



Northern Ireland
Assembly

**COMMITTEE
FOR THE OFFICE OF THE
FIRST MINISTER AND DEPUTY
FIRST MINISTER**

**OFFICIAL REPORT
(Hansard)**

Budget 2010

8 September 2010

NORTHERN IRELAND ASSEMBLY

**COMMITTEE
FOR THE OFFICE OF THE FIRST MINISTER AND
DEPUTY FIRST MINISTER**

Budget 2010

8 September 2010

Members present for all or part of the proceedings:

Mr Danny Kennedy (Chairperson)
Dr Stephen Farry (Deputy Chairperson)
Ms Martina Anderson
Mr Tom Elliott
Mrs Dolores Kelly
Mr Barry McElduff
Mr Francie Molloy
Mr George Robinson
Mr Jimmy Spratt

Witnesses:

Mrs Jackie Kerr)
Mr Tim Losty) Office of the First Minister and deputy First Minister

The Chairperson (Mr Kennedy):

Good afternoon. I welcome Jackie Kerr and Tim Losty, who are here to brief us on the Department's proposals for the 2010 Budget. The session is being recorded by Hansard. You may wish to begin with an introductory statement before making yourselves available for questions. Thank you for your attendance.

Mrs Jackie Kerr (Office of the First Minister and deputy First Minister):

Thank you, Mr Chairman.

The Committee has been provided with details of the Budget 2010 bids of the Office of the First Minister and deputy First Minister (OFMDFM). The general context for the budget exercise is that it addresses the four-year period from 2011-12 to 2014-15. The current expenditure baselines are the 2010-11 baselines rolled forward, as adjusted following the Executive's review of spending plans last year, and the capital baselines are assumed as zero. All capital proposals will, therefore, be submitted as bids in this exercise.

Bids have been put forward by the Department in three to four main areas and reflect the new areas of work falling to the Department as an outcome of the Hillsborough agreement: the cost of the Attorney General's office, for which we do not have baseline provision; the cost of the additional military sites, which is transferring to OFMDFM; the sponsorship functions in the Department for the new parading bodies, the Attorney General and the Northern Ireland Judicial Appointments Commission (NIJAC); and the cost of the new parading bodies.

Two new areas of work are proposed in the bids: the earnings disregard pilot and the barriers to community prosperity; both focus on the antipoverty and community relations priorities that the Department is responsible for managing.

The budget process is being taken forward on the basis of the broad strategic priorities that are set out in the Programme for Government and in the public service agreements (PSAs). Members will see that all bids put forward by OFMDFM are linked to the PSAs.

The most significant issue for OFMDFM will be capital provision. OFMDFM manages a small number of capital sites: the Maze/Long Kesh site, the Crumlin Road jail and the Ebrington site. As I said, no capital allocation has been assumed for the Budget period: all capital allocations will be subject to the consideration of the bids that have been put forward. It is important that momentum be maintained in those sites, which are politically and strategically significant. There is approximately £9.6 million in committed spend across the sites, with £4.2

million for the Crumlin Road jail site and £5.4 million for the recently signed contract for the parade ground at Ebrington.

Mr Chairman, if you are content, perhaps you wish to move on to questions about the detail of the bids.

The Chairperson:

Thank you very much, Jackie.

We do not have before us the Department's savings proposals. I understand that some Departments have not yet submitted their plans. Can you explain the timetable for returns and at what stage the savings proposals are at?

Mrs Kerr:

I cannot give a timescale at this point. Work is under way to consider a range of options and their potential impacts. The level of savings to be delivered is significant. The savings targets set for the Department across the four years of the Budget are £3.8 million, £6.9 million, £10.3 million and £13.8 million. By year 4, that will be 18% savings against the 2010-11 baselines as rolled forward. Given the scale of the savings, it is important that we give due consideration to how those can best be delivered and their impact on the Department's priorities.

That is why I cannot provide the Committee with the information and, unfortunately, with a timescale for when it will come. However, the Department will engage with the Committee throughout the Budget process, and we will come back to the Committee when savings proposals have been determined.

The Chairperson:

Therefore although you have given us ballpark figures for the coming period, you cannot indicate how quickly you will be able to categorise the savings proposals in more detail.

Mrs Kerr:

That is correct.

