group that has been set up, we are trying to find out how we can get papers through the Executive more quickly so that the kind of work that Committees need to do can be done and so that we do not end up with some Bills being given accelerated passage when they should not be — as has happened with some Bills in the past. In that way, we can avoid having a truncated process for this very important issue, which should be the subject of a lot more debate.

441. I hope that, in providing information, we have been as transparent as possible in outlining the pressures that we face and the easements that are available and that we have explained how we intend to deal with those issues. I hope that we have explained that if we are not dealing with some issues now, we will deal with them later. I hope that we have explained that we have delayed dealing with some issues, such as capital receipts, because of the volatility of the market, and so on, but that we are fairly certain that we can deal with them as part of the in-year monitoring process. I also hope that we have explained that we felt that we had to take the approach that we did because in-year monitoring would no longer be a suitable vehicle for dealing with the level of pressure that we were experiencing.

442. If there are requests for other information, I am more than happy to consider them so that the debate can be as full as possible and people can take ownership of the Budget. There is no point in people saying that they are not happy with the Budget because they did not feel that they had enough information on which to base decisions or enough time to judge it. In the document that we have produced and the figures that we have given previously, we have tried to paint as honest a picture as possible and to give the details behind it. If additional information is requested, we will respond where we can.

443. The member mentioned PEDU, and I am, in fact, sold on the idea of it. When I was Minister of the Environment, I was one of the first Ministers to use PEDU. At that stage, the Planning Service was taking a lot of stick for not delivering and for not meeting all the targets for either major, minor or intermediate projects. We were in the process of carrying out some planning reforms. Some measures were already in place, such as the streamlining of planning applications at local government level. I genuinely wanted to see how we could make the Department more efficient. I viewed PEDU’s involvement as being of benefit to me rather than a threat. To my mind, if I could deliver a more efficient planning service, it would mean kudos for me and the Department.

444. Sometimes having an independent pair of eyes to look at such matters can be valuable. In the case of the Planning Service, it proved valuable. When Nigel Dodds was Finance Minister, he did the same with the Land and Property Services. It, too, had been the focus of a lot of criticism, and, again, PEDU was brought in to carry out a review, and the service is now working through a programme of actions. I believe that a review of the actions taken is due at the end of the month.

445. So, I have seen the benefit of PEDU's work in two different Departments. When Ministers told me that they were finding it difficult to meet the efficiency savings being asked of them, I suggested that they bring in PEDU. I made that offer to the Health Minister in November or December last year, and he has not taken that offer up, although I do not know why.

446. One of the reasons why I resisted the motion that some of my colleagues tabled about imposing PEDU on Departments was that I wanted to sell the benefits of PEDU. I want Departments to welcome PEDU in, rather than have them feel that PEDU is being imposed on them because they have been bad or have failed to do the job that a Minister or a Department is meant to do. That will continue to be my approach. However, all I can do is make the offer to Ministers. I would like them to look at the impact that PEDU has made. It can be seen immediately with the Planning Service, which has now improved its delivery on major, minor and intermediate applications; it met its targets for the first time in the whole PFG period. That may be the way to sell PEDU. I would be more than happy if the Committee, or Committees, could encourage Ministers to use PEDU. Ministers should not see PEDU as a threat, which is why I have resisted imposing PEDU on Departments.

447. Mr Weir: We can all speculate as to why some Departments seem reluctant to use PEDU. There may be some suspicion among Ministers who feel that it would challenge their carefully cultivated sense of victimhood or martyrdom. That may be speculation, but we should find better ways of doing things. We should all try to ensure that we get value for money and the best possible quality of service. Sometimes people look at PEDU as being useful only in an economic or money-driven situation. However, sometimes it is about the way in which things are being done and about improving quality.

448. Minister, you indicated that you are seeking specific proposals from Departments as to how they will allocate their budgets. What is the timescale for that?

449. The Minister of Finance and Personnel: We need a report from the Committee by the end of February. Therefore, this Committee probably needs to get reports from each Committee by the end of next week, as it will probably take the Committee a week to deal with them.

450. Mr Weir: Some issues were mentioned consistently throughout the take-note debate on the spending plans — with a few honourable exceptions where some Departments were concerned. Although I appreciate that there was a delay in getting things to the Executive, every Department must have know the ballpark figures in September, because no one saw an alternative route. It is frustrating, both for the Committee and individual Assembly Members, that, in the case of a lot of Departments, we are looking at blank pages where their plans should be.

451. Individual Assembly Members see the rough cut of the Budget as being a fair attempt to spread the pain and the tough choices around. However, it is more difficult to assess what impact the Budget will have on individual Departments. During Question Time in the Assembly, some Ministers were asked about its impact on their Department's capital budget, and Members were told that they are still making up their minds. That makes it difficult to get a broader picture of the individual departmental budgets and to work out whether Ministers' assessments are right.

452. I welcome the invest to save fund. It appears to be a sensible initiative. How was the figure of £26 million arrived at and is it felt to be an adequate amount? Are there any incentives for Departments to put forward proposals? I appreciate that there have already been around 60 bids for that funding.

453. It is often said that Northern Ireland Departments are somewhat risk averse. At times, Departments in Northern Ireland can also be change averse, and, unless they are pushed into things, they tend to sit back and feel that they way that they work is largely all right. It must be ensured that Departments that seek to maximise the benefit to the public through measures such as the invest to save fund are incentivised rather than penalised.

454. Are there practical constraints that explain why the level of expenditure on the invest to save fund should be capped? For example, if we had 100 good ideas that could save a large amount of money but would require a certain amount of investment, would those face practical limitations? Is there any sense that there would be flexibility that would allow people to come forward with properly worked-out suggestions that would lead to considerable savings in the long run? I would hate a rigid position to be taken and for suggestions not be looked at because they do not fall into the top categories. That might result in an opportunity being missed. Can you explain more about the invest to save fund?

455. The Minister of Finance and Personnel: I shall go through the points that you made. You are correct to say that PEDU is not only about seeking out areas where money can be taken out of budgets; it is about performance and delivery. Sometimes, that means simply looking at the ways that things are done, and that does not necessarily have to involve costs, nor does it mean that money will be taken from budgets. The whole idea is that, if things are done better, more can be delivered for the money that has been allocated in the Budget.

456. Perhaps there is a misunderstanding that PEDU involves officials from DFP going to Departments to try to find ways of reducing spending in order to take money off them. In fact, PEDU is intended to help Departments to deliver even more with their budgets and to deliver more efficiently. As Mitchel said, that is one of the arguments that should be put forward in selling the merits of PEDU. It is not a matter of finding ways of cutting Departments’ budgets but about helping them to produce more from their budgets.

457. I am a bit disappointed that Departments have not produced spending plans. Normally, those are included in the spending plans booklet, but, when we made the decision on 17 December 2009, Ministers were not able to produce those figures. Therefore, it was decided that the information would be provided by individual Ministers when they went to the relevant Committees.

458. The decisions that were made on 17 December did not come as a shock to Ministers. I cannot remember the exact dates, but, during and perhaps before November, my officials were talking to Departments’ finance officers. I then met each Minister and gave them a worst-case scenario. The scenarios that I presented to them involved figures that were well in excess of what was finally taken off them, except in the cases of the one or two Departments from which we took the maximum amount. I asked each Minister to outline how they would take x amount off their budget if they were required to do so. I asked which projects they would save money from.

459. Therefore, Ministers had an idea of the maximum figure that could be taken off their budgets, and they had also had long discussions with me about how they might deliver that. I had to respond to some of the suggestions that Ministers made by telling them that it had to be a serious exercise, not a cynical one. Nevertheless, Departments were aware of what might result from the review, and, therefore, there is no excuse for the information on spending plans not to have been provided to the Committees. To be frank, if the Assembly is to work properly, and if Committees are to scrutinise their Departments properly, that information must be available to them.

460. You asked where the figure of £26 million for the invest to save fund came from. Given the constraints that existed and the savings that had to be made, I had to judge what the maximum was that we could afford, and £26 million was the figure that I came up with. If members think that the invest to save fund is a brilliant idea and that it has much more scope, maybe one of the Committee's proposals will be to push Departments a little more to make savings so that there is a bigger fund to satisfy the number of applications that have been made.

461. I am not sure about the value of the 60 applications that have been made to date, but Departments that are looking ahead will see that the scheme is a valuable tool and resource for them. All Departments know that their budgets next year will not be more generous than they were this year; their budgets will be much more constrained, so now is the time to start looking for savings.

462. You made a point about incentivising Departments, and that is what the £26 million fund is for. Very often, Departments are change averse because it will cost them money to make changes. We are saying that we will remove part of that constraint by making money available for bids that Departments submit to effect change. Therefore, we are giving Departments an incentive and are trying to make them less change averse. All Departments have to face the fact that, regardless of whether they are change averse, change will be required because of what we are told will be the budgetary position after the next election.

463. Mr Weir: Could we give Obama a run for his money?

464. The Minister of Finance and Personnel: Yes we can. [Laughter.]

465. That was the reason behind the £26 million fund. The fund is probably too modest. I had a very good discussion with the Agriculture Minister, who made some very positive suggestions on how she could save considerable sums in forthcoming years if some money was made available to her.

466. We will have to look at all the applications and, given the limited amount of money, assess their upfront costs, the speed at which they can be delivered and the amount of saving that they can make. Those judgements will have to be made, but it will not be easy to make some of them. Given the level of applications, some Ministers will be disappointed.

467. If the Committee thinks that invest to save is a worthwhile exercise, I would be interested to hear whether members feel that we should go back to Departments to suggest that they make greater savings to increase the size of the invest to save fund.

468. Mr McQuillan: I also want to ask about the invest to save fund. Minister, I thank you for coming to the Committee and being so open and honest with us this morning.

469. What criteria will you use to decide which of the 60 projects to run with? You said that you had meetings with each Minister to let the Departments know what the cuts would be so that they could have their say. Some Ministers seem to have accepted that, but others have jumped up and down and made very public their feelings. What did those Ministers say to you in your private meetings with them? Did they say that they would accept the cuts, or did they say that they could not live with them under any circumstances?

470. The Minister of Finance and Personnel: The exercise that I engaged in was to ask Ministers where they would make the savings if they had to. No Minister, at that stage, said that he or she did not believe that savings could be made. Some Ministers came with a list, which we looked at, and it was quite clear that that list was political. I am not going to say which Ministers did that. However, the lists were designed to make me blanch, shake at the knees, and say that I could

not possibly make cuts to those Ministers' Departments because the public consequences would be too high.

471. I emphasise that I am not the one who is doing this to any Department: it is an Executive decision. The Executive fully endorsed the paper that was put forward, and a collective decision was made. Almost all Ministers made suggestions. One or two who did not went away after our conversation to look at what their Departments could do. Ultimately, that is something on which Committees must hold Ministers to account. Ministers cannot be allowed to get away on that one. If the Budget is agreed, the Ministers and the Departments are obliged to fulfil the wishes of the Assembly and the Executive and to work within the budgets that they have. Therefore, sensible engagement is better than Ministers burying their heads in the sand.

472. We will look at three things around the invest to save fund. First, we will look at how much a Department is asking for. Secondly, in relation to that amount, we will look at the savings that the Department projects will be made as a result of that and over what period of time. Thirdly, we will judge whether the Department's project is deliverable or whether it is fanciful. A Department cannot simply claim that if it gets a certain amount of money it can save another amount. Those are areas in which we will make a judgement. The quicker the payback period, the better; however, a Department may propose a longer payback period for a project that is much more deliverable, will have longer-lasting and more beneficial consequences, and will help that Department to meet a target as laid out by the Executive. If that is the case, that project may be given priority over another. To a certain extent, the exercise cannot be objective. There will be a degree of subjectivity.

473. Mr McQuillan: Which Departments have put in bids, or is it too soon to say?

474. The Minister of Finance and Personnel: There are 59 proposals from eight Departments. The Departments that have not put in any returns so far are the Department for Employment and Learning, the Department for Social Development, and the Office of the First Minister and deputy First Minister. All other Departments have put in a number of bids. Some Departments have even put in bids for more than the total sum of the fund, and I will be having a chat with those Ministers to find out whether they would like more money to be taken out of the Budget this year and more savings imposed on Departments so that we can increase the invest to save proposals.

475. Mr O'Loan: Thank you, Minister. I have a number of questions to ask, and perhaps you can deal with them en bloc. At the outset, I do not want to cause any offence.

476. The Minister of Finance and Personnel: Of course you do. I would be disappointed if you did not. [Laughter.]

477. Mr O'Loan: What difference does a Minister make in this situation? It seems that there has been a steady approach to making the £370 million cuts. With the exception of the invest to save idea, which I will come back to later and which I support, that seems to have been done very much on a technical basis. There has been a "Civil Service" approach to the business. I wonder whether you regret not having a more fundamental rethink of the budgetary position at an earlier stage when the economic downturn hit. Having political participation in that would have been very binding on the Assembly and the Executive. It would have helped to re-establish priorities, and may have prevented recent crises.

478. Looking beyond the next financial year, has the case for Northern Ireland's needs been presented to the Treasury? Furthermore, has the Minister any knowledge of the Treasury's thinking on the 2011-14 Budget, and have any plans been made? The planning for next year

should have a strategic focus and a feel of how those plans will mesh with the plans for the following three years.

479. The Minister also said that two capital realisation projects have been dropped: the Royal Exchange project and the waste management project. Obviously those projects are important and will need to be carried out in the future. What is the Minister's thinking on those issues?

480. Peter Weir asked the question that I wanted to ask about the invest to save fund. Where did the figure of £26 million come from, because it seems to have been snatched from mid-air? I support the concept of that fund, and I feel that more money should be put into it, even at the expense of other things. Does the figure of £26 million indicate that the Minister already has some projects that he believes will be winners?

481. The invest to save fund is problematic in that the payback period will sometimes be long, and political courage is required to put money into something that will not pay back for quite a long time. I was shocked to discover that the average expenditure on tobacco per household in Northern Ireland is 80% above the average. Therefore, although a great deal of work has been done, more needs to be done to reduce tobacco consumption here. The payback for health will be colossal, but it will not be realised for a considerable time. I am not sure whether the Department of Health, Social Services and Public Safety has highlighted that fact, but it indicates that payback can take a long time, particularly in the area of health.

482. Finally, the Minister has detailed a cut of £150 million in capital expenditure, which equates to 10% of that budget. That cut must means that a large number of capital projects, which were anticipated to go ahead next year will now not go ahead, causing a great deal of grief, particularly in the construction sector.

483. The Minister of Finance and Personnel: I will go through the questions that you have asked one by one.

484. You asked whether the Department simply adopted a technical approach to the process. I hope that the approach was not seen as technical, because that would have meant imposing a pro rata cut on each Department. We have not done that. My Department has sought to target the cuts. The Departments that have had the lowest reductions — with the exception of the Department of Health, Social Services and Public Safety, which, because of the issues around health, has received the lowest reduction — are those which have traditionally supplied the infrastructure for a sound economy and support for industry. However, everyone will make the case that individual Departments play some economic role. Indeed, Barry McElduff recently made the point that the Department of Culture, Arts and Leisure (DCAL) was hit fairly hard, yet there is a role for arts and leisure in the generation of economic growth.

485. I am aware that Mr O'Loan constantly raises the question of why there has been no fundamental review of the Budget, but we are where we are with that. Furthermore, as I said in my introductory remarks, I took the view that the context had changed so much that we could not deal with the issue through normal in-year monitoring, hence the Department undertook the review.

486. We are still working to the Programme for Government that the Assembly laid down. Therefore, any review of the Budget had to be carried out in the context of the agreed programme. We are in its third year. Of course, there will be an opportunity to fundamentally review the Programme for Government and Budget for 2011-12 onwards. I reject the allegation that we simply took a technical approach.

487. As far as representations to the Treasury are concerned, we are in constant touch about the economic situation in Northern Ireland. Due to the possibility that some of those decisions will be political, I have also taken the opportunity to speak to Conservatives about the budgetary position in Northern Ireland and to make the case on the basis of need.

488. In trilateral and quadrilateral meetings, both the Welsh Minister and I have spoken to the first secretary of the Treasury about the way in which money is allocated. The House of Lords Committee indicated that the level of need is greater in Wales and Northern Ireland. Under the current Barnett formula, we have probably not been as well treated as Scotland and England. That conversation has also taken place.

489. I must say, however, that that is a double-edged sword. I am worried that, when the Barnett formula is opened, there is no guarantee that we will come out well. And the end of the day, it is a political decision. That is one reason why we have not only raised the issue of need, we have said that there should be some independent adjudication when there is a conflict between what the Treasury says regions such as Northern Ireland are entitled to and what we believe we are entitled to, so that it does not simply come down to a decision that is made by the Treasury. It is a bit unfair that the Treasury is the final decision-maker as well as the adjudicator.

490. Both the Welsh Minister and I are aware that opening that Pandora's box could actually be to our disadvantage; hence the need to look at how decisions are made when there is conflict or difference of opinion. That discussion has taken place and will be ongoing. I am not sure how often trilateral and quadrilateral meetings will be held. We have raised the matter and will continue to do so.

491. As regards capital projects that we will probably use in in-year monitoring — the Royal Exchange and the strategic waste-management programme — you are quite right: whether we use those projects to offset receipts that we do not get next year, they still have to go ahead. The Royal Exchange is an important regeneration project for central Belfast. We cannot escape the waste-management project because we have an obligation to meet recycling targets, etc. That is based on the fact that, although receipts will not be forthcoming this year, we know that they will eventually be found, because we will not be in the doldrums that we are in at present. Those capital receipts can be realised in the next year.

492. The waste-management project is spread over three years. Therefore, it is not as though all the money must be found next year if it is used to write off a receipt that we do not have: it can be spread over a three-year period.

493. My understanding is that a great deal of money for the Royal Exchange is for vesting property. When the project goes ahead, receipts will come in from it. Therefore, the cost of vesting will be recouped from private developers. That should not be an issue. That is why we are fairly comfortable about it. However, we will wait and see what happens in the property market; hence we are leaving it to monitoring rounds.

494. How will we deliver on important projects with a 10% cut in the capital budget? The member is quite right: this is not about just money; it is about schools, hospitals, roads, etc. Again, given the downturn in the construction industry, some low tenders are coming in, for example, on schools. Last August, I went to Whitehouse Primary School after it was burned down, and I spoke to officials there about the cost of rebuilding. They could not believe some of the tender prices, because, in a much more competitive market, we are getting 10% to 20% discounts on some capital projects. It is a keen market, so although less money is available, we hope that we can deliver the same number of projects as a result of that downturn.

495. Contract prices might have been much higher two or three years ago because there was plenty of work around. Now, public sector work, which accounts for 54% of total spending in the construction industry in Northern Ireland, can attract lower tender prices. As a result, we can deliver more projects. Many of the projects are now going out to tender, and the tender returns that have been received so far indicate that the market is keener. Therefore, I am not so sure that the 10% cut in the capital budget will be as big an issue as the member suggested.

496. If I missed a question, I apologise.

497. Mr O'Loan: I asked about the long payback period for the invest to save scheme. It is important that projects get support even if they have a long payback period.

498. The Minister of Finance and Personnel: As I said earlier, a number of criteria will be used for invest to save proposals. To be frank, given the pressures that we will face with budgetary constraints over the next two or three years, there probably will be a bias towards projects that will have a quicker return, because the savings will have to be made quickly. However, as we are looking at a combination of upfront costs, the amount of return from the spend, and the way in which Departments show that they can deliver on proposals, we might conclude that we should consider some projects with a longer payback period. Sixty projects have been proposed so far, and they seek more than three times the amount of money available. Given that sort of choice, we will have a good range of projects to consider.

499. Mr Richard Pengelly (Department of Finance and Personnel): Smoking prevention was the example that was used. That goes beyond normal financial invest to save measures. It highlights the importance of cross-departmental working. Health promotion budgets are sitting in the Health Department and at local authority level. In that example, better joined-up thinking between health, education and local authorities would allow better use to be made of the money that is available. Additional investment is not necessarily needed. That is a key example of the need for better and smarter ways of working, as distinct from pure additional investment.

500. The Chairperson: You spoke about budgetary constraints and using money more wisely. The Committee recently completed a report on public procurement. The report is embargoed, so I do not want to go into the subject in detail. However, given that local and central government spend £3 billion each year on public procurement, is there scope for Executive discussions about using public procurement more strategically to help the economy and realise social outcomes?

501. Has much thought been given to that in respect of the Budget, for instance?

502. The Minister of Finance and Personnel: Every six months, I chair the procurement board. Do not forget that it is not just the Department of Finance and Personnel that has procurement responsibilities.

503. The Chairperson: I am talking about at an Executive level.

504. The Minister of Finance and Personnel: There are centres of procurement expertise (COPEs) across all Departments, and they are qualified to carry out procurement within their respective Departments. The procurement board tries to take a strategic approach and bring all the Departments together to look at procurement issues. As far as I know, the procurement board has Executive endorsement. It is a more practical place to address some of the issues that you quite rightly identified in order to ensure that we get the most out of procurement and that we have the right rules for procurement — it is where they are already addressed. We want to look at how we ensure, within all the rules and regulations, that we do not disadvantage local firms in the procurement process and how we make that process as easy and as cost-effective as possible for them. Some firms have told me that they have spent a lot of time on, and made a

big resource commitment to, a large project, and we have sought to find ways to avoid firms having to duplicate that work each time they make a tender. Again, that saves firms money and makes it more efficient for firms to do the job. It also saves us money in that we do not have to evaluate fully, from beginning to end, every tender application. Therefore, work is going on to try to address the kind of problems that you are talking about.

505. Dr Farry: I apologise for arriving late to the meeting, but I was being interrogated by some of the Minister's colleagues about parades.

506. The Minister of Finance and Personnel: I hope you are not going to have an illegal parade in Bangor.

507. Dr Farry: Do not start me.

508. Mr McLaughlin: Perhaps there will be yellow banners.

509. Dr Farry: Moving swiftly on, I have two main questions. Continuing on my political kamikaze run, my first question is about water charges and the recent comments from the Economic Research Institute of Northern Ireland (ERINI) and the CBI, although the CBI's comments were perhaps less explicit. We heard from them that all the burden in trying to balance the books in the short run is being addressed through reductions in spending as opposed to any increases in revenue. Bearing in mind that things may get worse in the next comprehensive spending review (CSR) period, how sustainable is our current approach to addressing public expenditure in Northern Ireland?

510. Secondly, at what stage do we bite the bullet and accept that we will have to look to increasing revenue and shifting the debate from whether or not we increase revenue to how we do it and how fairly the system to manage it can be put in place? People have pointed out that there are opportunity costs arising from lost opportunities. The deferral of water charges and the freeze on the regional rate tend to benefit those who are better off in society, although I accept that there are issues in the margins. Those approaches are regressive, whereas there is a less obvious dependency on public services that may not be there if cuts are made.

511. The Minister of Finance and Personnel: You mentioned a political kamikaze run, but I think there is a more realistic debate around the development of revenue raising. You are probably right that the Assembly and Executive are a bit behind public opinion on the matter, but it would be unfair to say that we do not try to raise revenue. I had my fingers burned when, as Minister of the Environment, I increased planning charges by an average of 20%, and, even though they had not gone up for four years, I found that the Committee simply refused to accept them. In the end, reductions were made. Now, of course, complaints are made about the deficit in the Planning Service.

512. You are quite right: perhaps there has not been the maturity around some of those issues that the public expects from us. I want to ensure that we make the most effective use of the money that we raise at present. There is a judgement to be made about whether there is still waste in the system that we need to address. We want to avoid giving Ministers a safety valve so that they feel that they do not have to make any hard decisions in their Department because they can simply load the burden onto the public. Until we convince the public, and until I am convinced, about that situation, there will always be a reticence about introducing charges.

513. Having said that, there will be pressures because we are coming to a time when we will find that the amount of money coming from Westminster is to be reduced. We know that that will happen; it simply a matter of quantifying the amount, but we cannot do that at the minute because nobody will tell us. Neither the Conservative Party nor the Labour Party will tell us

anything until after the election. However, they are giving all the right hints about the direction in which they are going. That will put pressure on us, and it is inevitable that we will have to look at that issue.

514. The cost of water and sewerage is increasing because of EU requirements. It is not a case of asking, as I would love to on many occasions, what role the EU has in dictating to us what toe do. Because the Government at Westminster signed up to many of those directives, penalties and fines will be imposed if the requirements are not met. Westminster has made it clear that the fines will be paid by the people who have broken the terms of the directive and caused the fine to be levied. A massive investment programme is needed to deal with some of the pollution issues, especially around sewage disposal.

515. So far, the Treasury has allowed us technical changes to the way that the accounts are treated. People have asked about that in the past. It remains to be seen whether, if we continue to resist imposing water charges, all of those technical changes will stick or whether the Treasury will start charging us VAT or whatever, which will increase quite significantly the cost of water. All of those matters need to be considered in the future.

516. It will not be a case of there not being water charges this year and then there being water charges next year: they will be phased in. That will create a financial burden on the Executive anyway, depending on how long we decide to take to phase them in. Initially, however, the Minister for Regional Development has to deal with water charges; they are his responsibility. He has to bring a proposal to the Executive, the Executive will make a decision and that decision will then have to be endorsed by the Assembly. That is when the Assembly will have to show the kind of political maturity that was talked about.

517. The issue will be dealt with in that context. It would be much easier to sell it to the public if they felt that we are not squandering the money that we already raise from them.

518. Dr Farry: That is certainly a fair point. You have rightly accepted that it is far too simplistic to talk about cuts in administration being a bottomless pit versus actual cuts in services. Instead, you stressed the importance of re-examining priorities in Departments; keeping what is important and perhaps letting go of what is less important.

519. To take that to a new level, I have recently been looking at public expenditure statistical analyses (PESA), which are published by the UK Treasury. They compare the level of spending in each of the UK regions across the different sectors. In some areas, the variances in Northern Ireland from the norm are quite significant. There are some very large differences in overspend, and there are other areas in which we underspend. I accept that, since devolution, we in Northern Ireland set our own priorities, but there is a case for examining those figures and asking whether those distortions are justified in the particular circumstances of Northern Ireland or whether they are inefficiencies that have built up in the system over time.

520. Departments here could benchmark how they spend money compared with Departments in other UK regions; for example, they could compare the spend on health. My impression is that, compared with the UK average, we underinvest in mental health services but our health budget has an overprovision in capital at the expense of direct service provision. Perhaps that benchmarking could better guide us as to where we could reprioritise.

521. The Minister of Finance and Personnel: The Nuffield Trust's recent report on healthcare systems deals with some of the issues you raise. As regards bureaucracy in the healthcare system, other areas across the UK have reduced levels of administration, whereas our rate has increased from 70% to 170%, which is higher than the rates in other parts. I would expect

Committees to ask Ministers to justify why there is such as difference in spending per capita here compared with other parts of the United Kingdom.

522. When we looked at how Departments might be targeted, we took into consideration a range of issues, such as the amount of money that was available in the past, the implications for the Executive's top priority, evidence of inefficiencies and contractual obligations. We used figures such as those for the levels of underspend in specific areas in previous years and the amount of resources that had been made available to Departments, because there may have been a lot of growth in previous years and opportunities to take money back. A host of issues was involved, and we looked for potential inefficiencies. Those kinds of figures give some guidance on that.

523. Mr F McCann: I will be brief. I thank the Minister for coming this morning. I apologise for being late, but I was at another meeting.

524. Minister, you may have touched on some of these points, but, at the start of the process, I was under the impression that efficiencies or savings were not meant to impact directly on front line services. I sit on the Committee for Social Development, and it has received only the broad headings and no detail on the impact that cuts will have on the Department's ability to function. The Committee has announced almost £14 million of cuts. From what I gather, that will affect regeneration in communities, housing and, perhaps, maintenance. It will also hit the Social Security Agency and may impact on its ability to run itself effectively, especially its front line services. When Ministers put those issues to you, do you raise concerns about how they may impact directly on front line services?

525. The Minister of Finance and Personnel: As I explained earlier, in the run-up to the review of spending plans, officials spoke to finance officers in each of the Departments to suss out information. Obviously, we already had some information on Departments. I then met Ministers, and, in preparation for those meetings, I presented Ministers with maximum cuts for their Departments and asked them how they would facilitate them. They told me that money would have to be taken from one thing or another. That led to a discussion about why one measure was chosen over another and whether another measure could be chosen to avoid any impact that was likely to result from the first choice. Those were the kind of discussions that we had.

526. Ministers from the member's party are anxious about the matter as well. I cannot go in and paddle through Departments' budgets. Ministers will jealously guard their independence in making their decisions. However, I can give them some pointers about what they can do, based on my Department's assessment of their budget. Some of them looked for areas where they could make reductions without cutting front line services, but, as I said earlier, others treated it as a fairly cynical exercise and brought me a list of horror stories. The implication was that I could not cut their budget, because it would result in bad news stories appearing on the front page of the 'Belfast Telegraph'. That was a cynical move, and it was disappointing that there were such responses.

527. DSD took part in that exercise. We were aware of the sensitivities of some of the projects in which DSD was involved. DSD had a reduction in its budget of less than the average. Had we imposed the average cut on DSD, the reduction would have been almost £2 million more than it was. After our discussion, we were cognisant of the kind of pressures that existed, and we took the appropriate action.

528. I cannot direct Ministers to put the cuts or the reductions to certain budget heads; that is the responsibility of the relevant Minister. However, I hope that Committees question Ministers closely about the alternatives that they looked at before they reached their conclusions about what they would do with the various reductions.

529. Mr F McCann: That is the difficulty. Sometimes we are at a disadvantage, because we might be close to the debate, but we still do not know where cuts are to be made. We could guess, based on the information that we have been given. However, on the basis of what we have guessed and the scant information that we have been given, it seems that the Budget will have a dramatic impact on some aspects of delivery in DSD.

530. The Minister of Finance and Personnel: The recent Savills report on the Housing Executive reported that some of the Housing Executive's housing stock is over-maintained. I do not want to get into the nitty-gritty of that, because it is not my responsibility to say that Ministers should do this or that, but even a report that was commissioned by the Department indicated that there is scope for directing savings in a different way to how the Department is currently directing them. There would be a fair amount of resistance if I were to start dabbling in each Minister's budget. In any event, Ministers should know their Departments better than I do.

531. Mr Hamilton: I apologise for being late to the meeting. My question relates to what Fra said, and it might elicit a similar answer. I sit on the Committee for Social Development with Fra, and I see things that I am sure are replicated elsewhere. Following discussions with Departments and agreement on the level of reductions that they are to receive, the Departments take that reduction and pass it on fairly crudely. For instance, if a Department's reduction, or adjustment, is 2·5%, the Department passes that on crudely at 2·5% to every agency or budget line that they have.

532. Recently, we took evidence on efficiencies. Experts from academia and elsewhere pointed out that that is a crude device that does not tackle real efficiencies that could be made at a central level. In fact, it probably insulates the bureaucracy and administration that exists in many Departments and allows the responsibility for making efficiencies to be passed on. If you pass on that responsibility from the central bureaucracy in Departments, you are passing it on to areas in the front line that are going to feel the hit a bit more, although that is not to say that they should be exempted. What is your view on that passing on — passing the buck almost — of the responsibility for making efficiencies from the centre of Departments to elsewhere?

533. The Minister of Finance and Personnel: At a strategic level, we decided not to opt for pro rata cuts. I hope that that thinking filters down through Departments and that Ministers respond in the same way when considering parts of their Departments. Stephen Farry raised the matter earlier, and it is a very low priority in my programme for the Department and even in the targets in the Programme for Government. Should reductions not be made in a certain area rather than simply be made right across the board? Ministers should be involved in that exercise, and Committees should hold Ministers to account for it.

534. As I said earlier, my one regret in the whole exercise is that, although the Executive received the paper in September, a final decision was not reached until just before Christmas. An earlier decision may have given Committees a bit more time to probe the issues that have been mentioned. Nevertheless, since January, there have been opportunities for Committees to do that, and I hope that they will use the time to do so as best they can. Given that the process involves re-examining the Budget, I wanted to ensure that there was time to do that. Unfortunately, that has not happened.

535. The Chairperson: I do not want to keep you any longer because we have overrun, and I am concerned that we will lose our quorum shortly. Thank you all for coming along.

536. Just to give an indication of the timetable, at the moment, seven Committees have indicated that they are unhappy with the feedback from their Departments on the spending review. We will try our best to work through the responses that we have already received. DFP will have sight of those submissions before the report is produced. We are working under that

constraint at the moment, but I hope that we will be able to conclude the report within the timescale. The Committee will discuss those submissions next week. That is the timetable.

537. With the Committee's agreement, we can consider other ways to examine the situation. For instance, revenue-raising powers may be already there. As I have said previously in the Assembly and in the Committee, greater fiscal powers in the North might help us to secure more investment in the longer term. To see how useful such powers might be, we need only look at how the Treasury rules have delayed measures such as credit union legislation, which would be very beneficial to the whole economy, particularly in providing investment in areas of disadvantage and need. We have also looked at windfall taxes and the increase in fuel prices. As a Committee, we will consider revenue-raising options that are within the power of the Executive and the Assembly. However, I also hope that the Executive are having conversations at the moment about following the Scottish example to bring fiscal-raising powers to the Assembly and the Executive.

538. Thank you very much for coming along; we will work to the timetable as much as possible, using the information that we have.

539. The Minister of Finance and Personnel: I appreciate that. I would like to have the Committee's report by the end of February so that it can inform the paper that will go to the Executive in early March. This is not just a paper exercise; we seek the views of the Assembly, and the Committee is the channel for those views. I would appreciate it if the report could be done on time.

17 February 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Michael Daly Mr Paul Montgomery	The Minister of Finance and Personnel

540. The Chairperson (Ms J McCann): I welcome Michael Daly, head of central expenditure in central finance group, and Paul Montgomery from the central expenditure division of central finance group. If you would like to make a few opening remarks, we will then go to questions.

541. Mr Michael Daly (Department of Finance and Personnel): Thank you, Chairperson. We do not have a lot to say. We have provided the Committee with answers to the questions it posed. A lot of them were discussed during the oral evidence session, and, where appropriate, we have expanded on those answers. What we have to say may be a bit repetitive given the previous oral session. We are happy to take questions.

542. Mr McLaughlin: You are very welcome. We are all looking forward to another long session after yesterday's late-night plenary sitting.

543. In its response to the question on the focus on targeted savings, the Department explained the methodology used for determining various percentage savings across Departments, which included bilateral engagement between individual Ministers and the Finance Minister followed by a collective discussion at Executive level. It also described how, in the take-note debate, the engagement took account of budgetary pressures and areas for potential savings in the Departments.

544. The outcome of that engagement was supplemented by information from DFPs ongoing contact with departmental finance officials. Given the methodology, as it has been explained, what information or evidence exists to justify the final percentage savings that were proposed among the Departments and upon which the Assembly and Committees can make their informed judgement? How do you arrive at those figures?

545. Mr Daly: I will ask Paul to comment on that in a moment, but it is difficult for me to give you precise answers to questions about particular Departments because we have to take into account a wide range of factors, many of which are based on ongoing scrutiny of Departments by our colleagues in DFP Supply. There is no precise formula that we can input into the system, crank a handle and produce a figure of 2·1%. A lot of it is subjective, and is done on the basis of detailed discussions with the respective Departments. The Minister has pointed out to the Committee and in the Chamber that he has had discussions with other Ministers.

546. Mr Paul Montgomery (Department of Finance and Personnel): We also had inputs from Departments as supplied by the director of public spending. He asked Departments how they would deliver savings of X% on current expenditure, and Y% on capital. That information also fed into the overall assessment made to the Finance Minister and recommendations to the Executive, which were followed up with discussions with the Executive.

547. Mr McLaughlin: We have seen the situation. It seems to me that the process and methodology are inclusive and transparent; presumably, one can establish the various stages that culminated in an agreed proposition, or what, on the face of it, should have been an agreed proposition. However, we have had the spectacle of Ministers saying that they do not accept, or will not implement, the proposals, and that seems to fly in the face of the incremental and progressive nature of the engagement. The expectation is that what emerged from the process would have been a common position.

548. Mr Daly: I cannot speak for individual Ministers who may not be prepared to engage in the process. However, by and large, most Ministers and the Finance Minister would have preferred not to have to make any reductions in expenditure. That amount of money had to be taken out of the system and reallocated to maximise the delivery of public services next year. I do not think that Ministers are happy about it, but they are prepared to get on with it, and are, for the most part, publishing how they will do so on their websites. That is the reality of the public expenditure context that we are working in.

549. Mr McLaughlin: Therefore, there is not an objective. There are no Ministers in the room at the moment, but I can understand that a Minister would resist pressure on his or her spending programmes. I also accept your comments about the money being brought out of the system for reallocation because of the pressures that had emerged; one cannot stick one's head in the sand. Really, it is a process of engagement. I presume that there is a degree of objectivity in respect of the overall financial analysis that would be available. Is this just part of the price that has to be paid? Do we just have to put up with the more parochial responses when it comes to the domain of individual Ministers, even though there was a process involved?

550. Mr Daly: Again, I cannot comment on individual Ministers' positions: that is for them to do. The nature of the process is to try and take as much as possible into account and introduce as much objectivity as possible. However, a lot will be subjective: there will be opinions; and Ministers will have formed conclusions from their bilateral discussions with the Finance Minister and through Executive meetings. As I said at the outset, this is not an exact science whereby we can simply put in a lot of factors, turn a handle and watch the numbers come out.

551. Mr McLaughlin: The public will not be able to follow the detail of this matter, but they will know that the quality of the service that they are receiving is different from what they were receiving previously, if efficiency savings turn into cuts. Is that the area of imprecision that exists? What are described by the Department, perhaps coyly, as savings can either be efficiencies, which means that we will have the same output for less input, or are, in the view of officials, unavoidable cuts, because there has to be a response to the reduced circumstances.

552. Mr Daly: The overall levels of reductions required are unavoidable, because we are living within a fixed budget. However, it is for the individual Ministers to decide how to implement those reductions. The expectation is that they will attempt to do so through improved efficiency and reduced bureaucracy. However, at the end of day, it may well be that they will have to cut back on certain services. We have discussed the nature of efficiencies with the Committee before. Efficiencies can be technical, in that we reduce the costs of the inputs to get the same output. However, there comes a point when we move into the area of allocative efficiency, which, I think, we mentioned in our response. That means that we have to ask whether one service is providing a bigger contribution to the desired outcome than another and, therefore, that we could move to other areas. The final decision on how that is to be done is for the Ministers to decide.

553. Mr McLaughlin: The Committee received expert evidence from Professor Arthur Midwinter, and I am sure that you are familiar with his comments. He suggested that the implications of the additional efficiencies would be a reduction in the rate of growth, as opposed to a reduction in the current baseline, and will not require savings from existing programmes. In other words, he suggested that the agreed baselines were unaffected by the additional efficiencies. If the impact of the £123 million is a reduction in the rate of growth in 2010-11, arising from reduced Barnett consequentials in that period, why is it being included in the £367 million savings on existing baselines? Is there some sleight of hand going on?

554. Mr Montgomery: No. The 2010-11 plans were based on a certain level of the block grant, which was an increase on the block grant for 2009-10. What the Barnett consequentials from the efficiency savings from Whitehall Departments are doing is make the increase in the block grant less than it otherwise would have been. The difficulty was that we had already allocated the block grant to Northern Ireland Departments. Even though the block grant was increasing, we had to adjust our plans, because they were based on a previous level of block grant.

555. Mr McLaughlin: Do you accept that the reduction was in the rate of growth, as opposed to the previously established baseline? It is an important distinction.

556. Mr Montgomery: It is a reduction compared to the previous 2010-11 position. However, it represents an increase on the 2009-2010 block grant.

557. Mr Daly: Yesterday in the Assembly, the Minister made the point that, moving from this year into next year, the Budget will still increase, although when referring to the Department of Education he accepted that the increase is not as high as might have been expected. Nevertheless, it does represent an increase. Perhaps that is the point that is being made here.

558. Mr McLaughlin: The baseline is still unaffected by a reduction in the projected rate of growth. You might have expected and prepared for that. The growth rate has been reduced rather than the baselines. Is that not right?

559. Mr Montgomery: No. The £122·8 million relates to the block grant, it does not relate directly to the spending plans of the Northern Ireland Departments. In the original Budget, we allocated money to Departments based on a certain level of block grant for 2010-11. As a result of decisions taken by the Treasury, the block grant is being reduced, and, because we allocated money based on the previous value of the block grant, we incurred a pressure of £122·8 million. Although the block grant is increasing, the increase is less than we planned for, which gives rise to the pressure that we must address.

560. Mr McLaughlin: Professor Midwinter's position, which he stated very bluntly, is that this reduction in the rate of growth would not require any savings to be made from existing programmes that had previously been agreed and financed, because those baselines would be unaffected. It is future growth that will be substantially reduced.

561. Mr Montgomery: The simple fact is that the money was allocated based on the previous level of block grant, so, although funding will increase, the increase will be less than we expected. Therefore, we will need to make an adjustment against plans.

562. Mr McLaughlin: Did Professor Midwinter get it wrong?

563. Mr Montgomery: He is right to say that the block grant to the Executive will increase, but the fact that it will increase by less than we previously planned for and settled with the Treasury —

564. Mr McLaughlin: I do not think that that was what he said. He is saying that there is an agreed allocation, and that baselines have been established across all spending Departments. He indicates that the imposition by the Chancellor of further efficiencies affect only the projected growth rate, not the baseline. In other words, the Chancellor did not take money out of the original allocation. Professor Midwinter queried why existing and improved spending programmes should be affected. What is affected is the ability to spend at the predicted level going forward.

565. Mr Montgomery: It depends on what he meant by the baseline: if he was talking about the baseline that was established in 2009-2010, then that will be unaffected; however, if he meant the 2010-11 baseline, then that will be affected. Our baseline block grant for 2010-11 will be reduced by £122·8 million, net, of course, of the additional Barnett consequentials that we were awarded. Nevertheless, as a result of the £5 billion of additional efficiencies that Whitehall Departments are expected to achieve, the 2010-11 block grant will be reduced by £122·8 million.

566. Mr McLaughlin: I do not have the figure in my head, so remind me about the Barnett consequentials that will be set against the £122·8 million.

567. Mr Montgomery: Those amount to £86·5 million on current expenditure and £9·1 million on capital expenditure.

568. Mr McLaughlin: Leaving a deficit of —

569. Mr Montgomery: £26 million.

570. Mr McLaughlin: We are looking at a headline figure of £123 million, which people are saying is a challenging figure.

571. Mr Montgomery: By itself, it is a £122·8 million reduction. However, other measures announced by the Treasury mean that the net impact on the overall block grant will be significantly reduced.

572. Mr McLaughlin: Thank you. I am not sure I got the answer I was looking for.

573. Mr Weir: This issue has been raised with the Minister. We have received feedback from the other Committees, and, to produce a report, we must collate those views. The Committees raised concerns about the slowness of their respective Departments in establishing an internal budget. I understand that Ministers guard their autonomy, but what can DFP do to expedite the receipt of departmental spending plans? The Finance Minister said that he would write to the other Ministers to try and force the pace, so that the spending plans arrive earlier. Given the problems, particularly those that have arisen this year with respect to a lack of response from other Ministers, is there an initiative that could be looked at for next year to try and ensure that, at least, draft spending plans of other Departments are received at a slightly earlier date?

574. Mr Daly: You have almost started to answer the question yourself. The Minister said that it was his intention for us to have been at this point some time last year. All that he can do to speed up the process is to impress that need on his Executive colleagues. As he said, he has written to them. Rather than delaying the process, he published this document without their inputs in the hope that they would then take the opportunity to put it on their departmental websites. He does not have any authority over the other Ministers to demand this or to impose sanctions on them. We rely very much on him making representations to them and the Committees doing their best to get the information. In the future, it would help if we could start to make progress on the Budget process much earlier, but it is a difficulty.

575. Mr Weir: I appreciate that this is will not solve the problem, but is there not a statutory point by which Departments have to submit a budget plan? For example, if Department X has an agreed budget of £300 million, I presume that that Department cannot constantly go into the future with a blank page and keep the details to itself. Is there a point at which even the internal part of a budget has to be at least notified, even if it is not approved?

576. Mr Daly: The Budget Bill that the Assembly debated yesterday provided the Vote on Account that goes into the first part of next year. Before that runs out, there will have to be a Main Estimate to deal with the issue, so it has to be sorted out by that time. However, it would be ideal to get that sorted out this March so that the Departments have that in place before we go into next year.

577. Mr F McCann: With respect to localised efficiencies affecting the efficiency of the wider public sector, the Committee received expert evidence highlighting that risk. Will DFP assure the Committee that individual Departments do not claim efficiency savings that are not counter productive in relation to the wider system?

578. Mr Daly: I do not have too much to add to the answer that was provided. Ultimately, it is the responsibility of Ministers to put their efficiency delivery plans in place. DFP's guidance, which has been shared with the Committee, states that Departments should not shift costs to other Departments and should not put in place so-called efficiencies that cause a real detriment to public services.

579. Departmental colleagues, as part of their ongoing engagement with Departments during the development of their plans, will challenge them and encourage them to make improvements towards genuine efficiencies. However, there is a major role for Committees and external stakeholders, because it should not be forgotten that plans are published, to try and bring

pressure to bear on the Departments. However, as I have said, it is ultimately the responsibility of Ministers; it is not DFP's responsibility to approve the plans.

580. Mr F McCann: I know that you say that there is a responsibility on Committees, but they are scrutiny Committees, and, at the end of the day, Ministers do not have to listen to what they say. That has been fairly clear in some instances. If there is a clear sign that some of the efficiencies are having a detrimental effect on front line services, is there any mechanism in place that will allow the Executive to intervene?

581. Mr Daly: I am not sure whether there is a particular mechanism that allows our Minister to make a proposal to the Executive. Perhaps, if a Department considers a measure to be novel or contentious, the relevant Minister could insist that such a change is brought to the Executive. That would be the only real mechanism.

582. Mr O'Loan: I will ask a few questions about the invest to save scheme. Will you give us further detail on the assessment criteria and guidance being given to bidding Departments? Is the focus on short-term savings? Where do longer-term efficiencies fit into the plans? Can you tell us anything about the timeframe for bids and project delivery? What is the scope for cross-departmental initiatives?

583. Mr Montgomery: The primary focus of the invest to save proposals is on helping Departments achieve savings in the short term, which is the 2010-11 financial year, essentially, and in the expected next Budget period, which runs until 2013-14. That is when savings will be made primarily. We want to ensure that Departments deliver the savings, so there are practical difficulties in going beyond those time frames. Departments can say that they will deliver so many savings in the next decade or so, but it is difficult to ascertain whether they will actually do so. Given the expected medium-term public-spending problems, that will be the main focus of the assessment of Departments' delivery of savings.

584. Mr O'Loan: Can you give us detail on the assessment criteria and the guidance being given to bidding Departments?

585. Mr Montgomery: We have asked Departments to set out the cost of each proposal that they put forward and to outline the level of savings that they expect to make over the next four years. We have asked them to detail the actions they will take to deliver the savings. We have also asked them to detail the key risks of delivering those savings. Our main focus in assessing the proposals is to ensure that the projected savings can be delivered. There must be realism, because there is no point in us allocating money for invest to save proposals that will not deliver savings.

586. Mr O'Loan: Are longer-term efficiencies being prejudiced against? I am not convinced that that is wise.

587. Mr Montgomery: We are looking at where the pressure is at the moment and where it will be in the next three years.

588. Mr O'Loan: We need long-term, strategic thinking too.

589. Mr Montgomery: Due to the vagaries of the public-finance environment going forward, we have to address the pressures that we face in the medium term.

590. Mr O'Loan: What is the timetable for bids and decisions on bids?

591. Mr Montgomery: All of the bids have been received and are being assessed. Recommendations will be made to the Executive as part of the finalisation of the revised 2010-11 spending plans.

592. Mr O'Loan: Did you receive any cross-departmental bids?

593. Mr Montgomery: No.

594. Mr O'Loan: That might have something to do with the fact that there was not enough time for such thinking, and it indicates a weakness in the process.

595. Mr Montgomery: I must correct myself. A joint bid was made by the Department of Agriculture and Rural Development and our colleagues in Land and Property Services.

596. Mr Daly: That was in relation to the CAP disallowance, which the Minister mentioned in the Chamber yesterday.

597. Mr Montgomery: It concerns mapping. The issue is that we are facing disallowance adjustments to our EU funding because of perceived errors in measurement in the past. It is a matter of improving the measurement techniques to reduce the chance of the disallowance being applied in future years.

598. Mr O'Loan: That probably pitches across departmental working at a fairly technical level, as far as the LPS involvement is concerned. It is not like addressing a common or shared problem in a way that involves real or joint activity, which might be a richer arena.

599. Mr Montgomery: If there were cross-departmental working, it should be evident. It should not be affected by the timetable for this process. It should be taking place on an ongoing basis. If the exercise is ongoing, it should not be a precursor to doing this.

600. Mr O'Loan: Can I ask about PEDU? Your reply states:

"it is difficult to point to any hard evidence of the effectiveness of PEDU, other than the views of departments".

601. That is part of your response, and I know that the quotation is taken slightly out of context, but it presents your position fairly. What performance targets exist in respect of PEDU? To what extent are those being met?

602. Mr Daly: As the Minister said, both to this Committee and in the Chamber, PEDU does not have a major programme of work that its performance can be measured against. One of the problems that the Minister faces is that there is a lack of willingness by other Ministers to invite in PEDU.

603. As to PEDU's performance, this is the best response we can offer. Rather than set out the number of savings that PEDU delivered, the emphasis has been very much on Departments claiming the success. PEDU is a resource to be brought into Departments to assist them. PEDU was set up on the basis that it would assist Departments to deliver their own improvements.

604. Mr O'Loan: As you say, we discussed this usefully in the Budget debate yesterday. What are seen as the options for developing the role of PEDU and achieving an increased take-up of its services by Departments?

605. Mr Daly: We have no particular options at present. There seems to be unwillingness among Ministers to invite in PEDU. The Minister has offered its services on a number of occasions. He highlighted a particular offer in the Chamber yesterday in relation to the Department of Health, Social Services and Public Safety. Departments are reluctant to invite in PEDU, and I do not know why that is.

606. Mr O'Loan: If we are to take the concept of public sector reform seriously, this needs serious thought. PEDU started as a very good idea, but it has not really lifted off. The problem that it was trying to address — serious strategic and structural change in how we perform public service — still remains to be tackled. It may involve moving PEDU outside DFP so that this sort of issue does not arise. There needs to be serious thinking about this; I suspect it is perceived as a threat.

607. Mr Daly: I agree.

608. Mr O'Loan: That has to be addressed.

609. Mr Daly: No doubt the Minister will give some thought to the future of PEDU.

610. Mr Hamilton: I want to ask about asset management and capital realisation. At the start of this Assembly term it was decided that finance could be had by realising the income that could be derived from unused or underutilised assets. We, obviously, understand why that that has not achieved everything that people had hoped it would: it was not simply about selling land and investing the money received, it was about better management of our assets. DFP and OFMDFM seem to have a role to play in this matter. Will you point out where the split is? Where does responsibility lie?

611. In addition, why is there the apparent delay in the establishment of a central asset register across the public sector? That is as important an issue in many respects, because it allows one to better manage and better realise assets.

612. Mr Daly: The short answer to why there is a delay in the establishment of the assets register is that it is the responsibility of OFMDFM. Our Department's responsibility, working together with OFMDFM, is in the public expenditure management side of the business. The detail of asset management is the responsibility of OFMDFM, working with the Strategic Investment Board (SIB). There are two distinct responsibilities, but obviously it is very important that they work together.

613. Mr Hamilton: Why is that responsibility with OFMDFM? Has that always been the case, or was a decision taken to give that responsibility to OFMDFM rather than DFP because of that linkage with SIB?

614. Mr Daly: Historically, the responsibility has been with OFMDFM because of SIB. There have been suggestions that DFP should take on that responsibility, but at the moment DFP is responsible purely for making sure that the public expenditure side of the business is properly managed and controlled. The professional expertise in relation to asset management is in OFMDFM working with SIB.

615. Mr Hamilton: Finally, the Department's response refers to the ePIMS (electronic Property Information Mapping Service) database. To what extent will that cover the wider public sector, including arm's-length bodies, rather than just Departments?

616. Mr Daly: Again, that is the responsibility of OFMDFM. I am not sure to what extend that will operate beyond the Departments, but we can check that up and get back to you.

617. Ms Purvis: I want to ask about the Department's answer in relation to equal pay. You have shown how the £100 million is made up, but the cost of the claim is estimated at £155 million to £170 million. Is it the case that, ultimately, the Executive will be responsible for funding the full cost of the claim, given that it is made up from RRI borrowing, reallocation of capital expenditure and baseline savings? Is it right to describe it as additional current expenditure?

618. Mr Daly: Yes. There are two aspects to the equal pay issue, as the Committee will know; dealing with the arrears of pay and the one-off settlement costs, and the issue of pay going forward. The latter will be a matter for individual Departments. We can say that the arrears of pay represent additional current expenditure because, although all of the payments are actually capital spend, the flexibility agreed with the chief secretary allows the Finance Minister to draw down unused borrowing and provide additional borrowing powers, and re-profile capital expenditure, so that it will be converted to current expenditure on an exceptional basis in order to make the payments. It is additional current expenditure.

619. Ms Purvis: So the Treasury's accounting rules have been bent to allow you to do that?

620. Mr Daly: The Treasury has allowed that flexibility in relation to this issue on an exceptional basis.

621. Ms Purvis: As regards the implications of the financial package for policing and justice; obviously, you could not provide a definitive answer because of the ongoing discussions between the NIO and the Treasury. What is the outcome of those discussions?

622. Mr Daly: They are still ongoing; I have no other information on that.

623. Ms Purvis: Have you any idea when this Committee will be consulted on the public expenditure plans for devolution of policing and justice?

624. Mr Daly: I would certainly not expect that to happen before a decision is taken to devolve policing and justice powers to the Executive. At the moment there are ongoing consultations, as you know. At the moment it is not a devolved matter.

625. Ms Purvis: Do you expect it to happen post-devolution?

626. Mr Daly: I do not have a precise date, but I would not expect it to be in advance of a decision being taken to devolve powers. That decision has not yet been taken.

627. Ms Purvis: It would be best if we were consulted on the expenditure plans in advance of devolution of those powers.

628. Mr Daly: As I said, I anticipate that there will be no consultation in advance of a decision to devolve powers. However, the date that we have been given for devolution on the current plans is 12 April, but a decision will be taken before that.

629. Ms Purvis: Speaking hypothetically, providing that everything goes ahead for 12 April, will the Committee be consulted before that?

