



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Main Estimates and Budget (No. 2) Bill:
DFP Briefing

13 June 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Roy Beggs
Mr Leslie Cree
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Mitchel McLaughlin
Mr Paul Maskey

Witnesses:

Mr Michael Brennan	Department of Finance and Personnel
Mr Jeff McGuinness	Department of Finance and Personnel

The Chairperson: I welcome Michael Brennan, head of expenditure in the Department of Finance and Personnel (DFP), and Jeff McGuinness from its central expenditure division. Apologies for keeping you and other witnesses waiting, but we were getting some advice on the procedures and legalities around the request for accelerated passage for the Budget (No. 2) Bill, and that took slightly longer than we had anticipated.

We are glad that we have the papers — finally — and that we have an opportunity to ask you some questions about them. The Committee has to take a decision on the way forward for the Bill and the Estimates. Do you want to start, Michael?

Mr Michael Brennan (Department of Finance and Personnel): Thank you, Chairman. As you said, thankfully you now have the papers. As I said at a previous evidence session, the Main Estimates bestow on Departments the Assembly's approval to spend the balance of the Budget allocation for the 2012-13 financial year. The Vote on Account gave Departments 45% of the resources and cash that they need for this financial year. That takes them roughly up to the end of July.

This is about giving Departments the financial allocations for the remainder of the financial year. Timing is critical. Getting the Bill through to Royal Assent before the summer recess is key to ensuring the Assembly's approval for spend.

The Chairperson: Jeff, do you wish to add anything?

Mr Jeff McGuinness (Department of Finance and Personnel): No, that covers the points.

Mr Cree: In view of the considerable delay in providing the information and documents, how does the DFP consider that there has been appropriate consultation with the Committee, as required by Standing Order 42(2)?

Mr Brennan: The Estimates are just a further iteration in the Budget process. This is the second year of the four-year Budget process. The allocations to Departments for this year were first set out when the Budget was approved in 2010-11. As I said, the allocations to Departments have been known in advance. We have had many sessions with the Committee on that Budget and the iterations that have taken place on, for example, monitoring rounds, where we come to the Committee and reflect the changes in departmental allocations, and on the Vote on Account, where we set out to you the indicative allocations and seek approval for them to go to Departments to bestow legitimacy on their spend.

Therefore, the Estimates are not completely new; they are just a further evolution in the Budget process that kicked off a year and a half ago. The allocations to Departments have been known for a long time. The iterations that we have gone through in the past 18 months have been known, and we have come to the Committee. The Committee is not coming completely new to the Estimates; they are part of the four-year process of Budget 2010-11.

Mr Cree: Do you not accept that each Budget year is a stand-alone Budget year?

Mr Brennan: The Estimates and the Budget Bill give legal authority for Departments to spend. That is where the Assembly bestows its authority on spend. However, the allocations to Departments were set out in the four-year Budget that the Assembly and the Executive set out in January 2011. All that has happened from that period is that there have been iterations and incremental changes. As they have happened, we have come to the Committee to let you know about them.

Mr Beggs: Thanks for coming along today and providing us — finally — with some information. What evidence is there that the Department of Finance and Personnel has met good practice requirements for meaningful consultation, including providing the Committee with adequate information and time to consider the proposals and demonstrating that it has taken account of the Committee's views?

I note that the Minister said that the Department has already undertaken that role. Is it the view of the Department that you do not need to be accountable to us and answer our questions?

Mr Brennan: I have a couple of points to make. The first is that, as I said, this is part of a rolling process of engagement on a four-year Budget cycle. We come to you when there are changes. The most recent change would have been to the Vote on Account and the spring Supplementary Estimates. It is an evolution in a four-year budgetary cycle. We keep the Committee up to date as we move along.

From recollection, we have come to the Committee almost every time that we have sought Estimate approval. Many times in the past, we have had only one engagement with the Committee. From memory, the Committee, once or twice, required two sessions on Estimate approval for accelerated passage. As I said, one session with the Committee has been the norm in the past.

Mr Beggs: I will go back to some of the previous evidence that you gave us. On 30 May, you told us that the Main Estimates papers were still being considered by the Minister and that that was why we did not have them. A week later, when you still did not have them for the session that was scheduled with the Committee, you advised us:

"The Minister is still considering them, and we have not got them cleared by him yet."

However, in the letter to the Committee on 7 June, the Minister said that there had been an oversight by his private office. What is the truth?

Mr Brennan: I do not think that there is a difference of opinion there. My division submitted the Estimates to the private office and the Minister on 22 May. The papers went to the private office on 22 May, which is standard and has happened in many years in the past. As days and days passed, I contacted the private office, and the line was that the Minister was still considering the papers. I do not think that there is a conflict between our papers having gone to the Minister on 22 May and the evidence that I gave on 30 May and that Jeff gave last week.

Mr Beggs: Was it an oversight by the private office or by the Minister?

Mr Brennan: The Minister is considering papers. How long he takes to consider the papers is not an oversight. I do not know what happened in the private office. We put the papers in on 22 May and were told that the Minister was considering them.

The Chairperson: The implication in the Minister's letter to us is that he had considered and signed off on the papers but that the private office, through some oversight, had not managed to send them up to us. That is a contradiction of the evidence that you gave that the Minister was considering a matter and had not signed off on it. To blame it on some malfunction in his private office is to suggest that the papers had been signed off in due time but had not managed to move from there to this Committee.

Mr Brennan: I definitely do not know what happened in the private office. We put the papers in on 22 May. We enquired where the papers were, because we knew that we were coming in front of the Committee on 30 May, and were told that the Minister was considering them. I do not know what happened in the private office and whether the Minister signed them and they did not issue or whether the Minister was going through them and had a problem with them.

The Chairperson: We might have to take that up with him.

