

**Committee for Finance and Personnel**

**Third Report on the Inquiry into  
the Role of the Northern Ireland  
Assembly in Scrutinising the  
Executive's Budget and Expenditure**

Together with the Minutes of Proceedings of the Committee relating to the Report, Written Submissions, Memoranda and the Minutes of Evidence

Ordered by The Committee for Finance and Personnel to be printed 21 March 2011  
Report: NIA 61/10/11R Committee for Finance and Personnel

**Committee Remit, Powers and Membership**

**Powers**

The Committee for Finance and Personnel is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of the Belfast Agreement, Section 29 of the Northern Ireland Act 1998 and under Assembly Standing Order 48. The Committee has a scrutiny, policy development and consultation role with respect to the Department of Finance and Personnel and has a role in the initiation of legislation.

The Committee has the power to;

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

**Membership**

The Committee has eleven members, including a Chairperson and Deputy Chairperson, with a quorum of five members. The membership of the Committee during the current mandate has been as follows:

Mr Daithí McKay (Chairperson)<sup>[1]</sup>

Mr David McNarry (Deputy Chairperson)<sup>[2]</sup>

Dr Stephen Farry

Mr Paul Frew<sup>[3]</sup>  
Mr Paul Girvan<sup>[4]</sup>  
Mr Simon Hamilton  
Ms Jennifer McCann  
Mr Mitchel McLaughlin  
Mr Adrian McQuillan  
Mr Declan O'Loan  
Ms Dawn Purvis

[1] Mr Daithí McKay replaced Ms Jennifer McCann as Chairperson on 19 January 2011, having replaced Mr Fra McCann on the Committee on 13 September 2010. Ms McCann replaced Mr Mitchel McLaughlin as Chairperson on 9 September 2009.

[2] Mr David McNarry was appointed Deputy Chairperson on 12 April 2010 having replaced Mr Roy Beggs on the Committee on 29 September 2008.

[3] Mr Paul Frew joined the Committee on 13 September 2010; Mr Ian Paisley Jr left the Committee on 21 June 2010 having replaced Mr Mervyn Storey on 30 June 2008.

[4] Mr Paul Girvan replaced Mr Jonathan Craig on 13 September 2010; Mr Jonathan Craig had been appointed as a member of the Committee on 13 April 2010. Mr Peter Weir left the Committee on 12 April 2010. Mr Peter Weir had replaced Mr Simon Hamilton as Deputy Chairperson on 4 July 2009. Mr Simon Hamilton replaced Mr Mervyn Storey as Deputy Chairperson on 10 June 2008.

## Contents

[List of Abbreviations and Acronyms used in the Report](#)

[Executive Summary](#)

[Key Conclusions and Recommendations](#)

[Introduction](#)

### **Improving the Budget Scrutiny Process and Information Flow**

Arrangements and Experience to date

Strengthening Assembly Standing Orders

Memorandum of Understanding on Information Provision

Assembly Commission Budget

Central Budget Committee

### **Resourcing Budget Scrutiny**

Option 1: Appoint advisers to Committees under existing provisions

Option 2: Establish a unit within the Northern Ireland Civil Service

Option 3: Provide a dedicated unit within Assembly Research & Library Service

Option 4: Redesign the Committee support staffing structure to include public finance expertise

Option 5: Establish a parliamentary budget office – either within or external to the Assembly

Option 6: Support from the Northern Ireland Audit Office

### **Approaches to Budget Scrutiny**

Incremental Budgeting

Zero-based Budgeting

Performance-based Budgeting

Participatory Budgeting

HM Treasury: Clear Line of Sight Reforms

Forecast Outturn Information

Account NI

### **Appendix 1**

Minutes of Proceedings (Extracts)

### **Appendix 2**

Minutes of Evidence

### **Appendix 3**

Written Submissions and Memoranda

### **Appendix 4**

Statutory Committee Submissions

### **Appendix 5**

Research Papers

## **List of Abbreviations and Acronyms used in the Report**

C&AG Comptroller and Auditor General

CAL Committee for Culture, Arts and Leisure

CFP Committee for Finance and Personnel

CIPFA Chartered Institute of Public Finance and Accountancy

CLOS Clear Line of Sight

CSR Comprehensive Spending Review

DEL Department for Employment and Learning

DFP Department of Finance and Personnel

DHSSPS Department of Health, Social Services and Public Safety

DPR Departmental Position Reports

DRD Department for Regional Development

HMT Her Majesty's Treasury

ETI Enterprise, Trade and Investment

FSU Financial Scrutiny Unit

IMF International Monetary Fund

MLA Member of the Legislative Assembly

MoU Memorandum of Understanding

NAO National Audit Office

NAW National Assembly for Wales

NDPB Non-Departmental Public Bodies

NI Northern Ireland

NIAO Northern Ireland Audit Office

NICS Northern Ireland Civil Service

OFMDFM Office of the First and deputy First Minister

OECD Organization for Economic Cooperation and Development

ONS Office for National Statistics

PfG Programme for Government

PSA Public Service Agreements

R&LS Assembly Research and Library Service

RBM Resource Budget Management

SPCB Scottish Parliamentary Corporate Body

SPICe Scottish Parliament Information Centre

UK United Kingdom

## **Executive Summary**

This Third Report marks the completion of the Committee's Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure, which it commenced in July 2008. The Inquiry aimed to maximise the Assembly's contribution to the Northern Ireland budget process and to enhance the role of Assembly statutory committees and Members in budget and financial scrutiny.

The first report of the Inquiry, published in October 2008, formed the Committee's submission to the Department of Finance and Personnel's Review of the Northern Ireland Executive Budget 2008-11 Process, which reported in May 2010. The second report of the Inquiry, completed in June 2010, provided a co-ordinated response to the Department's review on behalf of all Assembly statutory committees. This final report further examines the process and procedures for scrutinising and agreeing Executive budgets and also considers the resources available to assist Assembly committees and Members in this regard and the approaches to such scrutiny.

To inform its consideration of these issues, the Committee took evidence from representatives of scrutiny units in the Scottish Parliament and Westminster, and from the Northern Ireland Audit Office. Comparative research was commissioned on best practice in respect of budget processes in other jurisdictions and on the resources and information provision available to support legislatures in scrutinising budgetary proposals. The Committee also received submissions from other Assembly committees regarding potential options for enhancing support for budget scrutiny.

In previous consideration of Executive spending plans and the draft Budget 2011-15, members noted that a majority of Assembly statutory committees were dissatisfied at the level of engagement with their respective departments and the level of detail available on departmental spending proposals. The Committee is concerned that such repeated failures compromise the ability of the Assembly to fulfil its scrutiny role effectively, and believes this is exacerbated by the lack of a regularised budget process. A number of practical measures are therefore set out in this Report, aimed at establishing stronger procedures and processes, which will enable the Assembly to fully exercise its role in this regard.

The arrangements for scrutinising and agreeing the Assembly's budget emerged as an issue during the Budget 2011-15 process, and the Committee agreed at that time to examine this further within this Report. To help inform its deliberations in this regard, research was commissioned on practices for agreeing budgets for other legislatures and the view of the Assembly Commission was also received. The Committee considers it essential that robust procedures are put in place for scrutinising and agreeing the Assembly's budget, which are in line with best practice and ensure the independence of the legislature.

The Committee asks that, early in the new Assembly mandate, the successor Committee for Finance and Personnel, in conjunction with other applicable Assembly committees, pursues the key findings and recommendations set out in this Report.

## Key Conclusions and Recommendations

1. Given the repeated failure by a majority of executive departments to meet the needs of their Assembly scrutiny committees in terms of the provision of appropriate and timely information on budgetary proposals, the Committee believes that the Assembly's potential in contributing constructively to the development of Executive budgets and to overseeing the subsequent delivery of the Executive's strategic spending priorities can be fully realised only if the Assembly takes decisive steps to establish stronger procedures and processes for exercising its role in this regard. (Paragraph 7)

2. While the Committee and DFP are agreed on the benefit of early and more structured engagement between executive departments and Assembly committees, members believe that this will only happen in the context of a formal agreement between the Assembly and Executive on a regularised budget process, which includes clearly defined pre-draft Budget stages that provide for early Assembly input, irrespective of whether an annual or multi-year budget cycle is followed. The Committee is also of the view that the provision of formal opportunities for the Assembly to influence budgetary matters early in the process would help facilitate the potential streamlining of the latter stages in the budget and estimates process, including the associated plenary debates. The Committee recommends that the successor CFP works to address this matter early in the next mandate, in liaison with DFP and possibly as part of a co-ordinated Assembly input to the Executive's forthcoming Review of the Financial Process, the outcome of which is to be reported to the Assembly early in 2012. (Paragraph 24)

3. While the Committee is of the view that regular use of the existing statutory powers of Assembly scrutiny committees to call for persons and papers would be unnecessarily bureaucratic and time consuming, members believe that committees should consider exercising these powers in circumstances where there is a continued failure by departments to provide the financial information needed for scrutiny of departmental budgets and expenditure. (Paragraph 27)

4. CFP calls on the Procedures Committee to undertake an urgent review of Assembly standing orders, early in the next mandate, for the purpose of strengthening the procedural basis for the Assembly's scrutiny of the Executive's budgets and expenditure. In particular, this exercise should, where feasible, develop specific proposals for amendments to standing orders to:

- provide a minimum time period for committees to scrutinise departmental budgetary proposals or spending plans;
- codify the role of CFP in co-ordinating budget scrutiny by Assembly committees and in scrutinising cross-cutting public finance issues;
- provide a minimum time period in which CFP may prepare co-ordinated reports on Executive budgetary proposals;
- provide for CFP to also lead a review of departmental expenditure plans once per year, as part of its annual consideration of estimates and budget bills; and
- establish a requirement for the provision of pre-draft Budget information in advance of the introduction of budget bills. (Paragraph 36)

5. The Committee recommends that, early in new mandate, the successor CFP also oversees the development of an MoU between the Assembly and the Executive on the provision of financial information by departments for the purpose of facilitating scrutiny by Assembly committees. Members consider that the MoU document could also be agreed as part of the deliberations on the Executive's Review of the Financial Process. (Paragraph 42)

6. Within the context of the proposed review of Assembly standing orders, the Committee would also recommend that the wording of Standing Order 42(2) is reviewed to determine if an amendment is required to clarify that CFP should have regard to wider considerations, including the views of the other appropriate committees and compliance by departments with the MoU, when deciding whether to grant accelerated passage to budget bills. (Paragraph 43)

7. The Committee recommends that, early in the new mandate, the successor CFP works with the next Assembly Commission to establish robust procedures for scrutinising and agreeing the Assembly's budget, which are in line with international best practice and ensure the independence of the legislature. The Committee considers that this issue could potentially be addressed as part of the wider review of Assembly standing orders, which this Report proposes should be undertaken in conjunction with the Procedures Committee. (Paragraph 53)

8. The Committee believes that the idea of reforming the Assembly financial scrutiny system to establish a more powerful central budget committee should be reconsidered in the future, if the proposed reforms to processes and procedures that are set out in this Report fail to have the desired outcome. (Paragraph 55)

9. In recognising that decisive measures are needed to strengthen the support to the Assembly and its committees in undertaking financial scrutiny, the Committee recommends that:

- the Assembly Secretariat undertakes a detailed appraisal to determine the most effective and best value-for-money combination of option 1 (Appointment of Specialist Advisers to Committees), option 3 (Provide dedicated Financial Scrutiny Unit within Assembly Research & Library Service) and option 6 (Support from Northern Ireland Audit Office); and that
- while this exercise should commence early in the new mandate and should take account of the changed budgetary context, priority will need to be given to addressing the budget process and information flow issues identified. (Paragraph 81)

10. The Committee recommends that the successor CFP works with DFP to refine and improve the format of the available forecast outturn data to facilitate straightforward comparisons between planned spending and actual spending by departments. The provision of appropriate information in this regard could assist in identifying trends in in-year reduced requirements by departments early enough to avoid significant year-end underspend, which is critical in view of the removal of End Year Flexibility, and will also facilitate scrutiny of the standards of financial forecasting and monitoring by departments. (Paragraph 107)

11. The Committee recommends that the successor CFP works with DFP to explore the potential for the Account NI system to be used to provide information to Assembly statutory committees on departmental expenditure against PSA targets and outcomes. The Committee recognises that a "one size fits all" approach to Assembly committee budget scrutiny would not be feasible, given the differences in the nature, scale and structure of departmental budgets; but considers that efforts should be made to exploit the full potential of Account NI to meet individual committee needs. The Committee considers that this matter should be examined as part of the work in specifying the information needs of committees and in developing the MoU. (Paragraph 109)

# Introduction

1. In July 2008, the Committee for Finance and Personnel (the Committee/CFP) agreed terms of reference<sup>[1]</sup> for an Inquiry into the Role of the NI Assembly in Scrutinising the Executive's Budget and Expenditure. The aim of the inquiry would be to maximise the Assembly's contribution to the Executive's budget process and to enhance the role of the Assembly statutory committees and members in budget and financial scrutiny.

2. The Committee published its report on the first part of Stage 1 of the inquiry in October 2008<sup>[2]</sup>. This formed the Committee's contribution, on behalf of the Assembly, to the review of the Executive's budget process being undertaken by the Department of Finance and Personnel (DFP). The second part of Stage 1 was to consider and respond to the DFP review; however, given the lengthy delay in completion of the DFP review, the Committee was not in a position to complete this part of its inquiry and print its report until June 2010<sup>[3]</sup>.

3. In addition to examining the budget process, the inquiry has sought to examine other requirements for effective budget scrutiny, including the provision of financial information from executive departments to scrutiny committees and the resources available within the Assembly to assist committees and members in undertaking budget and financial scrutiny. Related to its wider examination of the process for scrutinising and agreeing the Executive's Budget, the Committee has also given initial consideration to the subsidiary issue of how formal procedures might be put in place for scrutinising and agreeing the Assembly's budget, which safeguard the operational independence of the legislature. The Committee's deliberations on the interrelated issues of budget process, information flow and scrutiny support/resources has been informed by comparative research on practices and experience in other appropriate jurisdictions and the associated Assembly research papers are provided at Appendix 5.

4. To inform its consideration of how the Assembly's capacity for budget and financial scrutiny could be enhanced, the Committee commissioned an Assembly research paper to examine the resources available to support other legislatures undertaking scrutiny in this regard (Appendix 5). This paper identified options for consideration and a related research paper provided a preliminary assessment of the costs associated with each option (Appendix 5). To help inform its deliberations, the Committee invited comments on the research paper, Resources for budget scrutiny, from the other Assembly statutory committees. The responses from other committees are included at Appendix 4.

5. The Committee also took oral evidence from the Budget Adviser to the Scottish Parliament's Finance Committee together with representatives from the Scottish Parliament's Financial Scrutiny Unit and the Scrutiny Unit at Westminster; the Northern Ireland Audit Office; and Assembly Research & Library Service. The Official Reports of the evidence sessions are at Appendix 2, with written submissions provided at Appendix 3.

## Improving the Budget Scrutiny Process and Information Flow

6. In the Second Report on this Inquiry, the Committee highlighted the importance of committees having access to relevant and timely information from departments.<sup>[4]</sup> The Committee considers this issue to be critical to the success of any resources, either existing or yet to be put in place, for supporting Assembly committees and members in budget and financial scrutiny. A further requirement for effective scrutiny is that the Assembly and its committees are afforded sufficient time to consider departmental budget proposals, to take the views of key stakeholders and to examine the outcome of any public consultations by the Executive or



departments before arriving at an informed position on the proposals and making evidence-based recommendations for improvement.

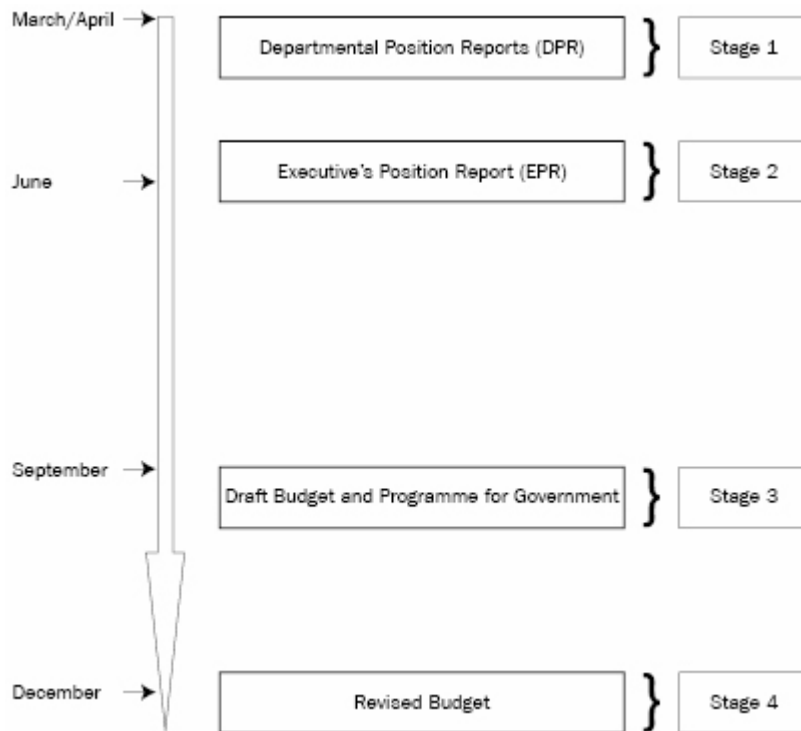
7. In its Report on the Review of 2010-11 Spending Plans for NI Departments<sup>[5]</sup>, published in March 2010, the Committee noted that a number of other Assembly statutory committees had expressed dissatisfaction with regard to the provision of information on the plans for their respective departments. The Committee was strongly critical with regard to the lack of meaningful engagement between departments and their respective Assembly committees. The Committee was disappointed to note that the same issues have again arisen in the recent draft Budget 2011-15 process, when seven out of the other eleven committees, in addition to the Chairpersons' Liaison Group, expressed some degree of dissatisfaction with regard to the level of engagement on spending and savings plans for their respective departments. Given the repeated failure by a majority of executive departments to meet the needs of their Assembly scrutiny committees in terms of the provision of appropriate and timely information on budgetary proposals, the Committee believes that the Assembly's potential in contributing constructively to the development of Executive budgets and to overseeing the subsequent delivery of the Executive's strategic spending priorities can be fully realised only if the Assembly takes decisive steps to establish stronger procedures and processes for exercising its role in this regard.

## **Arrangements and Experience to date**

8. The Committee accepts that the approach of agreeing multi-year budgets, as in the cases of 2008-11 and 2011-15, offers advantages in terms of more strategic planning. That said, members are aware that, with the move from annual to multi-year budgets at the beginning of the current mandate, there has been a corresponding loss of regularity in the budget cycle and reduced opportunity for the Assembly to scrutinise and influence proposed public expenditure.

9. Members note that the annual budget process that was used during the first Assembly mandate (between 1998 and 2002) consisted of four stages, as summarised in the diagram below.

## **The Budget Process used in the first NI Assembly mandate<sup>[6]</sup>**



10. This four-stage process gave the Assembly the opportunity to debate and influence the proposed allocations during the first two stages:

- Stage 1 - Departmental Position Reports (DPR) were published in March/April and provided each statutory committee with an opportunity to receive oral or written briefing from its department and consult upon the DPR. Following the period of consultation, each committee provided feedback to its department, who then submitted the finalised DPR to DFP in April.
- Stage 2 - The Executive's Position Report (EPR) was issued jointly by DFP and OFMDFM in June and summarised each department's position report and allowed for consultation with committees, etc. in advance of the preparation of the draft Budget and Programme for Government. This was 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 were briefed by departmental officials once again, and consulted as necessary. CFP co-ordinated committees' responses to the EPR and submitted these to DFP in August to inform the preparation of the draft Budget.

11. The Committee is mindful that, in the current mandate, the process altered and stages 1 and 2 have not occurred, leaving aside the change from annual to multi-year budgets. However, in evidence to the Committee on the outcome of the DFP Review of the 2007 Budget Process, on 12 May 2010, departmental officials recognised that early engagement between departments and Assembly committees is vital as "movements between draft and final Budgets tend to be minimal".<sup>[7]</sup>

12. From the Assembly research, members note that the International Monetary Fund (IMF) suggested good practice advises that "the legislature should be provided with an opportunity for a pre-budget review of the government's main budget orientations and proposals for the upcoming fiscal years, especially the next year's annual budget strategy and main aggregates." The Assembly research acknowledged that "the presentation of a draft budget by the Executive to the Assembly provides an opportunity for this sort of pre-budget review before it is formally

presented" but also pointed out that the decision by the Executive to present multi-year budgets "could be seen as undermining the opportunity to debate the next year's annual budget strategy".<sup>[8]</sup> It was in this context, therefore, that the Committee has called for the establishment of a regularised annual budgetary review mechanism within any multi-year budgetary framework, as alluded to below.

13. At various junctures in this Assembly mandate, the Committee has pressed for the restoration of a formal and structured budget process to maximise the added value which can be realised from the advice and scrutiny role of the Assembly and its committees, particularly in terms of the earlier stages of the budget cycle when there is greater opportunity for committees to exercise influence. In its Report on the Executive's Draft Budget 2008-11, the Committee considered that the future budget process and timetable needed to be settled early in 2008 to enable the Assembly statutory committees to schedule the necessary scrutiny into their work programmes and thereby provide departments with notice in terms of the future information and briefing requirements of committees.<sup>[9]</sup> Subsequently, in its First Report on this Inquiry, the Committee recommended:

"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"; and

"That a set timetable is agreed to determine when departments will provide information to committees."<sup>[10]</sup>

14. The Committee's continuing concern around the absence of a formal budget process, similar to that which existed in the first mandate, was highlighted again in successive reports. In its report on the Review of 2011-12 Spending Plans of NI Departments, the Committee concluded:

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

15. The Committee went on to call for "the urgent establishment of a formal process for Assembly scrutiny of future Executive Budgets and expenditure, which will both enable the statutory committees to plan the necessary scrutiny and will focus departments' attention on meeting the future briefing requirements of their committees. Members further recommended that "the detail of the future Budget process is determined in conjunction with the Assembly statutory committees and subsequently launched with an awareness programme for all Assembly Members."<sup>[11]</sup>

16. A similar theme was highlighted in the following extract from the Committee's Second Report in this Inquiry:

"Whilst it considers that the setting of a clear timetable to include key milestones at the start of each budget process is of vital importance, the Committee believes that clarity is required on the shape, frequency and duration of future budget cycles. In noting that the Budget 2010 process will develop departmental spending plans for the four-year period from 2011-12 to 2014-15, the Committee recommends that a regularised annual budgetary review process is established within this framework, with a pre-determined timetable, to enable the Executive and Assembly to make interim reappraisals of departmental allocations against progress in delivering PfG priorities and savings".

17. The Committee went on to call on DFP to build in adequate provision for the Executive decision-making process and for the Assembly calendar when developing future budgetary timetables, with a view to ensuring sufficient time for engagement with the Assembly and other stakeholders.<sup>[12]</sup> Finally, in its recent Report on the Executive's Draft Budget 2011-15, the Committee, in referring to the limitations to the in-year monitoring process, reiterated its call for the establishment of a regularised annual budgetary review mechanism, set to a pre-determined timetable, which it considers will aid transparency and better enable the Executive to adapt its plans to deal with changing circumstances and unforeseen pressures.<sup>[13]</sup> The Committee will be recommending that its successor committee pursues this issue in the new mandate.

18. Arising from its Review of the 2007 Budget Process, DFP called for "early and more structured engagement between departments and Assembly Committees setting out the key issues and pressures facing NI departments" and saw this as preferable to the publication of the Position Reports, which it considered could become a "bureaucratic exercise".<sup>[14]</sup> While welcoming this recognition of the need for earlier engagement by departments with their committees, which should be more structured in order to provide greater standardisation in the material provided, the Committee is concerned that no progress has been made in this regard and that this is unlikely in the absence of a regularised budget process.

19. On 17 February 2011, the Department provided the Committee with the Terms of Reference (ToR) for the forthcoming Review of Financial Process in NI, as agreed by the Executive on 9 February 2011 (Appendix 3). This initiative has been influenced partly by HMT's "Clear Line of Sight (CLOS)" programme, which aims to more closely align the documentation associated with budgets, estimates and accounts, which is described in more detail later in the report. The Review ToR state that its overall aim is "to examine and make recommendations on the options to create a single coherent financial framework that is effective, efficient and transparent and enhances scrutiny by and accountability to the Assembly, taking into account the needs of the Assembly." Moreover, the ToR state that "the strategic objectives of the review are:-

- To align the Budget, the Estimates and the Accounts as far as practicable to improve transparency, and
- To synchronize the presentation of the Budget, the Estimates/departamental expenditure plans, the Budget Bills, the Rates legislation and the Accounts in order to create a single co-ordinated public revenue and expenditure process."<sup>[15]</sup>

20. The Committee supports the objective of alignment of the relevant financial documents, including budgets, estimates and resource accounts, and notes that this is in keeping with its previous call for such documents to be "simplified and harmonised to increase transparency and enhance the relationship between allocations and performance and also to ensure that they are more readily scrutinised by Assembly committees and accessible to the wider public".<sup>[16]</sup>

21. In terms of the second objective of the Review, concerning synchronising the presentation of spending plans and associated legislation, the Committee gave initial consideration to this issue in its Second Inquiry Report. Arising from its Review of the 2007 Budget Process, DFP concluded that that the current process for agreeing and debating the Budget and Main Estimates encourages "significant amounts of repetition, duplication and confusion" and recommended that "the Final Budget Statement and debate should be combined with the Main Estimates process". This would follow the approach in Scotland, whereby both are taken forward simultaneously and the Department explained that this would mean that:

"...rather than voting on the revised Budget in December or January, the Vote on Account in February and the Main Estimates in June, this process would mean that the revised Budget and

Main Estimates and Budget Bill are combined in December or January, negating the need for a Vote on Account."<sup>[17]</sup>

22. In its response to this initial proposal from DFP, the Committee agreed that it was, in principle, supportive of the recommendation as this should make for a more streamlined and harmonised approach. However, the Committee pointed to the need for consultation on the detail of the proposal and emphasised its firmly held view "that such change should only be made in the context of a settled future budget process, which will require to be agreed between the Executive and the Assembly".

23. Members also note that, in the plenary debate on the Second Report in this Inquiry, on 20 September 2010, the Finance Minister pointed to the Review of the Financial Process as an opportunity for Assembly Members to make clear how financial/budgetary information "could be more usefully presented and how the debates and discussions throughout the process might best be conducted."<sup>[18]</sup>

24. While the Committee and DFP are agreed on the benefit of early and more structured engagement between executive departments and Assembly committees, members believe that this will only happen in the context of a formal agreement between the Assembly and Executive on a regularised budget process, which includes clearly defined pre-draft Budget stages that provide for early Assembly input, irrespective of whether an annual or multi-year budget cycle is followed. The Committee is also of the view that the provision of formal opportunities for the Assembly to influence budgetary matters early in the process would help facilitate the potential streamlining of the latter stages in the budget and estimates process, including the associated plenary debates. The Committee recommends that the successor CFP works to address this matter early in the next mandate, in liaison with DFP and possibly as part of a co-ordinated Assembly input to the Executive's forthcoming Review of the Financial Process, the outcome of which is to be reported to the Assembly early in 2012.

25. In terms of information flow to the Assembly, members note from the Assembly research that there is an "indirect obligation" on Ministers and their departments via the Ministerial Code, which states that "Ministers must at all times:

- be accountable to users of services, the community and, through the Assembly, for the activities within their responsibilities, their stewardship of public funds and the extent to which key performance targets and objectives have been met; and
- ensure that all reasonable requests for information from the Assembly...are complied with."<sup>[19]</sup>

26. In light of the aforementioned lack of engagement by departments, this, therefore, raises the question of whether the provisions of the Ministerial Code are sufficiently robust in terms of the requirements of statutory committees, and indeed what recourse is available should a committee consider that a Minister has breached the terms of the Ministerial Code.

27. The Committee notes that Assembly research also points to the ability of statutory committees to invoke section 44 of the Northern Ireland Act 1998 – the power to call for witnesses and documents. While the Committee is of the view that regular use of the existing statutory powers of Assembly scrutiny committees to call for persons and papers would be unnecessarily bureaucratic and time consuming, members believe that committees should consider exercising these powers in circumstances where there is a continued failure by departments to provide the financial information needed for scrutiny of departmental budgets and expenditure. While the section 44 powers provide a fall-back option, the Committee agrees that a less cumbersome mechanism would be helpful.

28. The Committee considered three options by which a more structured process could be put in place and access to information for the Assembly improved — these are:

(i) Primary legislation;

(ii) Additions or amendments to the Assembly's Standing Orders; and/or

(iii) Memoranda of Understanding (MoU) between appropriate parties.

29. The timescale for the development of primary legislation, its passage through the Assembly and implementation can be lengthy. As such, this is not a preferred option for the Committee at this time; however, members believe that this matter should be revisited at a later date if deemed necessary by the Assembly.

## **Strengthening Assembly Standing Orders**

30. In its Report on the Review of 2010-11 Spending Plans of NI Departments, the Committee undertook to "examine how the Assembly's scrutiny of the Executive's Budget and expenditure might be underpinned by having a stronger procedural basis in Assembly Standing Orders". In this regard, the Committee is mindful that the purpose of standing orders, which are a form of subordinate legislation, is to regulate the proceedings of the Assembly. That said, members believe that there may be scope for amending standing orders to provide for more structured involvement in the budget process by Assembly statutory committees.

31. One of the key concerns raised by committees (and external stakeholders) in the last two budget processes has been that insufficient time has been made available to reach a considered position on departmental budgetary proposals. However, the Committee notes, for example, that the timescale for a committee's consideration of a bill is provided for in standing orders (e.g. standing orders 33(2) and 35(7)); given this, members believe that, procedurally, it should therefore be possible for standing orders to be amended to provide that statutory committees are afforded a minimum period of time for scrutinising, taking evidence and agreeing positions on departmental budgetary proposals.

32. A further question arises in relation to the time afforded for CFP to perform its role in co-ordinating the responses of all the relevant Assembly committees to the Executive's budgetary proposals, including its role in scrutinising public finance issues at a strategic level. In preparing its co-ordinated reports in response to Executive budgets, CFP must gather evidence from expert witnesses, take account of the views of other relevant committees and lead a "take note" debate on the Executive's proposals; ideally, it would also wish to take account of the outcome of any public consultation undertaken on the draft Budget by DFP/the Executive. The consultation period allowed for the recent draft Budget 2011-15 presented the Committee (and, as a consequence, all statutory committees) with a considerable challenge to consider all the issues and respond within the required timescale. Furthermore, the Committee did not have any details on the outcome of the public consultation prior to reaching a position on the various issues and agreeing its Report, as would normally be the case in major policy development exercises undertaken by DFP. Members believe that it should also be possible for standing orders to be amended to set a minimum period of time for CFP to fulfil this co-ordination role.

33. A further point which members have noted is that CFP's co-ordination role is exercised by convention rather than as a consequence of any specified duty. The exercise of this co-ordination role has ensured that DFP and the Executive have been provided with both a "joined up" response from Assembly committees and a critique of proposals at a strategic level. In this regard, the cross-cutting role of CFP aligns with that of the Minister of Finance and Personnel

and his department. Members are therefore also of the view that consideration should be given to amending standing orders to codify the co-ordination role of CFP in respect of the Assembly response to the Executive's budgetary proposals.

34. As alluded to above, the opportunity for Assembly committees to influence changes in departmental spending proposals between the Draft Budget and Revised Budget stages is, in practice, minimal. The Committee has called for a regularised budget process to be established early in the new mandate, which includes clearly defined pre-draft Budget stages, similar to the previous DPR and EPR stages, that provide for early Assembly input. Members are mindful, however, that while section 64 of the NI Act 1998 provides a statutory requirement for a draft Budget to be laid in the Assembly, there is presently no statutory duty on departments to prepare DPRs or similar pre-draft Budget proposals. Nonetheless, it is noted that standing orders (e.g. SO 30 and SO 41) currently place duties on Ministers and Members in respect of preliminaries to the presentation of a bill. The Committee believes that a review of standing orders, proposed below, should include consideration of whether it would be possible to establish a requirement for the provision of pre-draft Budget information and time for scrutiny in advance of the introduction of budget bills.

35. Reference has been made above to the Committee's repeated call for a regularised annual budgetary review mechanism to be provided for within the existing multi-year budgetary framework. The Committee recommends that its successor committee should press for this facility to be agreed as part of any reforms arising from the Executive's Review of the Financial Process. In tandem with this, members believe that consideration should also be given to whether it might be possible to provide in standing orders that CFP considers departmental expenditure plans once per year, having regard to the views of the other statutory committees, possibly linked to its annual consideration of estimates and budget bills.

36. CFP calls on the Procedures Committee to undertake an urgent review of Assembly standing orders, early in the next mandate, for the purpose of strengthening the procedural basis for the Assembly's scrutiny of the Executive's budgets and expenditure. In particular, this exercise should, where feasible, develop specific proposals for amendments to standing orders to:

- provide a minimum time period for committees to scrutinise departmental budgetary proposals or spending plans;
- codify the role of CFP in co-ordinating budget scrutiny by Assembly committees and in scrutinising cross-cutting public finance issues;
- provide a minimum time period in which CFP may prepare co-ordinated reports on Executive budgetary proposals;
- provide for CFP to also lead a review of departmental expenditure plans once per year, as part of its annual consideration of estimates and budget bills; and
- establish a requirement for the provision of pre-draft Budget information in advance of the introduction of budget bills.

The Committee would expect that the successor CFP will be kept fully apprised of the progress of this proposed review of standing orders as it is taken forward by the Procedures Committee as a priority in the next mandate.

## **Memorandum of Understanding on Information Provision**

37. In both written and oral evidence to the Committee, the Assembly Research & Library Service recommended that an MoU is agreed between the Assembly and the Executive to improve the flow of information. During the evidence session on 26 May 2010, the Committee

heard that such protocols are in place within the Scottish Parliament, where there is an "agreement in principle to cooperation" (Appendix 2). Under this agreement, the Scottish Parliament's Financial Scrutiny Unit will not request information that may be readily available elsewhere, or which may be unnecessarily burdensome, while the Scottish Government will provide timely information which will be helpful to the Scottish Parliament and the Scrutiny Unit. The Committee was advised that it was beneficial to have an employee seconded to the Unit from Audit Scotland as they know "exactly what questions to ask, what information is available and what is easy to access".

38. The Committee believes that the development of a similar MoU between the Assembly and the Executive would be beneficial in terms of enhancing the quality and effectiveness of financial scrutiny undertaken by the Assembly. Members recognise that the development of such an MoU will require committees to specify their financial information requirements, including it terms of the nature, level and timing of information required.

39. It is necessary to consider, however, what recourse is available in the event of non-compliance by departments with MoUs. One option could be for Assembly standing orders to be amended to place a requirement on CFP to report to the Assembly on any breaches of the MoU. This becomes particularly significant when considered in the context of Standing Order 42(2), whereby a Budget Bill can only proceed by accelerated passage:

"where on or before the Second Stage of a Budget Bill the chairperson of the Committee for Finance and Personnel...confirms to the Assembly that the committee is satisfied that there has been appropriate consultation with it on the public expenditure proposals contained in the Bill".

40. This suggests that, should CFP consider that appropriate consultation has not taken place – for example, as a result of breaches of any obligations in the MoU relating to the provision of financial information – then the Budget Bill would not be able to proceed by accelerated passage, but instead would be subject to scrutiny at the Committee Stage, as set out in Standing Order 33. In this regard, it is worth noting that any decision by CFP not to grant accelerated passage to a Budget Bill would not of itself result in departments running out of money, as provision exists in legislation for an authorised officer of DFP to authorise payment of sums out of the Consolidated Fund and the use of resources.<sup>[20]</sup>

41. A further point which members note in relation to the wording of Standing Order 42(2) is that the decision on whether to grant accelerated passage is on the basis of whether the Committee is satisfied that there has been appropriate consultation "with it". Members consider that this wording should be interpreted – and if necessary amended to provide clarity – as meaning that CFP should also have regard to the views of the other appropriate committees in terms of their experience of consultation at departmental level. This would be important given that budget bills encompass expenditure provisions for all executive departments and non-ministerial departments and not just for DFP. Moreover, members believe that decisions by CFP under Standing Order 42(2) should also have regard to whether any agreed pre-budgetary process was followed by the Executive and adherence by departments to any agreed MoU on the provision of financial information.

42. The Committee recommends that, early in new mandate, the successor CFP also oversees the development of an MoU between the Assembly and the Executive on the provision of financial information by departments for the purpose of facilitating scrutiny by Assembly committees. Members consider that the MoU document could also be agreed as part of the deliberations on the Executive's Review of the Financial Process.

43. Within the context of the proposed review of Assembly standing orders, the Committee would also recommend that the wording of Standing Order 42(2) is reviewed to determine if an



amendment is required to clarify that CFP should have regard to wider considerations, including the views of the other appropriate committees and compliance by departments with the MoU, when deciding whether to grant accelerated passage to budget bills.

## Assembly Commission Budget

44. In its Report on the Executive's Draft Budget 2011-15, the Committee undertook to consider the future arrangements for setting the budget for the NI Assembly Commission, in the context of international best practice and to ensure independence of the legislature. The decision to include initial consideration of this matter within this Report, arose when it was noted that there had been an apparent breach on the part of the Executive of the existing convention for agreeing the Assembly Commission budget during the preparation of the Executive's draft Budget 2011-15. A further locus for CFP in this area arises from the fact that it has responsibility for considering budget bills – and, as outlined above, for deciding on accelerated passage of such bills under Standing Order 42(2) – which include provisions for expenditure by the Assembly Commission.