The Chairperson:

There is no information on how the proposals are prioritised. Can you tell us how the Department prioritised the figures?

Mrs Kerr:

The bids are not ranked, and the current expenditure and capital expenditure proposals are not ranked. As the Committee is aware, the Department's work is diverse, and the bids reflect the key pressures that the Department faces in the Budget period and the key priorities for Ministers. Because they are all significant to the Department, we have not attempted to rank them.

The Chairperson:

Is it not the hope and expectation of DFP that they be ranked?

Mrs Kerr:

The Budget exercise requested ranked bids, but OFMDFM's bids in the proposals submitted to DFP have not been ranked.

The Chairperson:

At what stage does the Department intend to rank them — or will they be ranked? Is this as good as it gets?

Mrs Kerr:

These are the final bids that have been made to DFP.

The Chairperson:

Will the draft Budget be published alongside the draft Programme for Government and the investment strategy for Northern Ireland, and when can the Committee expect to be consulted on them?

Mr Tim Losty (Office of the First Minister and deputy First Minister):

At this stage, officials are gathering information and analysing the impact on Programme for

Government priorities and PSA targets. We are also looking at the targets on the basis of three years' experience; those that have worked and been effective and those that will have a strategic role going forward in the current financial climate. Officials are gathering that information now, and we hope to forward it to Ministers in the next few weeks. Senior officials and permanent secretaries also meet at a high level to discuss the Programme for Government. Ultimately, the Programme for Government requires Assembly approval, and we hope to be able to inform that debate. We must run our PFG analysis in conjunction with our work on the Budget, and we hope to come back to the Committee during that period.

Mrs D Kelly:

Thank you for your briefing. I ask this out of ignorance rather than for any other reason. With respect to the £2.2 million of costs that are scheduled for public assemblies and parading, is the Parades Commission funded from the NIO budget? Furthermore, will that be an additional cost to the Northern Ireland Budget or will money be transferred?

Mrs Kerr:

The proposal in the parading legislation is for a new body to replace the Parades Commission, which is funded from the Northern Ireland Office. The new body will be funded by OFMDFM. At this point, we do not have baseline provision for that, which is the rationale for submitting a funding bid. Members will be aware that in the June monitoring process the Department put forward a bid for the cost of establishing the body in-year in 2010-11.

Mrs D Kelly:

If the new body were set up, would there be value in the Minister seeking that money to transfer along with the function? I do not know whether there have been discussions between the First Minister and deputy First Minister and the Secretary of State, for example.

Mrs Kerr:

Would it be OK if I came back to the Committee with a response to that question?

Mrs D Kelly:

Yes. It might be useful if the Ministers came to the Committee. We have asked for their

attendance to discuss further some of the new programmes that they propose; for example, removing barriers to community prosperity and the earnings disregard pilot programme. It will require sourcing suitable jobs for participants and providing support to enable them to gain experience of work. That cuts across some of the functions of the Department for Employment and Learning. Do some of the programmes repackage existing money? Will there be new money and a new programme? What discussions have there been with other Departments that would have an interest in the delivery of the PSA?

Mr Losty:

A basic priority of the new programmes is that they must be additional; they must have more significant added value than what is there at present. It is also important that they do not duplicate or replicate the work of other Departments and that we are not seen to be filling gaps left by the removal of funding from other organisations. There must be added value. We will also work with other Departments on how we deliver all the programmes. However, a policy priority of OFMDFM is to look after anti-poverty strategies and in particular child poverty. The earnings disregard programme, which we believe will be suitable for lone parents, is seen as one way of lifting children out of poverty. However, it must be delivered with colleagues in other Departments.

Mrs D Kelly:

Have discussions already taken place with the Ministers, or are ideas just being floated at this stage?

Mr Losty:

There have been discussions at various levels. We have been having preliminary discussions with departmental officials here and with the Department for Work and Pensions to find out the legal position here. It is felt that there is sufficient evidence for us to put in a bid to say that we should look at it in association with other Departments; however, Ministers in other Departments will have to agree to the final programme.

The Chairperson:

We normally meet the Ministers when priorities have been finalised and the process is in place.

However, I have just been informed that we have already submitted a request to meet them.