630. Mr Daly: That will be necessary. If devolution were to take place on 12 April, a Budget Bill would have to be passed, followed by a process of engaging with the Committee and the

Minister taking Supply resolutions and Estimates and a Bill to the Assembly. That would have to happen before the date for devolution. I am not sure at what point we could engage with the Committee on the detail of that, given that no decision has been taken.

631. Ms Purvis: It will be sometime between 9 March and 12 April.

632. The Chairperson: I want to go back over some of the issues in the future Budget process. We have been pressing for the establishment of a formal process of agreeing future Executive Budgets, and that has also been discussed in some of the Assembly debates. Can I have an update on the progress on that? Will you also give the Committee an idea of the completion date of the review of the 2008-2011 process and an indicative date for bringing forward proposals for the way ahead?

633. Mr Daly: Is that for the review of the Budget process?

634. The Chairperson: Yes.

635. Mr Daly: As the Minister confirmed yesterday in a response to you, Chairperson, our primary focus is to get the arrangements for 2010-11 out of the way. However, in parallel with that, we are trying to bring that to a conclusion so that we can get it to the Committee as soon as possible. I cannot give you a definitive date, but it will be no longer than is absolutely necessary. Paul and I are working on that to try to get it expedited as quickly as possible.

636. The Chairperson: With regard to the Civil Service staff numbers and accommodation efficiencies, the ‘Fit for Purpose’ document published in 2004 set a target to reduce staff in the Civil Service by 2,303 by 31 March 2008. The Committee was advised that that target had been achieved. However, a press notice last October from the Statistics and Research Agency stated that the full-time equivalent of Civil Service staff numbers increased by 2·9% between 1 April 2008 and 1 April 2009, which is 660 staff. Will you explain that increase in relation to the efficiency drive? To what extent has the overall Civil Service staffing structure been critically reviewed? Has that review taken place and if so, how did it happen? Does that increase in staff numbers make it more difficult to achieve the accommodation efficiencies that were set out in the ‘Fit for Purpose’ document?

637. Mr Daly: I am afraid that I do not have any of those details with me today. I will have to take that question back to the Department and refer it to my colleagues in central HR. I was not aware that that issue would come up.

638. The Chairperson: Will you come back to us on that?

639. Mr Daly: Yes.

640. Mr McLaughlin: I have a supplementary question. I am trying to get my head round the reason why you are looking for efficiencies or reductions in the baseline. The three-year Budget was based on the CSR that was carried out in 2007. Are you saying that you had calculated and anticipated the Barnett consequentials for that period and that that was built into the baselines, and that is why the baselines have to be revisited?

641. Mr Daly: No. The original Budget allocations set out in the Budget document 2008-2011 are based on the settlement at that time. However, as one moves through the process there will be adjustments as a result of Barnett —

642. Mr McLaughlin: And new pressures?

643. Mr Daly: Yes. In 2008, when the Budget was established, Departments had built in plans. We are getting back to the earlier point about whether it is a reduction in growth or a cut. They would have built in plans that are increasing each year. However, when the £120 million reduction comes in, that has to come off those plans, which is why you arrive at a situation where, as Paul said earlier, the Budget for this year is set at a certain level, and next year it will be higher. Nevertheless, because of the reductions, it will not be as high as it might have been. However, there is no way to anticipate Barnett consequentials in advance of Chancellors making announcements. I do not know if that explains it.

644. Mr McLaughlin: Thank you for your patience, but I have not got my head round that. Perhaps we can follow this up. I need to think it through. It seems to me that we had a settled baseline position. The Chancellor introduced new efficiencies on top of those that were identified at the beginning of the process and which had to be built in at that point. Therefore, we have a new pressure to which the Minister must respond: fair enough. The question is that if it was a reduction in growth, how did that impact on the baseline? I have asked you the question, and you answered it. I will study the answer, because I do not understand your explanation.

645. Mr Montgomery: The baseline — the block grant for 2010-11 — has been reduced because of the £122·8 million. Therefore, we have a pressure, and that is the reason.

646. Mr McLaughlin: The Chancellor introduced a new efficiency tariff, which was, effectively, a reduction in the anticipated rate of growth. He did not say: "I gave you money in 2007 and I am taking it back in 2010", because that, in simple economics, would explain why the baseline was affected. He did not do that: it was the rate of growth that he impacted on. Therefore, I do not understand why we are making savings, or are reverting to the baselines, to take account of what is, in fact, a future impact.

647. Mr Montgomery: In the CSR, the Chancellor gave us, for example, £600 million — I do not know the precise figure. We took that money and gave it to Departments. He is now saying that instead of £600 million, I will give you another £500 million. However, because we have given out the money to Departments, we are getting only £500 million when we were expecting £600 million, which gives rise to a spending pressure for us.

648. Mr Daly: It is a spending pressure on what Departments planned to do.

649. Mr Montgomery: Even though we are getting more money — it is an increase in funding compared with our baseline in 2007-08 — it is less of an increase in funding, and, therefore, less than what we had planned for. In the settlement, we were told that we were getting, for example, £600 million, but because that is not what the Chancellor will now give us because of the efficiency savings, we have a spending pressure and need to adjust the spending plans.

650. Mr McLaughlin: You have been very patient, and so has the Chairperson, so I will leave it at that. I asked you about the Barnett consequentials, which, although they did not mitigate against the new efficiency savings that are being imposed by the Chancellor, had an ameliorating effect. We are talking about a global sum of £123 million that had to be adjusted.

651. Mr Montgomery: The net impact is that the block grant, because of the changes in the pre-Budget and Budget reports, is £27 million lower than we had expected when we got the CSR settlement in October 2007.

652. Mr Daly: That is as a result of Barnett consequentials and additional efficiencies.

653. Mr McLaughlin: OK — actually, it is not OK, but I am punch drunk at the moment.

654. Mr Montgomery: We would love to be able to show you how the block grant has changed over time. However, the difficulty is that the block grant does not change just because of the Budget; it changes as a result of technical issues, and they tend to swamp additional Barnett allocations. However, those technical changes do not have any impact on spending power. We could try to give you a table showing how the block grant has changed.

655. Mr McLaughlin: I thank you for your help.

656. The Chairperson: Thank you very much, Paul and Michael.

17 February 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Stephen Boyd	
Mr Iain Greenway	Land and Property Services (LPS)
Mr John Wilkinson	

657. The Chairperson (Ms J McCann): I welcome John Wilkinson, the chief executive of Land and Property Services (LPS), Iain Greenway, the director of operations at LPS, and Stephen Boyd, director of finance and corporate support. You are all very welcome. I invite you to make a few opening remarks before I open up the session to members' questions.

658. Mr John Wilkinson (Land and Property Services): In view of the subject matter, I have brought along Stephen Boyd. This is his first appearance before the Committee. I think that you all know Iain Greenway.

659. We sent a paper to the Committee providing background information on our spending plans for 2010-11. The past three years have been challenging and difficult for LPS. We have had to deal with the difficult birth of the reformed rating system, the revaluation of properties, the replacement of our IT system, a raft of rating reforms and an economic recession.

660. I wish to make a few points about our preparations for 2010-11. First, over the past three years, we have made some big inroads into clearing backlogs. For example, one of the issues that we have dealt with is clearing the backlog in the valuation of new houses. Three years ago, the headline figure for the number outstanding was 8,644 houses. Our projection for the number outstanding to the end of this year is about 1,500, which is a big reduction. Similarly, the total number of valuation cases outstanding have nearly halved, from between just over 58,500 to 30,750 at the end of the year. We have also made inroads into clearing the backlog in registration — the number of cases with professional officers has reduced from 8,400 to 3,200 — and have made big inroads into the backlogs in collection. Therefore, as far as laying the

foundations for the 2010-11 year is concerned; the first point I would like to make is that we have been quite successful in clearing backlogs.

661. We have also been looking at our processes and how we have been going about the business. We have implemented many business and process reviews that have been driving efficiencies and helping us to prepare for next year. A lot of that work is still in hand, and we are seeking to complete it as we move forward. As well as clearing backlogs and delivering process and business improvements, we have been linking up with various parts of the legacy bodies to help us to improve our processes and drive efficiencies. I am sure that those are some of the issues that the Committee will wish to talk about during the meeting.

662. Dr Farry: I will be Declan for the benefit of this evidence session today. [Laughter.]

663. John, Stephen and Iain, you are very welcome. Your briefing paper states there is a significant risk to the delivery of the LPS business plan should the £5 million additional funding not be secured through in-year monitoring. There are three parts to my question: first, what areas of the business will be impacted specifically by that; secondly, will front line services and the delivery of PFG or PSA targets be affected; and thirdly, what contingency plans are in place?

664. Mr Wilkinson: I will make a few comments in response to the question, after which I will hand over to Stephen to deal with some of the detail. The background to this is that our baseline was set before the introduction of about 43 different rating reforms. Therefore, each year we have had to bid in-year for the finance to resource those areas of work. Stephen will explain more of the detail, and I will return to answer the question about how I will deal with the situation if it all fails.

665. Mr Stephen Boyd (Land and Property Services): We have been working with the Department to help resolve the overall £5 million shortfall. The Department recognised that it is not just a pressure on LPS, and it has been developing contingency plans to make cuts across the Department to avoid cuts to front line services. The Department had originally applied the £5 million cut across all areas. However, it emerged that that would have significant impacts on other areas in the Department. Therefore, the Department said that it will support a bid for an additional £5 million in-year and, if that £5 million proves unsuccessful, it will support a £5 million cut across the Department to avoid cuts to front line services. We would have to take a proportionate share of that £5 million cut and try to avoid cuts to front line services.

666. Mr Wilkinson: In the past three years, I have had the support of the Department and have worked closely with the permanent secretary and the Minister. I am confident that the spending plans that are in place will come to fruition and will enable us to deliver our business. To address any difficulties or challenges on that front, I want to continue with the process that we, as a management board, have been using in recent months, which involves reviewing our spending plans, ensuring that front line services remain up and running and considering efficiencies in some of the more corporate backroom services. That would not be without difficulty.

667. Dr Farry: We appreciate that LPS's baseline is now, in effect, wrong given that the reforms that have been imposed subsequent to the creation of the Budget. By the way, this is me speaking, not Declan. [Laughter.]

668. Mr Iain Greenway (Land and Property Services): He has left you unchaperoned.

669. Dr Farry: That £5 million is a considerable sum relative to your overall budget and represents about 10% or 12% of your gross level of expenditure of about £40 million. Moreover, it is potentially about 25% of your net expenditure. That is a considerable diversion from a challenge that one would expect to be met. Given the pressures that you are addressing to meet

the current financial difficulties, where do you see the organisation in future years? Will that become the normal functioning of the organisation, or will you tell the Department that the situation is fundamentally wrong and needs to be addressed at the time of the next CSR?

670. Mr Wilkinson: At the moment, we are still confident that we can maintain services with the support and the figures that are set out in the briefing paper. We are doing that by driving improvements, building on the work that we have done, joining up the legacy bodies, and driving efficiencies.

671. In a couple of months, there will be a general election. I think that there will be a new comprehensive spending review, which will mean further efficiencies and reductions in budgets across the entire public sector. It is difficult to imagine how long we can continue in the current vein until we reach a cut-off point in budgetary terms, whereby we may have to review the services we deliver. Some choices or decisions may have to be made.

672. At this juncture, I find the question to be a very good one, and one that is very difficult to answer. The best I can do is to say that I am confident with our spending plans at present given the finance and support from the Department. However, I will probably have to return to the drawing board with my management board and fundamentally review the position.

673. Dr Farry: We are unsure of the future financial context. We know that it is going to be difficult, but the real issue is how difficult.

674. Mr Wilkinson: As I said at the outset, it has been a challenging three years and I am sure that the next three years will be equally as challenging.

675. Dr Farry: My second question is a lot shorter, and before I ask it I declare an interest as a member of North Down Borough Council. In your submission, you refer to a bid for £0·6 million in 2010-11 to meet the ongoing costs of the transitional relief scheme for councils based on the maximum cap on the district rate. Given that that is a legislative requirement for LPS, what are the consequences of that bid not being met?

676. Mr Boyd: LPS had a bid of £1·5 million met in-year this year. There is a legislative commitment that LPS must pay that money, and if the bid were not met, we would have to work with the Department to pay it.

677. Dr Farry: Is it fair to say that your default assumption is that that bid will be met, and that there is no contingency plan? If DFP decided not to approve the bid at Executive level, would it be up to the Department to find the money rather than LPS?

678. Mr Boyd: Yes. It is in a currency that LPS does not have and it would have to be found elsewhere in the Department.

679. Mr Wilkinson: LPS is not immune from the challenges on spending and budgets that span the public sector. If the bid were not met, I would approach the permanent secretary in the Department to discuss how to finance the transitional rates relief scheme. It could possibly be achieved by budget reductions in other parts of the Department, but what LPS could do to meet that finance would also be kept under constant review.

680. Mr F McCann: In your submission, you state that £2·2 million was saved by reducing staff numbers in 2009-2010, and that a further £1 million will be saved by that process by March 2010. Will losing that number of staff not have a direct impact on your ability to deliver your

reorganisation plan, given that that plan is at a crucial stage? How many staff have been lost to make that saving?

681. Mr Boyd: In April 2009, LPS had 1,187 full-time equivalent staff. By February 2010 that number dropped to 1,080, and the plan is to reduce the number to 1,050 by April 2010. Basically, the £2·2 million relates to the savings that were made through staff leaving the organisation or being redeployed elsewhere between April 2009 and February 2010. The £1 million relates to the savings that will be made when the additional 30 staff are redeployed by April 2010.

682. Mr Wilkinson: Due to the pressures across the block, we have not staffed up to the figures originally planned for at the start of the financial year. As the year progressed, public spending tightened, and we were asked to make further efficiencies. We did not staff up as far as we had expected, so the £2·2 million saving has been a cushion for moving into the next year, when we will seek to make further efficiencies. The £1 million saving identified in our paper reflects the efficiencies to be made on staffing in the forthcoming year.

683. You are right to highlight the challenges that will be created by removing that number of staff. The management board has been looking at changes to business processes, improvements using IT, and joining up across the organisations. With respect to our plans for 2010-11, we are confident, based on the figures presented, that we can maintain the services albeit losing some staff from our headcount.

684. Mr F McCann: I think that the LPS has come on in leaps and bounds since the initial presentation we had from it several years ago. However, I find it difficult to believe that, in the midst of the reorganisation, being 137 staff down does not directly impact on your ability to bring it to fruition. It has to have an impact somewhere down the line.

685. Mr Wilkinson: Parallel to this, we have had support form the Department in the transformation, reorganisation and change side of things. I have recently appointed a director of transformation, and a small team of staff are working with that person to progress the reorganisation. I am confident with the progress that we are making.

686. It is difficult to know what is around the corner as regards rating reforms and IT changes. We will face many issues in moving forward, but given the backlogs that we have taken out, I am confident that we are not going to start next year with anything like the backlog of work that we had previously. I am confident that we can deliver service and maintain progress in the work that we have done in driving improvements and joining up the organisation.

687. Mr McLaughlin: Your paper refers to the need to establish a firm funding base for LPS in future years. It also states that the Department is in discussion with the public spending directorate about that matter. When will the outcome of those discussions be available?

688. Mr Boyd: That would need to be part of the next spending review; therefore it would be once the Department issues the planning process for the spending review. We had asked for the £5 million to be sorted when the spending review ends. Therefore, by the end of the 2011-12 financial year we would want that sorted for that year, so that we know that we have a firm funding basis on which to move forward.

689. Mr Wilkinson: We are in discussion with the permanent secretary and the Department at the moment and I hope that the issue will be resolved. At the moment, these are spending plans that need to be ratified by the Assembly, but I hope that that will happen in the weeks ahead, so that we can move into the next financial year on a firm footing in the knowledge that funding and support is available.

690. Mr McLaughlin: You indicated in your answer to Fra McCann's question that the LPS baseline was reviewed as you progressed through the reforms. The volume of change presented a huge challenge. What other factors will be taken into consideration in those discussions as well as an ongoing and updated comprehensive review of the LPS baseline?

691. Mr Wilkinson: I meet the permanent secretary on a regular basis to discuss progress. The other factors taken into consideration are, for example, the economic environment. Recovery is still very fragile, which impacts on levels of debt. We also look at resource cost. Another important factor in those discussions and considerations is capital funding. In joining up the organisation and driving efficiencies, capital is important, especially for IT development. So, that is another important aspect that is regularly discussed.

692. Generally speaking, we keep an eye on the economy and on the changes that take place. For example, in recent months we have discussed the increase in benefit claims. There has been a big increase in claims for lone pensioner allowance, and benefits generally, because of the recession. A lot of factors that impact on the business are discussed. For example, another factor is income.

693. Ours is a very complex business. We do not just look at possible increases in cost and resource needs just because of increased pressures such as recovery and benefits claims, we must also watch the income side of the business, which can affect our overall financial position. For instance, the management board regularly reviews the housing market and what is happening to the income of Land Registry. Other areas of work considered include map sales, client services and valuation. It is a complex mix of issues, each of which needs to be discussed on a month-to-month basis.

694. Mr McLaughlin: I want to pick up on the discussion you had with Fra McCann. Your paper gives some detail about staff reductions and the loss of experienced staff. At which grades are the five permanent staff referred to? Are they at administrative or senior grades in LPS? What is meant by redeployment: do you mean within LPS, the Department, or the Civil Service?

695. Mr Wilkinson: Stephen will deal with that.

696. Mr Boyd: Initially, we thought that we would have to redeploy those five members of staff outside LPS, either in DFP or possibly elsewhere in the NICS, but we are still in the planning process. We do not know where exactly we can move them to. We expect some to be moved to other parts of LPS. However, the picture is constantly changing. In the year to date, 131 people left LPS, so as vacancies arise, we can place some of them in LPS. The people are at various grades, from grade 7 to administrative officer.

697. Mr Wilkinson: Let me add to that, and refer to Mr McLaughlin's previous question. The position changes weekly. Before Christmas, we thought that we might have to redeploy was 50 or 60 members of staff. However, the budget situation improved after discussions with the Department; the financial position improved, for example, on the income side; and we have secured additional mapping work from DARD. That has greatly reduced the numbers that we need to redeploy. Indeed, Stephen and our head of HR were talking about that the other week. I asked that we keep on top of that on a daily basis, because I am sure it will change again. For example, wastage, as people leave LPS, can affect staff numbers. We are keeping an eye on that, virtually on a daily basis.

698. Mr McLaughlin: Although the situation is volatile, do you remain confident that can continue to address your business and performance targets?

699. Mr Wilkinson: Yes.

700. Mr McLaughlin: It is a significant challenge, and we should recognise that. How has the operations directorate been affected by the loss of experienced personnel, and is redeployment your only option for maintaining the effectiveness of that unit?

701. Mr Wilkinson: We are keeping the door open as regards options, and we review them regularly. Due to the period of reform, the backlog of work that was built up, and the challenges that were faced, we maintained a high level of casual staff in operations directorate. We knew that, at some point, we would get on top of things. We knew that we would stabilise the IT system, which, largely, we have done. We knew that we would clear the backlogs of work and that the use of casual staff would help us to stabilise the staffing position. I shall ask Iain to add a few comments, because that is his business area.

702. Mr Greenway: What gives us an advantage over many unmerged organisations is that in the operations directorate, I am responsible for registration staff and revenues and benefits staff. We have moved around 25 staff from registration to revenues and benefits. We kept them in the business so that, as and when the housing market turns up, we have the option of considering whether to bring those staff back, although some of them may not wish to do so. The Dutch Kadaster has laid off 500 staff, and Land Registry in England and Wales is currently making 2,000 staff redundant.

703. We are responsible for a smaller land area, so we are dealing with smaller numbers, but we have had the opportunity to fill vacancies in revenues and benefits. In 2007-08, many new staff came into revenues and benefits, and you may recall from previous hearings that that created many problems with the quality levels of the benefit application work. It is a complex world for new staff to enter. We have around 30 casual staff to release, around half of whom will be replaced by permanent staff. We have to manage that as effectively as possible.

704. Another small positive note is that the overall pressures on NICS staff numbers mean that we should not need to run with many vacancies for any length of time, whereas, in the past, filling jobs has been a problem because a recruitment process had to take place. We normally had to run with a small percentage of vacancies because it took time to fill the posts of people who leave, but will not be an issue. Some positives have emerged from what has been a tough environment.

705. I am conscious that all of my staff are either collecting money for the rate account for the Executive and the councils or are processing registrations, which, apart from securing title to property, brings income. All staff are involved directly in bringing in income or in dealing with benefit claims that are an integral part of ensuring the equity of the rating system.

706. The Chairperson: You said that five permanent staff will have to redeployed and that 30 casual staff will have to be released. Will those casual staff lose their jobs?

707. Mr Wilkinson: Yes, we will terminate their contracts. We have to give one month’s notice.

708. Mr Boyd: We will give the staff one month’s notice. Most of them are provided by Grafton Recruitment. We will inform Grafton that we will release people on a particular date, and Grafton will try to re-employ them in other firms.

709. Mr F McCann: How many staff members remaining in the LPS will be casual workers?

710. Mr Wilkinson: From 1 April, we plan to have only a small number of casual workers left.

711. Mr Boyd: We are agreeing release dates for casual staff. We need to tie that into when we can recruit permanent staff to replace them so that we do not lose too many from the operation. Some will go at the start of April, and the rest will be released probably over the following two to three months as we get permanent staff.

712. Mr F McCann: Can I have even a breakdown of how many employees are casual staff, and, when they are released, how many permanent staff members will be taken on to replace them?

713. Mr Weir: The Finance Minister announced the innovative invest to save proposal as part of the budgetary process. Has LPS submitted, or does it intend to submit, an invest to save proposal? If so, what is the nature of that proposal?

714. Mr Wilkinson: We have been considering the invest to save initiative, and I will ask Stephen to speak about that.

715. Mr Boyd: We have been working with the Department of Agriculture and Rural Development (DARD) on an invest to save bid. DARD will make a bid for approximately £6·2 million for our geographic information (GI) work. DARD pays about €340 million a year, of which the EU has contributed about only 95% to Northern Ireland in recent years. Therefore, we will submit an invest to save bid on behalf of DARD for that GI work on farm boundaries to protect the amount of money that Northern Ireland gets from the EU.

716. Mr Weir: Is that because of a shortfall, or because of a lack of information?

717. Mr Greenway: Yes, it is a derogation of that 5% to the EU because of insufficient quality of the information that DARD has to underpin the single farm payment.

718. Mr Weir: Is the objective to increase the level of EU funding, or is some of the 95% funding under threat, and, consequently, needs more robust information to continue to secure that level of funding?

719. Mr Greenway: With the level of fine is running at about £20 million a year — and we are missing the Chairperson of the Agriculture Committee who normally sits beside the member — we are looking at a £6 million one-off piece of work that will, in effect, remove that fine. Therefore, it is money lost to Northern Ireland through an EU clawback that never comes.

720. Mr Wilkinson: To return to the discussion that we have been having about staff levels and redeployment, the GI work is having an impact on that matter and has reduced the numbers of people being redeployed. This is a moving feast, and we have to keep income, expenditure and areas of work under review.

721. Mr Boyd: This work has protected about 12 staff in technical posts, and we have been asked not to release those staff.

722. Mr Weir: Your paper refers to an anticipated increase in registration income of £1·2 million. How robust is that figure? Is it a general estimate? Are you confident with it? I can think of one or two sources for that figure. It may relate to a possible upturn in the housing market, and I take Stephen Farry's point about north Down; we do not want to see a rash of mock Tudor mansions around the place. However, most people welcome an increase in the housing market. How much of it is due to an anticipated additional clearance of the backlog? What is the breakdown? How confident are you about the figure of £1·2 million?

723. Mr Wilkinson: Iain will answer that, because registration falls within his directorate. The management board reviews income, budgets and expenditure every month. One of the standing items of debate is what the housing market is going to do, because that impacts directly on our registration income. The figure is a combination of two things; a forecast and an increase in fees. Iain will comment on that.

724. Mr Weir: Will you disaggregate that, please?

725. Mr Greenway: There are three aspects, one of which is the assumed implementation of the Land Registry (Fees) Order (Northern Ireland) 2010 Order, which I see is on the Committee's agenda for later today. The Order is due to go before the Assembly on 1 March. It updates the fees to ensure that we have cost recovery in registration activity, which is required by the Land Registration Act (Northern Ireland) 1970. We have been falling short in a number of areas in the three years since the fees Order came in. That is estimated in-year to add around £750,000 to the income, assuming that it comes in on 1 June. Over many years, we have given solicitors three months' warning of the changes, once approved, because they quote their clients in advance for house transactions. That is about £750,000.

726. Of the remaining £500,000, around £250,000 relates to the removal of the backlogs, because we can only recognise the revenue as cases are completed. That money is sitting in cash in our bank account but cannot be recognised in our accounts. The other £250,000 is an expectation of some modicum of improvement in the housing market, which affects us in two ways. First, if there are more transactions, there will be more income; secondly, if house prices drift upwards because of the ad valorem scale, different values of property attract a different percentage, so there is a double effect. I am as confident as anybody can be of those estimates.

727. Mr Weir: I suppose the housing market is moving in a positive direction, but you are making a relatively conservative analysis. You are looking at fairly modest upturn in that regard, which is probably realistic, rather than over-optimistic.

728. Mr Greenway: If there was a sudden major improvement in the housing market, we would need to resource up to be able to process the cases that come in. The first impact will probably be an increase in the registration backlog, and that would not come through to income. We will deal more comfortably with gradual changes, rather than rapid changes, as would any resource or skills-constrained environment.

729. Ms Purvis: Your paper refers to the record number of court processes that have been an additional challenge. Previously, you provided us with detailed information about the processes involved in pursuing legal action. Will you provide up-to-date figures on the number of court processes instigated by LPS and the costs involved to LPS?

730. Mr Wilkinson: Yes.

731. Ms Purvis: Do you anticipate that the high level of court processes will be maintained in 2010-11? What provisions have you made to meet any corresponding increase in the cost of collection?

732. Mr Wilkinson: That is Iain's area of business, so I will hand over to him to answer that shortly. We have done quite a lot of work on looking at trends and the history of cost of collection. Iain will speak about the detail in a moment. Since the introduction of non-domestic vacant rating in 2004-05, we have experienced a big increase in the amount of time and work in that area of the business.

733. The reform and the economic recession that coincided with that period led us towards having to put a lot more resource into that area of our business. In a moment, Iain will speak about some of the figures for which you asked. It is a regular feature at our management board and in our planning. We have put in place plans for the years ahead.

734. Mr Greenway: The overall cost of collection for this year would have been broadly similar to last year's, allowing for inflation and so on, but for the impact of the equal pay settlement. That is adding about £1 million to the cost of collection, of which about 40% or 45% will be borne by district councils. That is an increase in our staffing. That is assuming that the backdated element of the cost of the equal pay settlement does not impact in-year on the cost of collection. That depends on detailed legal advice on the wording of the equal pay settlement vis-à-vis the penny product regulation. Until we have the final wording of the agreement, lawyers cannot look at the detail of the penny product regulations. However, we are working on the assumption that the in-year impact is about £1 million. Of course, that is an ongoing factor.

735. Had it not been for that matter, the cost of collection would have broadly stabilised. Members will know that it increased by about 60% over a five-year period to reflect the very significant modernisation of the rating system that direct rule Ministers and then the devolved Administration decided was necessary, and therefore required additional staffing and changes to IT. That is the overall cost of collection.

736. As John said, the recovery of unpaid rates remains at the top of our agenda. Just before Christmas, we provided members with some figures to the end of November. In December and January, and taking into account that December was not a full working month for the courts because of the Christmas period, we issued 10,486 processes for proceedings on debt, and we had 2,604 decrees granted against ratepayers. That brought the figures for the whole year, to the end of January, to 35,445 processes issued and 13,278 decrees granted. The processes issued figure of 35,000 compares with the figure of just slightly under 28,000 for the whole of last year. Therefore, even at the end of January, we were significantly ahead.

737. Court processes tend to stop in the early part of March because we are then into the billing process and cannot finalise things before a new bill issues. That number will rise in February by 5,000 or so, so the total will be over 40,000. The figures relate to ratepayers who have not responded to a rate bill or a final demand. As regards the figures of 35,000 processes and 13,000 decrees, what is borne out when I talk to staff in our offices is that when a court process emerges, more than half of the ratepayers suddenly make contact. It is not as though the final demands did not get to the ratepayers, because they are posted to the same address from the same place. Suddenly, people make contact to pay, to agree a payment arrangement or perhaps to give us information, which was not known to us, that changes the demand. However, they made no contact when the bill or when the final demand was issued, so we have little choice but to carry on the process into court proceedings.

738. The cost, as we said in the note in December, is slightly complicated because once a decree is granted, the costs are recoverable from the ratepayer. Whether we ever see them, of course, depends on payment, enforcement action and the enforcement of judgements office. If a decree is not awarded because the process is withdrawn beforehand, we seek to add the process costs to the ratepayer's bill, but whether or not they are paid is a voluntary decision, so, in practice, those costs are not recoverable. Each year we look at the shortfall, but we always receive some court fees from previous years, so the accounting process is complex. The shortfall is approximately £1·5 million, which is borne by LPS as a cost of collection and, therefore, by all ratepayers.

739. We have been talking to rating policy division colleagues about the fact that, in Scotland, when a court process is issued, an £85 administrative charge is added by law to the ratepayer's

bill. That covers not only the £30 cost of the process but also the extra administrative effort and time that goes into carrying out that process. We estimate that, overall, it costs 2p to collect £1 of rates. When we get into the recovery process, it costs about 9p to collect £1, so all the people who choose not to pay until they receive notice of the court process, or beyond, are being subsidised, through the cost of collection, by those who choose to pay on time. We must continue to explain that issue to people.

740. If people are genuinely struggling to pay, we are very keen to talk to them and, in almost all cases, we are able to agree a suitable payment arrangement. Consequently, we never get to, and therefore never have to expend effort, on court processes. So, the shortfall is about £1·5 million, although, in our briefing paper, members will notice that, due to the way the figure is treated, the pressure is reduced for LPS. However, that is due to an accounting regulation, and it does not affect the cost of collection.

741. Ms Purvis: As you become more successful at recovery, should the cost of collection not be falling?

742. Mr Greenway: Two factors are at play. We have old debt that accumulated during 2006-07 and 2007-08 and, as the rating reforms came in, the IT system, which is now fully rehearsed, came in when it was not fully fit for purpose. For about 18 months, we could not pursue recovery. We still have a considerable amount of old, fairly cold debt, which requires a lot of staff effort to track ratepayers down or to deem it, in line with our processes, irrecoverable and, therefore, written off. We must also deal with the economic situation. In the current debt figures, the preponderance of non-domestic debt is very noticeable. Year to year, domestic debt does not shift much, but, as we see daily and weekly in the newspapers, companies are suffering, so non-domestic debt also suffers.

743. Presently, out of roughly 400 people who are employed in revenues and benefits, 130 of them are in the recovery unit. In the pre-reform days of steady state, high collection levels and not much debt, the collection of which progressed quickly before ratepayers moved and slipped below the radar, we only needed around 20 people. Now, we have 130. That figure must come down, but, in the near future, I do not foresee it doing so. You asked about court processes for next year, and, as we clear backlogs, I envisage the number being broadly similar to this year's figure. The only thing that would reduce the number of staff in the recovery unit would be if more ratepayers were to come forward and agree payment arrangements.

744. Ms Purvis: Does the recovery of unpaid rates impact on how you deal with the recommendations in the Public Accounts Committee report or on the implementation of the action plan that you produced in conjunction with PEDU?

745. Mr Greenway: Both of those bodies said that the recovery of unpaid rates is extremely important. Out of roughly 1,000 staff members in the agency, which was the figure that Stephen quoted, 130 — more than 6% — are employed to do that work. We want to reach the point at which that figure is much smaller because we are achieving high collection levels.

746. In simple terms, we have a lot of work to do before we issue a bill. Issuing a bill is largely an automatic process and, if we follow-up promptly, recovery should be fairly straightforward. In fact, we have to put more people on pre-billing to ensure that people on benefits and those who are eligible for reliefs apply correctly. In addition, some schemes, such as non-domestic vacant rating, which must take account of three-month holiday periods and so on, are fiendishly complex to implement. The pensioner deferment scheme will also be horrendously difficult to implement, so a number of full-time staff will have to work on it. We fully support the policy's objectives, but dealing with accounting and legal matters and putting charges on the land

register will take several full-time staff. Even though the initial surge has passed, the LPA team requires several full-time staff.

747. Deferment, depending on the take-up, will again take a team of several staff. That is all embedded in the cost of collection.

748. Mr O'Loan: Were you suggesting that, subject to the legalities that have not yet been worked through, some of the burden of equal pay and back pay might be passed on to councils?

749. Mr Greenway: That is possible. I do not believe it is likely, but I felt it important to flag that up. It was flagged up in letters to council chief executives that we were waiting for absolute confirmation of this.

750. Mr O'Loan: That is the point that you made earlier?

751. Mr Greenway: Yes. The equal pay in-year is rightfully a cost for the agency. Therefore, pay for those people working in rating is a cost rightly for cost of collection. As you are aware, there are six years of backdating, and that would have a further profound impact. Councils have been alerted to that. I believe the risk is small, but it will come down a legal agreement and a piece of legislation. We are waiting to hear confirmation of exactly how they interact.

752. Mr Hamilton: Can the cost of backdating equal pay six years be passed on to anyone? My understanding is that it is a charge on the centre.

753. Mr Greenway: It will be met through the centre. The point is what constitutes a "cost of collection" in the penny product regulations. We need to be absolutely certain that, in accounting terms, it does not have to be recognised. I believe that the risk is small.

754. Mr Hamilton: I am completely lost.

755. The Chairperson: Going back to Declan's question, are you saying that some of the councils will pick up that debt? Are you saying that that is the case?

756. Mr Greenway: In handling terms, the centre has allocated money for the back pay of the 13,000 staff affected. That is where the pot of money lies which will be drawn on as each individual receives their amount. Departments will only pick up that cost from 1 February 2009. We pay roughly £1 million for rate collection, because we have a lot of these grades in the business.

757. In the future, the money for back pay will not be found from Departments. However, we have to be absolutely certain that what is legally defined as costs of collection is not necessarily the same as what passes through the LPS or DFP accounts. It is an important but detailed legal point. If the back pay had to count towards cost of collection, it would have to be charged to the councils as increased in-year cost of collection. That is a small possibility, but council finance officers and chief secretaries have been alerted to that potential risk. We are trying to get clarification, but as you are aware, small print of the deal is only crystallising.

758. The Chairperson: Will you get clarification of that for the Committee?

759. Mr Greenway: Rating policy division is working on the clarification, but it was waiting on the wording of the final agreement.

760. Mr O'Loan: I declare an interest as a member of Ballymena Borough Council.

761. The Chairperson: Before we move on, I will ask about your responses to some of the questions asked by Dawn. Your paper states that you are facing a record number of court processes. You said that you now employ 130 people in debt recovery, compared to 20 several years ago, because the level of debt has increased. You account for that by referring to the impact of the economic recession. Is it now the case that court proceedings are instigated at an earlier stage? Is that why more are taking place than previously?

762. Mr Wilkinson: It is a combination of improvements in performance. As we explained to the Committee previously, in the years 2006-07 and 2007-08, we were developing IT systems to deal with recovery. Collection performance in those years was down, and systems were not operating in the way intended. Collecting older, pre-year, debt has been a catching-up exercise, but we have got the systems up and running, and, as we have improved our processes, we have been seeking to ensure recovery earlier in-year. For example, we were quicker off the mark last year and this year compared with previous years in following up recovery action. It is a combination of factors.

763. Mr Greenway: I agree with that.

764. The Chairperson: In talking about older debt, you are obviously referring to people who habitually do not pay rates. How differently does LPS treat people who have that legacy of debt, as opposed to those who now find themselves in financial difficulties? Such people may have lost jobs or whatever because of the economic recession and just cannot pay; they not are avoiding paying. Does the system separate those categories? That issue has been raised at committee meetings before, Mr Wilkinson. Some people may have been unable to pay their rates in only the past year or so, and court letters landing in their halls are scaring the wits out of them, particularly elderly or vulnerable people. Does LPS differentiate between the two types of debtors?

765. Mr Wilkinson: We have trained staff and put them in place to talk to people who are in difficulty paying their rates bills. The first thing that we have got to do is to ensure that people are claiming all the benefits and entitlements which might reduce their rates bills. We try to differentiate between people who will not pay and those who are having difficulty and are unable to pay. LPS seeks to do whatever it can to help people in the latter category. Sometimes, that means entering an arrangement to extend the payment period. Even though there is an option to put firms into administration, we try to deal with the situation sympathetically.

766. Not many months ago, I was talking to our staff during a visit to one of our offices in Derry. They had noticed that the recession-led contraction in the building industry had caused a downturn in orders for a number of local builders’ merchants supplying materials to construction sites and run those firms into difficulty. Those are the type of issues that we constantly review and consider. We try to help anyone with genuine difficulties to pay their rates. That sometimes means entering into a payment arrangement that impacts on end-of-year debt, which is another issue that we are dealing with at the moment.

767. Mr Greenway: I will add two points to that. First, until they contact us, we do not know whether somebody cannot or will not pay. Secondly —

768. The Chairperson: May I stop you there, Mr Greenway? I meant that knowing the legacy of debt would indicate whether the difficulty had arisen in the past year or two, since the onset of the economic recession.

769. Mr Greenway: Sure, but if somebody does not contact us, we have little choice. I mentioned earlier that there were 35,000 court processes, 12,000 decrees; even allowing for a

bit of timing in that, that is 20,000 people who are in a court process that might have been avoided if they had contacted us before it was instigated.

770. Secondly, but linked, is the fact that most housing benefit claims cannot be backdated before the date on which the claim is received. In a limited few cases, up to three months backdating is allowed under social security legislation, but, in general, the longer people leave it, the longer they miss out on housing benefit, because in almost all cases we cannot backdate. That provides two pleas for public representatives to encourage people to contact us early.

771. Mr F McCann: Is the Department proactive in publishing the fact that people may find themselves in difficulty? You have said that there may be a legacy, in many cases, where rate arrears or the rates themselves have not been paid. Has LPS examined how the voluntary and community structures could be used to assist with that? Jennifer was correct in that many people within those 40,000 could be elderly or do not understand the procedures and, therefore, find it difficult to pay their rates.

772. Mr Wilkinson: We will seek to enter into an arrangement to secure the payment of rates over a longer period. There is already a great deal of work being undertaken to reach out and communicate to communities and the public, and Iain will give the Committee an overview of that work.

773. Mr Greenway: Much of it links in with our work on benefit uptake, because very often one is the flipside of the other. When Brian McClure appeared before the Committee last week, the Committee requested a further written update on the work that responds to the report published by Access to Benefits. That will be provided to the Committee shortly.

774. There are many events and connections taking place with the obvious organisations such as Age Concern, Help the Aged, the Citizen’s Advice Bureau and the Consumer Council to encourage the uptake of benefits, and the flipside of that is that people should come and talk to LPS if they have a problem. If someone applied for housing benefit last year and was turned down, their circumstances, or the limits in legislation, may have changed — the Committee will be aware that savings limit was increased significantly for pensioners recently — and people should not assume because they did not receive a benefit last year, they will not be eligible for it again.

775. Therefore, all of those messages are going out, and, as means of generating more general public interest, the Minister is participating in an event with pensioners this Friday in Larne on the issue of access to benefits.

776. Mr F McCann: The Committee has been advised that work is being undertaken to determine if an administration charge could be added to the accounts of ratepayers, against whom legal proceedings have been instigated. Will you provide an update on any progress that has been made on that?

777. Mr Greenway: Any such legislation is developed by the rating policy division, and it has advised that primary legislation would be required to introduce that charge. However, the advice all Departments have received from the Office of the Legislative Counsel is that no more primary legislation will be countenanced in the life of the current Assembly, because of the sheer volume in system and everything dying at prorogation.

778. We are working with the rating policy division on a number of matters, some small and some large. One of the smaller ones is that the law here does not allow us to send rate bills out until 1 April, yet the law throughout the rest of Great Britain allows them to be sent out in March. This year, 1 April falls in Holy Week and there will be a period when the offices are shut

for four days over the Easter period. Therefore, in a very practical sense, we want to change that.

779. The £85 administration charge will have to go to public consultation as is the case for any legislative proposal. Human rights issues will be raised, but our intention is that consultation process will begin this year to allow legislative proposals to be introduced early in the life of the next Assembly.

780. Mr F McCann: The briefing paper states that the recurring cost of the equal pay settlement for LPS will be in the region of £1·1 million during 2010-11, and that that additional pressure will be managed through the 2010-11 in-year monitoring process. Will you provide more detail on the steps that will be taken to manage that pressure?

781. Mr Boyd: We have made broad assumptions about our average salaries for next year. We have also assumed that there will be a 3·5% pay deal this year and a 1% pay deal next year, and until those pay deals are settled we will not know how much of an underspend there will be next year. If the pay deal is settled at 2·5%, and if we begin to generate extra income next year, those funds will go towards settling that £1·1 million pressure. There is also a possibility of easements in the Department that could help with that pressure. However, we believe that that pressure can be managed through the in-year monitoring process.

782. The Chairperson: OK. There are no further questions. I thank the witnesses for appearing before the Committee today.

Appendix 3

Statutory Committee Submissions

Review of Spending Plans 2010-11

Committee for Finance and Personnel
Room 419
Parliament Buildings
Tel: 028 9052 1843

Northern Ireland Assembly
From: Shane McAteer, Clerk, Committee for Finance and Personnel
Date: 14 January 2010
To: Statutory Committee Clerks

Review of Spending Plans 2010-2011

Further to my note of 7 January, I write on behalf of the Committee for Finance and Personnel to formally commission written submissions from each Statutory Committee in response to their Department's proposals with regard to the Review of Spending Plans 2010-11, announced by the Minister of Finance and Personnel on 12 January.

As mentioned in the Minister's statement to the Assembly and the accompanying consultation document, departments have been asked to make details of their revised plans available on their respective departmental websites, and also to engage with their respective committees.

Committee submissions will be attached as appendices to the Finance and Personnel Committee's Report. I would ask that the submission is accompanied by a summary of no more than 600 words, highlighting your Committee's key findings/conclusions/recommendations, for inclusion in the main body of the report.

The deadline for submissions is Friday 5 February and, in view of the limited time available for the Finance and Personnel Committee to complete the report, this cannot be extended.

Shane McAteer

21843

Committee for Agriculture and Rural Development Responses on the Review of 2010 – 2011 Spending Plans for Northern Ireland Departments

1. The Committee for Agriculture and Rural Development (the Committee) received a presentation on the Review of 2010 – 2011 Spending Plans as it applied to the Department for Agriculture and Rural Development (the Department) on 26 January 2010 in plenary session.

2. The Committee would note that papers relating to the plans were only made available to the Clerk approximately one hour and twenty minutes before the meeting was due to commence and that Members had first sight of the proposals as the departmental presentation was about to commence. The Committee remains perturbed that, in respect of financial and budgetary matters, the Department has developed a process of submitting papers either after deadlines or, at a minimum, right up to the deadline. This has the potential of not affording the Committee an appropriate opportunity to scrutinise papers in a manner that will allow for high standards of budgetary and financial control and could, therefore, result in front line services to farm businesses and the wider rural community being negatively impacted in the longer term. The Committee would wish the Department of Finance and Personnel to instruct the Department to include appropriate contingency for Committee scrutiny in their financial planning processes.

3. The Committee notes that Executive decision for the Department is that they have been set a target to save £6.3m (2.8%) on current expenditure and £3.4m (11.7%) on capital investment. The Committee is of a view that, in themselves, these are reasonable amounts against the total requirement of £367m.

4. The Committee is concerned, however, that the Department appears to have targeted the softer options of research and education to cover the majority of these additional pressures, including the sale of land. The Committee is aware that the Department is undertaking a review of its estate and would place on record its opposition to the Department asset-stripping prime public property in order to pay for its mistakes.

5. The Department is also concerned that the pressures now facing the Department will begin to have a significant impact on their PSA targets within the Programme for Government. This is evident in their having a £1m shortfall in 2010/2011 arising out of the Investment Strategy and the requirement for an additional £2m capital to accelerate investment in flood defences following the August 2008 floods.

6. In addition, during the course of the presentation to the Committee, the Department has identified a number of other significant areas that will result in increased pressures during 2010 – 2011. These are as follows:

(a) Crossnacreevy

The over-evaluation of the Crossnacreevy site by the Department has resulted in a negative capital investment budget of £174m. The Committee has long held the view that this valuation was totally inaccurate and unsubstantiated by the Department. Land and Property Services quite rightly provided valuations based on a like for like use of the land. Responsibility for the over-evaluation lies with the Department. Whilst the £200m receipt identified by the Department in their accounts may be covered by slippage of other departmental programmes, the Committee is of the view this represents a major loss to the Northern Ireland economy.

(b) EU Disallowances

The Department is facing disallowances arising from non compliance with EU regulations governing their EU area based payments schemes. A disallowance of £30m has been proposed for the 2004 – 2006 scheme years, with an additional £30m in respect of 2007 and 2008. The Department considers the risk of these disallowances being applied within the budgetary period as very high. Obviously, they cannot be borne within the current departmental budgetary position.

(c) Rolled-Up Modulation Match Funding

The Committee was astonished to learn that the Department had failed to insert a budget requirement in respect of Axis 3 of the Northern Ireland Rural Development Programme. The Department has announced widely in the press that this programme is to be funded jointly by the Department and the EU with a total available budget of £100m. Applications to the programme have been approved and the Department now finds it needing to bid for £5m to meet in year commitments.

The Department is bidding to secure these monies from rolled up modulation match funding, totaling some £27m, apparently being held by DFP. The Department claims to have an agreement with DFP that allows them to bid for this money to match fund the applications approved to date in the programme. The Department has duly bid for £5m for the next financial year but rates its chances of being successful in its bid at approximately 40%. The Committee is very concerned that in excess of 250 rural entrepreneurs have been encouraged and approved by the Department to commence investment in their projects whilst the Department is not in a position to match that investment due to their inability to appropriately budget for a scheme that is nearly three years in development.

The Committee would, however, support this bid on the basis that rural businesses are already making their element of the project ventures. Another injection of £5m into the rural economy would be a significant economic driver and an incentive to others to participate in a programme that has a great deal of potential and ability to lever in significant amounts of investment.

Invest to Save Proposals

7. The Department has proposed bids in three areas, two of which are supported by the Committee. These are as follows:

(a) Land Parcel Improvement (LPIS) Project

The LPIS project aims support the drive to better compliance with EC area and scheme regulations, and reduce the risk of Commission disallowance. The Department makes over €300m of European payments as area aid on an annual basis. As indicated above, non-compliance with the scheme rules can result in significant levels of disallowance being placed against the Managing Authority, with the Department currently facing up to £60m disallowance. The project will improve IT systems, maps, data quality, rules about eligibility of claims and standards of inspection. It will involve a significant amount of cross departmental working with DFP's Land and Property Services Division. The overall cost is around £14m, and payback (measured in terms of a reduction in potential future EC disallowance) will be achieved in 2 years.

The Committee for Agriculture and Rural Development supports this bid on the basis that it will alleviate significant future disallowance bids.

(b) College of Agriculture and Rural Enterprise (CAFRE) Enniskillen Campus Improvements

Construction of new facilities and to ensure compliance with disability legislation at a cost of £1m will enable CAFRE to disengage from the Necarne estate. There are net forecast savings of £0.16m per year, which gives payback of the initial investment of 7 years.

The Committee is supportive of this action although it is concerned that the overall CAFRE capital investment budget is being cut by the Department by approximately £3m. The Committee remains of the view that education is critical to the future development and investment in the industry, as evidenced by the significant numbers of young people participating in the courses being offered through the courses. It is therefore essential that the CAFRE budget is protected to ensure that this impetus for education can be maintained.

(c) Badger Prevalence Study

Bovine TB (BTB) is a complex disease, and at £22m, the TB control programme is one of the most costly, and challenging animal health problems. The objective of the study is to provide a measure of BTB in badgers in order to (a) give a solid scientific basis about where to target future interventions and (b) provide baseline data to compare against the results of any intervention. The cost of the study is £2.5m over 2 years.

The Committee for Agriculture and Rural Development is opposed to this bid. The Committee does not agree with the policy direction of this study as it does not tackle the increasing TB incident levels. The Committee has called on the Department to introduce a defined and targeted compulsory bovine Tuberculosis eradication programme, which would include the removal of all animals susceptible to bovine TB and which would save the Northern Ireland public purse in excess of £22m per year. This is in line with the Public Accounts Committee who has also called for a defined eradication programme.

8. There was a consensus within the Committee that the Department for Agriculture and Rural Development is heading towards severe financial crisis, given the extreme levels of financial pressures that it faces. Indeed, during the evidence session with the Department, the Deputy Secretary argued that the Revised Expenditure Plan was a means of avoiding bankruptcy.

9. The very unfortunate aspect to this is that it will be the wider Northern Ireland community that will have to bear the brunt for the financial mis-management of the Department of

Agriculture and Rural Development budgets, commencing with the over-evaluation of the Crossnacreevy site by £200m, the continuance of non-compliance with EU scheme rules at a cost of up to £60m, the pursuance of a flawed policy in respect of bovine TB that has cost £200m over the past 10 years and which continues to cost £22m per year and the inability to identify critical monies in the budget to pump prime the rural and wider economy.

10. The Department asked for the Committees views of both where additional savings could be made as well as where they should be lower. The Committee declines to respond to the Department on this matter as it feels that the Committee should scrutinise the Departments proposals rather than suggest to them what they might be. As part of this scrutiny, the Committee will endeavour to ensure that frontline services to the rural economy are protected and that the costs arising from the errors made by the Department are not passed onto the industry and rural communities.

Committee for Education

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A Submission by the Committee for Education on the Department of Education's proposals on the review of spending plans 2010-11

1. Introduction - The Committee for Education receives regular (normally monthly) briefings from Department of Education senior officials on the education budget. At its 18 November 2009 meeting, the Committee questioned officials how the then £33 million resource pressures and £70 million capital requirement for 2010/11 would be addressed, together with further expected additional efficiencies from the Executive's Spending Plans for 2010/11. Officials responded that the Minister was reviewing both resource and capital expenditure plans and information on this would be available to Committee early in 2010. The Committee heard that, in the absence of any additional capital funding, DE will not release any further capital projects and cease work on bringing new projects into the process. The Committee was so concerned with the position on capital funding that it commissioned and received a specific DE briefing at its 9 December meeting on the Department's capital spending programme. This confirmed the serious position on the capital programme which would be restricted in 2010-11 to minor works spend required to meet statutory requirements. The Committee was also informed of some £240 million backlog of requests from schools for maintenance. The Committee re-affirmed its request for information on the Minister's review of the Capital Programme.

2. The Committee received a letter dated 14 January 2010 (attached below) from the Minister of Education setting out the Executive's draft proposals for 2010-11 Spending Plans amounting to savings of £51.7 million (2.6%) current expenditure and £22 million (11.5%) capital expenditure for the education budget. The letter highlighted that there are other pressures on the 2010/11 education budget of some £40 million current expenditure and a breakdown of this was detailed in Annex A of the letter.

3. The Minister's letter stressed that the scale of the pressures would mean it would 'not be possible to avoid some reduction in funding direct to the classroom'. The letter also attached at Annex B a list of five areas where the Minister said 'some savings could be delivered but this would account for only a small proportion of the overall savings required'. The Minister said that she was 'keen to obtain the views of the Education Committee on how we can deliver these savings and address pressures'.

4. At the Committee's request, the Minister of Education attended the 3 February 2010 Committee meeting. The Minister summarised the education budget position for 2010-11, highlighting the proposed savings and other pressures, together with some of the key issues detailed in her letter to the Committee of 14 January 2010. These included the need to reduce bureaucracy and streamline delivery of administration in education; with the delay in establishing the Education and Skills Authority, a Convergence Delivery Plan has been produced to maintain the momentum of reform and deliver the 50% management saving (430 posts) through 'invest to save', generating £20 million annual saving; with 70% of the education budget being salary costs, the need to protect as far as possible frontline services; and the need for an equality impact assessment of proposed spending reductions. The question and answer session raised various points on these issues, with the Committee highlighting to the Minister that the primary role of the Committee was to scrutinise the Minister's proposals to address proposed savings and pressures and it was not in a position to consider and give its view on:

(a) The five areas for potential reductions identified by the Minister (see para 6) as the Committee has not been provided with sufficient information on the nature of the spend in these areas and, in particular, the impact of potential reductions;

(b) The Convergence Delivery Plan, as the Committee has yet to see the Plan despite its earlier requests to be briefed on the Plan;

(c) The Minister's review of the capital programme, as the Committee has not been provided with the criteria to be used in the review or any outcomes, despite its earlier requests for this;

(d) Any other measures the Minister may be considering to deliver additional savings, as the Committee has not be informed on this and no information has been posted on the DE website.

5. The Committee received briefings from senior department officials on the 2010-11 budget situation at its meetings of 20 and 27 January 2010, questioning officials and seeking more details on the proposed education budget distribution for 2010-11, against the 2009/10 starting position. The Committee also sought specific details on the potential reductions to the 2010-11 budget in the five areas identified in Annex B to the Minister's letter. Details on the latter in the form of the proposed uplift from the 2009/10 baseline expenditure to the 2010/11 baseline position, and on the former were provided to the Committee for its 27 January meeting and these are also attached below this submission (as Annex D and Annex E dated 26 January 2010).

6. The Committee noted that the potential reductions to the 2010-11 education resource budget in the five areas identified if no uplift in expenditure was allocated to the 2010-11 baseline would be as follows:

a. Reductions in bureaucracy/ streaming of services
(E&LB's, CCMS, education NDPBs etc) £8.2 million

b. C2K £6.6 million

c. CCEA £2.2 million

d. Entitlement Framework £5.5 million

e. School Improvement Programme £7.0 million

Total Reduction £29.5 Million

NB: Officials stressed that the Minister of Education has made no firm conclusions on these potential reductions.

