

Committee for Finance and personnel

Report on the Inquiry into the Scrutiny of the Northern Ireland Executive's Budget and Expenditure

Stage 1: Submission to the Review of the Northern Ireland Executive's Budget Process

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

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Membership and Powers

Powers

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

The Committee has the power to:

- consider and advise on Departmental budgets and annual plans in the context of the overall budget allocation;
- approve relevant secondary legislation and take the Committee Stage of primary legislation;
- call for persons and papers;
- initiate 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:

Mr Mitchel McLaughlin (Chairperson)
Mr Simon Hamilton (Deputy Chairperson)

Dr Stephen Farry
Mr Fra McCann
Ms Jennifer McCann
Mr David McNarry**
Mr Adrian McQuillan

Mr Declan O'Loan
Mr Ian Paisley Jnr*
Ms Dawn Purvis
Mr Peter Weir

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

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

Inquiry Terms of Reference

Terms of Reference

The Committee for Finance and Personnel will undertake the following three-stage exercise aimed at maximising the Assembly's contribution to the NI Executive budget process and enhancing the role of Assembly statutory committees and members in budget and financial scrutiny:

Stage 1

1. To contribute to the ongoing Review of the NI Executive Budget Process by the Department of Finance and Personnel (DFP) by

a) examining the budget scrutiny processes in other applicable legislatures, for the purpose of identifying lessons for NI;

b) co-ordinating the views of the Assembly's statutory committees on the strengths and weaknesses of the 2007 Budget process; and

c) reporting on the outcome of (a) and (b) to DFP by end of October 2008.

2. To consider and respond to the findings from DFP's Review.

Stage 2

3. Following confirmation of the Executive's future budget process, to review the resources available for assisting Assembly statutory committees and members in undertaking budget and financial scrutiny and to put forward a set of practical recommendations for enhancing the capacity of the Assembly in this regard.

Stage 3

4. To review the processes for the in-year monitoring of departmental expenditure by the Assembly and its statutory committees, with a view to making recommendations to further improve the operation of the processes and to facilitate more effective scrutiny. This review to take place after the end of the current financial year, when the statutory committees and their respective departments will have experience of operating the recently introduced format for monitoring round information.

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2 July 2008
10 September 2008
15 October 2008
22 October 2008 (unapproved)

List of Abbreviations used in the Report

AER	Annual Evaluation Report
BEL	Budget Expenditure Lines
CAL	Committee for Culture, Arts and Leisure
CFP	Committee for Finance and Personnel
CIPFA	The Chartered Institute of Public Finance and Accountancy
CSG	Consultative Steering Group
CSR	Comprehensive Spending Review
DEL	Department for Employment and Learning
DFP	Department of Finance and Personnel
DPR	Departmental Position Reports
DRD	Department for Regional Development
EDF	Executive Programme Funds
EPR	Executives Position Report
FIAG	Financial Issues Advisory Group
GDP	Gross Domestic Product
HLIA	High Level Impact Assessment
HMT	Her Majesty's Treasury
ISNI	Investment Strategy Northern Ireland
MEGs	Main Expenditure Groups
MLA	Member of the Legislative Assembly
MSP	Member of the Scottish Parliament
NI	Northern Ireland
OECD	Organisation for Economic Co-operation and Development
OFMdFM	Office of the First and deputy First Minister
PDC	Public Dividend Capital
PfG	Programme for Government
PFI	Private Finance Initiative
PKF	Parnell Kerr Foster
PPP	Public Private Partnership
PSA	Public Service Agreements
RoI	Republic of Ireland
RoS	Registers of Scotland
RRI	Reinvestment and Reform Initiative

SPAs	Spending Programme Areas
SPIC	Scottish Parliament Information Centre
SPS	Scottish Prison Service
SWBG	Scottish Women's Budget Group
UK	United Kingdom
USA	United States of America
WCF	Welsh Consolidated Fund

Executive Summary

The scrutiny of public expenditure is a vital parliamentary function, which has been a significant feature of business in the Northern Ireland Assembly in both the current and previous mandate. This report contains the output from the first stage of a three-stage 'Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure', which the Committee for Finance and Personnel commenced in July 2008. The overarching aim of the Inquiry is to maximise the Assembly's contribution to the Northern Ireland budget process and enhance the role of Assembly statutory committees and members in budget and financial scrutiny.

The Committee framed the terms of reference for its Inquiry to complement and contribute to a parallel 'Review of the NI Executive Budget Process' which the Department of Finance and Personnel (DFP) commenced in May 2008. The Committee's work would focus on the internal arrangements within the Assembly and between the Assembly and the Executive; whereas the DFP Review would be wider in scope and would involve engaging a range of key stakeholders. Stage 1 of the Committee Inquiry would contribute to the DFP Review by identifying potential lessons from the budget scrutiny process in other applicable legislatures and by co-ordinating the views of the Assembly's statutory committees on the strengths and weaknesses of the 2007 budget process.

This report on Stage 1 of the Inquiry makes a range of recommendations to DFP, on behalf of the Assembly statutory committees. These include suggested improvements to the budget timetable and documentation, departmental budget submissions, and the plenary aspects of the budget process. The contributions from the committees are supplemented with research papers which highlight potential considerations for the DFP Review.

The research provided to the Committee has indicated both that the Assembly has a relatively strong committee system, including in terms of the powers of committees to undertake budget scrutiny, and that the budget scrutiny process in the first mandate compared favourably with other legislatures in terms of the opportunity for input by committees. The challenge now, therefore, is to establish a future process which builds on that which existed in the first mandate and maximises the contribution from elected representatives in the Assembly. The recommendations in this report aim to inform the ongoing DFP Review in this regard, with a view to seeing improved arrangements in place for the 2009 Budget process.

Key Recommendations

Arising from Stage 1 of its Inquiry, the Committee for Finance and Personnel makes the following recommendations to the Department of Finance and Personnel:

1. That a budget process is established which maximises the opportunity for Assembly committees to provide early input. The future process should include a stage similar to the Departmental Position Report/Executive's Position Report stage of the process in the first mandate, which should be timetabled to ensure completion before the Assembly goes into summer recess. (Paragraph 6)
2. That a set timetable is agreed to determine when departments will provide information to committees. (Paragraph 7)
3. That there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments' bids and their outcomes being published as part of the draft Budget process. (Paragraph 7)
4. That, in addition to information on bids for additional resources, there is a case for departments also providing their committees with a critical evaluation of the programmes and resources within their existing baselines, including how these support PfG priorities. (Paragraph 8)
5. That DFP should follow through on the recommendation in the PKF Review of Forecasting and Monitoring, published in June 2007, that the planning and budgeting process should move away from the existing incremental approach and towards a system which provides a transparent link between inputs and outputs. (Paragraph 8)
6. That supporting documents, such as departmental Efficiency Delivery Plans and Investment Delivery Plans, should be published alongside the draft Budget, PfG and ISNI documents and that these should be rigorous in detailing how and when the planned efficiencies and capital investments are to be achieved. (Paragraph 9)
7. That there should be a closer alignment between the PfG and the Budget documents; in particular a more visible linkage between PfG priorities and goals, PSA objectives and the allocations, departmental objectives and spending areas in budgets. (Paragraph 10)
8. That in the interests of transparency, the draft Budget and ISNI documents should include information on the extent to which the overall capital investment will be based on anticipated PFI, the extent to which the capital allocations for individual departments will draw on RRI borrowing, together with accumulated debt under RRI and the projected level of loan charges during 2008-11. The Committee calls for this recommendation to be acted on in respect of future draft Budget and ISNI documents. (Paragraph 11)
9. That consideration should be given to streamlining the plenary aspects of the budget process to avoid repetition of debate, once the Assembly has approved the Budget. (Paragraph 12)
10. That, as part of its Review of the NI Executive Budget Process, DFP also takes on board the conclusions and recommendations contained in the attached responses from the other statutory committees to the questions posed by DFP on the 2007 budget process. (Paragraph 13)

Overview of Stage 1 of the Inquiry

Background

1. In July 2008 the Committee for Finance and Personnel agreed a terms of reference for an 'Inquiry into the Role of the NI Assembly in Scrutinising the Executive's Budget and Expenditure'. This would aim to maximise the Assembly's contribution to the NI Executive budget process and

enhance the role of Assembly statutory committees and members in budget and financial scrutiny. The Inquiry would have an inward focus on processes within the Assembly and between the Assembly and the Executive. It would also run in tandem with a wider DFP Review of the NI Executive Budget Process (Appendix 1). The Committee agreed that, given the internal focus of the Inquiry and the fact that DFP would be engaging with key stakeholders as part of its Review, the Committee would not seek external evidence from the public at this stage. Rather, the Committee decided to frame the terms of reference for its Inquiry to contribute to and complement the wider DFP Review.

2. Stage 1 of the Committee's Inquiry will contribute to the ongoing DFP Review of the NI Executive Budget Process by:

- a) examining the budget scrutiny processes in other applicable legislatures, for the purpose of identifying lessons for NI;
- b) co-ordinating the views of the Assembly's statutory committees on the strengths and weaknesses of the 2007 budget process; and
- c) reporting on the outcome of (a) and (b) to DFP by the end of October 2008.

3. The output from Stage 1 of the Inquiry, which was agreed by the Committee at its meeting on 22 October, is attached. As part of its deliberations, the Committee commissioned two papers from Assembly Research which are attached as Appendix 2. The first of the two research papers provides a comparative analysis of budget scrutiny in NI and other legislatures and highlights potential considerations for the ongoing DFP Review. The second research paper examines the ongoing review of the budget process in Scotland by the Scottish Parliament Finance Committee. Whilst the Scottish review has not been concluded, the research paper draws out some emerging themes which will help to inform DFP's Review of the process in NI. In commending both research papers to DFP for consideration, the Committee particularly recommends that the Department, in finalising its Review, takes account of any applicable findings and recommendations from the review of the budget process in Scotland.

4. To facilitate statutory committee consideration of the strengths and weaknesses of the 2007 budget process, DFP provided twelve questions for each committee to answer. The Committee for Finance and Personnel's full response to these questions is at Appendix 3. The Committee also co-ordinated the views of the other statutory committees and these have been included in full at Appendix 3.

Committee for Finance and Personnel Response

5. The key issues arising from the Committee for Finance and Personnel's response (Appendix 3) are as follows:

Budget Timetable

6. The Committee considers that the ability of statutory committees to influence budget decisions is greatest at the early stages of the budget cycle, a theme which is also emerging from the evidence to the Scottish Parliament Finance Committee's Review of the Budget Process in Scotland. The Committee therefore recommends that a budget process is established which maximises the opportunity for Assembly committees to provide early input. The future process should include a stage similar to the Departmental Position Report/Executive's Position Report stage of the process in the first mandate, which should be timetabled to ensure completion before the Assembly goes into summer recess.

Departmental Budget Submissions

7. The Committee would recommend that a set timetable is agreed to determine when departments will provide information to committees. The Committee also reiterates the recommendation in its Report on the Executive's Draft Budget 2008-2011, 'that there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments' bids and their outcomes being published as part of the draft Budget process.'

8. The Committee considers that, in addition to information on bids for additional resources, there is a case for departments also providing their committees with a critical evaluation of the programmes and resources within their existing baselines, including how these support PfG priorities. Related to this, the Committee calls on DFP to follow through on the recommendation in the PKF Review of Forecasting and Monitoring, published in June 2007, that the planning and budgeting process should move away from the existing incremental approach and towards a system which provides a transparent link between inputs and outputs.

9. The Committee believes that supporting documents, such as departmental Efficiency Delivery Plans and Investment Delivery Plans, should be published alongside the draft Budget, PfG and ISNI documents and that these should be rigorous in detailing how and when the planned efficiencies and capital investments are to be achieved.

Budget/Programme for Government Links

10. In its Report on the Executive's Draft Budget 2008 - 2011, the Committee recommended that there should be a closer alignment between the PfG and the Budget documents; in particular a more visible linkage between PfG priorities and goals, PSA objectives and the allocations, departmental objectives and spending areas in budgets. This is a theme emerging from the other statutory committee responses and, indeed, the Committee notes that the evidence to the ongoing Review of the Budget Process in Scotland is also suggesting the need for greater transparency and clarity in the linkage between spending and outcomes.

Capital Allocations in ISNI

11. In particular, the Committee considered that there was insufficient detail in the draft Budget document (and in ISNI) on the financing of the planned capital investment. The Committee recommended that in the interests of transparency, the draft Budget and ISNI documents should include information on the extent to which the overall capital investment will be based on anticipated PFI, the extent to which the capital allocations for individual departments will draw on RRI borrowing, together with accumulated debt under RRI and the projected level of loan charges during 2008-11. The Committee calls for this recommendation to be acted on in respect of future draft Budget and ISNI documents.

Plenary Process

12. The Committee considers that the focus for improving the plenary aspects of the budget process may need to be on the Supply Resolution debates and the plenary stages of the associated Budget Bills. In particular, consideration should be given to streamlining the plenary aspects of the budget process to avoid repetition of debate, once the Assembly has approved the Budget. This point was highlighted in the comparative research which the Committee commissioned.

Other Statutory Committee Responses

13. The responses from the other statutory committees on the strengths and weaknesses of the 2007 budget process are at Appendix 3. The key issues emerging from the responses, many of which reflect the aforementioned recommendations from this Committee, are summarised below. The Committee recommends that, as part of its Review of the NI Executive Budget Process, DFP also takes on board the conclusions and recommendations contained in the attached responses from the other statutory committees to the questions posed by DFP on the 2007 budget process.

Budget Timetable

14. The timetable for statutory committee scrutiny and public consultation on the Draft Budget was too short, though this was to a large extent unavoidable. In the year prior to the setting of a 3-year Budget, there needs to be intensive and early engagement (well before summer recess) on emerging priorities and departmental positions.

15. Committees should also be engaged annually on any review of PfG priorities (taking account of progress against PfG targets and the changing policy and financial environment) and subsequently in considering proposals for significant changes in budgetary allocations. It was considered that the publication of an annual report illustrating spend and delivery would greatly improve budget scrutiny. A similar theme, in terms of outcomes being assessed as a basis for going forward, was also highlighted in the comparative research provided to the Committee for Finance and Personnel.

Departmental Budget Submissions

16. There was a general difficulty in obtaining detailed information to enable sufficient scrutiny and prioritisation. Without information on costs it is impossible to determine where spending could be scaled back. The late finalisation of efficiency delivery plans and difficulties in identifying funding for cross-cutting priorities also posed problems. The Committee for Regional Development received bids in the DFP pro forma format and found this to be useful. There was a call for Departmental Position Reports to be reintroduced to provide advance appraisal and a basis for subsequent committee scrutiny.

Budget/Programme for Government Links

17. There is considerable room for improvement in the clarification, simplification and harmonisation of the terminology in the PfG, ISNI and Budget documents. The departmental objectives used to organise the Budget are at a different level to those in the PSAs. Aligning PSAs more closely with Budget documents would allow an assessment of what is to be achieved with the allocated funding and enhance Committee scrutiny. As PfG outcomes were not costed, it was difficult to assess the adequacy of bids. One Committee suggested a preliminary Assembly debate on the priorities in the draft PfG before commencement of the Budget process.

Bid Prioritisation

18. Whilst prioritisation of bids is considered essential, there was limited scope for manoeuvre once inescapable bids had been accounted for. Some bids were classified as 'inescapable' and others as 'committed.' It was unclear which had higher priority.

Impact of Committee Views

19. There was little evidence of issues raised by committees being addressed in the revised Budget and subsequently a call is made for a formal feedback mechanism to address post-

budget scrutiny (e.g. Departmental statements to the Assembly after the Budget has been passed).

Capital Allocations in ISNI

20. The period beyond the second year of the Budget and ISNI is only indicative. This is a less than optimal method of planning large capital infrastructure projects and makes it harder to achieve value-for-money as the market is not as well prepared as it might be. Given the importance of infrastructure investment in tackling social need, details of the geographical distribution of investment should be published with the ISNI. The important link between ISNI and capital realisations was also emphasised.

Cross-departmental Proposals

21. Consideration should be given to a system of financial incentives and penalties for the delivery of cross-departmental priorities. The large number of cross-cutting PSAs make it difficult for committees to monitor performance and relate it to the Budget. A more robust system is needed to identify measures to deliver cross-cutting priorities and for monitoring the level of funding allocated to them. The Committee for the Environment expressed concern at the lack of cross-departmental working in practice and the low priority placed on cross-cutting objectives by individual departments.

Public/Stakeholder Consultation Responses

22. Oral evidence from key stakeholders was useful for highlighting probable impact on services. However more time was needed to facilitate more appropriate stakeholder engagement.

Plenary Process

23. The Ministerial Statement on the Draft Budget is embargoed until the statement commences which does not give members an opportunity to contribute fully.

High Level Impact Assessments (HLIAs)

24. Whilst several committees did not see the outcome of the HLIAs, some who did expressed concern at the lack of quantifiable or challengeable information.

Committee Role

25. There may be a need for specialist resources to provide standing or ad hoc technical advice to support committees' challenge and scrutiny functions (an issue which the Committee for Finance and Personnel will consider during the next stage of its ongoing Inquiry).

Draft/ Revised Budget Documents

26. More information may be helpful for stakeholders in the public consultation. It should be clearer how changes in resources relate to changes in priorities and new interventions being supported by Budget allocations should be explicit.

Next Steps

27. Following a briefing from DFP officials on 12 November 2008, the Committee for Finance and Personnel will consider and respond to the findings from DFP's Review. Once the Executive's future budget process has been confirmed, the Committee will undertake Stage 2 of its Inquiry: 'to review the resources available for assisting Assembly statutory committees and members in undertaking budget and financial scrutiny and to put forward a set of practical recommendations for enhancing the capacity of the Assembly in this regard.'

Appendix 1

Terms of Reference for Department of Finance and Personnel's Review of the Northern Ireland Executive Budget Process

Terms of Reference for DFP Review

DFP Review of NI Executive Budget Process

Terms Of Reference

Background

1. Upon the restoration of devolution, in May 2007, the incoming Finance Minister assumed responsibility for a Budget process that had started a considerable time before, under the oversight of direct rule Ministers. However in the period between May and October the Finance Minister was able to draw up spending proposals for the next three years, in consultation with his Ministerial colleagues that were approved by the Executive as basis for public consultation between October and January. In January a final set of Budget proposals were approved by the Executive and Assembly.

2. While this reflected a successful outcome for the first Budget process conducted under the new Executive and Assembly, the Finance Minister has concluded that it would be valuable to review the processes (as distinct from the outcomes) followed during this first exercise to ensure that he and his officials in DFP can make improvements where appropriate before the next local Budget exercise is carried out, most likely in 2009.

3. In light of the fact that there will not be a national Spending Review in 2008, and hence that there will be limited, if any, additional resources available for allocation in 2009-10, the Executive agreed on 13 March 2008 that there should not be a substantive local Budget process this year, but instead a strategic stocktake of the position in the autumn. This provides some time and capacity within DFP to undertake the above review of the Budget process followed last year.

Objectives

4. The overall objective of the review is to consider the arrangements for future Budget processes; to seek to further improve and embed the linkages between spending allocations, and the Programme for Government (PfG) and to establish stronger and more explicit linkages between the allocation of funding to Departments and the delivery of outcomes approved by the Executive. The review will also look at future arrangements for direct public engagement, in the context where elected representatives in the Assembly now have a direct input to the Budget process, and ultimate responsibility for approving the Budget outcome.

5. The review will consider and make recommendations in the following areas:

- Linkage between Budget process and Programme for Government;
- Management of capital investment proposals;
- Engagement by departments with Statutory Committees of the Assembly;
- Supporting evidence to be provided by departments for the Budget process and in particular the content of spending proposals;
- Scope for greater cross-departmental co-operation in the funding of services;
- Consultation on draft proposals, including consultation with the statutory Committees of the Assembly; and,
- The integration of Statutory Equality and Anti-Poverty considerations within the Budget process.

Methodology

6. The review will seek the views of Departments and key stakeholders regarding the strengths and weaknesses of the most recent process. The Finance and Personnel Committee, in particular, has indicated a keenness to be involved at an early stage in improving the Budget process. Although evidence will be sought from a range of sources the main input will be from structured interviews. It will also be important that the review considers the approach to the Budget process in the rest of the UK, focusing on the parallel devolved administrations in Scotland and Wales.

Output

7. The output of the review will be a report by DFP officials to the Finance Minister setting out an assessment of the process as well as recommendations for improvement.

8. It is intended the review will report by autumn 2008 in time to inform the preparation for the 2009 Budget process. A proposed timetable of the key milestones is attached in Annex A.

Review Team

9. The Review Team will be comprised of a small number of officials in Central Expenditure Division working under the direction of DFP senior management.