Mr McLaughlin: It is interesting that we are told that, on the one hand, the Committee has been consulted adequately along the way in this process but that, on the other hand, the Minister was considering the documents right up to the last minute. Does the Committee not have to consider that information? Presumably, the Minister is as familiar with the base document as the Committee is. Is there an assumption that the Committee can simply be pushed around?

I assume that it was embarrassing for you to come here without the documentation and then be sent away. To do that two weeks in a row is unprecedented in my experience here. I will not press you to think for the Minister, but an explanation is required. The Minister had to address the documents in precise detail, which is no more than I would expect of a competent Minister. However, we are a competent Committee. We should be treated with that amount of respect, and we have not been. It is an absolute disgrace, and we should resolve the situation, because we have to work together.

We as a Committee have operated in a very supportive and appropriate fashion. We have sought to help the Minister and the Department in the delivery. I am a long-term member of this Committee, and we have conducted significant work. We have prosecuted the argument to streamline the process, introduce it in a timely fashion and make it possible for Members to have ownership of the Budget process rather than of documents that do not represent the total spend. There were huge sums that were not part of the old process.

I have always acknowledged the work that you have done in bringing forward a response to the Committee's advice and recommendations on this matter. However, key among those recommendations was to have a good working relationship, and I am afraid that, on this occasion, we have referred back to a very unfortunate past.

Mr Brennan: I agree that the issues in Estimates and seeking Estimates approval are incredibly complex. My worry when we put the papers into the private office was that the delay was in some way down to a technical problem and that the Minister had a problem with the papers. However, he was obviously considering them, and no amendments were made, so I take comfort from that. The whole Estimates approval process is incredibly convoluted. We are all agreed that it needs to be simplified and made more transparent through the review of the financial process. The ideal that everyone is striving towards is a single Estimate and a single Budget that are presented at the one time. That is the ultimate aim.

Mr McLaughlin: Michael, you seem to be relying on the basic premise that the Committee has been consulted along the way in the process. No one is disputing that, but the process started in the previous mandate. This is a substantially different Committee, and it was not consulted. The Committee that you are dealing with here and now has to be accorded both courtesy and the opportunity to ask questions that may occur to members. The document before us today reflects changes that have been made since the initial process began, so it is not the same document. There

are issues around specific areas where people would ask for an explanation of this or that, yet we are expected, in circumstances in which the documentation was not produced in time, to agree to accelerated passage and then testify to the Assembly that we are satisfied that we were properly consulted. We have not even approached the bar of an adequate consultation.

Mr Brennan: There are steps to consultation. For example, the last step was the spring Supplementary Estimates, where we presented the Vote on Account for this year. That was a critically important stage in resourcing Departments for the 2012-13 year. There have been changes since then, although they have not been major. The next will be in a couple of weeks' time for June monitoring, followed by October monitoring. There is an iterative process, whereby we come along and tell you what the changes have been to the initial Budget allocation.

Mr McLaughlin: You are assuming that you have been talking to the same people throughout the process.

Mr Brennan: This is in the course of this financial year, for this financial year.

Mr McLaughlin: Yes, but the argument is that we have been consulted from, if you like, the birth of this particular four-year Budget process. No one is disputing that there was engagement between the Department and this Committee.

Mr Brennan: I take that point.

Mr Hilditch: Thanks for coming along, guys. Following on from that point, we all know where we want to be and where we should be at this stage, but is today the only opportunity, Michael, that we will have to look at the differential between the figures from the 2012-13 Main Estimates and the figures from the Budget? There appears to be a difference in the figures for 2012-13 and those in the Budget 2011-15. Is today the only opportunity for us to really —

Mr Brennan: As I said, there will be a number of changes throughout the course of the financial year, and there have been some changes since the Vote on Account, for example. Jeff may say a bit more about that in a minute. As I said, we will be along in two weeks' time to do June monitoring, and resources will be allocated to Departments both on the resource and capital sides so that will be a further change in the 2012-13 financial year. In October and January, we will come along and make allocations to the Departments, and then come to the Committee to explain what is going on. There will be movements in this financial year between and within Departments, and the Committee will be kept abreast of those. Jeff, do you want to say something about the detail of the changes?

Mr J McGuinness: Certainly. I refer members to annex A of the background paper. You will see that, from the Budget 2011-15 position on the left-hand side, a number of changes have taken Departments through to where we are at the minute for the Budget position on Main Estimates. There is a set of changes that I specifically want to highlight, and the first is the resource reductions. The column of resource reductions set against each Department reflects the changes that were agreed by the Executive for the student fees cap. You will see there that the Department of Health, Social Services and Public Safety (DHSSPS), the Department of Justice (DOJ) and the Department of Education (DE) are exempt from those changes at this stage, as agreed by the Executive, and you will see that £14.5 million allocation to the Department for Employment and Learning, which reflects the reductions from other Departments and the allocation to that Department.

The second set of changes that I want to highlight involves a capital reduction for the Department for Regional Development (DRD). You will see a reduction of £189 million, and you will also see capital allocations to DRD and DHSSPS. Those reflect the result of the decisions taken by the Executive on the A5/A8 funding last February. The allocation to DHSSPS is for the Altnagelvin, Omagh and Ulster hospitals, and the allocation to DRD is for both the A5 and the A8 reprofiling, plus additional amounts for the A2.

The final set of allocations that I have not covered is the £30 million allocation to DE that was agreed by the Executive in the January monitoring round earlier this year. That has been reflected in the Main Estimate. The other change is to Department for Social Development (DSD) capital and relates to co-ownership. Again, the Executive agreed at October monitoring that they would commit £10 million per annum to that cause for the rest of the Budget period. That is just an update on that.