7. A key area of the 2010-11 resource budget scrutinised by the Committee with officials on 20 and 27 January 2010 was the position on the proposed Education and Skills Authority (ESA) in relation to ESA implementation 'invest to save' costs and ESA establishment costs secured in Budget 2007, plus ESA efficiencies of £13 million already taken out of the education budget baseline for 2010-11. On the former because ESA has not been established the Department surrendered to DFP in the 2008/09 and 2009/10 in-year monitoring rounds some £2.2 million and £20.5 million respectively, on the basis that these resources would be required again to allow for the establishment of the ESA. This, plus a further £1 million surrendered as an easement in December 2009/10 monitoring, was presented in the Minister's letter as a significant pressure (£23.7 million) within the £40 million 'other pressures' for 2010/11. On the latter, the Minister wrote to the Committee on 26 January 2010 regarding a Convergence Delivery Plan which she had received, which would remove duplication, streamline services and create greater efficiencies – and make an important contribution towards delivering the £13 million ESA efficiency savings already out of the 2010/11 budget. The Convergence Plan would also contribute to the first of the five areas of potential reductions referred to above at para 6. The Committee has yet to see the Convergence Plan and is therefore unable to comment on it in this submission.

8. The Committee noted that £24.3 million is currently allocated in the 2010-11 baseline for Special Education Needs (SEN) Review. The Committee understands this is for teacher training and capacity building, with presumably a large proportion of it to implement the new SEN and Inclusion Review policy proposals - bearing in mind the baseline allocation for this area in 2009/10 was £1 million. However, the Committee, having taken considerable evidence from key stakeholders (including organisations representing children with disabilities, teachers unions and parents of children with SEN) has serious concerns with a number of the Department's policy proposals on SEN and Inclusion as set out in the DE Consultation document. The Committee raised the issue of the timing of such a significant spend on SEN training/capacity building related to the Department's policy proposals, bearing in mind that officials said that more detailed proposals will be developed for consultation after consideration of the numerous responses to the 'high level' consultation. Therefore, the Committee concludes that a substantial proportion of the £24.3 million could be utilised to address pressures in the 2010-11 budget on the basis that the resources would (subject to the outcomes of the consultations) be a priority and would be required in subsequent years.

9. As reflected above, the Committee has not commented on other areas of spend proposed in the 2010-11education budget, primarily because it was not in a position to fully assess the impact which potential reductions in spend would have on services, in particular on frontline classroom services.

10. Finally, the Committee noted that the Department of Education has yet to provide on its website any proposed measures for 2010-11 to be taken to deliver additional savings etc, as requested in the Executive's Review of 2010-11 Spending plans for NI Departments document (para 4.12).

5 February 2010

Educuation Committee Minister Letter
14 January 2010

FROM THE MINISTER/ÓN AIRE

An Roinn Oideachais
Department of Education
Männystrie o Lear

SUB 11/2010

Tel: 9127 9618
Fax: 9127 9779
Dialing codes: 028 from North of Ireland
048 from South of Ireland

Mr John Simmons
Clerk to the Committee
Education Committee
Room 241
Parliament Buildings
Stormont
BELFAST
BT4 3XX

14 January 2010

A John a chara

As you will be aware the Finance Minister's statement to the Assembly on 11 January confirmed the Executive's draft proposals in respect of 2010/11 Spending Plans for departments and launched a period of consultation with responses due by end of February. The extent of savings to be delivered from the education budget in 2010-11 is significant with some £51.7 million (2.6%) to be found from current expenditure and £22.0 million (11.5%) on capital investment. In addition to this there are a number of other pressures on the education budget totalling around £40 million which need to be addressed. It is clear that that no additional resources are available to the Executive to meet these pressures and so I will need to consider how/if these can be addressed within the proposed budget allocation. Inevitably any pressures covered will have implications for other elements of the education budget.

There are a number of significant reforms which we have already begun to take forward in education and it will be critical for me to ensure as far as possible that I can deliver the savings required and address the pressures on the education budget in a way that maintains the momentum on the delivery of these key education priorities and protects as far as possible frontline service delivery. I must acknowledge, however, at the outset that the scale of pressures facing education is such that it will simply not be possible to avoid some reduction in funding direct to the classroom.

In considering the options available to me a key issue will be to reduce bureaucracy and streamline delivery of administration in Education. We already have a target of £13 million efficiencies to be delivered through reduced bureaucracy in 2010-11.

Annex D

Potential Reductions to 2010/11 Budget

Budget Area	2009/10 Baseline £million	2010/11 Baseline £million
Reductions in bureaucracy / streamlining of services	440.1	448.3
C2K	53.2	59.8
CCEA	25.3	27.5
Entitlement Framework	17.7	23.2
School Improvement programme	9.0	16.0

Annex E

Education Budget Distribution 2009/10 to 2010/11 (Position as at Budget 2008 Outcome)

Notes:

(a) Figures below represent the 2009-10 starting position and 2010-11 plans.

(b) Due to roundings some figures may not sum to totals.

	2009-10 Budget £m	2010-11 Plan £m
1. RESOURCE DEL (Departmental Expenditure Limit)		
Schools Delegated Budgets, which comprise:	1,106.0	1,125.4
Year on Year change		+1.8
- ELB-funded Schools (controlled and maintained)	843.2	858.1
- Voluntary Grammar Schools	205.4	208.9
- Grant Maintained Integrated (GMI) Schools	57.4	58.4
ELB School-related Centre Resource Budgets (excluding earmarked, demand determined, ring fenced budgets)	406.1	412.5
Year on Year change		+1.6
These Budgets comprise: (a) Resources allocated to schools:		
Teacher Substitution Costs	15.8	
Rates	28.9	
Special Education in Mainstream Schools – This relates to costs in meeting the needs of special educational needs (SEN) pupils in mainstream school settings	58.0	
Landlord Maintenance	9.8	Breakdown to be confirmed by ELBs once budget has been agreed.
Other - This comprises a range of smaller budgets relating to schools, including support under LMS curriculum reserve and contingency fund arrangements, redundancy and insurance costs	21.4	
(b) Services to Schools – Resources held centrally by Boards, which include:		
Transport	73.2	

	2009-10 Budget £m	2010-11 Plan £m
School Meals	32.1	
Curriculum Advisory and Support Service (CASS)	19.8	
Maintenance	4.9	
School Library Service	3.3	
Special Schools	81.8	
Pupil Support	20.2	
HQ Administration (incl. other overheads)	36.9	
ELB School-related Earmarked, Demand Determined and Ring-fenced Budgets	218.8	268.6
Year on Year change		+22.8
This comprises a large number of budgets, of which the main ones are:		
Classroom 2000	53.2	59.9
School Improvement Programme	9.0	16.0
Special Education Programmes	8.9	8.9
SEN Review	1.0	24.3
Children Order	11.2	11.2
Pre-School Initiative	10.6	10.9
Entitlement Framework	17.7	23.2
PPP Related Payments	16.3	26.7
Professional Development of Teachers	4.6	4.9
School Meals Nutritional Standards	3.2	3.3
Curriculum Development	9.6	10.7
Extended Schools	4.8	11.0
ELBs IT Systems	3.7	4.1
Schools' Transitional Costs e.g. Start- up/Travellers/EAL	2.2	2.2
Equipment for New Build/Procurement	6.3	11.8
School Transport – Safety Measures/Systems	2.9	3.0
Job Evaluations	4.6	3.9
Boarding & Clothing Allowances	3.2	3.2
Teachers' Enhanced Severance Costs	6.0	6.0
Additional Maintenance	5.5	5.5
Innovation Fund	2.7	2.7
ESA Implementation Costs	31.5	14.4
Other	0.2	0.7
ESA Implementation Costs	31.5	14.4
Other	0.2	0.7
Voluntary Grammar and GMI Schools Central Support costs	23.0	23.6
Year on Year change		+2.6
VGS	10.7	10.9
GMIS	12.3	12.7

	2009-10 Budget £m	2010-11 Plan £m
Other NDPBs and Miscellaneous Education Services	41.0	45.1
Year on Year change		+10.0
NICCEA	25.3	27.4
CCMS	4.1	3.8
Staff Commission	0.4	0.4
Other Misc Grants & Payments incl:- Middletown Autism Centre	1.1	1.8
Teacher-related Activities	0.4	0.4
Young Enterprise NI & Business/Education Links	1.5	1.6
Pupil Support & Counselling	2.8	3.7
NI Council for Integrated Education	0.6	0.7
CnaG	0.6	0.7
Educational Research and Publicity	0.4	0.4
Access NI	1.4	1.7
Procurement Strategy	0.9	0.9
Others	1.5	1.5
Early Years Provision This covers the costs of budgets transferred to DE from DHSSPS in recent years	23.9	26.6
Year on Year change		+11.3
Funding through Health Boards (incl Sure Start)	20.6	23.3
Funding through Voluntary Bodies	3.3	3.3
Youth and Community Relations (excluding Department of Education costs)	31.6	31.8
Year on Year change		+0.6
Youth:		
ELBs Youth	22.7	22.9
Voluntary Youth Services	1.2	1.2
Youth Council	4.2	4.2
Community Relations		
ELBs Community Relations	2.0	2.0
Voluntary Community Relations	1.5	1.5
Department of Education This covers the running costs of the department and the biggest single factor is salary costs. The budget also covers general administrative expenditure such as postage, staff travel, stationery etc.	28.7	27.6
Year on Year change		-3.8
TOTAL RESOURCE Year on Year change	1879.1	1961.1 +4.4
2. CAPITAL DEL (Departmental Expenditure Limit)		
PPP Projects	50.2	110.9
Capital projects on Site	39.7	20.0
Capital projects in Planning	70.8	34.1
Minor Works	90.8	30.0

	2009-10 Budget £m	2010-11 Plan £m
Transport	4.8	2.7
ICT	2.0	0.8
Middletown	2.7	3.7
Early Years	2.4	2.5
Lisanelly	-	1.6
Innovation Fund	1.0	1.0
Special Schools	0.6	-
Teacher Pension project	0.3	0.4
Youth (Budget 2007 outcome)	5.0	5.0
Youth additional need post Budget 2007 outcome	5.0	-
Total Capital Investment	275.3	212.6
Asset Sales	-22.0	-11.5
Total Capital Budget	253.3	201.1
Year on Year Change		-18.9
IFRS revision to PPP budget	0	-9.8
Revised capital budget	253.3	191.3
Revised Year on Year change		-24.5

This efficiency, which has already been deducted from the Education budget, was predicated on the establishment of the Education and Skills Authority (ESA). The delay in the establishment of ESA means that unless we take action now to reduce bureaucracy this will simply be a further pressure on the Education budget over and above the additional savings to be delivered. As you know I have asked the Chairperson and Chief Executive designate of ESA to produce a Convergence Delivery Plan to maintain the momentum of reform while ensuring the existing organisations continue to deliver key policies and it will be critical now more than ever to ensure that the convergence programme is implemented quickly and effectively.

I am acutely aware that I now face having to make decisions about savings to be delivered from my budget which, together with the other pressures on the budget and the savings to be delivered from ESA, account for over 5% of the current expenditure budget next year. It will simply not be possible to do without pain and as over 70% of the education budget is salary costs there may inevitably have to be staff reductions to deliver reductions of this scale.

It is important that I ensure however, that these reductions are delivered in a way that ensures the best possible use is made of all available resources for the benefit of all our children and young people which is a priority for us all. It is for this reason that I am keen to obtain the views of the Education Committee on how we can deliver these savings and address pressures within the overall context of my priorities for education.

To assist you in this process I have attached (at Annex A to this note) details of the main additional pressures on the budget. I have also attached (at Annex B) details of areas in which some savings could be delivered but this would account for only a small proportion of the overall savings required. These together with other reductions would of course be subject to an equality screening process. I have also attached (at Annex C) details of the current distribution of the education budget which I trust you will find helpful in your considerations.

You will appreciate that the timing around all of this is very tight, and that there are complex issues to consider here. My officials will be happy to engage with you to discuss any aspect of this with you in greater detail. I should be grateful for a reply by 12 February.

I look forward to hearing from you.

Le gach dea ghuí
Caitríona Ruane

CAITRÍONA RUANE MLA

Annex A

Pressures Facing the Education Budget in 2010/11

Pressure	£ million	
ESA Implementation	23.7	This relates to part of the funding which was initially secured in the course of the Budget 2007 process to enable the implementation of

		ESA to be taken forward. However, due to the delay in the establishment of ESA this funding was surrendered to DFP in in-year monitoring rounds on the basis that this would be required at a later date to meet costs associated with the establishment of ESA.
Aggregated Schools Budget	11.2	This relates to funding required to enable delegated schools budgets to be maintained at existing levels based on latest information in relation to demographic change, TSN, EAL/Newcomer pupils.
IDF Programme	2.4	This is funding required to allow for completion of existing IDF programme - West Belfast/Greater Shankill and Colin projects.
Exceptional Circumstances Body	0.4	To provide funding for the running costs of the proposed new body to deal with Exceptional Circumstances related to transfer to Post-Primary Schools.
Early Years Strategy		To provide for the costs of implementing the recommendations of the Early years Strategy.
Payroll services for ESA		Resources required to fund extension of Non Teachers payroll Project.
Total	1.5 0.9 40.1	

Annex B

Potential Reductions to 2010-11 Budget

Reductions in bureaucracy / streamlining of services

C2K

CCEA

Entitlement Framework

School Improvement programme

Annex C

Education Budget Distribution 2010/11

Notes:

(a) Figures below represent the 2010-11 plans.

(b) Due to roundings some figures may not sum exactly to totals.

	2010-11 Plan £m
1. RESOURCE DEL (Departmental Expenditure Limit)	
Schools Delegated Budgets, which comprise:	1,125.4

	2010-11 Plan £m
ELB-funded Schools (controlled and maintained)	
Voluntary Grammar Schools	
Grant Maintained Integrated (GMI) Schools	
ELB School-related Centre Resource Budgets (excluding earmarked, demand determined, ring fenced budgets)	412.5
These Budgets comprise: (a) Resources allocated to schools:	
Teacher Substitution Costs.	
Rates	
Special Education in Mainstream Schools - This relates to costs in meeting the needs of special educational needs (SEN) pupils in mainstream school settings. 67% of pupils with statements of SEN are currently educated in a mainstream school setting (including special units).	
Landlord Maintenance	
Other - This comprises a range of smaller budgets relating to schools, including support under LMS curriculum reserve and contingency fund arrangements, redundancy and insurance costs.	
(b) Services to Schools – Resources held centrally by Boards, which include:	
Transport	
School Meals	
Curriculum Advisory and Support Service (CASS)	
Maintenance	
School Library Service	
Special Schools	
Pupil Support	
HQ Administration	
ELB School-related Earmarked, Demand Determined and Ring-fenced Budgets	268.5
This comprises a large number of budgets, of which the main ones are:	
Classroom 2000	
Making a Good Start (P1 and P2)/Foundation Stage	
School Improvement Programme	
Special Educational Needs	
Discipline Strategy	
Children Order	
Pre-School Initiative	
Entitled to Succeed	
PPP	
Professional Development of Teachers	
School Meals Nutritional Standards	
Curriculum Development	
ELB Ringfenced and demand determined	
Extended Schools	

	2010-11 Plan £m
School-Based Counselling Support	
Voluntary Grammar and GMI Schools Central Support costs	23.6
Other NDPBs and Miscellaneous Education Services	45.0
Early Years Provision This covers the costs of budgets transferred to DE from DHSSPS in recent years	26.6
Youth and Community Relations (excluding Department of Education costs)	31.8
Department of Education This covers the running costs of the department and the biggest single factor is salary costs. The budget also covers general administrative expenditure such as postage, staff travel, stationery etc.	27.7
EU Peace Programme	0
TOTAL RESOURCE	1961.1
2. CAPITAL DEL (Departmental Expenditure Limit)	
Schools Youth	186.3 5.0
TOTAL CAPITAL	191.3

Employment and Learning Dept briefing

From The Deputy Secretary
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FROM: Andrew Hamilton cc: see below

DATE: 21 January 2010

TO: DEL Assembly Committee

BRIEFING ON REVIEW OF 2010/11 SPENDING PLANS

I attach a briefing paper on the Review of the 2010-11 Spending Plans, which I trust the Committee will find helpful in its consideration of the proposals.

Andrew Hamilton

Andrew M. Hamilton

cc.

PS/Minister

Catherine Bell
Trevor Connolly

Briefing on Review of 2010/11 Spending Plans

Introduction

1. The purpose of this briefing paper is to assist the Committee's consideration of the impact of the Review of the 2010/11 Spending Plans upon DEL's budget.

Overall position

2. The Minister for Finance & Personnel has highlighted in his Statement to the Assembly on 12 January the overall funding pressures that face the Executive for 2010/11: £243.2m (2.6% of overall) in respect of current expenditure and £149.9m (10.2% of overall) in respect of capital expenditure. Following agreement by the Executive DEL has been allocated £19.7m of current expenditure additional savings and £9.0m of capital expenditure additional savings. In percentage terms these equate to 2.4% of the original DEL current expenditure baseline and 19.3% of the original DEL capital expenditure baseline.

Current Expenditure

3. As part of the Budget 2008-11 process DEL's current expenditure baseline increased by £48.6m (6.2%) in 2010/11 and wherever possible the savings have been targeted at these growth monies, in order to protect the existing 2009/10 level of provision. The impact of the additional savings of £19.7m means that movement year on year has reduced from an increase of £48.6m to an increase of £28.9m, which still represents actual growth of 3.7% above the nett 2009/10 position. Table 1 in Appendix 1 shows the changes to the Current Expenditure baselines for both 2009/100 and 2010/11 from the original Budget 2008-11 positions. Table 2 in Appendix 2 shows where the savings have been identified from, by Unit of Service.

4. The key points to note are:

- The growth available to the employment and skills budget has been reduced by £6.0m. But there remains substantial growth in this area which should enable the employment service to respond to the demands placed on it and for the department to continue to respond to the effects of the economic downturn and support the retention and acquisition of skills in the economy;
- There are no plans to reduce the recurrent funding available to the FE sector, given the additional activity being delivered within a budget that has shown limited growth over the last few years;
- A contribution of £12.8m in total is planned from the HE budget. Some £9.8m is to be found from the original planned growth for this area. A further £3.0m will be funded from a 1.5% efficiency improvement to be delivered by the Universities in 2010/11.

These arrangements will leave some £8.6m of additional new money which will be allocated to the sector to meet the cost of commitments previously announced;

- No reductions are planned in the student support arrangements which are demand led; and
- Small contributions are anticipated from a range of centrally managed budgets reflecting a tightening of expenditure on areas such as marketing. Some marginal contributions are also expected from current levels of support to external organisations with a view to achieving the same with less.

5. Taking account of these issues the proposed revised budget for 2010/11 is set out in Table 3 at Appendix 3. This shows:

- A 5.1% increase for Employment and skills;
- A 3.9% increase in funding for the HE sector;
- A 2.1% increase in funding for Student support; and
- A 1.5% decrease in funding for Employment Rights.

Capital Expenditure

6. The capital savings are being realised principally from changes in the level of funding for higher education infrastructure. Table 4 in Appendix 4 shows the changes to the planned capital expenditure for 2010/11.

Conclusions

7. DEL's draft revised Budget allocation for 2010-11 will still enable it to continue to be at the forefront of the Executive's response to the economic downturn. The ongoing implementation of the overarching Success through Skills strategy will underpin the Department's delivery in respect of the specific PfG key goals and commitments and PSA targets to which it contributes.

8. These include:

- Increasing the number of PhD research students at NI universities by a further 100 places;
- By 2011, 42,000 adult learners will have achieved a recognised qualification in Essential Skills;
- Increasing the proportion of Further Education enrolments that are on professional and technical courses to 90%; and
- Delivering a modernised employment service by 2011.

9. There will also be a number of infrastructure developments in FE Colleges across the region. DEL will also continue to complement the capital investment by both the universities and the two university colleges – supporting both teaching and research infrastructure.

10. Finally I should stress that the Minister is very keen that the Executive explores fully the opportunities to reduce the overall size of the additional savings required in 2010/11 by ensuring that every effort is undertaken to identify savings in respect of public sector pay. This would then feed back to individual departments as a reduction in the amount of the additional savings

they have to find. This could be achieved, either by way of pay freezes, where possible, and /or recruitment freezes, taking into account contractual obligations.

Recommendation

11. The Committee is invited to note this briefing paper as part of its consideration of the impact of the Review of the 2010/11 Spending Plans upon DEL's budget. I understand that there will be an opportunity for both myself and Trevor Connolly to update the Committee further at our Oral Briefing session on Wednesday 27 January 2010.

Appendix 1

Table 1 – Changes to Current Expenditure 2009/10 & 2010/11

	2009/10 £m	2010/11 £m	Increase £m	Increase %
Original Budget 2008-11 baseline	784.5	833.1	48.6	6.2
Less Technical Adjustment*	-8.7	-8.7	2.0	
Less: Additional savings	0	-19.7	-19.7	
Revised baseline	775.8	804.7	28.9	3.7

* Relates to reduced requirements declared as part of the 2008 Strategic Stocktake exercise and the impact of changes in Budgeting guidance.

This table compares the original budget for 2008-11 with the revised budget now proposed. It shows that although the allocation for 2010/11 has been reduced by £19.7m the overall budget for next year is still £28.9m higher than that for the current 2009/10 year – which equates to a 3.7% increase.

Appendix 2

Table 2 – Identification of the source of the additional 2010/11 savings by Unit of Service

Unit of Service	Original increase 2009/10 to 2010/11 £m	Less: Additional savings £m	Revised increase 2009/10 to 2010/11 £m
Employment & Skills (incl. FE)	23.4	-6.0	17.4
Higher Education	21.4	-12.8	8.6
Student Support & Postgraduate Awards	3.6	0	3.6
Employment Rights (incl. corporate services)	0.2	-0.9	-0.7
Total	48.6	-19.7	28.9

This table shows the proposed savings by Unit of Service. It demonstrates that most of the savings are coming from the planned increased in the Employment and Skills and Higher Education sectors. An efficiency contribution from the HE sector of £3m has also been factored in. Student Support is essentially a demand led budget and with increasing numbers of students to support there is limited flexibility in the budget so no savings are identified for this budget. A small contribution is expected from Employment Rights - savings are anticipated from a range of centrally managed budgets reflecting a tightening of expenditure on areas such as marketing and some marginal contributions are also expected from current levels of support to external organisations with a view to achieving the same with less.

Appendix 3

Table 3 – Revised budget for 2010/11 by Unit of Service

Unit of Service	2009/10 £m	Revised 2010/11 £m	Growth £m	%
Employment & Skills	340.9	358.3	17.4	5.1
Higher Education	221.4	230.0	8.6	3.9
Student Support & Postgraduate Awards	173.9	177.5	3.6	2.1
Employment Rights	48.3	47.6	-0.7	-1.5
Sub - total	784.5	813.4	28.9	3.7
Technical adjustment	-8.7	-8.7	0	
Nett Total	775.8	804.7	28.9	3.7

Appendix 4

Table 4 – Changes in the planned Capital Expenditure for 2010/11

Division	Original Allocation £m	Revised Allocation £m
Further Education	25.8	25.8
Less: capital receipts	-10.0	-10.0
Nett	15.8	15.8
Higher Education	29.5	21.4
Skills & Industry	1.3	0.4
Total	46.6	37.6

This table demonstrates:

- No change to FE sector funding as a result of the revised budget proposals. However the Committee should be aware that the scale of capital spending is critically dependent on the planned capital receipts of £10m being fully realised;
- Under the HE budget, some £14m was originally earmarked for the Strategic Capital Investment Fund for universities and university colleges. This budget has been reduced by £8.1m as this was the only area of the HE capital budget which was not formally committed; and
- The Skills & Industry capital funding for Workforce & Economic Development has been reduced by £0.9m.

DETI Review of 2010-11 Spending Plans - ETI Committee Briefing

Deti - Review of 2010-11 Spending Plans

Background

1. All departments were asked to identify Savings Options to deliver additional savings in 2010/11 of 5% Current expenditure baseline and 30% Capital investment baseline based on the opening 2010/11 budget allocations. For DETI this equates to £10.2m Current expenditure and £23.6m Capital.

2. This Savings Options exercise had been commissioned to help facilitate the Executive to consider targeted Savings Options which focused on reducing expenditure in lower priority areas.

3. In the event, the Executive agreed to £4.6m (2.2%) Current and £6.6 (8.2%) Capital Savings for DETI. The agreement did not specify the individual Savings Options to be provided leaving that as a matter for individual departments. This was done in order to provide the flexibility as to where and how this level of Current and Capital investment savings will be achieved.

Contractually committed expenditure

4. In October, DETI assessed its forecast contractually committed expenditure in 2010/11 for the Savings Options exercise. Brought forward commitments have historically made up a large proportion of DETI's annual budget, as a significant aspect of its normal business is in the form of financial assistance to business in support of multi-year investment commitments.

5. Our analysis of the 2010/11 budget identified that 71% of DETI's £284m budget was contractually committed to accrue at that time, representing £200.6m. This percentage is a little higher than what is regarded as normal, namely approximately 65%. This is as a result of the confirmation in June Monitoring that the 2010/11 Budget Stocktake reduced requirement of £10.5m would in fact be taken.

New and inescapable pressures

6. We already know that DETI will be required to fund a £12m shortfall in Capital receipts, £7m for the Short Term Aid Scheme and £12m Selective Financial Assistance for Bombardier in 2010/11.

7. There will also be a Capital pressure on the NI Block of £28m in relation to Launch Investment for Bombardier C-Series project that the NI block will need to consider.

Key Issues

8. The available headroom within the 2010/11 DETI budget, after accounting for the self-financing of the forecast £12m shortfall in Capital receipts, currently amounts to £72m, 25% of the overall budget, comprising £35m Current expenditure and £37m Capital investment.

9. Applying Annex A Savings Options of £4.6m Current Expenditure and £6.6m Capital Investment would further reduce the available headroom by 4% in total to £60.7m, comprising £30.4m Current expenditure and £30.4m Capital investment. This is considered to be sufficient

to fund DETI's Corporate Plan objectives and, more specifically, the immediate project work-in progress pipeline and existing capital programmes.

North South Bodies

10. InterTradeIreland and Tourism Ireland Ltd are delivering efficiency savings in their 2010 Corporate Plans. As DETI is on track to deliver efficiency savings from Budget 2008-11, we have agreement from DFP that these additional efficiency savings can be used for this exercise. Taking account of the downturn in the economy, it is also proposed to reduce the InterTradeIreland budget to be in keeping with expected outturn for the current financial year.

Reduction to the Economic Policy and Research budget

11. We proposed to use £0.6m Resource budget, which was held for reclassification to Administration, for 2010-11 savings.

Reduction to the Economic Infrastructure budget

12. The economic infrastructure budget has been reduced by £0.7m in 2010-11, which is currently uncommitted.

Energy savings

13. It is proposed that Energy Division will deliver £0.3m from the consultancy budget, which is currently uncommitted.

Tourism savings

14. It is also proposed that NITB delivers £0.4m of savings from Tourism Innovation Fund or from proposed marketing expenditure.

Capital savings

15. Capital savings are also set out in Annex A. Energy Division will deliver £0.6m from the public sector renewable energy budget. Invest NI will deliver £6m from its Capital budget which will most likely reduce expenditure in land acquisition and development.

Website information on the Review of 2010-11 Spending Plans

16. Minister Wilson made a statement to the Assembly on 12 January on the Review of 2010/11 Spending Plans, and the DETI information on the Review has been placed on our website. This is also included at Annex B.

Annex A

Proposed Options Position

Current Expenditure

Priority	Savings Options	Value £m	EU Drawdown £m
1	IntertradeIreland	1.6	
2	TIL	1.0	
3	Economic Policy and Research	0.6	
4	Economic Infrastructure	0.7	
5	Energy Resource & Consultancy	0.3	
6	Tourism	0.4	0.4
	Total	4.6	0.4

Capital Expenditure

Priority	Savings Options	Value £m	EU Drawdown £m
1	Energy From Waste Projects	0.6	
2	Invest NI	6.0	
	Total	6.6	

Annex B

Department of Enterprise, Trade and Investment (DETI)

DETI's key goal is "to grow a dynamic, innovative economy." DETI has made improving manufacturing and private services productivity its top priority during 2008 – 2011, in line with the Programme for Government (PfG) key goal of "aiming to halve the private sector productivity gap with the UK average (excluding the Greater South East) by 2015."

Delivery against PfG targets for 2008-09 and 2009-10

When DETI's PSA targets were agreed, it was recognised that they represented a major challenge for all stakeholders (private and public sectors) whose actions will influence private sector productivity or tourism growth, even in more benign economic conditions. In the event, it is widely acknowledged that the negative and constraining impact of the global downturn, characterised by falling demand for goods and services with its knock on effect on investment activity among locally and externally-owned businesses alike, and on the tourism sector, has rendered the achievement of some PSA targets much more difficult.

The DETI budget is, to large extent, demand-led, linked to the economic cycle, and dependent on the actions of third party businesses over which it has little control. The economic downturn has led to a general reduction in business activity, characterised by many businesses delaying, or in some cases abandoning, planned investment. Consequently levels of budget reduced requirements have been a recurring feature of DETI's Monitoring Round adjustments to date, as the originally anticipated realisation of grant expenditure arising from existing multi-year contractual commitments has not materialised.

Despite this, DETI has taken a proactive and collegiate approach to budgetary management in response to the economic downturn. It has taken steps to self-finance new and substantive pressures that have arisen since the Priorities & Budget 2008/11 was determined. Pressures addressed across the 2008/11 budget period include absorbing £20 million from existing Capital budgets for the Bombardier C-Series project, covering a shortfall in capital receipts of £31 million, which has arisen due to the unexpected collapse of site sales of industrial land to Invest NI client companies with development projects, and introducing a Short Term Aid Scheme with a current expenditure budget of £15 million to help alleviate the short term financial pressures on private sector businesses.

Despite the impact of the recession, progress across many of DETI's PSA targets has been encouraging. During 2008/09 (Year 1 of the PfG 2008-11 period), good progress was made against many PSA targets, with a number of them exceeded, some substantially. Furthermore, at the end of Q2 2009/10, solid progress has continued towards many PSA targets. For example, performance to date suggests that the following activity targets will be largely met:-

- Total annual wages and salaries secured of £345 million, reflecting inward investment successes and growth from locally owned clients;
- 6,500 new jobs from inward investment;
- 70% of new FDI jobs projects secured to locate within 10 miles of an area of economic disadvantage;
- Increase the availability of next generation network broadband speeds to 85% of businesses by 2011;
- By 2009, reduce latency on communications between the North West and North America by approximately 25% and bring international communication costs in line with those in the major UK cities (e.g. Glasgow and Manchester);
- As in PSA 22, secure 12% of electricity consumption in Northern Ireland from indigenous renewable sources by 2012; and
- Ensure significant progress in the completion of all signature projects by 2011.

Additional savings in 2010-11

DETI will take forward a range of measures to deliver the additional savings of £4.6 million Current expenditure and £6.6 million Capital investment next year.

The Current expenditure savings include the delivery of efficiency savings from DETI's two North/South bodies (Tourism Ireland Ltd and InterTradeIreland) and efficiency savings identified in Economic Infrastructure, Development of Tourism and Economic Development, Policy & Research.

The Capital investment savings are from reprioritising capital infrastructure initiatives within Invest NI in line with current economic conditions, and savings from the public sector Renewable Energy budget.

Improvements in Public Services in 2010-11

The draft revised budget allocation would not prevent DETI from delivering all of its planned service improvements in 2010/11. DETI, through Invest NI, would continue to stimulate exports through their support, in particular, of first time exporters; to promote higher value added activity through Innovation and Skills by supporting private sector investment in R&D; to attract high quality foreign investment and promote domestic investment; and to develop improved productivity from investment with companies, both local and foreign owned.

The 2010/11 budget allocation would continue to allow for investment in marketing Northern Ireland as a tourist destination, and to enhance Visitor Servicing. DETI would also provide investment to enhance tourism infrastructure across Northern Ireland, working with key partners to continue to progress implementation of the five tourism signature projects.

In terms of Energy initiatives, DETI would continue to provide support for sustainable energy, infrastructure research and policy analysis, and meet the legal and consultancy costs of planned energy initiatives.

Equality, Good Relations and Anti-Poverty Implications

The additional savings to be delivered by DETI next year have been assessed in terms of the Equality, Good Relations and Anti-Poverty implications. This indicates that the additional savings would have no adverse impact in these areas, and the draft revised spending plans would continue to impact positively on the Equality, Good Relations and Anti-Poverty agenda as previously agreed.

Department of Enterprise, Trade and Investment - Current Expenditure

Objective and Spending Area	Plans		
2009-10 £m	2010-11 £m	%	
Objective A			
Economic Development, Policy & Research	17.8	18.1	2.1
Economic Infrastructure/Energy & Minerals	7.2	6.8	-4.8
Invest Northern Ireland	124.5	126.4	1.5
Development of Tourism	15.2	14.9	-2.2
Tourism Ireland Ltd.	16.7	16.3	-2.5
N/S Body - Inter Trade Ireland	4.0	3.7	-7.7
EU Support for Economic Development	-0.1	0.1	253.8
Business Regulatory Services	8.6	8.5	-1.2
Health & Safety Executive For NI	6.6	6.9	5.4
Total Objective A	200.5	201.7	0.6
Total	200.5	201.7	0.6

Department of Enterprise, Trade and Investment - Investment

Objective and Spending Area	Plans		
2009-10 £m	2010-11 £m	%	
Objective A			
Economic Development, Policy & Research	0.5	0.5	2.1
Economic Infrastructure/Energy & Minerals	14.5	8.2	-43.5
Invest Northern Ireland	51.0	43.3	-15.0
Development of Tourism	22.0	21.6	-1.6
Tourism Ireland Ltd.	-	-	-

Objective and Spending Area	2009-10 £m	Plans 2010-11 £m	%
N/S Body - Inter Trade Ireland	-	-	-
EU Support for Economic Development	-0.7	-	-100.0
Business Regulatory Services	-	-	-
Health & Safety Executive For NI	-	-	-
Total Objective A	87.2	73.6	-15.6
Total	87.2	73.6	-15.6

ETI Impact on Agencies of review of spending plans

Impact on Invest NI of the 2010/11 Spending Plans

The impact of the Savings Options on Invest NI is a reduction of £6 million in the Capital budget.

The main activities that will be affected by this reduction relate to property projects. Under the Investment Strategy for Northern Ireland programme Invest NI has committed to purchase and develop land in strategic locations across Northern Ireland. The reduction will result in a delay in the further development of land and, potentially, reduce the level of land acquired for future development. In addition, there will be a delay in infrastructure works and other capital improvements to the existing industrial estates.

Decisions not to purchase land will impact on Invest NI's ability to meet its overall land acquisition target and on the objective to make land available in areas of economic disadvantage, over the Corporate Planning period.

Impact on Northern Ireland Tourist Board of the 2010/11 Spending Plans

The savings of £0.4 million will mean that NITB will not be operating the Tourism Innovation Fund (TIF) in its entirety. This is a financial assistance scheme which is 50% funded from EU Competitiveness. The purpose of this programme was to build the long term sustainability of the tourism industry by investing in developing the range of things for visitors to see and do, enhance the overall quality of the visitor experience and create more opportunities for visitors to spend money while they are here. It is unlikely to have a significant impact on the current PfG targets to increase visitor numbers and revenue but may impact on future spend targets. NITB will continue to fund commitments for letters of offer issued under TIF before 31 March 2010.

Impact on Tourism Ireland Ltd of the 2010/11 Spending Plans

The 3% efficiency savings per year have been agreed between the respective parent departments (DETI and DAST) and the two Finance departments (DFP and DoF). The efficiency savings have also been ratified by the North South Ministerial Council.

Tourism Ireland Ltd (TIL) will deliver efficiency savings £3.7 million in 2010, of which £1 million relates to the Northern Ireland contribution, and will seek the best value for money from all of its marketing and operational programmes. TIL will ensure they proactively manage their financial resources to maintain its strong market presence and that all staff have the necessary skills and appropriate resources to effectively deliver our campaigns.

TIL will manage the decline in its 2010 budget by:-

- Prioritising front-line marketing activities to minimise the decline in investment levels in overseas markets;
- Achieving continued purchasing efficiencies in the changed marketing environment;
- Continuing its cost and efficiency programme;
- Scaling back development initiatives and activities in head office departments in order to fund front-line marketing; and
- Proactively manage vacancies and non core staff costs.

Impact on InterTradeIreland of the 2010/11 Spending Plans

The 3% efficiency savings per year have been agreed between the respective parent departments (DETI and DETE) and the two Finance departments (DFP and DoF). The efficiency savings have also been ratified by the North South Ministerial Council.

InterTradeIreland will deliver efficiency savings £0.7 million in 2010, of which £0.2 million relates to the Northern Ireland contribution. InterTradeIreland has examined its programme areas and the projects within those areas which deliver support to businesses and seek to identify opportunities for, and barriers against, greater levels of North/South business co-operation. These programme areas and projects have been prioritised to achieve required efficiency savings without a detrimental impact on priority services. The following steps will be taken:-

- The number of companies to be served in 2010 by the roll-out phases of three major InterTradeIreland programmes (Acumen, Innova and Fusion) will be reduced by capping expenditure on each of these projects;
- Expenditure on Business & Economic Research budget will be reduced. This will be achieved by reducing the number of research projects undertaken, conducting more research in-house and by reducing publication costs through replacing printed reports with online reports for download;
- No Financial Assistance Scheme will be run in 2010. InterTradeIreland uses this scheme to fund a small number of third-party proposals which can contribute to the achievement of its strategic goals. To run this scheme in a year when some major programmes have been capped and others have had their budgets reduced, works against the need to deliver priority services. It is hoped that the Financial Assistance Scheme can be reinstated in future years.

To control 2010 administration expenditure to the available budget without a detrimental impact on priority services the following steps will be taken:

- External communications activity and expenditure (marketing, sponsorship and advertising) will be reduced to align with lower levels of activity on programmes and new initiatives;
- ‘A Pay Budget of £1,700,140 will be realised’.
- Computing expenditure will be reduced.

Committee for Regional Development
Research paper Infrastructure Investment

The Role of Infrastructure Investment in Stimulating Economic Growth during a Recession with Examples from Australia and USA

David Battye
21st January 2010

Introduction:

History has shown that investing in infrastructure can be an effective means to get a nation's finances back on track after a recession. Australia and USA are two examples of countries currently investing heavily in their infrastructure to improve efficiency for the long term competitiveness of their economies.

1 Australia[1]:

Roads, Rail and Ports[2]:

There are many projects underway, for example, The National Broadband Network will commence roll-out in Tasmania, while investment in Australia's road network, and in particular, along the Network 1 (N1) linking Melbourne to Cairns, will support the more efficient movement of people and freight along one of Australia's busy road networks and most important freight routes.

To improve the liveability and sustainability of the cities, the Australian Government is investing in nine metropolitan rail projects across six major Australian cities: Melbourne, Sydney, Brisbane, Adelaide, Perth and the Gold Coast. The government is investing $(AUD) 27.7 billion through the Nation Building Program and Building Australia Fund[3], including $(AUD) 3.4 billion as part of this budget, to enhance the safety and efficiency of the national road network.

Value for Money:

The OECD's report, Going for Growth, has noted that past investment in Australia's roads has been associated with higher GDP, relative to other types of investment. Similarly, investment in Australia's rail network has gone hand-in-hand in the past with higher aggregate output levels in comparison to other types of investment.

Cost of Congestion:

Congestion imposes a real and substantial economic and social cost on Australia's communities. These costs include longer travel times, higher green house gas emissions, higher vehicle operating costs and road accidents. The avoidable cost of congestion is estimated to rise to around $(AUD) 20 billion per year by 2020. Through this investment, the government is taking action to reduce these economic and social costs to make the cities more prosperous and productive.

Need for Higher Freight Capacity:

Each year, the amount of freight carried along Australia's national roads and highways increases. By 2019, it is estimated that 55 million tonnes of goods and products will be transported to domestic and global markets each year. This represents around a 30 per cent increase from 2009 levels.

According to KPMG Role of Private Sector is Essential[4]:

For the private sector, the ability of the local banking system to pick up the slack remains uncertain and will probably depend on the banks' ability to access offshore capital markets on reasonable terms. Attracting sufficient funding could well depend on the ability of project sponsors to develop new funding, ownership, management and risk sharing models. Short of assuming full fiscal responsibility, governments can help kick-start projects by offering:

- Direct grants and loans;
- Supported debt models;
- Credit guaranteed finance;
- Financial guarantees of project debt;
- Guaranteed payment of agreed service charges.

2 USA[5]

Infrastructure Investments and Economic Growth Rise and Fall Together:

In his 1933 inaugural address, Franklin Roosevelt said: "This nation asks for action, and action now. Our greatest primary task is to put people to work. It can be accomplished in part by direct recruiting by the government itself, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganise the use of our natural resources."

Statistical evidence shows that there is a direct link between infrastructure investment and GDP.

1950-79:

- Public infrastructure investment and economic growth rise together. During this period public investments in core areas – transportation, water management, and electricity transmission -- grew at an average rate of 4.0%. Overall economic growth (GDP) averaged 4.1% per year over the same period.

1980-2007:

- Public infrastructure investment and economic growth fall together. During this period, public investment growth falls dramatically, to an average of 2.3%. GDP growth also falls into this more recent period, to a 2.9% average annual rate.

Infrastructure Investments as a Job Creation Tool[6]:

- All forms of spending will produce jobs. But infrastructure investment is a highly effective engine of job creation. Thus, infrastructure investment spending will create about 18,000 total jobs for every $1 billion (US) in new investment spending, including direct, indirect and induced jobs. By contrast, a rise in household spending levels generated by a tax cut will create, at most, about 14,000 total jobs per $1 billion (US) in spending. This is 22% less than infrastructure investments.
- The main reason infrastructure investments create more jobs than an increase in household consumption is that the share of spending done within the U.S, as opposed to the purchase of imports, is significantly higher with infrastructure investments.

Obama’s Stimulus Package:

- The President’s FY 2010 budget includes funding of $25 billion (US) over the next five years to capitalise a National Infrastructure Bank to invest in large infrastructure projects that promise significant national or regional economic benefits.

Infrastructure Costs Less During a Recession:

Harvard economist Edward L. Glaeser[7] supports “spending more right now ... because the costs of those investments are lower during a recession, when people are out of work and equipment is underutilised. Moreover, public programs can reduce the human costs of a recession, and perhaps reduce the chance that this current downturn can become a deep and lasting depression"

Need for New Economic Focus:

According to David Brooks from the New York Times[8] there is need for a long term vision:

- “Major highway projects take about 13 years from initiation to completion – too long to counteract any recession. But at least they create a legacy that can improve the economic environment for decades to come".
- “A major infrastructure initiative would create jobs for the less-educated workers who have been hit hardest by the transition to an information economy. It would allow the U.S to return to the fundamentals".
- “Americans now spend 3.5 billion hours a year stuck in traffic, a figure expected to double by 2020. The U.S. population is projected to increase by 50% over the next 42 years. American residential patterns have radically changed. Workplaces have decentralised. Commuting patterns are no longer radial, from suburban residences to central cities. Now they are complex weaves across broad mega-regions. Yet the infrastructure system hasn’t adapted".

Evidence of Visible Catastrophic Failures[9]:

- Breach of the levies in New Orleans;
- The collapse of a major bridge in Minneapolis;
- Power blackouts that flowed from the Mid-West to New York.

3 President’s Economic Recovery Advisory Board (PERAB)[10]:

In the USA, the PERAB believes that infrastructure spending by the federal government can boost the growth of output and employment during the extended recovery period. There are several reasons for this belief:

Boost for GDP:

According to PERAB, macroeconomic models indicate that $1 of infrastructure spending boosts GDP by $1.59. A dollar of government spending on infrastructure has a larger effect on GDP and employment than many other kinds of government spending. Many of the jobs created through infrastructure spending are in the construction industry and related sectors that have sustained the largest job losses (about 25% of the total).

Mobilise Budgetary Constraints:

As a result of severe budgetary constraints on state and local governments, there will continue to be a large backlog of economically justifiable infrastructure projects that can quickly be mobilised to employ workers if federal funding is available.

State and local governments account for 75% of public infrastructure spending and many of these governments are under severe fiscal strain. Projects involving substantial public benefits, that cannot be fully captured through user fees, or that cross state boundaries, are particularly unlikely to be funded by state and local governments in this economic climate.

Long Term Planning:

Infrastructure projects will often take well over two years to complete, so federally funded projects initiated in 2010 will provide ongoing fiscal support during the multi-year recovery period.

According to PERAB there is broad agreement among experts and business leaders that spending on physical infrastructure – primarily transportation, water and sewage, and energy is not sufficient to meet the nation’s long-term needs. Infrastructure spending in real inflation adjusted dollars and adjusting to the depreciation of existing assets is about the same level as it was in 1968 when the economy was one-third smaller.

Real Cost of Poor Infrastructure:

- Congestion and traffic delays wasted over 2.8 billion gallons of fuel and cost an estimated $87 billion in 2007;
- Freight bottlenecks cost about $200billion or 1.6% of GDP per year;
- Lagging infrastructure saps the productivity of American companies competing with foreign companies operating in emerging nations with lower costs and newer infrastructure.

Need for National Infrastructure Bank to be Established:

The PERAB believes that the creation of a National Infrastructure Bank would help achieve important infrastructure spending. It is to help garner additional funding for worthy projects that would not otherwise be taken.

The NIB is to consider a range of funding and project delivery alternatives, including private sector co-investment, and select the alternative that delivers the highest-value financing to meet the NIB's objectives. One of the goals is to leverage private lending with public financing on a project-level basis.

Scope of Projects:

The PERAB believes that the NIB should focus on projects of national or regional significance. Often, such projects will be regional or cross-state projects that are neglected by current allocation processes and that involve complex coordination among many public and private actors. The NIB should choose projects on the basis of transparent and fact-based selection processes and cost-benefit analysis.

[1]http://www.ato.gov.au/budget/2009-10/content/bp1/html/bp1_bst1-09.htm

[2]http://www.ato.gov.au/budget/2009-10/content/bp1/html/bp1_bst1-09.htm

[3]http://www.finance.gov.au/investment-funds/NBF/BAF.html

[4]http://www.infrastructureusa.org/wp-content/uploads/2009/07/aam_investments.pdf

[5]http://www.infrastructureusa.org/wp-content/uploads/2009/07/aam_investments.pdf

[6]http://www.publishpath.com/Websites/investininfrastructure/Images/Newsroom/Press_Releases/12_3_wtas_about_infrastructure.pdf

[7]http://www.publishpath.com/Websites/investininfrastructure/Images/Newsroom/Press_Releases/12_3_wtas_about_infrastructure.pdf

[8]http://www.publishpath.com/Websites/investininfrastructure/Images/Newsroom/Press_Releases/12_3_wtas_about_infrastructure.pdf

[9]http://www.sharedprosperity.org/bp217/bp217.pdf

[10]http://www.whitehouse.gov/sites/default/files/microsites/091204-PERAB-Infrastructure-Memo.pdf

Social Development Chair's letter to Minister

Northern Ireland Assembly

COMMITTEE FOR SOCIAL DEVELOPMENT

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29 January 2010

Our Ref: CSD/014/2007/PMcC

Ms Margaret Ritchie
Minister for Social Development
Department for Social Development
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
Belfast BT7 2JB

Dear Minister

Revised Departmental Expenditure Plan

On 28 January 2010, the Committee for Social Development received a briefing from Departmental officials on the Revised Departmental Expenditure Plan.

The Committee was surprised by the absence of a detailed breakdown of the reduced capital and resource budgets. Members particularly sought information on Departmental programmes and the extent to which they will be impacted in 2010-11 by:

- the ongoing costs associated with the Northern Ireland Civil Service Equal Pay settlement estimated at around £12m;
- the reduction in the Social Security Agency budget of £5.2m;
- the reduction in the Child Maintenance and Enforcement Division budget of £0.5m;
- the reduction in the Housing budget of £6.1m; and
- the reduction in the Urban Regeneration and Community Development Group budget of £1.6m.

It is understood that the Department is to publish details of the Equality, Good Relations and Anti-Poverty implications of the reductions in budget and that an Equality Impact Assessment will also be carried out. To facilitate the Committee's scrutiny of the revised plans, it is requested that you set out the timeline for the completion and publication of the EQIA. It is further requested that in keeping with established practice that the Department brief the Committee in detail prior to the commencement of the EQIA process. The Committee agreed that it would expect at this time to receive a breakdown of the revised expenditure plans as indicated above and that the briefing should also include details of the changes to the capital expenditure programme.

A prompt response in respect of the above would be greatly appreciated.

Yours sincerely

Simon Hamilton MLA
Chairperson

Cc: Chairperson of the Committee for Finance and Personnel

Appendix 4

Ministerial Statement and Assembly Debate

Northern Ireland Assembly

Tuesday 12 January 2010

Ministerial Statement

Draft Expenditure Plans
for 2010-11

Mr Speaker: I have received notice from the Minister of Finance and Personnel that he wishes to make a statement on the draft expenditure plans for 2010-11.

The Minister of Finance and Personnel (Mr S Wilson): Mr Speaker, with your permission, I wish to make a statement regarding the Executive's proposals in respect of the review of the 2010-11 spending plans for Northern Ireland Departments, which is being published today for consultation with the Assembly.

In light of the changes in the economic situation and the emerging position for 2010-11, I initiated this review in the summer of 2009, with the aim of ensuring that public finances remain on a secure basis as we move into the next financial year. Work on the review has progressed over recent months, and it examined the best way forward through a series of discussions at the Executive. I also held separate bilateral meetings with each of my ministerial colleagues. That has culminated in the proposals that I set out today, which were agreed by the Executive when they last met on 17 December 2009.

However, before I explain the Executive's proposals, I will set out the public expenditure context. In January 2008, the Executive and the Assembly approved the spending plans for Northern Ireland Departments for the three years from 2008-09 through to 2010-11. That included record levels of investment in our public services and, in particular, investment in capital projects such as roads, schools, hospitals and housing. In addition, following the significant increase under direct rule Ministers, the level of domestic regional rates was frozen in cash terms over three years, with non-domestic rates restricted to the projected level of inflation at that time. That Budget outcome reflected the importance of developing our economy as the top priority in the Executive's Programme for Government in order to take full advantage of the boost to local business from the transition to a more peaceful society.

However, since the three-year spending plans were agreed, there have been a number of changes in economic conditions, with first the rise in energy costs and then the economic recession having a serious impact on the local economy, particularly in terms of unemployment. Although there is increasing evidence of recovery, the legacy of damage to UK public finances will have implications for the Executive for many years to come.

In the short term, there has already been an impact in respect of the shortfall in capital receipts that had formed a significant part of the available funding for the capital investment programme. At the same time, the Executive have taken a proactive approach in responding to the economic downturn, including the acceleration of capital investment and the deferral of domestic water charges. In my Department, the decision to freeze non-domestic rates in cash rather than real terms for 2009-10, and the introduction of a small business rates relief scheme, will also provide significant support to local businesses.

11.15 am

I now turn to the public expenditure position for 2010-11. All those measures have implications for the funding that is available to the Executive. Although it has been possible to address many of those pressures as part of the in-year monitoring process, I decided last summer that the scale of the issues for 2010-11 was simply too large and that pro-active action was required at an early stage.

A large number of issues are involved, including the implications of decisions that were taken at a national level and previous commitments that the Executive made, and they are set out in detail in the consultation document. However, I wish to touch on the most significant issues, which are the costs of further deferral of water and sewerage charges for domestic customers, the need to reduce the level of overcommitment and, of course, the costs of the Civil Service equal pay claim.

I will begin with water charges. One of the Executive’s first decisions was to reverse the plans of direct rule Ministers to introduce domestic water charges in full from April 2007. In November 2008, that was extended to the current financial year, following the agreement secured with the Treasury that the significant amount of non-cash costs involved would not fall to the Executive for 2008-09 and 2009-2010.

Following the previous deferrals, domestic charges will also not be introduced in 2010-11. That will provide an additional saving of approximately £400 next year for the average household that uses those public services, when compared with the situation under direct rule. Although changes in budgeting treatment mean that the cost to the Executive of that measure is less than it could have been, there remains a significant pressure of £120 million for current expenditure and £93 million for capital investment.

Although the Executive were able to cover the cost of deferring water charges in 2009-2010 as a result of the June monitoring round, the experience of 2008-09 and this year to date is that it is becoming increasingly difficult to source sufficient resources to address emerging pressures while, at the same time, reducing the level of overcommitment to a prudent level.

As part of the original 2007 Budget process, the planned level of overcommitment had already been reduced to £60 million for 2010-11, compared with £100 million in 2008-09. However, the further decline in the level of reduced requirements that Departments declared in the first half of 2009-2010, as set out in my December monitoring statement yesterday, means that there is a need to go further. In response, the Executive have proposed that the starting level of current expenditure overcommitment should be reduced to zero next year, which will provide much greater scope to address emerging pressures.

In addition, although the main focus of the review has been on the pressures faced in 2010-11, it is important that we begin to prepare for the future, when resources are expected to be even more constrained. It is for that reason that the Executive have proposed that £26 million be allocated to an invest to save fund, which will provide additional support to Departments for the upfront costs that are often required in order to make savings. Proposals for invest to save projects have been commissioned from Departments, and I will provide the Assembly with further details on specific allocations as part of the finalisation of those draft plans.

The easy option would have been to do nothing on the issue, which would have reduced the level of intervention required at this time. However, that short-sighted approach would have shifted the burden to the 2010-11 financial year, during which the Executive would have struggled to address emerging pressures.

The third significant pressure facing the Executive next year is the one-off cost of the Civil Service equal pay claim. Although the overall cost of just over £160 million will be offset by the support that my predecessor secured from the Prime Minister in 2008, it will still involve the ongoing costs of additional reinvestment and reform initiative (RRI) borrowing. That means that there remains an unfunded pressure of up to around £65 million for 2010-11, depending on the timing of the payments.

Overall, my assessment is that the Executive face spending pressures next year of £217·1 million in current spending and £149·9 million in capital investment. Including the £26 million set aside for the invest to save fund, those figures are equivalent to 2·6% of planned current expenditure for 2010-11 and 10·2% of capital investment.

In response to the emerging financial position, the Executive have considered a range of alternatives. However, the only realistic option that would generate the level of funding that is required would be to make adjustments to the existing spending plans of Departments. Although it was recognised that all Departments could go further in improving efficiency, the Executive agreed that some Departments would be in a better position than others to release additional resources next year and that, therefore, a targeted approach should be adopted, rather than a simple pro rata cut.

In addition, the Executive were critically aware of the need to protect priority front line services where possible, with, for example, the lowest percentage level of savings being proposed for the Department of Health, Social Services and Public Safety. Unfortunately, the overall level of savings required meant that it was simply not possible to exempt an entire Department from the process. However, I expect my ministerial colleagues to seek to reduce the costs of bureaucracy in the first instance.

