



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Financial Process Review

25 January 2012

NORTHERN IRELAND ASSEMBLY

Committee for Finance and Personnel

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Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Ms Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Paul Maskey
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Mr Michael Brennan	Department of Finance and Personnel
Ms Agnes Lennon	Department of Finance and Personnel

The Chairperson: From the Department of Finance and Personnel (DFP) we have Mike Brennan, head of central expenditure division, and Agnes Lennon, also from central expenditure division. They are going to outline the Department's preliminary response to the recommendations in the Committee report and set out the timetable for the next steps in taking forward the review. I welcome the witnesses and ask them to make some opening remarks.

Mr Michael Brennan (Department of Finance and Personnel): Thank you, Chairman. I will try to keep my opening remarks very brief. I am not sure what format you want to follow, so after the opening remarks — *[Inaudible.]*

The Chairperson: There is a series of recommendations. Perhaps you will make some opening remarks on specific recommendations that the Department has issued, because there is not much point in discussing things that we agree on.

Mr Brennan: The starting point from our perspective is that we are glad that our discussion paper has been welcomed by the Committee. There are 15 recommendations in total. From our perspective as officials working on it, we agree with the principle of every recommendation in the paper. However, there is a difficulty in moving from the principle to the reality and practicality of implementing some of the recommendations. We have looked at your paper in detail, and there are nine recommendations that we are completely OK with and do not have any concerns or reservations about at all. There are five recommendations on which we have some queries and concerns about the issue of practicality and

actually delivering within the context of the Assembly. There is one recommendation about which we have fundamental concerns, which is recommendation 7, and I would like to go through that in detail.

There are, however, some generic issues that cross over those five or six recommendations about which we have concerns. The first is the role and ability of Account NI to address some of the recommendations in the paper. The second is related to the review of arm's-length bodies (ALBs) that is currently under way within the Budget review group. The third generic issue that I want to highlight is the reference in the paper to the work that is ongoing in Scotland and being taken forward by the Scottish Executive. The fourth issue is rather sensitive and relates to the construct of the Programme for Government (PFG) and the interrelationship between the Programme for Government and the Budget. The reason I say that it is sensitive is that it brings in the dynamics of the politics in relation to constructing a Programme for Government and how that unfolds in reality. Finally, we would like to draw the Committee's attention to the issue of pre-consultation and the interrelationship between pre-consultation and the Budget timetable and what that might mean for the final stage, when you move from the draft Budget to the final Budget, the 12-week consultation programme that we currently have and the implications of that. We will finish off with next steps: where we think the timetable is in terms of the debate next month and the paper to the Executive and where we go from there through engaging Departments — *[Inaudible.]*

As I said, there are nine recommendations that we are completely happy with. Do you want us to briefly run through all 15 recommendations rather than our highlighted concerns, or will we focus on the generic issues that I mentioned?

The Chairperson: You intend to give us a written response to the report anyway.

Mr Brennan: Before that, I think there would be a benefit in Agnes and I meeting the Committee secretariat and Assembly researchers to talk them through the minutiae of our concerns so that we are clear in our understanding of where the Committee is coming from. For example, our understanding of the Scottish Government issue seems to be completely different to the understanding of the Committee staff and the researchers. We want to exchange views on that issue and on the budget review group's review of arm's-length bodies. We think that there would be merit in getting together with your staff some time in the next few days to exchange views and discuss how to move the project forward. What we do not want to do is present a paper to the Executive that relays what we think the Committee is saying but not what the Committee is actually saying. We think that there would be merit in having that dialogue in the next few days before we start to construct the next paper.

The Chairperson: Does that do anything to our timetable?

The Assistant Committee Clerk: No, it will be fine. It will not be finalised until the 13 February debate.

The Chairperson: We will go through some of the generic stuff, which may lead us on to some of the specific areas of contention. Two areas that are linked are Account NI and arm's-length bodies, and the Committee correctly expressed concern about that. The process is about having a more user-friendly, streamlined and accessible budgetary system and financial process for the Assembly and Departments. Currently, we have a hotchpotch, in that we do not vote on all of the money. There is a great deal of confusion and misunderstanding about how the process works. We end up with maybe three similar debates in which we go through the same issues over and over again.