45. To inform its deliberations, the Committee commissioned an Assembly research paper on appropriate comparator arrangements. In the paper, Scrutiny procedures for the Scottish Parliamentary Corporate Body and National Assembly for Wales Commission budget proposals, Assembly research noted that there is no formal approach to setting the Assembly's budget. There do appear to be established arrangements which, while not codified, were outlined in the Executive's Budget 2010 guidance issued to all departments in June 2010:

"In line with previous arrangements, the NI Assembly and the NI Audit Office will be provided with the level of funding required by each organisation (both current expenditure and capital investment) in order to carry out their respective functions, as agreed by the Assembly Commission and the Public Accounts Committee (sic) respectively".

46. This is the convention that was seemingly disregarded, however, in the draft Budget 2011-15 announced on 15 December 2010, which proposed real-term cuts for the Assembly Commission which were considerably in excess of the quantum of real-term cuts proposed not only by the Commission itself, but also for any Executive department and for comparable institutions such as the Scottish Parliament and Welsh Assembly. While the resultant concerns about the ability of the Assembly to fulfil its functions effectively have been allayed with revised allocations in the final Budget 2011-15, the Committee is nonetheless keen to see more robust arrangements being put in place for scrutinising and agreeing the Assembly budget in the future.

47. In examining this issue, Assembly research noted that the IMF's Role of the Legislature in Budget Processes states:

"Parliament can perform its role effectively when it is adequately funded and when it has autonomy for preparing its own budget. Many OECD countries' legislatures prepare their own budgets, which typically are not altered by the executive".

48. The IMF also highlights the following points as good practice:

- While parliaments' budgets should be prepared independently from that of the executive, parliaments should nonetheless be subject to the same general procedures for executing and reporting on spending of their own budgets.
- In particular, parliaments should not abuse their powers by increasing parliament's operating and investment expenses so that they become out of line with other national constitutional entities (e.g. expenses of the judiciary, the external auditor).

49. In respect of the Scottish Parliament, the Scottish Parliamentary Corporate Body's (SPCB) budget is top-sliced from the Scottish Consolidated Fund before the Scottish Government makes any other allocations. Members note that the process for agreeing the budget for the SPCB is set out in a written agreement between the Scottish Executive and the Scottish Finance Committee. The Finance Committee scrutinises the SPCB's budget proposals separately as part of the budget process, and may recommend whether or not they should be approved. As outlined in the written agreement,

"Should the Scottish Ministers wish to challenge the budget proposed by the SPCB, they will do so by means of an amendment to the Budget Bill to allow debate on the specific issue".

50. Assembly research noted that none of the recommendations arising from a wide-ranging review of the budget process undertaken by the Scottish Parliament's Finance Committee related to the way in which the budget for the SPCB is set or agreed. This may indicate that the procedure is considered to be operating effectively.

51. The procedure for agreeing or amending the budget for the National Assembly for Wales (NAW) Commission is set out in the Welsh Assembly's standing orders. The NAW Commission must lay its draft Budget by 24 September, which is scrutinised by the Finance Committee. The Finance Committee may propose amendments within the proposals but cannot recommend an increase to the total amount sought, and it is obliged to report on the Commission's draft budget within three weeks of it being laid in the Assembly. An NAW Commission motion is subsequently laid before the Assembly to enable the budget to be agreed and incorporated into the annual budget motion; if not agreed, the NAW must bring forward a revised budget. Should the Assembly not agree the NAW Commission's budget by 20 November, standing orders provide that

"the budget for the Commission to be incorporated in the annual budget motion...is to comprise, for each service or purpose for which resources or cash were authorised to be used by the Commission in the previous financial year, 95% of the amount so authorised".

52. Assembly research notes that an ongoing review of the NAW's standing orders is not expected to amend the way in which the Commission's budget is set and agreed. It was noted by the NAW Finance Committee, however, that timing issues have meant that it has been necessary to temporarily amend standing orders. For example, the 2010 Spending Review announcement on 20 October came after the date by which the NAW Commission must lay its budget before the Assembly; it was therefore necessary to introduce a temporary Standing Order to put the timetable back. In its input to the review of standing orders, the Welsh Finance Committee states that it considers that

"a better approach would be for Standing Orders to set out the principles that apply to the various budget scrutinies and the time that should be allowed for each part of the scrutiny process. However, in order to take account of specific events, such as a Comprehensive Spending Review, the specific dates that would apply each year could be set, perhaps by the Business Committee, in the light of circumstances that apply at the time".

53. In view of the issues raised with regard to the NI Assembly's budget in the 2011-15 budget process, the Committee sought the views of the Assembly Commission on the Assembly research paper, Scrutiny procedures for the Scottish Parliamentary Corporate Body and National Assembly for Wales Commission budget proposals. In its response, the Assembly Commission considered that the process for scrutinising and agreeing the NAW Commission's budget "merited further consideration" and agreed that it "provided an appropriate model for increased transparency and a clear mechanism for the scrutiny of Commission budget proposals". The Committee recommends that, early in the new mandate, the successor CFP works with the next Assembly

Commission to establish robust procedures for scrutinising and agreeing the Assembly's budget, which are in line with international best practice and ensure the independence of the legislature. The Committee considers that this issue could potentially be addressed as part of the wider review of Assembly standing orders, which this Report proposes should be undertaken in conjunction with the Procedures Committee.

## Central Budget Committee

54. In the Second Report relating to this Inquiry, the Committee briefly considered the merits of the establishment of a central budget committee within the Assembly, commissioning research in this regard.<sup>[21]</sup> Members noted that the research paper cited a number of issues that would need to be more fully considered, including the need to:

- explore whether a budget committee's remit could be expanded to include monitoring of cross-cutting issues, including the delivery of PfG and PSA targets;
- examine if existing legislative provision allows for a budget committee to be established, or whether an amendment to legislation is required; and
- consider the potential membership of a budget committee and if there would be the possibility for a conflict of interest where a Member might sit on both it and a statutory committee.

55. The Committee therefore concluded that a scrutiny model which included a central budget committee warranted more consideration in the future, and stated "In the longer term, there is a case for the Assembly considering how its financial scrutiny system, including committee structures, could be reformed for enhanced effectiveness". The Committee believes that the idea of reforming the Assembly financial scrutiny system to establish a more powerful central budget committee should be reconsidered in the future, if the proposed reforms to processes and procedures that are set out in this Report fail to have the desired outcome.

## Resourcing Budget Scrutiny

56. In the Assembly research paper, Resources for budget scrutiny, it is noted that many legislatures have mechanisms in place to provide analytical support with regard to budget and financial scrutiny which is independent of the Executive or Government. Such support ranges from specialist advisers contracted on a short-term basis to fully staffed scrutiny units or offices. In this respect, the Assembly research considered that NI "lags behind" many other jurisdictions.

57. As referred to above, the DFP Review of the Northern Ireland Executive Budget 2008-11 Process included a recommendation for "earlier and more structured engagement between departments and Assembly Committees setting out the key issues and pressures facing NI Departments". In its response to this recommendation, the Committee found that decisive measures would be required in order to put this recommendation into practice, not least the development of standard guidance on the timing and provision of relevant information to Assembly statutory committees.<sup>[22]</sup> Members hope that the reforms to processes and procedures, proposed in this Report, will facilitate the implementation of this recommendation. Nonetheless, implementation of the recommendation will intensify the requirement for additional analytical support for Assembly committees.

58. Furthermore, the DFP review also recommended that "In responding to the draft Budget, any proposal to increase spending on a particular service by a Committee should be accompanied by an equally detailed proposal as to how this could be funded". While the

Committee noted this with interest, it concluded that the structure and support are not currently in place within the Assembly to enable committees to carry out this function.<sup>[23]</sup>

59. Assembly research identified five options by which the support available to Assembly committees and Members could be enhanced:

1. Appoint advisers to Committees under existing provisions;
2. Establish a unit within the Northern Ireland Civil Service;
3. Provide a dedicated unit within the Assembly Research & Library Service;
4. Redesign the Committee support staffing structure to include public finance expertise; or
5. Establish a parliamentary budget office – either within or external to the Assembly.

60. In the course of the Inquiry, the Committee also found that the National Audit Office and Audit Scotland provide support to committees and scrutiny units in Westminster and the Scottish Parliament respectively. The potential of similar support being provided to the Assembly by the Northern Ireland Audit Office (NIAO) was therefore considered as an additional option ("Option 6").

61. The Committee's consideration of each of these options against the written and oral evidence received is set out below, together with recommendations for the way forward in this regard. In the course of its deliberations, the Committee was mindful of the budgetary constraints arising from the Budget 2011-15, that were not known when the evidence was originally taken.

## **Option 1: Appoint advisers to Committees under existing provisions.**

62. Assembly committees and members are provided with a comprehensive research and information service by the Assembly's Research & Library Service. In addition, existing Assembly procedures allow for a committee to appoint specialist advisers where it considers that the information or expertise required is not readily available. This can be with regard to a specific inquiry being undertaken by a committee, or can cover a particular aspect of a committee's remit. In general terms, advisers have, to date, been appointed for specific, time-bound pieces of work or projects (e.g. with regard to a committee inquiry, as opposed to being standing advisers appointed to advise on a particular aspect of a committee's remit over the longer term).

63. In considering that better use could be made of the existing provisions for appointing specialist advisers, the Assembly research states that

"The Committee for Finance and Personnel could appoint an adviser and recommend to the other Statutory Committees that they do the same at least for the period of consideration of a draft budget or engagement with their respective departments over their requests for resources".

It notes, however, that the appointment of specialist advisers in this manner would not result in resources being available to the Assembly as a whole, as support is more likely to be offered on a sectoral, committee-centred basis. In this respect, while a preliminary assessment of the financial costs for the appointment of specialist advisers for budget and financial scrutiny was

the lowest of the five options identified by Assembly research, it was considered to be least likely to deliver non-monetary benefits.<sup>[24]</sup>

64. It should also be noted that, during the Budget 2010 process, both the Health Committee and the Education Committee attempted to recruit specialist advisers to support their scrutiny. Neither procurement exercise was successful in securing specialist advisers. This may underline the significance of establishing a "call off panel".

65. The benefits of the appointment of specialist advisers and experts could potentially be increased by the selection of a panel which would operate on a "call off" basis. During the evidence session with officials from the Scottish Parliament and Westminster on 26 May 2010, the Committee heard that a call-off framework comprising eight experts is currently in place in the Scottish Parliament. Reviewed on a year-to-year basis, those on the framework are available to undertake specific pieces of work within short timescales (e.g. the provision of costings for alternative spending proposals). Additionally, a budget adviser has been appointed as a standing adviser to the Finance Committee on a two-year contract to assist in scrutiny of the Budget and the budget process, and also any other inquiries which that committee deems appropriate. As well as supporting the Finance Committee, the budget adviser engages with advisers to other committees with regard to the strategic budget position.

## **Option 2: Establish a unit within the Northern Ireland Civil Service.**

66. The Assembly research suggests that the Assembly could request the Executive to set up a unit within an appropriate NICS department to provide the Assembly, its committees and members with budgetary and financial analysis. In its Report on the Review of the Budget Process, the Scottish Finance Committee considered a similar option. It argued, however, that "this could constitute a conflict of interest for the civil servants themselves and that opposition parties might not have confidence in the response they received, given that a degree of judgement might require to be exercised and that there might be a range of answers for costing policies."<sup>[25]</sup>

67. In their responses to the options laid out in the Assembly research, the Agriculture and Rural Development Committee and the Regional Development Committee both contend that any additional support must be independent of the Executive. CFP concurs with this view. Furthermore, in view of the current economic climate and the need to reduce public sector spending, departments may be unwilling or unable to provide staff with the necessary expertise to undertake such work for the benefit of the Assembly.

## **Option 3: Provide a dedicated unit within Assembly Research & Library Service.**

68. To assist in its deliberations with regard to the provision of a dedicated unit within the Assembly's existing Research & Library Service, the Committee took oral evidence from representatives of specialist scrutiny units in the Scottish Parliament and Westminster. The Committee heard that the Scrutiny Unit in Westminster was established in 2002 to assist select committees engage in financial scrutiny more effectively. The Unit works primarily through committees, supporting the detailed scrutiny of forecasts and proposals for their respective departments. The Unit also provides advice and assistance to committees to determine what information should be requested from departments. Committees do not generally develop alternative spending proposals, although the Unit does on occasion assist the Treasury

Committee in this regard. In addition, the Unit works with HMT officials to improve the clarity and quality of financial information.

69. The Financial Scrutiny Unit (FSU) in Scotland was initially set up as a pilot in October 2009. The Unit is a small, specialist team within the Scottish Parliament Information Centre (SPICe) which supports members and committees in budget and financial scrutiny, including costings for alternative spending proposals. The location of the FSU within SPICe is regarded as advantageous, as they are able to collaborate with researchers who have detailed knowledge of specific subject areas, e.g. health expenditure. A recent review of the work of the FSU concluded that it

"seems to be a welcome mechanism which has enhanced and improved the effectiveness of budget scrutiny during a period of economic downturn and tighter budget settlements."

The review put the anticipated costs of the FSU at £350,000 for 2010-11; however, it expected that these costs would be met by the transfer of existing staff and "reallocating other financial resources from within the Research, Information and Reporting Group".

70. In its submission to the Committee, the Assembly's Research & Library Service (R&LS) advised that

"Minor adjustments to planned recruitment could establish a Public Finance Scrutiny Unit with a similar resource base as that available to the Scottish Parliament".

In its oral evidence, R&LS asserted that this could be done at very little cost, and would involve the permanent appointment of a junior economist, with a senior economist appointed on a fixed-term basis. It was also noted that a member of staff from Audit Scotland has been seconded to the FSU in the Scottish Parliament; similarly, the Scrutiny Unit at Westminster includes financial analysts seconded from the National Audit Office (NAO). The R&LS therefore proposed that such a unit in the Assembly could be further enhanced with secondees from the NAO being appointed on a fixed-term basis. This issue is examined in more detail at paragraph 78 below.

71. Members were especially interested in seeing this option explored further, including how it might be used in combination and as a complement to some of the other options under consideration. The Committee believes that any further consideration of this option should examine how the proposed Public Finance Scrutiny Unit could integrate policy/performance scrutiny with financial/budget scrutiny.

#### **Option 4: Redesign the Committee support staffing structure to include public finance expertise.**

72. The Assembly research suggests that the Committee Secretariat could be redesigned to incorporate public finance expertise (e.g. each committee team could include an officer responsible for providing analytical support in terms of budget and financial scrutiny). It points to the staffing structure for the Australian Senate, which includes an estimates officer for each committee. The role of the estimates officer includes the provision of "administrative, research and report writing support to the committee, particularly in relation to estimates and review of annual reports of agencies".<sup>[26]</sup> Most estimates officers have tertiary level qualifications and the role is regarded as developmental in terms of career progression.

73. A key benefit of the inclusion of an officer to provide such support in each committee team is that public finance expertise would be embedded throughout the Secretariat. That said, as with the appointment of individual advisers to committees, such support would be sectoral and

committee-centred, and may not therefore necessarily enhance the scrutiny of the overall strategic budget position. The costs of appointing an additional member of staff to each of the twelve Assembly statutory committees are estimated to be in excess of £400,000 per annum, with additional costs arising from the necessary recruitment exercise. The Committee therefore considers that the costs of this proposition may outweigh the benefits.

## **Option 5: Establish a parliamentary budget office – either within or external to the Assembly.**

74. The Assembly research considered parliamentary budget offices across a number of legislatures, which have been established to provide analytical support for budget and financial scrutiny, and also to increase transparency within the budget process. It found that the remit of budget offices varies widely. For example, the Canadian Parliamentary Budget Officer (PBO) has a mandate to:

"provide independent analysis to Parliament on the state of the nation's finances, the government's estimates and trends in the Canadian economy; and upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction."[\[27\]](#)

75. The Ugandan Budget Office, however, is much wider and includes functions to:

- (a) provide budget-related information to all Committees in relation to their jurisdiction;
- (b) submit reports on, but not limited to, economic forecasts, budget projections and options for reducing the budget deficit;
- (c) identify and recommend on Bills that provide an increase or decrease in revenue and the Budget;
- (d) prepare analytical studies of specific subjects such as financial risks posed by Government sponsored enterprises and financial policy; and
- (e) generally give advice to Parliament on the Budget and National economy.[\[28\]](#)

76. The Assembly research also found that budget offices vary widely in size: the Canadian PBO has 15 staff, 10 of which are full time, and the Ugandan Budget Office is staffed by 21 economists, while the Korean National Assembly Budget Office has over 100 staff and the United States Congressional Budget Office has 200 staff.

77. In considering the option to provide an additional resource through the establishment of a budget office, the Committee agreed that more detailed work would need to be undertaken to determine what form a budget office might take, its remit and size. It also noted that legislation may be required to establish a budget office. In the absence of detail on the shape and size of any proposed budget office, Assembly research asserted that the costs of this option were difficult to assess; however, based on the assumption that the office would be small scale and independent of the Executive and Assembly, it was estimated that salary costs would be approximately £330,000 per annum. In addition, further expenditure would be incurred in terms of office costs.

## **Option 6: Support from the Northern Ireland Audit Office**

78. As noted at Option 3 above, staff have been seconded from Audit Scotland to the Financial Scrutiny Unit in the Scottish Parliament, and a similar arrangement exists in Westminster with the NAO. Additionally, as well as undertaking its key role in assisting the Committee of Public Accounts in Westminster, the NAO provides support to other select committees in both the House of Commons and the House of Lords. In 2008 this support included

"analysis of financial statements, financial management and reporting, value for money, performance evaluation, regulation, and policy implementation"[\[29\]](#).

79. The Committee took evidence on from the Comptroller and Auditor General (C&AG) and staff from the NIAO on how additional support might be provided to Assembly statutory committees. The C&AG outlined three options:

- Performance briefings – statutory committees could receive briefings based on a number of factors, including most recent annual reports, internal or external departmental performance reviews and financial and value for money audits. Resource constraints would prevent such briefings being provided on an annual basis to each statutory committee; however they could be established initially on a cyclical basis.
- Financial management reviews – such reviews could provide "an independent perspective on the procedures that have been implemented by Public Bodies to ensure that they are meeting policies and priorities in an economic, efficient and effective manner whilst striving for continuous improvement".
- Secondments to a financial scrutiny unit, should the Assembly consider that such a resource should be established. The NIAO is restricted from questioning the merits of policy objectives and the C&AG concedes that this can place some limitations on the extent of support that can be provided to statutory committees; however, he firmly believes that secondees to a scrutiny unit would provide valuable support in terms of a skills transfer in the difficult and complex arena of public finance together with independent expert advice.

80. It should be noted that the options outlined by NIAO are not mutually exclusive; for example, secondments to a scrutiny unit could be additional to the provision of reviews or briefings. Also, this could marry the detailed financial and accountancy expertise of secondees with the existing capacity of Assembly research subject specialists for policy analysis. In noting that the witnesses from the Scottish Parliament consider that there are clear benefits in having an employee from Audit Scotland seconded to the FSU, the Committee believes that further consideration should be given to introducing a similar arrangement between Assembly research and the NIAO.

81. In recognising that decisive measures are needed to strengthen the support to the Assembly and its Committees in undertaking financial scrutiny, the Committee recommends that:

- the Assembly Secretariat undertakes a detailed appraisal to determine the most effective and best value-for-money combination of option 1 (Appointment of Specialist Advisers to Committees), option 3 (Provide dedicated Financial Scrutiny Unit within Assembly Research & Library Service) and option 6 (Support from NIAO); and that
- while this exercise should commence early in the new mandate and should take account of the changed budgetary context, priority will need to be given to addressing the budget process and information flow issues identified.

## **Approaches to Budget Scrutiny**



82. In considering the most effective approaches to scrutinising departmental budgets and expenditure, the Committee has examined the range of possible approaches to budgeting in the public sector, in comparison to the approach currently taken by executive departments. As outlined below, Assembly research has highlighted the advantages and disadvantages associated with each of the main approaches.

## **Incremental Budgeting**

83. Members note that, in NI, departmental allocations are currently made based on the method of "incremental budgeting". With this type of budgeting, allocations made in the previous budget are adjusted at the margin, up or down. This process of incremental budgeting takes into account a number of factors including:

- inescapable and previously committed expenditure;
- salary increments;
- developments in legislative requirements;
- changes to service requirements;
- inflation; and
- increases /decreases in government revenue.

84. The Committee is conscious that the process of incremental budgeting has some advantages, including: it is easily understood and administratively straightforward; it is useful when outputs are difficult to quantify; and it can induce stability through a process of gradual change. Nevertheless, members are concerned that, due to the scale of budget cuts faced by NI as a result of the 2010 Spending Review, the use of incremental budgeting in the 2011-15 Budget has led to a number of problems – not least the absence of a clearly defined and explicitly stated rationale for the level of allocations made to each department and to individual business areas within departments.

85. The Committee notes the disadvantages with the use of incremental budgeting, including that it:

- focuses more on the previous budget than on future operational requirements;
- does not allow for overall performance overview;
- does not help managers to identify budgetary slack;
- can often be underpinned by data which are no longer relevant;
- can encourage "empire building";
- tends to be reactive rather than proactive; and
- assumes that existing budget lines are relevant and satisfactory.

86. The Committee expressed particular concern in its Report on the Executive's Draft Budget 2011-15 that the draft Budget failed to adequately address concerns that the delivery of government services was inefficient. In particular, the Committee highlighted that the Budget failed to detail how the planned allocations would meet the outcome targets set in the 2008 Programme for Government. The Committee also raised concerns that the allocations made in the draft Budget did not address the need to resource proactive early intervention programmes.

87. The Committee is therefore of the opinion that, partly due to the use of incremental budgeting, the Executive has failed to obtain an overall picture of performance and that ineffective and inefficient uses of resources has perpetuated. The Committee is anxious that the approach of "salami slicing" departmental budgets has been identified as being a crude or blunt tool that is easy to implement but that is "extremely damaging," particularly in the long term. Crucially, however, the Committee agrees with the conclusions reached in the Assembly research paper and is concerned that the use of incremental budgeting has stifled the Executive's creative thinking.

## **Zero-Based Budgeting**

88. The Committee was informed from an Assembly research paper that zero-based budgeting is an alternative to incremental budgeting that initiates from the basis that no budget lines ought to be carried forward. Members are aware that the main difference between incremental budgeting and zero-based budgeting is that every aspect of a budget must be considered and justified.

89. The Committee notes that, unlike incremental budgeting, zero-based budgeting requires that objectives must be stated clearly before the budget is allocated. The Committee is mindful that agreeing to a Programme for Government is not a prerequisite for applying the current incremental-based budget approach. Members, however, strongly endorse the principle of agreeing to a set of policy objectives before deciding budget allocations and therefore would support establishing a process that would help to incentivise this behaviour.

90. The Committee notes that zero-based budgeting has a number of advantages. Members recognise that it facilitates the questioning of the inherited position and a challenge of the status quo and that it focuses the budget closely on objectives and outcomes. In addition zero-based budgeting more actively involves local politicians rather than subscribing to a budget from above. Furthermore, a zero-based budget can be more easily adapted and changed to circumstances and priorities, leading to better resource allocations.

91. The Committee is also aware from the Assembly research paper that zero-based budgeting has a number of disadvantages. Members are conscious that it can be more time consuming and bureaucratic, that it can require specialised skills, and that it can seem threatening to organisations. The Committee also notes that difficulties can arise in the decision making/prioritisation criteria and that it may be, "difficult to cost and estimate resource requirements for options different from the current practice."[\[30\]](#)

92. The Committee notes the comment from CIPFA in an Assembly research paper that zero-based budgeting is most effectively used when applied to activities that are wholly discretionary in nature and is mindful that this excludes many areas of the public sector. The Committee is also mindful that, when questioned about the prospect of more widespread usage of zero-based budgeting, DFP does not believe that a zero-based budgeting approach could be applied across the board.[\[31\]](#)

## **Performance-Based Budgeting**

93. In its Report on the Executive's Draft Budget 2011-15, the Committee expressed disappointment that the proposed budget allocations were not linked to a defined set of outcome targets. Indeed, previously, in the Committee's Report on the Executive's Draft Budget 2008-11, members called for a more visible linkage between Programme for Government priorities and goals, PSA objectives and the allocations, departmental objectives and spending areas in the budget. The Committee remains convinced that a more transparent and robust system for

measuring and monitoring the relationship between public sector inputs, outputs and outcomes is required.

94. The Committee is conscious that this opinion is widely supported by other statutory committees, who, in their submissions to CFP, have asserted that there was insufficient linkage between spending bids put forward by departments and public sector outcomes. The Environment Committee, for example, contend that, "scrutiny would be easier" if there were better linkages and the ETI Committee agreed, stating that the present system made it, "very difficult at the Committee level to track and monitor the department's performance with respect to the budget." The Health Committee also expressed concern regarding the absence of linkages between the budget of DHSSPS and the PSA targets.<sup>[32]</sup> The Regional Development Committee also supports these assertions and further states that, "the priorities in the PfG should drive the Budget allocations rather than the other way round." The Committee for OFMDFM stressed that a more robust system is required to deliver, monitor and report on cross-cutting priorities.

95. The Committee was informed from an Assembly research paper that performance-based budgeting is the technique employed to incorporate outcome targets with the allocation and management of resources. This paper highlighted that, similar to zero-based budgeting, performance-based budgets ought to begin at the policy level with the development of goals and policy objectives. Once complete, the objectives are then aligned with the spending plans with performance reporting at the time the budget process is initiated. Members also note that, at the end of each budget period, performance audits are then undertaken to evaluate the results.

96. Members are aware that the Westminster government attempted to introduce elements of performance-based budgeting, with the use of PSAs. Nonetheless, the Committee notes the conclusion from CIPFA that the publication of the best value performance plans by authorities has not led to the integration of the processes of budgeting and performance management.

97. The Committee was interested to hear from NIAO who highlighted that performance management budgeting has the potential to increase joined-up governance. The Committee notes that increasing joined-up governance has the potential to deliver the same outcomes for fewer inputs, essentially increasing the efficiency of public sector service delivery. The Committee is also conscious from evidence presented in an Assembly research paper that joined-up governance and a targeted outcome-based approach are prerequisites for employing effective preventative spending programmes, which have the potential to decrease the future demand for expensive public services.

98. The Committee notes the issues, as identified by CIPFA in the Assembly research briefing, with the development of performance-based budgeting. Members appreciate that the consociational nature of the NI Assembly means that agreeing on a "clear strategic direction" can be problematic. Members are also aware that outcomes can be difficult to measure and that systems of collecting cost and performance information may need to be developed. The Committee was, nonetheless, informed by Professor Bell that the Office for National Statistics (ONS) has initiated the development of a range of measurement indicators which are designed to measure outcomes in the public sector. The Committee also appreciates that performance-based budgeting may be perceived as a threat to the political aspect of decision making and that departmental management may not fully accept the new budget process, due to fear that they will be reprimanded for failure to achieve the performance targets.

## **Participatory Budgeting**

99. Members note the approach of participatory budgeting which devolves decision making power to citizen groups at a local level. Participatory budgeting grants such groups budget-

making powers for a local project or programme, such as regeneration or neighbourhood development. The Committee notes that this form of budgeting is more common in Great Britain, where the local governments exercise more functions than the equivalent tier of government in NI. Whilst the Committee is aware that there may be more scope to use this form of budgeting in certain areas, it is usually applied only to localised projects.

100. From an Assembly research paper the Committee was informed of the advantages and disadvantages of participatory budgeting. In particular the Committee notes that participatory budgeting helps to instil a sense of ownership into the local community leading to less cynicism or apathy towards the local authority. Members were also informed that using this form of budgeting reduces the democratic deficit, helps the government reach parts of the community that would otherwise be excluded from the democratic process and helps to inform people about the budget process.

101. Members are also mindful of the possible disadvantages of participatory budgeting. The Committee is aware that the council may be seen to be abrogating its responsibilities and that local participation in the initiative may be low. Members are also conscious that this form of budgeting is not a substitute for true community budgeting, is far from neighbourhood control of local services and indeed, that many key services are outside the remit of local government. The Committee was also informed that organisations which benefit from additional funding may not adhere to the same financial disciplines and procedures as other public bodies.

## **HM Treasury: Clear Line of Sight Reforms**

102. As noted in paragraph 19, the Committee is aware that HMT has undertaken an alignment initiative entitled "Clear Line of Sight" with an aim to rectify the misalignment between the budget, the estimates and the departmental accounts. Members are aware that this project arose, "primarily because the measures Government uses to control public expenditure do not match those which Parliament uses to authorise such expenditure."<sup>[33]</sup>

103. Members note from an Assembly research briefing that the aim of this project is to advance greater understanding of the government expenditure by making it easier to establish the relationship between the figures presented in each of these three stages of the process. The Committee understands that, at present, use of two different accounting formats and the consideration of slightly different expenditure in each publication means that it is incredibly difficult to compare and contrast the figures supplied in each of these publications. Members also note that HMT has asserted that the current system suffers from a lack of accountability, as approximately one quarter of spending is not voted by Parliament and also that it is burdensome and inefficient.

104. The Committee was informed in an Assembly research paper that these reforms will increase the parliamentary control over expenditures and that estimates will also be expanded to include non-departmental public bodies (NDPBs). Members note that the reforms will remove the confusing accounting concepts of near-cash and non-cash from the publications and that the reforms will resolve many of the difficulties that exist when comparing the figures between each publication.

105. The Committee is aware that HMT has indicated that the Clear Line of Sight proposals have received broad agreement from government departments and stakeholders in England and Wales and have been supported by parliament at Westminster.<sup>[34]</sup> The Committee agrees with the reasoning for introducing these reforms and welcomes the claim that these reforms will lead to simpler, more consistent, transparent and straightforward financial reporting to parliament. As noted at paragraph 19 above, a similar review is also being taken forward by DFP at a local level

which, it is anticipated, will be completed early in 2012. The Committee hopes that this will result in greater read across between documents and better facilitate performance-based budget scrutiny by committees.

## **Forecast Outturn Information**

106. In November 2008, DFP agreed to the request to provide the Committee with forecast outturn data for all NI departments on a monthly basis. Members considered that such information would enable the Committee to assist Central Finance Group (CFG) in identifying departmental underspend in-year, and would also enable the Committee to scrutinise CFG's performance in challenging underspend across departments. This related to the Committee's wider interest in seeing DFP lead the continuous improvement in financial forecasting and monitoring across departments.

107. While members acknowledge that DFP has provided a level of forecast outturn data on a monthly basis as requested, the Committee recommends that the successor CFP works with DFP to refine and improve the format of the available forecast outturn data to facilitate straightforward comparisons between planned spending and actual spending by departments. The provision of appropriate information in this regard could assist in identifying trends in in-year reduced requirements by departments early enough to avoid significant year-end underspend, which is critical in view of the removal of End Year Flexibility, and will also facilitate scrutiny of the standards of financial forecasting and monitoring by departments.

## **Account NI**

108. Members are aware that Account NI has introduced a standard approach for month-end and year-end accounting, which allows departments to produce budget reports on an accruals basis. DFP has also advised that "the Account NI chart of accounts supports detailed expenditure analysis and budget setting at various levels...allowing for in-year reporting and monitoring on either a micro or macro basis". In this respect, in considering an outputs and outcomes approach, the Committee questioned whether the existing financial systems in departments and Account NI are sufficiently aligned with PSA targets and indicators to provide information on inputs, outputs and outcomes. DFP has confirmed that the Account NI system is capable of this, as it "allows departments to 'map' expenditure and report to the record level of detail and which budget allocations are held on the Resource Budget Management...system". However, the Committee also understands that the mapping of this expenditure to specific PSA targets is the responsibility of individual departments, and would question the extent to which this is done, if at all.

109. It appears to the Committee that an ideal opportunity exists for departments to make use of the Account NI system in order to map outcome targets to budget allocations and expenditure. The mapping and provision of such information would prove very useful for scrutiny by the Assembly and the wider public and the Committee strongly encourages further investigation of this possibility. The Committee recommends that the successor CFP works with DFP to explore the potential for the Account NI system to be used to provide information to Assembly statutory committees on departmental expenditure against PSA targets and outcomes. The Committee recognises that a "one size fits all" approach to Assembly committee budget scrutiny would not be feasible, given the differences in the nature, scale and structure of departmental budgets; but considers that efforts should be made to exploit the full potential of Account NI to meet individual committee needs. The Committee considers that this matter should be examined as part of the work in specifying the information needs of committees and in developing the MoU.

- [1][http://archive.niassembly.gov.uk/finance/2007mandate/inquiries/executive\\_budget.htm](http://archive.niassembly.gov.uk/finance/2007mandate/inquiries/executive_budget.htm)
- [2][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report15\\_08\\_09r.htm](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report15_08_09r.htm)
- [3][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)
- [4][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)
- [5][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_41\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_41_09_10R.html)
- [6][http://archive.niassembly.gov.uk/finance/2007mandate/research/budget\\_process\\_reform.pdf](http://archive.niassembly.gov.uk/finance/2007mandate/research/budget_process_reform.pdf)
- [7]<http://archive.niassembly.gov.uk/record/committees2009/FinancePersonnel/100512ReviewofBudgetProcess2008-2011.htm>
- [8][http://archive.niassembly.gov.uk/finance/2007mandate/research/budget\\_process\\_reform.pdf](http://archive.niassembly.gov.uk/finance/2007mandate/research/budget_process_reform.pdf)
- [9][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_12.07.08R.htm](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_12.07.08R.htm)
- [10][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report15\\_08\\_09r.htm](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report15_08_09r.htm)
- [11][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_41\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_41_09_10R.html)
- [12][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)
- [13][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_44\\_09\\_10R\\_vol1.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_44_09_10R_vol1.html)
- [14][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html#8](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html#8)
- [15] See Review of Financial Process in NI ToR at Appendix X
- [16][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)
- [17][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)
- [18]<http://archive.niassembly.gov.uk/record/reports2010/100920.htm#7>
- [19] Paragraphs 1.5 (ii) and (iii) <http://www.northernireland.gov.uk/index/ministerial-code.htm>
- [20] See section 59 of NI Act 1998 and section 7 of Government Resources and Accounts Act (NI) 2001.
- [21] See Appendix  
5, [http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)
- [22] Paragraph  
32 [http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)
- [23] Paragraph  
66 [http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_66\\_09\\_10R.html](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html)

[24] Assembly research paper – Resources for budget scrutiny: preliminary assessment of options costs (Appendix 5)

[25] Paragraph 98, <http://www.scottish.parliament.uk/s3/committees/finance/reports-09/fir09-05.htm>

[26] Page 3, <http://www.oecd.org/dataoecd/52/27/42466703.pdf>

[27] <http://www2.parl.gc.ca/sites/pbo-dpb/index.aspx?Language=E>

[28] Research paper, Resources for Budget Scrutiny, (Appendix 5)

[29] Appendix 3

- <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmliaisn/291/291.pdf>

[30] Assembly research paper – Methods of Budgeting

[http://archive.niassembly.gov.uk/finance/2007mandate/research/methods\\_of\\_budgeting.pdf](http://archive.niassembly.gov.uk/finance/2007mandate/research/methods_of_budgeting.pdf)

[31] Budget and in year monitoring processes – DFP response (Appendix 3)

[32] Indeed, during an evidence session with the Committee, Professor Bell from the Scottish Parliament asserted that it was incredibly difficult to penetrate below the health board budgets to assess whether the outcomes are being delivered – See:

<http://archive.niassembly.gov.uk/record/committees2009/FinancePersonnel/100526BudgetScrutinyInquiry.htm>

[33] See: <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmliaisn/804/804.pdf>

[34] See: [http://www.hm-treasury.gov.uk/d/clos\\_presentation\\_hmt\\_public\\_august\\_2010.pdf](http://www.hm-treasury.gov.uk/d/clos_presentation_hmt_public_august_2010.pdf)

Appendix 1

## **Minutes of Proceedings**

### **Wednesday, 9 December 2009 Room 135, Parliament Buildings**

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

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

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

10.10am The meeting commenced in open session.

## **8. Committee Work Programme**

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

Agreed: to proceed with the second stage of the Committee's three-stage Inquiry into the Role of the Assembly in scrutinising the Executive's Budget and Expenditure.

[Extract]

## **Wednesday, 21 April 2010 Room 30, Parliament Buildings**

Present: Ms Jennifer McCann MLA (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Mr Jonathan Craig MLA  
Dr Stephen Farry MLA  
Mr Fra McCann MLA  
Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Mr Declan O'Loan MLA  
Ms Dawn Purvis MLA

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

10.07am The meeting commenced in open session.

## **6. Outcome of Review of 2010-11 Spending Plans for NI Departments (DFP Briefing)**

Following the evidence session, Members noted that the Committee will receive a briefing on the outcome of DFP's Review of the Executive's Budget Process 2008-11 at its meeting on 12 May.

Agreed: following the evidence session scheduled for 12 May, the Committee will proceed with part two of Stage 1 of its Budget Scrutiny Inquiry, which is to consider and respond to the findings of DFP's review. The Committee will also proceed with Stage 2 of the Inquiry regarding the capacity of the Assembly in budget and financial scrutiny. The Committee will aim to complete both stages in advance of the summer recess.