Inevitably, there will be calls for the savings required of one Department or another to be reduced because of the impact that they will have on public services. That is always the case. However, the reality is that reducing the amount required of one Department increases the burden on others. As I have said to the Assembly on more than one occasion, I am more than happy to give a lesson on the concept that is the basis of all economics — opportunity cost — so that we understand that there is no point in demanding more money for something if we are not prepared to say where that money will come from. Therefore, although I and my Executive colleagues welcome any proposals from fellow Members in response to the draft plans that are being published today, those proposals must include details of where additional savings could be made and of where they should be lower. Addressing both sides of the equation is essential if alternative proposals are to be considered credible. The Executive will also continue to examine areas in which savings could be made on a cross-departmental basis to minimise the impact on public services.

There will be a more general concern that the overall level of public spending is lower than that which was originally set out in January 2008. However, it is important to note that most of the savings that are required will be recycled back into Departments. In addition, although reducing the level of overcommitment requires £60 million in additional savings now, that in turn means that there will be much greater scope to address pressures as part of the 2010-11 in-year monitoring process. The issue is partly one of timing.

Overall, the consultation document shows that the total level of spending by Northern Ireland Departments would only change marginally under the Executive's proposals when compared with the original plans. There will be a reduction of 0·1% in current expenditure to £9 billion, and the capital investment plans will decrease by 1% to £1·4 billion. That is less than the rates of end-year underspend that have been experienced in recent years and highlights that the objective of the review was to reprioritise the funding available to the Executive in light of changing circumstances, local needs and priorities.

One area that was considered as part of the review, but where the Executive have decided that action should be taken as part of the 2010-11 in-year monitoring process, was the anticipated shortfall in departmental capital receipts. Although the economic recession has had a wide-ranging impact on Northern Ireland, the main consequence for public finances has been that the planned level of departmental capital receipts has not been achieved in full. In 2010-11, the main shortfall will be the £200 million that was planned from the sale of the Crossnacreevy site. There will be further amounts from house and land sales as well as planned disposals by other Departments. However, there is expected to be a similar amount of funding available to the Executive from slippage in two major capital investment projects, which will allow the Executive to provide support to the Department affected, provided that all available actions are also taken by those Departments to address the funding deficit internally.

In addition, although there are signs of recovery in the property market, the position remains volatile. In that context, it would have been inappropriate to address the pressures at this time, because market conditions may be significantly different in six months, and Departments should be provided with the opportunity to address the shortfalls internally in advance of calling on the Executive for assistance.

I will now outline the next steps in the process. It is essential that the proposals set out today are subject to robust scrutiny and challenge in the Assembly over the coming weeks. The document that I have published today sets out details of the public context for 2010-11 and the Executive's proposed response. In addition, I have asked my Executive colleagues to publish details of the implications for their individual Departments on their departmental websites. That is to include details of how the additional savings are to be made, as well as the improvements in public services that will still be delivered next year.

I expect that all Committees will wish to review the position for their respective Departments, particularly on how the savings are to be achieved. The Committee for Finance and Personnel will have a key role in that by co-ordinating the views of Committees as well as considering the overall strategic approach to the exercise.

It is unfortunate that more time was not available to the Assembly as part of the consultation process. However, I hope that Members recognise that the complex and difficult issues involved required careful consideration by the Executive in the development of the daft, sorry the draft, proposals that are before the House today. That was a Freudian slip. [Interruption.] I am sure that when we get to the consultation stage, we will have some response on that.

In addition, it is essential that the revised departmental budgets are confirmed before the start of the new financial year. It would have been even better if the review had already been completed, as I had originally planned. Therefore, I have asked that the Committee for Finance and Personnel publishes its response to the Executive's draft proposals by the end of February in order to provide the Executive with sufficient time to consider the views of the Assembly in coming to an agreed final set of spending plans for 2010-11 by the middle of March.

In conclusion, the downturn and instability in both the property and financial markets over the past two years has had a significant impact on the global economy.

11.30 am

Although we all want a swift recovery, there will be repercussions for many years to come, particularly for public finances. The most optimistic scenario for the next spending review is an unprecedented real-terms freeze in current spending and a reduction in capital funding, coupled with increases in taxation as the Government seek to reduce the level of borrowing. Therefore, the proposals that I have published today represent an early indication that even more difficult decisions must be taken in the years ahead.

In particular, the review highlighted the clear trade-off between the continued deferral of water charges and the amount of funding that is available for public services. However, given the circumstances that I faced, I am confident that the proposals represent the best way forward for the next financial year. The proposals recognise the constraints on the Executive and seek to restore public finances to a more sustainable position while, at the same time, providing more assistance to households through the further deferral of the introduction of water charges. I commend the proposals and the report to the House.

The Chairperson of the Committee for Finance and Personnel (Ms J McCann): Go raibh maith agat, a Cheann Comhairle. I thank the Minister for his statement. Given that the Department previously placed considerable store by the in-year monitoring process as a tool for managing budgetary pressures, does the need for the revision of the 2010-11 Budget highlight the limitations of the monitoring rounds and the urgent need to re-establish a formal process for reviewing and agreeing the Executive's Budget to provide sufficient time for Assembly scrutiny? Moreover, will the Minister clarify what, if any, additional efficiency savings over and above the current level of 3% will be required in 2010-11 should the British Chancellor announce additional measures for Whitehall Departments?

The Minister of Finance and Personnel: The Chairman is right; we have relied on in-year monitoring four times a year to reallocate money that Departments thought that they would spend but, ultimately, did not spend. However, for the next year, if we reduce the level of overcommitment to zero, we will offer more opportunity for in-year monitoring because we will not have to keep our eye on the fact that we have already put in place spending plans that encompass more money than was available. In the past number of years, we found that we could not rely on the fact that, towards the end of the year, Departments would not have spent all that money. Therefore, on the basis of experience, we recognised that it was neither realistic nor feasible to continue with overcommitment. However, as I said in the statement, it will enable us to rely to some extent on the in-year monitoring process.

We have to live with in-year monitoring for the next year. However, as I said yesterday, every approach is problematic because the whole point of in-year monitoring and asking Departments to surrender money was to deal with unforeseen circumstances and inescapable bids that arose because of unpredictable events. We could do that through a contingency fund, in-year monitoring or simply by coming to the Executive as events arise and telling every Department that it must divvy up. All those options have their own difficulties.

As I said yesterday, I am open to the idea of a discussion in the Committee or the Assembly about how we deal with pressures that arise that we cannot possibly anticipate. I am happy to consider the options, but we will find difficulties with each of them. If Members decide that in-year monitoring is not the best option and there is a forcible case to support that assertion, the Department will be prepared to consider that.

We have additional efficiency savings to make next year, and they are encompassed in the Budget proposals. Although my Department is not responsible for each Department's efficiency targets, it monitors them. We met the targets for 2008-09 and we are on target for 2009-2010. All the indications are that we will meet the efficiency targets for 2010-11.

Mr Weir: I thank the Minister for his statement and I particularly welcome the Executive's proposals on invest to save. As with any Budget, the key test for a lot of people will be its effect on individual households, particularly in these harsh economic times. Will the Minister clarify the position for households in 2010-11 with regard to the regional rate? Furthermore, what is the overall financial impact on households under this Budget compared with what might have been the case had we followed the advice of some people outside the Assembly and actually been under direct rule?

The Minister of Finance and Personnel: The impact on households is determined mainly by the fact that we decided to freeze the regional rate again for another year. Under direct rule there were increases, on average, of approximately 7% a year. Had the increase been 7% this year, the regional rate alone would have taken £21 million from households. The further deferral of water charges for this year represents an average saving of £400 per household.

I know that there have been some criticisms of the draft expenditure proposals. I am sure that, during this discussion, some Members will ask whether I should have done certain things. However, there is a balance between the amount of money that we spend on public services and the amount that we take out of people's pockets at a time of increased unemployment and fewer opportunities for people to do overtime at work or to do part-time work. People are feeling the economic pinch, and households are facing increasing bills. However, households are better off by not having to pay water charges or the kind of rate increases that they would have faced under direct rule. The Executive made that judgement, and households across Northern Ireland will benefit as a result.

Mr McNarry: I sense the Minister's continued realisation of how tight he is being squeezed. He has outlined very serious and hard-hitting choices. First, is he satisfied that his statement will represent the sum of spending cuts in the Executive in this comprehensive spending review (CSR) period, and is he ruling out further cuts in the next financial year? How frank can he be today?

Secondly, does he believe that his planned cuts will have an impact on front line services that affect vulnerable people? Is he convinced that his Department has explored all the options that are available to him before he goes further in requesting from his fellow Ministers the drastic action that he has said is necessary?

The Minister of Finance and Personnel: Perhaps my problem is that, at times, I am too frank with people. I will be as frank as always in response to the Member's question.

Is this the sum total of the cuts that we are likely to face in 2010-11? The answer is that I do not know. The reason for that is not because the plans do not represent the full investigation that we have conducted into our current financial status, spending plans and the situations that the Executive know they will have to face. If that were the only part of the equation, I would be fairly confident that it represents the budgetary position that we will have to face over the next year.

However, an election is planned for the beginning of the next financial year. The Labour Party and the Conservative Party, one of which will set the picture for spending in the United Kingdom as a whole and, therefore, the amount of money made available to devolved Administrations, have indicated that they will have to administer some fairly robust and hard economic treatment. I do not believe that Northern Ireland will escape the consequences of that. I do not know how hard that is likely to be.

I spoke to my counterpart in the Welsh Assembly Government this morning to discuss our approach when we meet the Chief Secretary to the Treasury on Thursday. We discussed the implications for budgets across the United Kingdom. She is in exactly the same position as we are. We must seek to press the Chief Secretary as to what the next CSR period is likely to bring, and what the implications are likely to be.

I assure Members that, based on the level of need in Northern Ireland, there is a strong case for arguing for additional resources and that the reduction in spending should not impact as heavily on Northern Ireland as it might in other parts. That is a case that we have to make, and one that I will make forcibly.

As far as the impact on front line services is concerned, the paper that I published today sets out the global figure for each Department. I have emphasised in my statement and in the paper that Ministers should first look at how they can effect those savings by reducing the level of bureaucracy, administration and so on in their Departments. However, it is up to individual Ministers to bring forward plans to show what they intend to do to effect those savings. Ministers will publish those plans on their respective departmental websites, and the plans will then go to Committees for scrutiny. I am sure that Committees will examine the choices that Ministers have made, question the Ministers about those choices and ensure that the choices that Ministers have made are the ones that impact least on front line services. That is a job of each individual scrutiny Committee.

To be frank with the Member, I am not saying that there will be no impact on front line services. However, when Ministers bring forward proposals for their Department that have an impact on front line services, Committees must ensure that there is not something else that could have been given a higher priority when it comes to savings, thereby avoiding such an impact. That is a role for all Members in the scrutiny of the Budget.

Mr O'Loan: I thank the Minister for his statement. We are, of course, receiving a crisis mini-Budget. Will the Minister reflect on the fact that he and his predecessors received an increased budget in real terms over this three-year period? The actual outcome has been a series of cuts. Public discussion has focused on cuts; that is the reality.

Will the Minister reflect that the consultation is very much Committee-based? Committees will consider their individual departmental interest. Does the Minister agree that a more overarching review of the Budget is required? I was pleased to see Sinn Féin moving onto our ground in that regard.

Finally, will the Minister reconcile the figures that he has provided in his statement? When the two figures referred to in his statement as spending pressures are added together, the cuts total £367 million. The Minister stated that that is equivalent to 2·6% of planned current expenditure and 10·2% of capital investment. Those are very swingeing cuts, particularly in capital investment. Later in the statement, the figures presented are very much reduced.

It is stated that current spending will reduce by 0·1% to £9 billion and that capital investment plans will decrease by 1%. I notice that those latter figures are not replicated in the main document. Although it is important that the public presentation of the plans is accurate, I do not see how those figures can be reconciled.

11.45 am

The Minister of Finance and Personnel: The Member is a kind of prophet of doom in the Assembly. Even when I come forward with the most optimistic and pleasing of statements, he always finds something bad to say. Maybe he feels that that is his role as a public representative. I think that sometimes public representatives should use their role to try to bring a little light and joy as well as to delve into where difficulties may lie. However, if the Member wishes to be known as the one with a dark cloud hanging over his head all the time, that is up to him.

The first thing to say is that this is not a crisis Budget. Do not forget that I identified early on that there would be an issue over the next year. All the reasons for that are given in the statement: the changing economic conditions; the fact that we were not getting the capital receipts that we hoped to get; and the fact that there were additional demands as a result of the changing economic conditions. Therefore, we needed to ask ourselves whether the normal in-year monitoring would be capable of dealing with the situation. I came to the conclusion that it would not. Therefore, let us have a considered view and let us look more at how we can deal with it. That is exactly what the process is about. It is not about crisis management; in fact, it is the exact opposite of crisis management. It is considered management of a changing situation, and we must deal with that.

The Member also indicated that we should look at the matter in an overarching way. The Chairperson of the Committee made it clear that she believed that that was a job for her Committee. The process is very clear. Each Committee will look at what its Minister proposes for the reductions and send its report and assessment to the Committee for Finance and Personnel, which will then make an overall assessment of how the Budget pans out across all Departments. In that process, information is fed from the people who have expert knowledge of individual Departments up to the Committee that is responsible for looking at the Budget as a whole. The Committee for Finance and Personnel will then bring its report to the Assembly for a debate, and that will give Members the opportunity to look at the Budget in its entirety. The Member tries to make an issue of that, but I do not know what the issue is.

He also mentioned figures for the reduction in current spending and the reduction in capital spending, but I cannot remember those figures offhand because I did not write them down. He also questioned how those tie with the 0·1% reduction in current spending and the 1% reduction in capital spending in the overall Budget. The difference is that the £373 million of savings is a gross figure; those are the savings that we had to make. However, the figures for the overall Budget are the net figure. Do not forget that some of those savings were taken off. The savings were being made, but some were recycled in other ways and spent in Departments. Therefore, the difference is between the gross figures and the net figures. The figures of £9 billion in total for current spending and £1·4 billion in total for capital spending indicate what the final outcome will be.

The Member does his job, and he does it very well. However, I sometimes wish that he would not try to paint the blackest of pictures. If anything, Members should accept that the statement and the approach that we have taken are responses to things that I have heard the SDLP say in the past. It has stated that, in light of the current circumstances, we cannot simply plough on with what we had planned in 2008 because it was different from 2010. He is right, and that is exactly what we have done. At least give us some credit for that.

Dr Farry: I thank the Minister for his statement. I will take up the invitation from Peter Weir. The Minister talks about a choice between increasing revenue and spending cuts when, in fact, it should be a balance. I know of no other jurisdiction, certainly in Europe, if not further afield, in which governments do not have a balance of revenue and spending cuts. Indeed, that is the approach of all three of the main parties in Westminster. Does the Minister recognise, therefore, that the approach that he is taking will favour the people who are better off in this society? We have to bear in mind that the regional rate is not paid by everybody and that it is crudely related to the ability to pay. Water charges may also operate on that basis, with a potential affordability tariff. In contrast, it is those who depend disproportionately on public services who will be more affected.

Will the Minister also address the rationale for economic Departments bearing the larger burden of the spending cuts, particularly bearing in mind that we are trying to come out of a recession and trying to rebalance and modernise our economy?

The Minister of Finance and Personnel: First, I will deal with the issue that the Member raised about whether we should have sought to deal with the situation by raising revenue rather than reducing the amount of spending —

Dr Farry: Both.

The Minister of Finance and Personnel: So that I do not misrepresent the Member, his point was about giving more emphasis to the raising of revenue than to reductions. On the surface, that may appear to be an attractive proposition. However, the savings that we had to find amounted to £373 million. Raising the regional rate was an option. If it were raised by the level of inflation, that would have produced somewhere in the region of £9 million. Had we raised it by 10%, that would have produced £30 million. That would have still left a substantial hole in the Budget and it would have had a fairly dramatic impact on households at this time.

A commitment had been given to keep the regional rate frozen for three years, and that was made at a time when economic circumstances were even better for households than they are today. Many householders across Northern Ireland would have asked me to explain why I made a decision to help them when economic circumstances were a bit better than they are today, and now, when economic circumstances are really harsh, I decide to take money out of their pockets. The Member may feel that that is an easy case to make to the electorate; I did not believe that it was and neither did the Executive. It would not have helped in a major way to address the issue that we faced. It is an argument that we could have, but I have outlined the reason why we did not go down that route.

As far as the reductions in the budgets of the economic Departments are concerned, there was a reduction in the current expenditure of the Department of Enterprise, Trade and Investment (DETI). It should not be forgotten that those reductions were made after I held bilateral meetings with each of the Ministers and talked to them about where they believed that they could effect savings in their Departments. The current reductions in the two economic Departments, DETI and the Department for Employment and Learning (DEL), are 2·2% and 2·4% respectively. Therefore, they are not overly stringent. Capital reductions, based on where those Departments believed that capital could be spent in the future, were 7·2% and 8·2% respectively, which are below average reductions.

If the Member compares the average reductions with those that were made in the two Departments that are responsible for delivering economic development in Northern Ireland, he will find that the latter ones are lower.

Mr McQuillan: I thank the Minister for his statement. Will he give an assurance that the Civil Service equal pay claim will be paid in the 2010-11 financial year?

The Minister of Finance and Personnel: The Civil Service unions have finished consulting with their members, and they have agreed that the equal pay claim is acceptable. Work must now be done, and, indeed, my officials have already started to meet each of the 13,000 people involved to discuss the proposals and to determine each person’s entitlement. The money available from the Treasury had to be spent in this financial year, but we have been given flexibility to move it over to next year.

There are three imperatives to settling the claim, partly in this financial year and partly in 2010-11: the flexibility to spread settlements over an additional financial year; the expectation among those who are eligible for the payments to be made; and the fact that the money has been built into our spending plans for next year, and, therefore, we will have to move on it as quickly as possible.

Ms Anderson: Go raibh maith agat, a Cheann Comhairle. I thank the Minister for his statement. Is the Minister committed to conducting an equality impact assessment (EQIA) on the proposals for the 2010-11 Budget, and what preparations have been put in place to take that EQIA forward? I heard what the Minister said about the level of need here, and the point of conducting an EQIA would not be to engage in a procedural exercise for its own sake but to identify changes that could be brought about specifically to assist those who are most in need.

The Minister of Finance and Personnel: Equality impact assessments will not entirely be my Department's responsibility. The global figures and information on how they will impact each Department have been made available to all Ministers, who will then publish how their respective Departments intend to effect those savings. When a Department has compiled its list of implications, it will be up to that Department to conduct an equality impact assessment on it.

It is impossible for my Department to conduct an equality impact assessment until I know the exact nature of each Department's savings. I know how much DHSSPS, DETI, and so forth, will have to save, but I do not know how the Ministers intend to achieve those savings. Indeed, Ministers clearly, and quite rightly, indicated to me that they did not want me to decide how the savings in their respective Departments should be made. They want to make those decisions themselves, and they will have ownership of them. Therefore, once Ministers have presented their proposals to their respective Committees, it will be up to them to conduct equality impact assessments on them. When we see the final shape of how the savings are to be made, a high-level equality impact assessment can be carried out, based on those hundreds of individual decisions. That is the proper way to do things, so, initially, I will have no role to play in the matter.

Mr Hilditch: The Minister referred to the substantial one-off cost of £360 million that is associated with the Civil Service pay claim. It is understood that the bulk of that cost and ongoing additional payments will be made to Department for Social Development staff. Further to the Minister's reply to Mr McQuillan, will the ongoing cost of settling the equal pay claim be met totally by the centre, or will efficiencies be required from the Department for Social Development?

Further to that, will the Minister also confirm whether slippage in the Royal Exchange project is to be used to provide additional funding for new housing and maintenance programmes?

12.00 noon

The Minister of Finance and Personnel: The Executive took two decisions on the equal pay claim and its impact on each Department. Departments will face a one-off hit as a result of the legacy aspect of the equal pay claim. Some people will be due back payments for as many as six years, and the Executive took the position that it was unacceptable to expect Departments to meet those payments from their own budgets. Therefore, a central pot of money will be made available for the legacy element of the claim. However, Departments will have to meet the ongoing costs. I accept that some Departments will be hit harder than others. In fact, my Department will have nearly the same percentage hit on its budget as the Department for Social Development, because more AA and AO grades work in my Department than in some others. Therefore, there will be an unequal impact. However, almost every decision that is made when we make budgetary and economic changes has an unequal impact on Departments. Some changes, for example, might impact more on DOE and DRD than on the Department of Education.

We cannot say that every decision that has an unequal impact must be funded from some central pot. That central pot does not magically appear from somewhere — it means money being taken from other Departments. When a cost is ongoing, how long should that central pot be held to supply the money? If that is done on the basis of the unequal impact on Departments, how many factors should be included in that central pot? What does that do to the flexibility of Departments to change their ways, and what incentive does it provide for doing so?

If one Department suffers a major hit because of a particular issue, but a central pot guarantees that the money will be paid, there is no incentive for a Minister to find a different way of resolving the issue, such as considering whether the Department needs as many staff in certain grades. Therefore, if one Department is hit harder than another and the money is paid out from a central pot, that Department will continue to act in the same way for ever. That is not the best way forward, and, for that reason, the Executive decided that the Departments will have to fund the ongoing costs.

Mr Elliott: I thank the Minister for his statement. He noted that there was a shortfall of £200 million in respect of capital receipts from Crossnacreevy. Who, if anyone, is responsible for making up that shortfall, and what role does the Department of Agriculture and Rural Development play in that?

The Minister of Finance and Personnel: I thank the Member for his question. Indeed, he has just reminded me of the second part of the previous question, which was also about capital receipts and the money from the DSD’s Royal Exchange project.

At approximately £20 million, the Department of Agriculture and Rural Development’s capital budget is quite small. Therefore, the Member will recognise immediately that it is impossible to say that, should the capital receipt from Crossnacreevy not become available, the Department of Agriculture and Rural Development should fund that from its own resources. That would not be feasible, as it does not have that much capital spend per annum. In fact, it would amount to its capital spend for 10 years. That is why I said in my statement that reduced requirements for other capital spend projects that will not happen next year could be used to offset the shortfall in receipts, such as those that the Department of Agriculture and Rural Development had been expecting to receive from Crossnacreevy. The burden, therefore, would not have to fall on the Departments.

However, in saying that, I outlined two conditions. First, Departments would have to show that they had made every effort to make up all or part of any shortfalls in their budgets. Secondly, that would be done through the in-year monitoring rounds when we have a better picture of the final likely receipts, costs and consequences. However, it is up to Departments to demonstrate that they have made every effort in their own budgets to facilitate any shortfalls.

If the Royal Exchange project does not go ahead next year, it will be because it is not yet ready to go ahead; however, it will go ahead at some stage. Therefore that project is a reduced requirement for the Department next year, and the moneys for it must be returned to the centre. Where a Department has been voted money — not by me, but by the Assembly — and decides not to do what has been approved, the process of accountability requires Ministers to return that money and allow the Executive to re-examine what they will do with it. No one in the Assembly would be keen on me applying for and receiving £100 million from the Assembly to do something and then returning to my Department and saying, “Stuff that; I’ll spend it on something else" without there being a mechanism to hold me to account. That is why when a reduced requirement exists the money must be given back and why a Minister cannot say that he or she will spend the money on something else. It must be given back, the circumstances must be explained, and the Minister must then rebid for that money.

The reduced requirement for the Royal Exchange project involved money being voted to DSD to carry out a regeneration project in the centre of Belfast, a project that the Executive and the Assembly felt was a good use of money. However, if that money is not to be used for that project next year, the Minister must surrender it and a decision must be made on what to do with it. Whether it is spent on housing or on offsetting the costs of the receipt that is not available from Crossnacreevy will be a discussion that the Executive must hold and at which the Minister must present her case.

Mr Durkan: In the spirit of light and joy, I thank the Minister for his statement.

The Minister may agree that relying on monitoring rounds to manage what have increasingly become underlying pressures has run its course. However, in many ways, today's review is a super monitoring round, which is really about how the pressures are absorbed and passed out among Departments.

The Minister rightly drew our attention to the fact that not only is the current squeeze being managed but there is likely to be a severe tightening in future because of the other factors that he mentioned. Does the Minister agree that we cannot absorb those pressures in the same form of exercise that is currently being conducted and that it will take something more structural and strategic?

Furthermore, will the Minister reconsider his attitude to the proposal of some Members for a fundamental recasting of the Budget? That would involve categorising the different Budget lines into those that wholly cover front line services, those that mainly cover front line services and so on, the whole way down to purely administrative categories. The Minister talked about reducing bureaucracy and protecting front line services, and such a reclassification would allow us to create an articulate Budget information service that we could use when lobbying the Treasury and others to defend our needs and also to prove that we have a Budget system that is targeting and meeting need and making changes.

The Minister of Finance and Personnel: We must live with the situation that we have at present. We are now in January, and the Budget must be ready by the end of March to enable Departments to plan their spending in the best way possible, particularly given the uncertainty that the Member raised regarding what might be coming in the middle of the year. The Member may want to call our budgetary process a "super monitoring round", but it puts in place plans for such a contingency.

The Member also asked about the future. Once we have the comprehensive spending review for the next three years — I do not think that it will be available until after the general election — it will be examined by the Assembly, and we can have the debate that the Member requested.

I have not mentioned a certain point thus far, as no one has raised it with me. As far as other preparations are concerned, the Member is correct: if the reductions that we anticipate are as severe as we believe that they will be, it will be difficult to manage that by simply tampering around the edges of departmental budgets. One reason that my Department has set up the invest to save fund of £26 million is to encourage Ministers to look ahead now and determine where savings can be made.

Yesterday afternoon, I had a discussion with the Minister of Agriculture, who drew to my attention a particular problem that, at present, is costing the Executive tens of millions of pounds. She believes that, if we spent around a couple of millions of pounds, those kinds of costs could be avoided. That is where the invest to save fund comes in. Ministers can look ahead and see where, if they had another couple of millions of pounds to spend, ten times that amount could be saved in every future year. That is preparation for the kind of scenario that the Member has described.

It might have been easy for my Department to provide £26 million to help each Department to avoid losing £2 million. However, that would have been short-sighted. My Department has tried to make long-term preparations. When the comprehensive spending review takes place, we will look at the Budget for the next three years. At that stage, we will have an opportunity to look at the whole budgetary process.

Mr McLaughlin: Go raibh maith agat, a Cheann Comhairle. It would be churlish not to acknowledge that the Minister had a difficult job. He gave timely warning and spelled out to the

Assembly the significant pressures that were building up, particularly because the Assembly has a fixed Budget. It does not have a normal budgetary process in which money that it is possible to generate through revenue can be balanced against ambitions and spending plans. When the global economy goes into decline, that has an effect here. When Westminster decides to top-slice some public spending budgets, that has a direct impact here. The Assembly must take that on board. The matter will now be referred to Departments and Committees. Hopefully, they will apply both the equality impact assessment process and the test of what are true efficiencies, by examining whether the same outputs and service delivery can be generated with less input.

Will the Minister remind the Assembly what stocks of both current and capital end-year flexibility are available to the Executive at present? It is difficult to get books to balance in that respect. What level of access has been agreed with the Treasury? A key question is: to what extent have the current stocks of end-year flexibility already been committed?

The Minister of Finance and Personnel: I do not carry that kind of detailed knowledge in my head. Therefore, I will rely on officials to give me the answer to those questions. I think that the Member opposite sits down and thinks about how he can catch me out on certain figures. He always asks me these wee questions on individual figures. I admit that I did not have those figures. My officials have supplied me with some, which I hope that I have heard correctly. At present, the stock of end-year flexibility is £30 million of current and £50 million of capital. If I have misheard officials, I will write to the Member and to you, Mr Speaker, with the correct figures, so that they can be corrected in the record.

12.15 pm

The Member also mentioned administration, as did the Member who spoke previously, who asked whether there could be a Budget picture that tells us what is happening in administration. We have administrative lines in each of the budgets that are clear to be seen, and there are 5% efficiency savings to be made on those. I have regular discussions with ministerial colleagues about that, and we have adhered rigidly to the proposal that, if someone wishes to have more money spent on administration, it can only happen if money has been surrendered by somebody else’s Department. No reclassification is allowed unless money is actually available from somewhere else to reclassify for people’s administrative budgets in another Department. We have tried to be as rigorous as possible on administrative savings and avoiding any impact on front line service.

Mr Ford: I heard with interest what the Minister said about the invest to save fund. The example he quoted of spending a couple of million pounds in order to save tens of millions implies that there is a payback period of about six weeks, which one would have assumed would have been covered within the Department’s budget for that year. However, given that he has not said very much about the detail of it, will he give us some idea of the expected rate of return from that sort of investment and how it would be applied, given that it is a relatively modest sum? In particular, will Departments be discussing their proposals with their Committees? Will the Minister give us some idea as to whether he will be encouraging Departments to consider the costs of segregation and division in the application of that fund?

The Minister of Finance and Personnel: I have made it clear that Departments will be consulting Committees. They will be expected to publish how they will make those savings and then to discuss that in full with their Committees. I am not clear whether Mr Ford was asking whether Departments would be discussing with Committees any applications for the invest to save fund. However, I assume that Ministers will wish to do that. How will the invest to save fund be applied and what rate of return do we expect? Mr Ford is right: it is a modest sum of money. However, if one could get the kind of return that the Minister of Agriculture and Rural

Development told me could be made in a year for the kind of investment that she is talking about, which would then be ongoing for years after that, the savings could be quite substantial.

We will set criteria and make judgements on the applications. Ministers will have to show what kind of savings might be made from their application, how quickly those savings could be found and whether they will be one-off or ongoing savings. We will also take into account the pressures on individual Departments. There will be a number of ways in which we can judge all of that. At the end of the day, the Executive will make the decision on the applications that are made.

I am hopeful that substantial savings can be made. I hope that Ministers will be inventive when looking for savings with their officials and that they will look clearly for modest amounts of money that could have those ongoing savings and quantify them so that we can make the judgements. Those are the kind of things that I expect. If the Member and the Committees come up with suggestions about other aspects that should be looked at or what other criteria we should apply, I will be more than happy to hear from them when we come to allocate the moneys that are available.

With regard to the cost of division, I have made it clear time and time again in the Assembly that, as far as I am concerned, if we are spending money in such a way that it does not give the best return to the public purse, we ought to look at that. I do not adopt any ideological position on the matter. The Member and his party believe that the costs of division represent an area in which huge savings could be made. Many of the examples that he gives about duplication are due to social and economic conditions, rather than the cost of division. We must also recognise that the reality in Northern Ireland is that some of those things are not easily swept aside, and we will live with the legacy of them for some time. Of course, where it can be identified that there is duplication because of the costs of division and that there is a feasible and workable way of avoiding that duplication and reducing that spending, I would expect Ministers to bring that to Committees, and I would expect Committees to endorse it and that it would be part of the Budget.

Mr Kinahan: I thank the Minister for his statement. He said that he would be able to deal with the main shortfall from the expected slippage of two major capital investment projects. He has already mentioned one of those, the Royal Exchange, and the other could be the strategic waste management project. Will he outline how definite that slippage is, particularly in relation to the strategic waste management project, and whether he believes that taking away with one hand to fill the gap somewhere else is an adequate way to conduct public finances?

The Minister of Finance and Personnel: The fact is that, if the money cannot be spent in one particular year, something has to be done with it, otherwise it would simply be given back to the Treasury. Therefore, I think that is the adequate way of dealing with the issue. I am not exactly sure of the degree of time slippage in the strategic waste management project, but I know that money that was meant to be spent in the next financial year is not likely to be spent until 2012. Rather than going back to the Treasury, it will be used to offset other things, such as the lack of receipts from Crossnacreevy or somewhere else. That is a sensible approach. The Minister of the Environment can probably give more detail on exactly how much slippage there is.

Of course, the money will have to be spent eventually, but, if by 2012 or 2013 the economic situation has changed and we can receive the receipts from Crossnacreevy, then the money will go into the projects that have slipped. That is the rationale behind our approach. It is a sensible rationale, and it is much better to reallocate the money to Departments in Northern Ireland than to give it back to the Treasury, which, I am sure, would gratefully receive it from us. However, we will do our best to hold on to it.

Mr Lunn: I thank the Minister for his statement. What is the read-across between the revised Budget and the Programme for Government, and what strategic approach was taken by the Executive to ensure that overarching objectives, such as modernising the economy and protecting public services, will still be maintained?

The Minister of Finance and Personnel: The approach that we took was designed to do exactly what the Member asks about: ensure that the Budget still reflects the Programme for Government. The easy way to have done that would have been to acknowledge that we had savings to make and decide that every Department should take a certain hit, a pro rata cut, end of story. That would have saved me interminable meetings with each Minister and their Department and would have been a quick and easy solution. No one could have denied that they were being treated fairly.

I will be frank: there are Ministers from my own party who will not be particularly happy with the review, because I have not shown any partisan approach to the Budget. Indeed, some of the Departments that have DUP Ministers have been hit harder than other Departments have been. That is a reflection of the fact that we have adopted a strategic approach, considering how we can target the cuts so as to keep the spending in line with the priorities that we have set in the Programme for Government.

That is reflected in two ways. First, the Departments that deal with economic development have not been hit as hard as the average across the board, despite the point made earlier by Mr Farry. Secondly, we know that the Department of Health, Social Services and Public Safety delivers front line services for which there is a big demand in Northern Ireland, and its budget has been cut the least of all.

We have sought to protect the economy and front line services. Moreover, through the invest to save fund, we are seeking to ensure more efficient delivery of services, which is a priority for many Members. Departments will be given some money with which they can look at how they might make efficiency savings.

Mr Savage: I was glad to hear the Minister say that he is not adopting a partisan approach. That is the first time that I have heard a Minister of Finance and Personnel talk sense in the House.

Mr McNarry: Steady on now, George.

Mr Savage: I mean what I say; I will give anyone credit where credit is due. The Minister of Finance and Personnel said, following his discussions with the Minister of Agriculture and Rural Development, that substantial savings could be made. I am glad that an opportunity exists to cut bureaucracy and red tape and to get down to business. Much can be done by taking a simple approach, so I am glad to hear the Minister’s comments. The Minister did not fall into the trap that Mr Ford laid: he would not discuss the details of the invest to save fund before it is discussed in the various Committees. I am glad to see that the Minister is taking that approach, and I hope that it —

Mr Speaker: The Member must come to his question.

Mr Savage: I hope that the Minister’s approach will be followed in the House.

The Minister of Finance and Personnel: I do not think that a question was asked, but I accept the Member’s commendation. The cynic in me means that, when I hear such comments, I wonder when the boot is coming in. Mr McNarry, who is sitting beside Mr Savage, is very good at doing that. He makes a lovely statement, only to put the boot in after, and I am sure that he will live up to that reputation in future.

I hope that we have taken a sensible approach, despite all the cynicism outside the Assembly. I suspect that, because of other events, the debate will not get much coverage in the press, but it has been constructive. Members have put their points strongly and shown where they have a different emphasis from mine. I hope that I have given answers as honestly as possible. Although I was disappointed that the process was slow to get started, the process leading up to today's statement has shown that constructive work was done between me and the Ministers, some of whom have radically different views to me. The process could have been made more difficult by political point scoring, but, by and large, that did not happen, and, if people dig behind the facade, they will see that we do good work for which we are not given credit. Unfortunately, that results in the public seeing a picture of here that is unfair and distorted.

Mr Speaker: That ends questions on the ministerial statement. The Business Committee has arranged to meet immediately on the lunchtime suspension. I therefore propose, by leave of the Assembly, to suspend the sitting until 2.00 pm.

Northern Ireland Assembly

Tuesday 9 February 2010

Committee Business

2010-11 Spending Plans

Mr Speaker: The Business Committee has agreed to allow up to two hours for the debate. The proposer will have 15 minutes in which to propose the motion and 15 minutes in which to make a winding-up speech. All other Members who are called to speak will have five minutes.

The Chairperson of the Committee for Finance and Personnel (Ms J McCann): I beg to move

That this Assembly takes note of the review of 2010-11 spending plans for Northern Ireland Departments announced on 12 January 2010 by the Minister of Finance and Personnel.

Go raibh maith agat, a Cheann Comhairle. The Committee has tabled the motion for the purpose of providing all Members, as individuals or representatives of Committees, with the opportunity to debate the proposals for the review of 2010-11 departmental spending plans.

The proposals were set out in the Minister of Finance and Personnel's statement of 12 January 2010 and the accompanying consultation paper. In his statement, the Minister asked the Committee for Finance and Personnel to produce a co-ordinated report on the revised spending plans on behalf of all departmental scrutiny Committees. This debate will, therefore, help to inform that report. The Committee wants to use the opportunity of its report both to comment on the proposals for managing pressures during the upcoming financial year and to consider a range of strategic issues going forward.

As regards the 2010-11 Budget shortfall, the Committee has previously highlighted its general concern at the range and amount of new emerging pressures on existing Budget allocations. That concern was raised as far back as October 2008 in the Committee's submission to the Executive's strategic stocktake of the Budget position for 2009-2010 and 2010-11. At that time, the Department of Finance and Personnel (DFP) sought to assure the Committee that any pressures could be managed through the in-year monitoring processes. However, that approach has proved inadequate given the scale of the pressures and the diminishing levels of reduced requirements that are being declared by Departments at monitoring rounds. Therefore, it has been necessary to undertake the ongoing review, which resembles a mini-Budget process for 2010-11.

In fulfilling its role to lead and co-ordinate Assembly scrutiny of the spending plans, the Committee agreed a timetable for gathering evidence and preparing its report within the limited time available. That includes briefings both at departmental level and on strategic finance issues. As regards the proposals that the Minister outlined on 12 January 2010, the Committee has put a range of questions to DFP. Those questions ask about, for example, the methodology that the review used to target areas for additional savings and the evidence base that exists to support the various amounts of additional savings that are being proposed across Departments, including how front line services and delivery of Programme for Government targets have been safeguarded in identifying savings. It is worth noting that, during an evidence session on 13 January 2010, DFP officials explained that the evidence base for the targeted savings arose from bilateral engagement between individual Ministers and the Finance Minister, followed by collective discussion at the Executive.

Other issues that the Committee has raised include the detail behind some of the elements of the overall budgetary pressure of £367 million, such as the full implications for the Executive of having to meet the cost of the equal pay claim and the impact of the additional efficiency savings of £123 million that arose from the Chancellor’s 2009 Budget. In particular, the Committee has queried whether that will mean a reduction in the rate of growth rather than savings from existing baselines. The Committee has also queried the criteria that will be used to assess the invest to save proposals from Departments and the detail that exists to explain the technical changes that are set out in the review consultation document.

Those and other issues were raised during the oral evidence session with DFP officials on 13 January 2010 and in a list of detailed queries that were subsequently issued to the Department for written response. The Department’s response was received only yesterday. Therefore, the Committee has not yet had the time to consider it in detail. The Minister may wish to take the opportunity of today’s debate to respond to some of those issues for the benefit of all Members.

I shall turn briefly to DFP’s position on its revised spending proposals. On 20 January, the Committee was briefed on the Department’s plans to achieve savings of £4·1 million current expenditure and £2·1 million capital expenditure, which equates to 2·4% and 12·3% respectively. Members heard that the proposals focus on streamlining and improving services in work areas and will not have a detrimental impact on the delivery of the Department’s Programme for Government targets. Members received assurances that planned savings through the redeployment of staff will not result simply in costs being moved from one business area to another.

DFP also assured the Committee that the front line services provided by Land and Property Services had largely been protected in the process. Nevertheless, the LPS remains a concern to the Committee and one which its members will wish to examine more closely.

As regards the input from other departmental scrutiny Committees, I understand that Departments were to publish on their websites further details and supporting information on their revised 2010-11 budget allocations for individual business areas. In that regard, the Committee sought submissions from the other scrutiny Committees on their respective Departments’ positions by last Friday. That deadline allowed just over three weeks for each Committee to receive briefings from its Department and agree a submission. Before preparing its report, the Committee for Finance and Personnel will need to analyse those submissions and take concluding evidence from DFP on the themes that emerge from those submissions and from today’s debate. However, not all Committees have been briefed in detail by their Departments, and they have not, therefore, been able to provide a comprehensive response. Some

Committees have also reported that their Department did not publish revised spending proposals on its website or that the proposals did not set out the level of detail requested in the Executive's consultation document. That is not an ideal situation.

The requirement for the mini-Budget process and the difficulties arising from the timetable highlight the need to establish a formal process. I am also mindful that time constraints have prevented the Department from undertaking wider public consultation on the proposals. The Committee published its report on the Executive's draft Budget for 2008-2011 in December 2007. At that time, the Committee called for the future Budget process and timetable to be settled early in 2008 so as to enable Assembly Statutory Committees to schedule the necessary scrutiny into their work programmes and thereby provide Departments with notice in respect of the future briefing requirements of Committees.

Subsequently, in its submission to the review of the Executive Budget process in October 2008, the Committee reiterated its call for the establishment of a future Budget process which would maximise the contribution from elected representatives in the Assembly. In that regard, the Committee anxiously awaits the outcome of DFP's review of the Executive's Budget process, which was due for completion by the end of 2008 and should inform the establishment of an effective process for determining future Budgets once the review of 2010-11 spending plans has been concluded.

The Committee's forthcoming report will look beyond 2010-11 and consider a range of strategic and cross-cutting issues. Those issues may include matters such as the scope for realising proper efficiency gains; asset management and capital realisation; the work and the future role of PEDU; alternative revenue streams; the review of the in-year monitoring process; and alternative methods of budgeting, including zero-based and performance-based budgeting to achieve optimum allocation of resources in future years. I believe that consideration of such strategic finance issues is important at this stage, with regard to minimising and managing any further public expenditure pressures in the years ahead. I look forward to hearing Members' contributions in this important debate.

The Chairperson of the Committee for Agriculture and Rural Development (Mr Paisley Jnr): I thank the Finance Committee Chairperson for bringing the debate before the House. It is a useful debate to have at this time. Unlike a large majority of Assembly Members, the Committee for Agriculture and Rural Development received a briefing on the 2010-11 spending review, as it applied to the Department of Agriculture and Rural Development (DARD). However, the Committee received it about one hour prior to the meeting and therefore did not have time to scrutinise it, analyse it properly or drill down into it. As the Finance Committee Chairperson has just said, it was not an ideal situation. Therefore, the Committee for Agriculture and Rural Development feels that it has been unable to do its job of scrutinising important budgetary and financial control issues in the way in which it is expected to do so. The Assembly has, to a large degree, missed out on being able to analyse properly the current spending position.

10.45 am

The Committee noted that the Executive have decided to set DARD a target of saving £6·3 million on current expenditure and £3·4 million on capital investment. The Committee feels that those are reasonable amounts when set alongside the total requirement of £367 million across all Departments and does not have a beef on that point. However, although the Committee has not had an opportunity to drill down properly into the matter, it is concerned that the Department appears to have targeted the softer options of research and education to cover the majority of its additional pressures, including the sale of departmental land. The Committee is aware that the Department is undertaking a review of its entire estate and is placing on record its current opposition to the Department asset-stripping prime public property to pay for past mistakes.

When we are undertaking financial planning, the most important task is to define the current position of the business and where one intends to take it over the next five years with a properly thought-out strategic approach to financial planning. One must have the ability to see what the business environment might be like a long way into the future, not just over the coming months. One must be able to set a broad direction and make decisions along the way that will make that direction unfold correctly. One must have a degree of certainty, be committed to the proposed course and, above all, ensure that the appropriate resources, financial and otherwise, are available.

In that regard, the Committee believes that the Department of Agriculture and Rural Development has failed in its task. It has failed to plan ahead and take heed of the warnings that presented themselves to it on numerous occasions over the past three years. It has failed to respond to the environment that it has stumbled into. It has failed the rural community and the wider Northern Ireland community and economy, and it has failed through its overvaluation of the Crossnacreevy site, which left the Department with a negative capital investment budget of £174 million. It is not the only Department that overvalues land, but it has, par excellence, overvalued its land and holdings. Therefore, the Department that my colleague the Minister of Finance and Personnel has to manage has been put in an unenviable position. The Committee has long held the view that that valuation was totally inaccurate and was not substantiated by the Department. Land and Property Services, quite rightly, provided valuations based on a like-for-like use of the land. Responsibility for the overvaluation lies with DARD. Although the £200 million receipt identified by the Department in its accounts may be covered by slippage in other departmental programmes, the Committee is of the view that that represents a major loss to the Northern Ireland economy.

The Department has also failed due to the accumulation of disallowances arising from non-compliance with EU regulations governing the European Union area-based payment scheme.

Mr Speaker: Will the Member draw his remarks to a close?

The Chairperson of the Committee for Agriculture and Rural Development: That disallowance amounts to more than £30 million proposed in 2004 and 2006.

Mr McGlone: I thank the Member for giving way. Does he agree that, during the credit crunch, Members who represent rural areas and want to see jobs created and investments made quickly and efficiently feel that the Department’s handling of axis 3 of the rural development programme has been abysmally inadequate in getting the funding out to the communities and rural areas that need investment and job creation to meet the rising unemployment in those areas?

Mr Speaker: The Member has an extra minute in which to speak.

The Chairperson of the Committee for Agriculture and Rural Development: Thank you for that extra time, Mr Speaker. I also thank my colleague Mr McGlone for his timely intervention.

I will come to the point, because I now have an extra a minute in which to do so. The disallowance of £30 million in the proposed 2005-06 scheme and an additional £30 million in 2007-08 means another £60 million of pressures on the Department of Agriculture and Rural Development, and those pressures have not been properly accounted for.

Mr Speaker: The Member should draw his remarks to a close.

The Chairperson of the Committee for Agriculture and Rural Development: The Department has failed to include a budgetary requirement for axis 3 of the Northern Ireland rural development programme. My colleague Mr McGlone made that point, and I agree wholeheartedly with him.

The Chairperson of the Committee for the Office of the First and deputy First Minister (Mr Kennedy): I confirm that the Committee for the Office of the First and deputy First Minister has not received papers or briefings about the Department's revised expenditure plans. The Committee is obviously concerned about that, and I have written to the Department on behalf of the Committee to highlight its concern at the continual late receipt of papers. Such delays undoubtedly restrict the Committee's ability to fulfil its scrutiny function.

On behalf of the Ulster Unionist Party, I welcome the fact that the public spending directorate of the Department of Finance and Personnel recently outlined to the Committee for Finance and Personnel that it is to review the in-year monitor process. That is something that — [Interruption.] If Members wish to be entertained by other people, I am quite content to allow them to do so. My party has called for that review consistently over the past year and a half, not merely because of the moneys involved in in-year monitoring — some £2 billion during the last four years — but because it was clear that structural pressures were making the process progressively less effective.

The process, which was designed to ensure more effective spending of public money by Departments, left less slack available for redistribution and highlighted the inadequacy of underspends as a proper and efficient means of redistribution between the Departments. In the past, that process has led to Departments undertaking spending sprees in the last few months of a financial year. This was not always properly planned and had more to do with the ability to spend money quickly than with an absolute need for many of the items that were purchased. Added to those factors, the cutbacks in block grant finance, which will become even more apparent after the forthcoming general election, even though they may be dressed up as operational efficiencies, will inevitably mean that money will be much tighter than hitherto. The UUP welcomed the Executive's decision, as part of the 2009-2010 June monitoring round, that there was a need for a more aggressive approach in managing down the level of overcommitment as part of the current and future in-year monitoring processes.

There were a variety of reasons why the old system was well past its sell-by date. It encouraged an unreasonable and unrealistic expectation that spending needs would be met; encouraged bad budgetary planning; meant that Departments did not always put in place robust enough analyses of the issues that impacted on programme spending; led to confused and often contradictory messages over real spending priorities; and, in short, was damaging to the integrity of the entire departmental planning process. The old planned underspend system was also a product of the direct rule period, in which scrutiny was not always what it might have been. It was also highly inappropriate for the scrutiny that was inevitable under devolution.

Given the increasing sophistication of financial management information systems, I hope that more frequent in-year monitoring rounds could be possible, as they would enable a far more robust and flexible response to emerging situations than has been possible hitherto. We might also be able to move to a more sophisticated common priority-based scale across all Government programmes in the future. That system would see every Government programme operated by being placed on a common weighted scale, with pre-agreed weightings applied for key substantive elements of all programmes and relative weightings applied for politically pre-prioritised factors such as healthcare, child poverty, job creation and protection and social need, which are intrinsic to all programmes.

Those weightings could be represented as numerical values on a scale or as bands, so that decisions on spending cuts could be taken on a fair and equitable basis. The inevitable precursor to that would clearly be a major review of the Programme for Government, which has become unnecessarily restrictive and is more appropriate to a climate quite different to the one in which we now operate.

Mr O'Loan: I have some sympathy for the Minister in the position in which he finds himself. We are in an atmosphere of financial crisis, and the talk of the public every day, in every debate about services — education, health, roads or whatever — is all about the cuts that we have to endure. No one would think that three years ago there was a financial settlement for the Northern Ireland block for a three-year period that represented an increase, in real terms, in the Northern Ireland Budget. That says a good deal about the inadequate management of our public finances here over that period.

The Minister had two predecessors. I respect the current Minister in one regard: he is the first of those Ministers to admit that we have a serious problem and to set out to do something about it. Had his predecessors accepted that there was a real problem, there would have been an opportunity to do something much more significant to address the problem much earlier.

There are real pressures on the Budget for next year. The cost of the deferral of water charges has been quantified at £210 million. I noticed that the Minister, in his statement, told us that other non-cash costs have been removed and that there has been, essentially, a change to the accountancy rules. The cost of deferral was previously quantified at £400 million. Had that been the cost, the crisis that we are talking about would have been even more dramatic.

The equal pay issue is very serious, and I see that it is quantified at a higher figure than it was previously. The back pay element is quantified at £155 million to £170 million. As the settlement covers a six-year period, one would expect that, at a crude calculation, the pay scales would increase by roughly one sixth, so a sum probably in excess of £25 million will also accrue annually as a result of the settlement.

I will briefly mention retired workers, because there is a fundamental justice issue in that the settlement does not provide for workers who left the Civil Service within the six-year period under discussion. Those workers are being treated most unfairly, and I ask the Minister to give further consideration to that.

There are pressures arising from the reduced income from rates because of the new reliefs, which I support, and because of the economic downturn. We know that the efforts of the Central Assets Realisation Team (CART) are now almost reduced to nil and, likewise, departmental capital receipts have been savagely reduced. For example, this is the year that the hit from Crossnacreevy will be felt, and that, in itself, will amount to almost £200 million. The Minister tells us that two other significant projects will not go ahead, and he hopes that that will adequately compensate.

The expectations are that the money provided for the Northern Ireland block in the next — presumably three-year — budgetary round will be significantly less. The Assembly agreed a motion that sought to challenge that and to make a case on the basis of need. I will be interested to hear what the Minister can tell us about what he has done on presenting the case for a needs-based assessment for Northern Ireland funding.

There is no allowance for contingencies, and we have seen that they have been a major issue for us. Even within the 2010-11 year, after the Westminster election, there is the real possibility that there may be in-year cuts.

11.00 am

I am concerned greatly by the fact that the statement does not refer to the upfront costs of new councils. Those costs have been estimated at £118 million. I hope that the Minister will respond to that point, because those costs surely need to be quantified.

The Department tells us that it is proceeding on a targeted basis. However, it provides no evidence on how that targeting is done. Therefore, one can only assume that a Civil Service exercise, which ought to have been democratic, was carried out.

Dr Farry: I welcome the opportunity to take part in this important debate. I understand that external events that are beyond the direct control of people in Northern Ireland have knocked our Budget off course. That said, however, it is important to acknowledge and to reiterate that dissatisfaction was expressed about the Budget when it was originally set out. The opportunity was not taken to put our financial house in order by fixing the roof while the sun was shining, and perhaps in coming to terms with the changed economic and financial climate, we are now experiencing greater difficulties than would otherwise have been the case.

We are now seeing the reality of the cuts filtering through Departments as they look at their revised plans for the incoming financial year. Indeed, we can cite examples of that. We must also factor in that we will not see the missed opportunities and the things that the Executive and Departments could have done but cannot do now because the resources are not available and because greater priority is being given to protecting what we have. In trying to rebalance and modernise the economy, I fear that we will miss opportunities in, for example, the green economy.

We must appreciate that there are structural problems in our finances and that a lack of investment in infrastructure has been a legacy of the past 30 to 40 years. We will now be inhibited from putting those problems right.

In some senses, the debate on how to handle the immediacy of the crisis can be about, to put it simply, cuts versus administrative savings and the desire of all Ministers to protect front line services and for the Departments’ back rooms to take all the hit. In practice, we must be wary of taking that simplistic approach. Lines between what constitutes front line services and what constitutes back room services are blurred, and there is no set definition of either. Is a receptionist in a hospital or a health centre a front line member of staff or a back room administrator? In any case, government cannot be run without administrators, and budgets are not bottomless pits from which more and more savings can be found while the veneer of protecting front line services is retained.

However, we must appreciate that there are much deeper distortions in our public finances. That is at the heart of the debate. First, the costs of trying to manage a deeply divided society are a major drain on public finances. Members will be delighted to hear that I will not labour that point; I have made it many times previously.

To an extent, I am sticking my neck out when I make my second point. Raising revenue is a major taboo in the Executive. This Administration and all the parties that are part of it are well outside the political mainstream elsewhere in Europe and further afield. The entire rebalancing of our books is to be done through cuts, rather than by considering any possible additional forms of revenue. I say that as someone who comes from what I believe is a centre-right perspective in support of the free market and the private sector. I am disappointed that some Members here describe themselves as socialists and social democrats but back an agenda that is entirely based on cuts.

I will say what needs to be said about water charges. The deferment of water charges is not covered by the block grant; rather it is done at an opportunity cost to public services. Yesterday, the Minister of Health, Social Services and Public Safety said that he wanted UK standards for our Health Service and that he wanted to ensure that we were keeping up to speed with investment levels elsewhere. I fully accept that argument, but we are not following suit on revenue raising. Instead, we are trying to have it both ways, and I am not sure how long we can continue down that route.

Declan O'Loan made a point about the vast amount of money that is being lost from the Budget because we are not biting the bullet on that difficult issue. We need to move on from talking about whether there should be water charges and how long we can defer them to actually figuring out how we can introduce water charging on a fair basis that is linked to ability to pay, use of water and affordability. Fairness must be the watchword and the way forward on that issue.

Mr Speaker: The Member should draw his remarks to a close.

Dr Farry: We need to be realistic about public finances, rather than trying to have it both ways and misleading the public.