The aim is to try to design a process that, from the perspective of the Department, the Executive and the Assembly, gives us scrutiny and greater understanding and transparency so that Members know exactly what they are voting for. All of the issues fall into that, including the pre-consultation, which gives a greater opportunity for Committees to get a sense at an early stage of what the Department is putting in for in the Budget. There has been an admission — I do not know whether it was from you specifically, but it was certainly from DFP officials — that there are very few alterations between the draft Budget and the final Budget. Committees are presented with a 95% fait accompli when they get their first look at the Budget. The Committee feels that that is always an essential stage, and we have received feedback from other Committees to that effect.

There is also the issue of the relationship between the Programme for Government and the Budget, and we have not had a logical explanation as to why they cannot be linked. It does not seem to be logical for the Programme for Government, which is a set of political imperatives, not to be aligned with the spending plans and the Budget. The Committee identified a gap. In recent times, the Finance Minister has been in the Assembly to give statistics about prompt payment issues, yet those are payments under the auspices of Account NI or whoever operates under it. Not all the arm's-length bodies operate under Account NI yet they spend public money — in the case of the Department of Culture, Arts and Leisure (DCAL), 80% of its budget is spent through arm's-length bodies. There is not the ability to monitor arm's-length bodies to the same degree. Again, the question arose as to why all of those bodies cannot be brought under the same accounting system so that the Assembly can consider that funding when voting. It is about simplification and transparency and about getting a better handle on the process for the Department and the Members who vote on the Budget in the Assembly.

Mr Brennan: We wholeheartedly embrace the principles of the 15 recommendations; the logic is beyond dispute. For example, you start by mentioning misalignment and the fact that there are three separate financial exercises; budgets, estimates and accounts. Our aim is to make sure that every body and non-departmental public body (NDPB) is brought within the project. For example, there would be complete synchronicity between those documents and complete transparency and read-across. So that lack of transparency should disappear.

The issue about NDPBs and whether they come within this system is one that is relatively easy to address. The difficulty is that you have major NDPBs in, for example, the health service. You have the likes of the trusts, which are major bodies, but we think that we can bring them in. I am a bit worried that you have some concerns about the ability to address the misalignment and bring them in. The paper refers specifically to a DCAL problem. However, from our understanding — Agnes can maybe say a bit more — we do not believe it is a problem. We think that the way that it was presented here was wrong because our understanding is that all DCAL's arm's-length bodies are within the system.

Ms Agnes Lennon (Department of Finance and Personnel): All the executive NDPBs can be consolidated within the accounting boundary. That would bring them all in. The aim of the project is to align all of central government in one accounting boundary, and their budgets at the moment are expressed in central government terms, whereas Estimates and accounts are just departmental budgets.

The Chairperson: What would be left outside of that aim?

Ms Lennon: Nothing really. Perhaps I should go back to basics. Across Europe and in the United Kingdom, bodies are classified. In our case, the Office for National Statistics classifies all bodies, including private sector, financial sector, public sector and government bodies. Within public sector bodies, the ones that we are interested in, you will have central government bodies. That includes the Departments and NDPBs. You have advisory NDPBs, tribunal NDPBs and executive NDPBs. Advisory NDPBs and tribunal NDPBs are not separate institutional units. They do not employ staff or deliver any executive functions, so they do not prepare their own accounts. Therefore, they are in the Department's accounting boundary. Any staff support, etc, and any expense is provided by the Department. So they are already within the boundary. The only ones within the central government category that are outside the boundary are executive NDPBs. That is really the aim of the *[Inaudible.]* of the project — to bring them in within the accounting boundary — *[Inaudible.]*

The Chairperson: The objective of the Committees, and this Committee in particular, is to provide scrutiny of public spend and to make sure that there is transparency, read-across and accountability in respect of every piece of money that should be voted on by the Assembly as part of the Budget. This might seem like a simple question, but are you saying that the aim is to bring everybody in so that that is achievable?

Ms Lennon: Within central government, not within the public sector.

The Chairperson: So, is there money voted on in the Budget process here that is outside of the process that you intend to achieve?

Ms Lennon: The only other areas of the public sector that are outside that are district councils, and I do not think that anyone would suggest that we bring them in. They are not within central government; they are *[Inaudible.]*

The Chairperson: The block of money that is allocated by central government to local councils can be accounted for.

Ms Lennon: Yes, the grant is accounted for. The other bodies that would be outside *[Inaudible.]* would be public corporations, of which we have two or three in Northern Ireland, including Northern Ireland Transport Holding Company (NITHCo) and the Housing Executive. The *[Inaudible.]* within budgets, estimates and accounts would be *[Inaudible.]* but they are market bodies so they are quite rightly outside central government.