I will move on from allocations and reductions to transfers with GB Departments. You will see that a lot of income is coming into Departments there. That is essentially as a result of a series of reclassifications, which we mentioned at a previous session with the Committee. The Office for National Statistics (ONS) has decided to reclassify some of our public bodies. Treasury has made a commitment to all Departments that a reclassification should neither benefit nor impede a Department, and it has provided additional resources where required. The DOJ reduction of £1.499 million, which was a remnant of devolution, is not included in that. There have been negotiations with DOJ and the Northern Ireland Office (NIO) about different functions. As a result, some functions are going back to NIO, including the Crown Solicitor's Office, which makes up the bulk of that.

Technicals are listed in the fifth column. The resource technicals are interdepartmental transfers, and they essentially balance to zero. That is as a result of budgets being transferred to the Department where the budget should reside and where the function is being carried out.

Finally, on the capital side, you will see a series of what look like reductions but what are, in fact, allocations of capital receipts in the Budget. You may recall that we provided for a series of capital sales, but we did not actually allocate them to Departments at that stage, because we were not sure of the timing of the sales and to which Department they should go. The central asset management unit in the Office of the First Minister and deputy First Minister (OFMDFM) has now discussed that with Departments and agreed asset sales for this year, and those are reflected in the capital column.

Mr Cree: What happened to the moneys for the social investment fund? They seem to have disappeared.

Mr J McGuinness: The social investment fund is —

Mr Brennan: It is in OFMDFM. The two funds, the social investment fund and the social protection fund, are embedded in OFMDFM.

Mr Cree: The £26 million that was there last year seems to have disappeared.

Mr Brennan: It was held at the centre. What was agreed in, I think, the January monitoring round was that the money would be carried into this year. Therefore, OFMDFM working with DSD and DHSSPS in particular —

Mr Cree: It is not shown on page 267.

Mr J McGuinness: That is because it is held at the centre. Those are departmental estimates. Anything that is held at the centre, including things such as overcommitment, will be moved out to Departments during the course of the year through the monitoring rounds.

Mr Cree: Where is it at this point in time?

Mr J McGuinness: It is sitting at the centre in DFP. Basically, for accounting purposes, we score it as a negative at the centre. The money goes across when OFMDFM calls for it. When OFMDFM starts to spend the money or if it decides that DSD or DHSSPS needs to spend the money, there will be an accounting adjustment to public expenditure, probably not in this monitoring round but the next one, and the money will go from DFP at the centre across to those Departments, and everything balances out then. An equal minus on one equals an equal positive on the other.

Mr Cree: I do not want to labour the point, but one particular thing caught my eye. I would have thought it logical for that to appear in the 2012-13 budget for OFMDFM.

Mr Brennan: That money is not being spent by OFMDFM.

Mr Cree: It has never been spent. I know that.

Mr Brennan: The issue is that OFMDFM may not be the Department that spends the money.

Mr Cree: It is in its budget.

Mr Brennan: It is not in its budget at the minute. It has responsibility for the management of the fund.

Mr Cree: It was in its budget last year.

Mr D Bradley: Then it was surrendered to DFP as part of the previous monitoring round.

Mr J McGuinness: The 2012-13 position is this: OFMDFM received allocations in-year through June monitoring. The £26 million was in its budget last year, so you are correct. However, that stage has not arrived for 2012-13, so the money is still sitting at the centre.

If you look at the back of the Budget 2011-15 document, you will see that there are a series of items that sit at the centre, and that will probably be one of them. Things such as rates will sit there as well, because they are not allocated to a specific Department.

Mr Cree: Which page is that on?

Mr J McGuinness: Sorry, it is in the Budget 2011-15 document.

Mr D Bradley: You have heard members' concerns that there has not been adequate consultation. Indeed, that is reflected by many of the statutory Committees, which feel that there has been a lack of engagement with their Departments. Is there a risk that appropriate consultation has not taken place, not only with this Committee but with all the statutory Committees on changes that you outlined in annex A of your paper?

Mr Brennan: The Budget Bill and the Estimates, as I said earlier, basically bestow legitimacy upon Departments to spend the money. The amounts of money that go to Departments and what they use that money for are already well known; Departments have hopefully engaged with their Committees on where the money is going. For example, Departments go to their Committees about monitoring rounds, which reflect the changes to the money going in and out of Departments.

This is just a legitimisation, with the Assembly approving the cash and resources that go to Departments. The quantum of resources going to Departments is already known, and what Departments are using that money for is already known. There is nothing in the Estimates that will come as a shock to Committees; they know already what Departments are doing.

Mr D Bradley: Can I just ask you again, Jeff, about the second-last column of the table in annex A. You passed comment on the part of that column entitled, "capital", and made reference to the asset management unit. Are you saying that all the figures in that part the column are a result of the work of the assets management unit?

Mr J McGuinness: Yes, those figures are a result of the central asset management unit talking to Departments about how to best get rid of surplus assets and timing and amounts. The Budget itself requested in its second year £15 million of assets that had not been attributed to Departments; it had requested £10 million in the first year, and that target was not achieved. Therefore, you will see that the asset management unit is playing catch-up and trying to sell off as many surplus assets as possible.

Mr D Bradley: You will recall that in the latest statement that he made to the Assembly, the Minister said that there was only £2 million in assets attributed to the work of the asset management unit. Therefore you are saying that we are going to go from £2 million to what is in this column.

Mr J McGuinness: The £2 million related to 2011-12, the last financial year, and the Minister made a statement in which he said that that was the amount realised. The figures relate to budgets for this year and are what the central asset management unit anticipates can be sold on from that target. Therefore we are hopeful that it will be able to dispose of those assets by the end of the financial year.

Mr D Bradley: The Minister has been telling us that the asset management unit has underperformed and that there is a good reason for that: the state of the market at this time. How can you have the confidence that this column reflects when the Minister does not seem to have the same confidence?