Department of Finance and Personnel May 2008

Annex A

Draft Timetable for the 2007 Budget Review

Key Milestones	Target Date
Gather evidence on Budget process in other regions focusing on Scottish, Welsh and Irish systems	End of July

Key Milestones	Target Date
Gather evidence on the strengths and weaknesses of 2007 Budget process from: Assembly Committees; Departments; and, key stakeholders	End of August
Produce a draft report for consideration by the Finance Minister	End of October
Report to the Executive	End of November

Appendix 2

Northern Ireland Assembly Research Papers

Research and Library Services



Research Paper

28/08/08

Comparative Analysis: Budget Scrutiny in Northern Ireland And Other Legislatures

Jodie Carson

Research Officer

Research Papers are compiled for the benefit of Members of The Assembly and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

Introduction

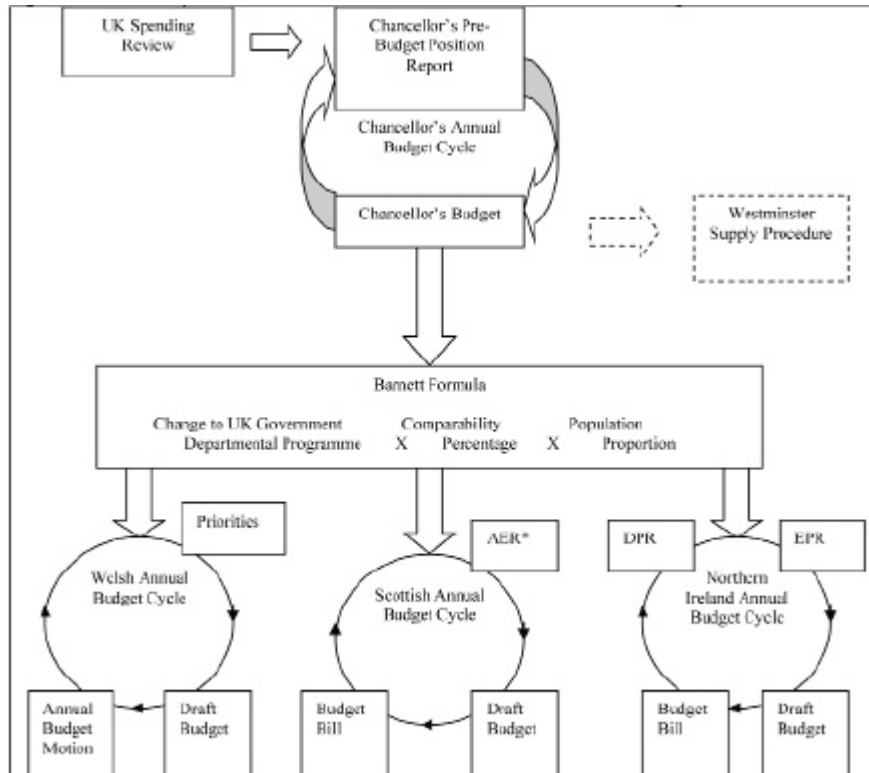
This paper carries out a comparative analysis of budget scrutiny processes in Northern Ireland, Scotland and Wales . It is intended to provide the necessary background to assist the Committee for Finance and Personnel in its contribution to the Department of Finance and Personnel's Review of the NI Executive Budget Process. The paper begins by highlighting the role of the legislature and committees in ensuring effective budget scrutiny. The scrutiny processes of the devolved administrations are then compared and a number of other considerations presented.

Background: The UK Budget Framework

Government funding in the UK devolved administrations continues to be determined by central Spending Reviews. However, the allocation of public expenditure across services is under the

control of the devolved administrations. The relationship between the Chancellor's Budget and those of the devolved administrations is depicted below:

Figure 1: Relationship between Chancellor's and devolved administrations' Budgets



* This stage in the Scottish Budget Process occurs during spending years only

1. Legislature / Committee Involvement: International Comparisons

Before examining the budget and scrutiny processes of the devolved administrations in more detail, this section considers the extent and duration of legislature / committee involvement in other regions. This provides a context within which to consider the processes in Northern Ireland, Scotland and Wales.

1.1 The Role Of The Legislature In Scrutiny

Legislative participation is becoming increasingly recognised as an essential component of effective budget scrutiny. Accordingly, there has been a recent resurgence in the influence of national legislatures therein. The role of a legislature in a budget process is to scrutinise and authorise revenues and expenditures, and to ensure the budget is properly implemented. If legislative participation is effective, it ensures essential checks, enhances openness, facilitates public debate, and provides a platform for wider input. In practice, a legislature's engagement in the budget process depends upon two factors: its powers of amendment, and the extent to which these are exercised:

1.1.1 Powers Of Amendment

The scope for legislature involvement is fundamentally dependent upon its powers of amendment. These are usually contained in a country's written constitution; however they might also be based on convention / parliamentary rules or determined by ordinary legislation.

Generally, greater powers of amendment enable more legislature influence. The extent (and effect) of legislature engagement in budget processes varies; whereas some legislatures actually formulate the budget, others approve executive budget proposals without changes. The figure below describes the different types of legislature involvement:

Figure 2: A Typology of the Budget Policy Impact of Legislatures

Budget-Making Legislatures have the capacity to amend or reject the budget proposal of the executive, and the capacity to formulate and substitute a budget of their own.

Budget-Influencing Legislatures have the capacity to amend or reject the budget proposal of the executive, but lack the capacity to formulate and substitute a budget of their own.

Legislatures With Little Or No Budgetary Effect lack the capacity to amend or reject the budget proposal of the executive, and to formulate and substitute a budget of their own. They confine themselves to assenting to the budget as it is placed before them.

Source: Wehner, J, Back from the Sidelines? World Bank 2004

In practice, the first category of legislatures, 'budget-making', is rare, (the United States is one example - congress determines its own budget policy and ascertains departmental spending and taxation measures accordingly). The majority of legislatures tend to approve the Executive's budget after making only minor changes. Known as 'Budget-influencing legislatures', these include Scandinavia, Republic of Korea, most of continental Europe and Latin America.

At the other end of the spectrum are legislatures with little or no budgetary effect; where the draft budget is generally approved without changes. In these Westminster-type parliaments any successful amendment to the budget is perceived as a vote of no confidence in the government. Examples include Australia, Britain, and New Zealand. Figure 3 summarises the powers of amendment in OECD countries:

Figure 3 Formal Legislative Powers to Amend the Budget in OECD countries

Rights	Number (%)	Countries
Unlimited powers to amend the budget	17 (56.7)	Austria, Belgium, Denmark, Finland, Germany, Hungary, Iceland, Italy, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovakia, Sweden, Switzerland, USA
Amendment powers, but no power to change totals	3 (10)	Czech Republic, Mexico, Poland
Powers to decrease proposed expenditure / revenues	2 (6.7)	Canada, United Kingdom
No amendment powers	1 (3.3)	Greece

Rights	Number (%)	Countries
Other	7 (23.3)	Australia, France, Ireland, Japan, South Korea, Spain, Turkey
Total	30 (100)	

Source: OECD, Budget Practices and Procedures Survey, (2007)

1.1.2 The Extent to Which Powers are Exercised

This is the second determinant of legislature involvement:

Figure 4 Does the Legislature Generally Approve the Budget Presented by Government?

Country	No changes	Minor changes	Significant changes
Australia	X		
Austria		X	
Canada	X		
Czech Republic			X
Denmark			X
Finland		X	
France		X	
Germany		X	
Greece	X		
Hungary			X
Iceland		X	
Ireland		X	
Italy		X	
Japan	X		
Korea (Republic of)		X	
Mexico		X	
The Netherlands		X	
New Zealand	X		
Norway		X	
Poland		X	
Portugal		X	
Spain		X	
Sweden		X	
Switzerland		X	
Turkey		X	
United Kingdom	X		

Country	No changes	Minor changes	Significant changes
United States			X
Total (%)	6 (22%)	17 (63%)	4 (15%)

Source: OECD, The OECD Budgeting Database, 2002

1.1.3 The Duration of Legislature Involvement

Generally, the more time allocated to scrutiny, the greater the legislatures' potential influence. This varies considerably between countries; in the US, Congress spends at least eight months debating the Budget, whereas other legislatures only have one month. The international experience suggests that a national legislature requires a minimum of 3-4 months for effective consideration of the Budget.

1.2 The Role of Committees In Scrutiny

Assemblies can be divided into two categories on the basis of the extent of committee engagement; 'working assemblies' are committee-orientated, whereas 'talking assemblies' are chamber-orientated. The House of Commons is an example of a talking assembly, whereas the American Congress is better defined as a working assembly.

A committee orientated (or 'working') system is defined as encompassing inter alia three functions :

- Consideration of bills and financial proposals;
- Scrutiny of government administration and past expenditure;
- Investigation of matters of general public concern.

The importance of effective committee systems in the budget process is becoming increasingly acknowledged. Some legislatures have a separate finance or budget committee dedicated to this purpose; the rationale for this is the avoidance of 'selfish' scrutiny by the Subject Committees. Figure 5 summarises the different budget-related committee systems in OECD countries:

Figure 5: What is the committee structure for dealing with the Budget?

Lower chamber	Number	Percentage	Countries
A single budget committee formally considers all budget-related matters. Sectoral committees may make recommendations, but the budget committee does not have to follow them.	12	40.0	Denmark, Finland, Germany, Greece, Iceland, Italy, Japan, Luxembourg, Poland, Portugal, Slovakia, Switzerland
A single budget committee formally considers the budget, but members from sectoral committees attend meetings of the budget committee when expenditures in their specific areas are discussed.	3	10.0	Austria, France, Turkey
A single budget committee formally considers budget aggregates (total level of revenue and spending and their allocation to each sector) and sectoral committees formally consider spending for sector specific appropriations. Sectoral committees formally consider appropriations for each respective sector. No budget committee is in place or it provides technical assistance only.	7	23.3	Belgium, Czech Republic, Ireland, Norway, South Korea, Sweden, USA
No formal committee involvement, but committees may choose to consider aspects of the budget.	3	10.0	Hungary, Netherlands, United Kingdom
Other	0	0.0	—
Missing	4	13.3	Canada, Mexico, New Zealand, Spain
TOTAL	1	3.3	Australia
	30	100.0	

Source: <http://webnet4.oecd.org/budgeting/Budgeting.aspx>

1.3 Determinants of Effective Budget Scrutiny

The literature suggests that the effectiveness of committees in the Budget process depends on the following factors :

- The location of amendment powers, i.e. whether committees have powers of amendment
- Time allocated to committee debate relative to total time available for Budget consideration;
- Committee involvement, i.e. which committees are involved in the budgetary process and the relationship between them
- Access to independent research capacity and analysis by specialised research staff enables effective scrutiny
- Access to departmental information should be timely and should comprise that on the implementation and impact of the current Budget and the development of future Budgets.

2. Comparative Analysis - Northern Ireland, Scotland and Wales

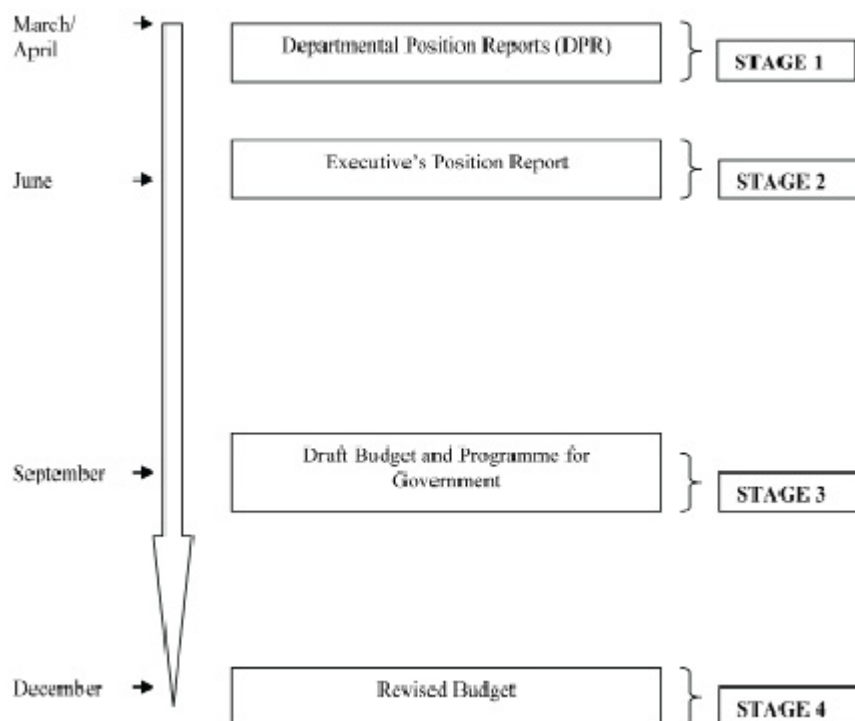
This section presents information on the comparative practices of budget scrutiny in Northern Ireland and the other UK devolved administrations. The Republic of Ireland (ROI) is excluded from the analysis since the relatively weak budgetary powers held by the Dail render it less applicable. Parliamentary involvement in the Irish budget is limited; the Cabinet's proposals cannot be amended and committees' scrutiny is limited – the most influential committee is the Public Accounts Committee, which is concerned ex post budget execution rather than the ex ante budget .

Accordingly the comparative analysis is restricted to a consideration of budget scrutiny in Northern Ireland, Scotland and Wales.

2.1. The Budget in Northern Ireland

The Budget process in Northern Ireland consists of four stages; it is summarised in the diagram below:

Figure 6: The 'Normal' NI Budget Process



2.1.1 The Role of Committees During the Budget Process

The role and remit of committees within the Northern Ireland Assembly are set out in the Belfast Agreement; the Northern Ireland Act 1988; and the Standing Orders of the Northern Ireland Assembly. Statutory Committees have a statutory duty to scrutinise the departmental budgets as set out in paragraph 9 of Strand One to the Belfast Agreement :

"(Committees) will have a scrutiny, policy development and consultation role with respect to the Department with which each is associated, and will have a role in initiation of legislation."

Amongst the powers granted to committees are those to:

"...consider and advise on Departmental budgets and Annual Plans in the context of the overall budget allocation..."

The committees are involved at various stages:

- Departmental Position Reports (DPR) mark the first stage of the process, which occurs in March / April. Committees have an opportunity to receive an oral or written briefing from their department and consult upon the DPR. Following the period of consultation, committees provide feedback to their department, who then submit DPRs to DFP in April.
- The Executive's Position Report (EPR) is issued jointly by DFP and OFMDFM in June. The EPR summarises each department's position report and allows for consultation with committees, etc. in advance of the preparation of the Draft Budget and Programme for Government. This is the stage to reflect upon the relative priority attached to different

policies and programmes, and the scope for reducing services or improving them through efficiency improvements. The committees are briefed by departmental officials once again, and consult as they see fit. CFP coordinates committees' responses to the EPR and submits these to DFP in August.

- The Draft Budget and Draft Programme for Government (PfG) are produced in September. The PfG provides an overview of the strategic issues to be addressed by the Executive and determines resource allocation decisions. At this stage the Executive consults with committees and the general public on both documents. CFP coordinates committee responses, initiates a 'take note' debate in the Assembly in mid-November and publishes a report at the end of November.
- The Revised Budget is introduced by the Minister of Finance and Personnel in mid-December. Once this is agreed by the Assembly the scope for committee involvement is more limited:
- The Budget Bill No. 1 incorporates Spring Supplementary Estimates and Vote on Account, and is introduced in the Assembly in February. There is limited opportunity for any amendments at this stage; the bill must reflect the figures agreed in the Revised Budget and mirrored in the Main Estimates/Supply Resolution.
- The Budget Bill No. 2 incorporates the Main Estimates and Supply Resolution, and is introduced in the Assembly in June. Again, there is limited scope for amendment. Both bills may proceed by accelerated passage subject to the provisions of Standing Order 40 (2); this provides that accelerated passage is acceptable if the Chairperson of CFP (or someone acting on his/her behalf) can confirm that they are content that sufficient consultation has taken place.

Committees have additional scope for budget scrutiny at quarterly monitoring rounds and in assessing progress in the achievement of PfG targets and Public Service Agreements (PSAs). They are also afforded the opportunity to scrutinise departmental bids for Executive Programme Funds (EDFs) and particular business areas within their respective department.

The Committee for Finance and Personnel is specifically responsible for coordinating budget scrutiny by the Assembly. The following specific steps were taken to facilitate scrutiny of Draft Budget 2008-11 :

- Provision of an information seminar for MLAs and officials on the 'Assembly's Role in the Annual Budget Process'
- Commissioning the views of the other Assembly statutory committees on the draft budget allocations for their respective departments;
- Receiving a briefing on the draft Budget by the Minister;
- Taking evidence from DFP officials on strategic and cross-cutting budgetary issues;
- Tabling a motion for a 'take note' debate in plenary on the Draft Budget;
- Publishing a coordinated report on the draft Budget on behalf of all the Assembly statutory committees.

2.1.2 Perceived Shortcomings of the Most Recent Process

In its "Report on the Executive's Draft Budget 2008-11", the Committee for Finance and Personnel (CFP) highlighted a number of perceived shortcomings with the recent budget process. Associated recommendations are outlined below:

- “The Committee echoes the call, made by a number of the Assembly statutory committees, for a closer alignment between the revised Budget and the revised PfG a more visible linkage is required between PfG priorities and goals, PSA objectives and the allocations, departmental objectives and spending areas in the Budget”.
- “The Committee considers that there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments’ bids and their outcomes. ...as part of the draft Budget process.”
- “The Committee considers that the future budget process and timetable needs to be settled early in 2008 to enable the Assembly statutory committees to schedule the necessary scrutiny into their work programmes.”

2.2. The Budget in Wales

The Budget process in Wales was recently amended by the Government of Wales Act, 2006. This section outlines the stages of the process, per the original Act, and highlights the key implications of the new legislation.

2.2.1 The Budget Process under the Government of Wales Act 1998

The Budget process provided for by the 1998 Government of Wales Act was designed to enable the Assembly to distribute block grant resources according to spending priorities. This was achieved by plenary voting to approve the Budget proposed by the Finance Minister. The three stages of the process were as follows :

- Stage One – Consultation on spending priorities. Per Standing Order 21.2, Subject Committees were invited to submit their views on expenditure priorities for the forthcoming budget period.
- Stage Two – Draft Budget. Standing Order 21.3 required the Finance Minister to lay a draft budget (consisting of proposed allocations for the budget period) before the Assembly prior to 15 November and to table a take note motion.
- Stage Three – Final Budget. Per Standing Order 21.4, the Finance Minister was obliged to lay a final budget before the Assembly prior to 10 December and table a motion that it be adopted by the Assembly. A supplementary budget could be tabled prior to the end of the financial year, identifying any changes to the final budget .

In terms of Budget presentation, documents showed allocations across a series of Main Expenditure Groups (MEGs) which broadly corresponded to Ministerial Portfolios. MEGs were then delineated into Spending Programme Areas (SPAs) and these were further sub-divided into Budget Expenditure Lines (BELs). These delineations did not strictly operate as control totals; Standing Orders 21.6 and 21.7 stipulated that only changes to the Main Expenditure Groups required the approval of the Assembly in plenary.

With regards to Budget scrutiny, Standing Order 21 required committees to undertake specific functions at pre-determined points in the cycle. The main role of committees was the expression of priorities in May/June and consideration of the Draft Budget in October/November . Following completion of the Draft Budget stage, Standing Orders required no further input from Subject Committees. However, under Standing Order 9.7(ii), Subject Committees were required to “keep under review the expenditure and administration connected with” policies within their portfolio.

2.2.2 Changes Arising from the Government of Wales Act 2006

Budget scrutiny under the 1998 Act was constrained by the fact that committees, and their operation, were required to reflect Ministerial portfolios. Furthermore, committees ability to effectively scrutinise was considered to be compromised by difficulties in 'reading across' from the beginning (the Assembly budget) to the end (National Assembly of Wales Resource Accounts). In 2006, a Welsh Assembly School Funding Committee report recommended that :

"To improve transparency and budget scrutiny, the Assembly Government should make arrangements to permit relevant committees to scrutinise the local government finance budget..."

The Government of Wales Act 2006 provided the National Assembly with the means to adapt Standing Orders to enable the implementation of the committee's recommendation . Under the 2006 Act, the reconstituted Welsh Assembly no longer has executive functions; these are conferred directly on Ministers. Part 5 of the 2006 Act made Ministers accountable to the Assembly for the exercise of executive functionsrequires them to obtain Assembly approval for the use of resources.

To facilitate the new arrangements, the act created a Welsh Consolidated Fund (WCF), which is a bank account held with the Paymaster General. The block grant from the Secretary of State is paid into the WCF and amounts may only be issued if the Assembly has passed a budget motion to that effect .

2.2.3 Key Implications for Budget Scrutiny

The budget motion requirement of the 2006 Act and the creation of the WCF strengthened the role of Assembly members in relation to the Budget; essentially they have enhanced powers of amendments. From the 2007-08 financial year onwards, Members authorise the drawdown and use of resources for purposes outlines in the resolution. This is a considerable transition from their previous role (per the 1998 Act) of adopting allocations proposed by the Government .

Another amendment which is intended to improve scrutiny is the fact that the 2006 Act requires Budget motions to be submitted in a form that is comparable with the eventual resource outturn; they must set out:

- The amount of resources which may be used in the financial year for the services and purposes set out in the motion;
- The amount of accruing resources that may be retained to be used on the services / purposes specified (rather than being paid into the WCF);
- The amount which may be paid out of the WCF in the financial year for the services and purposes specified.