The Chairperson: We will maybe come back to the pre-consultation issue.

Mr Humphrey: What is your definition of central government? I would *[Inaudible.]* the central Government in Westminster. Is that what you are talking about?

Ms Lennon: No, we are also talking about devolved Administrations *[Inaudible.]* In our case *[Inaudible.]*

Mr Humphrey: Is a non-departmental government body the same as an arm's-length body in terms of accounting and governance?

Ms Lennon: More or less.

Mr Brennan: The terms are bandied about, but, basically, they are the same thing. So, for example, when we talk about the Executive doing a review of arm's-length bodies, it is a review of all the public sector NDPBs that exist in Northern Ireland.

Mr Humphrey: So, Foras na Gaeilge and the Ulster-Scots Agency are arm's-length bodies in DCAL?

Ms Lennon: Yes.

Mr Humphrey: And their accounts have to be consolidated between both Governments.

Ms Lennon: They have recently been classified by the Office for National Statistics and by the Irish statistics office as central government, so they will be consolidated.

Mr Humphrey: But they are not at the moment?

Mr Brennan: They are, since about three weeks ago *[Inaudible.]*

Ms Lennon: We are in a process of *[Inaudible.]*

Mr Humphrey: That is good to hear, because that was not the case *[Inaudible.]*

Mr McLaughlin: In some ways, it is unfortunate that we are still talking about this. The review of NDPBs could well have streamlined the number of issues. The concern is that there is a disconnect between the Estimates process and the vote on actual expenditure. I am somewhat reassured by your comments, and it appears that we have gathered up most of them. However, is there an explanation of why it is taking so long to review the so-called arm's-length bodies?

I sit on the Public Accounts Committee, and, from time to time, we deal with almost hands-off bodies. Not only is there a disconnect in the budgetary process, but there appears to be a problem with line management, knowing who is in charge and consistency in the delivery of service. A lot of different

arguments are coming together in favour of the urgent need for review. It is perhaps a process that developed in the years of direct rule; that is at least part of the explanation. However, what I do not understand is why it is taking so long to review and to decide what can be merged, what we can do without, and what we absolutely need because of the function that they deliver.

Mr Brennan: I agree that the review of arm's-length bodies is progressing slowly. The target within the draft Programme for Government is for the review to conclude by 2015. The review of arm's-length bodies may reduce their number, but the functions of the arm's-length bodies will probably still be there. The arm's-length bodies that exist at the minute produce their accounts and get their budgets. Therefore, in terms of the practicalities and day-to-day delivery of those arm's-length bodies' services, not much will change over the years other than the streamlining, as you called it.

It is moving very slowly; 2015 is quite a way away. In terms of our timetable for the review of the financial process, we envisage having the review structures implemented by 2014-15. From my knowledge of *[Inaudible.]* budget review group *[Inaudible.]* there is some scope for rationalisation there. However, I do not think that we should have great expectations of a material change in the functions delivered by those arm's-length bodies.

Ms Lennon: We are in the hands of the Executive on that, so we await their progress. As Mike said, I would not expect many of these bodies to disappear or be merged *[Inaudible.]*

There is a myth out there that these arm's-length bodies are "quangos" and therefore must be done away with. However, they are actually health services, trusts and hospitals. They are education and library boards that will form the Education and Skills Authority (ESA) shortly. They are the Police Service of Northern Ireland. None of those, I presume, will disappear. There seems to be a myth that a lot of these bodies will disappear somehow and that we should hold up our review of financial progress until that happens. I cannot see those disappearing. Even if some were merged within the Department, with the executive function brought back within the parent Department, the preliminary work that we will be doing, and have already started, with Departments on consolidation of those bodies within the accounting boundary would still be work well done, because we will have to align the accounting policies of the NDPBs with departmental policy. So all that would still be good preparatory work.

Mr McLaughlin: I agree that they will not all disappear. I am also quite comfortable with the view that some of them provide an absolutely vital service and that they do that as effectively as they can. At the same time, there is a view, which is true, that some of the functions could and should be carried out by the Civil Service with proper in-house capacity rather than franchising the work out, because that has not contributed to either the coherency or efficiency of government. I do not think that I should go any further into that particular subject matter.