11.41am Mr Craig returned to the meeting.



[Extract]

## **Wednesday, 19 May 2010 Room 30, Parliament Buildings**

Present: Ms Jennifer McCann MLA (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Mr Jonathan Craig MLA  
Dr Stephen Farry MLA  
Mr Simon Hamilton MLA  
Mr Mitchel McLaughlin MLA  
Mr Declan O'Loan MLA

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

Apologies: Mr Fra McCann MLA  
Ms Dawn Purvis MLA

10.04 am The meeting commenced in open session.

### **6. Assembly Research Briefing – Resources Available for Supporting Legislatures in their Budget Scrutiny Role.**

The Committee received a briefing from Assembly Research on resources available for supporting legislatures in their budget scrutiny role.

[Extract]

## **Wednesday, 26 May 2010 Room 30, Parliament Buildings**

Present: Ms Jennifer McCann MLA (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Mr Jonathan Craig MLA  
Dr Stephen Farry MLA  
Mr Simon Hamilton MLA  
Mr Fra McCann MLA  
Mr Adrian McQuillan MLA  
Ms Dawn Purvis MLA

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

Apologies: Mr Mitchel McLaughlin MLA  
Mr Declan O'Loan MLA

10.13 am The meeting commenced in open session.

## **7. Budget Scrutiny Inquiry – Stage 2: Evidence from the Scottish Parliament and House of Commons**

The Committee received evidence from the following witnesses: Professor David Bell, Budget Adviser, Finance Committee, Scottish Parliament; Mr Simon Wakefield, Financial Scrutiny Unit, Scottish Parliament; Mr Chris Shaw, Scrutiny Unit, House of Commons.

[Extract]

### **Wednesday, 2 June 2010 Room 30, Parliament Buildings**

Present: Ms Jennifer McCann MLA (Chairperson)

Mr Jonathan Craig

Dr Stephen Farry MLA

Mr Simon Hamilton MLA

Mr Fra McCann MLA

Mr Mitchel McLaughlin MLA

Mr Adrian McQuillan

Mr Declan O'Loan

In Attendance: Mr Shane McAteer (Assembly Clerk)

Miss Karen Jardine (Assistant Assembly Clerk)

Mrs Kathy O'Hanlon (Assistant Assembly Clerk)

Mr David McKee (Clerical Supervisor)

Mr Dominic O'Farrell (Clerical Officer)

Apologies: Mr David McNarry (Deputy Chairperson)

Ms Dawn Purvis MLA

10.07 am The meeting commenced in open session.

## **7. Assembly Research Briefing: Considerations on a Central Budget Committee**

The Committee received a briefing from Assembly Research on "Considerations on a Central Budget Committee".

Agreed: that the Committee will give further consideration to the concept of a Central Budget Committee in its forthcoming reports on the Inquiry into the Role of the Assembly in Scrutinising the Executive's Budget and Expenditure.

The Committee also noted the Assembly Research paper "Resources for Budget scrutiny: preliminary assessment of option costs".

[Extract]

## **Wednesday, 9 June 2010**

### **Room 30, Parliament Buildings**

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

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

Apologies: Mr Jonathan Craig

10.10 am The meeting commenced in open session.

#### **5. Budget Scrutiny Inquiry –Stage 2: Evidence Session – NI Audit Office**

The Committee took evidence from the following NIAO officials: Mr Kieran Donnelly, Comptroller and Auditor General; Ms Louise Mason, Assistant Auditor General; Mr Eddie Bradley, Assistant Auditor General.

The evidence session was recorded by Hansard.

11.20am Mr McNarry returned to the meeting.

11.21am Mr McCann left the meeting.

11.28am Ms Purvis left the meeting.

11.37am Mr Hamilton left the meeting.

11.38am Mr McCann returned to the meeting.

11.44am Dr Farry left the meeting.

Members also noted the responses received to date from the other statutory committees on the Budget Scrutiny Inquiry.

Agreed: to include these returns in the evidence base of the Committee's forthcoming Report on the Budget Scrutiny Inquiry.

[Extract]

## **Wednesday, 16 June 2010**

### **Room 30, Parliament Buildings**

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

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

Apologies: Mr Fra McCann MLA

10.06 am The meeting commenced in open session.

#### **7. Inquiry into the Role of the Assembly in Scrutinising the Executive's Budget and Expenditure – Stage 2: Evidence from Assembly Research and Library Service.**

The Committee took evidence from Dr Gareth McGrath, Director of Engagement, NI Assembly Secretariat; and Dr John Power, Head of Assembly Research and Library Service, NI Assembly Secretariat.

The evidence session was recorded by Hansard.

12.40pm Mr McQuillan returned to the meeting.

12.44pm Mr Hamilton left the meeting.

12.54pm Ms Purvis left the meeting.

1.00pm The Chairperson left the meeting and the Deputy Chairperson took the Chair.

Members also noted responses on the Budget Scrutiny Inquiry from the Committee for the Environment and the Committee for Health, Social Services and Public Safety.

1.08pm The Chairperson returned to the meeting and resumed the Chair.

Agreed: that the responses from the other statutory committees will be included in the evidence base for the ongoing Inquiry.

[Extract]

## **Wednesday, 23 June 2010**

### **Room 30, Parliament Buildings**

Present: Ms Jennifer McCann MLA (Chairperson)  
Mr David McNarry MLA (Deputy Chairperson)  
Mr Jonathan Craig MLA  
Dr Stephen Farry MLA  
Mr Simon Hamilton MLA  
Mr Declan O'Loan MLA  
Mr Fra McCann MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)  
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)  
Mr Christopher McNickle (Clerical Officer)  
Mr Dominic O'Farrell (Clerical Officer)

Apologies: Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Ms Dawn Purvis MLA

10.31 am The meeting commenced in open session.

#### **8. Second Report on the Budget Scrutiny Inquiry – Consideration of Draft Report**

The Committee also considered a response from the Committee of Culture Arts and Leisure on the Inquiry.

Agreed: that the correspondence is included in the evidence base of the Inquiry Report.

[Extract]

## **Wednesday, 30 June 2010**

### **Room 135, Parliament Buildings**

Present: Ms Jennifer McCann MLA (Chairperson)  
Mr Jonathan Craig MLA  
Dr Stephen Farry MLA  
Mr Simon Hamilton MLA  
Mr Fra McCann MLA  
Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Mr Declan O'Loan MLA  
Ms Dawn Purvis MLA

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

Miss Leanne Johnston (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)

Apologies: Mr David McNarry MLA (Deputy Chairperson)

10.04 am The meeting commenced in open session.

#### **4. Second Report on the Budget Scrutiny Inquiry**

10:08 am The meeting moved into closed session.

The Committee noted the response on the Inquiry from the Committee for the Office of the First Minister and deputy First Minister (COFMDFM).

Agreed: that the correspondence is included in the evidence base of the Inquiry Report;

Members discussed preparations for the Third Report on the Budget Scrutiny Inquiry, which would focus on the resources available for supporting Assembly committees and Members in undertaking budget and financial scrutiny. The Committee staff would continue drafting the report for consideration by the Committee following summer recess.

Agreed: the broad basis for the Committee's forthcoming recommendations and upon which the Third Report will be prepared.

[Extract]

## **Wednesday, 20 October 2010 Parliament Buildings, Stormont**

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

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)  
Mr David McKee (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

10.05am The meeting commenced in open session.

#### **5. Provision of Budgetary Information to the Legislature – Research Briefing**

The Committee received a briefing from Assembly Research on the Provision of Budgetary Information to the Legislature.

10.33am Mr Hamilton left the meeting.

10.42am Mr Hamilton returned to the meeting.

Agreed: to request advice from DFP on the levels of financial information which could be provided by departments to committees.

[Extract]

## **Wednesday, 26 January 2011 Room 30, Parliament Buildings**

Present: Mr Daithí McKay MLA (Chairperson)  
Mr David McNarry MLA (Deputy Chairperson)  
Dr Stephen Farry MLA  
Mr Paul Frew MLA  
Mr Paul Girvan MLA  
Mr Simon Hamilton MLA  
Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Mr Declan O'Loan MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)  
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)  
Mr Jim Nulty (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

Apologies: Ms Jennifer McCann MLA  
Ms Dawn Purvis MLA

10.10am The meeting commenced in open session.

### **5. Draft Budget 2011-15 – NI Assembly Commission Evidence Session**

The Committee took evidence from Trevor Reaney, Clerk to the NI Assembly/Director General, on the Draft Budget 2011-15 allocation for the NI Assembly. The evidence session was recorded by Hansard.

11.26am Mr Hamilton left the meeting.

11.47am Mr Girvan left the meeting.

12.00pm Dr Farry left the meeting.

Agreed: to write to the Minister of Finance and Personnel to register the Committee's serious concern at the implications of the proposed allocation in the Executive's Draft Budget 2011-15 for the effective functioning of the Assembly. The Committee's concerns will also be reflected in both the Chairperson's contribution to the "take note" debate on Monday 31 January and the Committee's forthcoming co-ordinated report on the Executive's Draft Budget 2011-15.

Agreed: that, as part of its Third Budget Scrutiny Inquiry Report, the Committee will examine the arrangements for setting future Assembly budgets, in the context of good practice elsewhere in terms of ensuring the independence of the legislature.

12.12pm Mr McNarry left the meeting.

[Extract]

## **Wednesday, 2 February 2011 Room 30, Parliament Buildings**

Present: Mr Daithi McKay MLA (Chairperson)  
Dr Stephen Farry MLA  
Mr Paul Frew MLA  
Mr Paul Girvan MLA  
Mr Mitchel McLaughlin MLA  
Mr Declan O'Loan MLA  
Ms Dawn Purvis MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)  
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)  
Mr Jim Nulty (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

Apologies: Ms Jennifer McCann MLA  
Mr David McNarry MLA (Deputy Chairperson)  
Mr Adrian McQuillan MLA

10.14am The meeting commenced in open session.

### **3. Matters Arising**

DFP: Response to Budget Research Paper

The Committee noted a reply from DFP regarding the Assembly research paper on the draft Budget 2011-15.

Agreed: to commission a paper from Assembly Research which could examine the Scottish and Welsh models with regards to the independence in which these legislatures set their budget, and any other legislatures as appropriate, to inform the Committee's Inquiry Report.

10.18am Mr Girvan joined the meeting.



Agreed: members agreed to enter closes session during the discussion regarding the Options on the way forward for the Damages (Asbestos-Related Conditions) Bill.

10.21am Mr Frew joined the meeting.

10:21am The meeting moved into closed session.

[Extract]

## **Wednesday, 16 February 2011 Room 29, Parliament Buildings**

Present: Mr Daithí McKay MLA (Chairperson)  
Dr Stephen Farry MLA  
Mr Paul Frew MLA  
Mr Simon Hamilton MLA  
Mr Mitchel McLaughlin MLA  
Mr Declan O'Loan MLA  
Ms Dawn Purvis MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)  
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)  
Mr Jim Nulty (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

Apologies: Ms Jennifer McCann MLA  
Mr Adrian McQuillan MLA

10.50am The meeting commenced in open session.

### **4. Scrutiny Procedures for the Scottish Parliamentary Corporate Body and National Assembly for Wales Commission budget proposals – Assembly Research Paper**

Members noted this Assembly research paper which will inform the Committee's third report on the Inquiry into the Role of the Assembly in Scrutinising the Executive's Budget and Expenditure. An oral briefing on the paper would be provided at next week's meeting.

Agreed: to forward the research paper to the Assembly Commission for its views on the matter, which can then be taken into account in the Committee's Inquiry report.

11.08am Dr Farry left the meeting.

11.08am The Committee moved into closed session.

[Extract]

## **Wednesday, 23 February 2011 Room 30, Parliament Buildings**

Present: Mr David McNarry MLA (Deputy Chairperson)  
Mr Paul Frew MLA  
Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Mr Declan O'Loan MLA  
Ms Dawn Purvis MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)  
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)  
Mr Jim Nulty (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

Apologies: Ms Jennifer McCann MLA  
Mr Daithí McKay MLA (Chairperson)

10.14am The meeting commenced in open session.

### **6. Process for Agreeing Budgets of Legislatures – Assembly Research Briefing**

Members received a briefing from Assembly Research on the Process for Agreeing the Budgets of Legislatures, which will inform the Committee's forthcoming Third Report on the Budget Scrutiny Inquiry.

11.30am Mr. O'Loan left the meeting.

11.35am Mr. O'Loan returned to the meeting.

[Extract]

## **Tuesday, 8 March 2011 Room 29, Parliament Buildings**

Present: Mr Daithí McKay MLA (Chairperson)  
Dr Stephen Farry MLA  
Mr Paul Frew MLA  
Mr Paul Girvan MLA  
Ms Jennifer McCann MLA  
Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Mr Declan O'Loan MLA  
Ms Dawn Purvis MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)

Mr Jim Nulty (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

Apologies: Mr David McNarry MLA (Deputy Chairperson)

12.47pm The meeting commenced in open session.

## **7. Correspondence**

The following items of correspondence were noted:

Northern Ireland Assembly Commission: Reply regarding Assembly Research Paper on Scrutiny Procedures for Budgets of other Legislatures;

Agreed: to include the correspondence in the evidence base of the Committee's Third Report on its Budget Scrutiny Inquiry; and to refer to this matter in the Committee's forthcoming Legacy Report.

[Extract]

## **Wednesday, 16 March 2011 Room 29, Parliament Buildings**

Present: Mr Daithi McKay MLA (Chairperson)  
Mr David McNarry MLA (Deputy Chairperson)  
Mr Paul Frew MLA  
Mr Paul Girvan MLA  
Mr Simon Hamilton MLA  
Ms Jennifer McCann MLA  
Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Mr Declan O'Loan MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)  
Mr Jim Nulty (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

Apologies: Ms Dawn Purvis MLA  
Dr Stephen Farry MLA

10.07am The meeting commenced in open session.

## **4. Third Report on the Budget Scrutiny Inquiry: Consideration of working draft report**

The Committee considered a working draft of its third report on the Budget Scrutiny Inquiry.

10.27am Mr McQuillan joined the meeting.

Agreed: that members will provide comments on the report, including suggested amendments to the text, by close of business on Wednesday 16 March.

[Extract]

## **Monday 21 March 2011 Room 29, Parliament Buildings**

### **Unapproved**

Present: Mr Daithí McKay MLA (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Mr Paul Frew MLA  
Mr Paul Girvan MLA  
Ms Jennifer McCann MLA  
Mr Mitchel McLaughlin MLA  
Mr Adrian McQuillan MLA  
Mr Declan O'Loan MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)  
Miss Karen Jardine (Assistant Assembly Clerk)  
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)  
Mr Jim Nulty (Clerical Supervisor)  
Mr Dominic O'Farrell (Clerical Officer)  
Mr Gareth Brown (Bursary Student)

12.47pm The meeting commenced in open session.

12.49pm The meeting moved to closed session.

### **4. Third Report on the Inquiry into the Role of the Assembly in Scrutinising the Executive's Budget and Expenditure: Formal Consideration of Draft Report**

The Committee undertook paragraph-by-paragraph consideration of the draft Third Report on the Inquiry into the Role of the Assembly in Scrutinising the Executive's Budget and Expenditure.

Agreed: that paragraphs 1 – 24 stand part of the Report;

Agreed: that paragraphs 25 – 27 stand part of the Report;

Agreed: that paragraphs 28 – 36 as amended stand part of the Report;

Agreed: that paragraphs 37 – 43 stand part of the Report;

Agreed: that paragraphs 44 – 55 stand part of the Report;

Agreed: that paragraphs 56 – 81 as amended stand part of the Report;

Agreed: that paragraphs 82 – 107 stand part of the Report;

Agreed: that paragraphs 108 – 109 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;

Agreed: that the extract of the unapproved Minutes of Proceedings of today's meeting is checked by the Chairperson and included in Appendix 1;

Agreed: that the Report, as amended, be the Fourth Report of the Committee for Finance and Personnel to the Assembly for session 2010-11;

Agreed: that the Third Report on the Inquiry into the Role of the Assembly in Scrutinising the Executive's Budget and Expenditure, as amended, be printed;

Members were advised that typescript copies of the agreed report would be laid in the Business Office for the attention of all Members. The printed copies of the Report will be issued to all MLAs once available;

Agreed: that a copy of the Report be submitted to all relevant Assembly committees, to the Chairpersons' Liaison Group, to the Assembly Commission and to those that provided written and oral evidence.

[Extract]

Appendix 2

## **Minutes of Evidence**

26 May 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Mr Jonathan Craig  
Dr Stephen Farry  
Mr Simon Hamilton  
Mr Fra McCann  
Mr Adrian McQuillan  
Ms Dawn Purvis

Witnesses:

Professor David Bell  
Mr Simon Wakefield Scottish Parliament  
Mr Chris Shaw House of Commons

1. The Chairperson (Ms J McCann): I welcome Professor David Bell, Budget adviser to the Finance Committee in the Scottish Parliament, Mr Simon Wakefield from the Financial Scrutiny Unit in the Scottish Parliament, and Mr Chris Shaw from the Scrutiny Unit in the House of

Commons. We appreciate your being here today, because we know that you have busy schedules.

2. I refer members to the suggested areas for discussion; the briefing paper from the Scottish Parliament's Financial Scrutiny Unit; other information; the terms of reference for the Committee's Budget scrutiny inquiry; the executive summary of the recent research paper, and the resources for the Budget scrutiny inquiry.

3. I invite the witnesses to make some opening comments, after which I will open up the session to members' questions.

4. Mr Simon Wakefield (Scottish Parliament): I am head of the Scottish Parliament's new Financial Scrutiny Unit. The unit was set up as a pilot in October 2009 in response to a demand from Members of the Scottish Parliament, and it has just been made permanent. We are a small team within the Scottish Parliament Information Centre (SPICe) research team, and we support Committees and Members with their inquiries.

5. Mr Chris Shaw (House of Commons): Thank you very much for the invitation to provide evidence. It may be helpful if I first explain why the Scrutiny Unit in Westminster was established in 2002. It was set up in response to a general feeling in Parliament that Select Committees were not engaging in financial scrutiny in the best way possible and that they did not really have the resources to do so. Therefore, the Scrutiny Unit was established to provide Committees with the necessary financial expertise to improve their financial scrutiny. Our work is done through the Committees. Therefore, we do not have an independent voice on budgetary matters.

6. Professor David Bell (Scottish Parliament): I am Budget adviser to the Finance Committee in the Scottish Parliament. I started that work in 2007 on a two-year contract, which was renewed in 2009. My task is to help the Finance Committee through the Budget process and to engage with it on any other inquiries in which it feels that my advice would be useful.

7. I write a report on the draft Budget when it is published. I also engage with advisers on other Committees who are hired on a more short-term basis than me and discuss the general strategy of the Budget. They take that information to their Committees, which report back to the Finance Committee, before an overall report is written just before the end of the year, which is discussed in Parliament. The Budget then goes through to the next legislative phase in January/February.

8. During my time as adviser, we have been involved in looking at the Budget process per se. As a result of that investigation, as Simon Wakefield said, we took the view that the Parliament's financial scrutiny capabilities should be increased. As a result, the Financial Scrutiny Unit was set up.

9. We have also been concerned that what we describe as stage one of the Budget, which is where one takes a strategic overall view of the Budget, has not really happened in the way that was expected when Parliament was set up. Basically, minor amendments were being made to get Budgets through at stage two, which is where we have a draft Budget from the Scottish Government. It is necessary to have a majority in order to get that Budget through the Parliament, and small concessions may be made to one group or another. As a result, a majority is available to pass the Budget. However, those are changes that are being made at the margins, rather than taking a strategic overview of the Budget, and it is hoped that the Financial Scrutiny Unit will help in that process.

10. The Chairperson: As you know, the Committee has been conducting its inquiry and is very keen to find out more about that particular unit.

11. Mr McNarry: Good morning, you are very welcome. I hope that you enjoy your stay, if it is not all too brief. I have personal leanings towards something similar being established here. Was there any great resistance to establishing the unit?

12. Mr Wakefield: As far as the Members were concerned, there was strong support from the Committees and from individual Members and finance spokespeople. One of the reasons for setting up the unit is that we are obviously in a very difficult financial situation. Parliament is affected by that, so we are trying to find additional capacity within Parliament. At the same time, we are being asked to look for cuts and potential savings across Parliament. Resistance comes in the form of resources and in trying to stretch resources as far as possible.

13. Mr McNarry: Having piloted the unit and seen it working, is opinion still supportive?

14. Mr Wakefield: Yes. We went back to the Committee Convenors Group, which supported the unit becoming permanent in the Parliament. Last week, the Parliament's corporate body approved the unit proceeding on a permanent basis. We have had support from across the board.

15. Mr McNarry: I have three questions on the role of the respective Budget Finance Committees in the Budget process: are they responsible for providing costings or estimates for alternative spending proposals; do they have the remit to assess proposals from other Committees, and, if so, how would such work be supported by the scrutiny units and Budget advisers; and will you extend a wee bit on what a Budget adviser is?

16. Professor Bell: It is important to draw one distinction, and Simon will correct me if I am wrong. A lot of the work of the Financial Scrutiny Unit involves helping members with issues such as the costs of different policies, outcomes and so on. Much of its work is about costings and is not so much about developing new strategies that are completely against what the Government are currently proposing. One might find that the Congressional Budget Office in the US does something similar, but that is not seen as the role of the Financial Scrutiny Unit in Scotland.

17. The question about other Committees is interesting. When it comes to Budget time, I speak to the other advisers and they will each have a draft budget for their respective Departments. They will take that budget and think about how it might be re-jigged. The implicit rule is that no Committee interferes with the work of any other. For example, the Committee dealing with schools would not recommend a reduction in the health budget. That issue is one of strategic overview and it does not come up at stage two, after the draft Budget has been published. The strategic view should happen before then.

18. Basically, the budget advisers are helping the Committees to look at their particular budgets and at how they might be realigned. They might be looking at efficiency savings or particular programmes within their remits. They might suggest that higher priority is given to one programme than that which it is being given in the budget. So, to clarify; budget advisers are mostly academics or retired civil servants who are hired on a short-term basis for a certain number of days, less than 20 or thereabouts, and so they are relatively cheap. However, they are hired because they have an expertise in a particular area such as health, education and so on.

19. When budget advisers work well with the Committees, they are considered to be extremely useful because they understand the finances. Sometimes, Committees are not that focused on a regular basis on the finances of their particular Department. That is the key role that the advisers have: they clarify financial issues in relation to whatever Department or area they service. They are hired on a relatively short-term basis.

20. Mr Shaw: There is a similar situation at Westminster, in that the Committees will not so much develop alternative proposals but will criticise and scrutinise the Government's forecasts and projected budgets for their particular Department. The Scrutiny Unit has the expertise to help with that. It is fair to say that only the Treasury Committee in the House of Commons has that sort of expertise on tap, whether it is through short-term appointees or long-term Committee specialists. We need to assist the Treasury Committee only when it finds itself particularly hard-pressed. Generally, the Committees will come to us for detailed scrutiny of the Budget.

21. Mr McNarry: I understand why the Committees come to you for advice and I see how that works. Can you tell us specifically what the Finance Committee will ask you when it is dealing with the overall Budget?

22. Mr Shaw: The Treasury Committee usually has those resources already. It has specialists who have a financial background, and it can also appoint short-term advisers. Therefore, generally speaking, it has those resources, because it is carrying out regular inquiries into the Budget and the pre-Budget report. It is worthwhile for the Committee to have that resource permanently, and we will assist them only if they are particularly busy.

23. Mr McNarry: I do not expect you to know all about us, and I confess that I do not know all about you. That is why this is very interesting. We have a unit called the performance and efficiency delivery unit (PEDU), which is working on efficiencies. Recently, an official said openly that PEDU, which is part of the Department of Finance and Personnel, was viewed with a certain amount of fear and trepidation by Departments, because it can only be invited to come and help them with efficiency reviews, etc. That is why I asked you whether there was resistance. Does anybody view your work as interference, or do they see it clearly as assistance?

24. Mr Shaw: For the record, the Government have said that they have found the Scrutiny Unit's increased level of financial scrutiny helpful. I think that they would say privately that it is helpful to have departmental budgets scrutinised in a more thorough manner, because, historically, scrutinising expenditure has not been a strong point for the House of Commons. I think that the establishment of the Scrutiny Unit was welcomed. It was supported by all the Select Committees in the form of the Liaison Committee, and I am not aware of any resistance to it.

25. Mr McNarry: Finally, does the unit play a role in plenary sessions? Would it, or the Committee to which it is attached, bring business to the Floor of the Parliament, or does it operate purely in the background?

26. Mr Shaw: It operates in the background. It works through Committees, and the Committees might bring business, into which the Scrutiny Unit may have fed, to the Floor of the House, but it does not overtly bring business to the Floor of the Parliament.

27. Mr McNarry: That is interesting. Thank you.

28. Ms Purvis: You are very welcome. Thank you for taking time out of your busy schedule to help us with our inquiry. Effective scrutiny depends on the level of access to information coming from Departments. Recently, we had a review of spending plans for the year, and our report was quite critical of Northern Ireland Departments and the level of information that they had provided to Assembly Committees. How do you go about creating the greatest level of access for information? Do you have protocols or procedures in place? Do you have particular difficulty in gaining access to information? Are there particular sanctions that you can put in place with Departments?



29. Mr Wakefield: The Financial Scrutiny Unit has a protocol with the Scottish Government, which says that they will be helpful to us, and we will not put in requests for information that we can easily find elsewhere and that are unnecessarily burdensome. Therefore, there is an agreement in principle to co-operation. One of the unit's priorities is to improve access to information, and we have made some progress in that regard. A lot of the Committees were interested in getting access to many of the detailed level-four Budget information because, for much of the time, Committees looked at the budgets, and many of the Committee proceedings have been about what the information actually means, as opposed to discussing the priorities.

30. We have made quite a bit of progress. For the next draft Budget, we hope that we will have much better information available for the Committees. Having one of our secondees coming from Audit Scotland has also helped us. It really helps to have someone on the team who knows exactly what questions to ask, what information is available and what is easy to access. Audit Scotland has a legal basis for being able to request any information that is reasonable. We do not quite have that currently, but there is pretty good co-operation generally.

31. Mr Shaw: The Westminster unit works through Committees that have the power to send for persons, papers and records. So far, that power seems to have proved sufficient to get the information that is requested. The unit provides the right questions for the Committees to ask in order to get the information required.

32. On top of that, there is a lot of co-operation that goes on behind the scenes in respect of improving the presentation of financial information, which has not always been clear in the past. Technical work goes on behind the scenes, usually between the Treasury officials and the unit, to meet the Committees' requests and demands for better quality and clearer financial information.

33. Ms Purvis: Therefore, the level of information can be improved. This Committee has similar powers, so if we ask the right questions, we will get the level of information that we require. Is the scrutiny unit open to lobbying from particular interest groups? How do you manage that situation?

34. Mr Shaw: In our case, the lobby groups go directly to the Committee, rather than coming to the unit, because that is a source of influence. They are probably not terribly aware of what the unit does for Committees. It has not been an issue for us.

35. Mr Wakefield: We are quite happy to talk to anyone. If somebody has information that is of interest and is relevant, we are quite happy for them to provide us with it or set out their points of view. However, we are the editors of any briefing that we provide. We decide what is relevant and what goes in. We are not seen as being important enough to be lobbied on a regular basis.

36. The Chairperson: Does the unit have the power to assess departmental submissions for extra money? If, for example, during monitoring rounds, the Health Department or Education Department, submitted proposals for extra money for projects, does the unit have the power to assess those and make recommendations?

37. Mr Wakefield: The Scottish Parliament's unit is part of the SPICe research team. We provide factual information straight down the line, so that is where the difference may come between what we do and what the advisers do. They can be a bit more controversial and provide an opinion a bit more.

38. Mr McNarry: I do not think that we want any controversial advisers.

39. Professor Bell: The advisers have to be quite careful to not be too controversial. As Mr Wakefield says, they can be a little bolder than the scrutiny unit. The Financial Scrutiny Unit can engage people for short-term contracts to look into particular pieces of research or to answer the kind of questions about which the Chairperson is thinking. It could commission somebody, probably from an academic background, to do some work on that specific question for a short period of time.

40. Dr Farry: This discussion is very interesting, and it feeds in well to our thinking about what we need to do in Northern Ireland. Is there a tension in other jurisdictions concerning the direction in which parliamentary support is going? There is a wider debate about the architecture involved and whether the Treasury or a Finance or Budget Committee should skill up and have an overarching view of Budgets and assess competing priorities or invest in the skills and resources of Committees, which, by definition, look at a snapshot of a particular policy area. The issue is how to manage that tension. I appreciate that this feeds into a wider discussion, on a political level, about the architecture. How can those different strands of work be managed?

41. Professor Bell: One of the things that the Scottish Parliament has been aware of since devolution was instituted is that it has not had an effective challenge function that is the equivalent of the Treasury in the UK. The Finance Minister, John Swinney, as well as controlling finances, is also a spending Minister; he is responsible for local government spending, which is a major component of our total spend. There is nothing separate in government; there has been discussion about that in the past, but it has never happened. To a certain extent, what we are discussing now is a response to that lack of a challenge function within government along Westminster lines.

42. The Finance Committee, perhaps, sees itself as the key to that challenge. It perhaps sees that it has allies, particularly in Audit Scotland, which provides another form of audit, albeit ex post facto. The Finance Committee is looking at what is happening at present, because it considers the proposed Budget. Perhaps the scrutiny unit and, possibly, some other arm of the Parliament, can look at where the Budgets are going in future. None of this is meant to step on the toes of other Committees, but there are broad areas, for example, in which the Finance Committee certainly sees itself as having a role. For instance, public sector pay is one area that is of interest to all Committees.

43. Another important area, which I thought about in response to a previous question, is the question of dealing with cross-cutting issues, such as drugs. I do not have an answer to that yet. It is not obvious that that subject sits within the remit of any one Committee. Therefore, perhaps it should be the role of the Finance Committee and Financial Scrutiny Unit to work together on such matters. I am not sure that we have solved that problem yet, but with more information, a scrutiny unit may be able to do something more than has been done so far, which, I must admit, is not a great deal. Some cross-cutting issues are extremely important.

44. Mr Wakefield: One of the things that helps us is that we are located within the wider SPICe research teams, and we have subject researchers. If something comes up on health or finance, we can make a joint effort, because we have the subject knowledge of the health experts and their finance counterparts. We have done work for other Committees. The European and External Relations Committee is looking at Scotland's overseas spend, so it has asked us to pull all that information together. The Finance Committee and the Economy, Energy and Tourism Committee are our number one customers.

45. Mr Shaw: It is interesting that Professor Bell mentioned public sector pay. I am encouraging the unit to produce papers that are relevant to a number of Committees and which individual Committees would not necessarily commission. That is an issue, because we have economists in the unit as well as statisticians who can provide papers as long as they are going to be of use for

Committees. That is a useful product for us. In general, we try to fill any gaps that exist for Committees, and we provide staff to Committees for a short- or longer-term basis. It is a pretty co-operative arrangement.

46. Dr Farry: You anticipated one of my follow-up questions on cross-cutting working.

47. Another area that I want to explore briefly is whether you simply consider expenditure issues or whether issues of income generation are also considered. In our devolved context, we largely take decisions on the basis of overall allocations of money that are made from elsewhere. However, Westminster has full control over taxation and expenditure at a UK-wide level, and Scotland has limited tax-varying powers, and the Calman Commission's proposals are to be taken forward. Does either unit consider tax-raising issues as well as expenditure issues? Is that part of your terms of reference?

48. Mr Wakefield: Not yet, but we will have to do that.

49. Mr Shaw: The Treasury Committee does that routinely in its scrutiny of the Budget and the pre-Budget report. Otherwise, the Scrutiny Unit looks at all the Departments' publications, including their annual reports, autumn performance reports and supplementary estimates. Those are critically examined to ascertain each Department's income generation.

50. Professor Bell: I was on the Calman Commission group that looked at changing the tax-raising powers in Scotland. The Finance Committee has been taking more of an interest in that topic since the election, and I expect there to be some sessions on that in the near term.

51. Scotland has council tax. That raises about £2 billion each year and brings up an interesting point of principle. The rates of council tax have been frozen for the past three years as a result of single outcome agreements between the Scottish Government and the local authorities. Those agreements are, basically, contracts that stipulate what the local authorities deliver and allow for no ring-fencing of their funding. There is a question about whether the Finance Committee has the power to interfere with those agreements by saying something about what the rates of council tax should be, because, as local government, local authorities clearly have democratic legitimacy.

52. Health is an area in which £10 billion is spent in Scotland each year. Effectively, there is no democratic element to that, and the Finance Committee feels that that is one area in which it should, perhaps, play more of a role. However, even in conjunction with the Health Committee, it is incredibly difficult to penetrate below the level of the health board budget and to figure out what is going on. In particular, it is difficult to figure out whether the outcomes being delivered by the Health Service in Scotland measure up to the increase in resources that it has been provided with in the past five or six years. A lot of the Finance Committee's time is spent asking why outcomes are not better measured in the different areas of the public service. We do not know whether we are really getting value for money.

53. Dr Farry: On the issue of the value for money of the scrutiny units themselves, the documentation that we have seen about the Scottish unit suggests that outputs are based on volumes of work. I appreciate that it is very difficult to assess the impact that you make, but can you identify any early wins? Have you given any wider thought to the ways in which the units in both jurisdictions can be seen to make a difference to the quality of debate and decisions?

54. Mr Wakefield: It is very difficult to measure that. We have improved access to information. The intention is to publish that information on our web pages, which will make it more widely available. We have received very good feedback from Members on the information that we have provided to Committees and to Members individually. If our service was not useful, Members

would not be asking us the questions. We have had an increasing demand for our service. It is difficult to say whether our service has improved the quality of scrutiny, but I hope that it has.

55. Dr Farry: In the Scottish documentation, there is reference to work on the Barnett consequential and their transparency. I take it from that that the Barnett consequential are an issue in Scotland. There is a wider discussion, which we have a common interest in, about whether the Barnett formula should eventually be replaced by a more needs-based process. Do you see units such as yours taking on a much bigger role in that context? I ask that because, although it may be fairer for some people, any needs-based assessment will be inherently subjective. Therefore, a lot more discussion will be required on what is appropriate and what is not.

56. Mr Wakefield: I cannot see us developing a model of what such an assessment should look like. However, that is the sort of issue that we could provide a briefing on, because it is significant and there is wider interest in it. The Finance Committee might be looking at the issues raised in such a briefing when it is scrutinising proposals.

57. Mr Shaw: I could see the Scottish Affairs Committee at Westminster holding an inquiry on any proposals, in which case it would seek support from the unit. We would offer support on that basis, according to what the Committee wanted.

58. I go back to your question about easy wins. The unit can point to its support for the alignment project, which makes clearer the financial information that is provided and the way that the estimates relate to the budgets and the figures in the departmental spending reviews. A lot of technical work is going on, which the experts in the unit have supported. There have also been a lot of positive comments about the work of the unit, but, as Simon said, it is difficult to be precise.

59. Dr Farry: We are often very polite as representatives.

60. Professor Bell: The Finance Committee in Scotland is aware of the changing scenario with public finances. The Scottish Government have appointed an independent Budget review team of three people, which is looking, effectively, to do the same kind of job as was done by Colm McCarthy in Ireland. The Finance Committee decided to conduct an inquiry, which has been running for the past six or seven weeks. We have visited the South of Ireland, held teleconferences with the Canadians and brought in a large array of witnesses to look at how different legislatures manage down budgets and what we can learn about doing that from elsewhere. The Finance Committee has done a fairly good job. The report is not yet ready, but I hope that it will be influential. I suspect that the Budget will be published in the late autumn. We will have the report ready before then, and I think that that will be helpful.

61. The Chairperson: One of the frustrating aspects is that there is no method of measuring outcomes from money that is invested. You mentioned local government and central government. How do you see the process of measurement being moved forward? For instance, has the discussion about measurement been generated by the Financial Scrutiny Unit or the Finance Committee? Where did that discussion start? There is a difficulty with the measurement of outcomes against targets here, because it is hard to measure whether the money invested is making a difference to the quality of the lives of people in our communities.

62. Professor Bell: The Office for National Statistics is carrying out quite a lot of work on measuring outcomes in the public sector. It is probably as good as anywhere in the world, but it still has a long way to go. As you said, it is important to measure quality as well as quantity, and that increases the complexity of what one is trying to pin down.

63. In the inquiry that has been taking place in the past few weeks, an issue that arose in a couple of contexts was that of whether it was being ensured that the right outcomes were being considered. For example, the view was put that it may be worth spending a lot of money on children in their early years, the outcomes of which may not be observed until 10, 15 or 20 years later. Another view is that it may be useful to spend money on older people to prevent them from going into hospital or care homes. That might include spending money on doing shopping or gardening for them. Some of those issues are incredibly complex, and a great deal of thought must be given to know exactly what outcomes to measure. For example, in Scotland, we do not have a good gauge for measuring overall health outcomes for people who have been in hospital. We know about outcomes in areas such as cancer treatment, but we do not measure the generality of health outcomes very well.

64. Mr Shaw: Westminster Departments are obliged to publish in their departmental annual reports their performance against the targets that they agree with the Treasury. One of the roles of the Scrutiny Unit is to try to improve the quality of those reports and, where they are vague, to nail down what the achievement is and to encourage realistic targets and objectives and accurate ways of measuring progress. That debate has been going on, and it has come quite a long way towards producing more meaningful annual reports than were produced previously. By and large, the reports are now fairly formulaic and are useful to Committees. That is not to say that there is not more work to be done, but the debate is ongoing, and Committees will usually have one session a year with the Secretary of State or the Minister on the annual report.