In terms of committees' involvement, Standing Order 12.1 of the third Assembly states that :

"There must be scrutiny committees with power within their remit to examine the expenditure, administration and policy of the government and associated public bodies."

The Business Committee is responsible for determining titles of / remits for committees and ensuring that:

"...every area of responsibility of the government and associated public bodies is subject to the scrutiny of a scrutiny committee"

The role of the Finance Committee is to consider, and report on:

- Any report or document laid before the Assembly containing proposals for the use of resources, including budget motions and supplementary budget motions;
- The estimates of income and expenses prepared by the Ombudsman;
- The use of resources and payments out of the WCF.

Additionally, the Finance Committee may choose to comment on the timetable for the consideration of budget proposals / motions.

The Scrutiny and Finance Committees have the opportunity to input at the draft budget stage of the Budget process. There is no opportunity for plenary debate until the Finance Committee has produced its report on the Draft Budget (within 4 weeks of introduction). Subject committees can consider the draft budget and make related recommendations to the Finance Committee (within 2 weeks). In its report, the Finance Committee may recommend (net zero) changes to the Draft Budget

The Assembly must then consider (within 2 weeks) a take note debate. Amendments to the motion may only be tabled if they are net zero proposals. An annual budget motion is then tabled on or before the 3 December. It is not possible to table any amendments at this stage; Members' options are limited to abstaining, or voting to support or oppose the motion to authorise the budget as it stands.

2.3 The Budget in Scotland

The budget process in Scotland originates from the recommendations of the Financial Issues Advisory Group (FIAG) . The process is based on a two year cycle, centred around the biennial spending review. In spending review years, the process is a three stage one; however in non-spending review years (when there are limited amendments to the budget) the first stage is omitted.

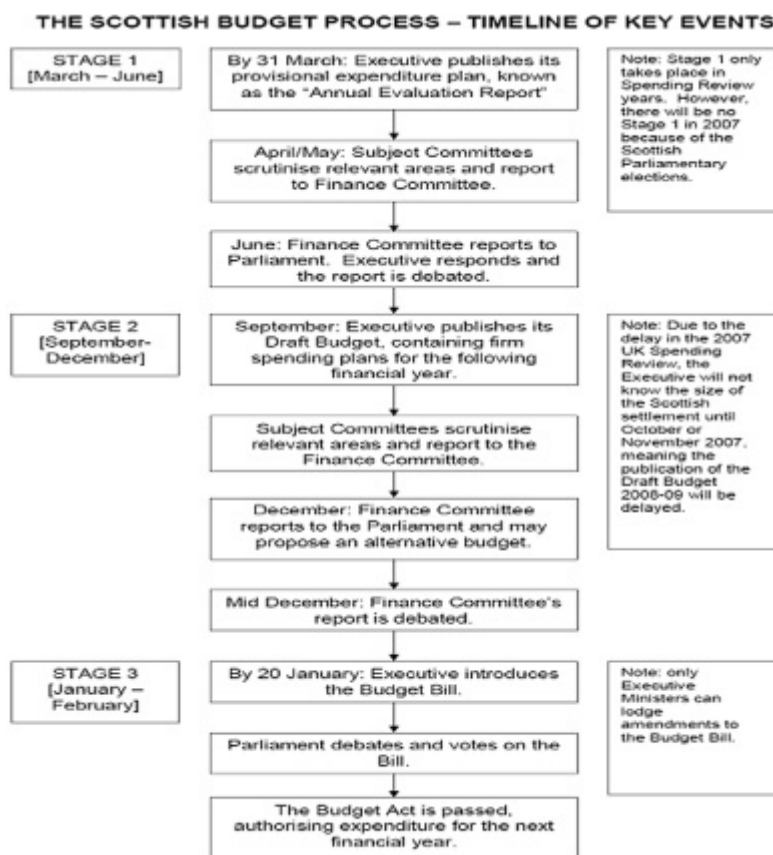
The three-stage process is as follows (and is summarised in Figure 4 below):

- Stage One – Annual Evaluation Report (AER). The AER (which, as stated above, only occurs in spending review years) focuses on strategic issues and provisional spending plans. The document includes a performance report which shows progress against targets from the previous spending review. This is a consultation document to which committees, the public and outside bodies are invited to respond. The Finance Committee co-ordinates the responses and produces a report which is debated in June.
- Stage Two – Draft Budget. Responses received in Stage One are considered and spending plans prepared accordingly. The Draft Budget is published in September / October . Once again, parliamentary committees are consulted for their opinion; Subject Committees assess whether or not the relevant recommendations, (per Stage One), have been incorporated and report their findings to the Finance Committee. The Finance Committee can propose changes to the Budget at this stage (this may contain proposals for an alternative budget– provided that the changes have a zero net effect on expenditure levels). Parliament then debates a motion tabled by the Finance Committee on its report.
- Stage Three – Budget Bill. The final stage of the process provides parliamentary authority for spending in Scotland for the following financial year. The Budget Bill must be introduced by 20 January each year and the has three stages in itself (as with other Scottish legislation), however given the level of scrutiny at stages 1 and 2 of the process

it is passed more quickly than other bills. Only members of the Scottish Government can propose changes to the Budget Bill. Despite this, Parliament can vote down the Bill in its entirety at Stages 1 or 3 of the Bill process. If the Budget Act is not in place by the end of the financial year, the Public Finance and Accountability Act allows for expenditure to continue at the same rate as the previous year for previously approved projects

The timings of the different stages of the Scottish budget process are occasionally affected by proceedings at Westminster. Stage 1 of the Budget Process did not occur in 2007, despite it being a Spending Review Year, due to the postponement of the 2006 Comprehensive Spending Review until 2007 and the clash with Parliamentary elections. The delayed publication of the UK Spending Review also meant that the Scottish Spending Review and Draft Budget were not published until published on 14 November 2007.

Figure 7: The Scottish Budget Process Summarised



Source:
<http://www.scottish.parliament.uk/s3/committees/finance/budget/documents/TimelineOfKeyEvents1.pdf>

2.3.1 The Role of Committees and the Parliament in Financial Scrutiny

Post devolution, committees gained a remit to consider financial proposals and administration of the Scottish Executive which relate to or affect any competent matter. Resultantly, subject Committees are responsible for scrutinising the relevant section of the AER and for scrutinising the draft budget.

The scrutiny process involves seeking written and oral evidence from Ministers, senior officials and other individuals and organisations. The Scottish Ministers report (to Parliament) the results of any public consultations on expenditure proposals. The Finance Committee is responsible for co-ordinating other committees' responses and reporting to the Parliament. The roles of the Finance and other committees during the various stages of the budget are as follows:

2.3.1.1 Stage One

Parliament takes a strategic look at this stage, consults with the public and makes recommendations to the Executive. To ensure that Parliament is sufficiently informed, the Scottish Ministers undertake to submit a provisional expenditure plan by the 31 March each year. Committees comment on their respective allocations. This stage is essentially a matter for Parliament, however Ministers endeavour to facilitate any committee requirements for information. Subject committees submit their responses to the Finance Committee, whose report is submitted and subsequently debated in plenary.

2.3.1.2 Stage Two

At this stage, Parliament assesses whether the Executive has incorporated the input provided at stage one. The Finance Committee again co-ordinates responses on expenditure proposals and produces a report. The Finance Committee has the authority to propose an alternative budget at this stage, provided that the total spend is the same as under the existing budget. Other committees can also table motions and amendments at this stage – the Parliamentary Bureau determines which are put forward for consideration by the Parliament.

2.3.1.3 Stage Three

Given the extent of pre-legislative scrutiny, the passage of the Budget Bill is accelerated. Only a member of the Executive can propose amendments at this stage of the process. Parliament can not vote on the Budget bill until 20 days have elapsed from the date it was presented, but must do so within 30 days . Parliament votes to pass or reject the Bill in its entirety.

2.3.2 Recent Development: Alternative Proposal Powers Exercised

The Scottish Finance Committee recently exercised, for the first time, its power to propose an alternative budget. There had been a previous incidence of a substantive alternative budget proposal in the past (the proposal was that additional funding be allocated to compensating Hepatitis C victims), but this deemed to be lacking an evidence base and thus not accepted by the committee.

The recent amendment proposal was that the level of police recruitment be increased beyond that being proposed. The Finance Committee put it to the Government to determine where associated reductions in expenditure might be made. When the Budget Bill was passed by the Parliament, an extra £10 million was allocated to police recruitment and an additional £4.3 million to "address climate change" (this was not recommended by the Finance Committee). Refer to Annex 1 for further details – the letter from the Cabinet Secretary outlines the full list of changes.

2.3.3 The Ongoing Review of the Scottish Budget Process

In November 2007, the Scottish Parliament agreed that the processes of, and resources available for, financial scrutiny should be reviewed . Central to the review is a reconsideration of the

provision for the Finance Committee to put forward alternative budget proposals and the capacity/resources needed to exercise this. Other specific issues under consideration include:

- The best way to organise scrutiny of the Draft Budget
- The best way to deal with any delays in future UK Spending Reviews
- The balance of responsibility between the subject and Finance committees
- Is the time currently available for scrutiny adequate?
- Would there be merit in having a "Parliamentary Budget Office"?

2.4 How Does Northern Ireland Compare?

As highlighted in Section 1.3 the literature suggests that committees' effectiveness in the Budget process is determined by :

- The location of amendment powers, i.e. whether committees have powers of amendment
- Time allocated to committee debate relative to total time available for Budget consideration;
- Committee involvement, i.e. which committees are involved in the budgetary process and the relationship between them
- Access to independent research capacity and analysis by specialised research staff enables effective scrutiny
- Access to departmental information should be timely and should comprise that on the implementation and impact of the current Budget and the development of future Budgets.

Accordingly, the table below assesses how Northern Ireland compares in each of these areas:

Figure 8: Determinants of Effective Scrutiny: Comparative Analysis

Factor	Comparative Position in NI
The location of amendment powers	<p>Unlike in NI (and Wales), the Scottish Finance Committee can suggest an alternative budget at stage 2 of the process. In this respect, the Scottish committee has greater powers of amendment.</p> <p>The NI Draft Budget is produced in September and the CFP report must be completed by the end of November. The Committee for Finance and Personnel has recommended that:</p>
Time allocated to committee debate	<p>"...the future budget process and timetable needs to be settled early in 2008 to enable the Assembly statutory committees to schedule the necessary scrutiny into their work programmes."</p> <p>However, the current schedule is the same as that in Scotland; the Draft Budget is introduced in September and their Finance committee reports at the end of November.</p> <p>In Wales, there is less time allocated to committee scrutiny of the Draft Budget; the Finance Committee produces its report within 4</p>

Factor	Comparative Position in NI
	weeks of introduction. Subject committees can consider the draft budget and make related recommendations to the Finance Committee (within 2 weeks). The Assembly must then consider (within 2 weeks) a take note debate and an annual budget motion is tabled on or before the 3 December.
Committee involvement	The Northern Ireland Assembly has a strong committee system. The remit of NI committees is broader than that of the Statutory Committees of the Scottish Parliament. Local committees have a policy development and scrutiny role linked to departments, and are charged with both 'advising and assisting' in the formulation of policy and 'considering and advising' on departmental budgets and plans. As in Scotland, the Committee for Finance and Personnel co-ordinates input from subject committees.
Access to independent research capacity	In Scotland, there is a budget for "external research" when the need arises. There is also a standing budget advisor and subject committees are entitled to appoint a budget advisor also. These facilities do not currently exist in Northern Ireland. (Stage 2 of the Committee for Finance and Personnel's inquiry will consider the issue of resources available to assist in budget scrutiny)
Access to departmental information	The CFP's report on Draft Budget 2008-11 highlighted the view of other committees that there: "...would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments' bids and their outcomes. ...as part of the draft Budget process."

3. Other Considerations

3.1 Lessons From (Ongoing) Scottish Review

Professor Arthur Midwinter (Budget Advisor to the Scottish Finance Committee) responded to the consultation on the review of the Scottish budget process, recommending that parliamentary input be strengthened by developing more relevant information. He distinguished between problems occurring in Stages 1 and 2 of the budget process and outlined problems / recommendations accordingly:

Stage 1

- Stage 1 of the Scottish budget process should occur every second year and focus on the Annual Evaluation Report (AER). This stage allows performance to be assessed against past targets and a consideration of future strategic priorities.
- Strategic priorities should be based on major crosscutting issues;
- The document should show how Executive's objectives have determined budgetary allocations
- Problem with current process: there is no direct link between budgets and outcomes
- A key objective of the Finance Committee is to scrutinise how the Executive's objectives are met by the budgetary allocations, so the Budget should clearly demonstrate the determination of allocations;

"In an effective outcome budgetary system...it would be expected to see clear and explicit logic links between high level outcomes, intermediate outcomes, output measures, actions, input measures and budget resources ."

- Systematic linkage and alignment between resources and results are highlighted as essential in enabling effective scrutiny;

Stage 2

Stage 2 is concerned with the authorisation of (or formulation of alternatives to) the Executive's detailed spending proposals .

- Professor Arthur Midwinter highlighted the fact that changes to the budgetary format, including the removal of certain information , made it more difficult to monitor changes. He suggests that this "makes it easier for the Executive to evade scrutiny"

Professor Midwinter is of the opinion that the Scottish Parliament has endorsed a Budget format which has reduced both the volume and transparency of budgetary information.

3.2 The Case For / Against Public Engagement in the Budget Process

There are pros and cons associated with permitting public involvement in budget scrutiny. The OECD suggests that, to ensure Budget transparency, the Executive should actively promote an understanding of the budget process by individual citizens and non-governmental organisations . Public hearings provide a structured approach to opening budget debate to experts from academia, civil society and the private sector. This transparency can also help to build trust in government .

However, critics argue that legislative deliberations should remain secret otherwise decision making will be relocated to other (private) forums, such as working groups. Nonetheless, there appears to be a lack of evidence to substantiate this claim; no legislature that has opened its proceedings to the public has subsequently reversed its decision to do so .

Public Engagement can be encouraged via passive or interactive approaches. Annex 2 outlines examples of how public engagement is encouraged / facilitated in other regions.

3.3 What does the Literature Prescribe for Strengthening Committee Involvement?

The literature suggests that the following specific reforms could be useful in strengthening committee involvement:

- Establishing a comprehensive system of financial committees;
- Introducing public hearings on the budget;
- Boosting the numbers of support staff; and
- Expanding the time for committee consideration of the draft budget in order to facilitate more in depth scrutiny

3.4 Other Potential Considerations for Northern Ireland

- Would there be merit in having an equivalent of the Scottish Stage 1 process, whereby outcomes are assessed as a basis for going forward?
- Should the resources available to the Assembly to assist in scrutiny be reviewed? For example, should a standing Budget Advisor be appointed? This consideration will be particularly important in the context of any potential increases in powers of amendment. (To be considered in more detail in stage 2 of the CFP inquiry)
- Is there scope (or a case) for rationalising the legislative process relating to the budget – there appears to be considerable duplication within the existing system.
- The publication of the Draft Budget occurs very soon after the completion of the DPR stage. Would there be merit in considering the feasibility of combining the DPR and DPR stages or increasing the time between DPR and Draft Budget?

ANNEX 1

Cabinet Secretary for Finance and Sustainable Growth
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E: scottish.ministers@scotland.gsi.gov.uk



Andrew Welsh MSP
Convener
Finance Committee
Scottish Parliament
Edinburgh
EH99 1SP

January 2008

I have today lodged amendments to the Budget Bill. However, given the presentation of the amendments, I thought it would be helpful if I provided an explanation to the Finance Committee of the difficult decisions we have taken to amend our spending plans following the Finance Committee report and having listened to members at the Finance Committee and in Parliamentary debates.

In summary:

- the Justice portfolio increases by an overall £8 million;
- the Rural Affairs and the Environment portfolio to increase by £4.289 million;
- the Finance and Sustainable Growth portfolio to reduce by £7.289 million; and
- the Health and Wellbeing portfolio to reduce by £5 million.

The amendments provide additional funding for two specific budget lines. The first provides an additional £10 million for police recruitment. The second provides an additional £4.3 million to address climate change.

The £10 million for 2008-09 for police will be followed by additional funding of £13 million in 2009-10 and £17 million in 2010-11. This overall package of a further £40 million over the three years, in addition to the £54 million already announced as a first step, will allow the direct recruitment of an additional 1,000 police officers by March 2011. This is in addition to substantial increases in capacity that we are expecting to see through improved retention and reinvestment of efficiency gains to support redeployment of officers to enhance operation policing in Scotland's communities.

For the purpose of the Budget Bill process, we need only consider the funding relating to 2008-09, and therefore, I set out below how we will fund that £10 million.

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.scotland.gov.uk



Firstly, we will reprofile the Prisons budget to release £2 million. SPS will seek to build on its excellent track record of delivering efficiency savings to deliver this budget adjustment. We will also closely monitor the prisoner population during 2008-09. Secondly, we will reduce the Motorways and Trunk Roads Network Strengthening and Improvement budget by £3 million. No major roads projects will suffer in terms of this budget amendment but it will have an impact on the timescale of delivery of structural road maintenance and the Intelligent Transport Systems 5 year action plan. Finally, we will reduce the eHealth budget by £5 million. We will do this by reprofiling the expenditure for this forthcoming strategy, which will improve patient safety and clinical outcomes, ensuring that IT systems support the delivery of modern healthcare.

The additional £4.289 million for climate change recognises the increased level of effort required within and outwith government to deliver our Greener Scotland commitments, including our ambitious climate change targets. Communities, for example, have a key contribution to make in tackling climate change: the additional funding will be used to further encourage communities to drive forward the climate change and sustainable development agenda. We will be working with a range of partners, including the third sector and community organisations, to support innovative initiatives to reduce carbon emissions. Providing additional resources in this way demonstrates the level of our commitment to tackling climate change and to achieving sustainable economic growth.

This will be funded by repayment by Registers of Scotland (RoS) of its Public Dividend Capital (PDC). The PDC was provided when RoS was set up as a Trading Fund in order to provide funding until it was generating sufficient income to cover its costs. As ROS has now achieved this, we are able to agree repayment of the PDC.

I hope that you find this explanation useful and look forward to the Stage 3 debate on the Budget Bill next week.

YL 27/1
Ja

JOHN SWINNEY

ANNEX 2

2.1 A Passive Approach as adopted by the Canadian Department of Finance:



Source: <http://www.oecd.org/dataoecd/24/51/39894468.pdf>

2.2 HM Treasury provides an example of a more interactive approach:

HM TREASURY

Spending review games: set your budgets

Home > Where is taxpayers' money spent? > Spending review game

What overall budget would you set for government spending up to 2010-11?

There has been steady growth in public spending in recent years, as the Government has delivered significant increases in resources for key areas such as health and education. By 2007-08, public spending is set to rise to over \$580 billion, equivalent to around 48 per cent of GDP.

If government spending was to grow in line with the overall economy, it would rise by around 6 per cent in real terms between 2008 and 2011. But you may decide it is better to grow spending at a slower rate, to build up surpluses for reduced years, pay back debt or reduce tax rates for individuals and businesses. Alternatively, given the challenges facing the UK and its public services in the decade ahead, you may choose to raise public spending more rapidly, which is likely to require increases in tax rates.

Set your budget:

2007-2008 total budget (£ billions)	Percentage change over 5 years (assuming continuation)	2010-2011 total budget (£ billions)
583	No change	632

[Proceed to spending review](#)

Source: <http://www.oecd.org/dataoecd/24/51/39894468.pdf>

2.3 The Canadian Minister for Finance invited citizens' input on-line:

Invitation by the Honourable Jim Flaherty, Minister of Finance, to Pre-Budget Web Consultations

February 7, 2007

As Minister of Finance, I welcome advice from Canadians on our country's economic and fiscal policies. This is particularly important as we prepare this budget and future budgets. Budgets must reflect the priorities of Canadian families and hard-working taxpayers.

Last year nearly 6,000 Canadians participated in the online consultation process. People provided a wide range of responses touching on everything from tax reductions to infrastructure investments. We are again looking for your ideas and insights as we prepare Budget 2007.

We also invited Canadians to participate in the development of our long-term economic plan called Advantage Canada. Advantage Canada sets out a bold and exciting course for a strong, united and outward-looking Canada. I encourage you to take a close look at this plan and other relevant information elsewhere on this site.

In closing, let me say Canada's New Government seeks to deliver a budget that is forward-looking and delivers results that can make a positive difference in your life and that of your family. I am confident your ideas and advice will help us build a stronger, safer and better Canada.

Thank you.

Source: <http://www.oecd.org/dataoecd/24/51/39894468.pdf>

2.4 'Next Ten' is an example of a non-governmental (educational website) approach:

Building Your General Fund Budget for 2011-12

The Challenge presents you with policy options that allow you to build your own state budget for 2011-12.

This is a simplified version of the state's General Fund budget. It has 7 spending categories and 4 revenue categories (shown in the 1st column).

The 2nd column shows the 2006-07 budget that has been adopted by state lawmakers.

The 3rd column shows what spending would look like 5 years from now if no policy changes are made.