Mrs D Kelly:

I knew that we made a request at the end of July, but perhaps we could add it to the agenda because it would be interesting to hear more about the rationale for the programmes and the funding. I am relieved to hear that the programmes are additional and not substitutes.

Ms Anderson:

Go raibh míle maith agat. During the child poverty inquiry, we identified the need for pilots such as the earning disregard programme, and we looked at what happened elsewhere, particularly around making work pay and initiatives that took place elsewhere. You said that this is new money. We went through that inquiry and wondered at times whether the recommendations would be implemented, but this seems to be new and innovative and to take account of some of the issues that we raised. Given that the pilot will assess the impact of increasing the income threshold as an anti-poverty measure for low-income families, have you identified where it will take place? You gave us a rundown of the programme, but what other information can you impart to us today? In developing the programme, did you take account of the Committee's work in the child poverty inquiry?

Mr Losty:

We looked at research, the work of other Departments and the debates that the Committee has been engaged in. I would not say at this stage that we have categorically identified the areas that we would be operating in; that will be determined by objective need and by statistical information that we have been gathering over the past number of years. Moreover, we will work with colleagues in other Departments to ensure that there is a desire to do something and the infrastructure to enable us to do so. At this stage, we have narrowed it down, but the final decisions will be based on those consultations.

Ms Anderson:

What areas will the removing barriers to community prosperity programme affect? Will you use statistical information on collective need to target the communities that will benefit from the money, if you secure it?

Mr Losty:

The programme is designed to address our priorities under cohesion, sharing and integration as well as poverty. We will look at the research that we have gathered under both those policy areas. We will look at disadvantage and where there are issues of interface and good relations.

Ms Anderson:

Will you furnish us with the information on the development of those programmes as it becomes available?

Mr Losty:

Yes.

Dr Farry:

I welcome Tim and Jackie. I will start where the Chairperson left off and make two points about the process. On the issue of the Budget, it is my understanding, although I stand to be corrected, that the Executive hoped to pull together Departments' initial savings plans towards the end of September. I recently left a meeting of the Finance Committee at which we considered a 30-page document on the specific departmental savings plan for the Department of Finance and Personnel. It seems that other Departments are significantly ahead of OFMDFM in the process and in setting out how they see the future. Tim could respond to that.

Mrs Kerr:

It is probably more appropriate for me to respond. The Department is assessing a range of options, but we consider it important to assess those options and the impact of the proposals thoroughly. We have not been in a position to respond within the timeframe that was initially set for the submission of savings proposals.

Dr Farry:

Surely every Department faces similar circumstances. Why is OFMDFM's ability to produce information unique compared with other Departments?

Mrs Kerr:

I cannot comment on other Departments. OFMDFM wants to consider the issues carefully, given the nature and sensitivity of the programmes that OFMDFM manages and its interfaces with external stakeholder groups and so on. We have consulted with external stakeholders since the outset of the Budget exercise, and the Department is looking at all aspects of its spend, including the spend of its arm's-length bodies. It is a thorough process, and we require further time to complete it.

Dr Farry:

I want to flag up a point about the Programme for Government, which, in theory, should follow in conjunction with the Budget. It should, ideally, be slightly ahead of the Budget, given that a Budget should respect the Programme for Government rather than vice versa. If there are significant delays in the production of the Programme for Government and if there is an intention to adopt that in draft form in the middle of this year or in full form early next year, I have a concern that the important public consultation exercise, much of which should be conducted through the Committee, will be substantially curtailed, given the time pressures. I am concerned that if Departments take longer than anticipated to produce documentation, we will still have to meet certain agreement deadlines and the consultation process will suffer. I will leave that point hanging.

It is striking in the report that the same cost figures for current expenditure and capital proposals are carried through each of the four years of the next Budget period. Indeed, in some areas there is a proposed increase.

That comes in the context of, as you have set out, a potential 18% decrease in the rest of the Department's budget. Is it anticipated that the same pressure for efficiencies will apply to such bids? For example, if front-line public services are taking an 18% cut, I imagine that it will be difficult to justify why the administration costs of the Attorney General will be flat throughout the four-year period, as will the costs for parading and public assemblies. How will efficiencies be applied to what is before us?

