



Northern Ireland  
Assembly

Committee for Culture, Arts and Leisure

# OFFICIAL REPORT (Hansard)

Forecast Out-turn for 2011-12:  
DCAL Briefing

31 May 2012

# NORTHERN IRELAND ASSEMBLY

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Forecast Out-turn for 2011-12: DCAL Briefing

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**Members present for all or part of the proceedings:**

Miss Michelle McIlveen (Chairperson)  
Mr William Irwin (Deputy Chairperson)  
Mrs Brenda Hale  
Mr David Hilditch  
Mr Michael McGimpsey  
Mr Oliver McMullan  
Mr Pat Sheehan  
Mr Robin Swann

**Witnesses:**

Ms Deborah Brown	Department of Culture, Arts and Leisure
Mr Michael O'Dowd	Department of Culture, Arts and Leisure

**The Chairperson:** Deborah has kindly agreed to stay on, and she is joined by Michael O'Dowd, who is head of finance branch in the Department of Culture, Arts and Leisure (DCAL). Again, Deborah, would you like to make your comments?

**Ms Deborah Brown (Department of Culture, Arts and Leisure):** Apologies for the lateness in getting the briefing to the Committee, but hopefully you will agree with me that it is a very good news story on the performance of the Department. It will stand us in good stead over the next few years as we move forward and protect the budget that we already have. I will stop talking for a while and let Michael give the presentation.

**Mr Michael O'Dowd (Department of Culture, Arts and Leisure):** Thanks, Deborah, and thanks, Chair, for this opportunity to discuss the provisional out-turn for 2011-12 and the Department's performance. By now, I think you have the background briefing paper for this presentation on out-turn. I would like to separate my paper into three parts. First, I will look at actual out-turn for the year; secondly, I will consider how that reflects on the Department's financial management performance in-year; and, finally, I will look at the possible implications of that for future budget exercises. Please feel free to ask questions during the presentation or at the end. If I am unable to provide answers at this point, I will get back to the Committee as soon as possible.

Before I go into the detail on the actual out-turn for the year 2011-12, I would like to provide members with some background on the nature and timing of those exercises. Provisional out-turn refers to spend for a financial year compared with the final budget for the year, as determined in the final monitoring exercise for the year. It is reported to the Department of Finance and Personnel (DFP) around six weeks after year end. It is referred to as provisional because it presents an interim position. There is a final out-turn exercise every year subsequent to that, which takes place in

September and which allows for adjustments to spend to be incorporated following audits. The spend and budget reported in out-turn includes that of the entire DCAL family, not just of the Department itself, so it will include the spend of libraries, national museums, the Sports Council, the Arts Council and the smaller non-departmental public bodies (NDPBs). It will also include grants provided to the North/South bodies. That is by way of background.

I now turn to the results of the provisional out-turn exercise for this year. I refer you to the table that was supplied in your briefing. It is presented in the same format, and uses the same terminology, as the briefings on out-turn that the Committee receives each month. If anyone is not clear on the terminology or the way in which the table is formatted, please ask.

The main point to make is that, across all areas of the departmental expenditure limit (DEL) budget, which represents the routine items of the budget, the Department has achieved a spend of 99% or more of its final budget. In the annually managed expenditure (AME) category of the budget, which covers volatile spending areas such as asset impairments and provisions, spend is 95% of budget. Given the nature of the AME budget, this element of out-turn is also very satisfactory. It is also very significant — possibly even more significant — that none of the budget was surrendered to DFP in-year. Indeed, a modest additional amount of budget was sought and subsequently spent. Also, compared with previous years, the Department's performance has improved, both in spend against final budget and levels of surrenders of budget in-year. For instance, there were surrenders in resource budget of £2 million in 2009-2010, £1.5 million in 2010-11 and nil in 2011-12.

I move on to consider what this says about departmental performance in-year. The twin trends of very small underspends and no surrenders of budget in-year are evidence of good financial management performance on the part of the Department. It is able to spend the budget allocated to it effectively and efficiently in-year. I should point out that, when we are asked to spend up to our final budget, we cannot overspend. It is important to realise that. If we try to programme spending to spend 99.9% of our budget, there is always the risk that we will spend more than the budget. That is a major consideration of ours when we reach these levels of spend in-year. We lack the authority to overspend because the Assembly has not voted us that expenditure.

The Department is trying very hard to maximise spend in-year. It is doing this in a number of ways. It closely engages with its NDPBs through the year, and, as you will be aware, the NDPBs effectively dispose of 80% of our budget. We regularly internally report on spend against budget, and we have placed an increasing emphasis on the accuracy of forecasting by NDPBs, both of their spend in-year and of the pressures facing them or reduced requirements. The result of that is that budgets can be transferred from areas of surplus in-year to areas of need at the earliest opportunity.

We are also involved a great deal now in contingency planning. Deborah referred to that in the previous session. We develop a range of spending options that have not yet received budget clearance, and those exist in case money becomes available at short notice or towards the end of a year. For instance, in January monitoring of last year, DCAL was able to redeploy £0.6 million from the budget of the Ulster-Scots Academy to invest further in the libraries book stock. That was able to take place because business cases and plans were in place to spend at short notice. That is an important facet of our financial management at the moment.