California General Fund Budget (\$ in billions)		Year 5 budget projections (2011-12)	
Spending categories	2006-07 Adopted budget	Status quo	Your choices
K-12 Education	38.1	48.2	?
Higher Education	10.6	13.8	?
Medi-Cal & Healthy Families	14.0	19.0	?
Other Health & Human Services	15.7	20.2	?
Criminal Justice	10.5	13.0	?
Other Spending	9.1	10.8	?
Debt Service	4.1	6.9	?
Revenue categories			
Income Tax	52.0	71.2	?
Corporate Tax	10.3	14.0	?
Sales Tax	27.8	27.1	?
Other Revenue	4.4	5.5	?
Spending	102.1	129.7	?
Revenue	94.5	127.8	?
Deficit/surplus	-7.6	-1.9	?

The last column shows what the 2011-12 state budget would look like with your choices.

You can see a summary of the budget you are building at any time by clicking on "Summary/Details" in the far left menu.

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Research and Library Services



9 October 2008

The Scottish Parliament Finance Committee's Review of the Budget Process: Points of Interest for Northern Ireland

Research Paper prepared for the Committee for Finance & Personnel

Dr Robert Barry

In November 2007, the Scottish Parliament agreed that the budget process and the resources available for financial scrutiny should be reviewed. This paper describes the current budget process in Scotland, outlines in detail the issues to be considered by the Scottish Parliament Finance Committee in its review, and summarises the key points raised to date in written submissions and oral evidence sessions. Finally, it draws this body of evidence together into a summary of key points of relevant interest to the Northern Ireland Assembly Committee for Finance and Personnel to help inform its own review of the budget process in Northern Ireland.

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The Scottish Parliament Finance Committee's Review of the Budget Process: Points of Interest for Northern Ireland

Summary

In November 2007, the Scottish Parliament agreed that the budget process and the resources available for financial scrutiny should be reviewed. The review is being led by the Finance Committee and will examine:

- the principles underpinning the way each phase of the budget process is managed;
- the timetable for scrutiny and the opportunities for evidence to be taken;
- the relationships between subject committee scrutiny and the Finance Committee's role, including the means by which alternative spending proposals can be considered; and
- the resources available to support financial scrutiny.

This paper describes the current budget process in Scotland, outlines in detail the issues to be considered by the Scottish Parliament Finance Committee in its review, and summarises the key points raised to date in written submissions and oral evidence sessions. Finally, it draws this body of evidence together into a summary of key points of relevant interest to the Northern Ireland Assembly Committee for Finance and Personnel to help inform its own review of the budget process in Northern Ireland.

The key lessons that appear to be emerging from the Scottish Parliament's Review are as follows:

- 1) There is a clear need to influence the process at an early stage, as there is less scope for revision at the later stages of the process.

- 2) Subject Committees should have greater involvement in the process.
- 3) The entire process, including the linkage between spending and outcomes and the reconciliation of different sets of published figures, requires greater transparency and clarity.
- 4) More resources, including training and expert advice, are needed to support Members and Committees throughout the process.

The Scottish Parliament Finance Committee's Review of the Budget Process: Points of Interest for Northern Ireland

Introduction

In November 2007, the Scottish Parliament agreed that the budget process and the resources available for financial scrutiny should be reviewed ^[1]. The review is being led by the Finance Committee and will examine^[2]:

- the principles underpinning the way each phase of the budget process is managed;
- the timetable for scrutiny and the opportunities for evidence to be taken;
- the relationships between subject committee scrutiny and the Finance Committee's role, including the means by which alternative spending proposals can be considered; and
- the resources available to support financial scrutiny.

Current Budget Process

The current budget process is divided into three distinct stages, as recommended by the Financial Issues Advisory Group (FIAG) and confirmed by written agreements between the Finance Committee and the Executive. In short, the stages of the process are^[3]:

- an examination of the Scottish Government's future spending plans and priorities (Stage 1);
- detailed scrutiny of the Scottish Government's firm spending plans for the coming financial year (Stage 2); and
- the granting of formal Parliamentary authority for spending in the coming financial year (Stage 3).

Stage 1 only takes place in a Spending Review year unless there is a Scottish Parliamentary election, as in 2007. During Stage 1:

- The Scottish Government publishes its "Annual Evaluation Report" (AER). This looks at progress against targets and some provisional spending plans.
- The Parliament's subject committees make comments to the Finance Committee on the area for which they have responsibility (e.g. the Justice Committee scrutinises the Justice Department's spending plans).
- The Finance Committee then makes recommendations to the Government in its Stage 1 Report.
- The report is debated by the Parliament, usually in June.

- The Scottish Government responds to the Finance Committee's report in detail; and
- Individual Ministers respond as appropriate to subject committee reports.
- FIAG originally intended that Stage 1 of the process would take place on an annual basis. However, following the revision of the Written Agreement in 2005, it was agreed that Stage 1 would only take place in Spending Review years.

This change was made to reflect the central importance of the Spending Review cycle in setting spending plans. Spending Reviews set plans for three forward years (e.g. Spending Review 2007 set plans for 2008-09, 2009-10 and 2010-11) with the final year usually being the first year of the next Spending Review period. The change was primarily driven by recommendations from the Finance Committee and the subject committees. They pointed out that holding Stage 1 in non-Spending Review years resulted in a large amount of duplication in their work as there was little change in the figures. However, it was also based on the assumption that Spending Reviews would occur on even-numbered years (and thus not clash with Scottish elections).

The timings of the different stages of the Scottish budget process are occasionally affected by proceedings at Westminster. Stage 1 of the Budget Process did not occur in 2007, despite it being a Spending Review Year, due to the postponement of the 2006 Comprehensive Spending Review until 2007 and the clash with Parliamentary elections.

The main phases of Stage 2 are:

- The Scottish Government publishes its Draft Budget which contains firm spending plans for the following financial year, usually by 20 September.
- Subject Committees again scrutinise the area of the budget relevant to their remit and report their findings to the Finance Committee.
- At this point, subject committees can suggest alternative spending proposals to the Finance Committee (although these cannot increase the overall spend proposed by the Government);
- The Finance Committee publishes a report which can contain proposals for an alternative budget, but cannot increase the total spend proposed by the Government.
- The Parliament debates a motion lodged by the Finance Committee on its report.

The timetabling difficulties involved in Budget Process 2008-09 had an impact on Stage 2. The delay in publication of the UK CSR until October meant that the Scottish Budget: Spending Review 2007 document (which included the Draft Budget 2008-09) was not published until 14 November 2007.

The third stage of the process provides Parliamentary authority for spending in Scotland for the following financial year. The main points to note regarding Stage 3 are:

- The Scottish Government must introduce the Budget Bill by 20 January each year.
- While this is the third stage of the Budget Process, the Budget Bill also has three stages, in common with other Scottish Parliament legislation.
- As a result of the level of detailed scrutiny in Stages 1 and 2 of the budget process, the time allowed for passage of the Bill is shorter than for the passage of other bills.
- Only a member of the Scottish Government can propose amendments to the Budget Bill.
- Despite this, the Parliament can vote the Bill down in its entirety at Stage 1 or 3 of the Bill process.

- If the Budget Act is not in place by the end of the financial year, the Public Finance and Accountability (Scotland) Act 2000 allows for expenditure to continue at the same rate as the previous year for previously approved projects.

The suggested deadlines set out in FIAG's report have been followed in Standing Orders and in the Written Agreement. FIAG considered that this part of the process should be largely formal and that it was crucial, and a matter of good financial management, that the Budget Process allowed for the budget for the following financial year to be agreed some weeks before the year began (preferably by 14 February). This is regarded as essential to allow local authorities and grant-aided bodies (among others) to have enough time to finalise their own budgets. In addition, time is needed for the Budget Bill to receive Royal Assent after being passed by the Parliament.

Issues to be considered

The Finance Committee's consultation paper explains the process in detail, and identifies the key issues that the Committee will be considering as part of its review.^[4] The paper identified issues to be considered at each of the three stages of the budget process and also the key issues in relation to the resources available for financial scrutiny.

Stage 1 issues

FIAG considered Stage 1 to be crucial in engaging the people of Scotland with the Budget Process, through the evidence taken by subject committees. However, the UK Comprehensive Spending Review expected for 2006 was delayed until 2007. This had a knock-on effect on the Scottish Spending Review, meaning that there was an unavoidable clash between Stage 1 scrutiny of it and the Scottish Parliamentary elections in May 2007. The next Spending Review, and therefore Stage 1 of the Budget Process, is not expected to take place until at least 2009 - meaning a gap of at least five years since Stage 1 budget scrutiny last occurred in 2004.

The Committee asked the following questions in relation to Stage 1:

- What contribution does Stage 1 make to the scrutiny process?
- Should Stage 1 continue to take place in Spending Review years only?
- Should the Budget Process be linked to the UK Spending Review in this way?
- Is there a viable alternative to the current Stage 1 arrangements that would allow a strategic examination of future spending priorities?
- How do the current arrangements fit with the key principles of the Consultative Steering Group (CSG) and the Financial Issues Advisory Group (FIAG)?

Stage 2 issues

The Committee noted that, especially during a Spending Review year, time for Stage 2 is constrained on two sides – by the UK Government's timetable for publishing its Spending Review, and by the need to pass the Budget Bill by the end of the financial year. This means that there is limited scope for flexibility in the timetable for Stage 2 of the process. It has also been assumed that a gap should be allowed between Stage 2 of the budget process and the introduction of the Budget Bill, allowing the Scottish Government time to reflect and respond to any recommendations made at Stage 2. The Committee therefore asked the following questions in relation to Stage 2:

- Working within the constraints, what is the best way to organise scrutiny of the Scottish Government's Draft Budget?
- What is the best way to deal with any delays in future UK Spending Reviews?
- What should be the balance of responsibility between the subject committees and the Finance Committee?
- Is the time currently available for subject committee and Finance Committee scrutiny adequate?
- If not, the Committee would be interested to hear views on how much extra time should be set aside, and how that might be done, taking into account the constraints detailed above.
- Whether time should be set aside for more plenary debates alongside committee scrutiny?
- If so, what form should any extra debates take?
- At Stage 2, how should any plenary debates interact with committee scrutiny?
- For Budget Process 2008-09, the debate on the Finance Committee's report was effectively incorporated into the Stage 1 debate on the Budget Bill. This was done by necessity as there was not enough time to fit an extra debate into the Parliamentary timetable between publication of the Finance Committee's report and the deadlines set down in the Written Agreement and Standing Orders for the introduction of the Budget Bill. Should this practice of rationalising the two debates be continued in future years?

Both subject committees and the Finance Committee have the opportunity to put forward alternative spending proposals at Stage 2, although the Written Agreement says that these must be "zero-sum" (i.e. proposals to change the way spending is allocated, but remaining within the overall spend proposed by the Government by proposing corresponding reductions to off-set any proposed increases). There is no formal guidance on alternative spending proposals, although it is usually mentioned in the Finance Committee's guidance to subject committees. Although this mechanism has been used rarely in the past, various issues were raised regarding alternative spending proposals during the 2008-09 Budget Process.

The Committee asked the following questions in relation to alternative spending proposals:

- Do the scrutiny process and the timetable allow for sufficient opportunity to consider any alternative spending proposals?
- Does the system provide an appropriate balance between a desire for budgetary stability and an opportunity to influence change? A
- Although alternative spending proposals have usually been mentioned in the Finance Committee's "Guidance to Subject Committees" and in the Written Agreement, there is no detailed, formal guidance on their format. As part of this review, should guidance be developed or should there be something more binding?
- In relation to making alternative spending proposals, the Committee would be interested in views on how the impact of any proposals can be adequately assessed by Committees and whether sufficient resources are available to support this?

Stage 3 issues

FIAG originally intended the third stage of the process to be a formality, and for the bulk of Parliamentary scrutiny to take place at the earlier stages. On this basis, Stage 3 is subject to a tight timetable. The Committee therefore asked the following questions in relation to Stage 3:

- Whether there is sufficient opportunity earlier in the process for Parliamentary influence on the budget, thereby allowing the assumption that Stage 3 should be a short formal process to continue?
- Do the processes strike the right balance between a desire for budgetary stability and allowing reflection and opportunity to influence change?
- If there is not sufficient opportunity in the earlier stages, what could be done to change this balance?

Advice and resources

The Finance Committee currently appoints a standing budget adviser (currently on a two year contract) to offer independent advice to the Committee on its consideration of the budget process. For Budget Process 2008-09, for the first time, all subject committees also appointed budget advisers for Stage 2 of the process on a 15-day contract (this had happened on an occasional basis in the past). The previous Session's Finance Committee considered the provision of expert advice in its Legacy Paper and recommended that the present Committee give thought to how resources for financial scrutiny should be enhanced.

Due to the time restrictions around the formal budget process, the previous Committee concluded that one way in which subject committees could enhance budget scrutiny would be to build an element of financial scrutiny into any inquiry work throughout the year. The Committee therefore sought views on the following points:

- How well does the current system of budget advisers for individual committees operate in practice?
- What would the resource implications be if subject committees were to "mainstream" financial scrutiny in their inquiry work throughout the year?
- Would there be merit in having a "Parliamentary Budget Office" which could perform a similar role to that of the Congressional Budget Office in the USA (albeit tailored to the needs of the Scottish Parliament) by providing independent, technical advice on budgetary matters not only during the budget process but throughout the year?

Consultation Responses

Up until the end of June 2008, 13 written submissions were received (see list at Annex A) and oral evidence had been given by 13 witnesses (see list at Annex B)^[5]. The Committee agreed, on 23 September 2008, that it would consider a draft report at a future meeting.

Professor David Bell, the current budget adviser to the Finance Committee, also produced a discussion paper on the review which included the following key points:^[6]

- Stage 1 has been largely unsuccessful. There is a strong case for replacing it with a continuous process which is not at the mercy of the timing of UK Spending Reviews and Scottish elections.
- This new process would include a plenary debate held once during a parliament at a time when the government can both be tested against its stated strategic objectives and when it is still possible to influence its spending priorities before the next election.
- This new continuous process would involve ongoing collection and appraisal of relevant financial information and its distribution to subject committees. This should also make the Stage 2 process more effective.

- Support to the process might be provided by the Scottish Parliament Information Centre (SPICe) and/or the budget advisers. The funding might not have to come entirely from the Parliament.
- The process would establish links with Audit Scotland and possibly the Scottish Futures Forum.
- The timing of Stages 2 and 3 cannot be substantially changed. If the scrutiny processes are to be made more effective, the subject committees will have to work more efficiently. They will be aided in doing so, if they are able to use the additional resources described above. There might be a case for embedding the guidance to subject committees within the written agreement between the Finance Committee and the Scottish Government, so that subject committees are clear about what is expected of them before the process starts.
- Mainstreaming financial scrutiny would also require subject committees to give such activity higher priority.
- The Finance Committee should continue to be the lead committee for purposes of budget scrutiny.
- The issue of making the budget process more popular with MSPs, the media and the community might usefully be addressed in the review.
- More assistance should be available to those constructing alternative spending proposals, but until more is known about their popularity, it seems unnecessary to change the budget timetable.
- There should be no need to change the timing of Stage 3.
- A balance always has to be struck between fiscal discipline and the inclusiveness of the budget. In present circumstances, at Stage 2, increases in spending in one area cannot be made without reductions elsewhere. This constraint may make participants in the process feel powerless. For example, it would be difficult to understand this constraint from the perspective of an external body interested in a cross-cutting issue.
- This argument suggests that there is a real need for a replacement for Stage 1, where issues are treated in a more strategic fashion.

The submission from the Centre for Public Policy for Regions included the following key points:^[7]

- The Finance Committee's role of holding the Scottish Government to account is essential in the absence of a strong, independent scrutiny function within the administration.
- Challenging budget allocations over the spending review period increases the need to monitor the Government's progress in delivering its economic strategy.
- The local government concordat increases the need to hold the Government to account given the increased role local government now has in delivering the nationally-set economic targets.
- There is a growing need for the Finance Committee to look closely at what resources it can call upon to aid its effective scrutiny of the £30 billion spent on Scotland's public services.
- External scrutiny would be enhanced if the Finance Committee were to seek changes to a small number of operational issues that currently lead to inappropriate confusion and disagreement amongst commentators (e.g. more clarity required on treatment of depreciation in relation to DEL, reconciliation needed between spending plans and actual budgets, and more clarity required on underlying real terms trend in spending).

Professor Arthur Midwinter (former adviser to the Scottish Finance Committee) responded to the consultation on the review of the Scottish budget process, recommending that parliamentary input be strengthened by developing more relevant information. He also made the following recommendations:^[8]

- Stage 1 of the process should occur every second year, focusing on the Annual Evaluation Report (AER) to allow performance reporting against past targets.
- Strategic priorities should be based on major crosscutting issues.
- The document should show how Executive's objectives have determined budgetary allocations.
- There should be a direct link between budgets and outcomes.^[9]
- The current set of budget priorities is not fit for purpose. It does not provide a meaningful framework for resource allocation, and does not provide the analysis of spending allocations necessary for rigorous scrutiny by the Committee. A more systematic approach to setting strategic budget priorities is needed.
- There is considerable scope for improving both the rigour and the transparency of the budget document.

The Scottish Women's Budget Group (SWBG) argue for the retention and enhancement of Stage 1 with a view to establishing more effective scrutiny. They believe that this enhanced Stage 1 would provide the opportunity for MSPs and the public to put their views to subject committees at an early stage of the process.

In considering the role of the Finance Committee in an enhanced budget scrutiny process and the Committee's relationship with other Committees, SWBG recommends the following:

- The Finance Committee issues formal guidance at the outset of an enhanced Stage 1 to all subject Committees.
- In developing this guidance the Finance Committee should collaborate with the Equal Opportunities Committee, given their cross cutting strategic focus on equality. This would ensure sufficient consideration is given to equal opportunities which is essential for the purpose of enhancing the scrutiny process in line with an overall mainstreaming strategy.

SWBG further believe the practice of appointing budget advisers across all Committees should continue and that there would be merit in having a dedicated Parliamentary Budget Office. Such a formal resource could draw upon the current skill base and specialist expertise evident within SPICe.

The key consideration for SWBG is how the current review of the budget process will address the lack of progress to date in promoting a more gender aware approach to the national budget. Thus, SWBG deem a significant outcome of the Scottish Parliament's budget review process to be the implementation of measures designed to ensure that adequate and effective consideration is given to equality objectives throughout the budget process.^[10]

Professor Irvine Lapsley argues for caution in relation to removing Stage 1 from the process:^[11]

- The ethos of the Scottish Parliament is one of inclusion. The deletion of Stage 1 may run counter to this idea.
- The Subject Committees within the Scottish Parliament contain specialist expertise which should enhance the quality of budgetary scrutiny.

- There are issues of available time, capacity to interrogate, and prioritisation of Subject Committee business, which may undermine the effectiveness of Stage 1.
- The deletion of Stage 1 of the current budgetary process may lead to a narrowly focussed dialogue between the Finance Committee and Government. This would not enhance democratic accountability and would run counter to the idea of an open Scottish Parliament.

On the establishment of a separate Budget Office within the Scottish Parliament, Professor Lapsley points to potential recruitment and retention problems for the appropriate level of expertise, and also the duplication of existing expertise within the Scottish Government.

Professor Iain McLean addresses a number of the Finance Committee's questions as follows:^[12]

- Should Stage 1 continue to take place in Spending Review years only? Should the Budget Process be linked to the UK Spending Review in this way? Under 'Barnett', the Budget Process is inextricably linked to the UK Spending Review. Therefore there is no realistic alternative to continuing Stage 1 in Spending Review years only. The Scottish Parliament should seek an undertaking from HMT that it will not in future unilaterally alter the time-span of Spending Reviews.
- Is there a viable alternative to the current Stage 1 arrangements that would allow a strategic examination of future spending priorities? Very difficult under 'Barnett', because Scottish DEL is almost entirely a function of current English spending priorities. The Scottish Parliament has nobody whom it can ask about future English spending priorities.
- How do the current arrangements ^[at each stage] fit with the key principles of the CSG and FIAG? Badly, for the reasons given above.
- What is the best way to deal with any delays in future UK Spending Reviews? To ensure that they do not occur, by reminding UK Ministers and HMT that the entire budgeting process of the three DAs depends on Spending Reviews being punctual. A (poor) second-best would be to detach the publication of the Operations Manual from the Spending Review timetable. However, this change would not in itself alter the process of determining Scotland's DEL.
- Does the system provide an appropriate balance between a desire for budgetary stability and an opportunity to influence change? No, because stakeholders have no chance to propose alternative tax-and-spend packages.
- Would there be merit in having a "Parliamentary Budget Office" which could perform a similar role to that of the Congressional Budget Office in the USA (albeit tailored to the needs of the Scottish Parliament) by providing independent, technical advice on budgetary matters not only during the budget process but throughout the year? Yes.

The CIPFA submission included the following recommendations:^[13]

- With regard to the resources available to support the Parliament in its scrutiny work:
- CIPFA points out that many overseas Parliaments either use, or wish to use, independent experts during the budget process in order to avoid over-reliance on Government data and allow more independent scrutiny.
- The conclusions in the paper "Recreating Financial Scrutiny"^[14] was that the problem is not the Houses' (Commons/Lords) powers in financial matters but the ability and willingness of the Houses and members to scrutinise such matters in the degree of detail required to hold the Government to account. One way of increasing members' capacity for financial scrutiny would be to make more training available for them.