Mr Hamilton: Up to this point, the debate has been useful. I welcome the tabling of this motion by the Chairperson of the Finance and Personnel Committee. We should welcome the opportunity to debate such important issues in the House as often and as frequently as we can because of the importance of public finances to each and every person in Northern Ireland. We can welcome the debate without necessarily being overly welcoming of the fact that we must do what is included in the Minister's paper. I also welcome the fact that all the parties that have spoken on the issue to date have shown maturity in recognising the difficult position in which not only the Minister of Finance, but the whole Executive and every Member in the House, find themselves.

We all know about the tough times that we are still in the middle of because of the economic downturn. We also know about the negative impact that that has had on asset sales, on which so much of the Budget is contingent, and about the legacy of underinvestment in public services in Northern Ireland that the Executive have started to get to grips with. That underinvestment has created a difficulty in that some people have an expectation that there will be continued, massive investment. However, that cannot be sustained in the current climate.

I think that there will be more opportunity during next week's debate to talk about the original Budget, as we start to examine the Budget Bill, so I do not want to take up much time talking about that now. It is clear from the revised departmental expenditure plans that it is immensely difficult to revise the Budget. The calls for a revision of the Budget were made because of the downturn and the pressures on public finances, and it is clear from the revised departmental expenditure plans that that task would have been particularly hard given the difficult climate and that, effectively, we would only have been moving pain from one place to another.

It is important to recognise why we are facing some £370 million of adjustments. The vast bulk of those are because of the deferral of water charges, the cost of which is in excess of £200 million. Although I understand the points that Dr Farry made about revenue raising, I think that the Assembly and the Executive are correct not to increase the burden that households and, indeed, businesses face at this time when people are under pressure and are feeling the pain of the downturn.

Dr Farry: I am grateful to the Member for giving way. We are having an important debate on this topic. Does the Member accept that by not addressing any additional forms of revenue raising, Northern Ireland is out of line with virtually every country in western Europe in its approach to the downturn? Noticeably, the Irish Republic's Government have made some difficult choices, and even the three parties in Westminster accept that there must be some increases in taxation. The debate is, therefore, about the balance between taxation and spending cuts, not about whether there should be one or the other.

Mr Speaker: The Member will have an extra minute added to his time.

Mr Hamilton: I agree that this is an important debate, but the time constraints that are placed on it do not allow us to go into detail to do it the justice that it deserves. However, I will be happy to return to it on a later occasion. I am sure that the Member recognises that the people of Northern Ireland are already facing tax increases that have been levied at a national level. If devolution is to have any value, it must provide local responses to problems that are affecting people locally. I think that the Executive and the Assembly can hold their heads up high about the things that they have done to help people during the downturn by keeping money, if not putting it, in their pockets.

Water charges make up the bulk of the adjustments. In addition, more than £60 million is allocated to the equal pay claim settlement. I am concerned by the continuing calls from some Members for the equal pay settlement to be extended. We all understand that a lot of people feel aggrieved because they received unequal pay for a long period of time. However, we should commend the Minister and his Department for settling the equal pay claim at the level that they did. At one time, there were vastly inflated cost estimates of £300 million or £400 million. This year’s cost of £65 million is a teddy bears’ picnic in comparison with the cost of opening the floodgates, bringing in an additional slew of people and extending the settlement.

It is important to remember that the decisions in the spending plans have had to be taken as a result of decisions that were taken by the entire Executive. It shows a growing maturity within the Executive that the decisions not to levy water charges and to settle the equal pay claim were made by all parties in the Executive. All parties represented in the Executive agreed to those decisions. It is important to remember that the Minister’s paper, which is the focus of the debate, was agreed by all parties in the Executive. The difficulties and adjustments that we face will be dealt with as a result of mature, sensible and thoughtful decisions made by all parties in the Executive.

Mr Speaker: Bring your remarks to a close, please.

Mr Hamilton: There are tough times ahead. However, with that level of maturity, we can get to grips with the issues much better than we may have done in the past.

Mr McLaughlin: Go raibh maith agat, a Cheann Comhairle. Arising from the original negotiations that led to the restoration of the Assembly and the establishment of the Executive, a comprehensive commitment was secured around the financial package. Consequently, a three-year Budget was proposed and mandated by the Assembly. That was possible because of the degree of certainty attached to the capital and resource that were available to the Executive.

The Assembly is only too aware of the dramatic and detrimental effect of the global economic tsunami and the calamitous downturn in property values, which rendered the expectation of the capital receipt of asset disposals, which, at the outset, was set at £1·4 billion. That expectation can only be realised in a more favourable economic climate, and, therefore, has had a significant impact. On top of that, the Treasury has imposed additional cuts disguised as efficiencies. The Assembly and the Executive have had to cope with a triple whammy.

The Minister has responded and would have been severely criticised if he had not. He is entitled to considerable support for his attempts to manage the Executive’s Budget. His review of spending was a necessary action, and, in cutting the sail to suit his cloth, every Department has had to carry a share of the load. The detail and impact of the review, and, hopefully, a robust defence of essential front line services, will be brought forward when Departments' plans are scrutinised by their respective Committees.

The main thrust of my contribution is to raise questions around the Budget process and the monitoring rounds. We are now coming to the final year of the current agreed Budget period. Now is the time to start planning and initiating debate on the upcoming Budget process. The Finance Committee has made clear its demand that the Budget process be reviewed, be more transparent, and, more importantly, be more timely. An effective Budget review and planning process, involving all Members and all Assembly parties, could take up to six or nine months. Therefore, bringing a review forward in short order is not necessarily the best way to go forward or to address the issues.

The Committee has been given a commitment that a proper Budget process, whether annual or based on a CSR time frame, will be debated, discussed and agreed. The promised review of the Budget process should also be produced in a timely fashion, but, as yet, it has not been produced. I urge the Minister to expedite the completion and delivery of the review as soon as possible to allow the parties to begin to turn their minds towards the upcoming budgetary period.

11.15 am

I will touch on the monitoring round. There has been a natural focus on the impacts of the downturn on the economy and its collateral impacts on the Department's ability to address all its expectations and aspirations. However, there have also been significant successes, including an improved performance in budget management, an ability to manage the perennial failure of underspend that resulted in millions of pounds being returned to the Treasury and a reduction in the dependence on overcommitment that had developed over many years. The Minister has kept the focus on that. I suggest that the monitoring round should reflect those increased capacities and that one of the quarterly reviews should become an examination of the Budget in light of current circumstances.

In the next budgetary period, a process should be brought forward whereby the Assembly can develop a consensual approach to the upcoming financial period, whether that is a one-year budgetary period or a CSR period. The CSR is not a bad process because it allows Departments to be strategic in developing their spending plans. One monitoring round should be devoted to an in-year review of the entire process, because the impact on the monitoring process has been a repeated reduction in the amount of money surrendered.

The whole process needs to be updated. I ask the Minister to consider the points that I have made.

Mr McQuillan: I welcome the opportunity to speak in the debate. We are all well aware of the economic and financial climate in Northern Ireland and the difficulties that our Government have faced. To safeguard our public services and to establish an economic recovery, it is important that we make the best decisions on spending and investments.

The Executive asked each Minister to make efficiency savings, but we must ensure that those savings do not affect front line services, such as our Health Service. We must also ensure that savings do not have a detrimental effect on any section of the community in Northern Ireland.

As a result of the equal pay claim, the Minister must make outstanding payments to Northern Ireland civil servants. That process should be resolved in the near future, with any further reviews to be carried out as soon as possible. The Minister also has to contend with continual financial pressures on spending due to the deferral of water charges and the rating of vacant dwellings, which may lead to more difficult choices now and in the future.

I hope that the spending plans of each Department may mean that we do not have to increase the financial burden on households or place further constraints on the funding of public services. The constraints on each Department have more of a consequential effect on smaller Departments that operate with smaller budgets. With continual monitoring by each Minister, I am confident that the required savings can be realised, and I have every confidence that the Minister of Finance and Personnel, with the support of the Assembly, will ensure that public expenditure is controlled in a manner that gives the citizens of Northern Ireland the best value for each pound that is spent on public services.

Mr Elliott: We are all acutely aware of the financial constraints on the Northern Ireland Executive, but several issues should and could be dealt with in a much better manner.

I was pleased that the Minister of Finance and Personnel responded to a question that I asked recently in the Assembly about the sale of the Crossnacreevy site. I asked whether the Department of Agriculture and Rural Development (DARD) would be wholly responsible for making up the £200 million shortfall. In response, the Minister said that he would have to consider other mechanisms through which to recoup at least some of that money. I am interested in hearing how he hopes to resolve that matter and spread the shortfall from that sale across all Departments.

I want to deal with other issues arising from DARD’s budget and the efficiency savings that it must find. I am deeply concerned that on top of the £8 million of efficiency savings, DARD must find £18 million of budgetary savings simply because of a poor financial management process.

I declare an interest in the Enniskillen campus of the College of Agriculture, Food and Rural Enterprise (CAFRE), which was to receive some financial input to move equine studies from Necarne to the Enniskillen campus to enable CAFRE to pull out of the Necarne facilities, which are owned by Fermanagh District Council. I understood that that arrangement had already been put in place. However, Department of Agriculture officials have said that the arrangement is not formally in place and that the Department may have to stay there for some considerable time because it does not have the money to invest in the Enniskillen campus of CAFRE.

I am concerned about the longer term, because if CAFRE did decide to pull out of Necarne and the facility is not located at the Enniskillen campus, there may be no facilities at all. I wonder whether the Finance Minister has had any discussions with the Minister of Agriculture on that issue, which is very important to equine studies throughout the Province. The number of students who attend that college is very high. It is well respected not only in Northern Ireland, the United Kingdom and Ireland but throughout Europe. I want to ensure and have confidence that that project and that facility will not fall by the wayside.

I am extremely concerned that £5 million is required to fulfil applications under axis 3 of the rural development programme. The Department of Agriculture has indicated that that money is in a savings account in the Department of Finance and Personnel and that it cannot get its hands on it. I understand that that money should have belonged to the Department of Agriculture but that the Department of Finance has almost closed on it like a shark. Perhaps the Minister can explain that, because the money has already been made available through Europe. The match funding has been taken from farmers though modulation money, but the money that cannot be found is the Department’s money. We want an explanation of that.

Some of us have heard recently that DARD is bankrupt. We have moved very quickly to a stage where some of us are starting to believe that that may be possible. I hope that that will not be the position at the beginning of the new financial year or, indeed, at the end of it.

The Chairperson of the Committee for the Environment (Mrs D Kelly): I welcome the opportunity to outline the Environment Committee's views on the Department of the Environment's revised expenditure plans for 2010-11.

The Committee was briefed by departmental officials on the issue at its meeting on 28 January, and I commend the Department on the detail of the information that it provided to the Committee. Members heard that the Department has been required by the Executive to make savings of 11·3% of the Department's 2010-11 baseline budget; that is a significant amount by any standards. Members acknowledged that the Department faces significant financial pressures and welcomed its commitment to reduce consultancy spend and its running costs and to review corporate service functions across the Department. Members supported the Department's intention to focus staff cost savings on not filling vacancies in order to avoid the upfront costs that are involved in rapidly addressing staff numbers.

The Committee also welcomed the Department's decision to realign the Planning Service's operating costs and urged it to expedite the process. Members noted that that involves relocating staff rather than making them redundant. The Committee felt that as planning receipts have been in rapid decline since 2007 — some two and a half years — the process should and could have commenced sooner. In light of the demands of the RPA process, members accepted the Department's approach of excluding the local government division from cuts. However, they were concerned about the proposed deferral of contracts and grant funding to external non-governmental organisations for the following reasons: it is unlikely that those who are affected by cuts will have the opportunity to relocate staff; the decision, unlike the one to realign the Planning Service, could lead to redundancies and the loss of expertise from the sector or the region; and some of the organisations that are affected by the decision deliver or contribute to statutory environmental protection obligations. The cutting of their funding may not be the most cost-effective approach in the longer term if it leads to a further deterioration of protected sites and/or EU infraction proceedings.

The Department allayed some of the Committee members' concerns by indicating that it is considering options, such as the phasing of grants over a longer period and the targeting of organisations that have a variety of funding streams available to them, and are, therefore, not solely dependent on the Department's funding. The Committee also welcomed the fact that the Department is liaising closely with the organisations that are affected but asked for a more detailed picture of the organisations that face cuts so that members can assess the real impact of the Department's proposals.

Mr Dallat: Does the Member agree that, in the interests of the environment, it is absolutely necessary that adequate funds are made available to the Environment Agency so that it can prevent unscrupulous landfill operators from breaking the law, which causes grave anxiety to whole neighbourhoods, and stamp out the cowboys who operate outside the law?

Mr Speaker: The Member has an extra minute in which to speak.

The Chairperson of the Committee for the Environment: The point is well made. The Committee raised that issue directly with the Northern Ireland Environment Agency and expressed concerns about the levels of fines that are imposed by a Magistrate's Court, which are inadequate to deter those who are involved in criminal activity.

Committee members remain concerned about the ability of the Northern Ireland Environment Agency to retain sufficient funds to address illegal dumping. The Committee urges the Department of the Environment to ensure that an adequate number of staff remain to tackle that problem. The Committee stressed the importance of using powers afforded by the Northern Ireland Audit Office to data match information across Departments and of ensuring that receipts for any breaches for which the Department of the Environment has responsibility are maximised.

We live in uncertain economic times, and tough measures must be taken to ensure that savings are made and value for money is achieved. On behalf of the Committee for the Environment, I welcome the Department of the Environment's proposed measures.

The Deputy Chairperson of the Committee for Health, Social Services and Public Safety (Mrs O'Neill): Go raibh maith agat, a Cheann Comhairle. I want to point out that the Committee for Health, Social Services and Public Safety is unable to provide a substantive reply to the debate because the Minister of Health, Social Services and Public Safety has not supplied a detailed breakdown of how he intends to implement the proposed additional savings across his Department.

The Committee took evidence from the Minister and his officials and from representatives of various trade unions on 28 January 2010, with the intention of scrutinising proposals for making additional savings. However, Minister McGimpsey publicly took the position that his Department should be exempted from having to make any additional savings.

Mr McDevitt: Does the Member agree that the Minister of Health, Social Services and Public Safety is behaving recklessly in the management of his requirements under the spending plans that have been put to him, and that, in fact, we are probably facing a period of stealth cuts in front line services because of his failure to provide the House or the Committee for Health, Social Services and Public Safety with the information that we all need in order to protect those services?

Mr Speaker: The Member has an extra minute in which to speak.

The Deputy Chairperson of the Committee for Health, Social Services and Public Safety: I thank the Member for his intervention.

Mr Elliott: On a point of order, Mr Speaker. Is it appropriate to say that the Minister has acted recklessly?

Mr Speaker: I hear the Member's point of order, but that is part of the cut and thrust of debate in the House.

The Deputy Chairperson of the Committee for Health, Social Services and Public Safety: Go raibh maith agat, a Cheann Comhairle. I thank Mr McDevitt for his intervention, and I agree with his comments. The Minister of Health, Social Services and Public Safety is burying his head in the sand on this issue. He has to find those savings —

The Minister of Finance and Personnel (Mr S Wilson): He is behaving like an ostrich.

The Deputy Chairperson of the Committee for Health, Social Services and Public Safety: It may be an ostrich mentality.

The Minister has often said that the Department should not be subject to the proposed additional savings of £92 million in revenue funding and £21·5 million in capital funding. He has provided a rationale for his position that is based on the rising demands on health and social care services, and he asks why his Department is not receiving more money instead of facing cuts. Any Member who is interested in the Minister's rationale will find the full Hansard report of the Committee's meeting on the Assembly's website. Those who read it will find no surprises as the Minister tends to make the same argument no matter what the topic.

Although the Committee has some sympathy for, and understanding of, the pressures that face the health and social care sector, it has pushed, and will continue to push, the Minister to provide detailed information as soon as possible.

The Committee does not agree with the Minister's strategy that no cuts should be imposed, because given the detailed information that it requires, the Committee is unable to judge the alternative. I also point out that charities, lobby groups and NGOs involved in the health and social care sector are pushing to see those figures as soon as possible and frequently lobby the Committee on the issue. On behalf of the Committee, I again ask the Minister to publish detailed proposals as soon as possible.

11.30 am

I will make a few comments in my capacity as the Sinn Féin spokesperson on health. We all recognise the importance of the Health Service and of ensuring that it has adequate resources. However, the Minister cannot be exempt from the need to drive efficiencies and find savings across his Department without affecting front line services. That is a Minister's job, and this Minister cannot shirk his responsibilities on that matter. It is also not enough merely to say that his Department should be exempt from finding more efficient ways to move forward, when the reality is that the budgets of all Departments are affected. I am sure that the Minister would agree that if his Department were to be exempt, his party colleague, the Minister for Employment and Learning, would have something to say about that, because his budget would also be cut.

In the House, the Minister is often quick to criticise the Executive. However, I remind him that his party colleague voted in favour of the spending review plans when they were discussed by the Executive in December 2008. I also point out to the Minister that the Executive have not been shy when it comes to important public health issues. The Executive stepped in, and Ministers gave up money from their Departments, to help to tackle the swine flu epidemic.

The Committee has been looking at the whole issue of inefficiencies in the Health Service and has often referred to the over-abundance of managers and administrators. It has ongoing concerns on that matter. We need the Minister to get on with his job instead of constantly trying to bury his head in the sand and avoid making the hard choices that every Minister must make.

The Deputy Chairperson of the Committee for Social Development (Mr Hilditch): The Department for Social Development's (DSD) revised spending plans were considered at the Committee's meetings of 28 January and 4 February.

The Committee was keen to see and understand the detail of the Department's revisions to its budget and wanted to assure itself that changes would be driven by real improvements and lasting savings in the Department. No Committee member wanted cutbacks to be made purely to those front line services that are provided by the voluntary and community sector. Members also wanted to be sure that reductions across capital and resource expenditure lines would not be made by an arbitrary or fixed amount. After a detailed examination of the methodology, the Committee looks forward to contributing to the debate today and to setting out its concerns, suggestions and, when merited, its approval.

I have to say that the Department provided very little written background detail and limited oral information on its revised spending plans.

Mr F McCann: At the Committee meeting that departmental officials attended, members strongly raised the issue that possible efficiencies could have been made within the Department, rather than direct cuts to front line services such as housing maintenance, social security office provision and local community funding, which was what the Committee was looking at. The Committee was concerned and asked the Department to return with a breakdown of the cuts that were going to be made.

The Deputy Chairperson of the Committee for Social Development: I certainly concur with the Member's sentiments. Indeed, a ministerial briefing on those matters has been promised for late February or early March.

The Committee agrees that DSD's consultation strategy, although perhaps complying with some aspects of the DFP timeline, will not facilitate adequate Committee involvement in the review of its revised spending plans. Committee members indicated their disappointment and frustration, and the Chairperson has written to Minister Ritchie about that.

The Committee considered a number of issues around the information provided. As regards resource reductions, members were disappointed to note that cuts of approximately 2·6% had apparently been allocated to all resource groups. That means that the urban regeneration and community development group will lose £1·6 million. The House will agree that there is never a good place to make a budget cut, but Committee members indicated particular concerns about the way in which quite small budget reductions for matters such as community development can have a disproportionately large adverse affect on deprived groups and areas. The Committee hopes that further information, when provided, will show that budget reductions are not being secured purely at the expense of the voluntary and community sectors.

The Committee was also unable to secure clarity from the Department on capital budgets. It is understood that decisions on the treatment of slippage of important capital projects, such as the Royal Exchange, are awaited. The Committee views the Royal Exchange as a crucial regeneration project and welcomes the Executive's assurance that it will be funded. However, it is hoped that some flexibility can be shown in the treatment of the slippage. It is hoped that some other support can be transferred in the coming financial year to other capital projects relating to social housing, for example.

The Committee was also concerned about the absence of detail about the Department's treatment of the ongoing costs of the Northern Ireland Civil Service equal pay settlement. It is understood that those costs will amount to some £12 million in 2010-11. The Department has not yet explained how that significant additional pressure is to be managed. The Committee hopes that the Department will be more forthcoming in that regard and that consideration will be given to offering flexibility to DFP in managing the problem.

The Committee was disappointed at the absence of information from the Department on its spending plans. During our deliberations, members of the Committee referred to the limited engagement afforded to it in respect of budget matters in general and during monitoring rounds in particular. I hope that, after the debate, the Department will think again about how it can interface with the Social Development Committee in a more useful fashion during its consideration of spending plans.

The Chairperson of the Committee for Culture, Arts and Leisure (Mr McElduff): Go raibh maith agat, a Cheann Comhairle. Ba mhaith liom labhairt thar ceann na Choiste Cultúir, Ealaíon agus Fóillíochta

The Committee took evidence from departmental officials on the proposed revised budget for 2010-11 at its meeting on Thursday 28 January. The Department of Culture, Arts and Leisure (DCAL) is required to make a cut of 5%, or £5·9 million in current expenditure, and 25%, or £20 million, in capital investment based on its indicative budgets for 2010-11. The overall cuts to the region's block translate to around 2·4% in current expenditure and 10% in capital investment. Therefore, the Department's budget is being cut significantly — disproportionately so in comparison with the overall block position.

The Committee was disappointed that the Department of Culture, Arts and Leisure has the highest cuts of all Departments except the Office of the First Minister and deputy First Minister. The Committee is of the view that DCAL is sometimes regarded as a soft target for budgetary cuts because the impact of its business area is not fully understood or recognised. The Committee thinks that investment in DCAL business areas — sport, arts, culture, libraries and museums — contribute to key areas of economic growth such as the creative industries and cultural tourism. That form of activity has the potential to generate jobs and to attract tourists to the region.

The Committee took evidence from Sport NI on Thursday 4 February 2010. We took evidence from the chief executive, Eamonn McCartan, the director of the sports institute, Shaun Ogle, and the director of participation, Nick Harkness, on how the proposed cuts will affect Sport NI's ability to deliver key projects and programmes on the ground. I was grateful to Sport NI for responding so quickly to the Committee's invitation, because its council had not yet met.

The Chairperson of the Committee for the Environment: Does the Member share my concern that the Minister's delay in making a decision is putting opportunities for elite facilities at serious risk?

Mr Speaker: The Member will have an extra minute added to his time.

The Chairperson of the Committee for Culture, Arts and Leisure: I concur with Mrs Kelly that, along with Places for Sport, elite facilities is one of the programmes that may be badly affected. The Places for Sport programme is very popular in communities, and grass-roots, community-based sports clubs place huge importance on it.

The Committee is concerned that a realisation of the cuts to Sport NI's budget will lessen the opportunities for young people and adults, particularly those from socially deprived areas, to participate in sport and physical activity. Dramatically increasing the number of adults and young people who participate in sport and physical activity is a key target of the Programme for Government.

Mr Shannon: Does the Member share my concern about the fact that £42 million of lottery money that was supposed to come to the Province has been diverted to London? That money is a loss to the Province as well.

The Chairperson of the Committee for Culture, Arts and Leisure: Mr Shannon served on the Culture, Arts and Leisure Committee previously, and I agree with him that sport here is being really badly hit. There should be a rethink on how sport is, and has been, affected. Jim has mentioned, for example, money being diverted away from grass-roots, community-based projects and towards preparations for the Olympics. There is real concern in the sports community that the ability of people, particularly those living in socially deprived areas, to pursue sport and physical activity is not being properly respected. That ability to participate is key to improving health and well-being.

The Committee also expressed a number of concerns about the public consultation on, and public access to, the proposed changes to the Department's budget. The Finance Minister announced the proposed savings to the House on 12 January. In that statement, the Minister said that he had asked his Executive colleagues to publish details of the implications for their individual Departments on the departmental websites. However, the Department of Culture, Arts and Leisure did not publish that information on its website until 25 January: almost two weeks later. Given the importance of the issue, that would seem to be an undue delay.

Furthermore, no information on how members of the public should make their views known to the Department was provided, and no closing date for the consultation period was given either. The Committee understands that the main form of consultation on the revised Budget will be through Assembly Committees. However, that does not preclude the public absolutely. It does not mean that the public should not be provided with transparent information about the process and about how they can make their views known.

We re-emphasise the importance of financial investment in sport and physical activity.

Mr Speaker: I ask the Member to draw his remarks to a close.

The Chairperson of the Committee for Culture, Arts and Leisure: Sport and physical activity must not be a loser in this process.

The Chairperson of the Committee for Education (Mr Storey): I will inform the House of the position of the education budget, which faces an additional resource expenditure pressure of £52 million and capital expenditure pressures of £22 million following the Executive's review of their spending plans. The Minister of Education wrote to the Committee on 14 January to highlight the fact that in addition to the proposed £52 million resource saving, there was a resource pressure of £40 million in the 2010-11 education budget. Therefore, the resource pressures total £92 million, which is a huge amount of money.

Senior departmental officials had previously informed the Committee of a £70 million capital expenditure requirement in 2010-11 and a further proposed capital saving of £22 million, which amounts to a capital pressure of £92 million. It is easy to come to the House and give figures without fully understanding the impact that such pressures will have on the delivery of education in our schools. The Minister sought the Committee's views on how to deliver the savings and to address existing pressures.

11.45 am

However, despite the appearance before the Committee of senior departmental officials to discuss the budget on 18 November 2009, 9 December 2009, 20 January 2010 and 27 January 2010, and the attendance of the Minister on 3 February 2010, the Committee is not in a position to give its views on how to address proposed savings and existing resource and capital pressures. I want to explain why that is the case.

The Minister identified five areas for potential reductions. The Committee was not provided with sufficient information on the nature of the spend in each area or, in particular, the impact of potential reductions. As the Chairperson of the Committee for Agriculture and Rural Development said, the information was not drilled down. Insufficient information was given to inform the Education Committee and to enable it to give help and advice.

The Minister commissioned a convergence delivery plan to reduce bureaucracy and to streamline delivery in the administration of education, but that has yet to be provided to the Committee. It is a secret document that is within the domain of the Department of Education. The Minister wants to hold it close and does not want to let anybody else see it, because, I suspect, it contains controversial aspects that should be more closely scrutinised. Furthermore, the Minister's review of the education capital programme has not been provided to the Committee. No objective criteria have been given to the Committee to tell it the basis on which decisions can be made about newbuilds in the education estate that have been announced already. No information was provided to the Committee on other measures to deliver savings, which have been posted — as other Members have said — on the Department of Education's website.

I conclude my remarks on the situation in education as an Assembly Member, rather than as the Chairperson of the Committee for Education. A serious crisis faces education, not only because we happen to have the current Minister in office, though that is problematic enough. We have a situation in which it has been proposed that schools be built. I welcome the fact that the Finance Minister has made available a huge amount of money to the Department of Education, which has allowed us to spend money on putting newbuilds in place. However, we now face a critical situation, whereby schools that have been promised newbuilds will be subjected to a review, for which neither the House nor the Education Committee has seen the criteria.

Mr Speaker: The Member should bring his remarks to a close.

The Chairperson of the Committee for Education: Given her past record, Members cannot trust the Education Minister to come to the House and give the right figures for the reconstitution of education and library boards. She cannot count. I do not think that the Minister is capable of doing her sums on newbuilds for education.

Mr Speaker: The Member's time is up.

The Chairperson of the Committee for Enterprise, Trade and Investment (Mr A Maginness): The Committee for Enterprise, Trade and Investment was briefed by departmental officials on 28 January. I thank the officials for that briefing. It was a frank and open presentation and, for that, members of the Committee are grateful.

Committee members were informed that the Executive have agreed to Department of Enterprise, Trade and Investment (DETI) savings of £4·6 million, which is 2·2%, and £6·6 million, which is 8·2%, capital expenditure, based on the opening 2010-11 budget allocations. That may not seem like much compared to other Departments. However, the Committee noted that more than £200 million, which is 71% of the Department's budget, is contractually committed, which leaves very little room to manoeuvre. It is very worrying that there is such little room to manoeuvre, and that is something about which members expressed concern.

Members were concerned about the level of committed expenditure. Those concerns were echoed by DETI officials, who informed the Committee that if the level of committed expenditure were significantly higher, DETI would have to cease all activities apart from monitoring existing commitments. Although those pressures are difficult, but not insurmountable, I am worried about where future savings can be made in the Department because there does not seem to be room for manoeuvre. If there is a new Government at Westminster, we anticipate wider and deeper cuts in future years. Those could well impact on DETI, which is very important in respect of stimulating the economy.

The most significant areas of concern to Committee members were the £6 million reduction in the capital expenditure of Invest Northern Ireland, which probably relates to reductions in land acquisition and development; the £1·6 million reduction in the current expenditure of InterTradeIreland; the £1 million reduction in the current expenditure of Tourism Ireland; and the £400,000 reduction in the current expenditure of the Northern Ireland Tourist Board. Some members were concerned that reductions in land acquisition by Invest Northern Ireland would result in a shortage of land for business investment and would prevent Northern Ireland from taking full advantage of an economic upturn. In a situation in which we are coming out of recession, it is deeply worrying that we will not have the availability of land to take full advantage of any upturn.

DETI officials informed the Committee that, owing to the economic downturn, current stocks of development land have not reduced to the extent that was expected. Therefore, land is available. It was also considered an uneconomical time to sell land. Most members, and I, agree.

Members raised concerns about the level of cuts to InterTradeIreland. There were concerns that cuts would put at risk the stimulation of trade and that the small and medium-sized enterprise (SME) sector across the island of Ireland would suffer. It is important that InterTradeIreland receives adequate funding. Those reductions will not unduly affect its performance, but, nonetheless, it is a very important agency.

Members expressed concerns that reductions in funding to the tourism sector would have a negative impact on that important aspect of the economy and would inhibit activity to strengthen the economy through the stimulation of tourism. Departmental officials informed the Committee that savings in relation to North/South bodies had already been agreed with the relevant Departments here and in the South, and would have been made regardless of the review of spending plans.

Mr Speaker: The Member should bring his remarks to a close.

The Chairperson of the Committee for Enterprise, Trade and Investment: Those are the concerns, which are relevant and proper. I hope that the Minister will take them into consideration.

Mr Shannon: On reading the report, some things stood out right away for every one of us. In 2008-09, the Executive delivered over £10 billion worth of public services, which is the highest figure on record. That is a good news story. That figure included an investment of £1·7 billion in our public infrastructure, which is an increase of over one fifth on the previous year. That had to happen because we were in desperate need of investment. Money had to be spent to put right the neglect that we endured through many years of direct rule. We needed a dedicated strategy to provide better services and infrastructure to help every person in the Province. The Department of Finance and Personnel provided the strategy that was needed to make a difference in Northern Ireland. We need to take on board that key fact.

The Department is again faced with an overwhelming task: balancing the efficiency savings that are needed, of which we are all keenly aware, while ensuring that there is still a proper level of delivery across the board on the part of all Departments. That is an onerous task, but it is achievable.

Tha repoart points oot cleerly that tha Norlin Airlan Depertmunts hae fully reeched ther efficiency savins tergets fer 2008-09. An whiel tha last roon o’ takin stock suggests that guid proagriss is bein maed regerdin tergits fer 2009-2010 an 2010-11. Things er oan track at present, an we simply need each Depertmunt tae keep oan makin savins whor they caun oan things tha irnae impoarten.

The report clearly states that Northern Ireland Departments fully achieved their efficiency savings targets for 2008-09. The latest monitoring round suggests that good progress has been made in meeting targets for 2009-2010 and 2010-11. Savings are on track at present. We simply need each Department to continue to make savings where they can on non-essential items. Thus far, each Department has been able to make those savings, and it is up to them, individually, to spend wisely the money that they are allocated.

At a glance, Departments such as Health appear to be taking a large hit. However, the report states that savings in health amount to 2·1% of its budget, compared with 2·6% in other Departments. Therefore, the Health Service’s importance, ability to thrive and to provide the excellent service currently on offer, while making savings, is recognised. The fact that the Republic of Ireland devotes 35p of every £1 of its Budget to the Health Service, but in Northern Ireland that figure is 50p of every £1, clearly demonstrates the importance of health here.

Members recently debated the Department of Health’s dispensary charges, to which improvements can be made. We look forward to that happening. I stress again that in some cases, dispensary services are essential for people who are unwell, but in others, it is simply a way for chemists to make money. We ask for efficiency savings that can be made in that area to be taken on board.

I agree with my colleague Mervyn Storey on the issue of education. Yesterday, the Minister of Education made a statement to the Assembly. Not one of the questions that were asked was answered. Neither did she permit interventions. I read the Hansard report today to see whether the Minister addressed the issue of Glastry College that I raised, and she did not. Nothing was done in reply to Members’ enquiries about any of the other schools or colleges. It is frustrating to find ourselves in limbo over the future of education.

The report also highlights proposed savings in DETI and the Department for Regional Development (DRD) of 8·2% and 7·2% below average respectively. We must have roads for tourists to use and thriving businesses for them to spend money in. Every Department must make cuts in the right area, not simply where most money is spent.

I sit on the Committee for Agriculture and Rural Development, and I am concerned about the farm modernisation plans, the cereal and vegetable producers, our vital fishing industry and the European Fisheries Fund (EFF) money that it receives, and the Northern Ireland rural development programme. We must ensure that all Departments, including Agriculture and Education, are producing the goods on all those issues. We must cut out the superfluous and concentrate on essential service provision. The rest will come in time, when the returns that are invested in the future of the Province come back to where they are needed.

Mr Speaker: The Member should bring his remarks to a close.

Mr Shannon: That is when everyone — within and without the Chamber — will benefit.

Mr Neeson: I did not think that I would be called to speak but I am grateful for the opportunity. The Programme for Government’s main priorities included growing the economy. I am deeply concerned that the proposed cuts in departmental budgets will adversely affect that priority.

As a member of the Committee for Enterprise, Trade and Investment, I agree with the statement that was made by its Chairman. We received responses on the revised Budget from the Department and from Invest Northern Ireland. The £6 million reduction in Invest NI’s capital budget for property projects will impact in several ways. It will delay the further development of land, potentially reduce the amount of land acquired for future development, and delay infrastructure works and other capital improvements to existing industrial estates.

Decisions not to purchase land will impact on Invest NI’s ability to meet its overall land acquisition target and on the objective to make land available in areas of economic disadvantage over the corporate planning period.

12.00 noon

I am deeply concerned by the financial cuts in the budgets for Tourism Ireland and InterTradeIreland. It is important that there is continued commitment to signature tourism projects, because they are important to the development of tourism. I would also like to see continued commitment to the Bombardier CSeries project. Those issues are vital to growing the Northern Ireland economy.

Although I have concentrated on the Northern Ireland economy, I wish to express my concerns about the reductions in the Health Service budget. I share the Health Minister's views on the cuts; it is vital that front line services continue in the Health Service.

In conclusion, I put a question to the Minister: is growing the economy still the same priority for the Minister and the Executive at large?

Mr McDevitt: I echo the comments of the Deputy Chairperson of the Health Committee, who noted that we are yet to receive a response of any sort from the Health Minister with regard to the proposed spending cuts. Handing a Minister a blank cheque is no way to defend front line services, and that is what the Health Committee has been asked to do. A crisis in our Health Service is imminent because of the Minister's inability to come to the House or to his Committee with specific details as to how efficiencies can be found elsewhere in the system to guarantee that front line services are given the priority that they deserve.

We already know the stories of 90-year-olds on waiting lists. We know that care workers allocate pensioners 15 minutes a week for their single shower. We know that political pressure is being exerted on trusts to give the impression that a crisis does not exist when, in fact, we all know that one is imminent. We also know that much could be done to guarantee front line services in this region. We could see information on the invest to save proposals and we could understand the impact of the proposed cuts on public service agreement targets, which, of course, we do not know. We could know what conversations have taken place between the Health Minister and the Finance Minister. Perhaps the Finance Minister will be so kind as to inform the House of such conversations during his winding-up speech, because we do not know. We could know what the impact will be on trusts and on social services, or, specifically, on the Ambulance Service Trust, because the truth is that we do not know. We could try to understand better the Department's thinking on the Nuffield report, which indicates a disparity between this region and other regions in these islands in respect of the efficiency and productivity of the Health Service, because the truth is that we simply do not know.

The SDLP will stand shoulder to shoulder with any Minister who brings proposals to the House to defend front line services, but we will not write a blank cheque to the Finance Minister or to the Minister of Health, Social Services and Public Safety, because that is not in the interests of the elderly, the sick and the poor who so rely on this Health Service, which was inherited from Britain but was made Irish and deserves our defence.

I ask the Finance Minister to try to illuminate us in so far as he can on conversations that he has had with the Health Minister. I ask the House to continue, on a cross-party basis, to support efforts to elucidate information from the Health Minister; information that is simply not forthcoming.

The Minister of Finance and Personnel: I could amuse the House for a long time by talking of the conversations that I have had with the Health Minister on his budget and budget proposals, but that is not my role here today.

First, I thank the Committee for Finance and Personnel for its work to date on collating the information that various Committees supplied and on scrutinising the Budget proposals. I shall re-emphasise the reasons for taking such an approach. Normally, next year's Budget would simply have been what was set out three years ago, and adjustments would have been made through the in-year monitoring process. However, as a result of pressures from, and changes in, the economic environment since then, it has become clear that such sizeable changes cannot be dealt with through the normal in-year monitoring process.

In the past, some Members described the reviewing of spending plans as a panic measure that resulted from the mismanagement of the Budget by DFP and the Minister of Finance and Personnel. I am glad that that attitude has not been quite so prevalent this morning. There is now a general realisation that economic change requires DFP to deal with changed circumstances for the Budget. That is why the Department conducted a substantial Budget review, and I am glad that Members welcomed that approach.

I shall reiterate the changes that have occurred. We hoped to sell certain assets, but the downturn in the economy has affected our ability to raise revenue in that way. We did not anticipate that we would be required to put money into certain areas of the economy, whether by helping businesses through business rates relief or additional spending on training.

Of course, we brought some problems on ourselves. The Assembly decided to defer the introduction of water charges for the entire Budget period, and, as a result, incurred a £210 million pressure. As Dr Farry pointed out, if one decides not to raise revenue, one must find money from elsewhere.

In addition, there is the issue of equal pay, which some Members said that we had a moral obligation to address. Indeed, some Members think that we have not gone far enough, and, even though they complain about the current situation, they want us to go beyond the legislative requirements and spend more money. Perhaps I will return to what Mr O'Loan said about that subject later.

Nevertheless, none of those pressures were a consequence of financial mismanagement; they resulted from collective decisions that were taken by the Executive and endorsed by the Assembly. We are where we are with the Budget, and, in response to that, we conducted the Budget review.

I shall pick up on what individual Members said later, but I am disappointed by a common theme that emerged. Committees require relevant information to enable them at least to question whether their Ministers are making the right decisions about necessary budget reductions. However, several Ministers and Departments have not been able or willing to supply that information to their respective Committees.

Although Members talked about current expenditure reductions of 2·6% and capital expenditure reductions of 10·2%, those figures do not represent a cut in the Budget. Much of that is a result of reallocations. I shall address that point in more detail later, but the real Budget reductions amount to only 0·1% in current spending and 1% in capital spending. The widespread consultation that some Members mentioned is not, therefore, required. Those are fairly minor cuts. Nevertheless, the result of some of our decisions is that money will move between Departments.

I made it clear that Ministers have an obligation to supply Committees with information to enable them to do their jobs properly, so it is disappointing that a number of Ministers have not done so. I am glad that the Chairpersons concerned did not hold back from criticising those Ministers, and I hope that Committees will press Departments and Ministers for the information that they need to enable them to do their jobs properly. Otherwise, the Assembly will not be in a position to carry out its role.

A number of Members, such as the Chairperson of the Committee for Finance and Personnel, raised the issue of methodology, and how the Department came to its conclusions. First, we looked at the size of the pressure, which has been well aired in the debate: across budgets, it is 2·6% of current expenditure and 10·2% of capital expenditure, which amounts to around £370 million. Then, I interviewed Ministers. I asked them how they would go about things, and what type of measures they would take if they had to reduce their budgets by x% of capital expenditure and y% of current expenditure. I asked them to tell me about the pressures on their budgets and areas where they believed that they could make savings. Of course, the Department also has information from its frequent contact with finance officials. Ultimately, there was discussion in the Executive.

I have made it clear that the Department wanted to target reductions. It did not simply want to apply reductions across the board, because that would not have been a helpful way to go about it. As a result of information that Departments supplied, conversations that I had with Ministers, discussion in the Executive, and consideration of the Programme for Government priorities, my Department reached its conclusions.

Members must look at variations in reductions. OFMDFM has a 5% reduction in its current budget. When I spoke to Ministers from that Department, and looked at the type of issues that it faces, I believed that it was possible to make such a reduction. DETI, on the other hand, concentrates on delivery of the Programme for Government's first priority, which is growth of the economy. It has a reduction of 2·2% in its current expenditure and 8·2% in its capital expenditure, which are both below average. Therefore, some Departments' reductions are below average, while some are above average.

Indeed, despite all of the Health Minister's complaints, his budget is reduced by significantly less than the average. I took into consideration some of the pressures that he described to me. The current part of his budget is reduced by 2·1%. Again, my response was based on the conversation that I had with the Minister. I believe that that answers Members' questions on methodology.

The Committee Chairperson also mentioned wider public consultation and the limited timetable for that. I must point out that, as far as the Budget is concerned, I submitted proposals to the Executive in September. That should have allowed for adequate consultation. Delays in the Executive process meant that those proposals could not be addressed until the Budget statement in January 2010. I hope that, as a result of the agreement at Hillsborough, we will get around such issues. I regret that delay, which has curtailed the consultation period. However, I believe that consultation in the Assembly is sufficient, because, as I have said, the actual size of the reduction in the Budget is little.

I noticed that, when I provided figures, Mr O'Loan shook his head. Of course, many of the figures that we discuss are a result of reallocations. Take, for example, water charges. The Department is not actually cutting money out of the total Budget; it is simply saying that, because there is pressure on DRD as a result of the deferment of water charges, rather than DRD bearing the entire brunt of that, the £210 million will be shared among other Departments to release the pressure that was created in DRD as a result of an Executive decision. The same applies to the £26 million for invest to save. That money is not being cut; it is simply being held and will be distributed among Departments when they come forward with proposals. That is how the discrepancy between the gross figure and net figure arises.

12.15 pm

Ian Paisley Jnr stated that the information from DARD was fairly limited and that it was provided only a short time before the Committee was due to meet. That was an issue for the Minister and the Department. He also said that the information that was received from the Department showed that the Department was targeting soft options. I think that it has been made clear that one of the reasons why we wanted Ministers to supply information was to give Committees time to see whether there were other ways in which the reductions could be made.

The Chairperson of the Committee for Agriculture and Rural Development: Will the Minister give way?

The Minister of Finance and Personnel: I want to get through as many contributions as I can, so I do not want to give way.

Mr Kennedy is not in his place. I am not sure whether he got the right debate today. Approximately 95% of his contribution was about the review of in-year monitoring, but we are reviewing next year's Budget. I was interested in what he had to say, however. Some of his contribution was contradictory. He mentioned the problems that are associated with in-year monitoring but, if I picked him up right, he subsequently said that he wanted more frequent in-year monitoring rounds. He is not here to explain those comments, but I am sure that we will have this looked at on another occasion, because we want to review the budgetary process. There are problems, regardless of which route we go down. There are difficulties with in-year monitoring, overcommitments and contingency funds, but the Chairman of the Committee for Finance and Personnel highlighted the budgetary process in her speech, and it is an area on which the Department is open to suggestions.

Mr O'Loan talked about the "atmosphere of financial crisis". We are not in a financial crisis. Nor are our circumstances a result of inadequate management. As I stated, the actual reduction in the Budget is fairly small. Reallocations in the Budget are causing pressures for each Department. I know that reductions always make the headlines, but Members should not forget that we are spending more this year than we have ever spent on capital investment in Northern Ireland. We are spending 20% more than we were spending at the beginning of this Budget period. As a result, we have rescued a lot of jobs in the construction industry. Although there are pressures — pressures that every Administration faces — it is wrong to describe our circumstances as some kind of financial crisis. There will always be those problems.

Mr O'Loan raised a number of other issues. He talked about the water costs and water charges. However, I have heard no one from his party suggest that we should introduce water charges. That is the issue. Mr Farry was the only Member to acknowledge the case for water charges in today's debate, and I will come to his contribution in a minute or two. At least he stuck his neck out and said that if we wanted to continue to provide services at a certain level and if Departments believed that they could not make efficiencies, we would have to address additional forms of revenue. I do not agree with him, however. Rather than looking at raising revenue, our first option should be to consider how best to use the money that we have. If we conclude that we are making the best use of that money, we will have to raise revenue if we want to have more services. There is no point in complaining about water charges, but not being prepared to raise your hand in favour of introducing them.

Mr O'Loan also talked about the equal pay issue and the range in figures of between £155 million and £170 million. I think that I have explained in the House why that range has been given. It is being used because we have to interview each of the 13,000 individuals who are involved. Their circumstances will have to be looked at, and our best guess is that the range will be between £155 million and £170 million. Mr O'Loan is right; there will be an ongoing annual cost to Departments as a result of the equal pay issue.

He asked about the inclusion of retired workers in the scheme. The legislation is clear that people must make a claim within six months of leaving the Civil Service. Due to the date on which the claim was lodged by the unions, the cut-off date is as has been set out. That is what the equality legislation indicates. If the Member is saying that we should go beyond the equality legislation and its requirements, we must look at the rationale for that and the attached costs.

Mr O'Loan: Will the Member give way?

The Minister of Finance and Personnel: No, I want to refer to as many other Members' contributions as possible.

Mr O'Loan talked about the need to target our reductions: I hope that I have answered that question already. The fact that different Departments are affected in different ways is an indication that we targeted, and tried to target, along the lines of the Programme for Government priorities and as a result of conversations that I had with Ministers about how they spend their money at present.

I am not sure whether Dr Farry will be the next defector from the Alliance Party to the Tories. I know that Mr Parsley has left. Dr Farry started off talking like a Tory when he said that we did not fix the roof while the sun was shining. How often have we heard David Cameron at that one? The Member has even got Cameron's language. You boys over on those Benches should watch out for the company that Dr Farry keeps in north Down, because you may find that you will have another defection from your party in the near future.

Dr Farry raised a number of issues about the structural defects that we had and the limit that there would be on putting those right in the future. However, he paints a rather gloomy picture. Although we need to spend money on infrastructure in Northern Ireland, and our ability to do so will be reduced, we must also take cognisance of the fact that, as a result of the recession, we can get better value for money and get more contracts for every pound that we spend. Whether the fall in the cost of doing the work will match some of the capital reductions is another matter. Mr Storey made the point that we are getting discounts of between 20% and 25% on school contracts, which means that we can get more for our money.

Dr Farry raised the important issue that we should not think that the simple and easy option is to cut administration in order to save front line services. I recognise his point, and I do not think that I have ever suggested that. Time and again I have said in discussions, and publicly in the Assembly, that if we are looking at how we use the Budget, we should determine whether savings could be made to administrative costs, whether things are being done inefficiently, whether Departments are doing things that they should not be doing, and whether there are things that Departments are doing that should be done differently. Those are the issues that Committees and Ministers should be looking at.

Dr Farry also raised the issue of whether we should have raised some of the money by increasing taxes. I point out to him that had we tried to meet all of those pressures by raising the domestic rate for example, we would have had to increase it up by 140%. I do not think that any Member would want us to go down that route at this time.

Mr McLaughlin talked about the budget process and the importance of having transparency. We are subject to the information that we receive from the Treasury, and it will give us the information on the next CSR period. Despite all our attempts to push the Treasury on that matter, we have not got that information yet. Together with the Finance Ministers from Scotland and Wales, I raised those issues at quadrilateral meetings. If we have the information on time, we are prepared to see how it can be given to the Committee, the Executive and the Assembly for proper discussion before Budgets are made.

I thank the other Members spoke in the debate and apologise for the fact that I did not get a chance to answer all of their questions individually. No doubt we will have a rerun of the debate next week, when I will concentrate on those Members' contributions that I was unable to respond to today.

Mr Speaker: I call Mr Weir to conclude the debate. The Member has 10 minutes.

Mr Weir: I thought that I had 15 minutes.

Mr Speaker: The Member has 15 minutes.

Mr Weir: That is DUP negotiation. I have just achieved an extra five minutes, although Members may regret that in about 10 minutes' time. Indeed, some heckling is coming from the Back Benches already.

This debate on the review of the 2010-11 spending plans for the Northern Ireland Departments has been very useful. As the Minister said, despite Members' occasional attempts to stray outside the subject, we have largely kept to the confines of the motion. In the words of the popular entertainer Bruce Forsyth, we have had a "good game, good game" today. I thank Members for their contributions.

During last Monday's debate on the savings that could be made in the Health Service through the use of PEDU, reference was made to the fact that there is a tendency for debates that are on the important issue of financial allocation to have a tit-for-tat quality. Indeed, some Members described last week's debate as "puerile". However, the tone of today's debate has been mature and focused. We have not had a steamer of a debate, and to some extent, I suspect that the Minister may have been disappointed that that was the case. I am sure that Mr McNarry's absence is purely coincidental to the fact that we have had such a focused and measured debate.

The wide ranging nature of the debate is another element that has been to our advantage. Not counting those Members who are on the Committee for Finance and Personnel, I think that nine representatives of the 11 Statutory Committees spoke on behalf of their Committees in their capacity as either Committee Chairperson or Deputy Chairperson. Consequently, we heard a wide range of views on the implications of departmental expenditure on those Committees. However, I will come to a caveat on that in a moment. As the Chairperson of the Committee for Finance and Personnel said, today's debate will help to inform that Committee's co-ordinated report on the review of the 2010-11 spending plans.

The Minister dealt with Members' comments, so I will touch on some later. Before that, however, I will pick out several themes that emerged in the debate. Undoubtedly, a prevalent theme in many Members' contributions was the concern about the lack of briefings that Departments give to the Statutory Committees. The Minister told the House that he brought his proposals to the Executive in September 2009. That means that the plethora of complaints that have been voiced today clearly demonstrates that the fault lies with the individual Departments. I will deal with some of the individual problems in a moment.

However, it was noticeable that the problem between Committees and Departments was not universal. Indeed, Dolores Kelly, the Chairperson of the Committee for the Environment, Alban Maginness, the Chairperson of the Committee for Enterprise, Trade and Investment, and, to some extent, the Chairperson of the Finance and Personnel Committee indicated that there had been a good level of engagement between their Committees and departmental officials. However, it is clear that there is a lack of openness and transparency between many Departments and their respective Committees. Indeed, it seems that those Departments treat openness and transparency in the same way that John Terry treats those issues with his wife. Many of the Departments seem to have somewhat of a hidden agenda.

I now turn to some of the comments that individual Members made. Speaking as the Chairperson of the Committee for Agriculture and Rural Development, Ian Paisley Jnr highlighted that Committee's concern at the absence of detail that DARD provided on its proposals. He said that, on one occasion, the Committee received a briefing paper from the Department just one hour before officials were due to appear before it. The Chairperson of the Committee for the Office of the First Minister and deputy First Minister, Danny Kennedy, raised a similar complaint and said that that Committee had not received papers or briefings from the Department. The Deputy Chairperson of the Committee for Health, Social Services and Public Safety, Michelle O'Neill, spoke about that Committee's dealings with the Health Department. Judging from Mrs O'Neill's and, indeed, Conall McDevitt's contributions, there seems to be not only a concern at the lack of transparency on the Department's part but a palpable sense of anger that it was not giving the Committee the necessary details and that it was ducking issues. Furthermore, there seems to be a concern that the Department is hiding behind the belief that it should be sheltered from any financial change. Given the importance of health, that is a grave concern.

12.30 pm

Barry McElduff, as Chairperson of the Committee for Culture, Arts and Leisure, and Mervyn Storey, as Chairperson of the Committee for Education, highlighted points of a similar nature, one being that there was a failure to supply the full amount of information. It is important that the Finance Committee examines the approaches taken by Departments to briefing their Committees. In her opening statement, the Chairperson of the Committee for Finance and Personnel dealt with the internal situation of the Department. The Finance Committee and the Finance Department find themselves in a different position to the other Departments and Committees in that they have an overarching role. As a Committee, we want to seek assurances that Committees are being properly briefed, because, if they are not, they cannot feed that information to us. We will be looking at the wider processes.

The point was made that, when it comes to redistribution, the focus tends to be on the resource element of financing, but, in their three significant contributions, Ian Paisley Jnr, Mervyn Storey and Mitchel McLaughlin highlighted the impact of capital spend. Mr Paisley Jnr spoke about Crossnacreevy and the major impact that making a mistake on capital spend can have. Mervyn Storey highlighted the impact on the schools programme and the problem of a lack of information leading to a lack of certainty in the sector. Mitchel McLaughlin, in a valuable contribution, spoke about the problem of capital realisation. It is not simply a question of raising more money by selling off whatever we have. A bargain-basement asset sale would be very foolish in the current circumstances. However, there is no doubt that the lack of capital realisation has had a major impact on the broader budgetary situation.

A number of Members, including Mitchel McLaughlin and Danny Kennedy, spoke about the monitoring round process, which, as the Minister indicated, lies outside the scope of the debate. However, a number of Members wanted to see if we can improve the Budget process in the future. There is an opportunity for us to see if we can create a more thematic approach. As part of the ongoing review of the Executive Budget process that DFP is considering, the Finance Committee will continue to press DFP on that issue.

In the contributions from members of different Committees, a wide range of public expenditure pressures was outlined, probably stretching across every area of departmental expenditure. It is natural that any Committee Chairperson or Deputy Chairperson will be pressing for their share of the cake.

A number of Members, including Declan O'Loan, Simon Hamilton and Stephen Farry, spoke about two key issues; the impact of the equal pay settlement and the impact of water charges. Had a different approach been taken to, for example, equal pay, we would, undoubtedly, have found ourselves in a very different financial situation. We have to cope with that and bear it in mind.

The situation in relation to water charges has been highlighted. It is undoubtedly the case that all the parties in the Executive have taken a particular line, living up to commitments on water charges that were given to the public. However, it is also the case, as the Minister has highlighted in the past, that that involves some opportunity cost. The wider issue of water charging is one that I believe we will come back to fairly regularly.

During the debate, Members referred to specific public expenditure issues, such as the RPA and the pressures on health, agriculture, DCAL, education and DETI.

Sean Neeson pressed the issue of ensuring that proper resources were available for tourism, which he views as an important device. John Dallat mentioned the issue of having proper regulation and financing for DOE to ensure that people do not abuse the environment.

Anyone who looks at the issue will have to bear in mind the fact that there are financial pressures, but, as Simon Hamilton and others said, the Executive have taken positive initiatives to try to reduce the burden on householders and on business. Clearly, there is a range of competing pressures, and it is impossible for the Executive to always satisfy those demands. It is important to ensure that the impact from the available resources is maximised.