I am not dwelling on our performance this year just so that we can congratulate ourselves on a good performance. Our financial performance in 2011-12 has an implication for future budget allocations, and that is the third area that I will touch on now. In his paper on January monitoring earlier this year, Minister Wilson noted the size of reduced requirements declared by Departments over the year. In total, £65.7 million of resource budget and £48.2 million of capital budget was surrendered. That is close to the total of DCAL's entire budget for the year. The amount was surrendered around the block, and that raised questions in the Minister's mind that original budget allocations might need to be reviewed. Therefore, he has proposed to take a fresh look at allocations in 2013-14 and 2014-15, which, in part, will be based on departmental performance in 2011-12. I have to emphasise that the precise details of this exercise are not yet clear, but Minister Wilson has suggested that Assembly Committees could undertake a review of their Department's performance, with the Committee for Finance and Personnel co-ordinating a consolidated response to the Minister.

If the proposal to make future budget adjustments on the basis of actual performance in 2011-12 is taken forward, DCAL will be in a strong position. We must, however, bear in mind that resource budgets are already planned to fall over the remaining years of the CSR period. In DCAL's case, by 2014-15, the annual resource allocation will have fallen by £9.18 million compared with the closing budget of 2011-12. Excluding the regional stadiums programme, the capital budget is at a very

modest level throughout the remainder of the CSR period. In these circumstances, and with the possibility of further budget reductions, it will be very important for the Department to demonstrate its ability to manage its allocations efficiently and effectively and to enlist the help of this Committee in bringing evidence of its good performance to as wide an audience as possible. That is the main message that I want to deliver today. That completes the presentation. Thank you for your attention, and I now invite questions.

**The Chairperson:** Thank you very much. You spoke of contingency planning, but have you allowed yourself flexibility in some of your planning and forecasting to give yourself, essentially, a contingency fund?

**Ms D Brown:** DCAL does not have contingency funds.

**Mr M O'Dowd:** We do not have funds that are not allocated.

**Ms D Brown:** They are all allocated.

**Mr M O'Dowd:** We are simply saying to people, "This is your budget for the year in various areas, but on top of those plans, please develop plans to spend additional money if it becomes available at short notice". We find that what happens is that money becomes available in the last monitoring round of the year, either from the block grant or internally, so we need to have plans in place. However, we have not got extra money or "free" money available. We anticipate reduced requirements in some areas and have plans to spend that money in other areas if it becomes available. That is the structure of the way that we work.

**The Chairperson:** So do you work at it as it comes along?

**Mr M O'Dowd:** Yes.

**The Chairperson:** Are you in a position to flag up potential issues for future budget allocations in 2011-12? Is there anything that could be an issue for you?

**Ms D Brown:** We know what the pressures caused by slippage will be in future years, so we hold that, and it is reviewed by our senior management team and board. We then prioritise those so that, if easements become available, those are the areas to which they must go first. So, a process is in place whereby our board and senior management team are kept informed of that, as is the Minister, to ensure that she is content that that is where that money will be redirected to. However, there is a requirement to give DFP back reduced requirements as and when you know about them, given the de minimis level.

**The Chairperson:** The Department is obviously to be congratulated on its 95% budget spend. How does that compare with other Departments, or do you not know at this stage?

**Mr M O'Dowd:** We do not know at this point. It is good compared with our historical performance. As regards other Departments' budgets, we do not know yet. Of course, as I mentioned in the presentation, this is subject to change. This is a provisional, interim stage. We have a final exercise in September, when numbers come back from audited accounts, and we will have the exact position then. At the moment, we do not know our relative position. That having been said, it is hard to imagine reaching a better position than 99% without breaching the budget.

**Mr McGimpsey:** I am looking at your annual allocation, which will fall by £9.18 million a year over the next three years. Is that right? Allowing for inflation, what is the real decrease there? That is the money that you take to the shops.

**Mr M O'Dowd:** It will be in excess of that because inflation is not factored into that.

**Mr McGimpsey:** So where are you actually at?

**Mr M O'Dowd:** It depends on your inflation assumptions, and I do not have that figure with me.

**Mr McGimpsey:** The figure was originally 2.5%, although I think that it has gone up since then to around 3%. However, say that you are working at 2.5% and you are at £140 million a year over three years; you need a 2.5% year-on-year increase on that £140 million just to stand still. You are actually losing more than £9 million and you are not getting the inflationary rises, so I want to get some idea of what the gap is. What is your gap in real terms?

**Mr M O'Dowd:** I do not have that figure for future years with me.

**Mr McGimpsey:** It would be useful to know what that is, because it will impact on everybody, not least folks who are not spending their money. We have heard about some of them starting to hand money back, and that, as you know, is when things start to get nasty all round. You have real challenges here. You —

**Mr M O'Dowd:** We do indeed. As I say, if we —

**Mr McGimpsey:** Not only are you not getting a rise in line with inflation, but you are getting a reduction. So what is the real-terms gap that we are looking at?

**Mr M O'Dowd:** We will come back to the Committee with projections based on a variety of assumptions around inflation.

**Mr McGimpsey:** We are on our second round now of folks coming in to talk to us — all the next-step bodies, one of which will come in later. We need to know what they will be saying to us this year and the year after. The next thing is that they will all do the rounds again and come to us about their budget allocations, so I would be interested to know that figure. Thank you.

**The Chairperson:** There are no other questions from members. Thank you both for attending, for your presentation and for taking questions.