65. Professor Bell: Everything that we have said about outcomes applies equally to efficiency savings. The National Audit Office has looked at a lot of those, and it is very difficult to pin them down. A previous Finance Minister in Scotland has admitted that it has been very difficult to figure out what the efficiency savings are and, if resource has been released, to figure out where it has gone and how it is now being used. That is an area in which there is great potential for improvement.

66. Mr Hamilton: I find the evidence very interesting and of great help to our deliberations. You can correct me if I am wrong, but I have noticed a difference between the Scrutiny Unit in Westminster and the Financial Scrutiny Unit in Scotland. My understanding is that the Scrutiny Unit helps only Select Committees but the Financial Scrutiny Unit helps Committees and individual Members.

67. In Scotland, the unit's objective is to provide independent analysis, and I note that the evaluation of work to date includes a breakdown of substantive enquiries by party group. That shows that 49% of enquiries have come from Labour Members. That is either because Members from that party are assiduous in scrutinising finances and budgets or a mere coincidence that Labour is the major Opposition party. The unit sits within the Parliament but is independent. I can see that Committees would have to come to an agreement about what information and research they want from you. However, how do you ensure that you do not become a tool to be used and abused by Opposition Members?

68. Mr Wakefield: It is my job to ensure that. We provide factual information, which we are happy to stand by, that is robust, accurate and balanced. It is up to Members whether they want to use and abuse that information or not, and we accept that there is nothing much we can do about that. The party breakdown of enquiries is quite positive, because one would expect the majority of our customers to be Opposition Members. Although we do not work directly for Government Ministers, quite a sizeable proportion of our enquiries are from the Government party.

69. Mr Hamilton: A quarter of them are.

70. Mr Wakefield: Some of our briefings have been used by the First Minister and quoted to support his arguments. The party balance looks OK. As long as we are upsetting everyone equally, we are probably doing OK.

71. Ms Purvis: I want to ask about staffing levels. Obviously, there are fluctuations in the demands on your time. In your report, you refer to a call-off framework contract. I assume that that is put out to public procurement and individuals tender to get onto that framework. For how long is that framework in place and what is its cost to the unit?

72. Mr Wakefield: That is one of those things which, depending on the level of resources available to us, can go up or down. Last year, we envisaged having more money available to us than that which was given to us this year. We have eight experts on that contract including, for example, researchers from universities, but we will probably have to scale that down this year. During the pilot period, we carried out three projects at a cost of around £20,000. It is something that can be scaled up or down depending on how much money is available.

73. Ms Purvis: Therefore, it is a year-by-year framework.

74. Mr Wakefield: Yes, and we can extend the contract for the people who are already on it, which is useful. Once someone is on the framework, having gone through the procurement process and having got over the hurdle of submitting documentation, we can very quickly ask them to do a specific piece of work for us. For example, if we got a request for a costing on a particular area and did not have the capacity in the team to do it, we could go out and very quickly turn something around. If we had to put that out to procurement, it would take too long.

75. Ms Purvis: Is it similar to having a database of consultants and researchers from which you can pick and choose, or is there a time frame for the framework, at the end of which it has to go out to public procurement again?

76. Mr Wakefield: We can renew the framework fairly straightforwardly on a year-to-year basis. We work with whoever is on the contract to make sure that they understand exactly what is required of them, how the Parliament works and what the Members and Committees are looking for. Therefore, we do not want to have too many people on the contract.

77. In Scotland, there is a fairly small pool from which to draw expertise, and I presume that the situation in Northern Ireland is similar. Therefore, if a unit was set up here, there may be scope for co-operation with Scotland in order to draw from a wider pool. People from outside a jurisdiction do not have any potential conflict of interest and may be able to provide information that is more critical.

78. Mr McNarry: This is a most interesting discussion. Our excellent research service in the Northern Ireland Assembly is limited in the research that it is able to supply on departmental business, matters regarding our budgets and so on. It concentrates on private Member's motions and Bills and certain Committee matters. When a Department was bringing forward business, particularly that relating to finance, was there a gap in the Scottish Parliament's research service before the Financial Scrutiny Unit was set up? Was it deemed necessary that the unit fill that gap?

79. Mr Wakefield: There is certainly increasing demand for financial scrutiny and costings and that type of work.

80. Mr McNarry: If your Finance Minister is bringing forward business in the Scottish Parliament, are you able to provide an impartial, factual briefing on what he is going to talk about?

81. Mr Wakefield: Yes.

82. Mr McNarry: Was that facility open to the Scottish Parliament prior to the existence of the Financial Scrutiny Unit?

83. Mr Wakefield: We had a smaller team of two or three economy finance researchers who were, in theory, able to provide that type of briefing, but demand outstripped their ability to provide that service.

84. Mr McNarry: So, it was demand that led to the situation that you have now. There are walking experts on finance. I used to call them bankers, but I will not go down that road at present. In servicing the needs of the legislature here, we have no sight of proposals or draft proposals coming from Departments at times. Dawn raised that point earlier. The work of Committees is valuable, and we have our own party political researchers, but there is an amazing gap in the provision of information here. If I understand you correctly — I do not want to put words into your mouth — the unit was demand-led in that people saw a need for such a facility because the service was not satisfactory. Is it the case that you came up with the unit in order to up your game?

85. Mr Wakefield: Yes. The number of enquiries from individual Members was increasing. Partly because of the minority Government situation, the Budget became a lot more interesting politically. The general economic downturn made public spending a much more interesting political issue, too. The Finance Committee had also recommended that additional capacity be put into financial scrutiny. Therefore, it was coming from a number of different angles.

86. Mr McNarry: Chair, I do not know where we are going with this, but I would find it difficult to register the need here. I have acknowledged for some time that we require something additional, such as a unit similar to the one in the Scottish Parliament. However, the Scottish Parliament already had economic advisers in place. We do not even have that resource. If the Committee is agreeable, I think that it would be useful to note for further discussion how we would take forward consideration of such a unit for our Assembly. We really do not have anything except — one might say — our own party political prejudices at times.

87. Professor Bell: There are two aspects. First, there are the requirements of individual Members. It is legitimate to help Members with individual enquiries. If they are not getting that help, it seems to me that there is a gap in the market. Aside from the generality, a particular issue is the Budget. In Scotland, the service really matters around Budget time, when a Committee may come up with an alternative proposal that would effectively mean a significant change to the draft Budget. At that time, it becomes very important.

88. The other set of issues is more difficult, because it may become more political. It relates to the role that the financial scrutiny unit should play in what we describe as stage one of the Budget process — the strategic overview. The unit might state that too much money is being allocated to health and international comparisons should be looked at or that far too much money is going into a certain area and more should be put into education. Obviously, that would be extremely controversial, and, therefore, the scrutiny unit might end up being in a difficult position. That is exactly what happened in Canada. Last year, the Canadian equivalent produced a paper that took a strong view on policy — I have forgotten the exact policy concerned — and was almost wound up as a result. It should, perhaps, be the role of the Budget advisers to take a view on policy — I can be wound up. It is not a big deal if the Budget advisers take a view that is not necessarily political but would involve big movements of resources.

89. You would want any unit that you might set up to be able to continue to provide a service for Members. Therefore, there is a balance to be struck in respect of the kinds of tasks that you

think it would be suitable for the unit to address and how far that goes towards strategic policy issues.

90. Mr McNarry: I can see that point, and I find it very helpful. We need to consider further what you have said and to take it on board. In simple terms, we have a cake here, and we cut it up after a dogfight because we have so many parties involved in what is, allegedly, a four-party coalition.

91. Dr Farry: Five.

92. Mr McNarry: Allegedly, a five-party coalition. I apologise, Stephen.

93. Dr Farry: You are quite all right; it is easily forgotten.

94. Mr McNarry: I forgot about the amount of crawling that you did to get there.

95. Such information, provided on an impartial basis and, perhaps, even through not being controversial from an adviser's point of view but by playing the devil's advocate, could be extremely helpful in enabling decisions to be taken by common agreement at the end of the day. A lot of the party political stuff could be eroded, because the business would be coming down to practical decisions. I find what you said very valuable, thank you.

96. The Chairperson: Thank you very much for coming along. I know that you have a busy schedule. I do not know how long you are staying, but I hope that you enjoy the rest of your stay. Thank you very much. The session was very informative.

9 June 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Dr Stephen Farry  
Mr Simon Hamilton  
Mr Fra McCann  
Mr Mitchel McLaughlin  
Mr Declan O'Loan  
Ms Dawn Purvis

Witnesses:

Mr Kieran Donnelly    Comptroller and Auditor General  
Mr Eddie Bradley  
  
Ms Louise Mason    Northern Ireland  
                                 Audit Office

97. The Chairperson (Ms J McCann): I welcome Kieran Donnelly, Louise Mason and Eddie Bradley. You are very welcome. Please make some opening remarks, following which members will ask questions.

98. Mr Kieran Donnelly (Comptroller and Auditor General): I am very pleased to have the opportunity to address the Committee on this issue. The general theme is the potential for my



office to provide a wider support service to the Assembly, over and beyond the service that we provide to the Public Accounts Committee already.

99. The briefing paper outlines the role of other audit offices in providing support to Committees. The National Audit Office has been producing what is effectively a product line for the Select Committees of the House of Commons. It provides what are known as performance briefings, and it has been doing that work since about 2006. We did not hold on to its coat-tails at that time because it was around the time of the restoration of devolution. The priority for my office at that time was to get up to speed with the needs and demands of the Public Accounts Committee. However, we are now over that hurdle, and it is an opportune time to look at what wider support we could provide to the Assembly's Committees.

100. As members will see from the paper, there are three options. Those options are not mutually exclusive. The first is whether the Audit Office could produce performance briefings that are similar to those produced by the National Audit Office (NAO). I think that we could do so with relative ease. That said, we would not be in a position to do such briefings for each Department on an annual basis. We would have to start off on a pilot basis and work up, perhaps over three or four years, or use a cyclical approach in which we would get round all the Departments over a certain period.

101. The second option would be to do some financial management reviews. Colleagues in Audit Scotland and the National Audit Office are already down that road. Products of that type could be considered by either the Public Accounts Committee (PAC) or other Assembly Committees. It is worth mentioning that one of the products that we produced last year was a general overview report on Health Service finances. That was referred by the PAC to the Committee for Health, Social Services and Public Safety. The feedback from the Health Committee suggested that that worked quite well. Some of the material in that health report is quite close to the type of product that the NAO has produced for the Select Committees at Westminster, so there is potential to develop that strand of work.

102. The third option is secondments. I employ quite a number of qualified accountants in my office, so there are opportunities to second staff to the Assembly, perhaps to particular Committees or a general research team. That is all that I want to say at this stage.

103. Dr Farry: I welcome Kieran, Eddie and Louise, whom I see in another part of the Building on a quarterly basis at least.

104. How does the Audit Office see its work in respect of the balance between the traditional role of an audit office, which is viewed as being reactive, and what we are talking about, which is much more proactive in relation to early intervention? Is there a balance to be struck between being proactive and reactive? It is now practice for a representative of the Audit Office to regularly attend audit committee meetings in organisations that your office audits, which, presumably, includes government Departments. Is there a tie in between such work and our Committees' performance management role? How can we make use of your office's existing commitment to work with Departments?

105. Mr Donnelly: The first point is that there is a big element of statutory work, which is work that I have to do. The main component of that statutory work is the financial audit of virtually all public sector accounts in Northern Ireland. That is work that has to be done, and it comes first, before we do any discretionary work.

106. As Dr Farry said, in recent years, we have moved into quite a lot of proactive work with audit committees. I regard the Public Accounts Committee as the mother of audit committees, but, below that, every public sector entity in Northern Ireland has its own audit committee. We

attend meetings of those audit committees up to four times a year. We produce a report to those charged with governance, and that happens below the Assembly's radar. In the case of a major Department or non-departmental public body (NDPB), such a report may run to 30 or 40 pages.

107. A lot goes on below the Assembly's radar. However, important issues should bubble up into the public domain. If issues are sufficiently important, I report on them. I would include Health Service issues in my general report on the Health Service or central government issues in my general report on central government accounts. In the next few weeks, I have general reports coming out on both those sectors, which include issues that I have deemed to be sufficiently important to be brought into the public domain.

108. Dr Farry raised the interesting issue of the relationship between governance at the Assembly level and the lower level. What happens at the lower level is important, for example, in making sure that audit recommendations of all types are implemented, whether they come from the Public Accounts Committee, the Audit Office or internal audit. A key duty of audit committees at that lower level is to track all such recommendations, including those from the PAC. Therefore, those committees are very important in the chain of public accountability. Our proactive work in that area includes responding to the fact that there has been a movement to bring in a lot more non-executives from outside the public service to serve on those audit committees, which has been a very good move because it has led to more of a challenge function in the Civil Service. We have been heavily involved in providing training to those non-executives —

109. Dr Farry: Are they what are called the independent members?

110. Mr Donnelly: They are independent people. The Civil Service has really opened up to non-executives over the past five or six years, which has been a very good cultural change. Louise, who has been to most of the audit committees and has seen that change and growth in the challenge function on the ground, may want to speak about that.

111. Ms Louise Mason (Northern Ireland Audit Office): I have seen significant change across a number of bodies over recent years, and others are in the process of changing. Proper governance and the role of an audit committee have developed over the past number of years and continue to do so. The public sector has benefited and will continue to benefit from the fact that good, non-executive, independent people are asking challenging questions of Departments and NDPBs or arm's-length bodies.

112. Dr Farry: Is there an opportunity to share with Committees the reports that are produced for Departments? Could those reports be routinely shared to develop the wider scrutiny role that we are trying to encourage?

113. Mr Donnelly: There is an element of confidentiality with the client — what we report will be between us and them — which makes that difficult. However, that understanding is qualified by whether I think that something is in the public interest.

114. Dr Farry: Would you highlight that fact well in advance of conducting your formal audit?

115. Mr Donnelly: Yes.

116. Dr Farry: I want to ask about the possible secondment of a member of staff from the Audit Office to a new unit that may be created in the Assembly. Do you see any limitations to that role? Would that person essentially be a member of audit staff working within the parameters of the Audit Office or would they apply their auditing skills more widely? I refer particularly to

issues that may involve delving into policy advice, such as competing priorities and what is or is not front line. Would boundaries be applied to where Audit Office staff members could go?

117. Mr Donnelly: The way I see it is that the main benefit would be to bring some sort of skills transfer. Government accounts and budgets are very complicated. There is a lot of technical jargon, and there is a key role in demystifying what actually happens. A secondment would provide a professional, independent perspective. I do not think that there is any potential for conflict. We have clear ground rules on how we handle secondments to the wider public service and even to private accountancy firms. Therefore, any potential for conflicts of interest can be well managed.

118. Dr Farry: Would the Audit Office view a secondment to the Assembly as a major opportunity for someone's career development, as opposed to that person coming to a backwater? Would such a secondment be seen as advantageous for an employee's personal development?

119. Mr Donnelly: It would be seen as a key development opportunity and is something that we would actively promote. Audit can be quite a narrow field, and it is important that I get my staff into other disciplines.

120. Mr O'Loan: My question follows on from the discussion that Stephen's first question opened up. It is about the Audit Office's role in the area of financial management, which I am not entirely clear about. I understand that, in any section of the public sector, financial management is critically important in achieving the best use of resources and having excellent systems in place to use finances so that that happens. I am less clear about the role of an audit system in relation to that. Traditionally, I tend to think of audit systems being more involved in issues of propriety and governance than financial management and the best use of resources. I may be wrong, but I want to explore the issue and to hear your views about the lines of demarcation — if that is the proper way of putting it — in the role of audit.

121. I do not study PAC reports in the detail that I probably should, but, occasionally when I have looked at them, I have thought that they were potentially trespassing into areas that were really for the relevant Statutory Committee. In the same way, I wonder about the role of an audit committee. As I have those questions in relation to your retrospective function, I have them all the more so in relation to your potential role in the proactive work on the forward creation of a budget.

122. Mr Donnelly: You mentioned governance, propriety and financial management. I see our role as covering all three of those in both the work that we do for the Assembly and the work that we do at the lower level. Financial management issues will loom very large in the reports that we issue to auditees, and various facets of financial management, such as budgetary control, investment appraisal and project management, will feature prominently in our work. The question alluded to in the paper is whether we can pull some of that together at a more strategic level and do a more strategic financial management review of an entire Department and its satellite bodies. There would probably be merit in doing that.

123. You also mentioned the retrospective nature of audit. Audit is retrospective. It looks backwards to expenditure rather than forwards to budgets. There is a statutory restriction on my questioning the merits of policy objectives. That is a very carefully constructed statement, and sometimes it is misinterpreted. It does not mean that there are not aspects of policy that I cannot look at. I cannot look at the merits of policy objectives. What does that mean in practice? It means, for example, that I do not have any ideological view on whether public-private partnerships are a good thing or a bad thing. However, I am perfectly entitled to look at particular cases to see how they have outworked in practice. As regards budgets, I am not

entitled to make judgements on the merits of particular budget allocations, but I am entitled to look at the processes by which budgetary decisions were made. If a policy decision was based on limited quality research or a poor evidence base, I am perfectly entitled to look at that. I hope that that clarifies my role in policy.

124. Mr O'Loan: That provides clarification and further food for thought.

125. Mr Hamilton: That is actually the point that I was going to make. The paper seems to suggest that to follow the traditional route of auditing — as NIAO reports have done — is retrospective and looks back at past finance. While that is useful, the Committee has identified problems, not in looking at the policy decision behind why an allocation has been given to one Department over another but in testing that. What can the Audit Office do to help the Committee for Finance and Personnel and, indeed, other Statutory Committees to scrutinise the thought process behind the policy? I do not mean scrutiny of the policy itself, because that is an entirely separate decision. We cannot have the Audit Office or anyone from outside saying that a policy is good or bad because that is a political decision.

126. How do you see your role in the process behind making an allocation and deciding whether it represents value for money when compared with previous experience in that Department or elsewhere? Clearly, there is potential tension there. Do you envisage a role for the Audit Office in helping Statutory Committees in a practical way with current, live information about budgets when those Committees are involved in a budget process and that information is presented to them?

127. Mr Donnelly: It is fair to say that we are not close to that end of the process because we are retrospective. We audit accounts rather than budgets. That said, if we were to conduct a financial management review of any large entity, it would be fair for us to look in detail at its budget planning process and at how its systems and processes were working. We touch on those issues in a good practice guide on efficiency, which Eddie has been involved in developing.

128. Mr Eddie Bradley (Northern Ireland Audit Office): The NAO has done some work on financial management reviews. The questions that it asks in those reviews are current and relevant. It looks at whether there is clear understanding of the links between resources that have been applied and performance out-turns. It would be quite legitimate for us to ask that sort of question, which is not entirely retrospective. It makes a connection between the money that is spent and the outcomes that are delivered, and it looks at systems for measuring that.

129. Along with our colleagues in Audit Scotland and the Wales Audit Office, we put together a good practice efficiency checklist. It aims to promote improvement and to facilitate detailed review and reflection by audited bodies on how they allocate resources. The checklist is intended as an aide-memoire for senior managers and board members. It is structured around three key elements. First, it asks whether budgeting and spending are priority-based. That involves consideration of whether there is clarity about what the priorities are, how those priorities link with the Programme for Government, and what the link is between the money that goes in and its contribution to impacts and outcomes.

130. The second key theme of that checklist is about improving information on productivity, efficiency and outcomes. Although that is slightly retrospective, by asking the right questions in a current dimension, one can begin to get to the heart of the quality of the decision-making. The final element of the checklist is about better collaboration and joint working. That asks whether management has considered developing partnership approaches that might be able to deliver the same outcomes for fewer inputs or a better outcome for the same level of finance. By applying those good practice checklists, we are not questioning the merits of policy, but we are

teasing out the quality of the decision-making and the quality of the information that underpins it.

131. Mr McLaughlin: If the Audit Office were to second staff or to provide support to the scrutiny Committees, I suppose that you could manage to walk the challenging tightrope between policy and financial management. However, I envisage that that could be a stressful position for your personnel to be in. The discussion between the politicians on those Committees can sometimes be free-flowing and undisciplined, and the need to watch that boundary and to think ahead to the process would put your colleagues in a difficult spot.

132. We have to consider that type of support to Committees as one of the available options, and you have been very forthright in setting that out for us. I am concerned that one of the consequences of that degree of overlap could be a blurring of the currently discrete role of the Audit Office and, by extension, the Public Accounts Committee. Have you considered any examples of that particular option being employed by legislative Assemblies or structures? Does it work in practice?

133. Mr Donnelly: The Public Accounts Committee has primacy on the reports of the Audit Office, as is the case in all the legislatures. For example, the report on financial management in the Health Service was referred to the Health Committee last year. That was done at the call of the Public Accounts Committee, because it decided that there was insufficient time in its programme for it to take evidence. The same happens in Wales, where its Public Accounts Committee has an option to refer reports to other Committees when it is unable to accommodate scrutiny of those reports in its own programme. The background to the health case is that we had three or four reports at that time and not all of them could be taken in oral evidence by the PAC. Other Committees may have the capacity to deal with reports that the PAC cannot attend to within a reasonable timescale. That sort of thing happens in other legislatures, too.

134. The National Audit Office has been producing performance briefings for Select Committees at Westminster for four or five years. That does not cut across the work that it does for the PAC — it is a separate product line — nor does it take the National Audit Office into the area of policy, because those reports tend to focus on performance, particularly financial performance, capability, skills and performance against targets set in public service agreements. Therefore, it is not in the policy domain.

135. Mr McLaughlin: Finally, if we were to explore the option of your team providing support on a cyclical basis, what would that mean in any given Assembly term in the context of us having 12 Committees?

136. Mr Donnelly: In practical terms, it would mean that it would probably take three or four years to get round all 12 Departments and, perhaps, that some of the higher spending Departments would come first in any potential pecking order.

137. Mr McLaughlin: Would the cycle not come around more often?

138. Mr Donnelly: In any cycle, it would be important to get round the entire system in a reasonable period of time. It would depend on the sort of issues that there were in particular Departments and the interests of particular Committees. Therefore, there would need to be some sort of flexibility.

139. The Chairperson: In the course of the inquiry, the Committee is seeing a gap, in that there is no oversight body for the work of looking at future budgets and financial planning and, in particular, of measuring the outputs and outcomes of that which went before to see whether it is

working or whether it needs to be changed. Your office is not connected to any Department. You have that oversight function without being tied to a specific Department.

140. I want to ask about the time and services that you can provide to Committees. At the moment, although Committees have no role in looking at future financial planning, they have a role in scrutinising what has gone before and what is currently happening in their relevant Departments. Are you talking about coming in to advise Committees when they ask for your advice? How would that work in practice? Your paper states that you want to give much higher profile to the potential for better financial management in public services. I am trying to understand how that would work in relation to Committees.

141. Mr Donnelly: I see us having an advisory role through which we would provide independent, expert advice and support to Committees and their members. In reality, there is nothing much in the briefs produced, for example, by the National Audit Office that is not already in the public domain. However, the National Audit Office brings together in a one-stop shop a lot of material from diverse sources and expresses it in language that lay people can understand. Potentially, that is where we can bring something to the table, by cutting through some of the complexities and explaining, in simple terms, what the key issues are.

142. The Chairperson: Thank you for coming. We will be in touch.

143. Mr Donnelly: I want to make one final comment. In my role, I am completely independent of public bodies and, formally, am an officer of the Assembly. That independence is key.

144. The Chairperson: Thank you very much.

16 June 2010

Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Mr Simon Hamilton  
Mr Mitchel McLaughlin  
Mr Adrian McQuillan  
Mr Declan O'Loan  
Ms Dawn Purvis

Witnesses:

Dr Gareth McGrath  
Mr John Power Northern Ireland Assembly

145. The Chairperson (Ms J McCann): I welcome John Power, head of the Research and Library Service, and Gareth McGrath, director of engagement. Their briefing paper is in the tabled papers for members.

146. Dr Gareth McGrath (Northern Ireland Assembly): The Research and Library Service has developed considerably since the restoration of the Assembly in 2007. That said, we have had significant challenges with the grading of staff, which has led to a delay in recruitment. We are coming to the end of that process. Quite a lot of new research staff have come in during the past couple of months, and more will come in shortly before Christmas.

147. During the past couple of years, we have watched with interest as, for example, the Canadian and Scottish Parliaments have established expertise in specific areas to look at the whole area of financial scrutiny. We are already positioning the Assembly's Research and Library Service to improve support for Members in their financial scrutiny work. From our perspective, three main areas need to be considered: access to information, staffing, and advisory support. I will hand over to John Power, who will cover each of those areas in more detail.

148. Mr John Power (Northern Ireland Assembly): We have been conscious for some time that we need to improve the amount of resources available to Members and Committees vis-à-vis financial scrutiny. I have been thinking about three areas in relation to improving that scrutiny.

149. The first is access to information, with regard to not only the amount of detail, although that is an issue, but the timing, in terms of allowing us sufficient time to scrutinise the information in the detail that Members and Committees need. The evidence that the Scottish Parliament and the House of Commons gave to the Committee showed that they use various methods to acquire information, none of which would map across to the Assembly as it stands.

150. I have identified three options that the Committee may wish to consider to improve the flow of information by way of timing and detail, which could improve scrutiny: adopting a memorandum of understanding between the Assembly and the Executive; regulation in considering extensions to Standing Orders; or enabling information flow by way of primary legislation. The last two would require considerable effort and take time. I was encouraged to hear that the Scottish example of operating through a memorandum of understanding appears to work well there. However, members should consider that the political context of Scotland is very different from our own. They are operating in a minority Government, whereas the arrangement that we have in Northern Ireland, in which the five main parties are sitting in the Executive, could hardly be more majoritarian. That is a different political context, and it relates to access to information problems.

151. I am more relaxed about the second area, which is staffing. There are issues, but, since restoration in May 2007, we have been moving the recruitment schedule ahead. We recently appointed two research officers with economics and finance expertise to the Assembly's secretariat. By and large, we can move towards setting up a public finance scrutiny unit in the service at very little extra cost. Issues include exploiting the turnover of staff in the service so that we can focus on finance expertise; making a small addition to the staffing complement at a minimal extra cost; and improving or making joint arrangements between the Research and Library Service and the Northern Ireland Audit Office. All those ideas are quite achievable.

152. The third area concerns the advisory support that the Committee might require, and I have identified a number of options. I have focused on the possibility of call-off arrangements by way of a panel that would allow the Committee for Finance and Personnel and other Statutory Committees that are involved in the budgetary processes to call on expertise. I noticed that, in the Scottish Parliament's evidence to the Committee, the head of the Scottish Financial Scrutiny Unit suggested that we work together to compile a joint list of expertise. I would very much encourage that, and I would be willing to work with the Scottish Parliament to achieve it.

153. The other issue is whether the Committee would wish to consider appointing a standing adviser to the Committee as is the case in the Scottish Parliament. That arrangement appears to have worked well there. The establishment of a call-off panel and the appointment of a standing adviser would require the same preparatory work. The Research and Library Service, in conjunction with the Clerking and Reporting Directorate, would be very happy to move that ahead once we have had the opportunity to read the Committee's considerations in its report.

154. Those are the issues that I believe need to be addressed vis-à-vis secretariat support to help the Assembly and this Committee to improve financial scrutiny. I am quite happy to take questions from members.

155. Ms Purvis: Thank you for your report and your recommendations. You seem to be quite convinced about the need for a public finance scrutiny unit, which you say can be established at very little cost. By my calculations, it would have five members of staff, two of whom could, possibly, be seconded from the Northern Ireland Audit Office. Some of the evidence that the Committee has taken has indicated that, because the Budget process is concentrated at a certain time of the year, there will be pressure on those who work in that process at that time. Do you deem it necessary to have five members of staff available all year round? How did you come up with that figure?

156. Following on from that, I want to ask about the appointment of an external standing adviser to this Committee. Why is there a need for such an appointment? Would it not be better that this Committee call off from a list or use the public finance scrutiny unit instead? Obviously, there will be times when we need that advice and expertise, but it may not be needed all year round.

157. Dr McGrath: Research Services is comprised of a number of different teams, and those teams work across a number of different Committees. The unit would be a reconfiguration of the existing team structure. It would not be a new team of five people but a reconfiguration of people who are already there. The unit would provide support to this Committee, the Committee for Enterprise, Trade and Investment, and other Committees as necessary. Hopefully, that answers the first part of your question. John will answer the second part.

158. Mr Power: I appreciate the member's concern about the peaks and troughs in the budgetary scrutiny work that the Assembly has to do. I am not really factoring in those peaks in the setting up of the finance scrutiny unit. There are two important aspects to that. The first is that the finance scrutiny unit would be dedicated to assist in that work during the peaks. However, we also need to draw on external expertise, and the financial resources to do that are available in the Clerking and Reporting Directorate or, if appropriate, the Research and Library Service. We would call on those resources to address those issues either by contracting out external research or, with the agreement of the Committee, by moving towards appointing a fixed-term adviser to deal with the Budget or the specific issue under scrutiny. Alternatively, we would assist the Committee in appointing a standing adviser.

159. The staffing resource in the Research and Library Service as a whole, or, if restructured, the resource focused into the finance scrutiny unit, is designed to cope with the level of demand that we would expect across the Assembly's Committees and Members. As we move towards an economic downturn and a contraction in public sector finances, we anticipate that the level of demand will increase in a similar way to that which has happened in the Scottish Parliament.

160. Mr McNarry: You are most welcome, gentlemen. I want to pick up on what Dawn said. The people from Scotland who gave evidence to the Committee said that they have two permanent staff in their unit and that they have call on expert advisers, such as economists, retired civil servants, bankers etc. They seemed to be very confident that that service is adequate for the Scottish Parliament and its Members. Are you confident that were such a unit to exist here it would be on call to provide a similar service to Members?

161. You say that the unit will not cost very much. However, as Dawn said, you have identified a need for about five members of staff. I do not know whether that is too many, but I compare that with Scotland. Why would we need five staff when Scotland seems to be doing the job with



two? Perhaps the Scottish unit can latch on to greater expertise for less cost. Are you confident that the service would be valuable to Members?

162. Mr Power: There are two aspects to that. First, I listened to the evidence from the Scottish Parliament and have re-apprised myself of it prior to this meeting. I point out that, according to the evidence presented, the Scottish Parliament had two research officers in the economics/finance field prior to the establishment of its Financial Scrutiny Unit. It now has many more. A senior economist manages the unit, which is a very important position, because that senior officer has to manage the myriad of different workflows and demands coming into the unit. Its previous —

163. Mr McNarry: One of your recommendations is for a pilot scheme. Would that pilot be similar to how the unit in Scotland started, with two staff, or do you want to start with five?

164. Mr Power: Scotland started with many more than five. It moved towards setting up secondment arrangements with Audit Scotland, and I am suggesting something similar. As far as we can, we would restructure the skills within the service — we are already in the process of recruiting — to focus those skills in a single team that would assist this Committee, other Committees and Members in their scrutiny.

165. My only recommendation that involves increasing our complement is the appointment of an assistant economist, which is quite a junior grade and, relative to the cost of the Research and Library Service, quite a modest adjustment. I propose that the senior economist be a fixed-term appointment and that, if we can achieve the agreement of the Audit Office, the secondment arrangements be fixed term. I also propose that I compile a report for the Assembly's senior management group and your consideration, which reviews the situation after a fixed period to see whether those resources are of long-term benefit to the Assembly or whether we need to make other arrangements.

166. Mr McNarry: Hansard has reported what our Minister said yesterday in the Chamber on the subject of a financial scrutiny unit. Perhaps the Minister was in bad form when he said it. He was in bad form quite often yesterday, particularly when I was not there.

167. Mr McQuillan: You put him in bad form.

168. Mr McLaughlin: Then you walked out and left him steaming.

169. Mr McNarry: Unfortunately, I had some other things that clashed. Hansard reports him as saying that the Assembly does not need any more bureaucracy. He is entitled to that opinion, and it is an opinion that I have picked up. Is that really how we should perceive a financial scrutiny unit? Should we view it as being more bureaucracy and, therefore, dismiss it as something that is not required? Would a pilot unit contribute to changing such an opinion?

170. Mr Power: I missed the ministerial statement, but I fail to understand how improving scrutiny and enabling the Members to perform the duties that they enjoy in the Assembly could be classified as bureaucracy. Research Services is quite light on bureaucracy and works directly with Members and two Committees to try to improve the scrutiny capacity of the Assembly. I do not see how starting up a financial scrutiny unit would, in any way, increase bureaucracy or even be a concern to the Executive. If one looks at how the financial scrutiny unit operated during its pilot period in the Scottish Parliament, particularly in the context of a minority Government, one sees that the Scottish First Minister appreciated the work of the financial scrutiny unit and found it useful. In fact, he has made reference to its papers in debates on the Floor of the Scottish Parliament. I would expect a similar outcome here, particularly given the coalition arrangements of the Executive.

171. Mr McNarry: You are asking that we give the pilot scheme a crack, because you think that it will show everybody the merits and values of a financial scrutiny unit. The pilot will or will not work, but we will not know unless we give it a crack. It may be too big a risk to go for it without having the pilot, because we would then be stuck with it whether it works or not. Is the thinking behind the pilot to prove the merits of the unit?

172. Dr McGrath: We are in the position that the Scottish Parliament's corporate body was in two and a half years ago, when it was considering whether there was merit in establishing such a unit. They went ahead and did their pilot. They evaluated it, and, as John said, the feedback from Members, including the First Minister, was very positive. The Assembly secretariat is as aware as anyone else is of the forthcoming and current financial restraints. That is why we have been able to reconfigure our resources and are suggesting very little over and above that. The bottom line for me is that, as a secretariat, we are here to support Members in their plenary work and in Committees. It is beholden to Members and Committees to use the services that we provide. If, after a year, there is not sufficient usage of the scheme, I agree that the pilot's continuation would be questionable.

173. Mr Power: There is a risk that we need to work with over a pilot period, which is not so much concerned with the staffing issue. I am confident of Members' interest in financial affairs. However, I am not so confident that we can harness expertise at the levels that the public finance scrutiny unit would put in place in the longer term if access to information in sufficient detail or in sufficient time is not made available to us. That is an important part of the test that the pilot would need to address.

174. Mr McNarry: I am keen on the idea because I see a need for such assistance. However, I am terribly worried that the unit would be too good for us and that we would not know what to do or how to take forward a lot of the information that would be given to us. Nevertheless, that assistance would be a big bonus.

175. Mr McLaughlin: Are you not used to that by now?

176. Mr McNarry: I pick up a lot of wee tips from sitting beside you. I still do not know how to play that game that you support. Nevertheless, you still work on me.

177. Mr O'Loan: Thank you for your presentation and your paper. I support the idea of the Assembly's taking more control of the Budget issue, more fully scrutinising that and being much more involved in that process. Therefore, I broadly support the beefing up of the research facility that the Assembly offers. However, there is a question mark over any information-gathering exercise and resource being put into that because for whom and for what purpose would that information be gathered? The presumption from your remarks is that that information would be gathered for this Committee. However, I wonder whether that fully reflects the current remit of the Committee.

178. This point ties in a bit with David's last point about what we would do with such information. At the moment, we do not have a strong challenge role in respect of the Budget and how it is used across the range of Departments. We collate and summarise a lot of information and send that to the Assembly to be debated at plenary sittings. However, we have not been given, and I do not think that we have sought or would seek to have, a wider remit than that in terms of challenging the Budget. Of course, this is not just about the Budget but about what the Budget is used for, such as the Programme for Government (PFG) and the public service agreements (PSAs), and it is about the stages at which those are created.

179. I have seen some reference to a proposal for the PFG to be created ahead of the Budget to allow for reflection on that before looking at the budgetary issues. The other parts of the

architecture need to be fleshed out first to ensure that the research aspect of the system is designed right, and that is, no doubt, an issue that we are looking at here. Something along the lines of what you described is needed. If we get a good system in place, a very good analytical research element would be desirable. However, if we do not improve the political architecture, the research element would not necessarily be all that profitable.

180. Mr Power: The Member makes a very important point. Although the Committee for Finance and Personnel has a co-ordinating role, the policy issues that drive political decisions, which, in turn, lead to budgetary priorities, are often expressed in other Statutory Committees. For example, one of the reasons why I started to move extra resources into the economic side was not as a consequence of any particular expression of concern from this Committee; that actually came from other Statutory Committees, such as the Committee for Health, Social Services and Public Safety. We would expect the financial scrutiny unit to offer assistance in those areas, and, based in the Research and Library Service, it has a duty to serve all the Committees and Members. Those ways of improving the information flow and the analysis that comes from the service can help the establishment of a public finance scrutiny unit that services not only this Committee but the concerns of Health, Social Development and other high-expenditure Departments.

181. Mr McLaughlin: I am very interested in this subject. We need to develop the challenge function. We are often given information that other Departments with different responsibilities may be working with anyway. There is almost an inherited acceptance that certain issues are a given and that certain expenditures are inescapable. The reality is that the unit cost at the point of delivery is far more expensive here than in similar regions. In the course of time, the Assembly and its Committees would have been forced to grapple with these issues anyway. We must now do that in a slightly hothouse context, given the significant difficulties in the wider international economy and the measures and responses that are coming from central Government. We find ourselves managing a reduction in the available resource as opposed to being able to develop and to put our own stamp or identity on the range of services that we deliver.