Stephen Farry raised the issue of revenue-raising measures. A debate took place between him and Simon Hamilton about alternative options, particularly on different funding streams such as increased regional rates. The potential impact of increasing regional rates is limited. As the Minister pointed out, they would have to increase by 140% to meet some of the demands.

A number of Members highlighted the need to ensure that maximum efficiency gains are made where appropriate so that the focus of savings is on administration and on back room services rather than on attacking front line services. Stephen Farry made the point well that that can sometimes be a difficult line to draw. Indeed, what one person can assess to be a back room service can be assessed as a front line service by another.

The Finance Committee has taken evidence from a number of expert witnesses on the best-practice approach to realising efficiencies while protecting front line delivery. The Committee will return to that in a forthcoming report. Although the Committee did not have the time to schedule evidence from the wider public, it received submissions from the CBI and the Economic Research Institute of Northern Ireland. That evidence will be included in the report.

In the past couple of months, the Committee for Finance and Personnel has been considering actively the strategic and cross-cutting issues that Departments face. As the Chairperson said, the current issue is to do with the spending plans, but we must also look to the future. In the coming weeks, the Committee will give thorough consideration to the responses that we receive from other Statutory Committees to the ongoing review. Although a caveat has been added because of the lack of information that a number of the Committees have had, hopefully the situation will become unblocked in the next few weeks.

The Chairperson highlighted the Committee's concerns about the pressures that have emerged since the 2008-2011 Budget was agreed and about the need to settle on a formal Budget process for future years. Therefore, the Committee looks forward to receiving the outcome of the review of the Executive's Budget process that DFP is undertaking. The Committee intends to use its report on the review of the 2010-11 spending plans not only to consider the immediate pressures for the forthcoming financial year but to look towards more strategic issues going forward. A number of Members highlighted the fact that the landscape is likely to change in the next few years, whatever Government is in power at Westminster.

The Committee will hold an additional meeting with the Minister on Thursday to discuss the review proposals with him. At its meeting on 17 February, it will receive a further briefing on strategic financial issues, and, at that meeting, it will also take evidence from Land and Property Services on the implications of the revised spending plans for the agency. The Committee aims to publish its report as soon as possible thereafter.

The debate has been useful, and, on behalf of the Committee, I thank Members and the Minister for their contributions, which I believe will lead to a mature reflection by the Committee on this important topic.

Question put and agreed to.

Resolved:

That this Assembly takes note of the review of 2010-11 spending plans for Northern Ireland Departments announced on 12 January 2010 by the Minister of Finance and Personnel.

Mr Speaker: The Business Committee has arranged to meet immediately upon the lunchtime suspension. I therefore propose, by leave of the Assembly, to suspend the sitting until 2.00 pm.

The sitting was suspended at 12.40 pm.

Appendix 5

Memoranda and Papers from Department of Finance and Personnel

Letter from Minister on Review of 2010-11 Expenditure Plans

Strategic Financial Pressures Session

Assembly Section
Craigantlet Buildings
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BT4 3SX

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email: Norman.Irwin@dfpni.gov.uk

Mr Shane McAteer
Clerk

Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

26 November 2009

Dear Shane

Strategic Financial Pressures – Evidence Session

An official was scheduled to appear before the Committee on 2 December to provide a briefing on Strategic Financial Pressures, including the effect of the deferral of water charges and efficiency savings. Unfortunately, the relevant official must now accompany the Minister at meeting with the Chief Secretary to the Treasury on 2 December and is therefore unavailable.

As the official is also unavailable on 9 December, I would like to request that the session be postponed until after recess. Departmental officials will be available at the first Committee meeting after Recess to discuss this topic.

I apologise for any inconvenience.

Yours sincerely,

Norman Irwin

From the Office of the
Minister for Finance & Personnel

Department of
Finance and
Personnel

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Your reference:
Our reference: INV 385/09

Ms Jennifer McCann
Chairperson
Committee for Finance and Personnel
Parliament Buildings
Stormont
BELFAST
BT4 3XX

29th October 2009

Dear Jennifer

REVIEW OF 2010-11 EXPENDITURE PLANS

Thank you for your letter of 12 October 2009 extending an invitation for me to attend the Committee for Finance and Personnel to brief members on the Review of the 2010-11 Expenditure Plans of NI departments.

Once the Executive has agreed how it intends to proceed with the Review I would welcome the opportunity to discuss with the Committee.

Yours sincerely

Sammy

SAMMY WILSON MP MLA

COMMITTEE FOR
02 NOV 2009
F & P

[redacted]

Letter from Minister on Review of 2010-11 Spending Plans

Department of
Finance and
Personnel

From the Office of the
Minister for Finance & Personnel

DFP Private Office
Craigantlet Buildings
Stoney Road
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Telephone: 028 90529140

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Your reference:
Our reference: SUB 584/2009

Ms Jennifer McCann
Chairperson
Committee for Finance and Personnel
Parliament Buildings
Stormont
BELFAST
BT4 3XX

December 2009

Dear Jennifer

REVIEW OF 2010-11 SPENDING PLANS

I am writing to formally advise the Committee for Finance and Personnel that I intend to make a statement to the Assembly on 12 January 2010 in respect of the Review of 2010-11 Spending Plans, launching a period of consultation with the Assembly on the Executive's proposals.

Following the agreement of Budget 2008-11 by the Executive and the Assembly in January 2008, a number of significant public expenditure pressures have emerged. In response, the Executive has pro-actively managed the position through the use of resources that became available as part of the In-Year Monitoring process. The validity of this approach is shown by the record level of investment in public services in 2008-09 and, more recently, the £220 million of funding made available as part of the June Monitoring Round.

However, over the summer period a significant issue crystallised in respect of the funding for water and sewerage charges which will have significant implications for the 2010-11 financial year. In addition, the 2008-09 public expenditure Provisional Outturn for NI departments has confirmed the significant progress that has been made in reducing the level of underspend. While this has provided real benefits to the people of Northern Ireland in respect of the provision of public services and investment in our infrastructure, it does mean that we need to review the use of overcommitment as a tool for managing public expenditure. In response to these and other pressures, I initiated a Review of 2010-11 Spending Plans in September with the aim of ensuring that the Executive's public finances remained on a stable basis.

Following extensive discussion, on 17 December 2009 the Executive agreed a draft set of revised spending plans for 2010-11 which I intend to launch shortly for consultation with the Assembly. In terms of the logistics, it is essential that the final position is agreed by the Executive and the Assembly before the start of the 2010-11 financial year. Therefore, the period of consultation will need to be completed by mid to late February. In this context, the main focus of the consultation on the Executive's proposals will be through the Assembly, representing the views of the people of Northern Ireland. I would therefore be most grateful if the Committee could again fulfil its vital role of co-ordinating the views of the Assembly Committees in respect of the Executive's revised spending proposals.

I would be more than happy to meet with the Committee to discuss the Executive's proposals once they have been announced in the Assembly.

Yours sincerely

SAMMY WILSON MP MLA

Review of the Logistical Arrangements in the 2008-11 Budget Process

From the Office of the
Minister for Finance & Personnel

Department of Finance and Personnel

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Your reference:
Our reference: INV/449/2009

Ms Jennifer McCann
Chairperson
Committee for Finance and Personnel
Parliament Buildings
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7 January 2010

Dear Jennifer

I am writing in response to your letter of 17 December 2009 in respect of the Review of the logistical arrangements in the Budget 2008-11 process.

Whilst I appreciate the concerns of the Committee at the delay in finalising the report, the main focus at this time is on the Review of the 2010-11 Spending Plans of NI departments which is of a more immediate priority in the early part of 2010.

In this context, I do not expect the Review of the logistical arrangements in the Budget 2008-11 process to be brought to a conclusion until final revised spending plans for the 2010-11 financial year are in place.

I understand from officials that, during the Committee meeting of 6 January, my attendance has also been requested to discuss the draft expenditure plans for 2010-11.

As I stated in my letter of 30 October 2009 I would welcome an opportunity to attend a meeting at a date that is mutually agreeable to both parties.

Yours sincerely

Sammy Wilson

SAMMY WILSON MP MLA

2009 Pre-Budget Report - Note to CFP

Chancellor's Pre-Budget Report 2009

1. The Chancellor of the Exchequer delivered his 2009 Pre-Budget Report (PBR) statement to Parliament on 9 December 2009.

2. As a consequence of the policy decisions announced in the PBR, the NI Executive DEL for 2010-11 will increase by £4.0 million in terms of current expenditure and £3.7 million in respect of capital investment as the NI share (Barnett based) of changes in the plans for Whitehall departments. The Executive has full discretion to allocate this additional funding in line with local needs and priorities with the additional funding used to offset the pressures faced in 2010-11.

3. In terms of the economy, the Chancellor indicated that the level of Gross Domestic Product (GDP) will decline by 4.75% in 2009 compared to the 3.5% reduction predicted in the 2009 Budget. In 2010, GDP is projected to increase by between 1.0 and 1.5%, followed by 3.5% in 2011 and 2012. Inflation is expected to rise in the early part of 2010 as a result of the increase in VAT before falling again towards the end of the year. Public Sector borrowing is projected to be £177.6 billion this year (12.6% of GDP) before falling to £176 billion (12.0%) in 2010-11 and £82 billion by 2014-15 (4.4%). A summary of the economic projections are set out in Table 1 below.

Table 1: 2009 Pre-Budget Report: Economic Projections

	2008	2009	2010	2011	2012
GDP growth	0.5	-4.75	1.25	3.5	3.5
Inflation (CPI)	4.0	2.0	1.75	1.5	2.0

4. The Chancellor also announced a range of measures including:

- Confirmation that some short-term measures such as the reduction in Stamp Duty and VAT will end as planned on 1 January 2010;
- A number of minor measures to support small business including continuation of the Enterprise Finance Guarantee scheme for a further 12 months and deferral of the increase in the Small Companies Rate of Corporation Tax to April 2011 (however most of the others will not apply to NI) ;
- 0.5% increase in National Insurance Contributions from 2011-12 for both employers and employees;
- Key benefits to not fall in line with deflation next year with Basic State Pension to increase by 2.5%, Child Tax Credit by £20 above earnings indexation, and other benefits and tax credits normally linked to the RPI by 1.5%; and
- A 1% cap on public sector pay settlements in 2011-12 and 2012-13 and reforms to public service pensions.

5. Looking forward, total current expenditure (DEL and AME) is projected to increase by 0.8% a year on average in real terms (30.% in cash terms) between 2011-12 and 2014-15- see Table 2 below. Although the DEL figure will be lower, the constraints in public sector pay mean that public sector inflation is expected to be below general inflation. One of the most notable points about the projections is how little they have changed since Budget 2009, thus providing limited additional insight into the possible outcome for the Executive from the next Spending Review.

Table 2: Public Spending Projections (TME): PBR 09 compared to Budget 09.

£bn	9/10	10/11	11/12	12/13	13/14	14/15
Current Expenditure						
PBR 09	607	647	666	686	707	729
Budget 09	608	645	666	689	712	N/A
Capital Investment (Gross)						
PBR 09	68.7	60	50	48	45	47
Budget 09	63	57	51	49	46	N/A

Public Sector Net Borrowing						
PBR 09	177.6	176	140	117	96	82
Budget 09	175	173	140	118	97	N/A

6. The 2009 PBR also set out the Government's plans that frontline NHS spending (95% of total) would rise in line with inflation, whilst spending on front-line schools would increase by 0.7% a year in real terms. Sufficient funding would also be available to maintain police numbers and spending on overseas aid will be on track to reach 0.7% of Gross National Income by 2013. Commentators have highlighted that this implies significant reductions for other spending programmes.

7. Attached at Annex A is the news release which issued from the Finance Minister in response to the Budget. Annex B includes the Treasury Press Release whilst additional Treasury background briefing is attached at Annex C.

Department of Finance and Personnel
January 2010

Annex A

DFP Press Release 9 December 2009

Wilson: Pre-Budget Report Brings Little Change for Northern Ireland

The Finance Minister, Sammy Wilson MP MLA has responded to the Chancellor of the Exchequer's 2009 Pre-Budget Report statement earlier today. Commenting on the measures announced, Mr Wilson said this afternoon:

"Most of the measures in the Pre-Budget Report will have little impact on the people of Northern Ireland. Although some were disappointing, including the increase in National Insurance Contributions from 2011-12, it was largely inevitable that only a small number of significant announcements would be made at this time given the state of public finances and the proximity to the General Election. I will need to consider the detail of what has been proposed in terms of the implications for the people of Northern Ireland"

"It is welcome that there is not going to be a significant reduction in the Block Grant next year, as previously feared, with an additional £7.7 million available to the Executive for 2010-11 as a consequence of the allocations made to Whitehall departments. Although there was a case for a continuation of some of the short-measures announced previously such as the Stamp Duty holiday, it is recognised that there is a need to reduce the level of borrowing which is projected to reach 12.6% of GDP this year".

2004 Pre-Budget Report

Referring to the confirmation of the plans for further efficiencies to be delivered by Whitehall departments the Minister indicated:

"There will be understandable concern at the implications for local public services of the £12 billion in efficiencies expected of Whitehall departments up to 2013-14. However, it is important to recognise that there remains a significant amount of uncertainty, particularly in terms of the extent to which efficiency savings will be directed back into services, with the final outcome for the Northern Ireland Executive to be confirmed at the conclusion of the next Spending Review. "

Although the constraints in public sector pay will also apply to Northern Ireland, a key issue for the Executive is whether we would wish to match the Whitehall efficiency targets and I will be taking forward some preparatory work with my Ministerial colleagues early next year."

Summing up the Pre-Budget Report, the Minister highlighted that further measures would be needed in order to restore public finances at the UK level to a more sustainable position

"This will inevitably mean that we in Northern Ireland will also need to examine our approach to issues such as water charges for domestic customers as well as fundamental questions regarding which services should be provided by the Executive and how they can be most efficiently and effectively delivered"

NOTES TO EDITORS:

Details of the Government's Budget Report are available on the HM Treasury website: http://www.hm-treasury.gov.uk

Annex B

HM Treasury Press Release

Today, the Chancellor announces a package of measures that will continue to support vulnerable families and businesses through the downturn and prepare for recovery; strengthen the credibility and transparency of its plans to halve the deficit over the next four years; and prioritise investment to create a strong platform for future growth.

These measures include:

Supporting business

The Enterprise Finance Guarantee has provided targeted support for viable businesses with less than £25 million turnover who have no or insufficient security. The Pre-Budget Report announces that the scheme will be continued for a further 12 months, making an additional £500 million of bank lending available to SMEs. So far in Northern Ireland, this scheme has meant that over £16m of eligible applications from 85 firms that have been granted are being processed or assessed.

In order to strengthen the incentives to invest in innovative industries and ensure the UK remains an attractive location for innovation, the Government announces it will introduce a Patent Box, applying a reduced rate of Corporation Tax to income from patents, from April 2013. This may benefit innovative industries in Northern Ireland.

Public services

The Government will continue to support as the economy recovers and invest in frontline public services that people rely on. But it is important to live within our means in the medium term.

The PBR announces an additional £28 million for the Northern Ireland Executive as a consequence of increases for UK government departments.

Tackling climate change

The Government is continuing to deliver on measures taken at the Pre-Budget Report in November 2008 and Budget Report earlier this year in April.

The PBR builds on new policies announced since last autumn to increase UK investment in the low carbon and energy sector, including through an additional £150 million funding for low-carbon technologies through the Strategic Investment Fund and a proposed €100m investment in the 2020 European fund for Energy, Climate Change and Infrastructure. This potentially benefits investment in Northern Ireland.

Liam Byrne, Chief Secretary to the Treasury, said:

“This Pre-Budget Report will help lock in Britain’s recovery, protecting families and businesses in Northern Ireland through the downturn and accelerating growth.

By taking tough action on tax and spending, we’ll halve the deficit in four years, and promote future growth in Northern Ireland."

Annex C

Uk 2009 Pre-Budget Report - Key Measures

- Maintaining macroeconomic stability: The Government will continue support where it is needed until the recovery is secured. The PBR sets a credible path for fiscal consolidation.
- Financial Services: the PBR confirms the measures announced in recent months to support business and households and reform the financial services industry. These measures will provide financial stability in all countries of the UK
- Supporting Business and Growth: the PBR announces a continuation of support for cash flow and lending to SMEs; a new Capital Growth Fund; measures to promote investment in infrastructure and innovation, a more competitive economy and minimising burdens on business.
- Achieving Fairness and Providing Opportunity: the PBR announces a further employment package to respond to rising unemployment; additional support for families to reduce child poverty; financial support for pensioners during the economic downturn; and support for home buyers and the house - building industry.
- Protecting Public Services: the PBR announces increased provision of £28 million for the Northern Ireland Executive (includes AME) as a consequence of increased spending for UK departments; and new efficiencies and reforms to free up resources necessary for priority areas whilst delivering on the Government’s commitment to halve the deficit. In devolved areas it will be for the Northern Ireland Executive to determine its own priorities.
- Tackling Climate Change at Home and Abroad: the PBR announces measures to encourage investment in low carbon sectors and introduces additional support to help households, business and the public sector through the low carbon recovery.

DFP Position (Briefing Paper)

Department of Finance and Personnel
Departmental Financial Planning – Review of 2010-11 Spending Plans

Briefing Paper for Committee for Finance and Personnel

Introduction

1. On 17th December 2009 the Executive agreed draft revised spending plans for NI departments for 2010-11. The Minister of Finance and Personnel subsequently made a statement to the Assembly on 12 January 2010 setting out the Executive's proposals, and thus initiating the process of consultation with Assembly Committees. The purpose of this paper is to outline DFP's 2010-11 spending plans position in light of the 'Review of 2010-11 Spending Plans for NI Departments'.

Central Reductions

2. The level of savings to be implemented by the department in response to the Executive's review of 2010-11 spending plans are £4.1m (2.4%) current expenditure and £2.1m (12.3%) capital investment. The department proposes to find these savings as follows:

Table 1: Current Expenditure Reductions

1	Central Finance Group (CFG): part saving from closing Rating Policy Division.	£0.20m
2	Corporate HR (CHR): Restructuring Corporate HR following full implementation of HR Connect, reduce corporate recruitment budget, general staff and grant reductions.	£0.85m
3	Central Procurement Directorate (CPD): Realisation of income and staffing review.	£0.40m
4	Delivery and Innovation Division (DID) / NI Direct: Efficiencies in Central Print Unit, reduce grant for MSc in innovation, increased income for Business Consultancy (reflects reduction in use of external consultants), general staff reductions.	£0.69m
5	Departmental Solicitors Office (DSO): Staff reductions plus charges for employment litigation and commercial and property work.	£0.39m
6	Property Division: reduction of property maintenance to health and safety levels.	£1.20m
7	NI Statistics and Research Agency (NISRA): reduction in HR survey work, general reduction in staff and admin overheads on outposted staff and reduction in census publicity budget.	£0.30m
8	Miscellaneous	£0.07m
Total		£4.10m

Table 2: Capital Investment Reductions

1	Reduce Central Energy Efficiency Fund by offering 50% grant instead of 100%	£1.0m
2	Reduce spending on improvement of NICS office estate	£0.3m
3	Reduce replacement of IT equipment	£0.3m
4	Reduce spending on data systems in Land and Property Services (LPS)	£0.3m

5 Reduce spending on data systems in NISRA	£0.1m
6 Reduce spending on capital equipment in CPD	£0.1m
Total	£2.1m

3. In taking forward the saving options set out in Tables 1 and 2 above the department has taken cognisance of the need to minimise the impact on the achievement of the targets set out in the Programme for Government as well as the delivery of public services more generally and in particular front line services. The current expenditure reductions set out above do not impact on the front line services delivered by the General Records Office (GRO) or LPS, whilst the capital reduction put forward for LPS of £0.3m is modest, the impact of which will be kept under review as part of the 2010-11 in-year monitoring process.

Internal Departmental Pressures (Current Expenditure)

4. However, in addition to meeting the above central reductions, DFP will have to manage a number of other pressures if it to live within its revised 2010-11 resource allocation.

5. Two significant DFP pressures have been mitigated by the Executive's draft revised spending plans for NI departments, which:

i. provide funding for the NICS Shared Services programme in 2010-11, including Account NI, IT Assist/Network NI and NI Direct, allocating £6.5m current expenditure, in addition to the £4.8m held centrally for this purpose; and

ii noted that the 2011 Census £4.0m current expenditure requirement, which represents an inescapable cost, should be afforded priority as part of the 2010-11 in-year monitoring process.

The measures set out at i. and ii. above will greatly assist the department.

6. This leaves 3 further areas of pressure to be managed, as outlined below:

i. Funding for essential property maintenance – up to £5m. This pressure is held by DFP on behalf of all NICS departments and funding options are being discussed with the Public Spending Directorate;

ii. Funding for Land and Property Services (LPS) - £5m. The current LPS baseline is largely reflective of the agency's pre-Budget 2008-11 operational requirements and does not allow for current service requirements, particularly the additional workload arising from the number of rating reforms (including rating reliefs) introduced post Budget 2008-11. The agency has had to rely on in-year monitoring to secure additional funding of some £5m in each of the last 2 years. A key issue is therefore the establishment of a firm funding basis for LPS in future years and the department is in discussion with the Public Spending Directorate on how this can best be achieved.

Whilst additional funding of £5m would greatly assist in managing the pressures in the agency this would address less than 50% of the total pressure of £11.2m identified. Therefore the agency has plans in place to realise current expenditure savings of up to £6.2m. The realisation of savings of this magnitude represents a significant challenge for the agency, requiring the realisation of additional income, and a reduction in staffing levels and general expenditure. However, in identifying the scope for these savings the agency has sought to protect frontline service delivery as far as possible; and

iii. Further miscellaneous pressures across the Department - £2.6m. Detailed plans have been prepared and endorsed by the Departmental Board at its meeting in December 2009, and business areas across the department have been asked to take forward the necessary steps to implement these plans in order to meet internal pressures and live within baseline.

Staffing Implications

7. A further exercise is currently ongoing to fully assess the staff implications of both the Executive spending reductions (paragraph 2) and the reductions necessary to meet internal pressures (paragraph 6). Whilst numbers are still to be finalised it is expected that around 90 staff may have to be redeployed. Business areas have already commenced the redeployment exercise and are engaged with the TUS.

Capital

8. During 2009-10 HR Connect will have identified capital slippage of some £2.8m due to delays on the part of the contractor in the completion of outstanding deliverables which are associated with specific milestone payments. This funding will be required in 2010-11 to meet contractual commitments and the department will seek to address this as part of the in-year monitoring process.

Further Considerations

9. During 2008/09 and 2009/10 it has been necessary for the department to seek the reclassification of funding from other resource to admin resource. This largely reflects the need to realign budgets following the designation of LPS as a frontline activity and the transfer of funds from departments to support shared services. It is expected that this requirement will continue during 2010/11.

Reply Letter from Minister Regarding Review of 2010-11 Spending Plans

COMMITTEE FOR

2 5 JAN 2010

F & P

Department of
Finance and
Personnel

From the Office of the
Minister for Finance & Personnel

DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast BT4 3SX

Telephone: 028 90529140

Email: private.office@dfpni.gov.uk

Your reference:
Our reference: SUB/20/2010

Mr Mitchel McLaughlin MLA
Room 336
Parliament Buildings
BELFAST
BT4 3XX

January 2010

Dear Mitchel

Following my statement to the Assembly on 12 January 2010, in respect of the Review of 2010-11 Spending Plans, you asked a question in relation to the Executive's End-Year Flexibility (EYF) Stock. In response, I indicated that I would write to you, setting out full details of the current position.

The EYF stock of the NI Executive at any point in time is dependent on both the level of previous underspend by the Executive as well as the level of access agreed by the Treasury, normally as part of the Spending Review process.

The 2007 Comprehensive Spending Review (CSR) settlement for the NI Executive provided access to £440 million of our EYF stock over the three year period from 2008-09 to 2010-11. Although, as I stated in the Assembly, this included a total of £80 million for the 2010-11 financial year, only £10 million of this amount was allocated as part of the Budget 2008-11 process. This means that the residual is available to offset the pressures faced by the Executive next year, as referred to in Paragraph 3.6 of the Review of 2010-11 Spending Plans Consultation Document.

Moving forward, access to our EYF stock for the years 2011-12 and beyond will be an important issue in respect of the 2010 Spending Review. The latest published position in respect of the Executive's EYF stock is set out in the HM Treasury publication, *Public Expenditure 2008-09: Provision Outturn*, which indicates that the Executive has an EYF stock of £523.7 million. However, this includes the £215 million access to our EYF stock for 2009-10 and 2010-11 that had previously been agreed with the Treasury.

In addition, as part of the 2008 Pre-Budget Report the amount of capital funding for the Department of Health in England in 2010-11 was reduced by £1.3 billion which would normally have resulted in a £42.7million reduction in our Capital Departmental Expenditure Limit (DEL), by application of the Barnett formula. However, to offset this reduction, Treasury provided enhanced access to our capital EYF stock of the same amount.

Therefore, in terms of the 2010 Spending Review negotiations, the net impact of the changes detailed above is that the NI Executive's EYF stock is currently £266.0 million to be supplemented by any underspend as reported in 2009-10 Provisional Outturn and any other technical adjustments. Whilst one option would have been to seek early access to our EYF stock for 2010-11 it is highly unlikely that Treasury would have agreed to this proposal in the current financial environment.

I hope this clarifies the position. A copy of this letter goes to the Speaker and to the Chairperson of the Committee for Finance and Personnel and is also placed in the library.

Yours sincerely

SAMMY WILSON MP MLA

DFP position follow up

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

8 February 2010

Dear Shane

Review of 2010-11 DFP Spending Plans

Further to your minute of 22 January requesting additional information on a range of issues following the evidence session on the review of 2010-11 DFP departmental spending plans on 20 January.

For those issues not discussed during the evidence session the additional information requested is provided in Annex A.

Yours sincerely,

Norman Irwin

Annex A

PfG and PSA targets

1. In line with paragraph 4.12 of the consultation document can you:

- Provide details of the progress made by the Department in delivering PfG targets since April 2008. What evidence is there the delivery of PfG/PSA targets and frontline services have been safeguarded in the proposed reductions for 2010-11?

Details of the progress made by the department in delivering its PfG targets since April 2008 are available on the department's website.

In identifying options for budget reductions the Departmental Board took cognisance of the need to deliver its PfG/PSA targets and protect frontline service delivery.

No current expenditure reductions are proposed in departmental frontline services.

A capital reduction of £0.3m is proposed for Land and Property Services, therefore reducing the agency's capital budget from £2.0m to £1.7m. Capital expenditure in the agency in 2009-10 is forecast at £1.6m. LPS will continue to monitor and prioritise its capital expenditure programme during 2010-11 and the impact of the £0.3m capital reduction on service delivery will be kept under review.

- Outline the improvements that the Department expects to deliver with the revised budget allocation in 2010-11; and

The draft revised Budget allocation for 2010-11 will enable the Department to deliver essential financial, human resource, and ICT shared services to NICS Departments, improving NICS capacity and providing NICS staff with the necessary tools and technology to deliver modern public services. The additional allocation will also enable the Department to further improve access to public services and information through the NI Direct programme.

- Provide details of any implications in respect of Equality, Good Relations and Anti-Poverty.

High Level Impact Assessments to ascertain the equality, good relations and anti-poverty implications for the additional savings and funding proposals have been undertaken. No material impacts have been identified.

DFP Position

2. How were the proposed savings figures for DFP, of £4.1m (2.4%) current expenditure and £2.1m (12.3%) capital investment, arrived at? What supporting analysis/information exists to show that these are appropriate amounts and that the safeguarding of delivery of frontline services and PfG/PSA targets has been provided for?

This issue was discussed at the session on 20 January 2010.

3. Tables 1 and 2 in the department's briefing paper provide details of proposed reductions in current and capital expenditure.

- Will the saving from closing Rating Policy Division relate mainly to staff costs? If so, will the staff not simply be transferred to another branch/department and, therefore, is this a true saving or a transfer of costs to another part of the system?
- Where will the "realisation of income" by Central Procurement Directorate be derived? If this is from charging other branches/departments, is this a true saving in terms of the wider system?

These issues were discussed at the session on 20 January 2010.

- To assist the Committee, could the information for each business area be provided in tabular form against baselines included in the 2008-11 Budget?

This information has been forwarded separately.

Staffing Reductions

4. Table 1 refers to staffing reductions across a number of business areas, and Paragraph 7 states that it is expected that 90 staff will have to be redeployed.

- What steps will be taken to ensure that the impact of staff reductions on the delivery of frontline services is minimised?

In identifying options for budget reductions the Departmental Board took cognisance of the need to deliver its PfG/PSA targets and protect frontline service delivery.

No current expenditure reductions are proposed in departmental frontline services.

- Where will staff be redeployed to – within DFP or to other departments?

This issue was discussed at the session on 20 January 2010.

- What is the likelihood of other departments importing staff, given that they are in the same position in terms of reviewing spending plans and could be subject to similar financial constraints?

In line with redeployment guidelines the department will seek to redeploy staff internally in the first instance. If the department is unable to redeploy staff internally it will then work with Corporate HR to redeploy staff to other departments. Departments continue to assess their business needs in light of their proposed budget allocations, including the consideration of any workforce implications. Corporate HR are in regular contact with those departments where potential emerging surplus pressures have been identified and continue to manage and monitor the redeployment of surplus staff. It is hoped to manage the planned reductions across the NICS without resorting to redundancies although particular difficulties may still arise in certain specialist grades or locations. There is scope for the redeployment of staff due to normal staff turnover. For example during 2008-09 this amounted to approximately 950 non industrial staff leaving the NICS. Current indications are that the level of redeployment required by departments can be accommodated within the NICS.

- Will redeployment not just result in costs being moved from one business area to another? How will savings therefore be achieved?

This issue was discussed at the session on 20 January 2010.

- Will redundancies be necessary, voluntary or otherwise?

Given the level of redeployment necessary across the department redundancies are not currently envisaged.

- An answer to a recent Assembly Question showed that DFP would appear to have a disproportionately high number of higher-earning senior civil servants (97 DFP staff earn £50,538 - £71,433; 8 earn £71,434 - £82,975; and 14 earn in excess of £82, 976). What is the justification for this? What assessment has been made of the overall staffing structure and numbers within DFP?

This issue was discussed at the session on 20 January 2010. Further details were also provided by the Minister on 2 February 2010 in response to AQO 693/10.

LPS

5. Paragraph 6(ii) states that LPS has plans in place to realise current expenditure savings of £6.2m.

- What level of staff reductions or redeployments will be necessary in LPS?
- What other plans are in place to achieve the necessary savings?

These issues were discussed at the session on 20 January 2010 and John Wilkinson, Chief Executive of LPS, is due to provide further evidence to the Committee on the implications of the 2010-11 revised spending plans on 17 February 2010. A separate briefing paper for this evidence session is to follow.

6. Paragraph 6(ii) also states that pressure of £11.2m has been identified in the agency, and that £5m has been secured through in-year monitoring in each of the last 2 years.

- Is this £11.2m the total amount required for 2010-11? What impact will this shortfall have on the delivery of PfG/PSA targets and frontline services? When will the outcome of the discussions on future years be available and will this be informed by a review/assessment of the LPS baseline?

John Wilkinson, Chief Executive of LPS, is due to provide further evidence to the Committee on the implications of the 2010-11 revised spending plans on 17 February 2010. A separate briefing paper for this evidence session is to follow.

- Has an assurance been given that £5m will again be allocated to the agency through the in-year monitoring process?

No assurance has been given that £5m will again be allocated to the agency through the in-year monitoring process. A successful bid is necessary to secure this additional funding for LPS.

- What contingency plans are in place should this not be successful?

The funding position in LPS will be kept under review as part of the in-year monitoring process. In 2009-10 the Departmental Board applied budget reductions across the department in order to mitigate the funding pressures in LPS. Whilst far from desirable, given the magnitude of central reductions already proposed as part of the 2010-11 draft revised spending plans and given the need to contain inflation, the application of further budget cuts across business areas by the Departmental Board represents a contingency measure.

7. LPS made a bid for £0.9m capital and £0.3m capital grant in the September monitoring round, which was considered necessary to take forward 'essential ICT systems developments to support the implementation of PAC recommendations and rating reform.'

- Given that this was unsuccessful, and that it is now proposed to reduce capital spend by £0.3m what impact will this have on LPS' ability to continue with necessary improvements and the implementation of rating reforms?

This issue was discussed at the session on 20 January 2010.

NISRA

8. In the 2008-11 budget, the baseline figure for NISRA will increase from £8 million in 2009-10 to £11 million in 2010-11. The Committee previously heard that this significant increase was for the 2011 Census.

- Can you clarify if the £4 million current expenditure referred to at Paragraph 5(ii) of the briefing paper is additional to the extra £3 million already provided for in the baseline?

Yes the £4m is additional. At the time of the CSR, Census planning - and hence Census costs - were still at an early stage of development. There are a number of reasons for the finalised costs differing from those presented as part of the CSR. These include the final decisions on the length of the Census form and a firming-up of the processing requirements that includes the development of a facility for Census response through the internet. In addition, the decision to hold the Census in March 2011, to avoid as far as possible Census follow-up operations at the time of the Assembly elections in May, has brought forward a major element of previously planned cost relating to the enumeration from the 2011-12 year.

- If this is additional funding, what is the anticipated cost of the 2011 Census? What are the implications if funding is not made available through the in-year monitoring process?

The Census cannot be run within the existing budget baseline and the costs of not doing a census are very significant. The Census is used as the benchmark for the allocation of resources, both to Northern Ireland from the UK exchequer (the Barnett formula) and allocations within Northern Ireland. The lack of a Census risks the spatial misallocation of resources. It is estimated that the 2001 Census corrected spatial allocations in health alone to the sum of £25m annually. Census is also needed to fulfil the EU Regulations on small area data which, in the UK, can only be met through a census. If a census is not completed in line with EU Regulations there is a risk that infraction proceedings could be instigated and fines applied until such time as the information was provided.

The cost of the Census in the current CSR period (2008-2009 to 2010-2011) is currently estimated to be £13m. Further funding will be required in the next CSR period.

Properties Division

9. A reduction of £1.2m in current expenditure is proposed for Properties Division, together with a £0.3m reduction in capital expenditure. (Tables 1 & 2, DFP briefing paper).

- Can you clarify how these proposed reductions will be achieved in the context of the pressure of up to £5m for essential property maintenance, as outlined at paragraph 6(i)?

The realisation of these savings will be challenging, however, plans are in place to deliver the current expenditure saving of £1.2m and the capital savings of £0.3m through the re-prioritisation of smaller projects and planned maintenance.

The pressure of up to £5m identified relates to the need to develop the office estate to ensure that it is fit for purpose and meets business requirements, providing flexible, modern open plan office accommodation in line with the WP2010 principles. The department remains committed to the WP2010 principles as savings can be realised by moving to open plan working and reducing the office estate footprint. In the absence of additional funding for this purpose the department will continue to relocate staff, based on WP2010 principles, where affordable opportunities within existing baselines exist.

- Failure to maintain the estate now will have cost implications for future years. Has any estimate been made of these cost implications and is the Department content that revised current and capital baselines will be sufficient to maintain the estate at a satisfactory level?

A draft office estate plan is currently being reviewed and this includes a review of the work required to develop the office estate and the associated cost implications. This review is expected to be completed in early March and will be forwarded to Committee members in advance of the session scheduled with Properties Division officials in March.

Equal Pay

10. Paragraph 3.17 of the consultation document confirms that the cost of one-off payments to staff arising from the equal pay settlement will be borne at Executive level.

- Has any assessment yet been made of the recurring annual costs associated with the deal for DFP, and what the implications of this will be on the Department's spending plans?

This issue was discussed at the evidence session on 20 January 2010.

Invest to Save

11. The Minister announced an 'Invest to Save' fund worth £26m in 2010-11, and stated that proposals for projects have been commissioned from departments. What consideration has the Department given to submitting a proposal in this regard?

The department is considering whether the delivery of some accommodation projects are feasible within the parameters of the 'Invest to Save' fund. Deliverability within 2010-11 is a key issue.

Efficiency Savings

12. What consideration has been given to the potential need to achieve additional efficiencies in 2010-11, over-and-above the existing 3% annual target?

The department has a target to deliver efficiency savings of £14.8m in 2010-11.

The draft revised spending plans for 2010-11 represent a £4.1m (2.4%) reduction in the department's current expenditure budget and a £2.1m (12.3%) reduction in its capital expenditure budget.

As well as inflation the department will also need to absorb the costs of equal pay going forward which are estimated to be some £3m per annum.

Against this backdrop business areas across the department will continue to review service delivery to determine what further savings can be made in order to live within their means.

DFP Investment Mid-Year Progress Report 2009-10

Department of Finance and Personnel
Dfp Investment Mid-Year Progress Report 2009-10

Overall Position

1. The department's capital investment, as set out in the "Investment Strategy for Northern Ireland 2008-18" totalled £68.7m in the Budget period 2008-11. Indicative expenditure of £121.2m had been identified in the period 2011-12 to 2017-18. Taken together, this represented a substantial investment of £189.9m in the delivery of key public sector services over the ISNI period with funding provided from NI Executive funds.

2. In 2008-09 and 2009-10 adjustments were made to reflect additional investment in shared services and budgetary transfers to the department in respect of accommodation. Following the Executive's agreement on 17th December 2009 to draft revised spending plans for NI departments for 2010-11, the department's capital budget was reduced by £2.1m. The capital position for the department across the Comprehensive Spending Review (CSR) period now stands at £80.8m. Details are contained in Table 1 below.

3. The department's Review of 2010-11 Spending Plans are available on its web-site.

Table 1 – DFP CAPITAL BUDGETS

Business Area	2008-09 Outturn	2009-10 Opening Position	2009-10 Dec Position	2009-10 Diff	2010-11 Opening Position
Account NI	1,410	4,800	5,134	334	100
Central Procurement	232	230	230	0	150
HR Connect	5,698	3,750	3,927	177	0
Civil Service Pensions	18	0	0	0	0
IT Assist	5,714	6,620	9,250	2,630	7,000
NI Direct	528	0	0	0	0
DID	368	300	961	661	300
Properties Div	12,588	3,000	14,412	11,412	3,800
CEEF	0	2,000	0	-2,000	1,000
NISRA	812	1,000	1,263	263	900
LPS	1,689	1,000	1,596	596	1,750
	29,057	22,700	36,773	14,073	15,000

4. The department remains committed to the accommodation principles developed during the Workplace 2010 process. These principles can create a cost-effective, flexible working environment to enable the delivery of better public services. Using conventional procurement the department has been able to provide over 1,200 workstations in modern open plan accommodation in line with the Workplace principles in places like Clare House, Causeway Exchange and Lesley Exchange. This has generally been seen as successful, with a saving in floor space of some 25% and benefits such as improved team-working and senior management visibility.

The department continues to pursue alternative means of achieving these objectives of the Workplace 2010 Programme, including the use of conventional funding to improve and consolidate existing leased or owned property and exploring development opportunities with the private sector. However, the limited availability of conventional funding and the low development value of Government owned property make this difficult at present.

Progress at 31 December 2009

5. The department reviewed its capital plans for the current year through the normal monitoring processes and, in the case of much of the substantial investment, through the Civil Service Reform Oversight Board.

6. Adjustments made in the 2090-10 monitoring rounds are shown in Table 1 above. The main movements have been increases, reflecting budget transfers to the centralised functions of IT Assist and Properties Division, of £2.6m and £11.4m respectively.

7. At this stage the department does not anticipate any significant further changes to its total capital expenditure plans in the current financial year. Business areas are working towards their budget positions with a view to making the planned investment by the end of the financial year.

Outlook for 2010-11

8. The department has extensively reviewed its capital expenditure plans for 2010-11, has identified where it will make reductions to live within its revised baseline. Similar to 2008-09 and 2009-10, the department will use the in-year monitoring process to make technical adjustments to properly align budgets with service delivery requirements.

Strategic Finance Issues
DFP Response to Queries from the Committee for Finance and Personnel

February 2010

Review of 2010-11 Spending Plans - Methodology

1. What methodology did the Review use to target the areas for additional savings? What analysis/information is there available to support the various amounts in additional savings being proposed across departments, including in terms of how frontline services and delivery of PfG targets have been safeguarded in identifying the savings?

The Executive's approach in respect of determining the level of additional savings required of each department for 2010-11 in terms of current expenditure and capital investment is set out in Paragraphs 4.3-4.5 in the Review of 2010-11 Spending Plans Consultation Document.

See also response to questions from DFP Committee Chairperson, Dr. Farry and Mr. McNarry at evidence session on 13 January 2010.

2. The consultation document on the Review of 2010-11 Spending Plans refers to an overall public expenditure pressure of £367m in 2010-11 (paragraph 3.24) and provides narrative on the elements of this shortfall. To assist the Committee in its analysis, would it be possible to provide a tabular breakdown of the £367m referred to?

The spending pressures faced by the Executive can be broken down into two parts (i) those relating to changes in the level of funding available to the Executive (Table 1) and (ii) additional spending pressures and easements flowing from Executive decisions subsequent to the initial establishment of plans for 2010-11 (Table 2).

Table 1: Pressures / (Easements) flowing from changes to the funding available to the Executive for 2010-11.

£ million	Current Expenditure	Capital Investment
Remove Opening Level of Overcommitment	60.0	0.0
Barnett consequentials from UK Budget 2008 & 2009 and PBR 2008 & 2009	(86.5)	(9.1)
Impact of additional efficiencies confirmed in Budget 2009	100.0	22.8
Balance of EYF Available from CSR 07	(20.0)	(50.0)
Acceleration of capital DEL into 2008-10	0.0	38.4
Shortfall in receipts	44.0	53.4
IFRS PFI Changes	0.1	(9.8)
Clear Line of Sight	(55.2)	0.0
Total Pressure	42.4	45.7

Note: Figure in brackets indicates a negative

Table 2: Additional Spending Pressures and (Easements)

£ million	Current Expenditure	Capital Investment
Deferral of Water Charges	119.7	93.3
Equal Pay	64.6	0.0
Reduced Requirements declared in Strategic Stocktake	(21.1)	(0.0)
Shared Services for all departments - net of amounts held centrally	6.5	0.0
Integrated Development Fund	0.0	3.7
NI Assembly costs	5.0	3.4
Innovation Funding	0.0	3.9
Total Pressure	174.6	104.2

Note: Figure in brackets indicates a negative

Table 3: Overall level of Public Expenditure Pressures for 2010-11

£ million	Current Expenditure	Capital Investment	Total
Table 1	42.4	45.7	88.1
Table 2	174.6	104.2	278.8
Total	217.1	149.9	366.9

Efficiencies

3. DFP has previously advised that the additional £5 billion efficiency savings for 2010-11 in the Chancellor's Budget 2009 statement would result in a reduction of £123m in the existing funding available to the Executive in 2010-11. The consultation document on the Review of 2010-11 Spending Plans (paragraph 3.3) refers to "a reduction in respect of the NI share of the additional £5 billion of efficiencies expected of UK departments ". However, in his evidence to the Committee, Professor Midwinter explained that the implications from the additional Whitehall efficiencies for NI would be 'a reduction in the rate of growth, as opposed to the current baseline and will not require savings from existing programmes.'

- What additional efficiency savings (i.e. over-and-above the existing 3% annual target) will be required in 2010-11 arising from the additional measures announced by the Chancellor in respect of Whitehall departments?
- What account has the Review of the 2010-11 Spending Plans taken of these additional efficiencies?

As previously advised the £5 billion of additional efficiency savings for UK departments, as confirmed by the Chancellor of the Exchequer in Budget 2009, gives rise to a gross expenditure pressure of £122.8 million for the NI Executive in 2010-11. This amount has been incorporated into the £367 million pressure facing the Executive next year, as shown in Table 1 of the response to Question 2.

4. The Chancellor also imposed further efficiencies from 2011 – 2014. What is DFP's current estimate of the implications of these additional efficiencies on block spend available to the Executive from 2011 to 2014 and are there provisional pans in place to identify additional efficiencies if necessary?

The block grant available to the Executive will only be confirmed at the conclusion of the 2010 UK-wide Spending Review. The impact on the NI Executive will depend not only on the level of efficiency savings expected of Whitehall departments but also the level of allocations.

The latest available information at this time is from the spending projections set out in the 2009 Pre-Budget Report. These indicate that total UK current expenditure (DEL and AME) will increase by 3.0% per annum in cash terms over the period 2010-11 to 2013-14 whilst total gross capital investment will fall by 9.1% per annum over the same period. It is impossible to forecast the implications for the Executive of such projections in the absence of clarity as regards the position for individual Whitehall departments.

5. Is there an audit trail between departmental budget lines which provides evidence that the cumulative efficiencies in the 2008-11 Budget were invested in frontline services? If not, how can the Assembly be assured that this money has been invested in the frontline?

All planned efficiency savings in the 2008-11 Budget process were used to fund allocations to departments, which were made on the basis of the achievement of the targets for improved public services in the Programme for Government. The End Year Delivery Report on the Programme for Government provides an update of progress against targets.

See also response to question from Mr. McQuillan at evidence session on 13 January 2010.

6. In its Report on the Executive's Draft Budget, the Committee raised concerns at the imposition of across the board efficiencies on all departments, as some departments could more easily make efficiencies than others. In response, DFP undertook to review the situation.

- What are the outcomes from DFP's review of the comparative impact of the 3% efficiency target on departments?
- Has any consideration been given by DFP to achieving efficiencies in future, other than via the imposition of across-the-board efficiencies inherited from Direct Rule Ministers?

The DFP response to the Committees' concerns in the response to the draft 2008-11 Budget indicated that "..this aspect will be kept under review" rather being subject to a formal Review. This has been achieved through the biannual monitoring of the delivery of efficiency savings by departments. The experience to date, as shown by the performance for 2008-09, would suggest that all departments are making good progress against the 3% target. Building on this, the Executive has adopted a targeted, rather than a standardised, approach to the Review of 2010-11 Spending Plans.

See also response to question from Ms. Purvis at evidence session on 13 January 2010.

7. Professor Talbot informed the Committee of efficiencies claimed at departmental level in England having a negative effect on the system as a whole.

- Is this an area which DFP monitors and is there any evidence of this happening?
- What safeguards are in place to prevent long term objectives being sacrificed for short-term savings?

The Efficiency Delivery Plan (EDP) guidance for NI departments (as previously provided to the Committee) clearly states that departments should not proceed with efficiency measures that merely shift costs onto other government departments. In addition, DFP officials provided further detailed guidance and challenged departments in respect of the contents of EDPs as they were being developed.

However, ultimate responsibility for the content of Efficiency Delivery Plans and the subsequent achievement of savings lies with individual Ministers and departments.

8. At DFP's request, the NIAO examined departmental efficiency technical notes for 2004 – 2007 and reported back to DFP of a lack of robust baseline data, a failure to identify measures of service quality and a failure to include the investment costs associated with the delivery of efficiency-based projects. The Committee's scrutiny of DFP's own Efficiency Delivery Plan (EDP) indicates that these weaknesses still exist.

- Does DFP not have a central role in ensuring that these weaknesses were addressed?

The Efficiency Delivery Plan (EDP) guidance for NI departments (as previously provided to the Committee) clearly states that departments monitoring arrangements for the delivery of efficiency savings should take account of the need to not have a detrimental impact on public services.

In addition, DFP officials provided comments on the EDP's as they were being developed by departments, which included highlighting any weaknesses. As part of the ongoing engagement with departments DFP officials regularly discuss the progress being made in implementing each efficiency measure and whether any changes or amendments are required to the EDP's.

However, ultimate responsibility for the content of Efficiency Delivery Plans and the subsequent achievement of savings lies with individual Ministers and departments.

9. Did the DFP guidance to departments on formulating efficiency delivery plans contain a clear definition of the savings which would be allowed as efficiencies? Does this issue need to be further clarified?

The Efficiency Delivery Plans guidance for NI departments was sent to the Committee as part of the consultation on draft Budget 2008-11. This included the definition of efficiency to be used in the context of the 2007 Comprehensive Spending Review.

Specifically it was indicated that "In the CSR 07 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".

See also response to question from Ms. Purvis at evidence session on 13 January 2010.

10. In March 2009, DFP's then Permanent Secretary informed the Committee of the Department's role in ensuring that the programme of 3% cumulative efficiency savings are being delivered as planned and that they are genuine efficiency savings and not cuts. What is DFP's precise role in centrally monitoring the efficiency programme?

Primary responsibility for the planning and delivery of efficiency savings lies with individual departments. However, it is important that implementation of the Efficiency Delivery Plans (EDPs) by departments is monitored on a regular basis to measure delivery against the 3% target.

As part of the ongoing engagement with departments, DFP officials regularly discuss the progress being made in implementing each efficiency measure including whether changes should be made to the existing suite of EDPs.

Furthermore, an assessment by DFP of the delivery of efficiency savings by NI departments is reported to the Executive and the Assembly on a biannual basis. This includes both the level of savings achieved to date and the projected position for the remainder of the Budget period.

11. Did DFP assess the validity of the efficiencies in EDPs and, if not, how will the mere publication of EDPs provide assurance that arbitrary cuts are not being made?

There was ongoing discussion between officials in DFP and NI departments as part of the development of Efficiency Delivery Plans (EDP's). However, the ultimate approval for each EDP lies with individual Ministers.

The publication of EDP's is a necessary but not sufficient condition in terms of the scrutiny of how each department intends to achieve the 3% savings target. In particular, making the EDP's publicly available was intended to facilitate robust challenge from Committee's, stakeholders and the wider public in terms of the deliverability of each of the efficiency measures and the impact on public services. This was felt to be a more powerful incentive mechanism than the normal bilateral engagement between DFP and departments.

12. In relation to DFP's EDP, should increased income from charging and a revised accounting treatment of the recognition of costs recovered on rates collection be permissible as valid efficiencies?

Income represents a significant component of DFP's budget and in this context the investigation and subsequent recognition of income from district councils, for services provided by the Land and Property Services agency in collecting district rates, released £5.7m of additional resources for reallocation to priority services across the NI Executive. In addition, business areas within the department have reviewed and taken steps to increase income generation, this has included reviewing charges and chargeable hours, and the additional income reflected in the department's efficiency delivery plan has also released additional resources for reallocation to priority services across the NI Executive. These represent legitimate cash releasing actions and were included in the department's Efficiency Delivery Plan on this basis.

13. The intention in the Executive's Budget was for Departments to publish efficiency delivery plans, yet DFP has informed us that over 80 EDPs have been published. Surely this makes monitoring extremely difficult, if not impossible? Does DFP not have a central role in managing this?

The number of EDPs reflects the fact that a differentiated approach to the delivery of savings has been taken by departments, and also reflects the complex and multifaceted nature of departmental services.

While this does add to the monitoring process, an artificial reduction in the number of EDPs could have resulted in them being presented at a higher level and thus with less detail about the specific approach to be adopted.

14. In its monitoring role, has DFP examined data to ensure that efficiency savings are not affecting frontline services and are not resulting in cuts? Has the Department identified areas where revisions need to be made or scope for further savings?

Primary responsibility for the planning and delivery of efficiency savings lies with individual departments. However, DFP officials provided detailed guidance and challenged departments in respect of the contents of EDPs as they were being developed.

In the course of monitoring efficiencies and departments' spending plans DFP officials routinely discuss any revisions which may be necessary to enable departments to achieve the required level of efficiency savings and also highlights areas where further savings might be made.

15. Progress in efficiency delivery to October 2008 was not reported until September 2009. Is there a significant risk in this time lag, especially given the uncertainty around the delivery of future efficiencies?

There are a number of tasks involved in terms of the monitoring of the delivery of efficiency savings by NI departments. These include the provision of information from departments as well as the subsequent scrutiny and challenge by officials in DFP before the results can be collated. There is also a need to secure the appropriate approvals before the completed report can be passed to the Committee.

However, every effort is made to provide information to the Committee in a timely manner.

16. Four departments achieved 90% of their respective efficiencies for 2008/09 by October 2008? What were the reasons for this? The Committee previously highlighted that some departments may be able to achieve more than the 3% cumulative efficiencies imposed. Have further potential efficiencies been identified for the departments concerned?

Specific issues regarding the departments are primarily matters for the relevant Assembly Committee, and it would not be appropriate for DFP to comment on their behalf. However, at the generic level the characteristics of certain proposals are such that the efficiency saving can be achieved at an early stage in the year if the necessary steps are taken.

When measuring progress at a mid year point it is important to report accurately on the full quantum of efficiencies achieved. However although in some cases efficiencies are able to be released early in financial year this does not necessarily mean that they are easily achieved or that this is a sign that further efficiencies are available in these areas.

17. DFP has highlighted the necessity of reporting performance on efficiency targets to the Executive and the Assembly. What options exist to strengthen the system of reporting both to the Executive and the Assembly?

The current reporting arrangements for the monitoring of the delivery of efficiency savings, which seek to strike the right balance between frequency and administrative burden, are considered to be appropriate.

18. DFP officials informed the Committee that Budget targets on admin spend for 2008 – 2011 were managed centrally at Block level. What was the target for admin spend in the Budget for 2008/09 and what was the outturn against this target?

The overall Administration Cost Limit for 2008-09 was £507.5 million as set out in Annex B, Table 6 of the Budget 2008-11 document. The actual level of administration expenditure for 2008-09 was £505.6 million.

Invest to Save

19. What will be the criteria used to assess the Invest to Save proposals from departments?

Each Invest to Save Proposal will be assessed in terms of the quantity of projected savings versus the level of upfront cost as well as the quality of the proposal in respect of, for example, deliverability.

Financial Management

20. In his recent monitoring rounds the Minister has highlighted the welcome improvement in the spending performance of departments, leading to a reduction in underspend.

- To what extent is this due to improved financial forecasting and monitoring by departments or is it more to do with increased or unforeseen budgetary pressures?
- What evidence is there to support the view that there is improved financial management and delivery by departments?

There has been a significant improvement in the spending performance of departments over recent years. For example in 2008-09 departments spend 99.7% of their DEL allocations compared to 95.6% in 2005-06.

There has also been a considerable reduction the level of reduced requirements surrendered in-year, a reduction of some 57% between 2007-08 and 2008-09, with the position so far in 2009-10 indicating a similar trend.

DFP's view is that, while some part of this is undoubtedly due to a tightening financial position, the most significant factor is in respect of the improvements in financial management.