It would appear in terms of the review of financial management that your process is at least not stalled as a consequence of the slow progress of the other parties *[Inaudible.]* milestones *[Inaudible.]* where you can actually see progress. In any event, in some instances we are probably talking about a parallel process and your reforms taking account of the possibility of some of those groups being merged, disappearing, or validated in function. We want to see them included in the overall accountability and accountability to the Assembly so that we move beyond the point where a significant percentage of the actual spend does not run across the Assembly. Very often, people are *[Inaudible.]* on what that entails. It is in somewhere in the area of NDPBs that that expenditure and accountability *[Inaudible.]*

Mr Brennan: All the functions that are carried out by these various bodies today will still be embraced at the end of the financial review process. Now, the issue of those bodies *[Inaudible.]* accounts, if those bodies are revised and reformulated into new bodies or a smaller number of bodies, there will be accounts for those bodies that will be embraced in the context of this financial review.

Mr McLaughlin: Yes, but it is the gap that has persisted over the years. There are headline examples, and it does not really help the discussion to focus on them alone, because they are the exception rather than the rule. However, some of them have been quite extraordinary. They have been outside of normal financial constraints and management for some reason as a result of being regarded as an

arm's-length body, and that has maybe affected the thinking. In any event, where I am seeking an assurance is that, if we cannot entirely eliminate the gaps in information and accountancy, this process will have been undermined from the very start.

Mr Brennan: If we get complete alignment, there cannot be any gaps other than, as Agnes says, the local government sector, which is outside central government anyway.

Mr McLaughlin: *[Inaudible.]* sense of that.

Mr Girvan: Thank you, Michael and Agnes. In relation to the body of work that has been *[Inaudible.]* the Department's point of view on aligning the budgets, estimates and accounts and ensuring that all the dates coincide. How is that work progressing? I sit on one of the so-called arm's-length bodies, and I am aware that they have their own accounting date, and that date does not seem to tie in with anybody else's. I am wondering how they are being encouraged to come along and engage in the process so that everything aligns, because until you start to *[Inaudible.]* it is difficult, where we have *[Inaudible.]* information coming in. I just wonder how you are coming along with that. The Departments are the ones who give the money out to those other bodies. How are they working with that? Is there a willingness to do it?

Ms Lennon: Are you maybe referring to the year end of the councils and *[Inaudible.]*

Mr Girvan: Which is practically where we come with *[Inaudible.]* look at the estimates. We need to be sure that the budgets are right, how they are spent *[Inaudible.]* the estimate. The process then becomes setting estimates for the following year on the finalised accounts and ensuring that all those are triggered to come along at the right time, with each Department linking into the overall picture.

Ms Lennon: We have set up an interdepartmental working group with ourselves and all of the representatives *[Inaudible.]* and Departments, and we are looking at issues such as year ends, and the Audit Office and Account NI are also on that group. So we are working on that. For some of the smaller NDPBs, the difference in the year end is not material, therefore it is not a particular problem. However, for some of the larger organisations, it could be material. What will happen is, even though they have a different year end, they could still work with a different year end if that is necessary, or they may decide to move the year end to align with the Department's. Either way, however, we can still consolidate the information within Departments.

Mr Girvan: That would be whole lot easier if they were all put *[Inaudible.]*

Ms Lennon: It would. For further education colleges, Stranmillis University College and some of the organisations that have an academic year, it may be easier for them to stay with their academic year, but those are issues that the interdepartmental board would want to look at and thrash out.

Mr Girvan: Is that work going on?

Ms Lennon: Yes, it has started on that, although I suppose that until the Executive approve the outcome of the review —

Mr Girvan: It is a common-sense approach. It is always better to be able to say on a certain date, "This is the position, and it is the position for all Departments at the same time."

Mr D Bradley: Apologies for being late.

The Chairperson: Not a problem.

Mr D Bradley: Good morning. At one stage, I think you told us that 25% of the Budget was not voted on by the Assembly. I think you put that down to the non-departmental public bodies and arm's-length bodies. Will these reforms now correct that?

Ms Lennon: Yes, they will. The 25% you referred to is probably the departmental capital, which was not voted on in the past unless that [*Inaudible.*]

Mr Cree: I have a similar question. We know that 60% of the expenditure was not aligned across the frameworks. Will this bring in the other 40%?

Ms Lennon: Yes, it will, hopefully. I hope that by the end of the process we will have if not complete alignment then almost complete alignment.