- Parliament should not design a budget system and budget timeline around the CSR timing difficulties of the previous year but instead create a sound timetable and be prepared to adapt it by exception.
- CIPFA point out that the OECD recommends that there should be at least 3 months for Parliamentary scrutiny.^[15]
- Budget documents should be presented in a way that enables Parliament to scrutinise the allocation of resources against Government objectives.
- Consideration should be given to the role of the Parliament and the committees in scrutinising progress against efficiency targets and the targets themselves should also be scrutinised.

Other recommendations were made by CIPFA in relation to budget documents (including the publication of a 'Pre-Election Report'), scrutiny of the implementation of legislation, local authority expenditure, and PFI contracts.

The Hansard Society based their submission on their 2006 report 'The Fiscal Maze: Parliament, Government and Public Money', which looked at the system of financial scrutiny in Westminster. Recommendations in this report included the following:^[16]

- Departmental estimates and spending plans should also be sent to select committees at the earliest possible date so that committees have the opportunity to examine them thoroughly before they are voted on in Parliament.
- There should be more opportunities for debate of these committee inquiries in the chamber. Select committee work on estimates and spending plans should link to other processes, such as debates and other inquiries.
- Spending reviews provide the ideal opportunity for Parliament to scrutinise government spending plans at both the macro and micro level and Parliament should become fully involved in the process leading up to these reviews.
- Parliament should be able to vote on transfers within departmental budgets.
- In the period between the Pre-Budget Report and the main Budget, Parliament should take expert and public evidence on the government's plans. It should make a case for the priorities it wishes government to consider, and ensure the government provides full information and explanation for its proposals.
- Financial legislation has not benefited from the procedural reforms which now give Parliament an opportunity to comment on and influence many draft bills. The entire Finance Bill should be subject to pre-legislative scrutiny by a parliamentary committee.
- The work of the Public Accounts Committee should be followed up more effectively through the introduction of a regular trigger for review of recommendations to assess their progress.
- Departmental annual reports should also include a specific section on progress made in implementing recommendations and the outcomes of the changes made.
- Most Parliamentarians are not financial experts and thus need the best possible support if they are to improve financial scrutiny. At Westminster, the work of the Commons Scrutiny Unit, introduced in 2002, provides valuable support to select committees. The Hansard Society recommended that this work should be built upon, either through an expansion of its role or through its evolution into a Parliamentary Finance Office to provide comprehensive support on all financial matters to individual parliamentarians and select committees.

- Parliament should provide a document which sets out the operation of financial scrutiny which is publicly available.
- The views and experiences of members of the public and interested groups should be sought and should feed into the parliamentary process.

The former Chair of FIAG, Peter Collings, provided some brief commentary on the three stages of the budget process. He pointed out that it was hard to see how a Stage 1 as envisaged by FIAG could work effectively in a year when there was no Spending Review and changes to expenditure plans were small.

On Stage 2, he noted that there were fewer suggestions from Committees regarding expenditure priorities than expected. He also said that the issue of alternative spending proposals was debated a great deal in FIAG but he thought it fair to say that nobody expected them to feature highly. The zero sum arrangement was intended to avoid amendments which allocated extra resources without saying where they should come from.

On Stage 3, he simply noted that it was seen as being about the Government putting its proposals to the Parliament for approval with active participation by Committees having been done earlier.^[17]

The Education, Lifelong Learning and Culture Committee noted that there were some long standing frustrations with regard to subject committee scrutiny of the Scottish Government's budget. These were related to wider issues of transparency and accountability. It was the Committee's view that it had been traditionally difficult to accurately track expenditure in a given year, partly at least as a result of the way in which the information is presented. The Committee considered that the Finance Committee should give thought to how the overall process could be improved to make it more transparent, and to make tracking expenditure more straightforward.

The Committee felt that the Scottish Government should be encouraged to respond positively to subject committees' suggestions for improvements to the way in which information is provided to support the scrutiny process. The Committee also felt that the budget process for 2008-09 had provided some additional difficulties, particularly with regard to tracking education spending by local authorities.^[18]

The Health and Sport Committee expressed the view that, given the time, advice and information available under the existing process, subject committees are limited in their ability to undertake anything other than the most superficial scrutiny of the budget. Other key points were as follows:^[19]

- The Committee felt that Stage 1 consideration is a crucial part of the budget process, offering subject committees the best opportunity to engage with external stakeholders and to influence spending priorities.
- In order to help overcome the current time constraint, the Committee suggests that consideration be given to reducing the amount of parliamentary time spent in plenary session during the Stage 2 period to allow an increase in the time available for committee scrutiny.
- The Committee is of the view that the provision of expert advice to subject committees at an earlier stage in the process would greatly assist their ability to undertake scrutiny.
- The Committee suggests that consideration be given to establishing arrangements allowing subject committees to have access throughout the parliamentary year to standing advisers on financial matters (either on a shared basis or individually).

- The Committee believes that it is essential that a mechanism is established to allow the relevant subject committees to scrutinise single outcome agreements in order to assess departments' and local authorities' performance. The Committee also considers that it is important the single outcome agreements are available to the Parliament ahead of the debate on the Budget Bill.
- The Committee has found it difficult to scrutinise the health board budget on the basis that individual board allocations are not made until after Stage 2 of the budget process has been completed.
- The Committee suggests that consideration be given to greater standardisation and more accessible presentation of health boards' financial information. In particular, the Committee would like to see health boards present their annual reports in a standardised form and suggests that the Finance Committee explore this suggestion with Audit Scotland.

The Rural Affairs and Environment Committee did not have a unanimous view regarding the budget process but agreed that the Convener should report back on the content of its discussions. The main points were as follows:^[20]

- On the provision of level 3 information to committees, Members of the Committee welcomed the Cabinet Secretary's commitment that information at Level 3 would be made available by the relevant directorate. One view expressed was that, for the sake of transparency, Level 3 information should be provided automatically to committees and not just on request.
- Some members highlighted that only Scottish Ministers are able to lodge amendments at Stage 3 of the Budget Bill and it was suggested that the scope for opening this process up to all members be explored. Other members noted that altering the budget process in the light of one particular set of election outcomes would not be appropriate and that any changes to the budget process should be sufficiently robust to last several parliamentary sessions.
- A view was expressed that the Finance Committee should explore whether there needs to be an independent source of expert advice to committees that provides support to committees in conducting their budget scrutiny and developing alternative spending proposals. This could be either in the form of an office of the budget or greater resources within the Scottish Parliament Information Centre
- Several members indicated that there needs to be a longer timescale for committees to scrutinise the budget and noted that this year's process was particularly unsatisfactory, although noting that the Scottish Government was constrained, in part, by the timing of the UK Spending Review announcement.

The main point raised by the Scottish Parliament Corporate Body was in relation to the potential costs associated with the creation of a Parliamentary Budget Office.^[21]

A submission was also made by the House of Commons Scrutiny Unit. The Unit undertakes analysis and provides briefing for each departmental committee on Estimates, Supplementary Estimates, Departmental Annual Reports and Autumn Performance Reports. It has 19 staff, including seven staff engaged in financial, economic and statistical support for committees. Most of these staff are qualified accountants.

Their submission discusses the extent of financial scrutiny of budgets and expenditure plans in the House of Commons and makes no observations on the procedures or powers of the Scottish parliament or its committees. The submission was offered simply as an aid to comparison and as a commentary on relevant developments underway in Westminster.^[22]

While much of the oral evidence re-iterated many of the points made in the written submissions, it is worth adding an important recommendation made by John Swinney, the Cabinet Secretary for Finance and Sustainable Growth.^[23] He referred to a request that he had made in a letter to the Convener of the Finance Committee to approve a proposal for a single Scottish Government budget figure in Parliamentary terms for net expenditure to replace the need to approve individual Departmental budget figures:

“At the moment, under its agreement with the Finance Committee, the Government is obliged to balance every budget item by portfolio. That is fine; the Government did so this year and will, under the agreement with the committee, continue to do so whenever required. However, such an approach constrains the Government’s ability to minimise underspends, because the Government has to retain sufficient financial cushion, portfolio by portfolio, to guarantee that every number comes in under the budget total. We have to do that for every number under the eight budget headings, so we have to have eight cushions in place.

I have therefore proposed to the convener of the Finance Committee that the effectiveness of public sector spend would be improved if the Government had to deliver against only one budget number, and if we had flexibility between individual portfolios in how we arrived at that number. The advantage of that would be that the Government would be able to eliminate unnecessary financial planning—the cushioning, as I characterise it—thereby minimising underspends...

...The proposal is that we create a mechanism to improve financial efficiency and effectiveness.”

This issue has not yet been addressed by the Finance Committee, and will presumably be looked at within the context of the review.

Key points of interest for Northern Ireland

There are a number of common themes emerging from the responses received to date. Whilst some of these relate to the detail in the process, the main general points emerging appear to be as follows:

- The Stage 1 process should be retained, but not in its current form. The Current Budget Adviser argues for the need for a more strategic approach at this stage, particularly in relation to cross-cutting issues.
- While some of the respondents felt that more time was needed for effective scrutiny, the expert witnesses (including the current Budget Adviser) seem to think that there is little scope to change the timing of Stages 2 and 3. The main focus is therefore on extending the time spent on Stage 1, by making this part of the process continuous and/or through mainstreaming financial scrutiny into the work of the Subject Committees.
- The ability to propose alternative spending proposals at Stage 2 is limited in practice by the zero sum arrangement, which reinforces the view of the importance of Stage 1.
- The entire process, including the linkage between spending and outcomes and the reconciliation of different sets of published figures, requires greater transparency and clarity.
- More resources are needed to support Members in their scrutiny at Stages 1 and 2, including relevant training and (as suggested by some respondents) the establishment of a Parliamentary Budgetary Office and/or greater input from the Scottish Parliament Information Centre.
- The terms of reference for the review undertaken by the Assembly’s Committee for Finance and Personnel were as follows:^[24]

- To contribute to the ongoing Review of the budget process being conducted by the Department of Finance & Personnel (DFP) by –
- examining the budget process in other legislatures and identifying lessons for Northern Ireland;
- co-ordinating the views of the Assembly's statutory committees on the 2007 Budget process; and
- reporting these to DFP by end October 2008.
- To consider and respond to the findings from DFP's Review.
- To review and make recommendations on the resources available for assisting Members and Committees in undertaking budget and financial scrutiny (following the outcome of the DFP Review)
- To review and make recommendations on the processes for in-year monitoring of Departmental expenditure by the Assembly and its Statutory Committees.

In relation to 'examining the budget process in other legislatures', the Scottish Parliament Finance Committee's Review is particularly informative. The key lessons that appear to be emerging are as follows:

- 1) There is a clear need to influence the process at an early stage, as there is less scope for revision at the later stages of the process.
- 2) Subject Committees should have greater involvement in the process.
- 3) The entire process, including the linkage between spending and outcomes and the reconciliation of different sets of published figures, requires greater transparency and clarity.
- 4) More resources, including training and expert advice, are needed to support Members and Committees throughout the process.

Annex A: List of written submissions on Review of Budget Process up to end June 2008^[25]

1. Arthur Midwinter
2. House of Commons Scrutiny Unit
3. CIPFA in Scotland
4. Education, Lifelong Learning and Culture Committee
5. Health and Sport Committee
6. Rural Affairs and Environment Committee
7. Centre for Public Policy for Regions
8. Scottish Parliamentary Corporate Body
9. Scottish Women's Budget Group
10. The Hansard Society
11. Peter Collings, Former Chair of FIAG
12. Professor Iain McLean

Annex B: List of witnesses who gave oral evidence on Review of Budget Process, 10-24 June 2008^[26]

- Dr Peter Collings, former Chair of the Financial Issues Advisory Group
- Professor David Heald, former member of the Financial Issues Advisory Group
- Alf Young, former member of the Financial Issues Advisory Group
- Des McNulty MSP, former Convener of the Finance Committee
- Alasdair Morgan MSP, former Deputy Convener of the Finance Committee
- Eddie Frizzell, Budget Adviser to the Justice Committee, Budget Process 2008-09
- Jan Polley, Budget Adviser to the Rural Affairs and Environment Committee, Budget Process 2008-09
- Professor David Bell, Budget Adviser to the Finance Committee
- Jo Armstrong, Centre for Public Policy for Regions
- Professor Irvine Lapsley, Institute of Public Sector Accounting Research University of Edinburgh
- Professor Iain McLean, Professor of Politics, Oxford University
- Alex Brazier, Director, Parliament and Government Programme, Hansard Society
- John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth

Appendix 3

Written Submissions

Committee for Culture, Arts and Leisure

Q1. What is the Committee's view on the overall timetable for the Budget 2008-11 process and in particular were there any elements which were too short/long?

The Committee for Culture, Arts and Leisure considered the draft Budget 2008 – 2011 during November 2007. A briefing was received from the Minister of Culture, Arts and Leisure on 15 November 2007. The Committee considered its response to the draft Budget on 22 November 2007. At this meeting it was agreed that the Committee should hear key stakeholders' views on the Draft Budget to inform its own conclusions. On 28 November 2007 the Committee took evidence from the Arts Council of Northern Ireland and Sport NI. The Committee's response on the Draft Budget was then forwarded to the Committee for Finance and Personnel on 29 November 2007.

The Committee is of the view that too little time was allocated for Committee scrutiny of the Draft Budget. Only two weeks were available to the Committee in which to be briefed by the Minister, hear from key stakeholders and formulate its own views. The Committee believes that the consultation period with committees should be lengthened in future.

Q2 What is the Committee's view on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

The Committee is of the view that the level of detail provided in the draft Budget document made it very difficult for the Committee to comment constructively on the Draft Budget. In particular, it was difficult to assess the impact of funding when the draft Budget did not make clear which specific bids would be met.

The resource and capital allocations in the Draft Budget only listed the overall areas of spend – for example, arts, sport, museums. Despite making a request, the Committee received no detailed information from the Department on how the budget for each of these areas would be allocated to particular projects. The Committee understands that other committees were more successful in obtaining detailed information from their respective departments.

The Committee is of the view that in future there needs to be proper consultation between the Department and Committee on how the Department intends to allocate its budget in order to facilitate the Committee in making a meaningful response to the Draft Budget consultation exercise.

Q3. Does the Committee feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government - how could this be improved?

The Committee is of the view that there was a lack of clarity as to how budgets would be linked to the Programme for Government. The outcomes specified in the Programme for Government were not costed – this made it difficult to assess whether the spending bids were adequate in terms of meeting the Programme for Government outcomes.

Q4. Does the Committee think that the prioritisation of spending bids was useful and that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

The Committee is of the view that there was a lack of clarity with regards to how the Department prioritised its bids. For example, the Department classified some bids as 'inescapable' and others as 'committed' – it was not clear which of these terms had the higher priority.

Q5. Do you think that the views of the Committee were sufficiently reflected in Departments' Budget submissions – can an example be provided of where departmental spending proposals changed as a result of input from the Committee?

The Committee is not aware of the Department revising its prioritisation of its bids to reflect the views of the Committee. The short turn around time for the consultation process between the Committee and the Department may have contributed to this.

Q6. Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the

Executive's Investment Strategy which also covered the period up to 2018 - have you any comments on how the capital allocations in the Budget were determined, including the linkage with the ISNI, in terms of the scrutiny role of the statutory committees?

Again, due to the short turn around time for the consultation process between the Committee and the Department, the Committee was limited in terms of in-depth scrutiny of the ISNI.

Q7. Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals? Does the Committee think this could be encouraged and developed?

The Committee is of the view that there needs to be more linkages between departments in terms of bids. For example, there is the potential for the Department of Culture, Arts and Leisure to work with the Departments of Health and Education, among others, in terms of making bids for sport and the arts.

Q8. What is the Committee's views on the standard of public/stakeholder consultation responses and/or evidence sessions that were received as part of the Budget process - did this have a significant influence on the Committee's views regarding the Department's Budget spending proposals?

The Committee took evidence from the Arts Council of Northern Ireland and Sport NI in order to hear their views on the Draft Budget. This was a very useful process and informed the Committee's views regarding the draft allocations for arts and sports, and in particular, the consequences for organisations on the ground if these bids were not met. Again, if the Committee consultation period on the Draft Budget had been longer, the Committee could have had the opportunity to consult with other key stakeholders.

Q9. There are 3 main budget events in the Assembly plenary: the Ministerial statement launching the draft document, the take note debate and the laying of the revised budget. What is the Committee's opinion on the frequency, nature and amount of plenary debate - how could this be improved?

The Committee is of the view that there needs to be more plenary debate on the Budget to give Committee Members and private Members the opportunity to engage in the issues.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts - did this influence the Committee's views regarding the prioritisation of Budget spending proposals?

The Committee notes the provision for High Level Impact Assessments. However, it is of the view that full Equality Impact Assessments may be more suitable in some cases.

Q11. Does the Committee think that there is the correct balance in place between the challenge and support roles of committees in terms of the Budget process?

Yes.

Q12. Does the Committee think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

See response to Q2.

Committee for Education

DFP Review of Budget Logistics

The Committee for Education at its meeting of 22 October 2008, agreed the following response to the twelve questions put to Statutory Committees by DFP regarding the strengths, weaknesses and logistics of the 2007 Budget process:

Q1. The overall timetable for the Budget 2008 – 2011 process was too tight to allow for proper Statutory Committee scrutiny. The Committee considers that future budget processes and timetables should (in consultation with Statutory Committees) be agreed early enough to allow the Assembly's Statutory Committees to plan and schedule such Budget scrutiny work into their overall work programme.

Q2. Departmental Budget submissions should be in a standardised format and be made available (in draft) to Statutory Committees as part of the Budget process. The Committee for Education did not receive a copy of the DE Budget submission – the Committee simply received a copy of the DE prioritised list of bids before it was finalised.

Q3. The linkages between spending bids put forward by DE and associated PfG target outcomes were at a very high level. Indeed, a recent paper from DE confirms that the Department's PSA targets & associated indicators are set at a high level to reflect the Executive's high level expectations (eg overall outcome of pupils in terms of educational attainment) and therefore targets & indicators cannot be set against individual budget lines.

Q4. Yes - the prioritisation of spending bids was useful, but the Committee was not informed of the position on the final prioritisation within the DE Budget submission.

Q5. The Committee's formal response to the draft Budget supported a number of the Department's budget positions (as detailed in DE budget briefing papers). However, as mentioned above, the Committee did not see the final DE budget submission, so hard to link the Committee's views to changes in the DE final position. (eg Youth budget)

Q6. The Committee received little information on the SIB exercise. The Committee would wish to know the final position on windfall/surplus capital receipts to DFP over the Budget period as the draft Budget indicated the priority for such receipts would be DSD social housing & DE.

Q7. Cross Committee working during the Budget process was minimal because time constraints did not allow – the Committee had to focus on the key components of the DE Budget. Some

Cross – Committee working after the budget was agreed on CYP allocations with Committee for Office of the First Minister & Deputy First Minister.

Q8. The Committee received feedback on the DE equality etc impact assessment public consultation on the draft Budget. The Committee supported and recognised the strong lobby by the Youth Sector to improve its proposed allocation in the draft Budget proposals.

Q9. The 'take note' debate provided the best opportunity for Committee Members to influence outcomes as Members were better informed at this stage of the draft DE Budget Proposals.

Q10. As indicated as (8).

Q11. Better timetabling & scheduling of the Budget process would allow the Committee to be better informed to scrutinise proposals and as appropriate support bids.

Q12. More detailed information in both documents.

Committee for Employment and Learning Committee

This paper has been prepared in response to the Committee for Finance and Personnel with respect to that Committee's inquiry into the role of the NI Assembly in scrutinising the Executive's Budget and Expenditure. The Committee for Finance and Personnel posed a number of questions with respect to this inquiry. This paper seeks to respond to these questions based upon the discussions and comments made by Members during the budget process. Responses to the question are made only where the Committee expressed opinion or concerns.

Q2. What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

The Committee considered that there was a lack of detail and clarity with respect to the Department's 'Innovation Fund'. The Committee spent considerable time gaining an understanding of the structure and content of the fund. There was concern over how much of the proposed funding was new or the length of time of potential expenditure programmes.

The Committee also expressed concern that while the achievement of efficiency savings was stressed in the budgetary process, there was no detailed assessment of how these might be achieved in the areas of further or higher education institutions. Members would have welcomed more detail on how this process impacts on organisations that operate at arm's length from direct Departmental control.

Q3. Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government - how could this be improved?

The Committee expressed particular concern over the high profile targets with respect to PhD funding. The Committee welcomed the PfG commitment to the development of PhD funding, viewing it as important in developing local economic capacity. However, the Committee was concerned that the funding was potentially not all new and again found the presentation of the funding line unclear.

Linked to this issue, the Committee expressed concern that there was a lack of co-ordination between the PfG drive for foreign direct investment, the responsibility of Invest NI, and the general skills allocation.

The Committee also expressed concern that the Department had made a number of high bids for key targets in the PfG. For example, the Department made a number of bids with respect to essential and basic skills. The Committee was fully supportive of this bid but expressed confusion and disappointment that an ambitious target in the PfG appeared to be significantly under-funded in the final budget out turn.

Q4. Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

There was some concern expressed with regard to the limited scope for manoeuvre once inescapable bids have been taken into account.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts - did this influence your Committee's views regarding the prioritisation of Budget spending proposals?