Mrs Kerr:

A further review is to be carried out of the staffing levels and structures of the Attorney General's office after 18 months. The bid that has been put forward is based on the outline of costs and structures that were put forward for the office, and we are at an early stage of the office's establishment and operation. When setting out a Budget process, one must ensure always that there is a drive to ensure maximum efficiency so that the structures and so on are appropriate and cost-effective. The Department will always take that into account throughout the Budget exercise.

It is the Department's view that our figures for the operational costs of the Attorney General's office and the parading bodies are reasonable. All the bids that we have put forward are robust and do not include any additional unnecessary cost; they are the most prudent estimates put forward for this Budget period. As in the management of any Department, one must always be alive to ensuring that public resources are being used efficiently and effectively.

Dr Farry:

I appreciate that, but it does not answer my question. Will the efficiencies have to be applied to those proposals? If they are accepted, will they form the budget that is rolled forward for those bodies for the next four years?

Mrs Kerr:

These are new bodies, and it is the Department's assessment that those are the most robust running costs for those bodies in the Budget period. They are slightly different from the other arm's-length bodies in that, essentially, we are starting with a clean sheet of paper in assessing their running costs.

Dr Farry:

The project on removing barriers to community prosperity sounds interesting and worthwhile. To what extent has that been compared with projects run by the Department for Employment and Learning (DEL) or the Department for Social Development (DSD) to ensure that there is no duplication and that the potential for joined-up action is being maximised?

Mr Losty:

The programme has been based on an analysis of a suite of programmes that is being delivered by other Departments and by other organisations outside government. We have been looking at what people have been doing where it has been having an effect. We have been looking at what we have been trying to do under our cohesion, sharing and integration (CSI) strategy and our anti-poverty strategy. There is a sense that we need to move quickly from policy and strategy to direct action, particularly in areas where disadvantage stubbornly remains and where there are poor relations in communities.

In taking forward the proposal, we have carried out the desk research and done some analysis with organisations and have looked at some of the facilitative programmes. When we deliver the project we will do so with other Departments, and we will consult them first. It is not our intention to duplicate the work of any other Department or organisation. Far from it; in fact, we will be working hard to ensure that we get other organisations rowing in behind us to achieve those objectives. A common theme is that of joined-up government and joined-up funding.

Mr Spratt:

Thank you for the presentation. I wish to ask about the Attorney General's office and the parades body. Jackie, a ring-fenced budget was transferred from the NIO to the Department of Justice (DOJ) for the transfer of the Attorney General's office from across the water to Northern Ireland.

Surely there must have been some element of a spend in that budget. I fully understand that there are new bits to our own set-up. When the existing parades body winds up, will the new body not be in a cost-neutral position?

Mrs Kerr:

We are establishing a new office and structures for an Attorney General for Northern Ireland. I am not sure what would have been in the NIO's budget for that office, but we do not have a baseline provision and there was no transfer from the NIO for that. Likewise, there has been no proposed transfer from the NIO for the establishment of the parades bodies.

To pick up on Mrs Kelly's earlier point, again, I will go back and enquire about any

discussions that may have taken place at a political level about the transfer of budgets and about whether such discussions have taken place.

Mr Spratt:

I am worried that the NIO is doing a cute wee bit of work there; it has a budget for that in Northern Ireland.

The Department of Justice's ring-fenced budget was brought across, and I know that from my work as Chairperson of the Assembly and Executive Review Committee. Therefore, there must have been an element for Attorney General work in previous activities. The question is whether there was an element of that in the transferred budget to the DOJ, which was ring-fenced from the NIO. The NIO kept only a small budget for issues that are not currently devolved, and, of course, it said that only a very small budget was being retained. Therefore, my point is that I am concerned that some of that budget will make its way back into the ether of the Treasury without our being aware of it.

Mrs Kerr:

I will come back to the Committee about what is in the DOJ budget.

The Chairperson:

Do members have any other points to make on the draft budget?

Mr Elliott:

I offer my apologies for being late, but I have a question on pay and price inflation. Is that a set rate for the staff? The Committee's paper uses the term "pay and price inflation", so I wonder what the "price" part of it is. I understand that pay inflation is a set figure of 2.7%, but what is the price element? Is it additional, or is that just the terminology that is used?

Mrs Kerr:

It is purely a question of terminology. The bid relates to the pay inflation element, because there is a contractual commitment for the progression element of pay. Even if pay is frozen, we are still contractually obliged to deal with the progression element.