Mr Brennan: The Minister said that the first year of the asset management unit's delivery on the receipts was difficult, as you say, because of the property market; however, there was a shortfall in 2011-12 of £2 million. To give you some comfort, in the remainder of the Budget period some £100 million will be delivered. Since then, the asset management unit, working with Departments, has been able to identify specific assets.

Rather than sitting with a £90 million pressure for the remaining three years, Departments have agreed what they are doing on asset disposals, and the Executive have decided that those disposals will be baselined; in other words, the amounts from those disposals have been deducted from each Department's baselines. That is the certainty that you have. There is not a £90 million pressure sitting somewhere that will never materialise. Departments have agreed with AMU what the cuts will be, and those cuts have been put into their baselines. The onus is on Departments to deliver.

Mr J McGuinness: The key point is that Departments have agreed those totals. That gives us confidence that Departments will be able to deliver; otherwise they would be sitting with a pressure by the end of the year.

Mr D Bradley: I admire your confidence in what Departments may be able to deliver.

The Chairperson: The purpose of today's session is for you to give us information on the Estimates and the Budget Bill. DFP has requested that the Committee declare that it is satisfied and to grant accelerated passage. Previously, DFP officials have said that should the Committee not grant accelerated passage, all spending would have to stop and the doomsday scenario would arise. That has been refined in the past year or two and the failsafe mechanism has been acknowledged where the permanent secretary or an appropriate or appointed officer could authorise 95% of payment over the coming period. The brief evidence that you gave last week, Jeff, seemed to give the impression that the other 5% would be lost. The understanding is that it would only be lost if at no stage during this financial year the Assembly approved a Budget Bill, obviously within sufficient time to spend the remaining 5%. Can you clarify that?

Mr J McGuinness: That is correct. It would be 95% at that point, but should a Budget Bill not be in place by the end of the year, that would be lost. However, that is on a net position; it does not consider receipts, which is another issue if accelerated passage is not adopted.

Mr Brennan: In many ways, that is a more important issue, because Departments would not have approval to spend accruing resources that amounted to £2.16 billion of receipts; they would not have legitimate approval to spend that money. Although there may be roughly a £500 million differential as a result of applying the 95% rule, the more critical issue is that Departments could not spend the accrued resources.

The Chairperson: Is the purpose of the Budget (No. 2) Bill not simply to set a limit on the spending of accrued resources rather than to authorise spending? We have different advice from the advice that you are giving us. If the purpose of the Budget Bill is to allow the Department to set a limit on the spending of accrued resources rather than the authorisation of that spending then, should a Budget Bill not be passed at all in the financial year, Departments could continue to spend approved resources, but there would simply be no limit on them. The authorisation is determined from the Department, not from the passing of the Budget Bill; the Budget Bill merely sets a limit on the spending of accrued resources. We need to be clear on those matters when we take evidence.

Mr J McGuinness: The Budget Bill also defines what Departments can use and spend those accrued —

The Chairperson: It sets a limit. Does it authorise spending, or is spending already authorised?

Mr Brennan: It authorises spending for specific purposes, and it sets the limits.

Mr McLaughlin: When we are given information that reflects a failure to agree or to pass a Budget Bill, when, in fact, we are discussing whether there should be accelerated passage, that seems to be trying to sandbag the Committee. We are not talking about a nuclear option. The Committee does not even have the authority to decide whether the Assembly will support the Budget Bill or not. I operate on the assumption that there is good sense all round and that we will continue to agree our budgets and move forward. The issue is how we have managed the very constrained timeline for accelerated

passage and whether the system and the Department have interacted with a scrutiny Committee in an appropriate fashion to achieve that objective. Dangling the nuclear option or the consequences of a failure to agree budgets in front of people is really OTT, to put it mildly; it is not an answer to the question that the Committee was addressing. Our question is whether there should be accelerated passage.

Mr Brennan: To take you back to my earlier comments, this is a process of legitimising previous decisions that the Executive and the Assembly have taken regarding budget allocations to Departments. In the past, it has taken one session of the Committee for it to have enough insight to grant accelerated passage.

Mr McLaughlin: I differ for this reason. I was previously Chairperson of this Committee. At that time, the Committee initiated a process of examining the budgetary process. We came up with a useful report after extensive evidence taking and research. On the face of it, we had an acceptance from the Department and the Minister that the budgetary process needed to be streamlined. If we consider the approach to this Budget Bill, we can only conclude that somebody has decided to bangle all that and that it did not matter or count for anything. I am getting no assurance that the Department is taking account of any of that constructive work and engagement in its approach to this issue.

You cannot tell us whether we have been consulted adequately — we decide that for ourselves. I do not feel that I have been consulted adequately on this document as it has evolved over the past couple of years and across two mandates.

Mr J McGuinness: We all recognise that the position is far from ideal —

Mr McLaughlin: It is unacceptable.

Mr J McGuinness: — from the point of view of both the Committee and the Department. The Minister has asked us to try to build in further consultation time with the Committee where possible and where timelines do not dictate otherwise. We will look to do that. We will also try to bring the Committee evidence in parallel with the submission to the Minister and to get as much as possible up front so that we avoid a repeat of this situation.

Mr Brennan: I do not think that anyone is as exasperated as our Minister in trying to produce a more streamlined budgetary and approval system. That was the intent of the review of the financial process that we have all been pushing very strongly. We welcome the work of the Committee, and we have worked in tandem with it. Our Minister is very keen to progress that work as quickly as possible.

Mr McLaughlin: Perhaps we need to hear that from the Minister.

The Chairperson: It is my understanding that the power to direct the use of accruing resources comes from a resource and accounting Act.

Mr Brennan: The 2001 Government Resources and Accounts Act.