A number of Members of the Committee expressed concern that it was difficult to see linkages between the budgets and the Public Sector Agreements. In particular the validity of the indicators used was an area of Departmental questioning.

Committee for Enterprise, Trade and Investment

Q1. What are your views on the overall timetable for the Budget 2008-11 process and in particular were there any elements which were too short/long?

The Committee for Enterprise, Trade and Investment considered the draft Budget 2008-2011 during November 2007. The Minister gave evidence to the Committee on 6 November on the draft budget, Programme for Government and the draft Investment Strategy. Officials from the Department subsequently attended a second briefing on 15 November and answered a number of questions put by Members of the Committee. The Committee also sought written evidence from a number of key business stakeholders. Due to a lack of time in the overall budget process, it was not possible to take oral evidence from stakeholders.

The Committee acknowledges the time constraints associated with the CSR process which has been challenging for the Executive and Assembly Committees. However the Committee is of the view that there was insufficient time allocated for Committee scrutiny of the Draft Budget. The Committee believes that the consultation period should be lengthened in the future to allow for adequate consideration and consultation with stakeholders.

Q2. What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

The Committee was content with the level of detail provided in respect of departmental submissions. However the Committee believes that earlier engagement with the Members on the detail of its proposed bids would have been more meaningful. The Committee appreciates that

the nature of this Department's budget can mean that, at times, they are unable to supply some details. It is also acknowledged that given its client base the Department may also be unable to project spend to the same degree of precision that might be expected in other Departments.

The Committee believes that arrangements should be made to enable Departmental statements to be made to the Assembly after the budget has been passed. However the Committee acknowledges that where possible, this should be done at no additional cost to other Assembly business.

Q3. Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government - how could this be improved?

The Committee would like to see clarification and greater linkages between the Programme for Government (PfG), the Investment Strategy, and the Budget. Aligning the PSAs more closely with the Budget documents (departmental objectives and spending areas) would enable Committees to assess the Department's performance against the funding allocated to its spending programmes. This would ultimately improve the Committee's statutory duty in relation to budget scrutiny.

The Committee feel that as there are so many cross-cutting PSA's in the PfG, it is very difficult at Committee level to track and monitor performance and relate it to the budget. Indeed some of these difficulties were acknowledged by Departmental officials.

Q4. Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

The prioritisation of spending bids was useful. However due to the time constraints placed on the timetable with the last CSR, the Committee does not believe that there was sufficient scope to reflect the views of the Committee. The Committee had previously raised concerns which, they were told, would be borne in mind in the management of the budget.

Q5. Do you think that the views of the Committee were sufficiently reflected in Departments' Budget submissions - can you provide an example of where departmental spending proposals changed as a result of input from the Committee?

The Committee was broadly content with the Department's submissions. It sought clarification and assurance on a number of areas which it duly received. However, where the Committee sought changes, it is not aware of the Department revising its prioritisation of its bids to reflect the views of the Committee. The Committee would like to see some formal feedback mechanism to address post-budget scrutiny.

Q6. Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the Executive's Investment Strategy which also covered the period up to 2018 - have you any comments on how the capital allocations in the Budget were determined, including the linkage with the ISNI, in terms of the scrutiny role of the statutory committees?

The Committee's scrutiny of capital allocations in the budget was limited due to time constraints. While there was some alignment between the Pillars in the Investment Strategy and the Budget, it was sometimes difficult to track allocations against achievements.

Q7. Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals - how do you think this could be encouraged and developed?

The Committee did not engage in cross-committee working as part of its consideration of the Budget spending proposals. While this would have been desirable, there was insufficient time to consult with other Committees. The Committee would welcome cross-committee scrutiny if time permitted. In the Committee's submission on the PfG it was mentioned that there was a possible gap in the Assembly's scrutiny system and made a case for a bespoke Committee which might meet three or four times a year to review and monitor performance on the targets in the PfG. The Committee suggest that a similar approach could be adopted for this purpose.

Q8. What are your views on the standard of public/stakeholder consultation responses and/or evidence sessions that you received as part of the Budget process - did this have a significant influence on your views regarding your Department's Budget spending proposals?

The Committee engaged with a range of stakeholders. These views were duly reflected in the Committee's responses to the draft Budget, ISNI and Programme for Government. However the Committee was aware of the time pressures placed on stakeholders to respond to Committee deadlines in addition to the public consultation.

Q9. There are 3 main budget events in the Assembly plenary: the Ministerial statement launching the draft document, the take note debate and the laying of the revised budget. What is your opinion on the frequency, nature and amount of plenary debate - how could this be improved?

Concern was expressed at the Committee with the Executive's decision not to commission a comprehensive local budget process for 2008 -09 and to replace it with a strategic stocktake of the budget position for forward years 2009 – 10 and 2010 – 11.

Earlier consideration and scrutiny of departmental bids would facilitate Committee engagement in budget plenary events. This would need to be factored into work programmes in advance of the draft Budget.

As stated above, the Committee believes that arrangements should be made to enable Departmental statements to be made to the Assembly after the budget has been passed. However the Committee acknowledges that where possible, this should be done at no additional cost to other Assembly business. Members recalled that during the first Assembly, Committees received position papers before the summer recess providing some advance appraisal. In the autumn Committees were then not coming to the issues cold and were able to offer ideas. Last year this was not possible but it is a system the Committee would like to see adopted to allow greater consideration by members.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts - did this influence your Committee's views regarding the prioritisation of Budget spending proposals?

The Committee felt that in many instances there was not sufficient quantifiable or challengeable information in these impact assessments to allow the Committee to take proper account of them.

Q11. Do you think that there is the correct balance in place between the challenge and support roles of committees in terms of the Budget process?

There may be a need for specialist resources, to provide standing or ad-hoc technical advice and service to support committees' challenge of Departmental budgets. There was insufficient time during the process to allow the Committee to fully exercise its challenge role and it feels that whilst the support role is important the challenge role is equally so.

Q12. Do you think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

The publication of an annual report illustrating both spend and delivery would greatly improve the Committee's ability to fulfil its statutory function in relation to budget scrutiny. The Committee considers that the report must link both the PSA's and the delivery of Programme for Government and not just focus on financial information.

Committee for the Environment

Q1. What are your views on the overall timetable for the Budget 2008-11 process and in particular were there any elements which were too short/ long?

The most frequently expressed concern among respondents in the summary of responses in the final budget was the short timeframe allowed for consultation which was a 10 week period ending immediately after the Christmas holidays. While the Environment Committee did not express any concern about the short timeframe in its response it would agree with this concern.

Q2. What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been useful?

The Environment Committee had difficulty getting sufficiently detailed figures of bids in time to enable sufficient scrutiny and prioritisation. In particular there was no time for Assembly Questions to access further information or clarity where required.

Q3. Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government – how could this be improved?

Scrutiny would be easier if there were better linkages and common terminology between the Budget, Programme for Government, Public Service Agreements and the Investment Strategy Northern Ireland. It might also be useful if departments could link active/proposed legislation with their public service agreements and outcomes. E.g. Road Safety targets will be delivered through Good Vehicle licensing / Motorbike Manoeuvres legislation etc.

Q4. Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the committee?

The Environment Committee advised that the bids would be insufficient to enable the Department of the Environment to meet its responsibilities in the following areas:

- Planning reform
- RPA
- Local Government
- Waste control

There was no further commitment to these areas in the final budget and the Committee now questions whether this was due to insufficient scope for the Department to revise its priorities or whether the Environment Committee's advice was simply ignored.

Q5. Do you think that the views of the Committee were sufficiently reflected in the Departments' Budget submissions – can you provide an example of where departmental spending proposals changed as a result of input from the Committee?

None of the issues raised by the Environment Committee were expressly addressed in the final budget.

Q6. Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the Executive's Investment Strategy which also covered the period up to 2018 – have you any comments on how the capital allocations in the Budget were determined, including the linkages with the ISNI, in terms of the scrutiny role of the statutory committees?

In its response to the Investment Strategy consultation the Environment Committee advised that climate change and illegal waste should be given higher priority. This was not addressed in the ISNI and budget bids in these areas reflected this.

Q7. Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals – how do you think this could be encouraged and developed?

The Environment Committee welcomed the cross-cutting objectives in the Budget. In particular it commended the recognition of the need for sustainability in future policies and programmes. However the Committee has subsequently been disappointed by the lack of cross-departmental working in practice and the low priority placed on cross-cutting objectives, like sustainability, by individual departments.

Q8. What are your views on the standard of public/stakeholder consultation responses and/or evidence sessions that you received as part of the Budget process – did this have a significant influence on your views regarding your Department's Budget spending proposals?

The Environment Committee was satisfied with the evidence presented to the Committee by the Department during the consultation period.

Q9. There are 3 main budget events in the Assembly Plenary: the Ministerial Statement launching the draft document, the take note debate and the laying of the revised budget. What is your opinion on the frequency, nature and amount of plenary debate – how could this be improved?

The Environment Committee expressed no concerns about the budget events going through Plenary.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts – did this influence your Committee's views regarding the prioritisation of Budget spending proposals?

The Environment Committee did not make any particular comment in relation to these issues.

Q11. Do you think that there is the correct balance in place between the challenge and support role of committees in terms of the Budget process?

The Committee would reiterate its view that more time should be made available for scrutiny and discussion of the budget and the monitoring rounds.

Q12. Do you think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

The Committee would welcome more detail and clearer linkages between outputs and future legislation and policy.

Committee for Finance and Personnel

Q1 What are your views on the overall timetable for the Budget 2008-11 process and in particular were there any elements which were too short/long?

The Committee would have liked longer to consider the Draft Budget. However, it was mindful that publication of the Draft Budget was delayed until 25 October 2007, due in part to the timing of the return of devolution and delays in the outcome of the Comprehensive Spending Review. Moreover, the budget process in 2007 was truncated in that it did not include the preliminary stages, including preparation of 'Departmental Position Reports' and the 'Executive's Position Report', which were important features of the process in the first mandate. These stages took place between February to August of each year and involved significant engagement between departments and their respective committees. The predecessor Committee for Finance and Personnel was instrumental in developing this aspect of the process, on the basis that the ability of the statutory committees to influence budget decisions is greatest at the early stages of the budget cycle.

The Committee notes from the attached research report (Appendix 2) that the need for committees to have the opportunity to influence the budget at an early stage in the process is also a theme emerging from the evidence to the Scottish Parliament Finance Committee's Review of the Budget Process in Scotland.

Going forward, therefore, the Committee would call on DFP to establish a budget process which maximises the opportunity for Assembly committees to provide early input. The future process should include a stage similar to the Departmental Position Report/Executive's Position Report stage of the process in the first mandate, which should be timetabled to ensure completion before the Assembly goes into summer recess. As a basis for informing committee contributions to the development of departmental budgets during this early stage of the process, departments/the Executive should report on prior-year performance against Programme for Government (PfG) and Public Service Agreement (PSA) objectives and targets and identify any new priorities and resource requirements.

Q2 What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

The Committee would recommend that a set timetable is agreed to determine when departments will provide information to committees. The Committee would also reiterate the recommendation in its Report on the Executive's Draft Budget 2008-2011, 'that there would be benefit, in terms of transparency and scrutiny, from fuller and more standardised information on departments' bids and their outcomes being published as part of the draft Budget process'. In this regard, the Committee notes that the Committee for Regional Development found it beneficial when it received detailed information on its Department's bids based on the DFP pro-forma which was used for collecting bids and supporting information.

The Committee for Finance and Personnel received information on bids for additional resources (which changed considerably as the process developed) but which were not significantly material compared to the Department's core budget. The Committee considers that, in addition to information on bids for additional resources, there is a case for departments also providing their committees with a critical evaluation of the programmes and resources within their existing baselines, including how these support PfG priorities. This would build on the finding of the Review of Forecasting and Monitoring, published by PKF consultants in June 2007, that

'budgets tend to be constructed on an incremental basis (previous years plus or minus) rather than being transparently aligned to the resources required to deliver outputs. As a consequence it can be difficult to determine whether the right level of resources have been allocated or whether, due to fears that funding may not be awarded to meet in-year pressures, safety margins have been inbuilt within bids.'^[1]

The Committee considers this to be a weakness in the existing framework for public finances and therefore calls on DFP to follow through on the recommendation in the Review of Forecasting and Monitoring that 'the planning and budgeting process should move away from the existing incremental approach' and towards a system which provides a transparent link between inputs and outputs.

Committee scrutiny was not helped by the fact that key documents, such as departmental efficiency and investment delivery plans, were not finalised until well after the revised Budget was approved. The Committee considers that supporting documents, such as departmental Efficiency Delivery Plans and Investment Delivery Plans, should be published alongside the draft Budget, PfG and ISNI documents and that these should be rigorous in detailing how and when the planned efficiencies and capital investments are to be achieved. In addition, given the Committee's role in examining strategic budget issues, more detail would have been welcomed on the creation of key bodies with a budgetary impact (e.g. the Performance and Efficiency Delivery Unit and the Capital Realisation Taskforce).

Q3 Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government - how could this be improved?

In its Report on the Executive's Draft Budget 2008 - 2011, the Committee called for a closer alignment between the PfG and the Budget documents; in particular a more visible linkage between PfG priorities and goals, PSA objectives and the allocations, departmental objectives and spending areas in Budgets. This is a theme emerging from the other statutory committee responses and, indeed, the Committee notes that the evidence to the ongoing Review of the Budget Process in Scotland is also suggesting the need for greater transparency and clarity in the linkage between spending and outcomes.

Q4 Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

DFP bids contained in papers received by the Committee were not prioritised. It would be useful if these were prioritised in the future and that the information is presented in a standardised format, as outlined above.

Q5 Do you think that the views of the Committee were sufficiently reflected in Departments' Budget submissions - can you provide an example of where departmental spending proposals changed as a result of input from the Committee?

Given that the budget process in 2007 was truncated and committees were not involved at an early stage, it was inevitable that the impact from committee input would be limited. Research provided to the Committee indicates that the Assembly has a relatively strong committee system, particularly in terms of the powers of committees, including in budget scrutiny, having a clearly defined legal basis (i.e. paragraphs 9 and 20 of the Belfast Agreement). In addition, the budget scrutiny process in the first mandate compared favourably with other legislatures. Thus, the challenge now is to establish a future process which builds on that which existed in the first mandate and maximises the contribution from elected representatives in the Assembly.

The Committee was generally content that DFP's spending priorities aligned with the priorities and key goals in the draft PfG and with the related PSA objectives. However, it raised a number of concerns in respect of the Department's proposed capital expenditure in the draft Budget. In particular, the Committee considered that the allocations for Land and Property Service (LPS) were insufficient both in terms of allowing the organisation to alleviate the difficulties associated with its IT systems - especially with regard to processing applications for rates relief – and for addressing the requirements arising from the further rating reforms. Whilst the Department did not change its spending proposals to reflect the Committee concerns, the ongoing difficulties within LPS indicate that these concerns were well founded.

Q6 Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the Executive's Investment Strategy which also covered the period up to 2018 - have you any comments on how the capital allocations in the Budget were determined, including the linkage with the ISNI, in terms of the scrutiny role of the statutory committees?

The lead responsibility for scrutiny of the draft ISNI fell to the Committee for the Office of the First and Deputy First Minister, given the lead role of the Strategic Investment Board in this area. The Committee for Finance and Personnel did, however, consider the strategic aspects of the capital allocations within the three-year budget period in addition to examining DFP's limited capital bids. The outcome of the Committee's deliberations were detailed in the Report on the Executive's Draft Budget 2008 – 2011.

In particular, the Committee considered that there was insufficient detail in the draft Budget document (and in ISNI) on the financing of the planned capital investment. The Committee recommended that 'in the interests of transparency, the revised document should include information on the extent to which the overall capital investment will be based on anticipated PFI, the extent to which the capital allocations for individual departments will draw on RRI borrowing, together with accumulated debt under RRI and the projected level of loan charges during 2008-11'. The Committee calls for this recommendation to be implemented in respect of future draft budget and ISNI documents.

As part of its examination of DFP's proposed capital allocations, the Committee noted that it was sometimes difficult to determine current expenditure associated with capital bids.

On a related issue, the Committee has recently received advice from the construction industry that departmental Investment Delivery Plans provide insufficient detail. This is an area which the Committee will be considering as part of its forthcoming scrutiny of DFP's Investment Delivery Plan.

Q7 Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals - how do you think this could be encouraged and developed?

In terms of cross-committee working, the Committee, like its predecessor in the first mandate, assumed the role of co-ordinating the Assembly's scrutiny of the draft Budget in 2007. This

involved commissioning the views of other statutory committees on their respective departmental budgets, leading a 'take note' debate in plenary and reflecting the outcome of this in its co-ordinated Report on the Executive's Draft Budget 2008 2011.

Cross-committee work on examining bids involving several departments is difficult and would require additional time. The most practical solution at present is for the lead department to bring the bid to the relevant committee, who can seek comment from other committees as appropriate. Assembly Standing Order 64 provides that, where there is overlap of committee business, one committee shall take the lead and shall seek the views of the other committee/s. It is worth noting, however, that the Assembly Committee on Procedures is presently considering the scope for amending Standing Orders to provide for joint committees.

Depending on the outcome of the work by the Procedures Committee, there may be a case for considering how a more 'joined up' approach can be taken to the Assembly's input to PfG/ISNI/Budget in terms of committee scrutiny, and perhaps also in streamlining plenary debate and the presentation of the documents. In the case of the latter, this might involve combining the draft PfG and draft Budget into a single integrated document, published early after summer recess. This 'joined up' approach in the Autumn could build on the Assembly's input during the earlier Spring stage of the process, when there may be merit in the individual committees and, perhaps also the Assembly in plenary, being afforded the opportunity to first consider the initial work on the draft PfG and PSAs which should subsequently determine budgetary allocations.

On the issue of cross-departmental working, the Committee notes that the Priority Funding Packages (previously the Executive Programme Funds) were 'mainstreamed' as part of the 2007 budget process. In its evidence to the Committee, DFP cited the above average levels of underspend in these funds as one reason for mainstreaming. The Committee, nonetheless, considers that there needs to be transparency in both the funding for cross-cutting priorities and in the performance of departments in delivering on these priorities.

Q8 What are your views on the standard of public/stakeholder consultation responses and/or evidence sessions that you received as part of the Budget process - did this have a significant influence on your views regarding your Department's Budget spending proposals?

The Committee did not seek views from the public or key stakeholders on DFP's budget, given that it mainly exists to fund services to other departments, including the NICS Reform programmes. DFP undertook a public consultation on the Draft Budget and briefed the Committee on the key issues raised. This approach is considered appropriate given that the Draft Budget is an Executive/DFP document. Other committees have, where appropriate, supplemented the Executive/DFP public consultation with focused evidence from interest groups.

Q9 There are 3 main budget events in the Assembly plenary: the Ministerial statement launching the draft document, the take note debate and the laying of the revised budget. What is your opinion on the frequency, nature and amount of plenary debate - how could this be improved?

In terms of Ministerial statements, the Committee would point out that, as the documents are only available immediately beforehand, these events offer only limited scope for informed engagement by committees and individual members. The Committee has taken the approach of tabling the 'take note' debate on the draft Budget to specifically provide committees and individual members with an opportunity for informed debate. This debate is scheduled to give sufficient time after the laying of the draft Budget (and Ministerial statement) to allow the statutory committees to have taken evidence from the respective departments and to have reached an agreed position. As alluded to above, the outcome of this debate also informs the Committee's co-ordinated report on the draft budget.

The Committee considers that the focus for improving the plenary aspects of the budget process may need to be on the Supply Resolution debates and the plenary stages of the associated Budget Bills. In particular, consideration should be given to streamlining the process to avoid repetition of debate, once the Assembly has approved the Budget.

Q10 All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts - did this influence your Committee's views regarding the prioritisation of Budget spending proposals?

The Committee noted that the Draft Budget document indicated that, at a strategic level, a draft Equality Impact Assessment (EQIA) on the PfG, Budget and ISNI would be prepared and consulted upon; and that it was anticipated that delivery of the strategic priorities would have a positive impact.

The Draft Budget also indicated that, as a first step in meeting their statutory obligations under Section 75 and Schedule 9 to the NI Act 1998, departments would undertake a series of High Level Impact Assessments on all their policy and spending proposals put forward as part of the Draft Budget. The outcomes from these assessments were not included in DFP submissions on the Draft Budget to the Committee.

Q11 Do you think that there is the correct balance in place between the challenge and support roles of committees in terms of the Budget process?

Committees' power to consider and advise on annual budgets allows them to decide on the appropriate balance between challenge and support in relation to their respective departmental budgets and the budget as a whole. The standardisation and improvement of information sent to committees will help to ensure that they are better placed to critically assess departmental spending plans and performance.

Q12 Do you think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

As outlined above, in its Report on the Executive's Draft Budget 2008 - 2011, the Committee recommend additional information to be included in the Budget document to improve alignment with the PfG and for further detail on the financing of the planned capital investment. To an extent, the level of detail to be included depends on the target audience (e.g. if the public at large is to play a key role in influencing the document, further breakdown of proposed spending plans will need to be included).

^[1]Review of Forecasting and Monitoring, PKF Accountants & Business Advisers, June 2007, pp. 7-8.

