

COMMITTEE FOR THE ECONOMY SUBMISSION



Northern Ireland
Assembly

Committee for the Economy

Dr Steve Aiken OBE MLA
Chairperson
Committee for Finance
(via email)

4th June 2021

Our Ref: EC412/21

Dear Steve,

Re: Independent Fiscal Council

The Committee considered your correspondence of 21st May regarding the above, at its meeting on 26th May. The Committee welcomes the Finance Committee's work regarding the Fiscal Council, and Members appreciate the opportunity to contribute. Members agreed that I should respond below, as per the format you requested.

1. **Functionality** – *should the Fiscal Council's functions be limited to scrutiny, explanation and commentary on the reasonableness of the fiscal plans of the Executive or should it do this and provide its own forecasts which the Executive might be obliged to work to? Should these forecasts include economic as well as financial matters?*

The Committee had had limited discussions around the Fiscal Council as Members were aware of the work that the Finance Committee was undertaking and did not want to cut across it. The Committee welcomes the establishment of the Council and understands and agrees that the core work of such a body would be scrutiny and analysis of the Executive's fiscal plans. The Committee does not have a view regarding the Council's functionality beyond this.

2. **Discretion** – *should the Fiscal Council be permitted to produce reports on whatever fiscal or economic topics it chooses (with some exclusions e.g. commentary on party manifestos or alternatives to Executive policies) and at whatever times it chooses as well as being required to produce some regular reports at fixed intervals?*

The Committee's understanding of the Council is that it would respond to the Executive's fiscal plan as and when these are brought forward. The Committee does not have a view on further discretionary powers being given to the Council.

3. **Powers** – *should the Fiscal Council have meaningful powers to compel data, assumptions and methodologies from the Executive and be permitted to have MoUs in this regard with HM Treasury, HMRC etc. perhaps supported by an annual data requirement statement? Should the data requirement statement be backed-up by legal powers in order to limit evasions through redactions or obfuscation?*

The Committee appreciates the need for the Council to be effective and for its function to provide value for money for the public purse. The Committee does not have a view regarding the powers that the Council should have to ensure effectiveness and value for the public purse.

4. **Independence** – *should there be legislation which makes the Fiscal Council a body which is legally independent of the Executive and NICS which has a full-time (or part-time) appropriately qualified chairperson who might be appointed either by the Assembly or with the Assembly's oversight or subject to confirmation hearings at the Assembly? Should the Fiscal Council also have a circumscribed multi-year budget which cannot be adjusted by the Executive and which might require Assembly cross-community or two thirds+ sign-off from the Assembly etc. for alterations?*

The Committee is aware of the operation of other scrutiny, or integrity, bodies, such as the NI Audit Office and the Office of the Public Services Ombudsman. Members understand that legislation may be required to ensure that the Council is effective and provides value for the public purse. The Committee does not have a view regarding the specifics of this and Members would need to see detailed and costed proposals to come to a view.

5. **Competence** – *should legislation provide for an appropriately qualified Fiscal Council board composed of economists, accountants, perhaps representatives of business and the community and voluntary sector etc. which might be appointed by the Assembly or with the Assembly's oversight as well as a full-time and appropriately qualified secretariat in order to ensure consistency of output?*

Again, the Committee does not have a view on this. Members would, again, need to see detailed and costed proposals before coming to a view. However, the Committee believes that the Council should be effective and provide value for the public purse, as stated previously. It is important that assumptions are not made about competence before a clear and detailed picture of what the Council will do is formed.

6. **Credibility** – *should legislation provide for dedicated communication channels in order to allow the Fiscal Council to establish its own identity and thus support its perceived impartiality and including a mechanism for external evaluation e.g. as the Scottish Fiscal Commission has been recently assessed by OECD?*

Again, the Committee believes that it is key that the Council is effective to justify the cost of its operation to the public purse. The Council's nature as an independent body should mean that, like the NIAO and the Office of the NIPSO, it undertakes its

work in such a way that is beyond the suggestion that it is subject to inappropriate influence or pressure. The Committee appreciates and supports the need to consider best practice, both locally and internationally, with respect to the development of the Council and its role, function and operation.

7. Assembly engagement – should legislation specify access and a meaningful linkage with the Executive’s budget process and the Assembly in order to ensure that Fiscal Council reports inform the budget debates by MLAs and the wider engagement of the public with the budget process? Might this be supplemented by requiring additional quarterly engagement with the relevant Assembly committee(s)?

Many Members on the Committee are familiar with the development of the legislation which supported the establishment of the Office of the NIPSO during the Assembly’s 2011-16 mandate under legislation developed and taken forward by the former OFMdFM Committee. The Committee believes that many important lessons will have been learned from that experience and should be utilised to ensure that errors are avoided in the development and establishment of the Council. Logic would suggest that the purpose of the Council in scrutinising and analysing Executive fiscal plans, would mean that its work would be of direct relevance to Assembly Statutory Committees with respect to their role in scrutinising Executive departments. A key part of that should be the budget process and, again, this would be of specific interest to the Statutory Committees of the Assembly. Again, the Committee would need to see detailed plans to come to a view on the outline of engagement provided to come to a view. How engagement with the wider public around the budget process would have to align with the existing budget consultation process and not create nugatory work. Any legislative proposal would be subject to Assembly/Committee scrutiny and would, therefore, allow appropriate public debate.

I hope that this response is helpful. As you will appreciate, and as I indicated at the outset, the Committee has not pursued significant discussion around the Council as the Finance Committee had indicated its intention to undertake such work.

The Committee stands ready to contribute to the process of developing and establishing the independent Fiscal Council as work progresses and more details emerge.

Yours sincerely,



Dr Caoimhe Archibald, MLA
Chairperson
Committee for the Economy

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COMMITTEE FOR THE ECONOMY SUBMISSION ADDENDUM



Northern Ireland
Assembly
Committee for the Economy

Dr Steve Aiken OBE MLA
Chairperson
Committee for Finance
(via email)

10th June 2021

Our Ref: EC419/21

Dear Steve,

**Re: Independent Fiscal Council – addendum to previous correspondence
(EC412/21)**

At its meeting on 9th June 2021, the Committee for the Economy reflected again on its previous correspondence (EC412/21) regarding your request for views on the Independent Fiscal Council.

With respect to the independence of the Council, the Committee agreed that I should write to provide an addendum to Members' previous correspondence, indicating that the Committee very much welcomes that the Council will be independent.

I would be grateful if you could associate this letter with the Committee's previous response.

Yours sincerely,



Dr Caoimhe Archibald, MLA
Chairperson
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