The Chairperson: I want to be clear that your evidence is that there is some restriction on the use of accruing resources. The Budget Bill merely sets a limit from the Department; it does not restrict the power to direct the use of accruing resources.

Mr J McGuinness: The Budget (No.2) Bill sets the limit. Clause 4(2) states that "in that year" — namely the current financial year:

"accruing resources not exceeding the amount specified in column 3 of Schedule 2 may be directed to be used for the purposes specified in the corresponding entries in column 1 of that Schedule."

The Chairperson: Yes, but DFP has the power to direct that in the absence of a Budget Act.

Mr J McGuinness: The Government Resources and Accounts Act talks about the use of resources; it does not talk about the use of accruing resources in that scenario.

Mr Brennan: There is a fundamental difference between the two.

Mr McGuinness: The use of resources is covered in clause 7 in our Budget Bill; the use of accruing resources is covered in section 8 of the Government Resources and Accounts Act.

Mr Beggs: You are talking about the Budget Bill setting the limit. If no limit is set, there is no limit. Is that not correct?

Mr J McGuinness: Resources that do not exceed the limit are directed to be used for the purposes.

Mr Beggs: I suggest that you check what other provisions there are so that it could go through in a timely fashion.

I have a separate line of questions that it would be very useful to have answered. When we eventually got the Estimates booklet, I came up to Stormont on Thursday especially to collect it. In preparation for today, I read it in detail, and I have to admit that it is a difficult read. I consulted some of my colleagues. I understand that it was put into the Business Office on Monday, but, interestingly, most of my colleagues did not know about it and did not have it. I got them a copy so that they had it. There are other procedural weaknesses that limit consultation.

I have seen some trends in the document. On page 34, with regard to the Department of Agriculture and Rural Development, the heading "miscellaneous" is used. In 2010-11, £850,000 is under "miscellaneous". That has more than doubled to the provisional figure in this Estimates booklet. It is very unhealthy that things are included under that title; I am always concerned about what that will be used for.

On page 39, the Department of Education's 2010-11 figure for "Miscellaneous Educational Services" is £4.635 million, and the provisional figure is £13.7 million.

Mr J McGuinness: Sorry, can you tell us the page?

Mr Beggs: Page 59; A-4 is the reference. "Miscellaneous Educational Services" has increased from the 2011-12 provisional figure of £4.6 million to £13.7 million. It is bad practice that significant amounts were included under the title of "miscellaneous"; I wish to know what exactly has been included in that to account for the very significant increase.

Interestingly, page 70 also deals with the Department of Education's accruing resources analysis. It is a different section, or perhaps it may be accounting for that significant increase; as I said, I am not an expert on the document. There is a new heading with £5.5 million under "Miscellaneous Educational Services". I do not know whether that is the same figure that I am talking about; it may well be a subsection of the previous figure. Again, it is the extensive use of the term "miscellaneous" to account for how money is spent.

Other areas in detail for DFP are covered on page 127. The purpose of the scrutiny of this Committee is to spot some of these issues at an early time to try to bring about the better use of public money. I notice that the 2010-11 out-turn for Land and Property Services — at A-4 — was £26.895 million, but that is significantly increased, even through this period of tighter economic spend. Over a two-year period, the net total is £31.527 million. I would like to know why there is a significant increase. A-8 concerns Northern Ireland Civil Service accommodation services. The provisional figure for 2011-12 is £66.98 million, and it increases by about £4.5 million to £71 million. That is quite a significant percentage increase over that period. I would like further information.

Under the accruing resources analysis, the DFP figures for 2010-11, 2011-12, and, eventually, 2012-13, have shown annual increases under "Finance and Personnel Policy" of over 5% a year over the past two sets of years figures. A policy does not deliver something unless it is a very specific policy that will bring about significant savings. Why is there a very significant increase in DFP policy over a very short period?

I am trying to think of some other issues.

The Chairperson: Do you want to let them deal with some of that detail?

Mr Beggs: I am not expecting all the answers today; I thought that it was to ask the officials the questions and then for them to come back.

The Chairperson: If you are not expecting answers today, you are kind of pre-empting the outcome of the meeting; they are requesting accelerated passage today. If we got accelerated passage, your answers are gone if you are waiting until a later date.

Mr J McGuinness: I think that I can answer some of them. I understand that our Central Procurement Directorate comes under Finance and Personnel policy, so the income receipts that are coming in there are probably in relation to Central Procurement Directorate's receipt of fees or income for the different services that it charges for. I am not aware of a particular reason for the increase to Land and Property Services (LPS), nor NICS accommodation services, although, under NICS accommodation services, we are subject to non-cash costs in depreciation and impairments. I suspect that most of that will relate to situations where we have reviewed buildings, they have depreciated in value and we have to reassess that, and budget has been moved around in DFP for that.

Mr Cree: How do you handle the depreciation in that case?

Mr J McGuinness: It forms part of the use of resources in the Estimate; there is the cash side of things and the use of resources side. Use of resources includes depreciation and permits, which are not a physical cash item but which must still be accounted for and provided for within the Estimates so that, at the end of the year, when you come to your accounts, they can look at the Estimate and the resource accounts together —

Mr Cree: Does it involve real money?

Mr J McGuinness: The depreciation does not involve real money, but it does involve real budget. That is the distinction between the two.

Mr Beggs: I have two more questions, and the general theme is whether we are getting the right balance between delivering services and policy. On page 157, the Main Estimates for the Department of Health, under the heading "Providing high quality health and social care services and promoting good health and wellbeing", there has been a budgetary increase of about £50 million to £4.164 billion, if I have got that right. There has been a slight increase, but when I turn to page 158, I find it very strange that, at a time when there has been a slight increase in the overall departmental budget for health, that the budget going to front-line trusts has gone down. Here, under the heading "Health and Social Care Trusts", the figure is £3.292 billion, down from £3.401 billion. My concern is that there is more money coming to the Department and less money getting to front-line services. Why is that the case?