Committee for Health, Social Services and Public Safety

Q1. What are your views on the overall timetable for the Budget 2008-11 process and in particular were there any elements which were too short/long?

The Committee considers that the time available for consideration by statutory committees was too short. The Committee undertook as thorough a scrutiny as possible of the proposals put forward by the Department in the time available. This involved four formal evidence sessions and detailed consideration of the proposals at five separate meetings. However, the Committee was unable to meet the deadline set by the Committee for Finance and Personnel to report back.

Q2. What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

The Committee was critical of the level of detail provided initially by the Department in respect of the departmental budget submission. During its scrutiny the Committee requested and received additional information and further breakdown on a number of issues including inescapable budget requirements. However, the Committee recognised that "without a very detailed audit of each of the elements of these costs it is not possible for the Committee to identify areas where spending could be scaled back".

Q3. Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government - how could this be improved?

The Committee believes that there is considerable room for improvement in the linkages between bids in the draft budget and the associated outcomes in the draft Programme for Government, for example, different targets and timescales are used in the budget and Programme for Government documents relating to the reduction in mortality and disability caused by strokes. The Committee suggests that there should be preliminary debate on the priorities to be included in the next draft Programme for Government before commencement of the budget process.

Q4. Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

The Committee believes that the prioritisation of spending bids is essential but in the time available did not have sufficient opportunity to examine the Department's priorities in detail.

Q5. Do you think that the views of the Committee were sufficiently reflected in Departments' Budget submissions - can you provide an example of where departmental spending proposals changed as a result of input from the Committee?

The Committee was briefed by the Department on its spending priorities in June 2007. However, recognising its short time in existence at that stage it was fully supportive of the overall proposals and particularly the need for additional resources to implement the Bamford recommendations on mental health and learning disability.

Q6. Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the Executive's Investment Strategy which also covered the period up to 2018 - have you any comments on how the capital allocations in the Budget were determined, including the linkage with the ISNI, in terms of the scrutiny role of the statutory committees?

The Committee had limited time to scrutinise capital bids by the Department but did recognise the need for significant infrastructure investment not only in hospitals but in other areas such as primary care facilities. The Committee expressed grave concerns that the PFI/PPP route will provide the best value for money in securing much of this infrastructure.

Q7. Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals - how do you think this could be encouraged and developed?

The Committee fully recognises the importance of cross-departmental working in budgetary matters. In its response to the Minister in June 2007 the Committee stated: "The Committee is very conscious that implementing many of the proposals, particularly any move towards prevention, will require substantive engagement with a range of other Departments. Officials indicated that there has been contact with other Departments to ensure that they consider this issue. The Committee recognises, for example, the importance of education in tackling issues such as health promotion and preventing suicides, and would urge that you pursue this approach vigorously and explore the possibility of joint budgets with other Departments to implement strategies such as Investing for Health."

Q8. What are your views on the standard of public/stakeholder consultation responses and/or evidence sessions that you received as part of the Budget process - did this have a significant influence on your views regarding your Department's Budget spending proposals?

The Committee considers that the oral evidence provided by the main stakeholders, namely the Health and Social Services Boards and the Mental Health and Learning Disability Board, was very helpful in its consideration of the proposals in the draft budget. As well as highlighting the likely impact on services stakeholders put forward practical and helpful suggestions.

Q9. There are 3 main budget events in the Assembly plenary: the Ministerial statement launching the draft document, the take note debate and the laying of the revised budget. What is your opinion on the frequency, nature and amount of plenary debate - how could this be improved?

The Ministerial statement launching the draft budget is under embargo until the commencement of the statement and this does not give Committee members adequate opportunity to consider and contribute fully.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts - did this influence your Committee's views regarding the prioritisation of Budget spending proposals?

The Committee did not see the outcome of the High Level Impact Assessment and expressed concerns that a rigorous equality impact assessment was needed of the impact of the draft budget, including the impact of any efficiency measures, and the draft investment strategy.

Q11. Do you think that there is the correct balance in place between the challenge and support roles of committees in terms of the Budget process?

The Committee has an important role in challenging the proposals by the Department and, when satisfied by their validity, in supporting those bids.

Q12. Do you think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

The Committee suggests that more information may be helpful for other stakeholders during consultation on the draft budget.

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

Q1. What are your views on the overall timetable for the Budget 2008-11 processes and in particular were there any elements which were too short/long?

- The Committee's views on the Programme for Government (PfG) and Investment Strategy process, which are closely linked to the Budget process, are included in the Committee's report on the draft PfG and draft Investment Strategy. An extract from the report is attached.
- The Committee's scrutiny of the PfG and Budget was restricted by the limited time available for the priority setting and budget process, though the Committee recognises that, in 2007/2008, this was to a large extent unavoidable.
- It is essential that, in future, in the year before the setting of the three year budget, there is intensive and early engagement (well in advance of the summer recess) with statutory committees on emerging priorities and departmental positions.
- This Committee considers that on an annual basis committees should also be engaged in any review of priorities, which should take account of progress reports on PfG and the changing policy and financial environment, undertaken by departments and thereafter in consideration of proposals for any significant changes in budgetary allocations.

Q2. What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

- Some of the preliminary performance and budget scrutiny of the OFMDFM directorates that the Committee undertook early in the Assembly session helped the Committee to understand many of the priorities, budgetary pressures and proposed efficiencies which OFMDFM faced.
- The key concerns of the Committee in respect of the Budget submissions relate to:

(a) the late finalisation of OFMDFM's efficiency plans, which have still not been presented in final form to the Committee; and

(b) the difficulties which emerged in tracking and identifying funding allocated to children and young people's priorities.

- The Committee is strongly of the view that new mechanisms need to be established to ensure that funding directed towards cross-cutting priorities can readily be identified and monitored.

Q3. Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government- how could this be improved?

- Whilst OFMDFM's spending priorities are aligned with the Executive's strategic and cross-cutting priorities, the Committee is concerned in relation to the difficulties in tracking priorities from the PfG through to the Public Service Agreements (PSAs) and then to the draft Budget.
- The Committee is of the view that a more robust system must be put in place for identifying the measures being taken by departments to deliver cross-cutting priorities and then for monitoring and reporting on the level of funding for cross-cutting priorities. Without such a system the difficulties associated with funding for childcare will continue to recur.

Q4. Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

- The Committee strongly supports the prioritisation of spending bids.
- In light of the limited time available for the PfG and Budget process in 2007/2008 it is not clear to what extent departments would have been able to revise priorities to take account of Committee views.

Q5. Do you think that the views of the Committee were sufficiently reflected in Departments' Budget submissions- can you provide an example of where departmental spending proposals changed as a result of input from the Committee?

- The Committee supported successful bids by OFMDFM to increase budget allocations for victims and survivors and the Planning and Water Appeals Commission, but found it necessary to revisit the issue of funding for children and young people on a number of occasions, even after the agreement of the final Budget, to press for adequate funding and to seek clarity on the level of cross-departmental funding provided for children and young people's priorities.

Q6. Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the Executive's Investment Strategy which also covered the period up to 2018- have you any comments on how the capital allocations in the Budget were determined, including the linkage with the ISNI, in terms of the scrutiny role of the statutory committee?

- OFMDFM receives a relatively small capital allocation and this has not been a major issue of concern. However, as OFMDFM and the Strategic Investment Board have important roles in the production of the Investment Strategy, the Committee did give consideration to the matters relating to the development of the Investment Strategy in its report on the draft PfG and draft Investment Strategy of 19 December 2008.
- Issues highlighted in the report in relation to the Investment Strategy, and also with the Committee's report on child poverty, included:
- The importance of early publication by departments of Investment Delivery Plans to provide confidence that investment goals are achievable
- Investment Delivery Plans should include a shortlist of the principal/high impact changes that each department plans to make over the next three years to contribute to the achievement of targets established by the Executive on a shared and better future and sustainability.
- The importance of infrastructure investment in tackling social need and the need to provide, in future years, details of the geographic distribution of infrastructure investment when the draft Investment Strategy is published.
- The Committee also recognises the important linkage between the Investment Strategy and the work on capital realisations and expects to return to this issue in the future.

Q7. Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals- how do you think this could be encouraged and developed?

- The committee recognises that the Committee for Finance and Personnel's role in co-ordinating a response from the statutory committees on the draft Budget is a similar role to the one which this Committee carries out on the draft PfG and the draft Investment Strategy for Northern Ireland. It would seem that the processes to establish priorities, as outlined in the PfG and Investment Strategy, and to allocate finances to deliver those priorities, as detailed in the Budget, could benefit from the establishment of a partnership approach to such scrutiny between the Committee for the Office of the First

Minister and Deputy First Minister and the Committee for Finance and Personnel and there may well be benefit in the chairpersons of the two committees meeting to discuss how such an approach could be developed.

- The Committee has recommended that OFMDFM and the Department of Finance and Personnel should consider, following consultation with this Committee and the Committee for Finance and Personnel, the introduction of a system of financial incentives and penalties in relation to the delivery of cross-departmental priorities, such as child poverty.

Q8. What are your views on the standard of public/stakeholder consultation responses and/or evidence sessions that you received as part of the Budget process- did this have a significant influence on your views regarding your Department's Budget spending proposals?

- There was limited time available for the Committee to take the views of stakeholders during the PfG and Budget process. Sufficient time should be built into future processes, particularly in the year prior to the Comprehensive Spending Review, to facilitate more appropriate stakeholder engagement.

Q9. There are 3 main budget events in the Assembly plenary: the ministerial statement launching the draft document, the take note debate and the laying of the revised budget. What is your opinion on the frequency, nature and amount of plenary debate- how could this be improved?

- The Committee have no comments to make on this point.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti- poverty impacts- did this influence your Committee's views regarding the prioritisation of the budget spending proposals?

- In its report on PfG and the Investment Strategy, and in its response to the Budget, the Committee called for early production of Equality Impact Assessments to inform scrutiny and consultation.
- The Committee welcomes the recognition of the above issues in the public expenditure planning process but is strongly of the view that adequate mechanisms are not yet in place to ensure that resources are directed towards the delivery of the cross-cutting priorities of a shared and better future and sustainability. The Committee has made a number of recommendations in this regard in its report on child poverty [see attached recommendations] .

Q11. Do you think that there is the correct balance in place between the challenge and support roles of committees in terms of the Budget process?

- The Committee have no comments to make on this point.

Q12. Do you think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

- In relation to the above mentioned difficulty in tracking priorities from the draft PfG through to the draft PSAs and then to the draft Budget and Investment Strategy, the Committee recommends that OFMDFM and DFP should seek to simplify and harmonise the terminology used within the PfG, Budget and Investment Strategy and to make it clearer how changes in resources relate to changes in priorities.

- It may also be helpful if the Budget document were to include a clearer indication of the new interventions that are being supported through the Budget allocations.

Extract from the Committee's report on the Executive's Draft Programme for Government 2008-2011 and Draft Investment Strategy for Northern Ireland 2008-2018

Consideration of Responses from Statutory Committees

Process to Develop the Draft Programme for Government and Draft Investment Strategy for Northern Ireland

During the previous period of devolution there were two strands to the Executive's public consultation exercise on the draft Programme for Government:

- Consultation with the Assembly
- Consultation with the public and stakeholder groups.

Under this process, committees had the opportunity to scrutinise the draft Programme for Government in advance of the public consultation exercise. This early opportunity for committee scrutiny was afforded through the consideration of Departmental Position Reports and the Executive's Position Report.

This year, as a result of delays in devolution, many of the early opportunities for engagement and consultation that would normally have been available to committees were lost. In addition, the late announcement of the outcome of the Comprehensive Spending Review did not facilitate the early publication of the draft Programme for Government or draft Investment Strategy.

In their responses on the draft Programme for Government and draft Investment Strategy and during the take note debate on these reports, some committees expressed dissatisfaction with the process for engaging statutory committees during the development of the draft Programme for Government and draft Investment Strategy. They also called for earlier involvement of committees by their departments and by the Executive.

The Committee for Finance and Personnel has a particular interest in this matter as it has lead responsibility for co-ordinating the responses of statutory committees to the draft Budget. The process to develop the Budget is, of course, inextricably linked to the process for developing the Programme for Government and the Investment Strategy. The Committee for Finance and Personnel has called for the Department of Finance and Personnel to publish, as soon as possible, an annual timetable for budget setting and review, which builds in sufficient time for the effective involvement of the Assembly's statutory committees.

The Committee for the Office of the First Minister and Deputy First Minister agrees with the Committee for Finance and Personnel on the need for such a timetable and recommends that OFMDFM should consult with the Department of Finance and Personnel to establish a timetable for developing the Programme for Government, Budget and Investment Strategy. This timetable should require departments to engage at an early stage with their statutory committees on proposed priorities and key financial considerations. It should also include sufficient time to allow committees to undertake full and proper scrutiny of the Executive's priorities and plans as set out in the draft Programme for Government, Budget and Investment Strategy. The timetable should also recognise the need for committees to undertake detailed scrutiny of investment and delivery plans.

The Committee considers that there is the need for early action to improve the process for developing the Programme for Government, Budget and Investment Strategy and has, therefore, written to the Chairperson of the Committee for Finance and Personnel to seek an early meeting to discuss how both Committees can work together to move forward the development of a timetable for the Programme for Government, Budget and Investment Strategy, in consultation with the Executive.

Information Provided to Statutory Committees on the Programme for Government and Investment Strategy

If statutory committees are to effectively scrutinise the draft Programme for Government and Investment Strategy they must be provided with accessible, accurate, robust and timely information from their departments and from the Executive.

In the responses from statutory committees on the draft Programme for Government, the main issue raised in relation to the accessibility of the information provided, was the difficulty in tracking priorities from the draft Programme for Government through to the draft Public Service Agreements (PSAs) and then to the draft Budget and Investment Strategy. It was suggested that, at least in part, this was due to the number of aims, objectives, priorities, themes, goals and milestones included within the above-mentioned documents.

The Committee recommends that action should be taken by OFMDFM and the Executive to simplify and harmonise the terminology used within the Programme for Government, Budget and Investment Strategy and to make it clearer how changes in resources relate to changes in priorities.

A few committees also expressed concern that the information they received did not provide enough detail to enable the committee to properly scrutinise the draft Programme for Government and Investment Strategy and to be satisfied about the delivery of targets. The Committee for the Office of the First and Deputy First Minister had similar concerns and in its responses of 22 & 27 November 2007 to the Committee, which are attached at appendix 7, OFMDFM advised that additional information on how the Programme for Government and Investment Strategy are to be delivered will be published early in the new-year. It is understood that this will take the form of investment and delivery plans.

The Committee considers that the early publication of such information alongside the Programme for Government and Investment Strategy is crucial if committees, and indeed the wider public, are to be satisfied that the goals and targets contained within the draft Programme for Government and Investment Strategy are deliverable.

A number of committees expressed concern about the lack of clarity within the draft Investment Strategy and the PSAs on responsibilities for delivery. It is recommended that OFMDFM should ensure, that within the final Programme for Government and Investment Strategy and in the supporting delivery plans, it is made clear which department has lead responsibility for delivering on each goal or target. Where appropriate, departments with a supporting role in the delivery of a goal or target should also be identified as such.

A major concern for the Committee for the Office of the First Minister and Deputy First Minister is that the Committee will have concluded its scrutiny of the draft Programme for Government and Investment Strategy before high level findings on equality impacts are available to members of the Committee. The Committee recommends that the Executive should publish the draft Strategic Equality Impact Assessment of the Programme for Government, Budget and Investment Strategy as a matter of urgency. The Committee does not accept that the

Programme for Government process can be concluded until the appropriate stages of the assessment process have been completed.

In addition, the Committee would wish to seek a commitment from OFMDFM that, in future years, the draft Programme for Government and draft Investment Strategy will not issue for public consultation until the findings of the Equality Impact Assessment have been made available.

The Committee recognises the importance of infrastructure investment in tackling social need and recommends that, in future years, details are provided on the geographic distribution of infrastructure investment when the draft Investment Strategy is published.

Cross-cutting Themes

In asking for responses on the draft Programme for Government, the Committee for the Office of the First Minister and Deputy First Minister specifically sought the views of other committees on whether the proposals set out in the draft Programme for Government will ensure the delivery of the cross-cutting themes of a better future and sustainability.

Based on its consideration of responses from other statutory committees and its own deliberations, the Committee is concerned as to the status of the cross-cutting themes. The Committee considers that clarification is needed within the Programme for Government and Investment Strategy on how departments are required to take account of the cross-cutting themes of a better future and sustainability.

In addition, the Committee recommends that, within the Programme for Government and Investment Strategy and in forthcoming delivery and investment plans, OFMDFM should provide further information on:

- how the contribution being made by individual departments towards a better future and sustainability is to be assessed;
- who will be monitoring the action being taken by departments to achieve a better future and sustainability;
- when will progress against key milestones be reported.

The Committee also recommends that the forthcoming delivery and investment plans include a shortlist of the principal/high impact changes that each department plans to make over the next three years to contribute to the achievement of targets established by the Executive on a better future and sustainability.

The Committee considers that OFMDFM should have a role in assessing and challenging delivery plans to ensure the robustness of departmental targets and actions designed to contribute to the achievement of the cross-cutting themes of a better future and sustainable development.

Conclusions

As indicated earlier in this report, although members of the Committee for the Office of the First Minister and Deputy First Minister recognise the constraints on the Executive, the Committee is nonetheless concerned about the limited time that was available to Assembly committees to scrutinise the draft Programme for Government 2008-2011 and the draft Investment Strategy for Northern Ireland 2008-2018. In this context, it is particularly important that the Executive takes

note of the views expressed by Assembly Members during the take note debate on 26 November 2007 and the recommendations of statutory committees as appended to this report.

The Committee therefore calls upon all members of the Executive Committee to deliver on the commitment made by the First Minister, during the debate on 26 November 2007, when he assured the Chairperson of the Committee for the Office of the First Minister and Deputy First Minister that the Executive is “determined that this is proper and genuine consultation.”

The Committee is of the view that improvements need to be made to the process for the development of the Programme for Government and Investment Strategy and will be engaging with the Committee for Finance and Personnel to ensure that a timetable for the process to develop the Programme for Government, Budget and Investment Strategy is brought forward by the Executive. In addition, the Committee considers that the Executive should seek, as a matter of urgency, to simplify and streamline the terminology in the Programme for Government, Budget and Investment Strategy and make it easier for the public to be able to track how priorities are to be resourced and delivered.

In the absence of detailed information in the draft Programme for Government and the draft Investment Strategy on how cross-cutting themes are to be delivered, it is crucial that robust investment and delivery plans are published alongside the Programme for Government and Investment Strategy.

The Committee recommends that all statutory committees scrutinise the investment and delivery plans published alongside the Programme for Government and Investment Strategy to satisfy themselves that concerns about roles and responsibilities and resourcing and delivery, including in relation to cross-cutting themes, have been addressed.

Extract from the Summary of Recommendations in the Final Report on the Committee's Inquiry into Child Poverty in Northern Ireland

We recommend that OFMDFM should insist on the inclusion within Programme for Government Delivery Agreements of a short-list of the changes to be introduced by each department to contribute to the objective of a shared and better future and that this should include measures which contribute to the reduction in levels of child poverty.

We consider the development of improved spatial information to be key to the Investment Strategy's contribution to tackling weaknesses in infrastructure and to the Strategy's capacity to take account of objective need. The Committee will therefore expect to receive an update on the progress made by the Strategic Investment Board, and departments, to develop such information within Investment Delivery Plans, during evidence sessions to follow-up the Committee's report on the Programme for Government and Investment Strategy.

We recognise the particular role of the Committee for Finance and Personnel in monitoring compliance with the guidance on the role of procurement in contributing to the socio-economic and sustainability objectives of the Executive and recommend that all statutory committees examine their department's compliance with the guidance when scrutinising Investment Delivery Plans.

We welcome the recognition of tackling poverty and disadvantage within the public expenditure planning process and ask OFMDFM and the Department of Finance and Personnel to ensure that this remains a feature in future Budget rounds.

We welcome the proposal to establish a sub-group of the Executive to identify the key actions that are required to deliver on the commitments in the Lifetime Opportunities Strategy. However,

it is likely that this process will take some months and the Committee remains of the view that OFMDFM should have a role in challenging departmental Delivery Agreements to ensure the relevance and robustness of departmental targets and actions designed to contribute to the cross-cutting theme of a shared and better future.

We recommend that OFMDFM and the Department of Finance and Personnel should consider, following consultation with this Committee and the Committee for Finance and Personnel, the introduction of a system of financial incentives and penalties in relation to the delivery of cross-departmental priorities, such as child poverty.

We recommend that, in addition to the introduction of new performance management arrangements for the Programme for Government and the Lifetime Opportunities Strategy, OFMDFM should establish an independent panel of experts to report to the First Minister and deputy First Minister on the impact of the Programme for Government, Budget and Investment Strategy and associated delivery plans, on families in poverty or at risk of poverty.

We wish to encourage other statutory committees, as part of their work to scrutinise the Programme for Government, Budget and Investment Strategy, to challenge departments to identify the principal measures being introduced to reduce poverty and to set out how these measures are being resourced.