Mr Cree: Which is really what we want.

Ms Lennon: Yes, that is the aim of the project.

The Chairperson: The Committee was quite clear, and the Committees that responded to us were quite clear, about the absolute requirement for a pre-draft Budget consultation, based on evidence from officials that there is minimal change between the draft Budget and the final Budget. The Department's support for that was caveated with "where circumstances permit", and that caused some concern for the Committee. "Where circumstances permit" could mean that a pre-draft Budget consultation would be the exception rather than the norm and that circumstances would always militate against proper scrutiny. Have you any response to that? Has the Department thought that through further? That caveated response caused concern for this Committee and, I think, probably for other Committees.

Mr Brennan: There are two interrelated issues there, and we would really appreciate the Committee's view on how we should take this forward. One is in relation to the consultation process and the second is about how the consultation process interlinks between the evolution of the Programme for Government and the Budget.

At the time of the construction of the last Budget, at a very early stage and before we even had the spending review, DFP officials went out and had a pre-consultation process. That involved holding a series of presentations for all the key stakeholders on what we thought the spending review would deliver for Northern Ireland and what the implications would be for departmental spend. We went out to all the identified stakeholders, and that process was warmly welcomed by everyone. It set the context for the evolution of the Budget.

Once the draft Budget came out, however, we then had the 12 weeks of public consultation. A big problem that we always have in DFP is that we normally have to build in that 12-week window between the draft Budget stage and the final Budget stage. That is always very difficult to manage because it usually means you are right up to the wire with regard to the spring Supplementary Estimates and the Vote on Account, which does not leave any room for manoeuvre. We agree with the Committee's recommendation about having that very early consultation. Is the Committee saying that, if there is sufficient and robust consultation with all the key stakeholders and Committees at a very early stage in the evolution of the Budget and everyone is fully engaged, the 12-week window between the draft Budget and final Budget can then be compressed in some way? That would then give us time to produce the Budget in, say, the last quarter of the preceding financial year. We would very much appreciate a statement from the Committee on its view on that.

In practical terms, for example, your paper has the ideal template whereby in, say, April or May of the financial year in which the Budget comes in, we would effectively have the pre-consultation exercise but for a wider audience, making sure, for example, that Departments engage with Committees. We would give to the Departments all the information that DFP gave the stakeholders the last time round, and encourage them to go to their Committees. There would be much more wholesome consultation very early on, even before the numbers are available. The numbers might not be available from Treasury. The last time around, we were able to accurately forecast what we thought Treasury was going to deliver for Northern Ireland. We will do the same again. That would generate some flexibility with regard to engagement as the budget process evolves over the coming months. It will mean that the Executive will have more time and that the Departments will have more time to engage with their

Committees. For example, you would not have to set aside a two-and-a-half-month or three-month window between draft Budget and final Budget. We would welcome the Committee's view on that.

Tied to that is the interrelationship between the evolution of the Programme for Government and the Budget. Your paper says not that the evolution of the two should be addressed in tandem but that the Budget should flow from the Programme for Government. We agree completely. Ideally, that is how it should be. There is a practical reality to how budgets are agreed in the Executive. Think back to where we were. If we had waited for the Programme for Government last March, we would not have a Budget. I agree with the principle, but I would welcome the Committee's view on the realities of how to force through a Programme for Government to ensure that you have the ability to deliver a Budget. Remember, if you get to March in the preceding financial year and do not have a Budget, Departments will not have money. It is about the dynamic and relationship between constructing the Programme for Government and the Budget. That concerns us, and I would welcome the Committee's view on how you would enshrine that.

The Chairperson: Part of that is dictated by a change of Government in Westminster and a new Budget coming from there. It is not necessarily dictated by the Assembly timetable, from which, in the ordinary run of things, you should be able to construct a Programme for Government and Budget to flow from it.

Mr Brennan: The fact that the spending review outcome was not known until 20 October was a material fact. Back in April and May, we had a good idea, so DFP officials were able to have a pre-consultation exercise. A lot of people would suggest that it is possible to have the outline of a draft Programme for Government at an earlier stage, but, as I said, I agree completely with the principle — I am just worried. DFP officials are anoraks when it comes to the construction of a Budget. It is imperative that the Budget is in place. We agree, in principle, with the point about the Programme for Government, but, under the recommendations set out in your paper, what do we do if we get to December and we do not have a Programme for Government?