182. The Programme for Government's PSAs are all based on that almost inherited schematic and do not reflect, in a dynamic way, the level of agreement that parties can hammer out on the actual inescapables, which should be the means by which we measure the effective delivery of our Programme for Government. The expertise deficit must be addressed, and I am interested in your proposition. Primarily, I am not completely convinced that it is the best way to proceed, but it is better than the present arrangement. It will undergo a pilot period and will not bust the bank. Your proposal redeploys existing resources, but it also responds to a debate that has emerged in the Committee previously about the need for us to have a special adviser, given our particular function in comparison with that of other Statutory Committees.

183. I want us to reach a point where the Assembly stamps its own personality on the Programme for Government rather than it having a client relationship that reflects or even imitates what is happening elsewhere. The permanent Government has made a judgement that certain issues are inescapables and that there is room to manoeuvre on others. If we had the ability to drill into the detail, we would, perhaps, come up with a different set of priorities. Therefore, I support your proposition.

184. Mr Power: I thank the Committee for the opportunity to put forward the proposition.

185. The Deputy Chairperson: Thank you very much for your presentation. From the point of view of members, it is good that your written presentation contains recommendations for us to consider. That is a very pleasant change, and I appreciate what you are doing. We will take the matter on in due course. Thank you both very much.

## Written Submissions and Memoranda

### DFP - Response to list of issues on reviews of budget and in-year monitoring (Extract)

6. Paragraph 5.10 of the Review report states that "the linkage between funding and public service outputs/outcomes will be dependent on the quality of the performance indicators underpinning the PfG which will be further developed in the coming years".

- What are the weaknesses in the existing PfG performance indicators in this regard?
- Are the existing financial systems within departments and the Account NI system sufficiently aligned with PfG/PSA targets and indicators to provide the necessary management information on inputs/outputs/outcomes going forward?

The targets set out in the Programme for Government document are the responsibility of the respective departments and OFMDFM.

The Account NI system allows departments to "map" expenditure and report to the record level detail at which budget allocations are held on the Resource Budget Management (RBM) system that is managed by Central Expenditure Division (DFP). However, the basis on which these records are aligned to PfG and PSA targets and indicators is a matter for individual departments.

12. In October 2008, DFP officials advised the Committee that they intended to undertake a rolling programme of baseline reviews, which would include a zero-based analysis of each Department's baseline. Recently the Department has confirmed to Assembly Research that the process of baseline reviews does not indicate a move towards zero-based budgeting.

- To what extent are departmental baselines subject to zero-based analysis either internally, by DFP or as part of the CSR process?
- Given the tight public expenditure outlook and the need for departments to achieve the optimum allocation of resources, what scope is there for applying a zero-based approach to areas of discretionary expenditure going forward?

DFP have identified a range of business areas representing some 20% of Departmental Expenditure Limits for review this year. Whilst the baseline reviews share many characteristics of a zero based approach, they are only intended as an internal DFP tool to help support the Department's challenge role.

The approach given to budgeting going forward is something that will require further consideration. Whilst a zero based approach may prove effective in certain areas of spend, it is not something that could be applied across the board.

### DFP - Response to Strategic Finance Issues (Extract)

23. The Committee has taken an interest in the implementation of recommendations in the PKF Report on Forecasting and Monitoring, published in June 2007, for which DFP has a key central role.

- DFP's Business Plan for the current year contains a target for a review of progress in implementing these recommendations by September 2009. What was the outcome of this review?
- In particular, the PKF Report recommended a move from the existing incremental approach to planning and budgeting to an outcome/performance based approach in which there is a more transparent link between inputs and outputs. What progress has been made in this regard?

The DFP Board considered an update report on the PKF recommendations in December 2009.

The Board noted the progress to date in respect of the three key short term recommendations:

- the reporting and consideration of financial matters by boards;
- the development of financial management training for non-financial staff; and,
- the current position in respect of the development of forecasting and monitoring functionality within Account NI.

The Board agreed that ongoing development work in respect of these areas should now be taken forward within the context of DFP's overall responsibilities for financial management.

The 2008-11 Budget was prepared in the context of the developing Programme for Government (PfG), establishing the link between spending allocations in the Budget and planned outcomes in the form of crosscutting Public Service Agreement (PSA) targets. In addition, the Investment Strategy for Northern Ireland (ISNI) set the strategic direction for investment in public sector infrastructure over the 2008-2018 period, and provided the important context for specific capital allocations, within the Budget, for the first three financial years.

## **Scottish Parliament Financial Scrutiny Unit**

### **Note for Committee for Finance and Personnel**

1. The Scottish Parliament established a Financial Scrutiny Unit (FSU) as a pilot project to run from October 2010 until 31 March 2011, with the aim of enhancing the effectiveness of financial scrutiny. This recommendation followed publication of a review of the budget process by the Finance Committee which had in turn recommended that the Parliament put additional resources into financial scrutiny. The Parliament's Corporate Body has recently confirmed that the FSU should now become a permanent unit.

#### **Objectives of the FSU**

2. The FSU's overarching purpose is "to provide independent analysis and support to committees of the Scottish Parliament and to individual Members on budgetary trends and issues, including independent costing of specific spending proposals, and providing research on all areas of the economy and public finances as they affect the Scottish Government and Parliament". It delivers this by

- supporting and encouraging improved information and reporting;
- supporting and encouraging more effective budget scrutiny;
- providing financial costings and analysis; and
- providing economic information and analysis.

## Evaluation of the FSU

3. The evaluation of the pilot indicated the following:

- Outputs increased compared to the same period in the previous year. Specifically there has been an increase in the number of
- Individual enquiries (provided for all parties, total number up 38%)
- committee briefings (number doubled)
- research briefings (increase of 50%)
- and the development of new web pages
- Key areas of additionality (work which could not have been done without the resources in the FSU) include
- sourcing "level 4" budget data for most of the Scottish budget,
- developing a web portal to access Scottish budget information,
- more support for committees in budget scrutiny and costing,
- new briefings analysing key areas of spend, such as the Economic Recovery Programme and the Forth Replacement Crossing
- and an improved enquiry service to cost alternative spending proposals and deal with increased demands.

## Future development

4. As well as delivering a core service to the Finance and Economy committees, and answering individual finance enquiries. It will also:

- obtain more detailed budget information across all portfolios in time for budget scrutiny by all committees;
- analyse non-salary expenditure above £25,000 (due to be published on a quarterly basis);
- provide a higher level of support for subject committees, working with committee budget advisers;
- anticipate demand for briefings on key areas of topical interest;
- increase the capacity to carry out costing of alternative spending proposals

## Resource Implications

5. The FSU has been staffed on a pilot basis by a combination of existing finance/economics researchers, two staff brought in from other parts of the Information Centre (SPICe) and two secondees – one from the private sector and one from audit Scotland. The FSU also set up a framework contract with a panel of external experts from which we can commission a limited number of small pieces of work in response to fluctuations in demand. We are also developing an internship programme using high-calibre postgraduate students

## Table 1: FSU staffing resources during pilot period

Staff resource	Grade	FTEs	Date of transfer
Head of Unit seconded in from SPICe (post backfilled)	6	1	Oct 09
Existing researchers with specialisms in economy & finance transferred in (continued delivery of existing workload)	5	2.5	Oct 09
Seconded from private sector	5	0.75	Sep 09
Seconded from Audit Scotland	5	1	Nov 09
Data Manager seconded in from SPICe (post backfilled)	3	1	Dec 09
Total FTE resource – 6.25			

## **Simon Wakefield**

Head of Financial Scrutiny Unit  
 Scottish Parliament Information Centre

## **UK Parliament leaflet**

### **The Scrutiny Unit A guide to its work**

#### **What is the Scrutiny Unit?**

The Unit exists to provide specialist help to select committees in the scrutiny of the Government's financial and performance reporting and of draft bills. It also carries out other work for select committees as resources permit. The Unit also supports the evidence-taking work of Public Bill Committees.

#### **Why is there a Scrutiny Unit?**

In its 1993 Commission on the legislative process, the Hansard Society wrote that "Parliament could play a greater part by pre-legislative inquiry in the preparation of legislation". In 1997, the newly-established Modernisation Committee concluded that pre-legislative scrutiny "should lead to better legislation and less likelihood of subsequent amending legislation".

In 1999, the Procedure Committee identified a need for a specialist unit for financial scrutiny in its report on Procedure for Debate on the Government's Expenditure Plans.

In 2000, the Liaison Committee recommended that the Committee Office "should establish a unit specialising in public expenditure and pre-legislative scrutiny". The Unit was established in November 2002.

#### **Who are the Scrutiny Unit?**

The Scrutiny Unit has 18 staff. They include two legal specialists, a statistician on secondment from the House of Commons Library, four financial analysts (two from the National Audit Office), an economist and a Home Affairs/Public Policy Specialist. In addition, there is a core team of the

Head of Unit, two Deputy Heads (Finance and Legislation) and six support staff. The Unit also runs an internship scheme for postgraduate students.

## **What did the Unit do in 2008?**

Examples of our recent work include:

- Supported pre-legislative scrutiny by joint committees of both Houses of the draft Marine Bill and draft Constitutional Renewal Bill
- Supported evidence-taking by 12 Public Bill Committees, including those on the Banking Bill and the Counter-Terrorism Bill
- Provided analysis of Estimates and Departmental Annual Reports for all departmental select committees
- Assisted the Liaison Committee in its work on improving financial scrutiny, including the Committee's report, Recreating financial scrutiny
- Supported Parliament's engagement with HM Treasury's "Alignment project" to simplify the Government's financial reporting to Parliament
- Supported the Justice Committee's inquiry on Justice Reinvestment, including an online consultation
- Provided briefing for the Public Administration Committee's inquiry into Equitable Life
- Provided legal assistance to the Welsh Affairs Committee in its scrutiny of draft Legislative Competence Orders in Council

Briefed and supported the Speaker's Committee on the Electoral Commission in its review of the Commission's 2007-08 Estimate and Corporate Plan

## **What do people say about the Unit?**

Several select committees have commented on the assistance they have received from the Unit in the past year. For instance, the Transport Committee has noted that it received "a great deal of support from the Committee Office Scrutiny Unit, which provided us with significant help with our inquiries" and the Justice Committee refers to the "invaluable help" of the Unit and its staff.

The Liaison Committee, made up of the Chairmen of all the select committees, wrote in its most recent annual report that the Unit had "added particular value to the work of committees in examining government expenditure" (The work of Committees in 2007, March 2008).

In its response to the Committee's report, the Government noted that it "welcomes the contribution which the Scrutiny Unit has been able to make to the work of the select committees".

In its report *The Fiscal Maze: Parliament, Government and Public Money* (June 2006), the Hansard Society for Parliamentary Government described the establishment of the Scrutiny Unit as "a significant step forward", and recommended that the Unit's work "should be built upon".

In addition, the Institute for Fiscal Studies' Green Budget 2008 cited a note produced by the Unit on public sector pensions liabilities.

## **Jargon and acronyms**



## **Departmental Annual Report (DAR)**

Departmental Reports explain to Parliament and the public how each Government department is organised, what it is spending its money on, what it is trying to achieve and how it is performing.

## **Draft legislation**

The Government publishes Bills in draft when it considers that the subject matter would benefit from an extended period of consultation, before the Bill itself is introduced into Parliament. Draft legislation is often scrutinised by a Joint Committee.

## **Supply Estimates**

Statements presented by the Treasury to the House of Commons in which a Government department seeks approval for its spending for the coming financial year. The estimates summarise both the resources and the cash required. Supplementary Estimates concern any additional expenditure.

## **Estimates memorandum**

A note accompanying Estimates explaining the request for expenditure.

## **Joint Committee**

A committee made up of MPs and Peers, usually formed for the consideration of draft legislation.

## **Public Bill Committee (PBC)**

All Public Bills are subject to line-by-line consideration by a committee of MPs formed for that purpose. Formerly known as Standing Committees, PBCs have had, since the 2006-07 session, the power to take oral and written evidence from witnesses.

## **Departmental Select Committee**

A committee of Members of Parliament formed for the purpose of examining the expenditure, policy and administration of a government department.

## **How can I find out more?**

You can find out more about the Unit's work on its website at: [www.parliament.uk/scrutiny](http://www.parliament.uk/scrutiny)

For an in-depth look at how Parliament scrutinises Government expenditure, see *Financial Scrutiny Uncovered*, available on the Scrutiny Unit website.

If you would like a hard copy, please contact Michelle Owens ([owensm@parliament.uk](mailto:owensm@parliament.uk) / 020 7219 8365).

If you would like to learn more about particular aspects of the Unit's work, you could contact:

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3rd ed., November 2008

## **NI Audit Office**

### **Finance and Personnel Committee**

#### **The role of the Northern Ireland Audit Office (NIAO)**

The vision of the NIAO is to promote accountability and the best use of public money. To achieve this, its mission is to:

- provide objective information, advice and assurance on the use of public funds; and
- encourage:
  - beneficial change in the provision of public services;
  - the highest standards in financial management and reporting; and
  - good governance and propriety in the conduct of public business.

The Comptroller and Auditor General for Northern Ireland (C&AG) is head of the Northern Ireland Audit Office (NIAO) and has set the following strategic objectives:

1. To provide effective support to the Northern Ireland Assembly in its task of holding Northern Ireland Departments, Executive Agencies and other public bodies to account for their use of public money.
2. To promote an effective and independent audit of Local Government Bodies.
3. To provide support to Northern Ireland Public Sector Bodies in their pursuit of improved financial reporting and value for money, including support for efforts to combat public sector fraud.
4. To meet the requirements placed on the Office by legislation. This includes fulfilment of the Office's obligations under Section 75 of the Northern Ireland Act 1998 in relation to the promotion of equality of opportunity and good relations in all its policies and procedures.
5. To value staff and develop their full potential.

### **Services provided by the Northern Ireland Audit Office**

#### **Value for money**

The NIAO's value for money division produces reports which are presented to the NI Assembly and most of these will be considered by the Public Accounts Committee (PAC) at hearings in

which it takes evidence from senior officials involved. Following consideration of the evidence, PAC publishes its own report and recommendations to the Assembly. The Executive is then required to respond to the Committee's recommendations, specifying the action the audited body intends to take in response. We monitor the action taken and may revisit the issue where we consider that insufficient progress has been made. During 2009-10 the NIAO published 12 value for money reports to the NI Assembly.

## **Financial Audit**

The Comptroller and Auditor General has a statutory responsibility to audit the financial statements of all Northern Ireland Departments, Executive Agencies and other Central Government Bodies and to report the results to the NI Assembly. If during an audit we consider that the accounts do not present a true and fair view or that expenditure and income have not been incurred in line with Assembly intentions then the Comptroller and Auditor will qualify his opinion on the accounts. In such cases, and in other cases where there are significant issues arising, we make a report to the Assembly which can be considered by the Public Accounts Committee. Of the 177 accounts audited in 2009-10, 20 were qualified and 2 general reports were issued on the results of the financial audit work. At the end of each audit a report to those charged with governance was issued to the audited bodies detailing the results of our audit together with any suggestions for improvements in their systems.

## **Improving governance and combating fraud**

The Office has a key role in supporting departments on the issue of improving governance and combating fraud. This is an area that we have been giving increased emphasis to and in particular, ways in which we have promoted good governance have included:

- Supporting audit committees – at present we attend about 100 audit committees per year (some of which sit up to 4 times each year).
- Providing governance training.
- Specific governance examinations – we have devised a tool for assessing the governance arrangements in audited bodies.

In our future governance work programme we intend to give much higher profile to the potential for better financial management in the public service. In doing this we will pay particular attention to the quality of financial and other information that is available to decision makers.

In addition to our governance work the Office maintains a small counter fraud unit which reviews and monitors the arrangements in departments for the prevention, detection, investigation and reporting of fraud.

During 2008/09 the Office conducted its first exercise under the new statutory provisions inserted in the Audit and Accountability (Northern Ireland) Order 2003 by the Serious Crime Act 2007, enabling the C&AG to carry out data matching for the purpose of assisting in the prevention and detection of fraud. This exercise formed part of the National Fraud Initiative (NFI) 2008-09, and involved the participation of 70 public sector bodies in Northern Ireland.

## **Promoting good practice**

One of the Office's objectives is to promote beneficial change in the provision of public services and we have produced a number of reports which have specifically aimed to identify and disseminate best practice lessons. On occasion, this work has been undertaken and published

jointly with our counterparts in England, Scotland and Wales. Examples of good practice publications produced by the Office include:

- Good Governance – Effective Relationships between Departments and their Arm's Length Bodies - this study reviewed how the arrangements for corporate governance are working between departments and ALBs in Northern Ireland and to draw broader good practice lessons for the future.
- Improving Public Sector Efficiency – Good Practice Checklist for Public Bodies – this report was produced together with Audit Scotland and the Wales Audit office. The checklist was directed towards senior managers with a view to helping organisations identify scope to effect efficiency and productivity improvements
- Value For Money in Public Sector Corporate Services - This resulted from joint work between all the UK Public Sector audit agencies to produce value for money performance indicators for key corporate service functions such as finance, human resources, information technology, procurement and estates management.

The NIAO will shortly be commencing work on a study with the aim of producing a good practice paper designed to highlight the key features of effective risk management in the public sector. The report will be based upon case studies drawn from the arrangements established by Government Departments and a selected number of their sponsored bodies.

## **The role of the National Audit Office, Audit Scotland and the Wales Audit Office in providing support to Committees other than the PAC**

### **National Audit Office (NAO)**

In addition to the support that it provides to Parliament's Committee of Public Accounts, the NAO provides performance briefings to assist the Select Committees in their annual oversight of Department's performance. In 2009 the NAO produced 16 briefings for Parliament's Select Committees and in 2008 14 briefings were produced.

The performance briefings prepared for the Select Committees provide an overview of a Department's performance in the previous financial year and in subsequent months. The briefings are based on the Department's most recent Annual Report together with the National Audit Office's work and material from external and internal reviews of the Department's performance. The briefing papers are shared with the Departments to ensure factual accuracy, but the commentary and any views expressed are the NAO's. The briefing papers are split into three chapters:

- Part One – Financial Overview
- Part Two – The Department's Capability<sup>[1]</sup>
- Part Three – Performance against Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs).

An example of the NAO's performance briefings is provided at Appendix 1.

### **Audit Scotland**

All reports produced by Audit Scotland go to the Scottish Parliament's Public Accounts Committee (PAC). On occasion, PAC may decide to refer these reports to other Committees. It is only in

such referral cases that Audit Scotland staff may be asked to prepare a summary briefing and appear as witnesses at another Committee.

## **Wales Audit Office**

All reports produced by the Wales Audit Office go to the Public Accounts Committee of the Wales Assembly Government (PAC). PAC may decide to refer these reports to other Committees however, this has not happened in practice.

## **The potential for NIAO to provide wider support to the NI Assembly**

Improving financial management, reporting and performance in public sector bodies is essential and this is reflected in the NIAO's mission to provide objective information, advice and assurance on the use of public funds.

As part of the framework of Assembly control over Government spending, the Public Accounts Committee already considers those reports that have exceeded the authorised limits of expenditure, Excess Votes. In 2008-09 two departments, (Department for Employment and Learning and the Department of the Environment) incurred cash excess totalling £16.3 million. There were no Excess Votes in 2007-08 however, in 2006-07 the Department of Health, Social Services and Public Safety: Health and Personal Social Services Superannuation Scheme breached the Net Cash Requirement by £7.2 million.

As part of the audit scrutiny process, the Department of Finance and Personnel responds, in the form of a Memorandum of Reply (MoR), to all published PAC Reports. Each MoR is, in turn, scrutinised by PAC which may, on occasion, formally pass on to the MoR to the relevant statutory committee to review progress.

The NIAO published its General Report on the Health and Social Care Sector in Northern Ireland – 2008, in June 2009. This report was offered to the PAC however, they chose to refer this report to the Health, Social Services and Public Safety Committee (the Committee). The NIAO briefed the Committee in November 2009 and it subsequently held three evidence sessions to explore the issues detailed in the report.

There is scope for the NIAO to develop its support to other Committees and there are a number of options in terms of the format that this support might take.

1. The NAO model or a variant of the NAO model – this approach would involve the provision of performance briefings to the Statutory Committees based upon the most recent Annual Report, the work of NIAO's Financial and Value for Money audit divisions and external and internal Departmental performance reviews.
2. Financial Management Reviews – currently, the NAO and the Wales Audit Office conduct a limited number of financial management reviews. Such reviews provide an independent perspective on the procedures that have been implemented by Public Bodies to ensure that they are meeting policies and priorities in an economic, efficient and effective manner whilst striving for continuous improvement. The NIAO would be well placed to provide an independent challenge to the financial management in place within Public Bodies. Appendix 2 provides a sample report of a financial management review conducted by the NAO.
3. Secondments – in addition to the briefings that it would provide, the NIAO would be keen to support the NI Assembly's budget scrutiny by offering secondments to any unit or office set up to provide analytical support to the Assembly in relation to public finance and budgetary issues.

## Constraints

### 1. Policy

The Audit (Northern Ireland) Order 1987 states that the Comptroller and Auditor General is not entitled to question the merits of policy objectives of any audited body. Therefore, this places restrictions on the extent of the support that the Comptroller and Auditor General can offer to the NI Assembly and its Statutory Committees in its budget scrutiny. The NIAO does however have a role to play in assisting audited bodies to improve their financial management. Any NIAO involvement would therefore need to be de-coupled from the policy dimension of budget-setting.

### 2. Resourcing

Up to this point in time our ability to offer additional support to the NI Assembly's Statutory Committees has been constrained by significant challenges facing both our value for money and financial audit divisions. A major challenge facing our financial audit division during 2009-10 has been the transition from public sector accounts based on UK Generally Accepted Accounting Principles (UK GAAP) to accounts based on International Financial Reporting Standards (IFRS). The Office's value for money resource has faced increased demands because, prior to restoration of devolution, only 2-3 value for money reports per year resulted in PAC evidence sessions at Westminster. The local PAC holds around 11-12 evidence sessions per year which places significant demands on staff to support and brief committee members. The Office has also expanded its workload in terms of improving governance and combating fraud.

### Summary

Given our resource constraints, it would not be practical for the NIAO to give an undertaking to deliver support to all of the Statutory Committees on an annual basis. However, it may be possible to offer a programme of support on a cyclical basis. This support would be entirely consistent with a number of key themes in the NIAO's 2010-11 to 2012-13 Corporate Plan including, the provision of quality information and support to the NI Assembly and, the provision of support to audited bodies in the pursuit of improved financial reporting and management. The format that any additional support may take will be considered in greater detail and incorporated into the NIAO's Corporate Plan due to be published in Autumn 2010.

## Appendix 1 – NAO Report

Performance of the Home Office 2008/09<sup>[2]</sup>

## Appendix 2 – NAO Report

Financial Management in the Home Office<sup>[3]</sup>

[1] The Capability Review Programme was launched in 2005 and is part of the wider Civil Service reform agenda. The aims of the review are to:

- Improve the capability of the Civil Service to meet today's delivery objectives and be ready for the challenges of tomorrow
- Assure the public and minister that the Civil Service leadership is equipped to develop and deliver departmental strategies

- Help departments act on long-term key development areas and therefore provide assurance on future delivery.

[2] Available at [http://www.nao.org.uk/publications/0910/home\\_office\\_performance.aspx](http://www.nao.org.uk/publications/0910/home_office_performance.aspx)

[3] Available at [http://www.nao.org.uk/publications/0809/financial\\_management\\_in\\_the\\_ho.aspx](http://www.nao.org.uk/publications/0809/financial_management_in_the_ho.aspx)



## Research and Library Service Briefing Paper

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Tuesday, 15 June 2010

Dr. Gareth McGrath (Director of Engagement)  
&  
John P. Power (Head of the Research & Library Service)

# **Improving the Assembly's Financial Scrutiny – A Briefing Note and Recommendations to the Committee for Finance & Personnel**

## **Introduction**

The financial scrutiny capacity of the Northern Ireland Assembly has been limited due to a number of factors:

1. Access to information in sufficient detail and in sufficient time to afford proper scrutiny
2. The expertise capacity of the Research & Library Service to support Members and Statutory Committees in scrutinizing budgetary and expenditure proposals
3. The absence of advisory support to the Finance & Personnel Committee

These issues are discussed briefly below under "Access", "Staffing" and "Advice".

## **Access**

Improving access to more detailed and timely financial information will be an important determinant to improving the Assembly's financial scrutiny. The pilot period that successfully

established a Public Finance Scrutiny Unit in the Scottish Parliament enabled information access via a Memorandum of Understanding (MoU) between the Parliament and the Executive.

Differences exist between the political context of Northern Ireland's constitutional coalition forming the Executive and that of the Scottish Parliament's minority government. Among the options the Committee many with to consider are:

- a. The Assembly agreeing a MoU with the Executive to facilitate information flows. The success of the MoU could be measured over an initial pilot period – say to May 2012.
- b. Enabling information flow through regulation; e.g., addition to the Assembly's Standing Orders.
- c. Enabling information flow through primary legislation.

## **Staffing**

Initiatives aimed at increasing the expertise capacity of the R&LS are already underway. Minor adjustments to planned recruitment could establish a Public Finance Scrutiny Unit with a similar resource base as that available to the Scottish Parliament. Changes already achieved and those planned (that are within the current resource base of the R&LS) include:

- a. Recently the R&LS completed its first research recruitment exercise since the Assembly's restoration in May 2007. This recruitment has appointed two Research Officers with economics and finance expertise
- b. Recruitment currently underway aims to recruit two more Research Officers – one with econometrics expertise and the other in demography
- c. Staff turnover has created a vacancy at Senior Research Officer level. It is planned to fill this vacancy with an experienced economist on a fixed term basis via Interchange

To achieve a similar resource base to that in Scotland the following actions are recommended:

1. The secondment of one to two auditors from the NIAO
2. The creation of Economics Assistant post (AG7) to add to the existing staffing complement of the R&LS.

Subject to agreement with the NIAO, the R&LS is in a position to establish a Public Finance Scrutiny Unit at very little additional cost.

These changes could be put in place rapidly and enable a trial period of around 18 months. By the end of the summer recess the Interchange route could be used to locate a senior economist to lead the 2 economics and finance Research Officers recently appointed and any auditors seconded from the NIAO. The econometrician could join the unit before the end of this calendar year. The demographer will join the Statistics Research Team at a similar date. The Economics Assistant could join the Public Finance Scrutiny Unit early in 2011.

## **Advice**

The Finance & Personnel Committee has available to it sufficient budgetary support to call upon external expertise to appoint specialist advisors. However, the procurement procedures required



to enable this support can be time consuming and lead to difficulties in cost management when time requirements are unclear. Improvements to this support can be achieved through:

- a. Initiating a procurement exercise to establish a call-off panel of experts who the Committee may wish to use to assist it with intense periods of work required by the budgetary process. The cost management for shorter periods of work can be more easily estimated and managed.
- b. The appointment of an external Standing Advisor to the Committee. This has been shown to work well in the Scottish Parliament where clear lines of responsibility are defined between the roles of the Standing Advisor and the R&LS. The Scottish experience suggests a need to estimate the overall time commitment required for a year with annual renewal of contracts occurring up to a maximum period of 3 years.

## **Recommendations**

An initial pilot period to improve the Assembly's financial scrutiny is proposed to include:

1. Agreeing a Memorandum of Understanding between the Assembly and the Executive to improve the flow of information. Methods of achieving this can be taken forward through the Chairpersons' Liaison Group.
2. A Standing Advisor to the Committee is appointed for a period starting from September 2010 and ending in March 2011. At the start of the next mandate the Committee can consider extending the Standing Advisor's contract to May 2011 – or appoint a new Standing Advisor for this period.
3. The Research & Library Service and Committee staff draft proposals to the secretariat Senior Management Group to agree;
  - a. secondment arrangements with the Northern Ireland Audit Office
  - b. the fixed term appointment (via Interchange – to May 2012) of a senior economist to fill the current Senior Research Officer vacancy within the R&LS The senior economist would lead a pilot Public Finance Scrutiny Unit reporting to the Head of the Research & Library Service
  - c. an additional Assistant Economist (AG7) is added to the Research & Library Service staffing complement
4. Following the pilot period (to May 2012) the Head of the Research & Library Service produces report of the pilot to the secretariat Senior Management Group and to the Finance and Personnel Committee.

## **DFP Review of Financial Processes - Terms of Reference**



Assembly Section

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BT4 3SX

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Fax No: 02890 523600  
email: Norman.Irwin@dfpni.gov.uk

Mr Shane McAteer  
Clerk  
Committee for Finance and Personnel  
Room 419  
Parliament Buildings  
Stormont 17 February 2011

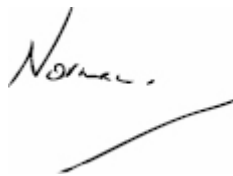
Dear Shane,

## **Review of Financial Process in Northern Ireland - TOR**

Please see attached below the Terms of Reference for the Review of Financial Process in Northern Ireland as agreed by the Executive on 9 February 2011.

I would appreciate it if you could bring these to the attention of Members.

Yours sincerely,



**Norman Irwin**

## **Review of Financial Process in Northern Ireland**

Terms of Reference

### **Background**

1. The Northern Ireland Executive's public revenue and expenditure process takes place in the context of the wider UK control and management framework and includes:-

- the Budget public expenditure planning process (called 'The Budget' with its links to the Programme for Government and ISNI) prior to the start of the new financial cycle,
- the In-year monitoring rounds revising the Budget plans,
- the Rates legislative process,
- the legislative process (known as the Estimates and Budget Bill) for the appropriation of all departmental resources at the beginning and before the end of each financial year, and
- the publication of Departmental Resource Accounts following the close of the financial year.

2. The current process has existed in Northern Ireland for a considerable time and is based on the Westminster model. However, HM Treasury has now instigated significant reform of its

budgetary/accountability process – most notably the move to Clear Line of Sight (CLOS) presentation. In this context, the current financial process may not best serve the Northern Ireland devolved administration and it is time to consider whether a more appropriate model should be introduced.

3. The various components of the process serve different purposes and have developed over the years in individual directions resulting in significant misalignment between Budgets, Estimates and Accounts.

4. Thus, while based on the same basic dataset, the figurework in Budgets, Estimates and Accounts, although reconcilable, does not meet the Assembly's expectations in relation to transparency.

5. In addition to this, revenue in the form of the Rates legislation is handled in a separate process.

6. Presentation of basically the same information to the Assembly for approval and lengthy debate during the Budget process and again in the Main Estimates (some months later) leads to confusion and may be perceived as inefficient and a poor use of Assembly time.

### **Aim of the Review**

7. Against this background, the overall aim of the review is to examine and make recommendations on the options to create a single coherent financial framework that is effective, efficient and transparent and enhances scrutiny by and accountability to the Assembly, taking into account the needs of the Assembly.

### **Strategic Objectives of the Review**

8. The strategic objectives of the review are:-

- To align the Budget, the Estimates and the Accounts as far as practicable to improve transparency, and
- To synchronize the presentation of the Budget, the Estimates/departmental expenditure plans, the Budget Bills, the Rates legislation and the Accounts in order to create a single co-ordinated public revenue and expenditure process.

### **Methodology and Timeline**

9. The review will:-

Key Actions	Ongoing to:
consider the controls voted by the Assembly with a view to better alignment between Budgets and Estimates	31 March 2011
identify and examine all misalignments between Budgets, Estimates and Accounts and consider options for maximum alignment	30 April 2011
review and redesign the current Estimates with a view to transparency with the Budget and Accounts	31 May 2011
consult with Rating Policy Division on alignment of the Rates Order with expenditure plans	30 June 2011

Key Actions	Ongoing to:
scope the practicalities and risks of presenting Estimates and the related Budget Bill as the final stage of the Budget process - identify proposals to manage the risk	30 June 2011
seek legal advice from the Attorney General and the DSO in relation to legislative implications and consult with First Legislative Counsel	31 July 2011
seek evidence from Departments and key stakeholders on alignment (in particular on inclusion of NDPBs within departmental accounting boundary), on Assembly controls and on revised Estimates	30 September 2011
consult with the Executive Services Directorate	31 October 2011
consult with the Northern Ireland Audit Office	31 November 2011
consult with the Committee for Finance and Personnel and the Public Accounts Committee on the Estimates, Assembly controls and alignment	beginning December 2011
Key Actions	Ongoing to:
Recommendations	
report to the Finance Minister with recommendations	31 December 2011
recommendations to the Executive for agreement	mid January 2012
Action Plan to the Executive for agreement	28 February 2012
report to the Assembly	31 March 2012
Implementation	
issue guidance and project timetable to departments	30 April 2012
draft legislation and introduce in Assembly	30 June 2012
adjustments to DFP database (and Account NI) to accommodate changes	Autumn 2012
Legislative process complete	March 2013
dry run 2012-13 Estimates with NDPBs within departmental accounting boundary	March 2013
dry run 2012-13 Resource Accounts prepared (and audited) with NDPBs within departmental accounting boundary	December 2013/January 2014
refinement of 2013-14 Estimates and Accounts (aiming for faster closing)	March 2014 & September 2014
Implementation – 2014-15 Estimates (inc NDPBs)	June 2014
2015-16 Estimates as Final Budget	December 2014
2014-15 Resource Accounts (inc NDPBs)	June/July 2015

## Review Team

10. The review team will consist of a small number of officials in the Public Spending Directorate and Accountability and Financial Management Division, reporting to the Budget Director and the Treasury Officer of Accounts, as appropriate.

## NI Assembly Commission Response to Research Paper

**The Speaker**



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email: [speaker@niassembly.gov.uk](mailto:speaker@niassembly.gov.uk)

**Daithi Mc Kay MLA**  
**Chairperson for the Committee for Finance and Personnel**  
**c/o Room 419**  
**Parliament Buildings**

**1 March 2011**

Dear Daithi,

Thank you for your request seeking the Assembly Commission's views on the Assembly research paper which set out details of the scrutiny procedures for the budgets of the Scottish Parliamentary Corporate Body and the National Assembly for Wales Commission.

The Assembly Commission considered the paper at their meeting on the 22 February 2011 and agreed that the process adopted by the National Assembly for Wales for scrutinising and presenting budget proposals from its Commission merited further consideration. The Commission agreed that this process provided an appropriate model for increased transparency and a clear mechanism for the scrutiny of Commission budget proposals.

The Commission welcomes the strengthening of the procedures for the scrutiny and presentation of their draft budget to the Assembly and will consider this matter again in the coming mandate.

The Commission looks forward to the outcome of the Committees consideration of these matters.

Yours sincerely,

**WILLIAM HAY MLA**

SP107\_11

Appendix 4

## **Statutory Committee Submissions**

### **Invite to Statutory Committees 19 May 2010**

Committee for Finance and Personnel  
Room 419  
Parliament Buildings  
Tel: +44 (0)28 9052 1843  
E-mail: [committee.finance&personnel@niassembly.gov.uk](mailto:committee.finance&personnel@niassembly.gov.uk)

To: Statutory Committee Clerks

From: Shane McAteer  
Clerk to the Committee for Finance and Personnel

CC: Clerk to the Chairpersons' Liaison Group  
Director of Clerking and Reporting Clerk Assistants

Date: 19 May 2010

Subject: Committee Inquiry into the Role of the NI Assembly in Scrutinising the Executive's Budget and Expenditure

1. Further to my note of 14 May, I have attached the Assembly Research paper, Resources for Budget Scrutiny, which was considered by the Committee for Finance and Personnel at its meeting today.

2. To help inform Stage 2 of its Budget Scrutiny Inquiry, the Committee invites comments from other statutory committees on the research paper and, more generally, on the case for enhancing the capacity of the Assembly statutory committees and members in undertaking budget and financial scrutiny. Given that the Committee aims to complete this stage of the Inquiry before summer recess, I would be grateful if comments could be forwarded by Wednesday 9 June.

Shane McAteer  
Tel: 21843

## **Committee for Agriculture and Rural Development**

Committee for Agriculture and Rural Development  
Room 284a  
Parliament Buildings  
Tel: +44 (0)28 9052 1918  
Fax: +44 (0)28 9052 1679

To: Shane McAteer  
Clerk to the Committee for Finance and Personnel

Date: 02 June 2010

From: Paul Carlisle  
Clerk to the Committee for Agriculture and Rural Development

### **DFP Budget Scrutiny Inquiry – Committee response**

1. The Committee for Agriculture and Rural Development (the Committee) welcomes the opportunity to provide its comments to the Committee for Finance and Personnel (CFP) in respect of their inquiry into the Budget Scrutiny process.

2. The Committee has noted the papers, "Review of Northern Ireland Executive Budget 2008 – 11 Process" from the Public Spending Directorate of DFP and "Resources for budget scrutiny" by the NIA Research and Library.

3. The Committee would welcome any improvement to the process that would enhance its role in the undertaking of its statutory responsibilities in respect of scrutiny of the budgets. Key to this is ensuring that there is appropriate access to relevant and timely information and that an appropriate structure is in place to provide the detailed analysis required to assimilate departmental budgets and their contribution to the wider budget process and Programme for Government.

4. The Committee is, however, mindful that additional and more detailed scrutiny has resource implications. Departments have advanced levels of expertise available to them in the compilation of budgets and budgetary information and it is essential that Committees have particular types of expertise and resources available to them to ensure that they carry out their scrutiny function effectively. The Committee concurs with the opinion that this must be independent of the Executive and recognises the work undertaken by Research and Library to date in this area. The Committee would recommend that this function is enhanced, on a pilot basis, to assist statutory committees in their scrutiny of budgets whilst the Assembly Commission assesses the merits and resource implications of establishing and maintaining an independent financial scrutiny committee.