The Committee is of the view that:

(a) Further consideration should be given to how the process of Equality Impact Assessment could better inform policies in relation to their impact on groups at high risk of poverty; and

(b) The Anti-Poverty Unit in OFMDFM, with the support of the Department of Finance and Personnel, should have a role in challenging and reporting on whether key policies have taken adequate account of their impact on groups in poverty or at risk of poverty.

Committee for Regional Development

The Regional Development Committee considered your memo of 18 July 2008, setting out the terms of reference for both the Finance and Personnel Committee's inquiry and the Department for Finance and Personnel's review.

Following discussion, at the meetings of 1 and 8 October 2008, Members would make the following responses to your questions. Many of the points made in this letter are based on the Committee's responses to the consultations on the draft Budget, draft Investment Strategy and Draft Programme for Government undertaken by the Finance and Personnel Committee and the Committee for the Office of the First Minister and Deputy First Minister in November 2007.

Q1. What are your views on the overall timetable for the Budget 2008-11 process and in particular were there any elements which were too short/long?

The Committee understands that, because of the timing of restoration, the Programme for Government, ISNI and Budget process for 2008-11 was somewhat shorter than normal. However the time scale was too short to allow sufficient time for Committee consideration and the Assembly process.

Q2. What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

The Committee for Regional Development received a number of detailed briefings on the Department for Regional Development's Budget submissions. In particular, it was very useful to receive full copies of DRD's bids (in the DFP pro forma format) and the draft Investment Strategy measure documents. This facilitated Members' considerations, on a bid by bid basis, of each element of the Department's Budget submission.

Overall scrutiny of the Budget would be improved if linkages to the Programme for Government PSAs were more explicit. The following paragraphs elaborate on this point.

Q3. Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government - how could this be improved?

The Committee would like to see clarification, simplification and harmonisation of the terminology used in the Programme for Government, the Investment Strategy, and the Budget.

Within the Programme for Government there is one overarching aim, five strategic and interrelated priorities of which one is the top priority, two cross-cutting themes and 38 goals, in addition to 23 PSAs, encompassing 95 objectives above a myriad of actions and targets.

Within the Investment Strategy, which it states shares the overarching aim of the Programme for Government, there are six investment pillars encompassing 23 sub-pillars.

Within the Budget, each department's DEL is split between capital and investment, which are delineated into objectives labelled by a letter rather than an activity, although they should align with the Department's objectives, and below that into spending areas. The spending areas align closely with the sub-pillars of the Investment Strategy because of the relationship between the capital budget and the ISNI. However the departmental objectives used to organise the Budget are at a different level to the objectives used in the PSAs and differ again from the PSAs themselves.

The Committee is of the view that aligning the PSAs more closely with the Budget documents (Departmental objectives and spending areas) would allow Committees to assess what its Department is doing to achieve with the funding allocated to it, which would in turn enhance ongoing Committee scrutiny.

There is also the question of the hierarchy and relationship between the PSA objectives and targets in the PSA annex to the PfG, and the key goals listed in the PfG. This is not clear, nor is it clear that when a commitment is given to monitoring and reporting on progress, what exactly is to be monitored and reported on.

It is the view of the Committee that the Departmental Position Report and Executive Position Report stages of the budget process under the previous Assembly provided useful and timely information to Committees and these stages, or something similar should be considered for inclusion in the process for future years. In addition to the alignment of budget allocations to priorities and actions, the publication of an annual report illustrating both spend and delivery would begin to provide the information needed by Committees and the Assembly to discharge their scrutiny and advisory functions.

Q4. Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

Prioritisation of the spending bids was a useful exercise. At the time of the draft Budget, the Committee for Regional Development made no additional comment on the Department's prioritisation of bids. Although there may be scope for Departments to reprioritise bids to reflect statutory committees' comments, in Budget 2007 there was little time for this to occur. In addition, the DFP classification of bids as inescapable, high priority, etc. may in theory make it difficult for a bid classified as inescapable, to be reprioritised in favour of one classified as priority / high priority.

Finally, in the current climate of limited resources and little prospect of additional resources in-year, there may be little future scope for bidding strategies which encompass a larger number of part-bids, in the hope of securing the balance of resources in-year.

Q5. Do you think that the views of the Committee were sufficiently reflected in Departments' Budget submissions - can you provide an example of where departmental spending proposals changed as a result of input from the Committee?

The Committee was broadly content with the Department's submissions. Members expressed their strong concerns at the absence of bids or objectives to address the carbon emissions at the draft stage of the Budget, Investment Strategy and Programme for Government. At the final stage of Budget and Investment Strategy, the Committee was of the view that a number of areas of work were underfunded, in particular infrastructure investment and structural maintenance.

Q6. Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the Executive's Investment Strategy which also covered the period up to 2018 - have you any comments on how the capital allocations in the Budget were determined, including the linkage with the ISNI, in terms of the scrutiny role of the statutory committees?

Within the Budget, each department's DEL was split between capital and investment. These categories were then delineated into objectives labelled by a letter rather than an activity, although they should align with the Department's objectives, and below that into spending areas. The spending areas did align closely with the sub-pillars of the Investment Strategy, and this is as it should be because of the relationship between the capital budget and the Investment Strategy. However the departmental objectives used to organise the Budget are at a level different to the objectives used in the PSAs, and differ again from the PSAs themselves. So although there was some alignment, this was far from clear, and the different levels and nomenclatures identified above, make it difficult to track allocations against achievements.

In addition, it was not clear that the evidence provided in the measure proposal documents of the draft Investment Strategy, for example on the environmental costs and benefits, translated through to the final Investment Strategy.

Finally on this point, the Committee is aware that the period beyond the second year of the budget period and the Investment Strategy period is indicative only, and is subject to the availability of resources on a budget by budget basis. This is a less than optimal method by which to plan for large capital infrastructure projects, and may mitigate against the securing of value for money as the market is not as well prepared as it might be for infrastructure projects, once they are announced.

Q7. Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals - how do you think this could be encouraged and developed?

The Committee for Regional Development did not engage in cross-committee working as part of its consideration of the Budget spending proposals.

Q8. What are your views on the standard of public/stakeholder consultation responses and/or evidence sessions that you received as part of the Budget process - did this have a significant influence on your views regarding your Department's Budget spending proposals?

The Committee engaged with a range of stakeholders whose views the Committee found very useful and informative. These were reflected in the Committee's responses to the draft Budget, ISNI and Programme for Government.

Q9. There are 3 main budget events in the Assembly plenary: the Ministerial statement launching the draft document, the take note debate and the laying of the revised budget. What is your opinion on the frequency, nature and amount of plenary debate - how could this be improved?

The budget process for 2008-11 was very time bounded, and the normal time period between draft budget statement, take note debate and the final budget debate (approximately September, November and December respectively,) in the Committee's view provided a much more realistic timetable for Assembly and Committee consideration. This type of timescale, combined with an earlier opportunity for consideration and scrutiny of departmental bids would facilitate Committee engagement in budget plenary events.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts - did this influence your Committee's views regarding the prioritisation of Budget spending proposals?

The Committee for Regional Development noted the High Level Impact Assessments (HLIA) provided for each spending proposal, as well as the outcome of the Departmental equality consultation events.

Q11. Do you think that there is the correct balance in place between the challenge and support roles of committees in terms of the Budget process?

The Regional Development Committee is of the view that it is a matter for each Assembly committee to find what it considers to be the correct balance between its challenge and support roles in the budget process. The Assembly committees have the powers to engage in the degree of scrutiny that Members see fit. There may, however, be a need for specialist resources, either centrally or dedicated to specific committees, to provide standing or ad-hoc technical advice and services to support committees' challenge and scrutiny functions.

Q12. Do you think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

The Committee is of the view that greater harmonisation and simplification of the documentation, as outlined in paragraphs 5 to 10 above, would greatly improve the documents. In addition, the publication of an annual report illustrating both spend and delivery would begin to provide the information needed by Committees and the Assembly to discharge their scrutiny and advisory functions.

Members of the Committee for Regional Development extend their thanks to the Finance and Personnel Committee for its work on the budget process, and on improvements in the in-year monitoring process.

The Committee requests that you keep Members informed of progress on both the Department for Finance and Personnel's review and your committee's inquiry.

Committee for Social Development

Q1. What are your views on the overall timetable for the Budget 2008-11 process and in particular were there any elements which were too short/long?

The Committee would have benefited from a bigger gap between the announcement of the Draft Programme for Government and the Draft Budget. From a Committee scrutiny point of view, it is absolutely essential that detailed consideration is given to the Programme for Government before the Budget can be considered.

As the Programme for Government should determine budgetary allocations, the Committee would hope that any future budget process and timetable will take this into account.

Q2. What are your views on the details provided in respect of departmental Budget submissions and in particular is there any additional information that would have been of use?

The Committee was satisfied with the detail provided in respect of the Department for Social Development's Budget submission. However, it agrees with the view of the Committee for Finance and Personnel, that there would be benefit from fuller and more standardised information on departments' bids and their outcomes being published as part of the draft Budget process.

Q3. Do you feel that there was sufficient linkage between the spending bids put forward by departments and the associated public sector outcomes in the Programme for Government - how could this be improved?

The Committee shares the view of many other committees in that there should be closer alignment between the Programme for Government and the Budget documents.

Q4. Did you think that the prioritisation of spending bids was useful and do you feel that there was sufficient scope for departments to revise prioritisation to reflect the views of the Committee?

The Committee agreed with the prioritisation of the Department for Social Development's bids therefore it did not have an opportunity to assess if there was scope for revision. The Committee believes that the prioritisation of bids is an integral part of the whole Budget process.

Q5. Do you think that the views of the Committee were sufficiently reflected in Departments' Budget submissions - can you provide an example of where departmental spending proposals changed as a result of input from the Committee?

The Committee did not voice any major concerns that would have necessitated a change.

Q6. Capital allocations in the Budget were based upon a separate exercise, led by the Strategic Investment Board, to develop the Executive's Investment Strategy which also covered the period up to 2018 - have you any comments on how the capital allocations in the Budget were determined, including the linkage with the ISNI, in terms of the scrutiny role of the statutory committees?

Limited time was a factor in the Committee's scrutiny of capital allocations and the Executive's Investment Strategy. More meaningful scrutiny would have been possible if the Programme for Government had been published first as ISNI priorities should be heavily influenced by it.

Q7. Was there any evidence of cross-departmental or cross-committee working in terms of the Budget spending proposals - how do you think this could be encouraged and developed?

The Social Development Committee submitted a response to the Committee for Finance and Personnel detailing its views on the Department's draft budget. The Committee's views along with the views of other Committees were included in a report to the Minister for Finance and Personnel on the Executive's Draft Budget.

The Committee would encourage cross-departmental bids where appropriate. In respect of committee scrutiny, it would seem sensible for the committee that scrutinises the lead department to take the views of other relevant committees.

Q8. What are your views on the standard of public/stakeholder consultation responses and/or evidence sessions that you received as part of the Budget process - did this have a significant influence on your views regarding your Department's Budget spending proposals?

The Committee did not seek views from the public or key stakeholders on the Draft Budget. However, it took into account any concerns that were raised previously by the public or key stakeholders in the course of its scrutiny.

Q9. There are 3 main budget events in the Assembly plenary: the Ministerial statement launching the draft document, the take note debate and the laying of the revised budget. What is your opinion on the frequency, nature and amount of plenary debate - how could this be improved?

The Committee suggests that there should be preliminary debate on the priorities to be included in the next draft Programme for Government before commencement of the budget process.

The Draft Budget and the revised Budget documents are embargoed until commencement of the Finance Minister's statements to the Assembly. This does not afford the Committee opportunity to consider the documents before the plenary debate.

Q10. All departmental spending proposals were subject to High Level Impact Assessment in terms of the equality, good relations and anti-poverty impacts - did this influence your Committee's views regarding the prioritisation of Budget spending proposals?

The Committee did not have sight of the results of the High Level Impact Assessments that may have taken place in relation to the Department's spending proposals. However, the Committee believes that this information would be useful to inform its view on the prioritisation of proposals.

Q11. Do you think that there is the correct balance in place between the challenge and support roles of committees in terms of the Budget process?

The Committee's power to consider and advise on annual budgets allows it to decide on the appropriate balance between challenge and support in relation to the Department's budget.

Q12. Do you think that the draft and revised budget documents could be improved, in particular do you think that more or less information should be included?

In its Report on the Executive's Draft Budget, the Committee for Finance and Personnel recommended that additional information is included in the Budget document to improve alignment with the Programme for Government and to explain better the financing of planned capital investment. The Committee fully concurs with this view.

Explanatory Note:

When considering the questions raised by the Department of Finance & Personnel in respect of Budget logistics, the Committee made the following additional points:

- Given the detail and complexity of returns, there was generally insufficient time to thoroughly review Departmental budget information prior to submission to the Department of Finance & Personnel
- The requirement for the Committee to consider both budget submissions and investment plans simultaneously presented particular logistical challenges.
- The absence of supporting or contextual information in Departmental submissions further limited the Committee's ability to scrutinize budget information effectively.

Appendix 4

Minutes of Proceedings

Wednesday, 2 July 2008 Room 152, Parliament Buildings

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

In Attendance: Shane McAteer (Assembly Clerk)
Vivien Ireland (Assistant Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Chris McCreery (Clerical Officer)
Claire Cassidy (Assembly Research)

Apologies: Fra McCann MLA

The meeting commenced at 10.00 am in open session.

6. Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure

Members noted that DFP officials planned to review the Executive's Budget process and report to the Minister by the end of October 2008. Members considered the terms of reference for DFP's Review and noted that it will cover many areas which the Committee's Inquiry may otherwise have examined.

Members considered a revised terms of reference for the Committee's Inquiry, which would contribute to and complement DFP's review and focus on the Budget process from the Assembly's perspective.

Agreed: revised terms of reference for the Committee's Inquiry.

Agreed: that, as DFP will engage with key stakeholders as part of its Review and as the Committee's main focus will be on internal processes within the Assembly, the Committee will not seek external evidence from the public at this stage.

Agreed: that Assembly Research will be asked to provide a paper on the budgetary processes in other applicable legislatures, with a particular focus on the Scottish Parliament, where the Finance Committee is currently carrying out an Inquiry on this subject area.

Agreed: that the views of the other statutory committees will be sought in relation to the Committee's Inquiry.

Wednesday, 10 September 2008

Room 152, Parliament Buildings

Present: Mitchel McLaughlin MLA (Chairperson)
Simon Hamilton MLA (Deputy Chairperson)
Roy Beggs MLA
Dr Stephen Farry MLA
Fra McCann MLA
Jennifer McCann MLA
Adrian McQuillan MLA
Ian Paisley Jnr MLA
Dawn Purvis MLA
Peter Weir MLA

In Attendance: Shane McAteer (Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Chris McCreery (Clerical Officer)
Dr Robert Barry (Assembly Research)

Apologies: Declan O'Loan MLA

The meeting commenced at 10.03 am in open session.

7. Committee Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure

The Committee was briefed by Assembly Research on a comparative analysis of budget scrutiny in Northern Ireland and other legislatures.

Agreed: that details will be requested from DFP on the organisations consulted and the questions posed during DFP's Review of the Budget process.

Agreed: that information will be obtained on the budget available to the Committee for specialist advice.

Agreed: that a paper will be requested from Assembly Research on the key themes emerging from the Scottish Finance Committee's ongoing review of the budget process in Scotland.

Members noted DFP's questions on the 2007 budget process, which had been forwarded to the other statutory committees over the summer for a response by 10 October 2008.

Agreed: that members will consider DFP's questions before formulating a response at a future meeting.

Wednesday, 15 October 2008

Room 152, Parliament Buildings

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

In Attendance: Shane McAteer (Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Chris McCreery (Clerical Officer)
Dr Robert Barry (Assembly Research)

Apologies: Ian Paisley Jnr MLA
Peter Weir MLA

The meeting commenced at 10.08 am in open session.

5. Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure

Members noted that the Committee's response to DFP on Stage 1 of the Committee's Inquiry needed to be agreed at next week's meeting.

The Committee was briefed by Assembly Research on points of interest for Northern Ireland arising from the Scottish Parliament Finance Committee's Review of the Budget Process.

Members considered the Committee's response to the questions posed by DFP on the Budget 2007 process.

Agreed: that comments on the need for greater scrutiny of baseline spend and of departmental efficiency delivery plans will be included and the final draft will be considered at next week's meeting.

Members noted that responses had been received from seven other statutory committees and considered a paper which summarised the key issues contained in these responses.

Agreed: that the summary paper will be considered further and agreed at next week's meeting.

Wednesday, 22 October 2008

Room 152, Parliament Buildings

Unapproved

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

In Attendance: Shane McAteer (Assembly Clerk)
Colin Jones (Assistant Assembly Clerk)
Paula Sandford (Clerical Supervisor)
Chris McCreery (Clerical Officer)

Apologies: Dr Stephen Farry MLA
Jennifer McCann MLA

The meeting commenced at 10.05 am in open session.

6. Committee Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure

Members considered the Committee's draft Report on Stage One of its Inquiry on a paragraph-by-paragraph basis, as follows:

Committee for Finance and Personnel's Response to DFP's Questions for Statutory Committees

Agreed: that the response to Question 1 stands part of the Report.

Agreed: that the response to Question 2 stands part of the Report.

Agreed: that the response to Question 3 stands part of the Report.

Agreed: that the response to Question 4 stands part of the Report.

Agreed: that the response to Question 5 stands part of the Report.

Agreed: that the response to Question 6 stands part of the Report.

Agreed: that the response to Question 7 stands part of the Report.

Agreed: that the response to Question 8 stands part of the Report.

Agreed: that the response to Question 9 stands part of the Report.

Agreed: that the response to Question 10 stands part of the Report.

Agreed: that the response to Question 11 stands part of the Report.

Agreed: that the response to Question 12 stands part of the Report.

Overview of Stage 1 of the Inquiry

Agreed: that paragraphs 1 to 3 stand part of the Report.

Agreed: that paragraph 4 stands part of the Report.

Agreed: that paragraphs 5 to 6 stand part of the Report.

Agreed: that paragraphs 7 to 9 stand part of the Report.

Agreed: that paragraphs 10 to 12 stand part of the Report.

Agreed: that paragraphs 13 to 15 stand part of the Report.

Agreed: that paragraphs 16 to 18 stand part of the Report.

Agreed: that paragraphs 19 to 21 stand part of the Report.

Agreed: that paragraphs 22 to 24 stand part of the Report.

Agreed: that paragraphs 25 to 27 stand part of the Report.

Agreed: that the draft Executive Summary stands part of the report.

Agreed: that the appendices stand part of the Report.

Members noted that the recommendations in bold within the main body of the report will be copied to the relevant section at the front of the report.

Agreed: that the relevant extract from the draft minutes of today's proceedings will be checked by the Chairperson and included in the Committee's Report as 'unapproved' minutes of proceedings.

Agreed: that the Report be the First Report of the Committee for Finance and Personnel to the Assembly for session 2008/09.

Agreed: that the Report on Stage 1 of the Committee Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure be printed.

Members noted that a typescript copy of the Report will issue to DFP by the end of the week, in line with normal protocol. The report will be published shortly thereafter and copies issued to all MLAs.

Agreed: that information will be sought from DFP as to how it intends to progress the Review of the Budget Process, especially in terms of input from the Assembly.

The meeting continued in open session at 12.34 pm.

[1] The last review was conducted in 2002.

[2] 2. See discussion paper by Prof. David Bell, Adviser to the Finance Committee - <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/bpReviewBell.pdf>

[3] See the Finance Committee's Consultation Paper, 27 March 2008 - <http://www.scottish.parliament.uk/s3/committees/finance/budget/documents/conPaper.pdf>

[4] Scottish Parliament Finance Committee 'Review of the Budget Process – Consultation Paper' - <http://www.scottish.parliament.uk/s3/committees/finance/budget/documents/conPaper.pdf>

[5] Some of those who gave oral evidence also made written submissions.

[6] 6 <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/bpReviewBell.pdf>

[7] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/JoArmstrongCPR.pdf>

[8] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/ArthurMidwinter.pdf>

[9] The National Performance Framework is set out in a separate chapter from budgets, compared with the objectives and targets set for each portfolio in the previous document.

[10] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/SWBG.pdf>

[11] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/ProfessorIrvineLapsley.pdf>

[12] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/ProfessorIainMcLean.pdf>

[13] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/CIPFA.pdf>

[14] House of Commons Liaison Committee Parliament and Government Finance Second Report of Session 2007-2008.

[15] OECD Best Practices For Budget Transparency.

[16] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/Hansard.pdf>

[17] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/FIAG.pdf>

[18] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/EducationLifelongLearningandCultureCommittee.pdf>

[19] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/HealthandSportCommittee.pdf>

[20] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/RuralAffairsandEnvironmentCommittee.pdf>

[21] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/SPCB.pdf>

[22] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/HouseofCommonsScrutinyUnit.pdf>

[23] Finance Committee meeting, 24 June 2008 -
<http://www.scottish.parliament.uk/s3/committees/finance/or-08/fi08-1801.htm>

[24] These were agreed at the Committee's meeting of 2 July 2008.

[25] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/fc-budgetreview-evid.htm>

[26] <http://www.scottish.parliament.uk/s3/committees/finance/inquiries/budgetReview/oralEvidence.htm>