Mr Elliott:

Is that a set rate throughout Departments?

Mrs Kerr:

At this point, that is the best assumption of what the impact would be across the Budget period, and it is the figure that Departments used for this Budget period.

Mr Elliott:

Is it based on Departments' current staffing levels?

Mrs Kerr:

Yes, and those of the arm's-length bodies.

The Chairperson:

Thank you very much indeed. We had hoped that the September monitoring round analysis would have been available for us, but, unfortunately, it is not. When do you expect to make that available to members and to present it to the Committee?

Mrs Kerr:

I hope that the material will be available for issue to the Committee as soon as possible. Unfortunately, the deadline for submission of returns to DFP is Friday 10 September. If the papers can be with the Committee in time for next week's meeting, I am happy to provide evidence, albeit retrospectively, given that the proposals will have been submitted.

The Chairperson:

It is slightly unsatisfactory that we are not getting the opportunity to discuss the material in advance of its being finalised, but that is not to say that this has not happened before. With the deadline for presentation to DFP so close, can you give us an explanation as to why the proposals have not been made available to us today?

Mrs Kerr:

At the minute, the proposals are with Ministers for clearance. Obviously, I am not in a position to bring them to the Committee until they have received clearance. Likewise, I am in the same position with the DFP deadline, in that ministerial clearance is required before we submit the proposals to DFP.

The Chairperson:

Do you expect ministerial clearance for DFP? Is there any suggestion that that will be delayed?

Mrs Kerr:

We are not concerned about any particular issue. The issue has more to do with time frames and processes. I apologise that it was not possible for the proposals to come to the Committee in time for today's meeting.

The Chairperson:

When do you normally start the September monitoring process?

Mrs Kerr:

We factor the Committee's timetable into the determination of the monitoring exercise timetable. The process usually commences about a month before the DFP deadline to allow time for us to come to the Committee. However, the leave season meant that key players across the system and in our arm's-length bodies were not available, which impacted on the exercise's timetables.

The Chairperson:

Are you blaming officials, or are you blaming Ministers?

Mrs Kerr:

I am not blaming anybody; I am just stating that, unfortunately, the processes this time did not align with the Committee's key dates.

Mrs D Kelly:

This is not the first time that this has happened with the September monitoring round, but if you

are using the holidays as an excuse, this ought to be custom and practice. People have been taking their holidays for years, long before the Assembly was restored.

Mrs Kerr:

There have been occasions on which monitoring proposals have not arrived with the Committee in time for the DFP deadline. Those occasions have not necessarily always been in the September exercise. A number of very late changes were made to some of the proposals that came forward for September monitoring. Those were reflective of work that was going on in a number of projects, and changes were made right up to the very last minute. There was a combination of factors in this exercise, and I apologise that the Committee has not had a chance to consider the proposals.

Mr Molloy:

Jackie is batting very well for the Department.

The Chairperson:

She is doing a tremendous job on her first day back.

Mr Molloy:

The reality is that it is not your fault, but the system is obviously failing. The monitoring round comes at the same time as holidays kick in, which means that the Committee has no input. Is it not possible to have advance thinking when the Assembly is sitting and the Committee is meeting about what the monitoring rounds will deal with so that there can be some input at an earlier stage? The Budget timescale could be perhaps revised.

Mrs Kerr:

The difficulty with September monitoring is that June was the only opportunity to come to the Committee before now. Only two or three months into the financial year is very early in the process to be looking at the mid-year position for departmental budgets. We also deal with the June monitoring exercise at that point. There have been October monitoring rounds in the past, but we now work to a September timetable. That makes submission deadlines and Committee consideration timetables tight.

Mrs D Kelly:

How long have the proposals been with the Ministers for clearance?

Mrs Kerr:

About a week; they have not been with the Ministers for terribly long.

Mrs D Kelly:

We are supposed to be a scrutiny Committee, and we ought to have papers to scrutinise. I propose that we write to the Ministers again to express our discontent with the process.

The Chairperson:

We will raise the matter when the Ministers are before us yet again. The indications are that we will get the September monitoring briefing retrospectively next week. Thank you very much indeed for your briefing and the answers that you provided.