5. I hope you find these comments useful

**Ian Paisley Jnr MP MLA**

Chair to the Committee for Agriculture and Rural Development

## **Committee for Culture, Arts and Leisure**

### **Budget Scrutiny Resources**

Kathy

The Committee considered the 5 options for budget scrutiny at its meeting today and was content to note them at this stage.

Kathryn

## **Committee for Education**

Mr Mervyn Storey  
Chairperson, Committee for Education

3 June 2010

Jennifer McCann  
Chairperson  
Committee for Finance and Personnel

Dear Chairperson

**Committee for Finance and Personnel Inquiry into the Role of the NI  
Assembly in Scrutinising the Executive's Budget and Expenditure**

The Clerk to the Finance and Personnel Committee wrote to the Committee for Education on 14 May and 19 May 2010 seeking the views of other Statutory Committees to inform its response to DFP's Review of the NI Executive's Budget 2008-11 Process, including the Assembly Research papers on Considerations for the reform of the budget process in NI and Resources for Budget Scrutiny. The Committee for Education considered these papers at its meeting of 2 June 2010 and agreed the following:

### **On the Research Paper 'Resources for budget scrutiny'**

The Committee for Education supports the option to 'Provide a dedicated unit within the Research and Library Service' of the Assembly. This would be supported during key budget processes by a Panel of Advisors with the necessary expertise to advise the range of Statutory Committees. In addition, the dedicated unit would receive VFM advice on an ongoing basis from the Northern Ireland Audit Office (NIAO). The NIAO could also provide support to individual Statutory Committees on specific issues.

Yours sincerely



**Mr Mervyn Storey MLA**

Chairperson, Committee for Education

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

Committee for the Office of First Minister and Deputy First Minister  
Room 404  
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Ballymiscaw  
Tel: +44 (0)28 9052 1903  
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From: Cathie White  
Clerk to the Committee for the Office of the First Minister and Deputy First Minister

Date: 24 June 2010

To: Shane McAteer  
Clerk to the Committee for Finance and Personnel

Subject: Committee for Finance and Personnel Inquiry into the Role of the NI Assembly in Scrutinising the Executive's Budget and Expenditure

At its meeting of 23 June 2010, the Committee considered the Committee for Finance and Personnel's Inquiry into the Role of the NI Assembly in Scrutinising the Executive's Budget and Expenditure.



The Committee agreed that I respond advising of the Committee's views.

## **Stage 2**

The Committee agreed that it did not wish to respond on this issue.



## **Cathie White**

Committee Clerk

## **Committee for Regional Development**

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Jennifer McCann  
Chairperson  
Committee for Finance and Personnel  
Room 428  
Parliament Buildings  
Stormont  
Belfast  
BT4 3XX

2 June 2010

### **Finance and Personnel Committee Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure**

Dear Ms McCann,

1. At the Regional Development Committee meeting of 26 May 2010, the Committee noted two memoranda from your committee office, dated 14 and 19 May 2010, seeking the Committee's views on:

- a) DFP's Review of the Northern Ireland Executive's Budget 2008-11 Process;
- b) An Assembly Research paper, Considerations for reform of the budget process in Northern Ireland, which was prepared for the Finance and Personnel Committee; and

c) The Assembly Research Paper, Resources for Budget Scrutiny and, more generally, on the case for enhancing the capacity of the Assembly statutory committees and members in undertaking budget and financial scrutiny.

2. On a general note, the Committee expressed its strong support for the Finance and Personnel Committee's inquiry into the role of the Northern Ireland Assembly in scrutinising the Executive's budget and expenditure. The Regional Development Committee has taken a keen interest in this aspect of its remit and, since restoration in May 2007, has highlighted funding for roads structural maintenance, the importance of investing in transport infrastructure to underpin economic recovery and growth, and the funding for water and sewerage services as key issues in its responses to the budget and programme for government, the annual expenditure reviews and in the in-year monitoring rounds.

3. Members were of the view that the Finance and Personnel Committee's inquiry is timely, and presents an opportunity to establish a clear process for more meaningful and transparent Assembly (Committee and Plenary) scrutiny of the Executive's budget and expenditure going forward.

4. The Committee was mindful of the more constrained public expenditure climate facing Northern Ireland in the period 2011-2014, as well as the delay and uncertainty surrounding the national Spending Review process and the knock-on impact on the budget process here. However, it was the view of Members that this was all the more reason to improve the Assembly's scrutiny of the Executive's budget and expenditure as there is less room for sub-optimal allocations to programmes which fail to fully deliver on the Executive's priorities.

5. Following Committee consideration of the detailed papers you provided, Members made the following response, which is structured to address the specific issues as raised by your Committee.

The Assembly Research Paper, Resources for Budget Scrutiny and the case for enhancing the capacity of the Assembly statutory committees and members in undertaking budget and financial scrutiny.

6. Following Committee consideration of the research papers above, Members made the following comments:

7. The Committee noted the examples from legislatures across the world that have some form of unit or office which provides analytical support in relation to public finance and budgetary issues. Members also noted that there were a number of ways that such a unit or office could be structured.

8. Members agreed that, in light of the current financial climate, clarity is needed on the following issues before final decisions on the most appropriate structures to provide support to the Northern Ireland Assembly. Clarification on proposals for a revised budget process is needed, as is an assessment of existing in-house capacity, need and demand. More work may also need to be carried out to establish whether the existing legislative and other provisions are sufficient, or whether arrangements for the provisions of information and data may need to be strengthened. In addition, consideration will need to be given to quantifying the costs and benefits of any approach / options for the provision of support.

9. The Committee was supportive of the view that any potential support unit, irrespective of its 'shape', must be independent of the Executive, and Assembly-based.

10. Members considered the options presented, and noted that options 3-5 are Assembly-based options. Broadly speaking, the Committee was supportive of a dedicated, Assembly-focused resource, subject to the points made in paragraph 41 above.

Thank you for the opportunity to contribute to your Committee's most valuable and timely inquiry, and I look forward to seeing your Committee's report.

Yours sincerely,

**Fred Cobain**

Committee Chairperson

Appendix 5

## Research Papers



NIAR 626-09 9 May 2010

Colin Pidgeon

### **Resources for budget scrutiny**

This paper examines the resources available to support legislatures in their role of scrutinizing budgetary proposals from the executive. First, the resources in the jurisdictions of Great Britain and Ireland are presented along with some discussion of their effectiveness. Second, some international models for supporting budget scrutiny are considered.

Research and Library Service briefings are compiled for the benefit of MLA's and their support staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public. We do, however, welcome written evidence that relate to our papers and these should be sent to the Research & Library Service, Northern Ireland Assembly, Room 139, Parliament Buildings, Belfast BT4 3XX or e-mailed to [RLS@niassembly.gov.uk](mailto:RLS@niassembly.gov.uk)

### **Key Points**

- Many legislatures across the world have some form of unit or office which provides analytical support in relation to public finance and budgetary issues.
- There are a number of ways that such a unit or office can be structured. Before a recommendation of an appropriate structure to provide support to the Northern Ireland Assembly can be made some decisions may be needed on the future budget process.
- The key issue in relation to a future unit is that it should be independent of the Executive. Whether it is located within the Assembly Secretariat or elsewhere does not seem particularly important as long as there is a level of separation.
- Another central issue is access to information. It may be that the existing provisions under the Northern Ireland Act 1998 and the Ministerial Code are sufficient; on the other hand, the requirement for Executive Ministers to provide information and data may need to be strengthened. There are different ways that this can be tackled – be it through legislation, agreement or, perhaps, standing orders.

## **Executive Summary**

This research looks at the support structures for budget scrutiny available to legislatures in Great Britain and Ireland, and further afield.

The main finding is that, compared with many other jurisdictions, the Assembly, its Committees and its Members lag behind in terms of the resources available to them.

- Any consideration of the options for plugging the gap should be within the context of potential reform to the budget process in Northern Ireland; any proposed unit should fit with the needs that a reformed process will generate.

For example, a recommendation was made in Assembly Research paper 45/10 Considerations for reform of the budget process in Northern Ireland<sup>[1]</sup> that there should be a requirement for external/independent analysis of the draft Budget and spending plans (Recommendation 7) – this is for the purpose of enhancing transparency and good practice in budgeting. Any unit designed to provide analytical support to the Assembly in its budget-scrutiny role should not overlap with the solution proposed to meet that recommendation if it is taken forward.

- In addition, a number of recommendations were made in the Department of Finance and Personnel's Review of the Northern Ireland Executive Budget 2008-11 Process which was presented to the Committee for Finance and Personnel on 12 May 2010. Some of these seem likely to help improve the transparency of the process and the quality and usefulness of the information produced. Others – such as for an early and more structured engagement between departments and Assembly Committees - seem likely to increase the need for Committees to have access to support.

To that end, five options are identified in this paper for addressing the shortage of support in budget scrutiny:

- Appoint advisers to Committees under existing provisions;
- Establish a unit within the Northern Ireland Civil Service;
- Provide a dedicated unit within the Research and Library Service;
- Redesign the Committee support staffing structure to include public finance expertise; or
- Establish a parliamentary budget office – either within or external to the Assembly.

- All of the options have some advantages and disadvantages. Importantly, in the public expenditure climate that is likely over at least the medium term, it may be that – ultimately – cost is a decisive factor.

## **Contents**

### **Key Points**

#### **Executive Summary**

##### 1. Introduction

###### 1.1 What is scrutiny?

###### 1.2 The budget-scrutiny role of the Northern Ireland Assembly

###### 1.3 The resources available to Members and Committees

##### 2. Finance scrutiny resources in the UK Parliament, Scottish Parliament, Welsh Assembly and the Oireachtas

###### 2.1 The UK Parliament

###### 2.2 The Scottish Parliament

###### 2.3 The National Assembly for Wales

###### 2.4 The Oireachtas

##### 3. Are the resources in the UK Parliament, Scottish Parliament, Welsh Assembly and the Oireachtas effective?

###### 3.1 The UK Parliament

###### 3.2 The Scottish Parliament

###### 3.3 The National Assembly for Wales

###### 3.4 The Oireachtas

##### 4. Alternative Models of Providing Budget-Scrutiny Support

###### 4.1 The Canadian Parliamentary Budget Officer

###### 4.2 The Ugandan Parliamentary Budget Office

###### 4.3 Other models of parliamentary budget offices

###### 4.4 The Australian Parliament

##### 5. Concluding remarks

# 1 Introduction

This paper follows on from Assembly Research paper 45/10 Considerations for reform of the budget process in Northern Ireland<sup>[2]</sup>. In that paper a number of recommendations were made for possible reforms to the current process of budgeting in the Northern Ireland Assembly.

It was noted in that paper that if the process is changed and the Assembly's role in budget scrutiny is enhanced, there will be a knock-on effect on the support for Members and Committees that may be required.

With the process as it stands, the Assembly doesn't have a particularly strong ability to amend budget proposals (though it is stronger than the Westminster process). It is worth noting, however, that the ability to table and effect legislative amendments is only part of the story:

noting the extent of formal amendments is only one way to assess the impact of legislatures on budget formulation. Legislative officials often exercise informal influence over executive budgets before they are formally announced. Executive officials have incentives to anticipate and take into account potential legislative views and reactions as they develop their proposals, either through informal negotiation or through anticipatory behaviour. Indeed, the absence of amendments may reflect effective informal bargaining and negotiations between executive and legislative officials during the formulation process, where consultation effectively heads off legislative opposition.<sup>[3]</sup>

Under this view of the impact of informal legislative-executive relations over budgeting, it could be considered that there is a requirement for greater resources to assist Members in the process as it is; rather than providing support for potential legislative amendments to the budget it would be to enhance capability to play a part on the informal or anticipatory phase.

The main purpose of this paper is consider models for providing this kind of support to parliamentarians that have been employed elsewhere and to draw out any lessons for the Northern Ireland Assembly.

## 1.1 What is scrutiny?

Scrutiny has been defined as:

Public scrutiny is an essential part of ensuring that government remains effective and accountable. Public scrutiny can be defined as the activity by one elected or appointed organisation or office examining and monitoring all or part of the activity of a public sector body with the aim of improving the quality of public services. A public sector body is one that carries out public functions or spends public money. Scrutiny ensures that executives are held accountable for their decisions, that their decision-making process is clear and accessible to the public and that there are opportunities for the public and their representatives to influence and improve public policy.<sup>[4]</sup>

The Centre for Public Scrutiny<sup>[5]</sup> identifies four principles to help people understand the most important aspects of scrutiny. Good scrutiny:

- provides 'critical friend' challenge to executive policy-makers and decision-makers;
- enables the voice and concerns of the public and its communities;
- is carried out by 'independent minded governors' who lead and own the scrutiny process; and

- drives improvement in public services.

## **1.2 The budget-scrutiny role of the Northern Ireland Assembly**

The Northern Ireland Assembly has a remit that includes holding the Executive to account over its budgeting and spending priorities and its reporting of financial information. In particular, the Assembly's Statutory Committees each have a remit to advise and assist Ministers on matters within their responsibility. They undertake a scrutiny, policy development and consultation role with respect to departments and play a key role in the consideration and development of legislation.

Ultimately it is the Assembly that must give the statutory authority for departments to spend money by considering and approving budget bills and supply resolutions. Members individually and committees collectively consider departments' proposals for new programmes and the outcome of in-year 'monitoring rounds'.<sup>[6]</sup>

In the run-up to the recent Westminster election it was made clear that spending cuts are coming although none of the three main UK parties set out in detail where or how the cuts would happen.

The Northern Ireland block grant will not be immune from cuts (unless by some outside chance the incoming government chooses only to cut areas that under the Barnett Formula mechanism are 100% non-comparable), so the Northern Ireland Executive is going to have to do the same; at the very least further efficiency savings will have to be identified.

Assembly Members will want to be paying increasingly close attention to where there may be any further fat in the system that could be trimmed. In addition, the Committee for Finance and Personnel's current Inquiry into the budget process<sup>[7]</sup> is likely to recommend changes to the current system, which – if adopted and implemented – will increase the role of the Assembly and its Committees in budgetary decisions. This is likely to lead to an increase in demand for effective support for Committees and Members in carrying out financial scrutiny.

## **1.3 The resources available to Members and Committees**

The secretariat to each Statutory Committee (and to the Committee for Finance and Personnel in particular) has developed a certain level of expertise in relation to budget scrutiny in order to be able to support their respective Committees effectively. Because of the range of policy areas each Committee has to cover, it is not possible for the secretariat staff to become experts in them all. Also, Committee Clerks and their staff are not permanently attached to a single Committee.

There is technical support available to Northern Ireland Assembly Members in financial scrutiny - there are two researchers in the Research and Library Service specialising in public finance; an econometrician and a demographer are currently being recruited. In addition, both Committees and the Research and Library Service have budgets for the procurement of specialist advice, but these have not been widely used. An issue in an area the size of Northern Ireland would be the availability of a pool of experts large enough to supply the need.

In other jurisdictions, specialist units or posts have been created to provide support to parliamentarians in their budget-scrutiny role. In the UK Parliament, in Scotland, Wales and the Republic of Ireland, there are various roles for budget scrutiny by finance (and other) committees; there are also different levels of support available to those committees.

## **2. Finance scrutiny resources in the UK Parliament, Scottish Parliament, Welsh Assembly and the Oireachtas**

### **2.1 The UK Parliament**

#### **The Scrutiny Unit**

Westminster's Scrutiny Unit has a staff of 18, including a finance team of four financial analysts (two from the National Audit Office), an economist and a statistician.<sup>[8]</sup> It provides support to select committees in the scrutiny of the Government's financial and performance reporting and of draft Bills.

Support for select committees includes examining departmental expenditure and performance against key tasks in their Public Service Agreements. The finance team provides briefing for committees on Main and Supplementary Estimates (including analysis of departments' estimates memoranda – these are required of departments to explain the contents of their estimates<sup>[9]</sup>), resource accounts, Autumn performance reports and Departmental Annual Reports (DARs). The Unit publishes an over-arching review of DARs and contributes to the drafting of committee reports.

In the 2007-8 session, the Unit spent 47% of its time on expenditure-related work, in comparison to 25% on draft Bills and 28% on 'other' work<sup>[10]</sup> - an increase from 22% of time spent on expenditure-related work in the 2002-3 session.<sup>[11]</sup> The Unit spends a smaller proportion of its time on expenditure-related tasks during summer recess (around 20% of staff time in July 2008) and so has more time available to devote to its other tasks such as supporting pre-legislative scrutiny.

While the Unit does provide such support, it is important to note that committees also employ their own staff. The Unit provides briefing and training to both Government and House staff on aspects of financial reporting, for example the Estimates process.<sup>[12]</sup>

It is important to note that the Scrutiny Unit doesn't have enhanced access to government data: its work is based on publicly available information. An element of the Unit's role is to advise committees on what specific information they should seek. Essentially, this is about getting explanations for spending programmes and changes to them following a Spending Review.<sup>[13]</sup>

#### **The National Audit Office**

A second element of support to committees is from the National Audit Office (NAO). Committees can specifically commission work from the NAO, in addition to receiving general briefing on the performance of departments against objectives and plans. In general this support is "highly valued" by committees.<sup>[14]</sup>

The NAO provides additional benefit to committees because, unlike the Scrutiny Unit, it has access to officials, papers and information through its financial and value for money audit. It has greater resources than committees or the Scrutiny Unit and has carried out surveys and opinions polls, for example, to support its research.

The NAO remit is to look at what government has done, rather than to consider the merits of particular policy interventions. It produces performance briefings which are designed to assist the committees in navigating and interpreting the substantial amounts of information available on the departmental performance.



These briefings are based on material in Departmental Annual Reports and, where appropriate, on issues that had arisen from the National Audit Office's value for money reports and wider work, for example on regulation, the efficiency programme and performance system validation. It often publishes<sup>[15]</sup> its findings and also provides informal briefings to committees which allows members the opportunity to ask questions.

## 2.2 The Scottish Parliament

The Finance Committee of the Scottish Parliament published a report on its review of the Budget Process in 2009. As part of its review, the Committee looked at the resources available to it and other subject committees in scrutinising budgets.

Currently the Finance Committee is supported by SPICe (the Scottish Parliament Information Centre), committee clerks and an adviser – usually an academic appointed on a two-year term. Subject committees contract advisers on short-term contracts - usually up to 15 days. "There was a consensus among witnesses that further resources would be required to support financial scrutiny."<sup>[16]</sup>

The Committee considered various options (including asking the Scottish Government to establish within its own Finance Department a capability to cost alternative proposals put forward by committees) but reported that most witnesses preferred the options of "an additional resource within the Parliament."<sup>[17]</sup>

It was considered that locating a unit within the Finance Department

could constitute a conflict of interest for the civil servants themselves and that opposition parties might not have confidence in the responses they received, given that a degree of judgement might require to be exercised and that there might be a range of answers for costing policies.<sup>[18]</sup>

A number of witnesses considered the option of a parliamentary budget office, although "there was no clear consensus among witnesses [...] on the form such a unit should take and its primary purpose."<sup>[19]</sup>

### Resourcing

Some witnesses (such as Professor Irvine Lapsley from the University of Edinburgh) raised concerns about the difficulty of recruiting and retaining staff of a similar calibre to those who currently act as budget advisors.

In support of the Committee's review, SPICe prepared a summary of submissions from Budget Offices in other jurisdictions. The information returned by the other legislatures was incomplete with regard to resourcing, but it was clear that there would be a significant cost attached if the model selected were the full-blown US option. Salary costs alone for the officials identified by the Westminster Scrutiny Unit were in the range £329,154 to £401,894 per annum.

### The Financial Scrutiny Unit

In October 2009 a new Financial Scrutiny Unit was established within SPICe as a pilot. There was no need for legislation.

Its outputs are:

- Analysis of costings of Government policy and legislation;
- Estimates of costings of alternative spending proposals;
- Detailed analysis of the Scottish Government's budget documents;
- Working closely with the committees' budget advisers to provide further analysis of budget portfolios;
- Monitoring and tracking different aspects of Government expenditure;
- Provision of resources, such as budget spreadsheets, to allow further analysis to be carried out directly; and
- Short briefings on specific topics of particular interest to committees and the wider parliament.

The unit is comprised of four of SPICe's existing economics and finance researchers who will be complemented by a seconded specialist researcher and a data manager who will be responsible for much of the manipulation and analysis of the detailed figures.

The demand for the Unit's services was analysed over the pilot period to inform decisions on the future of the unit.<sup>[20]</sup> The evaluation of the pilot is not yet publicly available but it is to be considered this month by the Scottish Parliament Corporate Body.<sup>[21]</sup>

The Finance Committee welcomed the decision of the Scottish Parliament Corporate Body to establish the Unit and made a number of recommendations on how the resource should be configured: that its advice should be independent (which links to the concerns about the resource being placed within the Finance Department noted above); that requests from committees should take priority and; that there needs to be an agreed level of access to appropriate information from the Scottish Government.<sup>[22]</sup>

## **Access to data**

As highlighted in Assembly Research paper 45/10 Considerations for reform of the budget process in Northern Ireland<sup>[23]</sup> one issue facing the Assembly is access to the Executive's information. The approach taken in Scotland to overcome this was to produce an agreement setting out clearly the responsibilities of the Executive in response to requests. This was drafted with the backing of the Cabinet Secretary for Finance and Sustainable Growth. It intends that requests for information will be handled quickly and informally but within the spirit of the Freedom of Information (Scotland) Act 2002. It is envisaged that only on rare occasions will formal FOI requests be submitted.<sup>[24]</sup>

## **2.3 The National Assembly for Wales**

Support for the Finance Committee in Wales is provided by the Members' Research Service. There is a dedicated finance and statistics team of 3 researchers – a senior researcher, a statistician and a finance researcher. The team has a remit to cover any business related to finance or statistics and provides briefing and lines of questions to the Finance Committee. It should be noted that at present the Finance Committee in Wales usually meets fortnightly.

The team is also responsible for providing support to all Welsh Assembly Members during the budget round. Additional support was provided by a Finance and Corporate Governance Adviser who was based in the Assembly's Corporate Unit. He is available to the Committee on an informal basis for advice on the more technical financial aspects.<sup>[25]</sup>

## Access to data

The Members' Research Service only has access to public information unless it approaches departments directly through the relevant Minister. In relation to budgetary measures the information is generally only that which is published by the Executive alongside the budget documentation. Sometimes this includes financial tables, sometimes it does not.

The Finance Committee gets three weeks to consider (and this period is set out in standing orders), however, the Committee generally reports difficulties with the process. For example in its report on the draft Budget for 2010-11, it commented that "in the time available the Finance Committee has not been able to examine this fully."<sup>[26]</sup> This echoes concerns raised by Committees in the Northern Ireland Assembly.

## 2.4 The Oireachtas

Committees of the Irish Parliament have relatively limited powers in the budget process. The Cabinet's proposals cannot be amended and committees' scrutiny is limited.<sup>[27]</sup> Money can only be appropriated by the Dáil and this may only happen when a recommendation (a 'Money Message') is received from the government.

Under Standing Orders of the Dáil Eireann, the Committee of Public Accounts – known as the PAC – oversees the expenditure of the Executive. It is supported by the Comptroller and Auditor General and is essentially concerned with the scrutiny and oversight of public financial procedures. And, under its terms of reference, the PAC is not allowed to enquire into the merits of Government policy or of the objectives of such policies.<sup>[28]</sup>

The PAC has access to the Library and Research Service and has the power to engage specialist or technical knowledge. It does not have permanent access to experts; expertise is engaged on a consultancy basis.<sup>[29]</sup>

The Dáil Select Committee on Finance and the Public Services has a role in scrutinising Bills from the Departments of Finance and the Taoiseach and the Estimates connected to those departments. It does not have an overarching scrutiny role in relation to the budget. The Committee is supported in its role by the Library and Research Service. The Committee also has a budget for external consultancy support and individual TDs have access to funds for researchers.

The Joint Committee on Finance and the Public Services comprises the Deputies of the Select Committee and four Senators. It considers wider matters of finance policy but not legislation. The Joint Committee also has a budget for external consultancy support.

There is no dedicated unit with a budget-scrutiny support role.

## 3. Are the resources in the UK Parliament, Scottish Parliament, Welsh Assembly and the Oireachtas effective?

### 3.1 The UK Parliament

The House of Commons' Select Committee on Liaison noted in its Third Report that the Scrutiny Unit 'had helped drive up the quantity and quality of financial scrutiny.'<sup>[30]</sup> All the departmental select committees made use of the Unit's services at some point during the session. The Public Administration Committee notes:

we have continued to benefit from significant support from the Scrutiny Unit of the House of Commons in our analyses of expenditure and administration issues and would like once again to express our gratitude for their expertise and assistance.<sup>[31]</sup>

The Hansard Society<sup>[32]</sup> has stated that the Scrutiny Unit provides valuable support to select committees and recommended that its work be built upon by either: a) expanding its role; or b) evolving the Unit into a Parliamentary Finance Office.<sup>[33]</sup>

It is worth noting, however, that the Financial Issues Advisory Group<sup>[34]</sup> has criticised budget scrutiny at Westminster:

the Westminster system has not succeeded in promoting a constructive discussion of budgetary and expenditure priorities or a sensible dialogue between Executive and Parliament on these issues. As a result, the UK Parliament has no meaningful input and the approval of expenditure is made ex post ante.<sup>[35]</sup> So, although the present system ensures that financial information is presented, it does not encourage the House and its Committees to make the best use of that information.<sup>[36]</sup>

It might be inferred from this criticism that the Scrutiny Unit may have driven up the quality of scrutiny (and it was established after this report was made) but it is the budget process itself that is problematic.

### **3.2 The Scottish Parliament**

In his submission to the Finance Committee to the review of the Budget Process, the Committee's own budget adviser suggested a new continuous process of financial scrutiny. He suggested that support for this new process might be provided through the existing mechanisms of budget advisers and the Scottish Parliament Information Centre. He also suggested that this new process would establish links with Audit Scotland and possibly the Scottish Futures Forum.<sup>[37]</sup> It might be inferred from this that his view is that it is the budget process rather than the level of available support to Committee that causes the committees difficulties.

The Health and Sport Committee argued, however, that the provision of expert advice to subject committees (either on a shared or individual basis) throughout the parliamentary year would greatly assist their ability to undertake scrutiny.<sup>[38]</sup> This view was supported to some degree by both the Education, Lifelong Learning and Culture Committee<sup>[39]</sup> and the Rural Affairs and Environment Committee<sup>[40]</sup> in their submissions.

The pilot period for the FSU has now finished. A formal evaluation of its effectiveness has not yet been published.

### **3.3 The National Assembly for Wales**

The Members' Research Service in the Welsh Assembly is not aware of any proposal to investigate a need for further support in relation to budget scrutiny. The Service holds an informal round-up session with the Committee post-budget round and to date the level of support received has not been raised as an issue.<sup>[41]</sup> This implies that there is not a significant level of dissatisfaction with the current resources.

### **3.4 The Oireachtas**

There have been no published reviews or reports in relation to the effectiveness of the arrangements to support either the Select or the Joint Committee on Finance and the Public Services in its budget-scrutiny role.<sup>[42]</sup>

## **4. Alternative Models of Providing Budget-Scrutiny Support**

### **4.1 The Canadian Parliamentary Budget Officer**

In the first half of this decade, Canadian governmental budgets were characterised by underspends and "enormous unexpected surpluses at the end of the fiscal year".<sup>[43]</sup> In response the government stated in its 'Federal Accountability Action Plan' that it would:

...ensure truth in budgeting with a Parliamentary Budget Authority by creating the position of a Parliamentary Budget Officer to provide objective analysis to Members of Parliament and parliamentary committees concerning the state of the nation's finances, and the financial cost of proposals under consideration by either House.<sup>[44]</sup>

The required legislation (an amendment to the Parliament of Canada Act) was passed at the end of 2006 and the first Parliamentary Budget Officer (PBO) was appointed in March 2008.

The Act states that the PBO is an officer of the Library of the Parliament, appointed by the Governor in Council from a list of three names submitted by a committee chaired by the Parliamentary Librarian. Appointment is for a renewable term of not more than five years and the level of remuneration and expenses is also set by the Governor in Council.<sup>[45]</sup>

#### **Mandate of the PBO**

The legislation assigns four duties:

- to provide analysis to the Senate and to the House of Commons about the state of the nation's finances and trends in the national economy;
- to undertake research into the nation's finances and economy when requested to do so by any of the listed committees;
- to conduct research into government estimates at the request of any parliamentary committee; and
- to estimate the financial cost of any proposal when requested to do so by a member of parliament or by a committee.

#### **Powers of the PBO**

The PBO is empowered to employ staff with technical or specialised knowledge as necessary - subject to the authority of the Speakers of both Houses and the Parliamentary Librarian.

Importantly, the PBO is entitled to obtain economic and financial information from federal government departments. (Equivalent information is available to Northern Ireland Assembly Committees in respect of the relevant department – but, as a matter of routine, researchers and other secretariat staff can only work on the basis of published information.) This information is to remain confidential and there are certain exceptions in accordance with the Access to Information Act and confidential Cabinet papers.

#### **Budget and staff**

For 2008-9, the PBO budget was Can \$1.8 million (about £1 million at current exchange rates). Total staffing was 15 (including the PBO himself) of which 10 were full time.

The PBO employs two teams of specialists. One covers economic and fiscal analysis and the other covers expenditure and revenue analysis. It should be noted that revenue analysis is of lesser significance to the Northern Ireland Assembly than to the Canadian Parliament because of the way the Executive is funded – it does not raise significant revenues on its own.

## **Analysis of the PBO role**

In June 2009, the Standing Committee on the Library of Parliament published a Report on the Operations of the Parliamentary Budget Officer within the Library of Parliament.<sup>[46]</sup> The report in itself is rather curious because it originated from a request from the Parliamentary Librarian to clarify various aspects of the PBO's status and activities.

A whole section of the report is devoted to discussion of the concept of the PBO's independence. It appears that the incumbent, Mr Kevin Page, felt that his independence was under threat from "political and bureaucratic interference."<sup>[47]</sup> This appears to have manifested in a reluctance of the PBO to attend the Library's management or budget meetings. Further, the PBO apparently refused to hand over information to the Parliamentary Librarian on the number of requests he had received.

As this report is concerned more with clarifying the governance and accountability arrangements of the PBO, there is not much analysis of the effectiveness of the position. Indeed, Recommendation 2 suggests that just such an evaluation is needed:

### Recommendation 2

That the Speakers of the Senate and the House of commons request the Standing Joint Committee on the Library of Parliament to evaluate the effectiveness of the position of the Parliamentary Budget Officer commencing on the third anniversary of his appointment.<sup>[48]</sup>

## **Issues for consideration**

- Independence of the PBO

The Standing Committee on the Library of Parliament heard evidence (from an officer of the Privy Council and former parliamentarians among others) that confirmed the independence of the PBO from the executive. The key point seems to be not that the PBO is an officer of the library as such but that he is responsible to the legislature. In other words, the PBO reports directly to Parliament rather than to the government. Where his post is located within the parliamentary set-up is not important.

For him to be able to carry out the mandate in the legislation, independence from government is clearly necessary. The weight of evidence confirms that the location of the PBO within the library confers sufficient independence. It is also entirely conceivable, however, that other administrative and governance arrangements could allow the PBO to discharge his functions.

- Duplication of work

There appears to be some concern in the report of the Standing Committee on the Library of Parliament that there has been some duplication of work between the PBO and the Parliamentary Information and Research Service:

## Recommendation 5

That the Speakers of the Senate and the House of Commons direct the Parliamentary Information and Research Service of the Library of Parliament and the Parliamentary Budget Officer to collaborate and coordinate their activities regarding the review of government estimates and the evaluation of the financial cost of any proposal relating to a matter over which Parliament has jurisdiction.<sup>[49]</sup>

The main thrust of this recommendation seems to be maximising economies of scale and the pooling of expertise. For example, the researchers and analysts "often have expertise that is shared or complementary."<sup>[50]</sup> The analysis of the PBO seems to be constrained by the mandate to be purely financial matters, whereas researchers are experienced in analysing policy. The Parliamentary Librarian stated in evidence to the Committee that:

we have a group of economists who are very good policy analysts. The kind of work that they could do together in analyzing the policy implications of a costing request and then doing the costing request demonstrates to me a way of working together that would ultimately provide members of Parliament and senators with a much more complete and appropriate answer to some of their questions and queries.<sup>[51]</sup>

Recent outputs of the PBO include Bill C-51 Economic Recovery Act (stimulus) and Interim Financial Reporting which looked at the way that budgets, estimates and public accounts are presented to Parliament. Also Cost Estimate of an Act to Amend the Income Tax Act (low-cost residential rental property).<sup>[52]</sup> This work presented a cost analysis of a legislative provision.

Other outputs include the regular Economic and Fiscal Assessment Update which is more centred on the economic outlook and fiscal forecasts in terms of projected GDP growth, fiscal deficit and unemployment forecasts, for example. This work is at least partly based on surveys of private-sector economic forecasters and is quite distantly removed from the kind of analysis presented in relation to specific legislative measures. It is rather similar in nature to the sort of work produced by the Economic Research Institute of Northern Ireland, a non-departmental public body currently sponsored by OFMDFM.<sup>[53]</sup>

- § Public profile of the PBO and publication of analysis

The PBO routinely publishes every product developed with his team, but it is not always clear that parliamentarians are informed of conclusions prior to publication. This is inconsistent with the practice of, for example, the Auditor General who does not publish reports until after they have been tabled in Parliament.

In its report the Committee expressed a wish that the PBO follow the same protocol. It cites an example of a PBO report into the costs of the war in Afghanistan published during an election period when Parliament was prorogued. The Parliamentary Librarian was of the view that this violated "established protocols for releasing reports in the absence of Parliament and calling into question the non-partisan status of the PBO [...] and the library as a whole."<sup>[54]</sup>

The Committee appeared to agree with this view and recommended:

## Recommendation 7

That the Speakers of the Senate and the House of Commons direct the Parliamentary Budget Officer not to release any report during a general election.<sup>[55]</sup>

The PBO however seems to feel his role is more akin to that of a watchdog than an officer of the Parliament who provides information to Members. In a recent press report, he is described a 'the man who knows too much':

Kevin Page, the Parliamentary Budget Officer, has done too good a job. He has repeatedly embarrassed growth and deficit predictions by the Minister of Finance, Jim Flaherty. He has exposed the true cost of the war in Afghanistan. He could, if he had the money, tell us what fighting climate change would do to the economy and the country's finances.

But Mr Page has also deliberately violated his legislative mandate, and now he doesn't have a friend left in town, which has left him dangerously vulnerable to an angry bureaucracy and to his political masters.<sup>[56]</sup>

In his response to the Committee's report the PBO is reported as saying:

"You cannot do my job without transparency," he insists. "If I'm seen to be working confidentially, people are going to say 'You're working in a partisan fashion.'" As for subordinating himself to [the Parliamentary Librarian] Mr Young, he believes that would contradict the spirit of his mandate.

"Either you're independent or you're not independent," he insists. "Do you want library researchers, or do you want budget officers?"<sup>[57]</sup>

There are two possible interpretations of this comment. Either the PBO feels that the library researchers are not independent, or he feels that they lack the requisite expertise to perform the function.

## 4.2 The Ugandan Parliamentary Budget Office

The Ugandan Parliamentary Budget Office arose from the Budget Act 2001 which was aimed at making the Budget process more transparent and which mandated the "early and continuous participation of parliament in the entire budget process".<sup>[58]</sup> According to the Cape Times (South Africa), the rationale arose from "growing concern with the increased role of the executive in budgeting."<sup>[59]</sup> A World Bank study highlighted the decline of legislatures' ability to fulfil their oversight role effectively.

### Functions of the Budget Office

Section 20 of the Budget Act 2001 provides that "there shall be a Parliamentary Budget Office within the Parliamentary Service consisting of full time and part time budget and economic experts as may be required from time to time".

The functions of the Budget Office are contained in section 21 of that Act. It is required to provide "objective and timely analysis" to inform the budget process. It shall:

- a) provide budget-related information to all Committees in relation to their jurisdiction;
- b) submit reports on, but not limited to, economic forecasts, budget projections and options for reducing the budget deficit;
- c) identify and recommend on Bills that provide an increase or decrease in revenue and the Budget;



d) prepare analytical studies of specific subjects such as financial risks posed by Government sponsored enterprises and financial policy;

e) generally give advice to Parliament on the Budget and National economy.<sup>[60]</sup>

This is clearly quite a wide remit and is less tightly restricted than that of the Canadian PBO, for example.

According to the Director of the Budget Office, Sam H Wanyaka, this role goes further than the provision of analysis and information. He describes part of his role as "focusing on the preliminary estimates and the macroeconomic plan and programmes and submitting the recommendations to the speaker" [emphasis added].<sup>[61]</sup>

However, he describes the main function as supporting Parliament to increase transparency and accountability in the process. Interestingly, budget analysis includes "checking on physical outputs of various forms of expenditure through physical inspection and public hearings". This is presumably a manifestation of the corruption that foreign aid donors and other parties are keen to prevent – this is far beyond analysing financial information. It implies that the Budget Office is involved in verifying that expenditure has actually occurred as the Government has reported it has.

## Staffing

The Budget Office is staffed by 21 economists in three divisions: macroeconomics and sectoral analysis; financial programming; and fiscal analysis (expenditure and tax). Officers are deployed in a supporting role to each sessional committee<sup>[62]</sup> functioning rather like special advisers.