My final question is about education. I noticed on page 60, in the Main Estimates for the Department of Education, that under the heading "Middletown Centre for Autism" in 2010-11, there was an out-turn of £655,000, and, in the following year, there was a provision of £725,000. In this year's Budget, there is an almost sevenfold increase to £4.9 million. Can you explain such a dramatic increase? I spoke to some of my colleagues on that Committee who were not aware of it.

Mr J McGuinness: In answer to your first question: yes, funding has increased as you said, and funding to trusts has increased but not as dramatically. The reason is that, if you look at page 157 under the heading "Policy Development, Hospital, Community Health and Personal Social Services" that figure has increased. You will see the majority of that increase in there, and that relates to things such as GPs and personal social services, and reflects the Department of Health's vision that services should be more primary-care-based as opposed to having secondary care from a hospital. I am not sure about the Middletown Centre for Autism. I suspect that, under the grants column, this will be a capital grant, although I cannot confirm that for definite, and I suspect that that increase will certainly not be for staffing. I suspect that it is for some sort of building increase.

Mr Beggs: To go back to health, and to be clear, policy development is not necessarily the provision of services. I accept that there has been an increase in policy development, but, again, I look to the specific heading on page 158, which shows that there has been a reduction of more than £100 million to our health and social care trusts. Am I reading that correctly?

Mr J McGuinness: It is a reduction over two years to that point, yes. However, we have to be careful with out-turn figures because the 2012-13 position is a budget position, whereas the 2010-11 position is an out-turn position, and reflects what was exactly spent as opposed to the budget that they had, which may have been bigger. Nevertheless, I accept what you said.

Mr Beggs: In making my first point, I was comparing a provisional figure and a budget figure for overall health spending. I used the same two comparators for the trusts. Why, therefore, when one was increasing was there less money getting to trusts?

Mr J McGuinness: Again, I believe that that is because of the increase to areas such as community health and personal social services — things that reflect health strategy on moving funding to primary care.

Mr Beggs: Trusts are responsible for primary care, are they not?

Mr J McGuinness: They are not. For instance, GPs will be paid directly from the Department.

Mr Beggs: OK; that is a reasonable explanation. Thank you.

Mr Girvan: I will come back to some of the points that Roy raised. You went into detail of budgets that Committees are looking at. We are looking at the overall head figures. Yes, there are areas in the descriptors that I am concerned about, and that is where you have "miscellaneous" as a heading. That does not give us the detail of where money is going. We want openness and transparency, and that is something that the Committee has been driving for. Those are the areas that I am focusing on.

I appreciate that each Department and its Committee will be setting its own budgets and dealing with its priorities. In the case of health, Compton identified where resources could be better used and directed for better delivery. The outworking of that approach will determine whether that is the case, but I have my concerns. "Miscellaneous" is a cover-all that I do not like, and those are the areas in which I would like to see more transparency about what is identified under that heading. This Committee needs to impress on other Departments that it is not happy to approve block budgets under the heading "miscellaneous", which does not give us full, open and accountable information. Yes, we will see it at the end of the year when they give us cash receipts to show where their spend has been, but that is too late. My issue is that we are dealing with stuff now, at a Budget stage.

On that point, I know that we are going into detail for each Department. Each Committee will look at its Department's budget. Yes, we have additional money that was applied to the Department of Health and Social Services. I agree that we know the overall figure and the detail of how it is spent. We like to see every heading, and it is good that we have them. That is one way of being transparent, but I wanted to come back on that one issue.

The Chairperson: Other Committees may look at their Department's budget in detail, but this one essentially passes the Budget.

Mr Girvan: That is correct.

Mr Beggs: It is too late to look afterwards.

Mr Girvan: My other question concerns clause 2, which allows us borrowings of up to £4.1 billion as a safeguard in the Consolidated Fund. The rationale for that is to allow us to draw down funds to cope with a deficit if one should occur in the Budget. Last year, we had somewhere in the region of £3.49 billion set aside for that. How would the Bill's failure to get accelerated passage affect that additional spending safeguard? I appreciate that we have already made a commitment up to £3.49 billion, but we will lose out on the further £500 million if the Bill does not get accelerated passage and if we do not make the budget decision by the time that the spend is required. Can I have a breakdown of that?

Is there any headroom left in the £3.4 billion that we had set aside as a contingency fund? That is the way in which I look at it. It is a safeguard, and it is like having an overdraft on your account. Have we used that provision and is any safeguard left from within the past year?

Mr J McGuinness: The current DFP banking contract includes the Northern Ireland Consolidated Fund as well as the accounts of individual Departments and other public bodies. We know it as the

pool of accounts. That means that interest charges are not incurred on individual accounts but that the bank looks at them as a whole. For us to minimise the unnecessary drawdown of block grant, the credit balances for Departments and other public bodies can be offset by a debit balance in the Northern Ireland Consolidated Fund, and the legislation gives us the authority to use it up to those amounts.

We have been aiming, with Departments, to minimise their drawdown and encourage good and effective cash management. However, in the past, we have dipped into that contingency fund. For instance, in 2008-09, we were £1.76 billion over in May alone for our bank balances, and, at that point, we required that fail-safe mechanism. Given that it has historically been calculated on 50% of the cash, we anticipate that it will not be used to its maximum. However, it is a fail-safe mechanism should Departments make a mistake or should something go wrong.

Mr Cree: Does the Consolidated Fund offset any overdraft facility in the other Departments?

Mr J McGuinness: It is a pool of accounts.

Mr Cree: We do not get any interest on that large balance?

Mr J McGuinness: Interest on cash surpluses?

Mr Cree: Yes.