There is no clear metric for the quality of financial management, and our view is based on the on-going dialogue between DFP and departments. One important objective measure is a comparison between what departments forecast their expenditure to be, and actual spend – this measure shows a clear improvement in recent years. For example, the variance between December Forecast Outturn and Provisional Outturn has improved from 2.9% in 2006-07 to 0.8% in 2008-09 in respect of current expenditure and from 17.6% to 3.1% in respect of capital investment over the same period.

21. Given the need to manage down the overcommitment position due to the improved spending performance of departments, does the Department now believe that overcommitment should no longer by used as a financial management tool going forward?

In Budget 2008-11 the Executive recognized that there was a need to reduce the level of planned overcommitment to reflect the expectation that improved financial management by departments would result in a lower level of reduced requirements and end-year underspend. Therefore, the Executive's spending plans in Budget 2008-11 were based on the initial level of planned overcommitment being reduced to £100 million in 2008-09; £80 million in 2009-10; and £60 million in 2010-11.

The significant improvement in departmental spending performance in 2008-09 indicated that there should be further acceleration in this downward trend, and as part of the Review of 2010-11 Spending Plans the Executive has agreed to plan on the basis of a zero overcommitment for both current expenditure and capital investment in 2010-11. This will provide the Executive with additional scope to address emerging pressures as part of the 2010-11 in-year monitoring process.

The situation regarding the use of a planned overcommitment will continue to be kept under review.

22. In the September Monitoring Round the Executive agreed to the reclassification of £10 million capital investment to current expenditure in respect of the Health budget. Previously, however, DFP officials have advised that, whilst it can move current expenditure to capital investment, the Executive cannot move capital investment to current expenditure.

- Can you clarify what the Treasury rules permit in terms of the reclassification of monies from capital and current expenditure? What flexibility exists in this regard?

The Treasury sets separate budgets for Current and Capital DEL. While funding can be moved from Current to Capital budgets, the Treasury does not normally permit the movement of funding from Capital budgets into Current budgets.

The reclassification, in September monitoring, of £10 million from capital investment to current expenditure in respect of the Health budget was only possible because of a specific and one-off concession that had been received from the Treasury as part of the negotiations around the response to the Swine Flu pandemic.

23. The Committee has taken an interest in the implementation of recommendations in the PKF Report on Forecasting and Monitoring, published in June 2007, for which DFP has a key central role.

- DFP's Business Plan for the current year contains a target for a review of progress in implementing these recommendations by September 2009. What was the outcome of this review?
- In particular, the PKF Report recommended a move from the existing incremental approach to planning and budgeting to an outcome/performance based approach in which there is a more transparent link between inputs and outputs. What progress has been made in this regard?

The DFP Board considered an update report on the PKF recommendations in December 2009.

The Board noted the progress to date in respect of the three key short term recommendations:

- the reporting and consideration of financial matters by boards;
- the development of financial management training for non-financial staff; and,
- the current position in respect of the development of forecasting and monitoring functionality within Account NI.

The Board agreed that ongoing development work in respect of these areas should now be taken forward within the context of DFP's overall responsibilities for financial management.

The 2008-11 Budget was prepared in the context of the developing Programme for Government (PfG), establishing the link between spending allocations in the Budget and planned outcomes in the form of crosscutting Public Service Agreement (PSA) targets. In addition, the Investment Strategy for Northern Ireland (ISNI) set the strategic direction for investment in public sector infrastructure over the 2008-2018 period, and provided the important context for specific capital allocations, within the Budget, for the first three financial years.

24. Following a recommendation in the PKF Report and a subsequent Committee recommendation in its Report on Stage One of its Inquiry into the Executive's Budget and Expenditure in October 2008, DFP's Central Finance Group included a target in this year's Business Plan for at least 15% of departmental baselines to be reviewed and evaluated in 2009/10.

- What does this review and evaluation work entail? Does it include a zero-based approach to assessing baselines?
- What areas have been reviewed to date and have the findings contributed to any further discussion on future efficiencies?
- What areas will be examined in the remainder of 2009/10 and how were the areas to be reviewed prioritized?

Baseline reviews are primarily intended as internal DFP tools to help inform DFP Supply Teams and equip them with relevant data which will support their challenge role with departments in the course of Public Expenditure exercises. A range of business areas representing some 20% of Departmental Expenditure Limits has been selected for review by Supply during 2009-10. Over a five year period it is expected that all significant areas of departmental expenditure will be covered. This ongoing exercise will provide better insight and a wider understanding of departments' spending patterns and business priorities. The work has already contributed to establishing the DFP position during recent bilateral discussions with departments in respect of the targeted approach to the Review of the 2010-11 Spending Plans.

PEDU

25. What evidence is there to show that PEDU is effective in assisting Departments achieving higher levels of performance and efficiency? How many approaches or requests for interventions has PEDU received from (i) other Departments and (ii) from DFP? What options exist for developing the role of PEDU?

The model for PEDU engagement with departments relies on collaboration and joint working, with departments rightly taking any and all credit for subsequent improvements. In that context, it is difficult to point to any hard evidence of the effectiveness of PEDU, other than the views of departments who have worked with PEDU in both the Planning Service and LPS where the relevant departments feel PEDU performed effectively and added real value to the area under review.

The NIAO, in its report on Planning Service Performance, stated that "PEDU agreed an Action Plan with the Agency, which was substantially implemented by April 2009 and current results show progress towards improved performance". In addition at the subsequent PAC Hearing a Committee Member went onto state that "the action plan was implemented very quickly, and one could argue that it had obvious improvements".

In relation to the number of requests, following the LPS and Planning Service Reviews and other ongoing work undertaken with of OFMDFM, PEDU has been approached by DFP to undertake some follow-up work in respect of LPS.

End Year Flexibility (EYF)

26. What are the Executive's current stocks of both current and capital EYF and what level of access has been agreed with Treasury? To what extent have the current stocks of EYF been allocated/committed already?

The Finance Minister has answered this question in his letter to Mr. Mitchel McLaughlin MLA on 18 January 2010, copied to the Chairperson of the Committee.

Asset Management / Capital Realisation

27. When will the central asset register for all public bodies, recommended by the Capital Realisation Taskforce in December 2007, be finalised?

This is being taken forward by OFMDFM.

28. In the interim, how are surplus assets and the costs involved in retaining these identified centrally?

Currently, there is no central mechanism for identifying surplus assets although there are procedures and guidelines in place which require individual Accounting Officers to manage their assets efficiently and effectively.

The ePIMS (electronic Property Information Mapping Service) database, when it is fully operational, will allow property costs to be captured centrally allowing disposal/rationalisation opportunities to be more easily identified. It is planned to pilot ePIMS shortly.

29. NIAO recommended to the Committee that an exercise to identify surplus property is a regular feature of budget processes and that a mechanism is used to independently assess the outcomes of this exercise. Is this currently the case? If not, how will this be rectified?

The capital investment allocations to departments in Budget 2008-11 were developed in conjunction with the Investment Strategy for Northern Ireland (ISNI). The baselines agreed with departments as part of this process included receipts from the sale of surplus assets. The Strategic Investment Board worked with departments and DFP to agree these proposals.

The initial Capital Realization Taskforce report also identified further assets for disposal, the income from which was incorporated into spending plans in the Budget 2008-11.

Going forward, this approach will be improved by the use of the ePIMS database (see Q28).

30. The consultation document on the Review of 2010-11 Spending Plans (paragraph 3.22) refers to expected “slippage in two major projects planned for 2010-11 which are broadly equivalent in value to the anticipated shortfall in receipts". What projects are being referred to and what is their estimated value?

The two projects referred to in the Consultation Document are:

(1) Royal Exchange/North East Quarter (DSD) which was allocated £110 million in net capital investment funding for 2010-11; and

(2) Strategic Waste Infrastructure Fund (DoE) which was allocated £180.2 million in net capital investment funding for 2010-11.

In the 2008 Strategic Stocktake, DoE indicated that only £6.5 million of the allocation for the SWIF would be required in 2010-11.

See also response to question from Mr. McCann at evidence session on 13 January 2010.

31. Given the increased spending performance of departments, how much flexibility will there be to manage the shortfall in departmental capital receipts through the In-Year Monitoring process in 2010-11.

The improved spending performance of departments, coupled with a reduction in the level of reduced requirements, does reduce the flexibility available to the Executive in the in-year monitoring process.

However, reducing the starting level of overcommitment to zero, as part of the Review of 2010-11 Spending Plans and the slippage in two major capital projects as referred to in the response to Question 30, will provide the Executive with additional scope to address emerging pressures.

Movement of PFI Capital Projects Off-Balance Sheet

32. The consultation document on the Review of 2010-11 Spending Plans (paragraphs 3.11 – 3.12) explains that changes in budgeting rules means that there will be greater scope in future years to classify projects as being “off-balance sheet".

- What are the potential future capital investment savings arising from this change in budgeting treatment and what will be the value of savings in 2010-11?

Capital investment savings will arise when PPP/PFI projects that were previously planned to be ‘on-balance sheet’ move to being ‘off-balance sheet’ under the revised guidance.

However, the revised Treasury guidance only applies to contracts signed after 1 April 2009 and due to the normal lead in times on such projects the impact on 2010-11 was minimal. Only one project with a value of £9.8 million was assessed as moving ‘off-balance’ sheet in 2010-11, as part of the Review of 2010-11 Spending Plans.

Funding Water and Sewerage Services

33. The consultation document on the Review of 2010-11 Spending Plans (paragraph 3.15) states that the cost of deferring water charges will be approximately £210m in 2010-11.

- What are the financial implications to the Block from the outcome of negotiations around the treatment of VAT, the reclassification of Northern Ireland Water (NIW) from a Government owned company (Go-Co) to a Non-Departmental Public Body and the valuation of NIW’s asset base of £1 billion?
- What are the potential annual costs beyond 2010-11 and what options exist to address this issue?

The VAT treatment of NI Water (NIW) is still under consideration by NI Water and DRD who will advise us of any financial implications in due course.

The financial implications of reclassifying NIW from a GOCO to an NDPB have been addressed in the proposed allocation for Water and Sewerage Services as part of the Review of 2010-11 Spending Plans and are based on the £1billion valuation of NIW’s assets.

The forecast costs of NI Water beyond 2010-11 are a matter for DRD, and has not yet been shared with DFP.

Equal Pay Claim

34. The consultation document on the Review of 2010-11 Spending Plans (paragraph 3.17) states that the cost of the equal pay claim is estimated to be between £155-170m and that this is “offset by the £100m in additional current expenditure which was negotiated with the UK Government in late 2008".

- What is the source of the £100m referred to? Is it truly additional to the NI Block or is it to be drawn from EYF which accumulated from previous underspends by NI departments? Is the full £100m available to offset the equal pay claim?
- How is it intended to fund the remainder of the costs?
- In addition to the one-off costs, will there also be additional recurring annual costs associated with the deal? If so, how will these be funded?

The £100 million is made up as follows:

- £40m under RRI financed by drawdown of unused borrowing carried forward from 2007-08;
- £31m from borrowing under RRI, or from capital receipts up to this amount to cover current spending; and,
- £29m capital DEL .

The remainder of the costs will be addressed using the savings to be delivered as part of the Review of 2010-11 Spending Plans (see paragraphs 3.17 and 3.20 of Consultation document).

The recurring costs of the settlement are estimated to be approximately £25.7 million in terms of increased salaries, to be addressed by departments.

Policing and Justice

35. The financial package on offer for the devolution of policing and justice was set out in a letter from the Prime Minister to FM/DFM, which was published in the press.

- In general terms, what implications could this package have for the Executive's future strategic spending?
- Treasury will grant "access to the reserve" to meet any exceptional policing and justice pressures. Has this to be repaid and, if so, on what terms?
- Access to £30m in unallocated EYF and underspends generated in future years will be available to meet pressures. Is this additional to the level of access to EYF stocks already agreed with Treasury? Will this arrangement affect the Executive's future flexibility to cover pressures in other areas, particularly given the recent pattern of reduced year-end underspend by departments?
- The Executive is to be gifted four former military bases as part of the deal. Are there plans in place for these? What costs will be incurred in retaining these bases if they are not sold, or put to full use quickly?

The aim of the financial package is to address known issues in policing and justice functions and to provide a secure financial foundation for the devolution of these functions primarily to ensure such issues have no impact on other spending areas.

DFP officials are continuing to discuss with NIO and Treasury the practical implications of the proposals in the Prime Minister's letter.

Supplementary Questions on Review of 2010-11 Spending Plans

A1. Clarification on the different percentage figures used to quantify overall budget reductions within the Review of 2010 – 2011 Spending Plans for NI Departments

The objective of the Review of 2010-11 Spending Plans was to consider the changes required to the original 2010-11 spending plans for NI departments from Budget 2008-11, in the context of the public spending pressures facing the Executive next year. In addition, the Executive has proposed that £26 million is set aside for an Invest to Save Fund.

This resulted in the need for additional savings of £393.1 million to be delivered by NI departments in 2010-11. However, the majority of these savings are to be recycled back into departmental budgets, which offsets the savings by £257.6 million. In addition, various technical adjustments have resulted in changes to departmental budgets, although these do not generally impact on spending power.

The different percentages quoted in the Consultation Document reflect the fact that the proposed changes to the spending plans can be considered from a number of different perspectives.

The 2.4% and 10.2% figures relate to the cost pressures faced by the Executive (£367 million) as a percentage of the adjusted 2010-11 budgets for NI departments in terms of current expenditure and capital investment respectively. The 2.6% figure includes the £26 million set aside for the Invest to Save Fund in respect of the current expenditure percentage savings requirement.

The 0.1% and 1.0% figures relate to the total net impact of the changes proposed by the Executive in terms of a comparison between the Draft Revised Plans (£8961.4 Current and £1,398.6 million Capital) and those set out originally in the Budget 2008-11 document (£8,972.4 Current and £1,412.9 million Capital).

Both sets of figures are equally valid with the former highlighting the gross amount of additional savings required of department whilst the latter indicates the net impact of the Executive's proposals on the budgets of NI departments compared to the original plans.

A2. Details of the technical changes for each department referred to in tables 4.1 & 4.2 in consultation document?

Table A1: Technical changes set out in Review of 2010-11 Spending Plans Consultation Document, Current Expenditure.

£ million	Post-Budget Exercise1	Strategic Stocktake RR's2	Depreciation Exercise 3	Clear Line of Sight 4	IFRS5	Total Technical Adjustments
DARD	0.0	0.0	0.0	(19.0)	0.4	(18.7)
DCAL	0.0	0.0	0.0	(2.0)	0.0	(2.0)
DE	0.0	0.0	(0.3)	0.3	0.2	0.2
DEL	0.0	(10.6)	(0.4)	1.9	0.5	(8.7)
DETI	0.0	(10.5)	(6.0)	(7.5)	0.2	(23.8)
DFP	8.9	0.0	0.0	(4.2)	0.1	4.9
DHSSPS	212.1	0.0	(33.0)	(62.3)	0.0	116.8
DOE	(0.2)	0.0	(0.3)	(1.6)	0.0	(2.1)
DRD	3.6	0.0	0.0	0.0	0.0	3.6
DSD	11.2	0.0	0.0	(2.4)	4.1	12.9
OFMDFM	(3.8)	0.0	0.0	0.0	0.0	(3.8)
OTHER	0.0	0.0	0.0	(4.4)	0.0	(4.4)
Total	231.8	(21.1)	(40.0)	(101.2)	5.5	74.9

Notes:

1. Additional budget allocation to DHSSPS relates to increase in employer superannuation contributions as a result of a new method of calculating superannuation charges as well as reclassification of Health Trusts as Non Departmental Public Bodies.

2. Reduced Requirements declared by departments part of 2008 Strategic Stocktake

3. Reduced Depreciation requirements declared in response to constraints on alternative uses of this category of spend.

4. Removal of Cost of Capital budgets and movement of the costs of setting up Provisions from DEL to AME.

5. Mainly reflects increased scope to capitalise costs under IFRS.

Table A2: Technical changes set out in Review of 2010-11 Spending Plans Consultation Document, Capital Investment.

£ million	Post-Budget Exercise	Strategic Stocktake RR’s	Depreciation Exercise	Clear Line of Sight	IFRS	Total Technical Adjustments
DARD	0.0	0.0	0.0	0.0	(0.4)	(0.4)
DCAL	0.0	0.0	0.0	0.0	0.0	0.0
DE1	0.0	0.0	0.0	0.0	(9.8)	(9.8)
DEL	0.0	0.0	0.0	0.0	0.0	0.0
DETI	0.0	0.0	0.0	0.0	0.3	0.3
DFP	0.0	0.0	0.0	0.0	1.1	1.1
DHSSPS	0.0	0.0	0.0	0.0	0.0	0.0
DOE	0.0	0.0	0.0	0.0	0.0	0.0
DRD2	0.0	0.0	0.0	0.0	44.0	44.0
DSD	0.0	0.0	0.0	0.0	0.0	0.0
OFMDFM	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	35.2	35.2

Notes:

1. Reduced capital requirement from transfer of Schools project to off-balance sheet treatment.

2. Change in budgeting treatment for Roads Structural Maintenance.

LPS position

Land & Property Services

Financial Planning – Review of 2010-2011 Spending Plans for LPS
Briefing Paper for Committee for Finance and Personnel

Introduction

1. On 20 January 2010 the Department updated the Committee for Finance and Personnel on its response to the revised spending plans for 2010-2011 agreed by Executive 17th December 2009. The purpose of this paper is to outline Land & Property Services' 2010-2011 spending plans position in light of the 'Review of 2010-2011 Spending Plans for NI Departments'.

Central Reductions

2. The level of savings to be implemented by the Department in response to the Executive's review of 2010 -2011 spending plans is £4.1million in current expenditure and £2.1million in capital investment. The Department has, therefore, reduced the capital budget for LPS by £0.3million to £1.7million. The Department did not apply any current expenditure cuts on LPS.

LPS Pressures

3. The current LPS baseline is largely reflective of pre budget 2008-11 operational requirements, particularly the additional workload arising from 43 rating reforms (including rating reliefs) introduced post budget 2008-11. As a result of the economic recession, LPS has also faced challenges of increased costs of collection and a record number of court processes. The increased costs of collection have been as a result of reforms and backlogs of work inherited from legacy bodies.

4. As a result, LPS has had to rely on in-year monitoring to secure additional funding of some £5 million in each of the last two years. A key issue, therefore, is the establishment of a firm funding basis for LPS in future years, and the Department is in discussion with the Public Spending Directorate as to how this can best be achieved. Should the £5 million additional funding not materialise this will present a significant issue in meeting our business plans.

5. While the budget pressures are challenging with regard to meeting our targets, we have reviewed resources and improved processes to maintain performance and progress and resource key areas.

6. Whilst the last three years have been difficult as a result of the challenges LPS has faced, throughout the various pressures and demands we have been supported by the Minister and the Permanent Secretary, and good progress has been made in terms of reducing backlogs of work, progressing the merger and taking forward transformation developments. As part of this, LPS has improved processes, prioritised workloads, reallocated resources, driven efficiencies and, particularly through joined-up working as a result of the merger, found different and better ways of doing things.

7. As a result, LPS is entering the 2010-2011 financial year having made substantial progress in clearing backlogs, reviewing processes, and reallocating resources. With the continuing support of the Department we will hopefully meet the bulk of our targets and continue to make significant progress with reforms. Nevertheless, there is no doubt that if extra funding had been made available in baselines, we could have made more progress, which would have greatly helped our current situation

The 2010-2011 LPS Spending Plan Position

8. As previously advised by the Department, Land & Property Services entered this budget process and an estimated other resource budget pressure of £11.2m for 2010-2011.

9. Whilst additional funding of £5 million, by way of a successful bid, would greatly assist in managing the pressures in the Agency, this would address less than 50% of the total pressure of £11.2m identified. Therefore, we are putting plans in place to realise current expenditure savings of up to £6.2 million. The realisation of savings of this magnitude represents a significant challenge; nevertheless, in identifying the scope for these savings, we have sought to protect frontline service delivery as far as possible.

	Area	Saving
1	Increase in registration income compared to 2009/10	£1.2m
2	Increase in mapping income compared to 2009/10	£0.4m
3	Savings achieved in 2009/2010 rolled forward to 2010/11 ie reduction in staff numbers 2009/2010	£2.2m
4	Further reduction in staffing numbers in March 2010	£1.0m
5	Savings of £1m in legal fees as a result of change in budgetary treatment, transferring expenditure from DEL Other Resource – to AME	£1.0m
6.	Administration Non Staff Savings	£0.4m
Total		£6.2m

10. Since the formation of LPS, budget pressures have meant that ‘staff in post’ numbers have been below requirement. Therefore LPS has had to continuously bid for funds via in year monitoring. LPS has reduced its staffing levels from 1,176 in March 2009 to a current figure of 1,088. This will be reduced further to 1,056 at the start of the next financial year to enable LPS to live within its budget. This will mean approximately five permanent staff will have to be redeployed, and 30 casual staff released from LPS. Losing experienced staff mainly from the Operations Directorate will, inevitably, be challenging and we are currently building the LPS business plans for 2010-2011 to support this area of the business.

11. It is important to note that the significant reductions in staff numbers have been achieved not against a static workload position, but against an increase in volumes of work brought about by the 43 rating reforms introduced over the period, and a severe economic recession, which has led to increased volumes of work as outlined in paragraph 2 above.

12. The LPS capital budget has been reduced from £2.0 million to £1.7million in response to the Executive’s “Review of 2010-2011 Spending Plans for NI Departments. However, this is comparable to capital expenditure in the agency in 2009 -10 which is forecast at £1.6 million. We will prioritise our investment proposals in line with our budget.

Further Pressures

13. LPS had a resource grant bid of £1.5 million met through the December monitoring round in 2009-2010 for the introduction of the transitional relief scheme for councils who lost income as result of domestic properties’ maximum value decreasing from £500k to £400k. We will again need to bid £0.6 million in year 2010-2011 for this scheme.

14. It is estimated that equal pay will be a net cost to the Agency of approximately £1.1m during 2010-2011. This pressure will be managed during the 2010-2011 in-year process as further information on the impact of the pay award due on 1 August 2009 and any 2010-11 pay proposals emerge.

15. In summary, LPS will need to bid for £5 million for the rating reforms, £0.6 million for the transitional rates relief for district councils and manage the pressure of £1.1million for equal pay, on top of delivering savings of £6.2million.

LPS follow up from meeting on 17 February 2010

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

23 February 2010

Dear Shane,

At the Committee meeting on the 17th February, Members requested clarification on a number of issues. The Departmental response to these issues is outlined below.

I can confirm that at the present time the 2010-11 staff baseline for Land & Property Services is set at 1056.13 Full Time Equivalent (FTE) which contains 37 temporary/casual staff.

Land & Property Services intends to replace 25 of the temporary/casual staff with permanent staff during 2010-11. Initially, 10 temporary staff will be released from early April 2010.

In addition, I can confirm that Land & Property Services has received legal clarification on the potential impact of the equal pay on the financial burden on local councils as follows -

“The net cost of levying rates during the year should not include

- Arrears of pay in respect of February and March 2009;
- Net lump sums if they are payable in respect of any part of the period from 1 February 2003 to 31 January 2009; and
- Payments to HMRC related to those lump sums.“

Therefore, councils will only incur costs for equal pay from April 2009 onwards.

Yours sincerely,

Norman.

Norman Irwin

DFP - Strategic Financial Issues - Block Grant Query

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
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Stormont

25 February 2010

Dear Shane,

At the Committee for Finance and Personnel evidence session on 17 February 2010 in respect of Strategic Finance Issues, DFP officials agreed to provide a breakdown of the main changes to the NI Executive Block Grant for 2010-11. This was in order to provide clarity as regards the impact on the spending plans for NI departments of the reduction in the 2010-11 Block Grant to the Executive as a consequence of the decision taken by the Chancellor of the Exchequer that UK departments would be required to deliver an additional £5 billion of efficiency savings next year.

The 2010-11 Block Grant for the Executive was first confirmed in the 2007 Comprehensive Spending Review (CSR 07) in October 2007. The £9,673.3 million of funding available in the Block Grant (current expenditure and capital investment combined) formed the major part of the funding available for allocation to NI departments as part of the local Budget 2008-11 process. This is shown in Tables 2a and 2b of the Budget 2008-11 document.

Table 1 below shows that the most significant subsequent change in the Block Grant is in respect of the cumulative impact of classification and technical changes. However these do not normally have an impact on spending power and thus, do not give rise to a spending pressure or easement. In contrast, the changes to the Block Grant as a consequence of decisions made in UK Budgets or Pre-Budget Reports do result in either additional resources for allocation by the Executive or a reduction in spending power. The £122.8 million reduction was offset by an increase of £95.6 million in additional Barnett allocations received by the Executive as part of the

Budget and Pre-Budget Report since the Block Grant for 2010-11 was first set in the 2007 Comprehensive Spending Review. However, there remains a net reduction.

The 2010-11 Block Grant was fully allocated to NI departments as part of the Budget 2008-11 process and departments have been planning their programmes on that basis. Therefore, the net effect of the Barnett adjustments to the Block Grant, as a consequence of the additional £5 billion efficiency savings required of UK departments next year, does result in a spending pressure which has had to be considered as part of the Review of the 2010-1 Spending Plans. This is the case, even though the Block Grant will have increased from 2009-10.

Table 1: Changes to the NI Executive 2010-11 Block Grant from CSR 07[1].

	£ million
CSR 07 outcome (aligns with Budget 2008-11 document)	9,673.3
Classification/Treatment changes	156.2
Transfers to/from other UK departments	1.5
Budget 2008 (Barnett additions)	10.1
PBR 2008 (Barnett additions)	11.7
PBR 2008 (Impact of reduced DoH capital plans)[2]	(42.7)
PBR 2008 (Accelerated capital spend from 2010-11into 2008-09)	(9.4)
Budget 2009 (Barnett additions)	66.1
Budget 2009 (Impact of £5 billion savings for UK departments)	(122.8)
PBR 2009 (Barnett additions)	7.7
Position following PBR 09 (aligns with Tables 1a and 1b in Review of 2010-11 Spending Plans Consultation Document)	9,751.8

Notes:

1. Figures in brackets represent a negative.

2. This will be offset in 2010-11 by enhanced access to the Executive's capital investment EYF stock for the same amount.

The only circumstance in which the net reduction due to Barnett adjustments to the Block Grant would not have resulted in a spending pressure would have been if the available funding had not previously been allocated by the Executive to NI departments. In this situation, Professor Midwinter's analysis would have been correct with the issue being a lower level of funding to allocate rather than a reduction in previous allocations for which departments already have plans in place.

Yours sincerely,

Norman.

Norman Irwin

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

26 February 2010

Dear Shane

At the Committee meeting on 17 February 2010 the Chairperson asked a number of questions relating to Civil Service staffing numbers and accommodation efficiencies during the “Fit for Purpose" (FfP) period. It was agreed that Corporate HR would respond on the issues raised.

Fit for Purpose (FfP) Period: 1 April 2005 – 31 March 2008

I can confirm that during the FfP period the target reduction of 2,303 full-time equivalent (FTE) posts was achieved. In fact, during the FfP period the Northern Ireland Civil Service reduced by just under 3,800 FTE posts.

Budget 2007 Period: 1 April 2008 – 31 March 2011

The 660 FTE increase in staff numbers between April 2008 and April 2009 (as reported by the NI Statistics and Research Agency (NISRA)) refers to permanent staff-in-post during the first year of the Budget 2007 period. While the actual number of staff in post will vary up and down as staff leave or when vacancies are filled, the general trend in overall staffing levels across the Northern Ireland Civil Service is downwards. The increase in 2008/09 was due to an increased rate of vacancies being filled, additional staff appointed to deal with increased benefit uptake and the introduction of the new Employment Support Allowance.

During the Budget 2007 period the requirement for Departments to make efficiency/cash releasing savings will inevitably continue to place downward pressures on workforce numbers and the number of posts across the NICS. Latest projections from the 11 NI Departments suggest that during the Budget 07 period reductions in the region of 2,000 FTE posts will be achieved.

Pay and Grading Review

A comprehensive pay and grading review will be carried out in the NICS as part of the package of proposals to settle the equal pay claims, recently approved by the Executive and accepted by

NIPSA. It is expected that this review will take approximately 2 years to complete and will prioritise the examination of the EO2 grade within the NICS pay and grading structures. The purpose of the review is to ensure that all staff in the NICS are correctly graded and paid at the appropriate rate.

Yours sincerely,

Norman.

Norman Irwin

Notes: Full Time Equivalent (Fte) = The total number of staff converted to their full time equivalent.

Appendix 6

Written Submissions

The State of the Public Finances: 2010 and Projections to 2014

Victor Hewitt

February 2010

Contents

Executive Summary

In January 2008 the restored Northern Ireland Executive published its first budget to cover the financial years 2009 – 2009 to 2010 – 2011. During the first two of these years the Executive has been able to live within its budget envelope, dealing with variations to the original plans through the in year monitoring process. However, by the summer of 2009 it was becoming clear that the combined effects of the recession and new spending commitments made it unavoidable that the original expenditure plans for 2010 – 2011 would have to be re-examined. A gap of some £370 million between commitments and available resources was identified by the Minister of Finance with the prospect of further shortfalls in receipts from the sale of assets emerging in the coming year. The Minister published his proposals for dealing with this problem in January 2010. In what amounts to a 'mini budget' he proposed to meet all pressures by a selective cutting of departmental budgets leaving other Ministers to decide precisely where their share of the overall cutback should fall. Options for raising additional revenue to lessen the need for cuts have been rejected.

This paper looks at the background to the 'mini budget' and examines the balance between external factors that have impacted on the Executive's plans and those factors that are a consequence of decisions the Executive itself took. It is clear that the decision to defer water and sewerage charges has contributed significantly to the budget deficit. The paper also calls into question the distributional impact of covering all of the deficit through expenditure cuts as opposed to raising additional revenue through, for example, the Regional Rate.

With a very much tighter public expenditure climate forecast for the UK as a whole to bring down the borrowing requirement the paper makes use of a new public expenditure tool developed by ERINI and the Institute for Fiscal Studies to examine some alternative scenarios for spending in England and the consequences for the Northern Ireland budget. Even with key

areas such as health protected in England the Executive faces very substantial cuts over the next three years.

Finally the paper has a short annex which draws attention to the longer term financial consequences of transferring policing and justice responsibilities to the Executive if funding for these services comes within the scope of the Barnett formula.

1. Introduction

1.1 When devolution was restored in May 2007 the new Northern Ireland Executive and Assembly inherited the public finances in the run up to the 2007 Comprehensive Spending Review (SR07) in the UK. The outcome of the Spending Review was sufficient to enable the Executive to plan its first multi-year budget in January 2008, covering the period 2008-2011, which combined steady increases in expenditure with reliefs from some taxes and charges. Since then there has been a serious structural decline in the health of the public finances due both to decisions taken by the Executive and external events.

1.2 This paper examines the current state of the public finances as we head into 2010-2011 and the prospect of a severe contraction in pubic expenditure in the UK over the following three years. It looks at the nature of the structural weaknesses in the local budget and projects forward on a range of scenarios for outcomes in the UK. These projections and the internal analysis are made possible by a new tool for public expenditure analysis developed by ERINI in conjunction with the Institute for Fiscal Studies.

1.3 In January 2010 the Minister of Finance published his proposals for accommodating a pressure of up to £370 million in the 2010-2011 financial year by allocating reductions across departments. These proposals are the subject of consultation and this paper investigates the consequences of alternative allocations of the necessary savings. It goes on to make use of the public expenditure tool mentioned above to look at the consequences for Northern Ireland (NI) of various public finance scenarios in the UK that may emerge after the General Election.

1.4 The paper is organised as follows. The next section provides in a condensed form some essential material on the structure of the Northern Ireland budget and the underlying public expenditure regime. This is followed by an analysis of the 2010 budget position which will be the starting point for any subsequent Spending Review. The penultimate section deals with projections arising from various scenarios for the future course of public expenditure in the UK as a whole. The final section draws together some conclusions on the nature of the budget options in the short and the longer-term. An Annex deals with the financial consequences of the devolution of policing and justice powers to the Northern Ireland Executive and the integration of the association budgets into an expenditure block that is subject to the Barnett formula.

2. The Public Expenditure System and Northern Ireland Budget Structure

2.1 There is a common public expenditure system that applies across the UK. It is designed to regulate public expenditure and does so by the application of a set of controls to the various parts of the overall expenditure total. This total is known as Total Managed Expenditure (TME) and has two major components:

(i) Departmental Expenditure Limit (DEL) – expenditure that is predictable enough to be planned on a multi-year basis. DEL is normally set for three years in successive Spending Reviews which apply to the UK as a whole.

(ii) Annually Managed Expenditure (AME) – spending that is more volatile because it is largely demand-led - such as benefits. AME is set annually on the basis of forecasts.

2.2 Within the DEL and AME classifications there are further controls relating to current (also known as resource) spending and capital spending. The important rule here is that while current spending can be translated to capital spending the reverse is not allowed. This is to protect capital budgets and hence longer-term investment in the public sector. Within current spending in DEL there is a separate control on administration costs to prevent these expanding at the expense of services.

Resource Accounting and Budgeting Alignment and IFRS

2.3 Over the past decade the basis of planning and accounting for public expenditure has moved away from a focus on cash to the accruals system used by the private sector. One consequence of the shift to Resource Accounting and Budgeting (RAB) was the need to introduce a distinction between cash (or near cash) and non-cash charges on the departmental budget. The former were for expenditures that had to be supported by cash to give them effect, such as wages and salaries and the purchase of goods and services. Non-cash charges on the other hand are calls on the budget that do not require cash to transfer. Among these non-cash charges are so called capital charges to reflect the fact that the government holds assets to enable services to be provided (such as buildings and public infrastructure) and these assets displace alternative investment opportunities by the private sector. The capital charge is intended to reflect these lost opportunities and hence reflect the full cost of providing public services. Capital charges score against the current DEL and thus compete with other current spending on services.

2.4 In 2007 the UK Government published a Green Paper “The Governance of Britain" which made a commitment to simplify financial reporting to Parliament. In 2008 this gave rise to the “Alignment Project – Clear Line of Sight" with proposals to align the reporting of budget planning, the estimates process and expenditure outcomes. One of the consequences of Alignment is the abandonment of the distinction between near cash and non cash and hence of capital charges from April 2010. In most instances this does not lead to the freeing up of additional current DEL, but as will be shown in one important instance the change is valuable to Northern Ireland.

2.5 The adoption of International Financial Reporting Standard (IFRS) as the basis for reporting in the public sector has also given rise to some adjustments to budgets. These are largely reflected in technical adjustments and will be looked at later in relation to 2010.

Structure of the Northern Ireland Budget

2.6 A key concept is that public expenditure in Northern Ireland is not dependent upon revenue raised in Northern Ireland. The expenditure system is based on a level of expenditure being agreed with the central Exchequer and then financed by various channels rather than being revenue driven. The sources of funding for local expenditure are:

(i) The DEL which is the amount transferred to Northern Ireland for spending on those items that fall within this classification. Most of this expenditure is under the exclusive control of the Northern Ireland Executive and is called the ‘Assigned DEL’.

(ii) Income from the Regional Rate. There are two property rates in Northern Ireland. The Regional Rate which is set by the Executive for both domestic and non-domestic property and the District Rate which is set by District Councils and in part finances their activities. The proceeds of the Regional Rate are available to the Executive to spend as it wishes.

(iii) Borrowing – under an arrangement known as the Reinvestment and Reform Initiative the Executive can borrow from the National Loans Fund up to an annual limit set by HM Treasury. The limit is currently £200 million per year[1].

(iv) European Union Funding – the European Union provides funding for a range of specific programmes and projects but this source of income has never been significant because of non-additionality. The exception is the Peace and Reconciliation Programme but even here the amounts have been falling steadily. The public expenditure treatment of EU receipts was changed in the 2005 Pre- Budget Report so that these count as 'negative public expenditure' allowing gross expenditure to be higher without impacting upon the DEL.

2.7 In addition to these primary funding sources there are a range of other measures the Executive can take to increase the spending power available to it. These include:

(i) Efficiency Savings. Resource releasing efficiency savings mean that a department is deemed capable, by using a range of means, of delivering the same outputs with less resources. Departments are currently required to make efficiency savings of 3 per cent per annum cumulative over the period 2008-2011. In absolute terms this amounts to £790 million which is a considerable sum for reinvesting.

(ii) Capital Receipts. The sale of surplus assets is an important means of raising additional funds for investment. The Executive is entitled to retain these receipts (except possibly in the event of a significant privatisation of a public service). The original 2008-2011 budget anticipated some £1.4 billion of capital receipts with an expectation of a further £200 million from the work of the Central Assets Realisation Team.

(iii) End Year Flexibility. An integral part of multi-year budgeting is the ability to carry unspent resources into future years. This is known as End Year Flexibility (EYF). HM Treasury manages the stock of underspent resources in departments and access to EYF has to be negotiated. In the 2007 Spending Review the Executive was allowed to draw down £30 million of current expenditure and £50 million of capital expenditure over the 2008-2011 period from this source, but only £10 million of current expenditure was actually allocated to departments, the rest forming a reserve.

(iv) Over-commitment. The public expenditure regime lays great stress on avoiding overspending in budgets and such behaviour attracts penalties. As a result there is a culture of caution in spending and consequently a record of underspending in most years, both in current expenditure and, more acutely, in capital projects. Deliberately planning to spend more than is available – over-commitment – is a technique to offset underspending. However, this does not create new money since the over-commitment has to be paid off during the course of the year. Over-commitment peaked at around £150 million per year in the first half of this decade but as departments' exercised more discipline in spending (and hence had less to surrender in-year to pay off the over-commitment) the scope to use this technique has diminished. In the original 2008 budget the Executive set a tapered over-commitment with £60 million planned for 2010-2011.

2.8 In the next section we examine how all of these budgetary elements have come together for 2010-2011 in the context of significant changes in the assumptions underpinning the original budget calculations.

3. The 2010-2011 Budget Position

3.1 The original budget plans for 2010-2011 were settled as far back as the beginning of 2008 when the Executive allocated their share of the 2007 Spending Review in the UK. Since then there have been major shifts in the economic environment and the fiscal climate. It was open to the Executive to revisit future allocations to departments or other budget issues at any time but since this would be a 'zero sum game' with some departments having to lose so that others might gain there was no political appetite for such action.

3.2 However, by the summer of 2009 it had become obvious that the original budget for 2010-2011 could not be sustained. A combination of factors had rendered many of the key parameters underlying the budget no longer credible and new and hence unforeseen pressures on expenditure had emerged. The next few paragraphs discuss these factors in greater detail.

External Factors

3.3 The level of funding for the Executive in the 'assigned budget' is governed by the Barnett formula which gives Northern Ireland a population share of any change in a comparable expenditure programme in England. As a result of the 2008 and 2009 UK Budgets and the 2008 and 2009 Pre-Budget Reports, Northern Ireland both gained and lost resources. The biggest change came through the imposition of an additional £5 billion efficiency saving in Whitehall departments in the 2009 Budget which cost Northern Ireland £123 million. However, subsequent additional spending in Whitehall restored £116 million but on a different phasing leaving a net deficit for 2010-2011. The Pre Budget Report 2009 provided a further £7.7 million which has been set against reductions in 2010-2011.

3.4 In late 2008 the Chancellor of the Exchequer made available a further £900 million to the Executive as part of a political deal. Of this £800 million was a non-cash amount to offset the capital changes in 2008-2009 and 2009-2010 for water and sewerage. The remaining £100 million amounts to £71 million of additional borrowing and £29 million of capital that was brought forward from 2010-2011 to 2009-2010 but not in fact used, to meet defined new pressures (see below re: equal pay claims). This borrowing will of course have to be repaid with interest and that creates further (but relatively small) pressures for many years ahead.

3.5 The recession and the slowdown in the property market have also impacted negatively on the Executive's budget assumptions. Projections of capital receipts from the sale of Housing Executive properties and other land sales have been invalidated by the market. Fortunately slippage in some major capital projects (in particular the Royal Exchange project in Belfast [£110 million] and the strategic waste management project [£180 million]) has helped to offset this loss of income but the market remains too uncertain to plan firmly on receipt levels for 2010-2011. The consequences of receipt variability for the capital programme will therefore be handled on an ad hoc basis through the in year monitoring process as and when the need arises.

Internal Factors

3.6 Internal factors influencing the 2010-2011 position include both the consequences of decisions taken by the Executive on taxes and charges and also the emergence of new expenditure pressures.

3.7 The largest internal pressure on the budget arises from the decision yet again to defer domestic charges for water and sewerage services. This means that instead of bringing in some receipts in 2010 as originally planned the Executive has created a pressure of £210 million in current and capital spending for which no funding has been set aside. On a happier note the £400 million per annum capital charge that water and sewerage faces (and which has been absorbed by the Treasury for the past two years) will be abolished in 2010-2011 thanks to the Alignment project,

3.8 Although charging for domestic water and sewerage services remains a highly contentious political issue it is also a growing financial burden for the Executive. Since there is no equivalent expenditure programme in England, Northern Ireland receives nothing for these services through the Barnett formula. The issue is also complicated by the belief, which was highlighted in the Independent Water Review Panel reports, that people already pay part of the cost of water and sewerage services through the Regional Rate. Although it may be symbolic to hypothecate some part of the rates as payment for water and sewerage this does nothing to enlarge the pot of resources available to the Executive which is the critical point. It is an illusion to believe that local people have been spared the need to pay for water and sewerage, they pay through lower expenditure on other public services they desire.

3.9 Decisions taken on the Regional Rates also constrain the Executive's room to manoeuvre to meet new pressures. Domestic rates have been frozen in cash terms and non-domestic rate increases curtailed. In addition new reliefs for small business and delays in rating vacant properties also add to the loss of revenue. All of these factors are further exacerbated by the slowdown in the economy and the consequent effects on the rate base and collection levels.

3.10 As mentioned in the previous section over-commitment has been used extensively to manage the level of underspending by departments. The over-commitment for 2010-2011 was originally set at £60 million. However, the level of underspending has been falling rapidly and the Executive has, therefore, been forced to revise the over-commitment level next year to zero. This creates a definite pressure of £60 million for next year's budget but may free up resources within the year in the monitoring rounds. In previous comments on the budget ERINI has been critical of the reliance on excessive over-programming which we do not regard as sound practice.

3.11 A further new and large commitment that has not been budgeted for is the equal pay claim for lower paid civil servants. This is now crystallising at between £155-170 million which will have to be met next year. As mentioned earlier the Executive has access to a further £100 million (thought to be borrowing) from the Treasury. If this can be re-classified for use in meeting what is in effect a backdated pressure in current spending (wages) the Executive's pressure would be reduced to between £50-70 million.

3.12 In addition to these major spending pressures there are a number of smaller, new expenditure requirements in 2010-2011, including £5 million in current spending and £3.4 million in capital spending for the NI Assembly.

3.13 The net position declared for all of these adjustments is declared to be a pressure of £217.1 million in current spending and £149.9 million in capital spending in 2010-2011 excluding any net shortfall in capital receipts.

The Executive's Proposed Response

3.14 In its proposed response to the budget pressure for 2010-2011 the Executive has done two things.

(i) Rejected any attempt to improve its revenue stream from instruments such as the Regional Rate in favour of meeting all pressures through selective cuts in planned expenditure.

(ii) Increased the short term pressures it faces by creating a new Spend to Save Fund to help finance the upfront costs of securing greater efficiencies in future years, including redundancy costs.

The proposed reallocations to both current and capital budgets in 2010-2011 are shown in the Tables below.

Table 3.1: Proposed Changes to Capital Spending Plans 2010-2011

£ million

	Budget 2008-11	Technical Changes1	Review of 2010-11 Spending Plans		
Additional Savings	Allocations	Draft Revised Plans			
DARD	(170.9)	(0.4)	(3.4)	0.0	(174.6)
DCAL	79.9	0.0	(20.0)	0.0	59.9
DE	201.1	(9.8)	(22.0)	0.0	169.3
DEL	46.6	0.0	(9.0)	0.0	37.6
DETI	78.2	0.3	(6.6)	1.8	73.6
DFP	16.0	1.1	(2.1)	0.0	15.0
DHSSPS	218.2	0.0	(21.5)	0.0	196.7
DoE	182.6	0.0	(0.2)	0.0	182.4
DRD	459.9	44.0	(43.0)	93.3	554.2
DSD	283.4	0.0	(16.9)	1.9	268.4
OFMDFM	17.3	0.0	(5.2)	0.0	12.1
NIA	0.3	0.0	0.0	3.4	3.6
Other	0.4	0.0	0.0	0.0	0.4
Total	1,412.9	35.2	(149.9)	100.3	1,398.6

Totals may not add due to rounding.

Figures in brackets are negative.

1 Includes impact of changes in Budgeting guidance.

Table 3.2: Proposed Changes to Current Spending Plans 2010-2011

£ million

	Budget 2008-11	Technical Changes1	Review of 2010-11 Spending Plans		
Additional Savings	Allocations	Draft Revised Plans			
DARD	245.4	(18.7)	(6.3)	0.0	220.4
DCAL	119.7	(2.0)	(5.9)	0.0	111.8
DE	1,961.0	0.2	(51.7)	0.0	1,909.4
DEL	833.1	(8.7)	(19.7)	0.0	804.7

	Budget 2008-11	Technical Changes1 Review of 2010-11 Spending Plans			
Additional Savings	Allocations	Draft Revised Plans			
DETI	229.8	(23.8)	(4.6)	0.0	201.4
DFP2	161.1	4.9	(4.1)	6.5	168.4
DHSSPS	4,273.6	116.8	(92.0)	0.0	4,298.4
DoE	135.7	(2.1)	(3.9)	0.0	129.7
DRD	334.6	3.6	(37.5)	119.7	420.4
DSD	523.1	12.9	(13.4)	0.0	522.6
OFMDFM	86.4	(3.8)	(4.1)	0.0	78.5
NIA	47.6	(4.2)	0.0	5.0	48.4
Other	21.3	(0.2)	0.0	0.0	21.1
Invest to Save	0.0	0.0	0.0	26.1	26.1
Total	8,972.4	74.9	(243.2)	157.3	8,961.4

Totals may not add due to rounding.

Figures in brackets are negative.

1 Includes impact of changes in Budgeting guidance, transfer of functions and reduced requirements declared as part of 2008 Strategic Stocktake. [In general technical changes do not provide any more resources for new services].

2 Includes allocation in respect of the Shared Service provided to support the delivery of public services in all departments.

3.15 The new budget position set out in an expenditure / source of funding format is shown for current spending and capital spending in the following tables.

Table 3.3: Current Expenditure: 2010-2011

£ million

Expenditure		Funded By	
Departments	8,961.4	Resource DEL	8,616.1
Unallocated EU Peace Programme	16.3	Regional Rates	542.5
Water Subsidy	109.0	EYF	30.0
Other Provisions	101.9		
Totals	9,188.6		9,188.6

Table 3.4: Capital Expenditure: 2010-2011

£ million

Expenditure		Funded By	
Departmental	1,398.6	Capital DEL	1,135.7

Other Provisions	100.8	RRI Borrowing	271.0
		Capital EYF	92.7
Totals	1,499.4		1,499.4

3.16 In examining the proposals there are two points to be considered. First, is it sensible to place all the burden of adjusting to new expenditure pressures on reallocations, that is, sharing the necessary cuts between departments? An alternative would be to ameliorate the reductions in public services by addressing the option of increasing revenue from taxes and charges under the Executive's control.

3.17 The argument against increasing revenues is partly based on the current economic climate which makes increasing the burden on businesses and individuals unattractive. In addition there is the practical difficulty of the weakness of the tax base. Bringing in any substantial amount from the Regional Rate, for example, would require an annual increase in double digits.

3.18 These are legitimate concerns and play to the general philosophy of the Executive which has been to hold down taxes and charges and extend rather than restrict reliefs. However, it is clearly the case that Northern Ireland makes a much smaller contribution towards funding its public services through both national and local taxes than any other region in the UK. Only around half of total public expenditure in or for the benefit of Northern Ireland is covered by taxes and charges in the region, leaving a deficit of around £9 billion per annum to be covered by transfers from the UK Exchequer. This is equivalent to 5 per cent of the UK borrowing requirement at present for some 3 per cent of the UK population. Being in receipt of such high levels of subsidy may be rationalised by need but we should also recognise that this soft budget constraint is a disincentive to take the actions needed to create an economy dynamic enough to pay its way. This is the hidden cost of relying on others to properly fund public services.

3.19 Covering a budget deficit either by raising new resources or by cutting existing allocations both involve a degree of redistribution. The issue is which approach offers the most equitable solution. In principle the Regional Rate based on capital values has a progressive element though this is complicated by a domestic cap at the upper end and various reliefs at the lower end of the income distributions. Water charges based on the same methodology would also in practice be progressive. On the other hand, expenditure cuts could be regressive depending on which service carries the greatest loss, and the degree to which additional and genuine efficiency savings can absorb the reduction.

3.20 Making an informed judgement on these matters requires a detailed study of the final incidence of both additional taxation and budget cuts. This has not been done. However, it is interesting that the largest expenditure pressure comes from the deferral of water and sewerage charges (about 55 per cent of the cuts in other services are due to this decision). This is almost certainly a regressive subsidy benefiting the well-off much more than those with lower incomes.

3.21 There are many other criteria by which the proposed distribution of cuts between departments can be judged. Two in particular seem relevant. First, the targeted reductions could be judged against the record of public expenditure growth (or decline) in the department concerned. It would be absurd to argue that a department which has enjoyed very large increases in spending in the good times should be disproportionately protected from making its contribution to savings when times are harder. This approach throws up some interesting anomalies in the proposed reductions for 2010-2011. The table below shows the growth of current expenditure by department since 2004-2005 with the figures for 2010-2011 incorporating the proposed reductions. It is clear that some of the larger departments such as Education and Health are making a much smaller sacrifice than the prior growth in their funding would warrant.

At the other end of the scale both OFMdFM and the Northern Ireland Assembly also get off quite lightly.

Table 3.5: Current Expenditure Growth 2004/2005 to 2010-2011 (Proposed)

£ million

	2004-05	2010-11	2004-11		% Change between 2010-11 Old and 2010-11 Proposed
Change	(%)				
DARD	230.6	220.4	-10.2	(-4.4)	(-2.6)
DCAL	85.7	111.8	+26.1	(+30.5)	(-4.9)
DE	1,481.4	1,909.4	+428.0	(+29.0)	(-2.6)
DEL	617.2	804.7	+187.5	(+30.0)	(-2.3)
DETI	204.5	201.4	-3.5	(-1.7)	(-2.0)
DFP	164.4	168.4	+4.0	(+2.4)	(+1.5)*
DHSSPS	3,105.4	4,298.4	+1,193.0	(+38.4)	(-2.1)
DoE	123.7	129.7	+6.0	(+4.8)	(-2.8)
DRD	335.2	420.4	+85.2	(+25.4)	(+24.6)*
DSD	454.7	522.6	+67.9	(+14.9)	(-2.6)
OFMdFM	58.9	78.5	+19.6	(+33.3)	(-4.7)
NIA	32.0	48.4	+16.4	(+51.3)	(0.0)

* Net of additions.

3.22 The issue of priorities is also important in assessing the appropriate balance of the proposed reallocations of departmental budgets in 2010-2011. The Executive has publicly committed itself to making the economy its highest priority, particularly in view of the effects of the current recession. It would, therefore, be logical to expect any cuts that are needed in expenditure to fall less heavily on those departments and programmes that have the closest association with economic performance. While every department can make an argument that it supports the economy, it is generally accepted that the degree of association is closest in those departments dealing with industrial development, tourism and the labour market, that is, DETI, DEL and DCAL and to a lesser extent the infrastructure departments such as DRD and DSD. The largest departments such as DE and DHSSPS are, perhaps, furthest removed from the economic development process but, of course, an excellent education system is in the longer-term vital for economic growth.

3.23 Against this criterion the proposed reallocations appear to be somewhat erratic. The average required cut to current DEL is 2.6 per cent so we might have expected the DHSSPS cut to have been higher whereas it is in fact only 2.1 per cent. The difference in percentage terms may seem small but in absolute terms the difference is £21.4 million which alone would cover 10 per cent of the required current expenditure savings. DE savings in current spending are at the average of 2.6 per cent but again on the priority argument might justifiably be slightly higher.

3.24 At the end of the day all public expenditure allocations have a political dimension and it is for the Executive to justify its proposed spreading of the pain of cuts between departments. However, it is also important that there should be an informed debate on what is the appropriate contribution citizens should make towards paying for public services and how that burden should be shared. The present proposals do little to advance that debate.

3.25 It is also important that the Executive should be consistent in the message it conveys about its priorities. Wherever possible a commitment to make the economy the first priority should be reflected, at least at the margin of public expenditure allocation, particularly when sacrifices have to be made. The protection shown to social programmes which constitute two-thirds of all expenditure and which have experienced sustained growth is difficult to reconcile with this principle.

3.26 In summary, the Executive proposes to deal with the very large pressures on the budget that have emerged for 2010-2011 by running what might be called an out of year monitoring exercise that puts all of the burden of adjustment on existing expenditure allocations to departments and none on the generation of additional income. When departmental Ministers have fully articulated how they intend to spread the cuts they have been allocated across their own programmes it will be possible to judge more clearly the degree to which front line services have been protected.

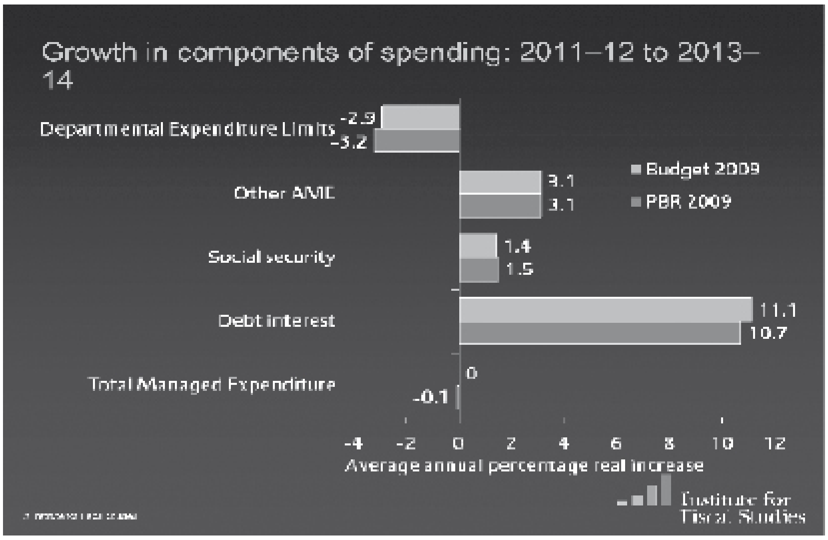
4. Projections 2011-2014

4.1 The reductions to public expenditure programmes needed to meet new pressures in 2010-2011 are the precursor to what is likely to be a prolonged period of public spending restraint in the UK that will inevitably impact on the resources available to the Northern Ireland Executive. In this section we look at projections for public expenditure in Northern Ireland under a range of scenarios for cutbacks to comparable spending programmes in Whitehall. ERINI is able to do this with the aid of a new public expenditure analysis tool developed in conjunction with the Institute for Fiscal Studies in London. The tool is described below but first consideration has to be given to the possible development of the public expenditure environment in the UK over the next few years.