The Chairperson: I am remembering and summarising, but I think that it was the view of the Committee that a proper pre-consultation with Committees on the draft Budget would streamline the process at the latter end and cut down on the need for two or three debates on the same issues. Effectively, people are having their first real argument about the Budget at that stage. I am not sure about the 12-week consultation, because there may be legal requirements. You will know that, if bodies outside of here object to the outcome of the Budget but do not have the 12-week consultation period, that opens up the possibility of a judicial review on the grounds of insufficient consultation. I do not know whether the Committee can have any influence on that. It was certainly our view that a pre-draft Budget consultation would remove the need for a convoluted process at the latter end of the Budget discussion, when it comes to the Assembly, and before the vote on the Budget.

Mr McLaughlin: The principle of consultation with all the stakeholders, including, importantly, the scrutiny Committees, is something that we should build into our thinking and philosophy as we go forward. We have touched on the disconnect before. There could be an election in Westminster at any time due to circumstances there and issues way beyond the control of the parties here. That could be a reality going forward. For circumstances in which there is no guaranteed fixed-term process, there is a mechanism that has been developed in Westminster. As I understand it, incoming Governments work their way through the Programme for Government and spending programmes that their predecessors developed for a period of at least 12 months. As I understand it, in some instances, it could be 18 months before they begin to put their own fingerprints on the spending programme. Maybe there is a mechanism in that that would allow us to resolve the issue and to do some overlapping under our fixed-term arrangement. Starting afresh at the start of every four-year term is a bit silly. If the Programme for Government developed by this particular team of Executive Ministers and Assembly Members were to run for a year beyond the election, we could get alignment between the Programme for Government process and the spending process. Perhaps a bit of thinking like that could resolve the issue. At least we have the advantage of a fixed term.

Mr Brennan: The starting point for the four-year Budget that the Executive constructed was the existing strategic priorities from the previous Programme for Government. If you look at the new draft Programme for Government, and the —

Mr McLaughlin: It flows.

Mr Brennan: Yes, there is a seamless flow. At the start, I mentioned that there was one recommendation on which there was a fundamental difference between your paper and where we are coming from. That was recommendation 7 and the idea of constructing and benchmarking the Budget on the basis of the Programme for Government to assess performance. We have concerns about the practicalities of doing that. For example, the new draft Programme for Government has 99 milestones, and we are concerned about how the Executive would begin to construct a Budget and a resource allocation process against those milestones. To be blunt, some of those milestones will be intangible and hard to measure.

The Chairperson: Is "woolly" the word you are looking for? *[Laughter.]*

Mr Brennan: We were concerned about that. I know that the Committee has pushed the idea of output- or outcome-based budgeting for some time. However, from our perspective, output- or outcome-based budgeting is an ex post event; it is something you do after the event. I go back to your point about the previous Programme for Government and how we assessed what it achieved and how successful we were. The Committee's paper referred to what the Scottish Government have been doing with their national performance framework, and we can talk to the Committee staff about what is happening in Scotland. However, I know that the Scottish Executive have reservations about how that will be delivered and that they are undertaking a pilot scheme at local government level. We can let Committee officials know what is going on there. There is a big issue about output- and outcome-based budget allocations in the context of the new Programme for Government, which seems to be what the Committee wants, as opposed to output- and outcome-based resource allocation in the Budget based on the views of the Executive and the Assembly as to how successful the last Programme for Government was.

Mr McLaughlin: Perhaps we have to have some mechanism through which we take, say, a 10-year perspective so that we span different terms of the Assembly.

Mr Brennan: That seems to be what the Scots are doing.

The Chairperson: OK. I think that your proposition is to have a discussion with Committee officials over the next couple of days to tease out some of the issues so that we can revisit the matter.

Ms Lennon: When the Committee talks about outcome-based budgeting, does it see the budgets of every Department being mapped to the Programme for Government?

The Chairperson: It certainly is the view —

Ms Lennon: *[Inaudible.]* outcome-based budgeting.

The Chairperson: The initial statement that you do not think that the two things can align does not seem to be logical. If the Programme for Government is what the Executive want to achieve and the Budget is the tool by which they will achieve it, the initial view that the two cannot be aligned seems to be somewhat illogical. We are looking for a simplification of the financial process so that it is more accessible and transparent. That will allow us to see the targets of the Programme for Government and how much money was set aside for them. In doing that, we can benchmark how successful it is. If there are practical difficulties and some of the targets are not as definable, that is something that we are willing to talk about. From my perspective, the concept behind the recommendation was that, if we want to achieve objective A and we set a budget for it, the two things should align and we should be able to measure whether we have achieved the intended outcome.