Mr J McGuinness: I am not aware of whether we do.

Mr Cree: Does anybody ever calculate the likely overdraft rates against the deposit?

Mr J McGuinness: Government accounts branch monitors the cash that goes in and out of every Department, public body and the Consolidated Fund every single day. I am not sure how interest works in that situation.

The Chairperson: Have we used that only once in the past four years, to the tune of £1.6 billion?

Mr J McGuinness: We probably use it every month in some way or other, but the amount has not been that sizeable for a number of years.

Mr Humphrey: Thank you both very much for your attendance today. As you will be aware, this is the second year in succession that we have had to approve an Excess Vote for the Budget. What steps is the Department taking to ensure that that is limited and will not reoccur?

Mr Brennan: There are two Excess Votes: one in DSD and one in the Department of Culture, Arts and Leisure (DCAL). The DSD one amounted to just over £10 million and was driven by the Executive's determination for no money to be lost from Northern Ireland and surrendered to the Treasury. As you know, at that time, Treasury abolished the end-year flexibility (EYF) scheme. Unfortunately, it came in after the final monitoring round of the year, and the Executive were made aware that just over £10 million of spend was left and had to be allocated, so, effectively, the Executive collectively took the decision to allocate that money to DSD. The money was allocated to DSD over and above the spring Supplementary Estimate, but if the Department had not spent that money, that £10 million would have gone back to the UK Treasury. The DCAL one was simply an impairment charge on a building, because it got the valuation of the building wrong.

Mr J McGuinness: To minimise that in future, we have a new budget exchange scheme that works for devolved Administrations. We will hopefully not be in the position again in which we will lose everything to Treasury. As well as that, the in-year monitoring process has now been aligned with the spring Supplementary Estimates and the Budget Bill process, and there should be three monitoring rounds to minimise any changes coming up to the spring Supplementary Estimates position.

The DCAL allocation did not identify an impairment for capital asset. It did an impairment review and excluded the new Public Record Office of Northern Ireland (PRONI) offices, but as soon as the PRONI offices came online in the middle of the year, the impairment charge hit. It then advised the Comptroller and Auditor General (C&AG) that, in future, it will include assets under construction in all

impairment reviews. Hopefully, that should minimise that particular issue coming back as an Excess Vote.

Mr Humphrey: Finally, how much money overall did the Minister surrender to the Treasury last year?

Mr Brennan: Last year? I do not think that there was anything. It was only a few million pounds at most.

Mr J McGuinness: We have to surrender amounts that are ring-fenced.

Mr Brennan: The depreciation and impairments have to go back. They cannot be redeployed or reutilised anywhere else in Northern Ireland. This year, we are aiming for zero — nothing going back. The provisional out-turn figures showed that nothing was going back at all.

Mr Humphrey: That is pretty impressive in the overall context of the moneys we are talking about.

Mr P Maskey: The Department obviously had some concerns. It initiated a review of the Budget allocations for 2013-14 and 2014-15, and that was after there was a higher than expected level of reduced requirements by Departments for 2011-12.

In the light of that, how can the Committees have confidence in the robustness of future stages?

Mr Brennan: The Minister announced that he is carrying out a review of the final two years of the Budget because he was somewhat surprised that in excess of £100 million of reduced requirements came back after Ministers and Departments said that their budget settlements were very tight. Work on the review is under way, and I think that the Minister hopes to bring a paper to the Executive in the next few weeks.

I do not want to pre-empt where the Minister may take that review, but we are finding that things are tight in Departments, and the reduced requirements are coming from Departments prioritising where their spend goes. The reduced requirements are coming back from, shall we say, the lower-priority areas.

The monitoring round represents the confidence that this Committee and the Assembly can have, because that is when the Executive collectively take a decision to redeploy to the highest-priority areas. As long as we have monitoring rounds in each of the remaining three financial years, you can have confidence that resources are redeployed and not lost.

Mr P Maskey: To follow on from that, the Department of Finance and Personnel has recently refused to share its analysis of 2011-12 spending performance with Committees. In the light of the fact that there is a review, how can Committees take real assurance, and what assurance can you give them, that as much information as possible will be shared with them in future, and at an early stage?

Mr Brennan: The review is still going on, so the numbers are still coming from Departments. We are still looking at what is happening. There is no definitive decision to share at this time. I am sure that, as soon as the paper is brought to the Executive, the Minister will be quite happy to update the Committee on the outcome.

Mr P Maskey: Do you think it wrong that the analysis of 2011-12 is not being shown to the Committees?

Mr Brennan: I am not sure what analysis it is that you want.

Mr P Maskey: It is the analysis of the spending performance of 2011-12, which DFP recently refused to share .

Mr Brennan: The spending performance of 2011-12 is the provisional out-turn, which we have shared with the Committee.

Mr P Maskey: I am not talking about this Committee but all the other Committees.

Mr Brennan: We have given you the details of how all Departments have performed in 2011-12 against their final plan. All that information on performance for every Department has been made available. If Departments individually do not want to share with their Committee the detail of where the underspends were, there is very little that we in the Central Finance Group (CFG) can do about it. We have presented all the information on provisional out-turn to the Committee and to the Assembly.

Mr P Maskey: Will the review that is being undertaken ease some of those tensions over information being given to the other Committees?

Mr Brennan: The provisional out-turn is what it is. It shows how the actual spending performance of Departments at the end of the year compares with what they planned to do at the start of the year. Departments should be able to disaggregate that to show the areas that have been performing well and the areas that have been performing badly. That information should be available already. It is not going to change in any way as a consequence of this review of the Budget 2013-14 and 2014-15 that is under way. The two do not directly link.

Mr Cree: When will we have the actual out-turn figures for last year?