## Analysis of the Budget Office

Published analyses of the Budget Office are hard to come by. The Director points out that his office has been visited by representatives of many African parliaments to learn from the model.

There was a review of Uganda carried out in June 2009 under the African Peer Review Mechanism:

The APR process entails periodic reviews of the policies and practices of participating countries to ascertain progress being made towards achieving the mutually agreed goals and compliance in the four focus areas, namely Democracy and Political Governance, Economic Governance and Management, Corporate Governance, and Socio-Economic Development. National ownership and leadership by the participating country are essential factors underpinning the effectiveness of the APRM. The process is designed to be open and participatory.<sup>[63]</sup>

The report describes the Budget Office and its work within the framework of the Budget Act 2001 as "an excellent institutional arrangement"<sup>[64]</sup> although it acknowledges a number of challenges that have constrained the improvement of financial control in Uganda including:

- The existence of discretionary revenue laws and unsatisfactory enforcement of existing legal provisions;
- The lack or inadequacy of a medium to long-term planning horizon that is sufficiently synchronised with medium to long-term budget projections;

- The inability of Parliamentary Public Accounts Committees to be current in scrutinizing annual accounts. At present, the backlog experienced by all the Committees is for the period 2001/2 to 2006/7. The District Public Accounts Committees have also not been able to discharge their duties effectively and on time due to constraints in terms of both financial and human capacity;
- Oversight function is impaired due to inadequacies in institutional capacity both in the Parliamentary and District Public Accounts Committees.

Overall however, the report praises the country for reversing "the macroeconomic disequilibrium that the economy suffered between the early 1970s and the early 1980s. Uganda's macroeconomic performance over the past 20 years has been exceptional".<sup>[65]</sup>

### 4.3 Other models of parliamentary budget offices

The examples of Canada and Uganda show that there is scope for a budget office to vary considerably in the width of its remit. Beyond these two examples, there are other models:

The Korean National Assembly Budget Office (NABO) has over 100 staff to help members assess executive proposals and further opportunities to strengthen legislative action. Each of Italy's two legislative chambers has a budget office that reviews the executive's estimates and assumptions for legislative officials. Sweden's legislative budget office goes beyond this to prepare its own estimates of budgetary proposals – an important tool which has reportedly emboldened legislative officials to propose more changes to budgetary proposals.

The United States Congressional Budget Office (CBO) is among the most independent budget offices in the world. Established in 1975 to support the new congressional budget process, the CBO prepares its own economic and budgetary forecasts which it uses to re-estimate the costs of the president's budget, as well as any proposal advanced by congressional officials. Moreover, the CBO plays the absolutely vital role of "scorekeeping" where individual proposals are tracked against overarching congressional budget targets and policies throughout the legislative process, thereby helping leaders monitor compliance by a decentralised and entrepreneurial legislative body. With a staff of over 200 economists and budget experts, the CBO has attained credibility among all political factions as a neutral and independent support for the Congress as an institution.<sup>[66]</sup>

It is clear that there is no one-size-fits-all form of budget office and that countries and their legislatures have adapted the concept to fit their own political and institutional arrangements.

### 4.4 The Australian Parliament

It was noted in Assembly Research paper 45/10 Considerations for reform of the budget process in Northern Ireland<sup>[67]</sup> that the committees of the Australian Senate undertake a very structured and formalised role in the budget process. Estimates are referred to the legislative and general purpose committees under standing orders and a series of hearings are held on them over a number of days at least twice per year.

What is interesting for this paper is the structure of staffing for those committees:

Each legislative and general purpose committee is provided with a staff of five: a Secretary, a principal research officer, a senior research officer, an estimates officer and an executive assistant. The role of each officer is as follows: Secretary: undertakes and supervises research and analytical work; drafts reports; provides procedural advice and manages the committee secretariat; Principal research officer: undertakes major research; drafts reports and briefing

papers; liaises with witnesses, officials and the general public on committee business; Senior research officer: provides drafting and research assistance for committee inquiries; undertakes administrative tasks in relation to hearings and meetings; Estimates officer: provides administrative, research and report writing support to the committee particularly in relation to estimates and review of annual reports of agencies; and maintains registers of questions on notice; and Executive assistant; provides secretarial and administrative support; and prepares documents for printing and publishing online.

All staff at the secretary and research officer levels have tertiary qualifications. Many have, or are working towards, post graduate qualifications (doctorates and masters degrees). Most estimates officers have tertiary qualifications and this position is seen as training position for advancement to research officer level. The department actively promotes the attainment of higher qualifications and additional training.<sup>[68]</sup>

It appears to be the view that some experience of providing estimates and financial analysis in support of a committee should be a requirement for career progression. This is one means of ensuring that public finance expertise is not concentrated in an isolated unit, but embedded throughout the organisation. However, it should be noted that the level of that expertise may not be as developed as in other models. Also, the Northern Ireland Assembly Secretariat does not have career progression in quite the same way – as all posts are filled through open recruitment.

## **5. Concluding remarks**

From this survey of the resources in other legislatures to support their budget-scrutiny role, it does appear that the Northern Ireland Assembly, its Committees and Members lag somewhat behind in terms of the resources available to them.

If that point is accepted – and the evidence seems to support the case - and there is a decision to pursue further resources, there are a variety of models employed elsewhere that could be applied in the Assembly context and these are presented as options below.

### **Option one**

The Committee for Finance and Personnel could appoint an adviser and recommend to the other Statutory Committees that they do the same at least for the period of consideration of a draft budget or engagement with their respective departments over their requests for resources. This approach would not open up support to the Assembly as a whole but rather on a sectoral Committee-centred basis. There would be no need for legislation (as the provision already exists) and it could be achieved relatively quickly. As noted in section 2.2 above this approach is used in Scotland in combination with the support of the Public Finance Scrutiny Unit.

### **Option two**

The Executive could be asked to establish a unit (within DFP or perhaps OFMFM) to provide the Assembly with analysis. It was pointed out in Scotland in consideration of such an approach that there would be a conflict of interest for the civil servants staffing such a unit. Also, with the public sector facing a squeeze on resources, taking staff with the relevant expertise away from their functions in managing departmental expenditure to provide support to the Assembly might be a questionable step.

### **Option three**

The Assembly Secretariat could enhance the Research and Library Services with a dedicated public finance scrutiny unit. This option would be able to provide support to individual members as well as to Committees. Also, it would be possible to create such a unit with a range of expertise that could not necessarily be provided by a single adviser. In the current financial climate there may be difficulties in the Secretariat securing significant additional resources. As this option would be an extension of existing capacity it may be possible to implement at relatively low cost. Additionally, there would be no need for legislation; a unit could be established relatively quickly. This option could be used in combination with option one.

### **Option four**

The Assembly Secretariat could be asked to redesign its staffing structure to incorporate public finance expertise within the Clerking Directorate. A dedicated officer within each of the teams that supports a Statutory Committee could be recruited specifically to provide analytical support over budgetary and financial matters. This option would not require legislation, although it would probably require a large recruitment exercise if the required skills base does not currently exist.

### **Option five**

The Assembly could decide to establish a parliamentary budget office, independent of the Secretariat, or located somewhere within it. This may take legislation. Also, it is clear there is no one form of budget office. Some of the examples considered above are resource-heavy. It may be questionable whether Northern Ireland's size and circumstances within the United Kingdom justify such an approach. Given the relatively low level of fiscal autonomy devolved to the Executive and the way expenditure is mostly funded through the block grant, it may not be easy to make a case for a large independent unit; there may be a scaled-down version that could be developed.

## **The Northern Ireland Audit Office**

It was noted above in section 2.1 that the National Audit Office in England provides support to Westminster Select Committees. The possibility of the NIAO providing a similar service here is not developed as an option because the NI Comptroller and Auditor General is to give evidence directly to the Committee for Finance and Personnel.

## **Reform of the budget process**

It is worth noting that there is also evidence that it is not purely the resources available to the legislature that is important. The process has to allow for proper engagement between the executive and the legislature; information and data has to be presented in a meaningful manner at an appropriate time.

For this reason, it is important that the issues of process are addressed and resolved first. Then any required resources for supporting budget scrutiny in the Assembly can be designed to fulfil the needs appropriately. For example, if it is agreed that the Executive's proposals should be subject to external scrutiny (see Recommendation 7 of Assembly Research paper 45/10[69]), any scrutiny-support unit's role should not conflict with any body established to fulfil that recommendation.

## **Access to information**

It is also going to be essential for any new resource to have access to the data and information it requires. This point was made in Recommendation 1 of Assembly Research paper 45/10<sup>[70]</sup> but is worth highlighting again here.

As it was pointed out in that paper, there is an indirect obligation placed on departments via the Ministerial Code. Departments are required to act in accordance with their Ministers' direction.<sup>[71]</sup> Paragraph (ii) imposes a duty on Ministers to be accountable, through the Assembly, for the activities within their responsibilities, their stewardship of public funds and the extent to which key performance targets and objectives have been met. Also, paragraph (iii), which requires a Minister to comply with all reasonable requests for information from the Assembly.

However, it is not clear that this provision would necessarily be sufficiently robust. Further, there are no clear legal requirements for departments to provide particular information to Committees in relation to their budget-scrutiny role. If a department does not do so, it is therefore uncertain how Committees could force them to disclose the information they require to discharge their functions; it may be possible for Committees to rely on section 44(1) of the Northern Ireland Act 1998 which provides that the Assembly or a Committee may:

require any person—

(a) to attend its proceedings for the purpose of giving evidence; or

(b) to produce documents in his custody or under his control.<sup>[72]</sup>

It seems likely that a less cumbersome mechanism might be helpful to ensure that the Assembly were in the best possible position to gain the information it required.

[1] Assembly Research paper 45/10 available online

at: <http://assist.assemblyni.gov.uk/services/rsrchlib/research/reports/dept/fp/2010/pidgeon4510.pdf> (see page 71)

[2] Assembly Research paper 45/10 available online

at: <http://assist.assemblyni.gov.uk/services/rsrchlib/research/reports/dept/fp/2010/pidgeon4510.pdf>

[3] Posner, P and Cheung-Keun Park (2007) 'Role of the Legislature in the Budget Process: recent trends and innovations' OECD Journal on Budgeting Vol. 7 No.3 available online

at: <http://www.oecd.org/dataoecd/42/27/43411793.pdf> (accessed 11 May 2010) (see page 13)

[4] Centre for Public Scrutiny 'Introduction to scrutiny' available online

at: <http://www.cfps.org.uk/introduction-to-scrutiny> (accessed 10 May 2010)

[5] The Centre for Public Scrutiny was created to help those who look at the effectiveness of public services. It is an independent not-for-profit company set up originally by the Improvement and Development Agency for Local Government, and incorporated as an independent organisation in 2003 by the Local Government Association, Chartered Institute of Public Finance and Accountancy and the Democratic Health Network of the Local Government Information Unit (see <http://www.cfps.org.uk/about-us>) (accessed 10 May 2010)

[6] Monitoring rounds are the process through which departments declare and give up any surplus allocations from their budget lines. These can then be reallocated to other departments in line with Executive priorities and emerging funding pressures.

[7] For terms of reference  
see: [http://archive.niassembly.gov.uk/finance/2007mandate/inquiries/executive\\_budget.htm](http://archive.niassembly.gov.uk/finance/2007mandate/inquiries/executive_budget.htm) (accessed 10 May 2010)

[8] The Scrutiny Unit (2008) 'The Scrutiny Unit: A guide to its work' available online  
at: [http://www.parliament.uk/documents/upload/SU\\_Leaflet\\_14\\_Nov\\_2008.pdf](http://www.parliament.uk/documents/upload/SU_Leaflet_14_Nov_2008.pdf) (accessed 10 May 2010)

[9] Liaison Committee (2006) Third Report available online  
at: [www.publications.parliament.uk/pa/cm200506/cmselect/cmliaisn/1685/1685.pdf](http://www.publications.parliament.uk/pa/cm200506/cmselect/cmliaisn/1685/1685.pdf) (accessed 10 May 2010)

[10] 'other' work includes supporting Public Bill Committees.

[11] Liaison Committee (2007) First report  
<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmliaisn/406/40602.htm> and personal communication

[12] Source: personal communication

[13] Source: personal communication

[14] Source: personal communication

[15] For a listing of recent reports by the NAO for select committees at Westminster  
see [http://www.nao.org.uk/about\\_us/what\\_we\\_do/support\\_to\\_parliament/select\\_committees.aspx](http://www.nao.org.uk/about_us/what_we_do/support_to_parliament/select_committees.aspx) (accessed 10 May 2010)

[16] Finance Committee 5th Report, 2009 (session 3) 'Report on the Review of the Budget process' <http://www.scottish.parliament.uk/S3/committees/finance/reports-09/fir09-05.htm> (see paragraph 97)

[17] Finance Committee 5th Report, 2009 (session 3) 'Report on the Review of the Budget process' <http://www.scottish.parliament.uk/S3/committees/finance/reports-09/fir09-05.htm> (see paragraph 100)

[18] Finance Committee 5th Report, 2009 (session 3) 'Report on the Review of the Budget process' <http://www.scottish.parliament.uk/S3/committees/finance/reports-09/fir09-05.htm> (see paragraph 98)

[19] Finance Committee 5th Report, 2009 (session 3) 'Report on the Review of the Budget process' <http://www.scottish.parliament.uk/S3/committees/finance/reports-09/fir09-05.htm> (see paragraph 102)

[20] Scottish Parliament news release 24 Sept 2009  
<http://www.scottish.parliament.uk/nmCentre/news/news-09/pa09-049.htm>

[21] Source: personal communication

[22] Finance Committee 5th Report, 2009 (session 3) 'Report on the Review of the Budget process' <http://www.scottish.parliament.uk/S3/committees/finance/reports-09/fir09-05.htm> (see paragraphs 108-114)

[23] Assembly Research paper 45/10 available online at: <http://assist.assemblyni.gov.uk/services/rsrchlib/research/reports/dept/fp/2010/pidgeon4510.pdf>

[24] Source: personal communication

[25] Source: personal communication

[26] NAW Finance Committee (2009) 'Report on the Welsh Assembly Government Draft Budget 2010-11' available online at <http://www.assemblywales.org/cr-ld7787-e.pdf> (accessed 10 May 2010) (see page 4)

[27] NI Assembly Research Paper (2008) 'Comparative Analysis: budget scrutiny in Northern Ireland and other legislatures' available online: <http://archive.niassembly.gov.uk/finance/2007mandate/research/080828.pdf>(accessed 10 May 2010)

[28] Department of Finance (2008) 'Public Financial Procedures – an outline' available online at: <http://www.finance.gov.ie/documents/publications/guidelines/pfpdec2008.pdf> (accessed 10 May 2010)

[29] Source: personal communication

[30] Liaison Committee (2008) 'The work of committees in 2007' [www.publications.parliament.uk/pa/cm200708/cmselect/cmliaisn/427/42706.htm#a207](http://www.publications.parliament.uk/pa/cm200708/cmselect/cmliaisn/427/42706.htm#a207)

[31] Public Administration Committee, Fourth Report, Session 2008-09, Work of the Committee in 2007-08, HC 42, para 17

[32] The Hansard Society is a political research and education charity which aims to strengthen parliamentary democracy and encourage greater public involvement in politics.

[33] Hansard Society (2006) 'The Fiscal Maze' <http://www.hansardsociety.org.uk/blogs/downloads/archive/2007/09/17/the-fiscal-maze-jul-2006.aspx>

[34] The FIAG was established in 1998 by the secretary of State for Scotland in 1998 to provide advice on the rules, procedures, standing orders and legislation which the Scottish Parliament might be invited to adopt for handling financial issues

[35] i.e. after it has already occurred

[36] FIAG Report (2000) 'Principles of the Scottish Parliament's Financial Procedures' available online at: <http://www.scotland.gov.uk/government/devolution/fiag-00.asp> (accessed 10 May 2010) (see paragraph 3.7)

[37] Bell, D submission to the Review of the Scottish Parliament's Budget process: <http://www.scotland.gov.uk/government/devolution/fiag-00.asp>

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

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

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

[41] Source: personal communication

[42] Source: personal communication.

[43] Report of the Standing Committee on the Library of Parliament of the House of Commons of Canada 'Report on the operations of the Parliamentary Budget Officer within the Library of Parliament' (June 2009) available at: <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=3993042&Language=E&Mode=1&Parl=40&Ses=2> (see page 2) (accessed 04 Nov 2009)

[44] see Government of Canada, Federal Accountability Action Plan, Highlights, <http://www.faa-lfi.gc.ca/docs/ap-pa/ap-pa00-eng.asp> (accessed 04 Nov 2009)

[45] The Governor in Council is another term for the Governor General of Canada – the representative of the Queen of Great Britain and Northern Ireland. (for further constitutional information on Canada see <http://canadaonline.about.com/cs/gg/a/ggrole.htm> )

[46] Full report available at: <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=3993042&Language=E&Mode=1&Parl=40&Ses=2> (accessed 04 Nov 2009)

[47] See pages 4-6 of the report.

[48] See page 8 of the report.

[49] See page 10 of the report

[50] See page 10 of the report

[51] See page 10 of the report

[52] See <http://www2.parl.gc.ca/Sites/PBO-DPB/index.aspx?Language=E> accessed 10 December 2009

[53] See <http://www.erini.ac.uk>

[54] See page 12 of the report

[55] See page 13 of the report

[56] Ibbitson, J (2009) 'The Man Who Knows Too Much' The Globe and Mail, available online at: <http://www.theglobeandmail.com/news/politics/the-man-who-knows-too-much/article1310535> (accessed 12 May 2010)

[57] Ibbitson, J (2009) 'The Man Who Knows Too Much' The Globe and Mail, available online at: <http://www.theglobeandmail.com/news/politics/the-man-who-knows-too-much/article1310535> (accessed 12 May 2010)



[58] Source: information provided to research services by the Director of the Budget Office.

[59] Mohamed, A (2008) 'New budget office will need sufficient expertise to give meaningful feedback' Cape Times

[60] A copy of the Budget Act 2001 was provided to research services by the Director of the Budget Office. It is not available freely online.

[61] Source: personal communication with the Director of the Budget Office

[62] 'Sessional committees' are established at the beginning of each session (whereas certain committees are 'standing') to function in different policy areas such as finance, planning and economic development; defence; foreign affairs; natural resources, and so on. For more information

see [http://www.parliament.go.ug/files/rules\\_of\\_procedure\\_for\\_the\\_8th\\_parliament\\_of\\_uganda.pdf](http://www.parliament.go.ug/files/rules_of_procedure_for_the_8th_parliament_of_uganda.pdf) (rule 159 to 161).

[63] The APR process is voluntary and open to members of the African Union. For more information see: <http://www.aprm-international.org> (accessed 06 Nov 2009)

[64] A copy of the report can be download from the 'Country Reports' page <http://www.aprm-international.org> (see page 148)

[65] See Executive Summary of the report page xli

[66] Posner, P and Cheung-Keun Park (2007) 'Role of the Legislature in the Budget Process: recent trends and innovations' OECD Journal on Budgeting Vol. 7 No.3 available online at: <http://www.oecd.org/dataoecd/42/27/43411793.pdf> (accessed 11 May 2010) (see page 15)

[67] Assembly Research paper 45/10 available online at: <http://assist.assemblyni.gov.uk/services/rsrchlib/research/reports/dept/fp/2010/pidgeon4510.pdf> (see pages 58-60)

[68] McDonald, C (2009) 'Profile of Committees of the Australian Parliament Undertaking Budget Review' available online at: <http://www.oecd.org/dataoecd/52/27/42466703.pdf> (accessed 10 May 2010) (see page 3)

[69] Assembly Research paper 45/10 available online at: <http://assist.assemblyni.gov.uk/services/rsrchlib/research/reports/dept/fp/2010/pidgeon4510.pdf> (see page 71)

[70] Assembly Research paper 45/10 available online at: <http://assist.assemblyni.gov.uk/services/rsrchlib/research/reports/dept/fp/2010/pidgeon4510.pdf> (see page 70)

[71] The Ministerial Coe is available online at: <http://www.northernireland.gov.uk/index/ministerial-code.htm> (accessed 04 May 2010)

[72] Available online at: <http://www.statutelaw.gov.uk/content.aspx?LegType=All+Legislation&title=northern+ireland+act&Year=1998&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&sortAlpha=0&TYPE=QS&PageNumber=1&NavFrom=0&parentActiveTextDocId=2045126&ActiveTextDocId=2045187&filesize=7268>(accessed 13 May 2010)



## Research and Library Service Briefing Note

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Paper 000/00 26 May 2010 NIAR 243-10

Colin Pidgeon

### **Resources for budget scrutiny: preliminary assessment of options costs**

#### **Background**

This Briefing Note has been produced to give a preliminary assessment of the costs of the five options for supporting Members in Assembly Research Paper Resources for Budget Scrutiny (presented to the Committee for Finance and Personnel on 19 May 2010).

#### **1. Options for resourcing budget scrutiny**

##### **Option one**

The Committee for Finance and Personnel could appoint an adviser and recommend to the other Statutory Committees that they do the same at least for the period of consideration of a draft budget or engagement with their respective departments over their requests for resources.

##### **Option two**

The Executive could be asked to establish a unit (within DFP or perhaps OFMDFM) to provide the Assembly with analysis.

##### **Option three**

The Assembly Secretariat could enhance the Research and Library Services with a dedicated public finance scrutiny unit.

##### **Option four**

The Assembly Secretariat could be asked to redesign its staffing structure to incorporate public finance expertise within the Clerking Directorate.

##### **Option five**

The Assembly could decide to establish a parliamentary budget office, independent of the Secretariat, or located somewhere within it.

## **Declaration of Interest**

This assessment was prepared with objectivity by the Research and Library Service. Please note, however, that option three relates to an extension of the capacity of the Service. While the highest standards of professionalism have been applied in preparing this briefing, the potential conflict of interest is hereby recognised.

## **2. Cost assessment of options**

The analysis below focuses on assumed salary costs plus additional employer costs for National Insurance and pension contributions. A flat percentage of 23.8% is applied for employer costs.

### **Option one**

There have been few uses of the facility for Assembly Committees to engage special advisers.

For the period April 2008 to May 2009 one Committee procured specialist advice on technical issues at a cost of £30,000.

Another Committee engaged an adviser from January to September 2009 at a cost of £14,000.

Allowing for an inflationary increase of 2.5% per annum, it is assumed that the Committee for Finance and Personnel could recruit an adviser for £31,500 for a year.

If the eleven other Statutory Committee each engaged advisers for a one-month period at the same rate the cost would be:

$£31,500/12 = £2,625$ .  $£2,625 \times 11 = £28,875$ .

Total option cost = £60,375.

Note: for this option no employer costs have been included on the basis that advisers would be self-employed and paid on invoice. There would be procurement costs however.

### **Option two**

If the NICS were to provide a scrutiny-support unit there would be no direct cost to the Assembly. It seems reasonable to assume, however, that the Assembly would be cross-charged for the costs.

It is difficult to second-guess the structure that might be established by the NICS in response to a request from the Assembly. While it would be possible to estimate some costs based on an assumed staffing level for such a unit, it would not be a reliable figure.

It is however safe to assume that the cost of a unit within the NICS would not be significantly different from one established within the Assembly Secretariat; such a unit would be an extension of existing resources rather than the establishment of an entirely new structure. It might be staffed entirely through redeployment or through new recruitments. For the purposes

of this assessment, therefore, it is assumed the cost would be broadly similar to that presented for Option three below.

### **Option three**

The Research and Library Service currently has two researchers specialising in public finance and two further researchers with relevant expertise (in econometrics and demography) are currently being recruited. The figures below are for additional staff that would be required to staff a public finance scrutiny unit located within the Research and Library Service.

It is assumed that the new unit would require a manager at Assembly Grade 4. An additional resource of a trained accountant/auditor at Assembly Grade 5 and an executive officer at Assembly Grade 7.

On current pay scales, the salary for a new entrants would be:

$$(AG4) \text{ £41,391} + (AG5) \text{ £32,643} + (AG7) \text{ £23,066} = \text{£97,100}$$

$$\text{£97,100} \times 23.8\% = \text{£23,110}$$

$$\text{Total option cost} = \text{£120,210}$$

Note: this assumes that only the additional staff salary costs could be attributed to the budget-scrutiny role. The existing staff complement also has an attached costs.

### **Option four**

Recruitment of an additional member of staff to each Statutory Committee staffing team would mean twelve additional staff at Assembly Grade 6

$$(AG6) \text{ £27,764} \times 12 = \text{£333,168}$$

$$\text{£333,168} \times 23.8\% = \text{£79,294}$$

$$\text{Total option cost} = \text{£412,462}$$

### **Option five**

The option of establishing a Parliamentary Budget Office is, similar to Option two, difficult to assess; no concrete proposal for what a Northern Ireland PBO would do - or where it would be situated in a governance and accountability framework - has been put forward. Therefore an attempt to cost a PBO for Northern Ireland is based on a number of judgements and assumptions.

For this assessment it is assumed that a Northern Ireland Parliamentary Budget Office would be small scale and independent of the Executive and the Assembly. To attract the right level of expertise, it would require the senior officer to be at least equivalent to the most junior level of the Senior Civil Service – i.e. Grade 5/Assistant Secretary.

It is also assumed that it would need a similar level of staffing to a unit within the NICS or the Assembly: a manager at Grade 7/Principal level, plus five staff at Deputy Principal level

(economist/financial analyst/accountant etc) and a data manager at Executive Officer level. Civil service pay scales have been used on the basis that these would be the most likely benchmark.

(Grade 5) £57,300 + (Grade 7) £39,823 + (DP) 30,142 x 5 + (EO) 20,801 = £268,634

£268,634 x 23.8% = £63,935

Total option cost = £332,569

Note: An independent Parliamentary Budget Office would also have additional fixed costs which would not apply significantly to the other options. For example, rental of office accommodation, purchase of IT equipment and might need additional support staffing.

### Limitations of this analysis

A number of limitations to the analysis have already been identified under some of the options. In addition, no attempt has been made to quantify other running costs such as stationery, printing and postage for example. It is assumed that under any of the options these costs would be relatively similar.

The focus on salary and employer costs ignores accommodation costs. Whilst it is reasonable to assume that under Options one to four accommodation could be found within Parliament Buildings or the existing government estate under Option five there may be an additional hard cost. This is assumed because some other extra-Parliamentary bodies like the Boundaries Commission charge directly to the Consolidated Fund.

### 3. Non-monetary assessment of options

Cost is one factor. An essential element of an appraisal is also to attempt evaluate non-cost factors to which a monetary value cannot easily be applied. This can be achieved by using a weighting and scoring method.

**Table 1: Criteria and Weightings**

Criterion No.	Description	Weighting
1	Provides appropriate level of expertise	35
2	Provides continuity of advice	25
3	Provides support to all Assembly Members and Committees and their staffs.	25
4	Easily and quickly implemented put in place	15
	Total	100

### Rationale for weighting

#### Criterion 1

It is important that the resource for supporting the Assembly in its budget-scrutiny role has a sufficient level of expertise in terms of policy analysis, financial and economic analysis, accountancy/audit skills, and statistics. The facility would otherwise be of little value.

## Criterion 2

Budgets are developed with a view beyond the immediate term. Continuity of advice is therefore important. The resource should be able to develop skills, expertise and sector and policy-specific expertise over a sustained period.

## Criterion 3

The resource should be available to all Assembly Members, Committees, and their staff. A resource restricted to a particular client base would be of less value.

## Criterion 4

The resource should be capable of being established without the need for legislation or protracted negotiation. Whilst this is important, the lowest weighting has been given on the basis that it's more important to get the right resources in than to get the wrong resources more quickly.

## Non-monetary scoring

Each option is given a score out of ten against each of the criteria. This is then multiplied by the weighting so it is possible to give a ranking. Note that each option has been scored as it was originally presented. It may be possible that with some changes in the design of one option that the scorings would change relative to the other options.

**Table 2: Non-monetary scores (weighted score)**

Criterion No.	Weighting	Option 1	Option 2	Option 3	Option 4	Option 5
1	35	5 (175)	7 (245)	7 (245)	3 (105)	9 (315)
2	25	2 (50)	6 (150)	7 (175)	7 (175)	7 (175)
3	25	5 (125)	7 (175)	8 (200)	5 (125)	8 (200)
4	15	6 (90)	3 (45)	5 (75)	5 (75)	1 (15)
Total	100	440	615	695	480	705

## Rationale for scoring of options

### Criterion 1

The potential prestige of an independent Parliamentary Budget Office, plus senior level of the top post, suggests that it may be able to attract highly qualified candidates. Both Options two and three are likely to attract a similar level of expertise given that they are pitched at the same earnings level and reasonably attractive terms and conditions. Option one scores less well because while individuals may provide a very high level of expertise in their field, the breadth of the expertise is as unlikely to be as wide as that provided by a team from a range of backgrounds. A team should also be able to produce more output. Finally, it is considered that Option four is least likely to attract the expertise required because of the salary level.

### Criterion 2

Options three, four and five are assessed to be the same in terms of retention of expertise and continuity of support. Option two scores lower because civil servants are probably more career

mobile than the Assembly Secretariat staff are or PBO staff would be. Option one scores lowly because a series of fixed term contracts is unlikely to provide continuity over a number of budgetary cycles.

### **Criterion 3**

Options one and four score the same because, while support would be available only to Statutory Committees, there would be coverage across all of them. Options three and five also score equally because the Research Service is already established in that role and the PBO would aim for a similar focus of service. Option two seems likely to be less available because it would lack the proximity. It might also suffer from a lack of trust.

### **Criterion 4**

Option five would take the longest to establish because it would need to be established in statute. Option two also scores lowly because it is anticipated that a unit established within the NICS would take considerable period of negotiation to establish. The necessary statutory provisions are in place for Options one, three and four. Option one may be implemented more quickly because it would be a procurement process rather than a recruitment exercise.

## **4. Ranking**

The table below ranks the options in terms of cost and non-monetary assessment. Ranks are given from 1 (best i.e. lowest cost, highest non-monetary score) to five (worst i.e. highest cost, lowest non-monetary score.)

**Table 3: Comparison of cost and non-monetary assessments**

Option No.	Cost assessment	Non-monetary assessment
Option 1	1	5
Option 2	=2	3
Option 3	=2	2
Option 4	5	4
Option 5	4	1

### **Weighting of rankings**

No attempt has been made in this assessment to attach weights to the cost and non-monetary scores. It was noted in the Research Paper that, in the current public spending climate, cost is likely to be a significant factor. But it could also be argued that the responsiveness and effectiveness of the resource in non-monetary terms is equally important: it is left for Members to consider what the relative weight of the factors should be.

### **Analysis of rankings**

On the basis on this assessment, Option four can be discounted immediately. It was assessed as the highest cost option but does not deliver highly rated non-monetary benefits.

Option one is the least costly but also least likely to deliver significant non-monetary benefits. It is possible that this option could be designed in a different way from that presented and the

benefits be increased – for example some kind of pool or call-off system could be developed to give a range of expertise to Committees and also perhaps to Members.

Option five was assessed as marginally delivering the most non-monetary benefit, but at relatively high cost in salary terms.

For reasons explained above, Options two and three were assessed as equal in cost terms. Option three scored slightly more in non-monetary benefit, but it was relatively marginal. A more significant issue than the weighted scores may be whether option two is considered politically acceptable in terms of the separation between the legislature and the executive; essentially this a question of whether Members could place sufficient trust in a resource based in an Executive department and whether the officials would find the conflict of simultaneously serving two different political actors manageable.



## Research and Library Service Briefing Note

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Paper 000/00 20 October 2010 NIAR 507-10

Colin Pidgeon

### **Provision of budgetary information to the legislature: some considerations for the Northern Ireland Assembly**

#### **1. Background**

It was identified in Assembly Research Paper 45/10<sup>[1]</sup> that the provision of budgetary information to the Assembly by the Executive could, indeed should, be improved.

Responding to questions following a debate in plenary on Assembly scrutiny of the Executive's budget and expenditure, the Minister of Finance commented:

It is fine for Members to say that they want more information and to have it presented in a more transparent and timely manner, but it would be useful if they made it clear how that information could be more usefully presented and how the debates and discussions throughout the process might best be conducted.<sup>[2]</sup>

The purpose of this briefing note is to raise some of the considerations relating to the provision of information and to look at some models from other jurisdictions that might usefully be adapted and applied in the Assembly.



## 2. The provision of budgetary information to the legislature.

There are two important elements to the question of the provision of budgetary and financial information by the Executive to the legislature:

- How to ensure the flow of information; and,
- What information should be asked for.

The Scottish Parliament's Financial Scrutiny Unit (FSU) has suggested that there are two distinct parts to the 'what':<sup>[3]</sup>

- Regular budget information (which may need to be specified precisely up front); and,
- Other information that may be required outside of the budget cycle - in other words, additional information at a time determined by business and scrutiny requirements.

The main body of this note is concerned less with the 'what' and more with the 'how', which is explored in the following section.

### 2.1 Possible mechanisms for ensuring the flow of information.

Three options for ensuring that information is provided in a useful form and in a timely manner have been identified.

#### Memorandum of understanding

The Scottish Government has agreed a memorandum of understanding (MOU) with the Scottish Parliament Information Service (SPICe). This is attached at Appendix 1. The MOU places requirements on the FSU to consider, among other things, other sources of information before contacting officials.

Officials who are contacted are required to "respond positively and timeously wherever possible" in keeping with the spirit of Scottish Freedom of Information legislation. Information to be provided is to be factual and officials "must not be drawn into debate on the merits of policy options".

The FSU has advised that provision of information under the MOU has been "inconsistent".<sup>[4]</sup> It appears the issue is not so much the content of the information but the timing. Usually SPICe gets it too late in the cycle for it to be of any use to Committees ex-ante (i.e. in advance of decisions being made). The FSU has requested information at official level in advance for Budget 2010 but is still waiting to see what is provided and when – this could be seen as an inherent weakness of the MOU approach: by definition an MOU is an agreement between parties and if one or other of those parties doesn't abide by the terms of it then it is of limited value.

There are some additional considerations in relation to the Scottish experience:

- The MOU is between the Parliament's research service and the Executive. An MOU for the Northern Ireland Assembly and the Executive might carry more weight if it were agreed between the Executive and, perhaps, the Chairpersons' Liaison Group or the Assembly Commission; and,
- The Northern Ireland Assembly institutionalises power-sharing. This potentially reduces the level of competition between the executive and the legislature (albeit perhaps

increasing competition within each element of the state.) If so, an MOU might carry additional weight and be more effective.

## Standing Orders

It may be possible to strengthen Standing Orders to ensure the flow of information. New Zealand Parliament may be a model, although it would be helpful to understand how the existing Assembly Committee powers would operate in practice to see if the process is any different from what is used in New Zealand.

This option was raised in a previous Assembly Research paper:

### Committee powers in the New Zealand Parliament

The powers of committees to require information are clearly spelt out in standing orders:

#### 192 Exercise of power to send for persons, papers and records

(1) A committee with the power to send for persons, papers and records may order that a summons be issued to any person—

(a) to attend before that committee to be examined and give evidence:

(b) to produce papers and records in that person's possession, custody or control to that committee.

(2) Every summons issued under this Standing Order—

(a) must state the time and place at which it is to be complied with by the person to whom it is addressed, and

(b) is signed by the Speaker and served upon the person concerned under the Speaker's direction.<sup>[5]</sup>

It is possible that the provision of an express power to issue a summons which calls for papers and records may be a model for strengthening Assembly Committees' powers to get briefing from Ministers and departments on financial and other issues, when – in recent months at least – this has proved problematic. The fact that a time and date may be specified may be of particular interest.

A committee in New Zealand must apply to the Speaker for a summons to be issued. The Speaker must be satisfied that:

(a) the evidence, papers or records sought by the committee are necessary to its proceedings, and

(b) the committee has taken all reasonable steps to obtain the evidence, papers or records.<sup>[6]</sup>

This provision appears to be designed to prevent spurious summons being issued, or committees issuing summons before they have gone through less formal channels.<sup>[7]</sup>

Some observations in relation to this approach are:

- The view of the FSU in the Scottish Parliament was that the power to call for "persons or papers" would be restricted in relation to papers in that one would have to be able to identify a specific paper in order to call for it: if you don't know it exists you can't call for it. In practice this might be got round by calling for persons to answer the specific questions and requiring them to produce a paper. The Committee may wish to seek legal advice on this issue in the event that Members are interested in pursuing this approach.
- The practical application of the Assembly Committees' powers to call for persons and papers have not been tested. It may be that the practical outworking of the existing power would be similar.
- There is a question to what extent Standing Orders can require persons outside the institution of the Northern Ireland Assembly to do anything at all.

The Committee has stated its intention to "liaise with the Assembly Committee on Procedures to examine how the Assembly's scrutiny of the Executive's Budget and expenditure might be underpinned by having a stronger procedural basis in Assembly Standing Orders."<sup>[8]</sup> These considerations may helpfully feed into this process.

## Primary legislation

There are examples from other jurisdictions where the issue of the provision of information to the legislature is embodied in statute.