Ms Lennon: They should. Our problem is that we have to work with the Programme for Government that we have been given. Your paper recommends that we take the commitments that are in the Programme for Government. If I try to take the commitments on, for example, health, under each of the priorities — that amounts to about 10% or 15% of the budget for health — how am I to map the

budget of the Health Department to those commitments? As you can see, 85% of the health budget is not covered by the commitments. I will move to the higher level, which is probably the outcomes. For example, there is an outcome to achieve a healthier population. I can map all of the health budget to that. I can possibly also map a bit of the budgets of DCAL and the Department of the Environment (DOE) to it. We could map those, but I am not sure that it would be meaningful. That is our problem.

Mr Cree: You make the point that a certain proportion of the Programme for Government is really aspirational. Nevertheless, funds are voted to carry it out. You make the point that about 15% *[Inaudible.]* readily identifiable. Surely, an awful lot of that must be the routine stuff.

Ms Lennon: The routine stuff is not in these commitments.

Mr Cree: No, but it is in the Budget.

Ms Lennon: Yes, it is in the Budget but —

Mr Cree: Is that not simply the other 85%?

Ms Lennon: Sorry?

Mr Cree: You said that 15% of the figure *[Inaudible.]*

Ms Lennon: That is a very —

Mr Cree: I know, but the balance of that figure is surely the routine work that has to be done on an ongoing basis.

Ms Lennon: But I cannot map that to these commitments.

Mr Cree: No. So what you perhaps need is a Programme for Government with a little more direction on the particular challenges that it is tackling and what it wishes to achieve. That surely must be underwritten, as the Chair has said, by the Budget. The money must be voted for that, otherwise the whole thing is meaningless.

Ms Lennon: It is voted for that, yes. The Budget Bill that you vote for in the Assembly has all the services listed. However, they are not in the commitments in the Programme for Government.

Mr Cree: Because they are routine.

Ms Lennon: Because they are routine and yet extremely important. So that is our difficulty from the official perspective.

Mr Cree: We need a better Programme for Government. *[Laughter.]*

Mr McLaughlin: That is the bottom line. You could not possibly say that.

The Chairperson: Could you sort that as well?

Ms Lennon: You could just let DFP write the Programme for Government. *[Laughter.]*

Mr McLaughlin: What flows from the review of the financial process is, in fact, inescapable: the Programme for Government process has to match that in its detail and explicit nature.

The Chairperson: That is the cart and horse argument.

Mr McLaughlin: Yes, it is — but Agnes did not say that.

The Chairperson: OK. I know that you are going to have some dialogue with the officials, and we will see if we can reach a better understanding of this matter and, in particular, of your view of how the Scottish Government are approaching it, which we thought aligned with our general view. However, we will wait and see what comes out of your discussions. It is your intention to give us a written response after the plenary debate.

Mr Brennan: There is big issue around Account NI, which we will probably look into. Over the next few days, we will go through that in detail with your officials. We will try to get an agreed understanding of those six or seven key generic issues about which we have concerns, so that, when we get to the debate, there will be a degree of synchronicity between the Committee and the Minister as to the way forward and what the issues are. We would like to have that discussion in the next few days. After the debate, it is our intention to present a paper to the Executive. That will be on 8 March; is that right?

Ms Lennon: At the end of February.

Mr Brennan: By the end of February we would like to have an Executive paper. What we would like to do is *[Inaudible.]* We would like to be in a position to say in the paper that we have taken on board the views of the Committee and addressed its concerns. There may still be issues around, for example, the outcome/output-based budgeting and the Programme for Government, but we will present your view and the officials' view in that paper. We will meet your officials, talk them through the 15 recommendations and set out exactly what our concerns are. Then, after the debate, there will hopefully be a degree of synchronisation between us and *[Inaudible.]*

The Chairperson: OK.

Ms Lennon: Perhaps we should touch briefly on the Account NI issue? I feel that the thrust of the paper was very much that all spend should be on Account NI's financial system. However, *[Inaudible.]* acknowledges that the majority of public expenditure, because it is with NDPBs, is not in the Account NI system. It says that Account NI has the capability to map to the priorities in the Programme for Government. If I were an Account NI official and you asked me whether the system has the capability to do that, I would answer yes, it has the capability. However, if the data is not there, obviously that is of no use.