4.2 The damage that the banking crisis and the subsequent recession have caused to the UK public finances is unprecedented in peace time. The borrowing requirement at present stands at some £178 billion, which is above 12% of national output, a figure that is widely considered to be unsustainable. Perhaps more worrying is that the structural deficit is running at about 5.4 % of output (the other 7% being down to cyclical pressures) which implies that wealth and income prospects have been permanently damaged. Of greatest interest for NI is what reducing this deficit means for public expenditure.

4.3 For obvious reasons in the run up to a General Election the Government and the Opposition are reluctant to spell out where they would impose large spending cuts. However, the Pre-Budget report 2009 did provide some global public expenditure figures consistent with bringing the deficit down to around 5.5% by 2014 and when combined with some further information that leaked from the Treasury earlier this year it is possible to make a reasonable guess at the movements in the main public expenditure aggregates consistent with this target. The figure below is the Institute for Fiscal Studies analysis of the shifts in the principle components of expenditure over the period 2011–2012 to 2013–2014.

4.4 The IFS expect total spending over the period to be largely frozen in real terms, that is, to grow by no more than the rate of inflation. However, the rates of change of the components of total expenditure are expected to differ considerably. Debt interest, for example, is bound to increase rapidly, to reflect the fact that the UK is borrowing heavily. Similarly, Annually Managed Expenditure, including Social Security, has to rise in a recession. The consequence of these unavoidable increases within a constrained total is that the resources available for services will be squeezed. Overall in the period 2011- 2012 to 2013-14 Departmental Expenditure Limits are likely to fall between 2.9% and 3.2%[2].



The Public Expenditure Tool

4.5 In anticipation of the next Spending Review the IFS created what they termed as a 'Do It Yourself Spending Review' which used information on the estimated borrowing requirement to produce a model that allowed users to decide on their preferred treatment of spending programmes and then automatically calculated the consequences for other programmes to live within the necessary cuts. ERINI has extensively modified this model and added various additional steps[3]. The first of these is to add a module that calculates the consequentials obtained through the Barnett Formula for any change in expenditure on similar English public services. Thus it is possible to establish what additions or reductions in the NI public expenditure block would follow from any particular scenario in Whitehall. The module also allows discretionary changes in receipts from the local Regional Rate and any sale of assets to be factored into the final outcome for the resources available to the Executive in the form of both current spending and investment.

4.6 Additional modules in the model allow expenditure decisions to be cascaded down through local departments and into the individual expenditure programmes they are responsible for. There is also an associated module for public sector pay. In this paper we are primarily concerned with the implications for the NI public expenditure block as a whole of decisions on expenditure cuts in Whitehall departments needed to reduce the overall Budget deficit.

Base Case

4.7 As a starting point we construct a base case scenario where overall spending in DEL has to fall by a total of 3.2% over the 2011-2012 to 2013-2014 period. As per the IFS estimates, investment spending is cut back severely by an average of 19.2% per year. Using the 2010-2011 current and capital spending ratios as a proportion of total spending as weights this implies an average -0.8% per annum fall in current expenditure over the 2011-2014 period. Feeding these parameters into the public expenditure tool produces the results shown in Table 4.1 below. The figures of particular interest are those for the NI expenditure block once the reductions in the comparable Whitehall departments are carried through the Barnett formula. These are shown at the bottom of the table and imply that in the base case NI would lose £608 million in real terms (i.e. at 2010 prices) over three years in this scenario.

Table 4.1

Central Government 2010/11-2013/14 Spending Review

Central Government	Resource (current) DEL: £ million 2010-11 (real terms)	Select average annual % real growth rates	£ million 2013-14	average annual % real growth	% real growth 2010-11 / 2013-14	Capital DEL: £ million 2010-11 (real terms)	Select average annual % real growth rates	£ million 2013-14	average annual % real growth	% real growth 2010-11 / 2013-14
Children, Schools and Families	51,300	PB Report	50,079	-0.80	-2.38	6,700	PE Report	3,534	-19.20	-47.25
Health	104,000	PB Report	[illegible]	[illegible]	[illegible]	4,[illegible]	PE Report	2,42[illegible]	19.20	47.25
Transport	5,400	PB Report	5,248	-0.80	-2.38	7,300	PE Report	3,851	-19.20	-47.25
Business, Innovation and Skills	13,300	PB Report	13,743	0.80	2.38	2,300	PE Report	1,213	19.20	47.25
CLG Communities	4,[illegible]	PB Report	[illegible]	[illegible]	[illegible]	[illegible]	PE Report	[illegible]	-19.20	-47.25
CLG Local Government	23,300	PB Report	25,674	-0.80	-2.38	100	PE Report	53	-19.20	-47.25
Home Office	9,000	PB Report	9,437	0.00	2.00	800	PE Report	422	19.20	47.25
Justice	[illegible]	PB Report	[illegible]	[illegible]	[illegible]	[illegible]	PE Report	[illegible]	[illegible]	[illegible]
Law Officers' Departments	700	PB Report	683	-0.80	-2.38	0	PE Report	0	-19.20	0.00
Defence	[illegible]	PB Report	[illegible]	[illegible]	[illegible]	[illegible]	PE Report	4,642	-19.20	-47.25
Foreign and Commonwealth Office	1,600	PB Report	1,552	-0.80	-2.38	200	PE Report	106	-19.20	-47.25
International Development	3,300	PB Report	3,052	0.80	2.38	1,600	PE Report	844	19.20	47.25
Energy and Climate Change	1,[illegible]	PB Report	[illegible]	[illegible]	[illegible]	2,[illegible]	PE Report	1,056	-19.20	-47.25
Environment, Food and Rural Affairs	2,700	PB Report	2,636	0.80	2.38	600	PE Report	317	19.20	47.25
Culture, Media and Sport	1,700	PB Report	[illegible]	[illegible]	[illegible]	600	PE Report	317	-19.20	-47.25
Work and Pensions	3,800	PB Report	3,657	-0.80	-2.38	300	PE Report	158	-19.20	-47.25
Northern Ireland Office	1,200	PB Report	1,171	-0.80	-2.00	100	PE Report	53	-19.20	-47.25
Chancellor's Departments	4,200	PB Report	[illegible]	[illegible]	[illegible]	200	PE Report	106	-19.20	-47.25
Cabinet Office	2,400	PB Report	2,343	-0.80	-2.38	400	PE Report	211	-19.20	-47.25
Other[2]	5,400	PB Report	5,271	-0.80	-2.38	2,900	PE Report	1,530	-19.20	-47.25
Total (excl. Devolved Administrations)	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	-19.20	-47.25
	Resource Block		New Resource Block			Capital Block		New Capital Block		
Scotland	23,100		23,770	0.43	1.34	3,200		1,930	16.10	40.94
Wales	14,[illegible]		[illegible]	-0.46	[illegible]	1,8[illegible]		[illegible]	[illegible]	[illegible]
Northern Ireland	8,616		8,517	-0.29	-1.16	1,136		627	-17.95	-44.76

	2010-11	2013-14	Average annual % real growth	% Real growth 2010-11 / 2013-14
Total Northern Ireland Block (£ million - real terms)	9,752	9,144	2.12	6.20

Protected Scenario

4.8 From the base case any number of alternative scenarios can be created merely by choosing combinations of increases or decreases in current and capital expenditure consistent with the overall levels of savings needed to meet the budget deficit. The expenditure tool makes these calculations automatically. Of particular interest is a scenario where some of the Whitehall programmes that are important for comparability are protected to some degree against cuts but at the expense of larger cuts in the remaining programmes. The specific scenario that is modelled in Table 4.2 reflects the case where health spending is frozen in real terms (0% change). Schools are protected (implying a smaller decrease in the education budget in Whitehall compared to the base case (-0.5% compared to -0.8% previously) and the overseas aid budget is increased to meet the UK's aid obligations (11% real growth per annum) though this programme does not appear in the Barnett formula.

4.9 As Table 4.2 shows the protected scenario helps to ameliorate the impact of Whitehall cuts on the NI block. The fall over three years amounts to £531 million in real terms but this is still a significant pressure that would need to be managed.

Table 4.2

Central Government 2010/11-2013/14 Spending Review

Central Government	Resource (Current) DEL					Capital DEL				
	£ million 2010-11 (real terms)	Select average annual % real growth rates	£ millions 2013-14	average annual % real growth	% real growth 2010-11 / 2013-14	£ million 2010-11 (real terms)	Select average annual % real growth rates	£ million 2013-14	average annual % real growth	% real growth 2010-11 / 2013-14
Children, Schools and Families	51,300	-0.5	50,534	-0.50	-1.49	6,700	FB Report	3,534	-19.20	-47.25
Health	104,000	0	104,000	0.00	0.00	4,600	FB Report	2,427	-19.20	-47.25
Transport	5,400	FB Report	5,171	1.21	3.53	7,300	FB Report	3,851	19.20	47.25
Business, Innovation and Skills	15,200	FB Report	14,[illegible]	1.21	3.53	2,300	FB Report	1,213	19.20	47.25
CLG Communities	4,500	FB Report	4,339	-1.21	-3.53	6,400	FB Report	3,376	-19.20	-47.25
CLG Local Government	26,300	FB Report	25,359	-1.21	-3.53	100	FB Report	53	-19.20	-47.25
Home Office	9,800	FB Report	9,449	1.21	3.53	800	FB Report	422	19.20	47.25
Justice	9,400	FB Report	9,064	1.21	3.53	700	FB Report	369	19.20	47.25
Law Officers' Departments	700	FB Report	675	-1.21	-3.53	0	FB Report	0	-19.20	0.00
Defence	36,700	FB Report	35,387	-1.21	-3.53	8,800	FB Report	4,642	-19.20	-47.25
Foreign and Commonwealth Office	1,600	FB Report	1,543	1.21	3.53	200	FB Report	105	19.20	47.25
International Development	6,200	11	8,479	11.00	36.76	1,600	FB Report	844	-19.20	-47.25
Energy and Climate Change	1,100	FB Report	1,061	-1.21	-3.53	2,000	FB Report	1,055	-19.20	-47.25
Environment, Food and Rural Affairs	2,700	FB Report	2,603	-1.21	-3.53	600	FB Report	317	-19.20	-47.25
Culture, Media and Sport	1,700	FB Report	1,639	-1.21	-3.53	600	FB Report	317	-19.20	-47.25
Work and Pensions	9,800	FB Report	9,449	-1.21	-3.53	300	FB Report	158	-19.20	-47.25
Northern Ireland Office	1,200	FB Report	1,157	-1.21	-3.53	100	FB Report	53	-19.20	-47.25
Chancellor's Departments	4,200	FB Report	4,050	1.21	3.53	200	FB Report	105	19.20	47.25
Cabinet Office	2,400	FB Report	2,314	-1.21	-3.53	400	FB Report	211	-19.20	-47.25
Other[2]	5,400	FB Report	5,207	-1.21	-3.53	2,900	FB Report	1,530	-19.20	-47.25
Total (excl. Devolved Administrations)	304,600		300,032	-0.40	-1.18	46,600		24,582	-19.20	-47.25
	Resource Block		New Resource Block			Capital Block		New Capital Block		
Scotland	26,100		25,937	0.13	0.39	3,200		1,890	16.10	40.94
Wales	14,000		13,941	0.14	0.42	1,900		1,104	14.27	38.99
Northern Ireland	8,616		8,594	0.09	-0.25	1,136		627	17.55	-44.76

	2010-11	2013-14	Average annual % real growth	% Real growth 2010-11 / 2013-14
Total Northern Ireland Block (£ million - real terms)	9,752	9,221	-1.05	-5.44

5. Conclusions

A Difficult Future

5.1 It is becoming increasingly clear that Northern Ireland faces a sustained period of public expenditure restraint. In that it is no different from other regions of the UK but because the reliance on state spending is proportionately much greater in this region the difficulties that a slowdown will produce are that much greater. The projections shown above suggest that even in a most favourable case where large spending departments in Whitehall that have more or less total comparability with NI departments are protected the outcome is still the loss of between £500 -600 million in real terms over three years. Nor should it be forgotten that this figure is independent of the many other pressures that can emerge for the local budget as the situation for 2010 has shown. In particular the continued deferral of decisions on the funding of water and sewerage services is adding around £200 million in real terms per annum to the Executive's budget pressures. If this was to continue for a further three years and be combined with external public expenditure cuts the total pressure to be managed could easily exceed £1 billion. There is therefore an excellent and pressing case for settling the water and sewerage issue and those other unfunded commitments embraced by the Executive one way or the other. Barring any further permanent uplift in the block grant from the Treasury there would appear to be only two choices:

(1) The introduction of new charges, which in the case of water and sewerage might be based on the recommendations of the Independent Water Review Panel or any other feasible scheme.

(2) An acceptance that these costs will have to be permanently absorbed with a commensurate reduction in other public services to make the necessary subsidies available.

Continuing the practice of meeting these costs on an ad hoc basis means that the Executive and government departments will face a succession of unplanned adjustments to their budgets.

5.2 The proposals for balancing the budget in 2010-2011 put forward by the Minister of Finance are workable but they do leave open the argument of whether some additional effort on the revenue side (even with the recession) might have been appropriate instead of putting the full burden onto cuts in services. The appropriate balance between expenditure and local tax effort is a debate that is long overdue.

5.3 Finally, it is sensible to take stock of what the transfer of policing and justice powers to the Executive could mean for the budget in future years. As the Annex argues the financial package offered by the Prime Minister is adequate to meet the important pressures faced by the various agencies of law and order for several years ahead but bringing this large area of spending within the remit of the Barnett formula may pose very considerable challenges in the longer term.

Annex A: The Expenditure Implications of the Transfer of Policing and Justice Powers to the Executive

A.1 Expenditure on policing and justice is not at present part of the Executive's budget and is the responsibility of the Northern Ireland Office. Negotiations are continuing on the transfer of these powers to the Executive and the financial terms under which this transfer could take place. In terms of public expenditure cover for the many organisations that make up the administration of policing and justice there are both short term and longer term issues.

A.2 As part of the negotiations on the transfer of policing and justice functions a significant number of pressures have been identified over the next three to four years. In total these amount to perhaps £1 billion more than is in the current baselines but some of these pressures are more acute than others so a more realistic total is around £800 million. In October the Prime Minister set out in a letter to the First and the deputy First Ministers how he intended to address these pressures. An analysis of this offer suggests that it is sufficient to meet the short term needs of transferring policing and justice powers.

A.3 In the longer term expenditure on policing and justice once devolved would normally be counted as part of the NI public expenditure block and thus settled in accordance with the priorities of the Executive in the same way as any other devolved service. As part of the NI block or more accurately the 'Assigned budget' this programme would come under the ambit of the Barnett formula and attract a consequential of any change in spending on similar activities in England. This is where problems may arise. The difficulty is that on a per capita basis spending on policing and justice functions in NI is running at twice the level of similar spending elsewhere in the UK. Thus for any given change in English spending in this area the consequential that would flow to the NI budget would be capable of generating half as much of an uplift locally, presuming all was spent on policing and justice. These are, of course, fairly crude calculations but they do illustrate the issue[4].

Unless policing and justice costs can be brought into line with those in England the programme has the potential to generate a significant public expenditure pressure for a devolved administration.

[1] In 2010-2011 the total will be £271 million because of the equal pay issue (see below).

[2] The higher figure reflects an artificial expansion of the baseline because of one-off spending on the costs of the Afghanistan conflict.

[3] The original IFS formulation ignored devolution in key expenditure programmes such as Health and Education to produce a homogeneous UK total. ERINI has allocated these expenditures back to the devolved administrations.

[4] ERINI has made detailed calculations of how much NI would have received for policing and justice in the 2007 Spending Review had the functions been devolved at that time. Compared to the actual NIO settlement Barnett was better in one out of three years.

CBI NI Response to Executive's Spending Plans 2010-11

1 CBI Northern Ireland welcomes the opportunity to comment on the Executive's Review of 2010-11 Spending Plans for NI Departments. This follows the Minister's statement to the Assembly on 12 January 2010 and the publication of the accompanying review document.

2 Clearly significant changes in economic and fiscal circumstances have occurred since the Programme for Government and the associated Budget for the three year period 2008/9 to 2010/11 was agreed in January 2008. The rapid and sever economic downturn combined with the associated property boom/bust has impacted on the Executive's plans for asset disposals and receipts may be less than half the £1.4 billion estimated at the outset (plus a further £200m which was expected from the Capital Assets Realisation Taskforce) – and significantly impacting on the capital expenditure programme in 2010/11.

3 We have assessed the proposed Spending Plans and Ministerial statement and wish to make the following observations.

4 Despite the constraints and pressures on the 2010/11 budget, particularly on the capital side, there are significant points to welcome:

- The proposals for Current Expenditure for 2009/10 are still some 4.2% above the Programme for Government plans for 2009/10 – equivalent to an increase of £364m – this is a substantial real increase in expenditure
- the creation of an 'Invest to Save' Fund of £26m, though we believe this fund should be significantly larger, perhaps by a factor of three or four, to achieve the necessary redesign and re-engineering required to enhance service provision in the future in light of expected cuts in public expenditure post 2011. There should be transparency on the criteria to be used to select projects
- Performance Review Meetings have taken place following the First Year Delivery Report - clarity on the outcomes/actions arising from these meetings would be very welcome
- Good progress in achieving efficiency gains is reported in 2010/11, but again greater transparency would be welcome
- Further efficiency savings are to be secured from all departments – an additional £243 million of efficiency savings are identified – where these efficiency savings are to be made are to be set out by each Department, but in many cases this information is not available
- Recognition by the Finance Minister that 'a more fundamental examination of what services are provided by the Executive' is needed

5 On the negative side concerns have been raised by CBI members on a number of issues. We are disappointed at the following issues:

- Lack of clarity on the gross capital expenditure likely in 2010/11, which is likely to fall 10-15% on 2009/10 levels. The figures quoted in the Spending Plans are net figures (and are very similar to the original Programme for Government figures). However what the construction sector (and its extended supply chain) requires is a clearer estimate of the gross expenditure. The document clearly recognises that asset receipts will be significantly below expectation. The PfG estimated a gross capex of in excess of £2bn in 2010/11, however the reality is that this figure could be less than £1.5bn which would be a decline of around c10-15% on the current year. The business community would welcome a more open and honest approach. Maintaining capital expenditure is critical not only to improving public services but as a significant stimulus to the economy – a recent report ‘Construction in the UK Economy – the benefits of construction’ shows that for every £1 invested in construction the economy as a whole will benefit by £2.84, one of the most effective sectors to stimulate the economy. Indeed the scale of difference between what was originally envisaged in the Investment Strategy for Northern Ireland and the current levels of expenditure available suggests the ISNI needs to be revisited (with a zero-base approach) including an objective assessment of value and contribution towards PfG goals for all projects), particularly as the pressures on the capital budget could be very significant for the following three year period too.
- The Executive’s continuing commitment to defer water/sewerage charges and freeze domestic rates which is 1) creating additional pressures on the Executive’s finances and 2) is impacting on the provision of other public services resources which could be used sensibly to improve the competitive position of the Northern Ireland economy, and stimulate job opportunities. We believe it is essential that the Executive commits to the recovery of domestic water/sewerage costs for the 2011/12 year by March 2010 (the importance of this is demonstrated under Medium Term Issues below)
- With an increasing wage differential between the public and private sectors (which the outcome of the equal pay claim will only increase further), combined with generous pension provisions within the public sector, we are disappointed at the lack of explicit commitment to secure a wage freeze across the public sector. We also expected a commitment to a significant reduction in recruitment, if not a recruitment freeze, across the public sector with greater efforts to re-allocate jobs internally.
- While the Finance Minister announced that details on Departmental spending plans would be published on their websites, in reality this has not occurred in several instances. Many departments have not published their efficiency proposals, hence making it impossible to comment
- Failure to grasp the opportunity of more fundamental reform and restructuring could put services at risk. We believe there is significant scope to redesign, re-engineer and reform public services to deliver enhanced services and better outcomes
- While welcoming the fact that no departments were protected from further efficiency savings the reality is that there is little evidence to suggest that the importance of the economy has been reflected in the spending plans – no rationale has been given for how these efficiency savings have been allocated. The Executive must not underestimate the challenges the economy is continuing to face and the threat from rising unemployment, especially youth unemployment.

Medium term issues

6 While there are clearly budgetary pressures for the coming fiscal year, these pressures are likely to intensify significantly in the coming years as the UK government seeks to bring its national finances back into order. Even if public expenditure remains at the same level in real terms increases in both debt interest payments (rising by c 11%) and social security payments (rising by c3%) will result in transfers via the Barnett Formula to the NI Block falling by around

3%. The actual impact could be a reduction in NI's block grant of around £180- £200m per annum in the revenue budget and severe cuts in the capital budget over the next 3 year Comprehensive Spending Review (based on IFS/ERINI modelling).

7 We believe the Executive should be preparing now for a much tougher spending environment in the Comprehensive Spending Review 2011/12 to 2014/15. While the Finance Minister hints at the need for a more fundamental examination of public services we believe these preparations should begin immediately, otherwise the opportunities to enhance public services will be missed, while more of the same is likely to lead to a reduction in services and outcomes.

8 There needs to be an even stronger focus on what the Executive is trying to achieve, and ensuring that resources are aligned with delivering against these key goals and outcomes. The next task is to ensure that this is being delivered in the most efficient manner. It is vital that the economy, and specifically the economic recovery remains the top priority, and that the Executive continues to reflect this through its spending priorities. However it is essential that in all public services there is a clear focus on the outcomes required, and that processes and structures are put in place to deliver those outcomes. We believe significant reforms are necessary and deliverable provided the collective political will is there to drive reform and focus on key outcomes. Such reforms should include the following:

- Downsize the civil service - Northern Ireland is over-governed for its size – and this comes at a high price. A strong commitment from all parties is needed that this will be addressed (the PfG agreed to initiate a review) – in practice this could mean reducing the number of government departments back to around six/seven which we had for almost 30 years, and further reducing the civil service, which currently employs over 28,000, by at least 10% over the next three years. The scale of bureaucracy that we have now hinders service delivery (potential savings of £60-70m pa which can be reinvested in frontline services
- Improve how services are delivered - we also need to review how public services are delivered. Significant opportunities exist to increase efficiencies, and the effectiveness of how resources are spent in order to improve services and outcomes. This is particularly true within the health service and in education which together consumer 70% of current expenditure. The fall in productivity within the public sector over the last decade must be reversed. Such savings are feasible by:
- radically re-designing the way public services are delivered, including making use of new and proven technologies, as well as increasing competition
- improving workforce management by adopting good private sector practice, including better management of staff sickness (civil service absence has been reduced to around 11 days per annum, twice private sector levels, and 36% higher than in GB civil service)
- Freezing the overall pay bill - every 1% 'saving' in the Northern Ireland public sector wage bill is the equivalent of £45-50 per annum. With the public sector operating an annual 'points- based' rise it will be necessary to reduce numbers as well as impose an actual pay-freeze. The most recent Annual Survey of Hours and Earnings (to April 2009) reveals that median public sector earnings are now 40% higher than the private sector (compared to 16% for UK as a whole! (NB this takes account of transfer of major banks to public ownership - without this the earnings gap in NI is still likely to be in the order of 33-35%). The resolution of the equal pay claim will also increase this differential. There is little, if any, evidence of recruitment difficulties across the public sector
- An end to the practice of early retirement and accelerated pension provision and returning as consultants/supply teachers/private contractors etc
- Encourage the private sector to provide non-core activities, such as back-room functions

- Cutting waste and duplication within government and rolling out more 'shared services'
- Reducing non-essential expenditure – eg there are an excessive number of 'press officers' across government
- Better utilization of existing assets – it is important that we 'sweat' existing assets much harder and take the necessary decisions – this includes rationalisation of the schools estate in line with the recommendations from the Bain report, and reviewing the provision of hospital services, especially in the Belfast area
- Asset sales – the Executive needs to press ahead with asset sales – this should extend beyond land/property sales to organisations with revenue streams which may be attractive to the private investor.
- A more open approach to increasing revenue streams - for example rates and housing rents are significantly below GB averages. There may also be scope to increase MOT charges and/or introduce carparking charges on the public estate

9 CBI Northern Ireland will be developing its own ideas in more detail in the coming months, drawing on the recent CBI report 'Doing more with less – a credible strategy for restoring public finances'. We believe the funding challenges ahead are an opportunity to enhance service provision and outcomes and not reduce them.

CBI Northern Ireland
5 February 2010

The Ulster Gliding Club LTD

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Ms Jennifer McCann MLA
Chairperson, Committee for Finance and Personnel
Parliament Buildings (Room 419)
Stormont
BELFAST
BT4 3XX 9 February 2010

Dear Ms McCann

Review of 2010-11 Spending Plans for NI Departments - DCAL

The UGC strongly objects to the cut proposed by the Minister for Finance and Personnel to the budget for the Department of Culture, Arts and Leisure (DCAL) in 2010-11.

The sum allocated to DCAL is to be cut by around £25 million in 2010-11 – approximately 25 per cent. Sport Northern Ireland has been told by DCAL officials that in consequence it may lose over £2.5m in 2010-11. While no decision appears to have been taken yet, it is all too likely if DCAL is to lose so much. Such a consequential reduction would have a drastic impact on Sport

NI's work, especially since it has already suffered heavy cuts in its income from the National Lottery because of the sums taken for the 2012 Olympic and Paralympic Games.

Participation in sport and recreation has proven benefits for health, as experience in Finland proves. In the early 1970s, Finnish male life expectancy at birth was lower than anywhere else in Western Europe, but in the next 30 years their life expectancy climbed to above the European Union average. The life expectancy of Finnish women, formerly close to the European average, now ranks among the highest in Western Europe (see eg Seppo Koskinen, Arpo Aromaa, Jussi Huttunen, Juha Teperi (eds) Health in Finland (2006), p 8 - http://www.ktl.fi/hif/hif.pdf). The Finnish Sports Committee's policy general goal in the 1990s of "Well-being through exercise and sports—sports for all" is known to have played a major part in this massive turnaround.

The Executive is committed to improving the health of individuals and communities as a priority. To reduce spending on sport and exercise would adversely affect people's health, especially those in socio-economic groups D and E, persons with disabilities and the over-65s. The effect of the proposed cut would consequently be socially divisive.

The Ulster Gliding Club therefore appeals to your committee to urge the Minister of Finance and Personnel to reverse the proposed cut in DCAL's budget, in order to protect the health of all our citizens, and the less well-off in particular.

Yours sincerely

RALPH ERSKINE
Chairman, Ulster Gliding Club

CiNI - Children in Northern Ireland - Review of 2010-11 Spending Plans

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CiNI

Children in Northern Ireland

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COMMITTEE FOR
12 FEB 2010
F & P

09 February 2010

Dear Minister

Re: Review of 2010-11 Spending Plans

I am writing to you in relation to the current consultation on the Review of 2010-11 Spending Plans for NI Departments.

CiNI is extremely concerned by the level of public engagement which the Minister envisages for this crucial consultation process and note the consultation document states that the main form of consultation on the proposals will be through the Assembly's Committees and in particular the Committee for Finance and Personnel. We believe that it is crucially important that all opportunities are taken to maximise the role of the Assembly and its elected representatives in all aspects of the Executive's budget process and we would strongly support an enhanced role for the Assembly's statutory committees and members in budget and financial scrutiny in line with the recommendations made by the statutory committees in their report of the inquiry into the 08-11 budget process.

However, we are extremely concerned by the absence of reference to the requirement and obligations relating to public engagement and consultation in line with the obligations placed on Departments under section 75 of the NI Act 1998. We would seek clarification from you on this matter and ask that you urgently set out how consultation with affected groups and individuals is being taken forward in line with the requirements of Section 75 of the NI Act 1998.

CiNI is deeply concerned that despite your request a number of your Executive colleagues have yet to publish the detailed implications of the review for their departments on their respective websites. This makes meaningful consultation with affected groups and individuals impossible. In the absence of comprehensive and full information, it will not be possible to make an informed and considered response to the consultation. We do note that your Department in its Equality Scheme has committed to ensuring that *information will be made available to ensure meaningful consultation.*

We are also concerned by the extremely tight consultation timeframe. We note that contrary to the DFP Equality Scheme the period set for consultation on these review proposals is just under 7 weeks, and in fact consultation was not launched until almost four weeks following your statement to the Assembly. Your Equality Scheme on the other hand does state that consultation with groups and individuals will begin as early as possible "*the Department recognises that adequate time should be allowed for groups to consult amongst themselves and it will therefore aim to provide a period for response of at least eight weeks. However,* *there may be circumstances when this timescale is not feasible. For example, consultation of this duration may not be appropriate when policies must be implemented immediately in emergencies to protect health and safety or urgently to comply with a court judgement or with EU or international obligations. Such circumstances will be monitored, kept under review, justified very clearly and reported on in the Department's annual review*[1].

We do not believe that any of the circumstances outlined in the Equality Scheme apply to consultation on the revised plans and would suggest that a timeframe of at least eight weeks is entirely feasible.

It is welcome that an agreement on the devolution of policing and justice has now been achieved. We are particularly interested in the functioning and operation of the new DOJ may impact on the work of other departments, and we assume this would also mean that there could be some impact on budgets and indeed spending plans. Given that this is a new development which has come at an advanced stage in the current consultation framework we believe that urgent attention must be given to the likely impacts of the creation of the DOJ on the functioning and indeed spending of other government departments.

CiNI believes that in considering all of the circumstances outlined above it is imperative that your Department extends the current consultation deadline beyond the end of February and urgently sets outs its plans for full public consultation in line with section 75 of the NI Act 1998.

CiNI would also request that you urgently publish your Department's report of its inquiry into the budget process 08-11. Given that the inquiry took place almost two years ago, we anticipated that this inquiry report and its recommendations would have been made available in advance of the current consultation on the revised spending plans. It is now critical that arrangements for the now imminent 2011-2014 budget process are made public. Indeed there should be an opportunity for the public to contribute to and inform the shape of these arrangements before they are finalised, so that we can be reassured, in line with the inquiry terms of reference, that these include the full and comprehension integration of statutory equality considerations, which we would highlight include specific requirements for direct public engagement

We look forward to early response from you on these matters. We would also welcome an opportunity to meet with you urgently to discuss the Executive's arrangements for public engagement and consultation on Budget 2011-2014.

Yours sincerely

Pauline Leeson

Director

CC Mitchel McLaughlin MLA Chair Committee for Finance and Personnel

[1] DFP (2001) Equality Scheme para 3.11

CiNI
Children in Northern Ireland

The Stroke Association NI

25 February 2010

The STROKE Association Northern Ireland

Mr Sammy Wilson MP MLA
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Response to Review of 2010 – 11 Spending Plans for NI Departments

In response to the Review of the 2010 – 11 Spending Plans for NI, The Stroke Association Northern Ireland is writing on behalf of more than 30,000 stroke survivors in NI to oppose the proposed cuts to the Health and Social Care budget within the Review.

In the wider context, we are concerned that the Health & Social Care budget in Northern Ireland is not being given the same political priority and protection which is being accorded to Health budgets in other parts of the UK. Given the growing financial pressures, the ever increasing demands on Health and Social Care services and the vital importance of our Health Services to our whole community - this lack of priority and protection for Health is extremely worrying.

We are very aware of the serious need to review the 2010 – 11 Spending Plans for NI Departments in light of a current deficit of £367m, but again we would stress the importance of protecting the Health & Social Care budget. There is no doubt that these are some of the most difficult financial times ever witnessed within Northern Ireland in terms of Health and Social Care provision – especially when set against a back drop of ever increasing demands on services.

The efficiency savings earmarked for Health & Social Care in the incoming financial year will place even greater pressure on an already under resourced service. Additionally, in the absence of specific detail regarding where the cuts will come from within the Health Service, we would be extremely concerned that the proposed cuts to Health & Social Care contained within the review that at least £74m could come from new service developments and inevitably that will have an impact on front line services.

While to date the Minister for Health & Social Services has not formally set out his plans to make these savings, in a press release on 15 December 2009, he spoke of the major

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financial difficulties within Health & Social Care service leading to a delay in a range of important service developments including some services for people with long-term health conditions such as stroke.

We are very aware that the health budget is not a bottomless pit and that money can and should be spent to get the best value for the patient and taxpayer. However, we are extremely concerned that if these proposed cuts proceed, there will be severe consequences for stroke survivors and the services they so desperately need. Services for stroke survivors with long term care needs are currently inadequate and we are working with the Department and Trusts on improving and modernise stroke services through the Stroke Strategy.

We believe that if the Stroke Strategy is fully implemented in a balanced way between acute, community and long term stroke care, it has the potential to utterly transform stroke care. It could achieve dramatic improvements in mortality rates, in levels of disability, and most importantly, in improving the quality of life for the thousands of people, their carers and families who have their lives shattered by stroke every year in Northern Ireland. It would be an absolute tragedy for stroke survivors and their families if once these crucial developments in stroke services have started that all this vital work is suddenly stopped or indefinitely delayed.

The Stroke Association NI is calling on the Northern Ireland Executive to make the Health & Social Care budget exempt from the cuts outlined in the Review of the 2010 – 11 Spending Plans for NI Departments. We would ask that political differences and point scoring be put aside in order protect the Health and Wellbeing of all our people.

Yours sincerely

Tom Richardson
Director NI

c.c. NI Executive Ministers
NI Assembly Committee Chairs
NI Assembly Health and Social Services Committee

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QUB-Budget Analysis Project Response to DFP February 26 2010

Response to the DFP Review of 2010-2011 Spending Plans for NI Departments

Budget Analysis and the Advancement of Economic and Social Rights in Northern Ireland, QUB School of Law / Human Rights Centre

26 February 2010

For more information on the contents of this submission, please contact Dr. Rory O'Connell (r.oconnell@qub.ac.uk)

Budget Analysis and the Advancement of Economic and Social Rights, QUB School of Law / Human Rights Centre

Response to the DFP Review of 2010-2011 Spending Plans for NI Departments

Budget Analysis and the Advancement of Economic and Social Rights, QUB School of Law / Human Rights Centre

Response to the DFP Review of 2010-2011 Spending Plans for NI Departments

Introduction

The *Budget Analysis and the Advancement of Economic and Social Rights Project* at Queens University Belfast is a two year project examining the possibilities of analysing budgets to see how they may contribute to the advancement of economic and social rights. The Project has developed a framework for how economic and social rights (ESR) apply in the context of budgetary processes, allocations and expenditure. The Project is working on applying these rights to specific budgetary questions within Northern Ireland. One of the aims of the project is to contribute to a greater awareness and understanding of economic and social rights in public discourse. With this aim in mind, the Project is responding to the Department of Finance and Personnel "Review of Spending Plans for NI Departments 2010-2011". [1]

The Department of Finance and Personnel (DFP) has published this document in the context of changes in the economic environment since 2008 which have put pressure on public finances; it is also in anticipation of "reductions in the funding available to the Executive from 2011-12 onwards". On foot of this, individual departments are publishing their own plans on revising spending.[2] The document invites views from interested parties.

This Budget Analysis Project welcomes this invitation to offer views. This response highlights some of the international legal obligations that the UK is required to give effect to when making budgetary decisions. This response focuses on the international legal obligations stemming from the United Nations International Covenant on Economic Social and Cultural Rights 1966 (ICESCR) which the UK has ratified. The next section explains why the ICESCR obligations are relevant to the Executive. The sections after that explain some of the different ICESCR obligations.

Relevance of the ICESCR obligations

The ICESCR contains obligations relating to economic, social and cultural rights. The ICESCR obligations are directly relevant to the NI Executive because:

- They are international law obligations which the UK must respect.

- The Treasury guidance on assessment and evaluation of government programmes specifies that international treaties to which the UK is a party "should inform the development of policy"; the guidance lists ICESCR as one of these treaties.[3]

- The Parliamentary Joint Committee on Human Rights says that it is "essential to effective implementation of the Covenant that economic, social and cultural rights should be used as a framework for government policy development."[4]

- A United Nations body might ask UK representatives how these international obligations are being implemented in the UK when considering the extent to which the UK has given effect to international human rights law. These questions might come from the Committee which monitors ICESCR or from the Human Rights Council as part of the Universal Periodic Review of states' human rights records.

- The Northern Ireland Act permits the Secretary of State specific powers to ensure that NI authorities act compatibly with international obligations.[5]

- These international law obligations reinforce domestic law obligations, such as the Northern Ireland Act Section 75 equality provisions, the Northern Ireland Act Section 28E obligation to adopt an anti-poverty strategy, and the Human Rights Act 1998 obligations.

The ICESCR obligations have been interpreted and developed by the Committee on Economic Social and Cultural Rights (ComESCR) in documents such as General Comments, and Concluding Observations on State Reports, all available on the website of the Office of the High Commissioner for Human Rights: www.ohchr.org. These sources provide important detailed guidance both on the substantive content of these rights and the processes relevant to their realisation.

With a view to informing participants in the budgetary process in Northern Ireland, the next sections outline some of the obligations which ICESCR imposes, highlighting where appropriate, the significance of specific obligations to the review of spending plans.

Progressive Realisation

States have a duty to progressively realise economic and social rights (ESR). The duty to 'achieve progressively' refers to the achievement of the full scope and content of the right.[6] The reference to 'progressively' (as opposed to 'immediately') is based on the reality that the full realisation of ESR cannot happen immediately.

There is a margin of discretion accorded to States with regard to the progress of realisation. This is necessary due to, amongst other things, the resources that are realistically available to the country. In other words, the duty of 'progressive realisation' assumes that expectations and obligations of States are not uniform or universal but rather that they are relative to the levels of development and the resources available.[7]

The State bears the burden of proof to show that actual progress in the enjoyment of rights has been made and is, therefore, under a duty to report on their current performance and the extent to which they are moving forward expeditiously and effectively towards full realisation. [8]

Departments should progressively realise economic and social rights.

Non-retrogression

The obligation of progressive realisation means that retrogressive measures are incompatible with the ICESCR. The Committee states that any deliberately retrogressive measure requires the most careful consideration.[9] Such a measure would need to be fully justified by reference to the totality of the rights provided for in the ICESCR and in the context of the full use of the maximum available resources.[10]

The ComESCR has not specified exactly what constitutes a 'deliberate retrogressive measure' but some guidance can be sought from General Comment 4 which states that,

> '[A] general decline of living and housing conditions, *directly attributable* to policy and legislative decisions by State Parties, and in the absence of accompanying compensatory measures, would be inconsistent with the obligations under the Covenant.'[11]

A deliberate retrogressive measure therefore means any measure which implies a step back in the level of protection accorded to the rights in the ICESCR as a consequence of an intentional decision by the State.[12] This includes unjustified reduction in public expenditures devoted to implementation of ESR in the absence of adequate compensatory measures aimed at protecting the injured individuals.[13]

Departments must avoid retrogressive measures.

Maximum Available Resources

The duty to allocate the maximum of available resources also leaves the State a margin of discretion in relation to the quantum of resources to be used towards the realisation of the rights in the ICESCR. A State does not have absolute discretion in the allocation of funding and the speed and progress of realisation.[14]

This does not mean that a State must use all its resources, but rather that it must use the maximum amount of resources which can be expended for a particular purpose without sacrificing other, essential services.[15]

Implicit in this duty is a process requirement, that States may be requested to show that adequate consideration has been given to all the possible resources available to satisfy each of the ICESCR's requirements, even if giving effect to full realisation is not immediately possible. A failure of a State to do so is a failure to meet its obligation of conduct to ensure a principled policy making process.[16]

Departments must try to realise economic and social rights by using the maximum available resources. If economic and social rights are unfulfilled, whilst resources are being used to achieve results not relevant to the realisation of human rights, then there is a failure to use maximum available resources to realise economic and social rights.

Immediate Obligations: Substantive

The minimum core is not the only immediate obligation imposed by ESR. The ComESCR has recently identified that 'Non-discrimination is an immediate and cross-cutting obligation in the Covenant'.[23] The obligation to ensure non-discrimination requires measures to prevent discrimination as well as positive affirmative action initiatives to compensate for past discrimination that go beyond the enactment of legislation.[24]

Apart from this cross cutting immediate obligations, the Committee identified in 1990 various specific articles in the ICESCR that are of immediate application (see box).[25]

In many instances, ComESCR spells out immediate obligations in relation to particular rights in rights specific General Comments. The General Comment on the Right to Adequate Housing notes that States are immediately required to abstain from certain practices.[26] In relation to the right to the highest attainable standard of health, the ComESCR spells out the immediate obligations in addition to the minimum core obligations already mentioned above: non-discriminatory access and equitable distribution of facilities, especially for vulnerable or marginalised groups; a national public health policy based on a participatory and transparent process.[27]

> Specific immediate obligations: the right to equality between men and women (Article 3), and the right to special measures of protection to young people and children (Article 10(3)); fair wages and equal remuneration for work of equal value without distinction of any kind (Article 7(a)(1)); the right to form trade unions (Article 8); the right to free and compulsory primary education to all (Article 13(2)(a)); the right of parents and legal guardians to choose schools other than those established by the public authorities and the liberty of individuals and bodies to establish and direct educational institutions (Article 13(4)).

ComESCR has identified several "immediate obligations". Departments should identify whether they are responsible for delivering services which are related to the giving effect to these immediate obligations. If so, then these services should be prioritised and protected from spending cuts.

The immediate obligation of non-discrimination is cross cutting. Given the importance of non-discrimination, the DFP indication that payments due to equal pay reforms in the civil service will be implemented as soon as possible is welcome from a human rights perspective.

Immediate obligations: Participation and Monitoring

The ComESCR has reiterated that the human rights framework includes the right of those affected by key decisions to participate in the decision–making processes. It adds that, according to the its experience, policies or programmes formulated with the active and informed participation of those affected are most likely to be effective.[28] This is reinforced by other UN organs. The Economic and Social Council stated that the institutional framework for implementing ESR should include mechanisms which ensure the participation of relevant stakeholders, ensure access to information and transparency, establish accountability mechanisms, respect due process in decision-making, and provide remedies in case of violations.[29] There are also domestic models of good practice in consultation, such as the Sedley principles[30] and the UK Government's Code of Practice.[31]

Article 2(1) requires States "to take steps" towards the full realisation of ESR. The ComESCR has stated that while full realisation is to happen 'progressively' the duty to start moving towards full realisation is neither progressive nor subject to available resources.[32] This phrase implies at the very least a duty to design strategies and programmes to achieve to the full realisation of ESR.[33]

Apart from participation, ComESCR specifies process rights relating to monitoring and developing strategies to realise rights. For instance, in the context of the right to adequate housing, the duty to monitor the housing situation is of immediate effect.[34] A strategy should immediately be put in place that identifies the resources available to the State, is subject to effective coordination and is based on participatory practices.[35]

The DFP document describes itself as a "consultation" and welcomes views "of any and all interested parties". From a human rights perspective, this is welcome as it is an international law requirement to have participation in budget decisions.

More disappointingly the document falls short of good practice for consultations. It is not clear how to respond or what is the deadline for responses. Further the document is not accessible; for example, it is not clear which services will have to be curtailed to make the "additional savings" required. DFP has asked each Department to publish more detailed information on its website. Sometimes this information is not easy to locate on the websites (eg DHSSPS website), or when it is easy to locate, does not contain information about what is the focus of the consultation or how to respond (eg DCAL website).

Conclusion

This paper has discussed the ICESCR obligations that are particularly relevant during budgetary discussions in times of financial pressure. It has not canvassed all the ICESCR obligations.[36]

The Budget Analysis project team emphasise the following ICESCR obligations as particularly relevant in the current financial situation:

- Departments should facilitate participation by following good practice in consultations as highlighted by ComESCR.
- Departments should identify the minimum core and immediate obligations that are relevant to their remit and prioritise resources which are necessary for the achievement these.
- Departments should use the maximum of available resources to realise economic and social rights. This entails prioritising programmes directed at realising rights over those which are not.
- Departments should avoid retrogressive measures.
- Departments should seek the progressive realisation of economic and social rights.

Budget Analysis and the Advancement of Economic and Social Rights in Northern Ireland

Funded by Atlantic Philanthropies, the aim of this two-year project is to examine public expenditure in Northern Ireland by using economic and social rights-based budget analysis. With it, the researchers seek to develop a methodology that will strengthen the advocacy capacity of disadvantaged groups and their representatives in Northern Ireland. The project links with ongoing international efforts to develop and deepen the relationship between economic analysis and the assessment of human rights compliance.

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The Human Rights Centre

The Human Rights Centre aims to support a community of researchers in the area of human rights and to promote other academic and human rights organisations, so as to produce scholarship of excellence in this field.

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[2] Department for Employment and Learning "Review of 2010-2011 Spending Plans" DEL (2010) <http://www.delni.gov.uk/index/about-the-dept/review-1011-spending-plans.htm> Last Accessed on 21 February 2010.

[3] HM Treasury, *The Green Book: Appraisal and Evaluation in Central Government* (London: TSO.) page 95.

[4] Joint Committee on Human Rights, *Twenty-first Report The International Covenant on Economic, Social and Cultural Rights* (UK: Parliament, 2003-2004) HL 183/HC 1188 paragraph 79.

[5] Northern Ireland Act 1998, s 14(5), s 26.

[6] A Chapman 'A "Violations Approach" for Monitoring the International Covenant on Economic, Social and Cultural Rights' in *Human Rights Quarterly* 18 (1996) 23 at page 38.

[7] Ibid page 31.

[8] Victor Dankwa, Cees Flinterman and Scott Leckie. 'Commentary on the Maastricht Guidelines on Violations of Economic, Social and Cultural Rights' (1998) 20(2) Hum Rights Q page 716.

[9] Committee on Economic Social and Cultural Rights, *'General Comment No. 3, The Nature of States Parties Obligations'* U.N. Doc. E/1991/23 annex III at 86 (1990) paragraph 9.

[10] Ibid at paragraph 2.

[11] Committee on Economic Social and Cultural Rights, '*General Comment No. 4, The Right to Adequate Housing*' U.N. Doc. E/1992 /23 annex III at 114 (1991) paragraph 59.

[12] M Sepulveda *The Nature of the Obligations under the International Covenant on Economic, Social and Cultural Rights* School of Human Rights Research Series Volume 18 Intersentia Antwerpen (2003) page 323.

[13] Ibid page 324.

[14] Philip Alston and Gerard Quinn. 'The Nature and Scope of the States Parties' Obligations under the International Covenant on Economic, Social and Cultural Rights' (1987) 9 Hum Rights Q 156 page 178.

[15] Philip Alston and Gerard Quinn. 'The Nature and Scope of the States Parties' Obligations under the International Covenant on Economic, Social and Cultural Rights' (1987) 9 Hum Rights Q 156 page 178.

[16] Philip Alston and Gerard Quinn. 'The Nature and Scope of the States Parties' Obligations under the International Covenant on Economic, Social and Cultural Rights' (1987) 9 Hum Rights Q 156 page 180.

[17] Committee on Economic Social and Cultural Rights, '*General Comment No. 3, The Nature of States Parties Obligations*' U.N. Doc. E/1991/23 annex III at 86 (1990) paragraph 10.

[18] General Comment No. 3 specifically states that 'if any significant number of individuals is deprived' of the minimum core content then the State is in breach of its obligations'.

[19] Committee on Economic, Social and Cultural Rights, '*General Comment No.. 13 The right to education*' U.N.Doc.E/C.12/1999/10 (1999) paragraph 57.

[20] Committee on Economic, Social and Cultural Rights, '*General Comment No. 14. The right to the highest attainable standard of health*' U.N.Doc.E/C.12/2000/4 (2000) paragraph 43.

[21] Ibid paragraph 44.

[22] Committee on Economic, Social and Cultural Rights, '*General Comment No, 12 The right to adequate food*' U.N. Doc. E/C.12/1999/5 (1999) paragraph 17.

[23] Committee on Economic, Social and Cultural Rights, '*Non-Discrimination in Economic, Social and Cultural Rights*' U.N. Doc. E/C.12/GC/20 (2009) paragraph 7

[24] Audrey Chapman, *Core Obligations: Building a Framework for Economic, Social and Cultural Rights* (first edn Intersentia, Antwerp, Oxford, New York 2002) page 6.

[25] General Comment 3: '*The Nature of State parties' obligations*' 1990

[26] Committee on Economic Social and Cultural Rights, '*General Comment No. 4. The Right to Adequate Housing*' U.N. Doc. E/1992 /23 annes III at 114 (1991) paragraph 10.

[27] Committee on Economic, Social and Cultural Rights, '*General Comment No. 14. The right to the highest attainable standard of health*' U.N.Doc.E/C.12/2000/4 (2000) paragraph 43.

[28] Committee on Economic Social and Cultural Rights, '*Substantive Issues Arising in the Implementation of the International Covenant on Economic, Social and Cultural Rights: Poverty and the International Covenant on Economic, Social and Cultural Rights*' E/C.12/2001/10 (2001) paragraph 12.

[29] Economic and Social Council, 'Report of the High Commissioner for Human Rights on implementation of economic, social and cultural rights' E/2009/90 (2009) paragraph 33

[30] These are summarised in *R v Brent LBC, ex parte Gunning* (1986) 84 LGR 168.

[31] UK Government, *Code of Practice on Consultation* (London: Department for Business, Enterprise and Regulatory Reform, 2008) .
[32] See, e.g., Committee on Economic, Social and Cultural Rights, '*General Comment No. 14, The right to the highest attainable standard of health*' U.N.Doc.E/C.12/2000/4 (2000) paragraph 30.
[33] Committee on Economic Social and Cultural Rights, '*General Comment No. 3, The Nature of States Parties Obligations*' U.N. Doc. E/1991/23 annex III at 86 (1990) paragraph 11.
[34] Committee on Economic Social and Cultural Rights, '*General Comment No. 4, The Right to Adequate Housing*' U.N. Doc. E/1992 /23 annes III at 114 (1991) paragraph 13. See also the Committee on Economic, Social and Cultural Rights, '*Consideration of Reports Submitted By States Parties under Article 16 and 17 of the Covenant*' U.N.Doc.E/C.12/GBR/CO/5 (2009): In relation to the right to an adequate right to housing the Reporting Guidelines request the following information: Indication of a national survey on homelessness and inadequate housing, in particular the number of individuals and families who are homeless or inadequately housed and without access to basic infrastructures and services such as water, heating, waste disposal, sanitation, and electricity, as well as the number of persons living in over-crowded or structurally unsafe housing.
(a) The measures taken to ensure access to adequate and affordable housing with legal security of tenure for everyone, irrespective of income or access to economic resources;
(b) The impact of social housing measures, such as the provision of low-cost social housing units for disadvantaged and marginalised individuals and families, in particular in rural and deprived urban areas, whether there are waiting lists for obtaining such housing and the average length of waiting time;
(c) Measures taken to make housing accessible and habitable for persons with special housing needs, such as families with children, older persons and persons with disabilities;
They also request indications regarding the measures in place to protect against buildings on polluted sites or in immediate proximity of pollution sources that threaten the health of inhabitants.
Further they request indications whether there are any disadvantaged and marginalised individuals and groups, such as ethnic minorities, who are particularly affected by forced evictions and the measures taken to ensure that no form of discrimination is involved whenever evictions take place.
They also want to know the number of persons and families evicted within the last five years and the legal provisions defining the circumstances in which evictions may take place and the rights of tenants to security of tenure and protection from eviction.
[35] Committee on Economic Social and Cultural Rights, '*General Comment No. 4, The Right to Adequate Housing*' U.N. Doc. E/1992 /23 annexes III at 114 (1991) paragraphs 12 – 13.
[36] In particular the paper has not covered the obligations to respect, protect and fulfil rights.

Appendix 7

Committee for Finance and Personnel Correspondence

Budget process briefing invitation

Committee for Finance and Personnel
Room 419
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Fax No: 028 90520360
E-mail: committee.finance&personnel@niassembly.gov.uk

25 September 2009

Mr Sammy Wilson MP MLA
Minister of Finance and Personnel
Craigantlet Buildings
Stoney Road
Belfast
BT4 3SX

Dear Sammy

Media Reports on Spending Cuts and Budget Report

At its meeting on 23 September 2009, the Committee for Finance and Personnel discussed your recent comments reported in the media on spending cuts. The Committee also noted a BBC News Release of 18 September, which reported the First Minister's comment that you will be publishing a budget report in the near future.

A budget process would have a significant impact on the Committee's work programme, given its important role in budget scrutiny. Members agreed to invite you to brief the Committee on the nature and timing of this process as a matter of urgency. Should you not be available in the short term, members would welcome a briefing from your officials.

Yours sincerely

Jennifer McCann MLA
Chairperson
Committee for Finance and Personnel

Revised Expenditure plans invitation to Minister

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12 October 2009

Mr Sammy Wilson MP MLA
Minister of Finance and Personnel
Craigantlet Buildings
Stoney Road
Belfast
BT4 3SX

Dear Sammy

Revised Departmental Expenditure Plans

I refer to the correspondence of 1 October 2009 advising that you were not available to brief the Committee for Finance and Personnel on the revised departmental expenditure plans on 7 October as requested, or attend the Public Procurement Stakeholder Conference, due to previous diary commitments. You will be aware that the evidence session with your officials on the revised expenditure plans did not proceed on 7 October.

Given the importance of this issue, the Committee asked that you attend a meeting to brief members at the earliest available opportunity. In the meantime, members agreed that your officials should brief the Committee as soon as they are in a position to do so.

Yours sincerely

Jennifer McCann MLA
Chairperson
Committee for Finance and Personnel

Review of spending plans

Committee for Finance and Personnel
Mr Sammy Wilson MP MLA
Minister of Finance and Personnel
Craigantlet Buildings
Stoney Road
Belfast
BT4 3SX

January 2010

Dear Sammy

Review of 2010-11 Spending Plans

At its meeting on 13 January 2010, the Committee for Finance and Personnel noted your letter of 7 January. Members decided to hold an additional Committee meeting on Monday 8 February in order to meet with you to discuss the Review of the 2010-11 Spending Plans.

Given the importance of this issue, the Committee will accommodate an earlier date should such an opportunity become available.

Yours sincerely

Jennifer McCann MLA
Chairperson
Committee for Finance and Personnel

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