The Canadian Parliamentary Budget Officer has statutory powers to call for information. Section 79.3 (1) of the Parliament of Canada Act states:

79.3 (1) Except as provided by any other Act of Parliament that expressly refers to this subsection, the Parliamentary Budget Officer is entitled, by request made to the deputy head of a department within the meaning of any of paragraphs (a), (a.1) and (d) of the definition "department" in section 2 of the Financial Administration Act, or to any other person designated by that deputy head for the purpose of this section, to free and timely access to any financial or economic data in the possession of the department that are required for the performance of his or her mandate.<sup>[9]</sup> [emphasis added]

Another interesting provision is in South African legislation. The Money Bills Amendment Procedure and Related Matters Act, 2009<sup>[10]</sup> section 15(9) states:

(9) The Director shall be obliged to report to Parliament any inappropriate political or executive interference to prevent the office from providing independent, objective and professional advice on matters related to the budget and other money Bills.

Finally, there are examples of statutory access to information powers in the legislation governing audit bodies. For example, Article 10 of the Audit (Northern Ireland) Order 1987 gives the Comptroller and Auditor General:

...a right of access at all reasonable times to all such documents as he may reasonably require for carrying out any examination [relating to his functions] and shall be entitled to require from any person holding or accountable for any such document such information and explanation as are reasonably necessary for that purpose. <sup>[11]</sup>

Some considerations in relation to introducing a statutory requirement are:

- Primary legislation takes a considerable length of time to enact, and therefore would be of no benefit for the Budget 2010 process, although this doesn't necessarily mean that the idea should be discounted for the future;
- The Canadian Parliamentary Budget Officer has repeatedly clashed with the Executive. His approach has been to publish all requests for information – presumably to highlight and 'shame' responses which he perceives to be inadequate.<sup>[12]</sup> In summary, the process of establishing the PBO in Canada has not been pain free. But, if the powers to obtain information were vested in the Northern Ireland Assembly rather than an individual (albeit statutory) officer, there may be less potential for difficulties of this nature to arise.
- The South African legislation appears on the face of it to go even further by giving a statutory basis to 'naming and shaming'. Indeed, it actually requires the director to report "inappropriate political or executive interference" in the work of the South African Budget Office. These are strong and emotive terms. An additional consideration, if following that model, would be on whom the requirement to report would rest – the Chairperson of the Committee, perhaps?

## 2.2 What information is required?

In Scotland the draft budget breaks down expenditure to what is referred to as 'level 3' detail. The FSU produced a briefing which contains links to spreadsheets with this level of data.<sup>[13]</sup> In some instances the FSU has been able to obtain the next level of data below that. This an example of 'level 4' data:

<http://www.scottish.parliament.uk/business/financialscrutiny/documents/DraftBudget2010-11Level4.xls>

It appears reasonable that Northern Ireland Assembly Committees would be seeking to obtain the equivalent to level 4 for their respective departments.

There is however a difficulty that may arise: a 'level 3' breakdown includes allocations to external bodies such as health boards and local authorities. It is then up to those bodies how to utilise their allocation, not the sponsoring central government departments. So to get more detail, this may have to be sourced from those bodies themselves. But at the time of the budget process it may be that such bodies have not developed plans – they may well – and perfectly rationally - wait until they know what their finalised allocations are before going through the planning process in detail.

### Best practice

In Joachim Wehner's recent book Legislatures and the Budget Process<sup>[14]</sup> the author notes:

To some extent a legislature can shift the burden of acquiring relevant information to the executive by requiring by statute the provision of information that meets international standards for fiscal transparency.

There are two sources of international best practice – from the OECD and the IMF<sup>[15][16]</sup> - and the Assembly may wish to rely at least in part on these in developing its requirements for information.

For example, 3.2.2 of the IMF Code suggests that:

Fiscal data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category.

It would certainly be helpful if budgetary information could be provided in a structured form. Another classification system used for recording expenditure is Classification of Functions of Government (COFOG).<sup>[17]</sup> In furthering its engagement with the Executive and other Assembly Committees, the Committee for Finance and Personnel may want to consider whether such a classification system may be of benefit. On the other hand, introducing a new requirement might be excessively onerous and unjustifiable in cost terms. It would be helpful if the Department of Finance and Personnel could provide the Committee with briefing on the level of data that is already available to inform further consideration.

## **Appendix 1**

### **Agreement between the Scottish Government and the Scottish Parliament Financial Scrutiny Unit**

#### **Introduction**

This document builds on the current guidance which regulates contacts and information sharing between the Scottish Government and the Scottish Parliament's Information Centre "Guidance on Contacts with the Scottish Parliament Information Centre (SPICe)" It sets out an understanding between the Scottish Government and the Scottish Parliament's Financial Scrutiny Unit (FSU) and focuses particularly on the handling of requests for information from the FSU.

#### **Role of FSU**

The FSU was established on 26 October 2009. It is a new research and analytical team which sits within SPICe. The purpose of the FSU is to aid the scrutiny of the public finances in Scotland by parliamentary committees and individual Members. It was created by the Scottish Parliamentary Corporate Body (SPCB) with cross-party parliamentary support from the Finance Committee and the Conveners' Group. Writing to the Finance Committee (1 October 2009), the Cabinet Secretary for Finance and Sustainable Growth said that the Scottish Government would be happy to discuss "arrangements and procedures to enable the proposed Financial Scrutiny Unit to have appropriate access to information held by the Scottish Government."

The work of the Unit may include producing:

- Analysis of costings of Government policy and legislation
- Estimates of costings and impacts of alternative spending proposals
- Detailed analysis of the Scottish Government's budget documents
- Work in conjunction with Scottish Parliament committees' budget advisers to provide further analysis of budget portfolios
- Monitoring and tracking different aspects of Government expenditure
- Resources, such as budget spreadsheets, to allow further analysis to be carried out directly
- Short briefings on specific topics of particular interest to committees and the wider parliament.

The FSU provides a quick and straightforward means of providing MSPs with much information related to public finance. The more relevant information that SPICe holds or has access to, the better the service that it will be able to provide to MSPs who may, in turn, be less likely to approach the Scottish Government directly for information – either by lodging a Parliamentary Question or by other means.

The FSU will only be able to provide Parliamentarians with these services if it has reasonable and timely access to financial and budget data held by the Scottish Government and related bodies. The co-operation of the Scottish Government, therefore, is essential to enabling effective scrutiny of government expenditure.

As noted in the earlier protocol, the Scottish Government is a key source of information for SPICe staff as a whole. For its part, SPICe can play an important role in channelling Government information to MSPs quickly. The main message that this agreement seeks to convey is that it is important for all concerned that staff of the Scottish Government and the FSU should work together effectively, and that they should be aware of the different contexts in which they operate and also the legislation under which they operate.

## **Freedom of Information (Scotland) Act 2002**

While the Freedom of Information (Scotland) Act 2002 (FOISA) establishes a legal right of access by anyone to all recorded information, subject to certain conditions and exemptions, requests for information received from SPICe / FSU, whether received by telephone or in writing, will be not normally be treated as FOI requests. However, they should be handled as quickly and informally as possible, whilst working within the spirit of FOISA. This is because of the nature of the working relationship between SPICe and Scottish Government officials, and because SPICe and FSU staff may be acting as intermediaries and making the requests on behalf of others. If, on rare occasions, SPICe or FSU staff wish to have an information request treated within the full FOISA regime then this will be specifically noted in the written request. SPICe / FSU will also state the reasons for wishing to use this route.

## **FSU Requests for Information**

The following paragraphs set out the requirements on FSU staff and Scottish Government officials when information requests are made.

SPICe / FSU staff seeking financial or budget information will:

- consider other possible sources and the demands on Scottish Government officials' time before deciding to approach them for assistance;
- approach officials at Branch Head (generally C1) or above. SPICe / FSU staff have access to the Scottish Government Business Directory. They will use this to try to identify the relevant Branch Head. Where the relevant person is not readily available, or where grade or position is not clear from the Business Directory, they will contact the Deputy Director or other person in the branch or directorate instead;
- all requests and replies to be copied to Scottish Government Finance Co-ordination mailbox;
- respect the constraints placed upon civil servants by virtue of their relationship with Ministers and also, if applicable, by the FOISA
- respect the anonymity of officials providing the information. They will not pass the names of officials to MSPs or their staff nor will they give their client's name to officials. If the request is submitted in writing and specifically requested to be considered under

the FOISA, they will need to provide a name and address for correspondence; but it will be their own even if they are requesting the information on behalf of an MSP.

### **Scottish Government officials who are approached should:**

- ensure that any queries are handled by the Branch Head (or above) best placed to deal with them. If the relevant official is in any doubt about the propriety of offering particular information, he/she should consult his/her Senior Lead Officer (SLO) for FOI for advice;
- respond positively and timeously wherever possible, in keeping with the spirit of FOISA. If dealing with the request under the FOISA the response should be given promptly but in any case being mindful of the 20 working day timescale following receipt of the request. They should be conscious that SPICe / FSU staff are frequently operating to tight deadlines;
- set out, as clearly as possible, the factual information required. Officials must not be drawn into debate on the merits of policy options and must give due consideration to the terms of FOISA if responding in accordance with either of these pieces of legislation; and
- respect the confidentiality under which SPICe / FSU operates. Where they are pursuing queries on behalf of an MSP, SPICe / FSU staff will not be at liberty to reveal the name of the MSP, nor of anyone else, initiating the query. Civil servants should not press them to do so or refuse to assist them for this reason.

### **Review of Agreement**

This agreement should be kept under regular review by both the Scottish Government and the Financial Scrutiny Unit.

[1]<http://archive.niassembly.gov.uk/researchandlibrary/2010/4510.pdf> (see Recommendations 1 and 2)

[2]<http://archive.niassembly.gov.uk/record/reports2010/100920.pdf> (see page 138)

[3] Source: personal communication

[4] Source: personal communication

[5] New Zealand Parliament (2008) Standing Orders of the House of Representatives available online at: [http://www.parliament.nz/NR/rdonlyres/81D0893A-FFF2-47A3-9311-6358590BEB3D/100828/standingorders2008\\_5.pdf](http://www.parliament.nz/NR/rdonlyres/81D0893A-FFF2-47A3-9311-6358590BEB3D/100828/standingorders2008_5.pdf) (accessed 05 May 2010) (see page 65)

[6] New Zealand Parliament (2008) Standing Orders of the House of Representatives available online at: [http://www.parliament.nz/NR/rdonlyres/81D0893A-FFF2-47A3-9311-6358590BEB3D/100828/standingorders2008\\_5.pdf](http://www.parliament.nz/NR/rdonlyres/81D0893A-FFF2-47A3-9311-6358590BEB3D/100828/standingorders2008_5.pdf) (accessed 05 May 2010) (see page 65)

[7]<http://archive.niassembly.gov.uk/researchandlibrary/2010/4510.pdf> (see page 57)

[8][http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report\\_41\\_09\\_10R.html#3](http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_41_09_10R.html#3) (see paragraph 8 in Key Conclusions and Recommendations)

[9] See Parliament of Canada Act available online at: <http://laws.justice.gc.ca/PDF/Statute/P/P-1.pdf> (accessed 13 October 2010)

[10][http://www.ffc.co.za/docs/acts/Money Bills Amendment Procedure and Related Matters Act.pdf](http://www.ffc.co.za/docs/acts/Money_Bills_Amendment_Procedure_and_Related_Matters_Act.pdf) )

[11]<http://www.legislation.gov.uk/nisi/1987/460/article/10/made>

[12] See, for example, <http://www.bloomberg.com/news/2010-09-02/-naive-canada-budget-officer-page-says-he-won-t-see-new-mandate-in-2013.html>

[13]<http://www.scottish.parliament.uk/business/research/briefings-09/SB09-66.pdf>

[14] Wehner J (2010) 'Legislatures and the Budget Process' Palgrave MacMillan, Hampshire

[15] OECD (2002) 'Best practices for Budget Transparency' <http://www.oecd.org/dataoecd/33/13/1905258.pdf>

[16] IMF (2007) 'Code of good practice for fiscal transparency' <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf>

[17] See <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>



Paper 000/00 10 February 2011 NIAR 51-11

Colin Pidgeon

## **Scrutiny procedures for the Scottish Parliamentary Corporate Body and National Assembly for Wales Commission Budget proposals**

This briefing note is to support consideration by the Committee for Finance and Personnel of the practices and procedures used for agreeing the budget of the legislatures in Scotland and Wales. Practices in other Organisation for Economic Cooperation and Development (OECD) member countries are also reported.

### **Key issues**

- The practices and procedures for agreeing the budgets of the devolved legislatures in Scotland and Wales are codified in written agreements and/or Standing Orders;



- In both cases there is a specific role for the finance committees of the respective legislatures to undertake a scrutiny/challenge function in relation to the budget proposals and to formally report to the house;
- The practices and procedures for agreeing the budget of the devolved legislature in Northern Ireland are not formally codified; and,
- The arrangements in Northern Ireland seem to fall into a different category of process (as identified by the OECD) from the other UK devolved legislatures.

## 1. Introduction

The purpose of this Briefing Note is to explain the process through which budgetary allocations for funding the corporate bodies of the Scottish parliament and the National Assembly for Wales are scrutinised by elected representatives and determined for inclusion in national budgets. Approaches to agreeing the legislature's budget in OECD countries are also briefly presented.

At present there is no formal mechanism that requires the Northern Ireland Assembly Commission's budget proposals to be scrutinised by an Assembly committee. Neither is there a formal established mechanism for Members to debate those proposals outside of the budgetary process for the agreement of estimates through an appropriation act – although it should be noted that there was some debate of the Commission's budget proposals during the debate on the 'take note' motion tabled by the Committee for Finance and Personnel on 31 January 2011.<sup>[1]</sup>

### 1.1 The Northern Ireland Assembly Commission

The Northern Ireland Assembly Commission (NIA Commission) was established by section 40 of the Northern Ireland 1998 (c.47).<sup>[2]</sup> Section 40(4) of that Act requires the NIA Commission to:

... provide the Assembly, or ensure that the Assembly is provided, with the property, staff and services required for the Assembly's purposes.

### 1.2 Procedures for presenting NIA Commission budget proposals

Assembly Research paper 45/10 Considerations for Reform of the Budget Process in Northern Ireland noted the gap in process from a transparency perspective and recommended:

...The Assembly's own budget allocation should be more transparent. Good practice suggests that the Assembly rather than the Executive should be responsible for setting the Assembly's budget.

- The Assembly's request for resources should be debated as a separate issue not only as part of the Executive's budget proposals.
- The Assembly should be required (perhaps through statute) to ensure that its requests for resources are benchmarked against and broadly in line with other constitutional entities.<sup>[3]</sup>

This recommendation was underpinned by reference to an International Monetary Fund document Role of the Legislature in Budget Processes which states:

Parliament can perform its role effectively when it is adequately funded and when it has autonomy for preparing its own budget. Many OECD countries' legislatures prepare their own budgets, which typically are not altered by the executive.<sup>[4]</sup>

Two good practice points are also suggested:

- While parliaments' budget should be prepared independently from that of the executive, parliaments should nonetheless be subject to the same general procedures for executing and reporting on spending of their own budgets.
- In particular, parliaments should not abuse their powers by increasing parliament's operating and investment expenses so that they become out of line with other national constitutional entities (e.g., expenses of the judiciary, the external auditor).<sup>[5]</sup>

Speaking in November 2010 on a motion regarding the Assembly's running costs, Mark Durkan MLA referred to consideration of the issue that had taken place during his time as Minister of Finance:

...early in the life of devolution, the Assembly Commission wanted its vote to be separate from the vote for the devolved block. It wanted separate votes in Westminster for the NIO, the Executive and the Assembly Commission. There were discussions between us and the Commission. We agreed on the existing protocols under which the Executive receive the Assembly Commission's bids through the Minister of Finance and Personnel, but the Assembly Commission tries to have its own controls.<sup>[6]</sup>

There appear to be no formal procedures either in the Northern Ireland Assembly's Standing Orders and related legislation, or in written agreements for the NIA Commission's draft budget to be presented either to the Assembly or an Assembly committee. Nor has it been possible to find a written protocol that sets out how the NIA Commission's budget proposals are to be incorporated into the Executive's processes. The protocols referred to by Mr Durkan appear therefore to be in the form of an unwritten agreement or convention.

Department of Finance and Personnel guidance to NICS departments for the Budget 2010 process stated:

In line with previous arrangements, the NI Assembly and the NI Audit Office will be provided with the level of funding required by each organisation (both current expenditure and capital investment) in order to carry out their respective functions.<sup>[7]</sup>

Again, this seems to imply that there are settled arrangements for the NIA Commission budget proposals. In the course of the research presented in this paper it has not been possible to identify a codification of such arrangements.

Sections 2 and 3 of this paper present the arrangements in Scotland and Wales – which are codified - for consideration.

### **1.3 Direction of the NIA Commission**

Section 40(5) of the Northern Ireland Act 1998 (c.47) provides that:

The Assembly may give special or general directions to the Commission for the purpose of or in connection with the exercise of the Commission's functions.<sup>[8]</sup>

As can be seen from sections 2.2 and 3.2 of this paper, very similar provisions are contained within the Government of Wales Act 2006 and the Scotland Act 1998.

On 8 November 2010, the Assembly passed the following motion:

That this Assembly notes with concern the likely reduction in the block grant that will be brought about by the comprehensive spending review; and calls on the Assembly Commission to reduce its running costs in line with the level of reduction faced by Executive Departments.<sup>[9]</sup>

On the face of it, this is a clear instance of the Assembly expressing its will that the NIA Commission should benchmark its spending proposals against the reductions of other public bodies.

## **2. The National Assembly for Wales Commission**

The National Assembly for Wales Commission (NAW Commission) was established by section 27 of the Government of Wales Act 2006 (c.32).<sup>[10]</sup> It has equivalent functions to the NIA Commission. Under section 27(5) of that Act It must:

(a) provide to the Assembly, or

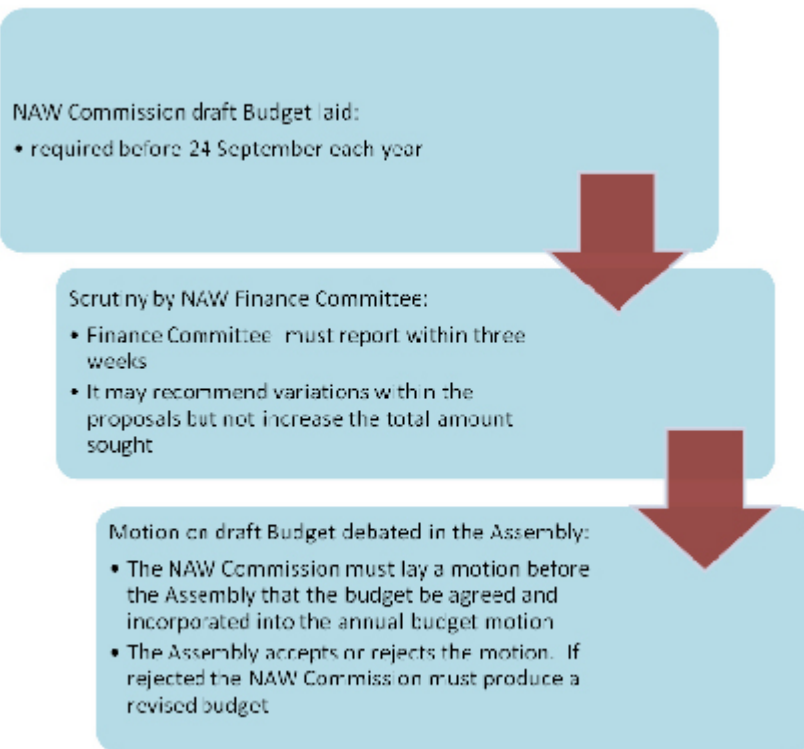
(b) ensure that the Assembly is provided with,

the property, staff and services required for the Assembly's purposes.

### **2.1 Procedures for presenting NAW Commission budget proposals**

The process for agreement of, or amendment to, the NAW Commission budget proposals is set out in the Standing Orders of the National Assembly for Wales (see Appendix 1).

These procedures provide for the following stages:



The third stage may be repeated. If the NAW Commission does not present a draft Budget which is acceptable to the Assembly by 20 November, then a default budget is incorporated into the annual budget motion. The default budget is 95% of the amount authorised for the previous financial year.

## 2.2 Direction of the NAW Commission

Section 27(6) of the Government of Wales Act 2006 provides that:

The Assembly may give special or general directions to the Assembly Commission for the purpose of, or in connection with, the exercise of the Assembly Commission's functions.<sup>[11]</sup>

It seems feasible (and this should not be taken as legal advice) that such a direction could include a suggestion of the level of resources that the NAW Commission should incorporate into its draft budget – akin to the motion that was passed by the Northern Ireland Assembly on 8 November 2010. (see section 1.3 above)

The Assembly itself cannot amend the draft budget – it may simply accept or reject it. The process involves the Commission and the Assembly; there is not a separate role for the Welsh Ministers (the equivalent of the Northern Ireland Executive) beyond agreeing the period which the draft Budget is to cover (under Standing Order 27(7)).

## 2.3 Effectiveness of the arrangements

During 2010 the National Assembly for Wales' Business Committee undertook a review of the Assembly's Standing Orders.<sup>[12]</sup> This review is ongoing but it is not anticipated to result in amendments to the way in which the NAW Commission's budget is considered.<sup>[13]</sup>

The following input to the review from the Finance Committee is nevertheless relevant:

[Standing Order] 27 sets out the procedures for the scrutiny of the Government's and other budgets drawn from the consolidated fund. The Finance Committee is broadly content with the scrutiny mechanisms they embrace but notes that in 3 of the last 4 years it has been necessary to suspend Standing Orders to deal with issues arising due to timing issues. The Finance Committee considers that a better approach would be for Standing Orders to set out the principles that apply to the various budget scrutinies and the time that should be allowed for each part of the scrutiny process. However, in order to take account of specific events, such as a Comprehensive Spending Review, the specific dates that would apply each year could be set, perhaps by Business Committee, in the light of circumstances that apply at the time.<sup>[14]</sup>

It is evident that, whilst the Finance Committee is broadly content with the procedural framework for scrutinising the NAW Commission (and other) budgets, there have been difficulties associated with the specification in Standing Orders of particular dates by which certain reports must be completed.

The most recent example of timetabling problems occurred in autumn 2010. The UK Government's Spending Review wasn't announced until 20 October. But Standing Order 27 requires the NAW Commission to lay its draft budget not later than 24 September. Consequently, a temporary standing order had to be introduced to allow the timetable to be put back.<sup>[15]</sup>

### **3. The Scottish Parliamentary Corporate Body**

The Scottish Parliamentary Corporate Body (SPCB) was established by section 21 of the Scotland Act 1998 (c.46).<sup>[16]</sup> It has equivalent functions to both the NIA Commission and the NAW Commission. Under section 21(3) of that Act it must:

... provide the Parliament, or ensure that the Parliament is provided, with the property, staff and services required for the Parliament's purposes.

#### **3.1 Procedures for presenting SPCB budget proposals**

The process for agreeing the SPCB budget is referred to in a written agreement between the Scottish Executive and the Parliament's Finance Committee on the budgeting process:

A mechanism has been established to enable the Parliament to vote on its own budget. The Scottish Ministers are agreed that at stages 1 and 2 of the Budget process, the expenditure proposals should include working assumptions on the Parliamentary budget prepared by the Scottish Parliamentary Corporate Body. Provision for the Parliament to scrutinise its own budget is made in a separate understanding with the Scottish Parliament Corporate Body. Should the Scottish Ministers wish to challenge the budget proposed by the SPCB, they will do so by means of an amendment to the Budget Bill to allow debate on the specific issue.<sup>[17]</sup>

The process is described in a Finance Committee report:

The expenditure of the Scottish Parliamentary Corporate Body (SPCB) is top-sliced from the Scottish Consolidated Fund and is, therefore, allocated before the Scottish Government is able to make other allocations. The SPCB's budget also includes the budgets for the various parliamentary commissioners and the Scottish Public Services Ombudsman.

As the SPCB's budget is not subject to control by the Scottish Government, the Committee considers the SPCB's proposed budget separately as part of the budget process.<sup>[18]</sup>

This process is underpinned by a formal written agreement between the SPCB and the Finance Committee (see Appendix 2). Essentially this process is very similar to that followed in the National Assembly for Wales.

When the Finance Committee produces a report on a stage of the Budget Process it includes a commentary on the SPCB expenditure plans and may recommend whether or not the SPCB's budget should be approved. The Finance Committee's report is then subject to debate by the Parliament.

### 3.2 Direction of the SPCB

Like the legislation for the NAW Commission, section 21(4) of the Scotland Act 1998 provides that:

The Parliament may give special or general directions to the corporation for the purpose of or in connection with the exercise of the corporation's functions.<sup>[19]</sup>

Again, it seems possible that such a direction could include a suggestion of the level of resources that the SPCB should incorporate into its draft budget.

In the agreement between the Scottish Executive and the Parliament's Finance Committee quoted above in section 3.1 it is noted that should the Scottish Ministers seek to challenge the SPCB budget they will do so by seeking amendments to the Budget Bill.

### 3.3 Effectiveness of the arrangements

The Scottish Parliament's Finance Committee undertook a review of the budget process and reported in June 2009.<sup>[20]</sup> The Finance Committee's review covered a wide range of aspects of the process and made a number of recommendations for improvements. In the context of this paper it is sufficient to note that none of the recommendations suggested changes to the procedures in relation to setting and agreeing the SPCB's resources. It seems reasonable to infer from this that the arrangements are considered to be sufficiently effective.

## 4. Practices in OECD countries

In 2007, the Organisation for Economic Cooperation and Development (OECD) conducted a survey of its member countries' budget practices and procedures.<sup>[21]</sup> The survey included the following question:<sup>[22]</sup>

*31. In practice, which option most accurately describes the way in which the budget for the Legislature is prepared?*

- The Legislature prepares its budget and the Central Budget Authority includes it in the Government's budget proposal without any changes
- The Legislature is subject to the same procedures and policies as any other governmental organisation included in the Government's budget proposal
- The Legislature prepares its budget independently
- Other, please specify below \_\_\_\_\_

The results for this question were as follows:

**Table 1: Preparation of the Legislature's budget in OECD countries**

Response	Number	Percentage (of the whole sample)	Countries
The Legislature prepares its budget and the Central Budget Authority includes it in the Government's budget proposal without any changes	16	53.3%	Czech Republic, Denmark, Finland, Greece, Hungary, Ireland, Italy, Luxembourg, Mexico, Norway, Poland, Spain, Switzerland, Turkey, UK, US
The Legislature is subject to the same procedures and policies as any other governmental organisation included in the Government's budget proposal	8	26.7%	Australia, Austria, France, Iceland, Japan, Netherlands, Slovak Republic, Korea
The Legislature prepares its budget independently	2	6.7%	Belgium, Canada
Other	4	13.3%	Germany, New Zealand, Portugal, Sweden
Missing answer	0	0	N/A

Source: OECD Budget Practices and Procedures Survey 2007

It can be seen that the UK response – and this applies to the Parliament at Westminster – places the approach within the first category. From the information presented above in relation to the SPCB budget and the NAW Commission budget it would appear that these would also fit within the first category. It is noticeable that the approach taken to the NIA Commission budget during the Budget 2010 process seems to be consistent with the second category – i.e. there has been a process of negotiating or bidding for resources.

## 5. Concluding remarks

The procedures adopted in both Wales and Scotland provide separate mechanisms for agreeing the parliamentary institutions' budgetary proposals from that followed in relation to government departments. Both processes recognise that the expenditure of these bodies – and this also applies to that of the NIA Commission – reduce the total amount available to the executives of the respective administrations for inclusion in their spending plans. They therefore provide a route for scrutiny and debate of those plans which is independent of the executive – i.e. within the legislature itself – and instead allows elected representatives to question officials on their plans.

The process for settling the NIA Commission budget during the Budget 2010 Process appears to fall within the second category outlined in the OECD survey of budget practices and procedures. The processes for Westminster, Scotland and Wales fall within the first category.

### Appendix 1: National Assembly for Wales Standing Order 27:

27.7 Not later than 24 September in each financial year, a member of the Commission must lay before the Assembly a draft budget for the Commission setting out the amounts of resources and cash which the Commission proposes to use for the following financial year and provisional amounts for the subsequent two years or for such other period as the Commission has agreed with the Welsh Ministers.

27.8 The Finance Committee must consider and report to the Assembly on the draft budget for the Commission no later than three weeks after it has been laid before the Assembly. The Finance Committee's report may recommend variations in the amounts proposed in the draft budget provided that the net effect of those variations would not increase the aggregate amounts of resources or cash proposed in the draft budget for the Commission.

27.9 No later than 30 October, a member of the Commission must lay before the Assembly a budget for the Commission, together with a motion that the budget be agreed and incorporated in the annual budget motion under Standing Order 27.17(ii). No amendment to the motion may be tabled and the motion must be debated within seven days of it being tabled.

27.10 If the final budget for the Commission is not agreed, then a member of the Commission must lay before the Assembly a revised budget for the Commission, together with a motion that it be agreed and incorporated in the annual budget motion under Standing Order 27.17(ii). No amendment to the motion may be tabled and the motion must be debated within seven days of it being tabled.

27.11 Further motions under Standing Order 27.10 may be tabled until such time as agreement has been reached but no such motion may be considered by the Assembly after 20 November.

27.12 If the budget for the Commission has not been agreed by 20 November, then the budget for the Commission to be incorporated in the annual budget motion under Standing Order 27.17(ii) is to comprise, for each service or purpose for which resources or cash were authorised to be used by the Commission in the previous financial year, 95% of the amount so authorised.<sup>[23]</sup>

## **Appendix 2:**

### **The Budgeting Process: Agreement Between The Spcb ad the Finance Committee**

#### **Foreword**

1. his document sets out a revised understanding between the Scottish Parliament Corporate Body (SPCB) and the Finance Committee of the Scottish Parliament, in relation to arrangements to be observed in connection with the annual budgeting process. It is not intended to create any legal rights or obligations on either the Scottish Parliament Corporate Body or on the Finance Committee of the Scottish Parliament.

2. Under the terms of a separate revised agreement concluded with the Scottish Ministers the Finance Committee has agreed to participate in a biennial budget cycle, with a full three-stage process in Spending Review years and a more limited process in non-Spending Review and election years.

#### **Background**

3. Scottish Ministers have undertaken to submit each year in which a Spending Review takes place to the Parliament (by 31 March or the first day thereafter on which the Parliament sits), a provisional expenditure plan. This document will set out the Executive's views on priorities for the coming Spending Review period; an initial assessment of progress against the key performance targets for each portfolio set in the previous Spending Review and general expenditure proposals for those forward years for which aggregate figures at programme level



are available. The Finance Committee will then seek views from a variety of sources including members of the public and other Committees of the Parliament.

4. Normally the Scottish Ministers will present detailed expenditure proposals for the next financial year by 20 September or the first day thereafter on which the Parliament sits. The Finance Committee will then produce a report in consultation with other committees of the Parliament. This will comment on the Scottish Ministers' proposals and may include an alternative set of proposals. If it does, the total spend proposed by the Finance Committee will not exceed the total proposed by the Scottish Ministers. A plenary debate will follow in which Committees and individual members will debate the Finance Committee's report and may seek to propose amendments to the Executive's expenditure proposals through the mechanism of tabling amendments to the Finance Committee's motion, within the total proposed. It should be noted that even if such amendments are agreed to, this does not automatically guarantee that expenditure proposals will be amended in the subsequent Budget Bill.

5. The Scottish Ministers will produce a Budget Bill by 20 January each year or the first day thereafter on which the Parliament sits. The format of Budget Bills are contained in a separate agreement which has been made with the Scottish Ministers and the Finance Committee.

### **The Parliament's Budget**

6. The expenditure plans of any body which has a prior call on the Scottish Consolidated Fund will reduce the total amount available to the Scottish Ministers for inclusion in their plans. The Parliament's own budget falls into that category. This budget is significant in monetary terms albeit that it forms a very small proportion of the total available resources. It is therefore important that, wherever possible, accurate information about the spending plans of the SPCB is made available to the Finance Committee and the Scottish Ministers at an early stage.

7. To this end, the SPCB has agreed that it will provide to the Committee and to the Scottish Executive, no later than 1 March each year or the first day thereafter on which the Parliament sits, a provisional expenditure plan. The SPCB will also provide to the Committee and to the Scottish Executive, no later than the end of the first week in November each year, a further expenditure plan reflecting any changes which have occurred since 1 March.

8. If by 1 March when a provisional expenditure is due, the SPCB identifies that there are no changes to the expenditure plan submitted the previous year, then the SPCB will write to the Finance Committee to confirm that there are no planned changes and the SPCB will not be required to provide a provisional expenditure plan.

9. However, the SPCB undertakes to keep both the Committee and the Scottish Ministers informed throughout the period between March and January of any substantive changes to the Scottish Parliament's Budget in recognition of the fact that these would affect the Scottish Executive's expenditure plans and the Parliament's consideration of them.

10. The SPCB also agrees that, in order to assist the Committee's understanding of the expenditure plans, Members of the SPCB, the Clerk and Parliamentary staff will provide information and give evidence to the Committee when requested. The SPCB will, in submitting expenditure plans, adopt the same approach as the Scottish Executive. The SPCB will seek to answer any questions from the Committee and make information available to the Committee.

11. The Finance Committee will consider the SPCB's provisional expenditure plans. Where the Committee produces a report for the Parliament on a particular stage of the Budget Process, then such a report will include commentary and, if appropriate, recommendations, on the SPCB's provisional expenditure plans. This report can be debated by the Parliament.

12. The SPCB's final expenditure proposals will appear in the annual Budget Bill which will be voted upon by the Parliament.

[1] Official report available online at:

<http://archive.niassembly.gov.uk/record/reports2010/110131.pdf> (accessed 10 February 2011)

[2] Available online at: <http://www.legislation.gov.uk/ukpga/1998/47/section/40> (accessed 27 January 2011)

[3] Available online at:

<http://archive.niassembly.gov.uk/researchandlibrary/2010/4510.pdf> (accessed 27 January 2011)  
(see page 62)

[4] IMF (2010) 'Role of the Legislature in Budget Processes' available online at:

<http://www.imf.org/external/pubs/ft/tnm/2010/tnm1004.pdf> (accessed 10 February 2011) (see page 16)

[6] Official Report (8 November 2010) available online at:

<http://archive.niassembly.gov.uk/record/reports2010/101108.pdf> (accessed 3 February 2011)  
(see page 192)

[7] DFP (2010) 'NI Executive Budget 2010 Guidance for Departments' (paragraph 1.18)

[8] <http://www.legislation.gov.uk/ukpga/1998/47/section/40> (accessed 3 February 2011)

[9] Official Report (8 November 2010) available online at:

<http://archive.niassembly.gov.uk/record/reports2010/101108.pdf> (accessed 3 February 2011)  
(see page 197)

[10] Available online at: <http://www.legislation.gov.uk/ukpga/2006/32/section/27> (accessed 27 January 2011)

[11] Available online at: <http://www.legislation.gov.uk/ukpga/2006/32/section/27> (accessed 27 January 2011)

[12] For further information on the Business Committee's review

see [http://www.assemblywales.org/bus-home/bus-committees/bus-committees-other-committees/bus-committees-third-bc-home/business\\_committee\\_-\\_review\\_of\\_standing\\_orders\\_page.htm](http://www.assemblywales.org/bus-home/bus-committees/bus-committees-other-committees/bus-committees-third-bc-home/business_committee_-_review_of_standing_orders_page.htm) (accessed 3 February 2011)

[13] Source: communication with NAW officials

[14] Response of the Finance Committee to the Review of Standing Orders, available online at:

[http://www.assemblywales.org/bus-home/bus-committees/bus-committees-other-committees/bus-committees-third-bc-home/bc-review\\_of\\_standing\\_order\\_consultation\\_responses/sor\\_20\\_-\\_finance.htm](http://www.assemblywales.org/bus-home/bus-committees/bus-committees-other-committees/bus-committees-third-bc-home/bc-review_of_standing_order_consultation_responses/sor_20_-_finance.htm) (accessed 3 February 2011)(see paragraph 3)

[15] Source: communication with NAW officials

[16] Available online at: <http://www.legislation.gov.uk/ukpga/1998/46/section/21> (accessed 27 January 2011)

[17] Available online

at: [http://www.scottish.parliament.uk/business/committees/finance/Written\\_Agreement\\_between\\_FC\\_and\\_Exec\\_at\\_22.6.05.pdf](http://www.scottish.parliament.uk/business/committees/finance/Written_Agreement_between_FC_and_Exec_at_22.6.05.pdf) (accessed 27 January 2011)

[18] Available online at: <http://www.scottish.parliament.uk/s3/committees/finance/reports-11/fir11-02-vol1.htm#38> (accessed 27 January 2011) (see paragraphs 166-7)

[19] Available online at: <http://www.legislation.gov.uk/ukpga/1998/46/section/21> (accessed 27 January 2011)

[20] Finance Committee (2009) 'Report on the Review of the Budget Process' available online at: <http://www.scottish.parliament.uk/s3/committees/finance/reports-09/fir09-05.htm> (accessed 3 February 2011)

[21] The full results of this survey can be found online

at: <http://webnet4.oecd.org/budgeting/Budgeting.aspx> (accessed 31 January 2011)

[22] OECD (2007) 'OECD Budget Practices and Procedures Survey' available online

at: <http://www.oecd.org/dataoecd/30/45/39466141.pdf> (accessed 31 January 2011) (see page 19)

[23] [http://www.assemblywales.org/standing\\_orders\\_combined\\_version\\_-\\_nov\\_2010.pdf](http://www.assemblywales.org/standing_orders_combined_version_-_nov_2010.pdf) (accessed 27 January 2011)