Financial systems such as those of the health service are so different from the Account NI system. The health service system is tailor-made to suit the health service and is very different from the Departments' system. The health service orders goods all the time and has a totally different financial system. I cannot envisage it ever coming into the Account NI system. In fact, it is bigger than the account for the whole of the Northern Ireland Civil Service financial system. To think that through time all NDPB systems will be under Account NI is maybe *[Inaudible.]*

The Chairperson: Account NI is a device for allowing better measurement and better scrutiny, particularly by this Committee and probably other Committees as well. The Department or the Minister can quote statistics to us about how they are measuring things, for example, the prompt payment issue, and pat themselves on the back for good performance, but we have found that a substantial section is not included in that measurement. That was the reason for the recommendation for everybody to come in under Account NI. That was what was providing the measurement. If it is the case that that is not practically possible, the Committee and the Assembly will need some way of reporting how those areas are performing, even if it is just a table of statistics to say that all the systems under Account NI are making 85% prompt payments, or whatever the particular issue is, and to show systems and measurements.

The issue for this and other Committees is our inability to scrutinise the entirety of how public spending is performing. We are getting statistics from you that relate to only a section of that, and that is not satisfactory. The most recent issue — the prompt payment issue — is fine, and it seems that there is a good performance on the main contract. However, we do not know about the performance of one area, so we cannot make an objective analysis across the entire public spend system of how that area is performing. The situation with other areas is similar. Whether the public spend is under Account NI

or some other system, this Committee and other Committees want the ability to properly scrutinise the performance of that spend.

Mr McLaughlin: You gave the health service as an example, and, obviously, it is *[Inaudible.]* Department. Given the complexity of it and the difficulties, is it the position, as far as Account NI is concerned, that it is either all of the health service expenditure or none of it? Can we reduce the problem by examining which accounts — payroll services, for instance — can be incorporated and by looking at other areas of expenditure that could, conceivably, be brought in? It is not just the issue of accountability and scrutiny: there have been some questions about procurement practices and whatever. It is such a vast area and genuinely complex. We have seen that in the debate over pharmacy services. Is there no way in which we can approach this issue? I hesitate to use the word "incrementally" because we should be looking for chunks of it so that we can manage as much as we can and perhaps then address the outstanding issues to see whether we can bring them all under the *[Inaudible.]*

Ms Lennon: I would have thought that the health service or any of the other NDPBs would be able to provide you with the information that you require on their financial systems.

Mr Brennan: The difficulty is that you are, I think, looking for an interface between those systems and Account NI. As I understand it, none exists at this point in time. However, as Agnes said, an efficient financial management system should be able to provide information on issues around prompt payment or tendering processes for employment contracts. It does not necessarily have to have the Account NI badge across the top.

The Chairperson: But the difficulty for you and your Minister is that when he stands up in the Assembly to report on these issues he is giving only a partial report. We are talking about the financial processes and how we vote on things. When the Minister comes forward to report on the performance of certain areas of spend, it is a partial report, yet we are voting on the full amount.

Ms Lennon: I suppose that he is reporting on what he is accountable for. He is not accountable for —

The Chairperson: Well, he is accountable for the entire public spend because he is the Finance Minister, but he has the accounts and performance figures for only a certain section of that public spend. That is the difficulty.

Ms Lennon: Regarding the monthly forecast, the Committee *[Inaudible.]* outturn expenditure figures. It does cover all of the NDPBs and public sector expenditure.

Mr McLaughlin: This is not an issue that can be addressed in simplistic terms. However, we need to remember that this is a very small region. There are county councils in England that are bigger. It really flies in the face of logic that we cannot consolidate and integrate our various spending programmes. Organisational resistance to change, inertia and a silo mentality are well-known difficulties. However, we can address these issues if we decide that we are going to address them, so that when the Minister stands up to give a statement on spending areas he gives all the information that is required, not just the information that he possesses. In the present circumstances, no Minister appears to be in a position to give the full information that the Assembly is entitled to.

The Chairperson: Thank you for that. You will have an engagement with the officials, we will talk the matter through further, and then we will have the plenary debate. Following your Executive paper, we will hear back from the Department in a written response to our recommendations. Thank you very much.

Mr Brennan: Thank you.