Mr Brennan: The final out-turn figures will be available in the autumn. However, as I have said previously to the Committee, experience over recent years shows that there is very little, if any, change between provisional out-turn and final out-turn. Provisional out-turn really is the definitive figure.

Mr Cree: It would obviously be nice to have that, considering the Budget. I want to take Jeff up on the point about nothing going back to Treasury. Some £26 million is ring-fenced for equal pay in DOJ. Do you anticipate that being spent?

Mr Brennan: That is a specific deal that was done with Treasury as part of the devolution of policing and justice powers. On the departmental expenditure limit (DEL) transfer, some resource DEL and capital DEL was specifically allocated to purposes. We cannot redeploy that money for the equal pay settlement to any other area of the Northern Ireland block, because, in Treasury parlance, it is its ring-fence. We can use it for only that purpose and for no other purpose.

Mr McLaughlin: So that is a yes?

Mr Cree: That is a yes, and that is my point. There is a risk of that £26 million going back.

Mr Brennan: I am not sure where DOJ is on spending it.

The Chairperson: In fairness to you, it is probably not your section of the Department, but the point is that DOJ wishes to spend it on the equal pay settlement, and DFP is currently preventing it from doing that. If the money is not spent for the purpose for which it was allocated, which is how DOJ and the PSNI want to spend it, it will be returned to the Treasury. It will be £26 million lost to the local economy.

Mr J McGuinness: If it is ring-fenced and year-specific, that is right.

The Chairperson: I appreciate that it is not your decision, but it is the Department and the Minister who have decided that it should not be spent in that fashion.

Mr Cree: It is good to have that on record.

Mr McLaughlin: When I was listening to other questions, I was also scanning. Part II in the Main Estimates provides a breakdown of the Department's request for resource against DEL and annually managed expenditure (AME). There are two headings: "Admin" and "Other Current", which, I confess, I do not fully understand. I suspect that there is some overlap there in administration costs.

If we wanted to find out the trend of administration costs relative to the gross total resource required over a period, and perhaps over an extended period of, say, the past five years, how would we find it in the document? I presume that it is not in the document.

Mr J McGuinness: The comparison on such individual columns over the past five years is not available in the document, but each Estimate is available to do a comparison on.

Mr McLaughlin: How far back does it go?

Mr J McGuinness: I think that I have comparisons going back to the mid-90s.

Mr McLaughlin: In the current economic climate, every Department and its Committee and Ministers have to address the issue of finding efficiencies while protecting front line services. I think that every Committee would be interested in a very practical exercise to see what the trend has been over four or five years, if we were to take the current economic crisis as our parameter. Committees would be interested to see the costs of front line services, in proportion to administration, as a way of measuring whether they have found efficiencies or cut services.

Mr J McGuinness: I suspect that Departments are doing that with their budgets. There is a slight difference with the Estimates, and it comes to the point of the Estimates being a slightly different beast from the Budget document itself, because, under the likes of the Department's expenditure, you have administration and other current spend, which is basically payments for goods and services, running costs and grants. It is all relatively clear and laid out as such. However, when it comes to that type of detailed analysis of arm's-length bodies, it is different.

I will pick out DCAL, for instance. In the Estimates document, you do not get an analysis of the Arts Council of Northern Ireland's administration spend, but you do get a single cash figure that we give to the Arts Council. However, we get an analysis of its admin and current spend in the Budget.

Mr McLaughlin: Perhaps we can return to that issue. It seems that we have a mechanism for —

Mr Brennan: As Jeff said, the Budget document and the reports that we give you are much more insightful. I take your point about front line services and back-office functions. The provisional out-turn and the monthly data that we have shows that admin spend in 2011-12 fell by 5.8% in real terms. That can be compared with previous years. The Budget documents and the provisional out-turn give you that level of insight, but not the Estimates.

Mr J McGuinness: That is why we are aiming to —

Mr Brennan: We are trying to bring the two together.

Mr McLaughlin: OK. We can come back to it.

Mr Brennan: We can show you the admin spend in the budgets, which embraces all the non-departmental public bodies (NDPBs). You will see the year-on-year falls.

Mr McLaughlin: You could take different heading areas and conduct a similar comparative exercise.

The Chairperson: I am very conscious that we are about an hour and a quarter over our time.

Mr McLaughlin: We are three weeks behind, so it does not matter. *[Laughter.]*

Mr Girvan: If the Bill were not granted accelerated passage through the Assembly, what would be the worst-case scenario? We have heard of a potential loss of between £540 million and £590 million of that 5% should we not make an agreement. What is the worst-case scenario?

Mr Brennan: Obviously, we will work closely with the Comptroller and Auditor General and departmental legal advisers, but I presume that the worst-case scenario would be along the lines of the DFP permanent secretary writing to the accounting officers in each Department to give them a financial allocation based on 95% of the previous year's allocation for the remainder of the year and also probably to forbid them from using the accruing resources.

Mr J McGuinness: It would certainly cast legal doubt over the ability to use them.

Mr Girvan: On previous occasions on which you have come before the Committee, what changes have been made to the Budget after Committee consultation?

Mr J McGuinness: None that I am aware of.

Mr Brennan: I cannot think of any.

Mr McLaughlin: Keep praying.

The Chairperson: Bear in mind that the Committee has to testify to the Assembly that we are satisfied with the consultation. That is our responsibility annually. It is not the case that we say that, over the past four years, we are satisfied that we have had appropriate consultation at various stages. I am required to testify to the Assembly that the Committee, on this piece of legislation, is satisfied with the consultation. That is different from saying that very little has changed over the past four or five years.

You said that the permanent secretary could not use the accruing resources. According to the legislation that I have in front of me:

"The Department may, subject to any relevant limit set by a Budget Act"

— the purpose of a Budget Bill is to set the limit —

"direct that resources accruing to a department or a relevant body or person ... may be used for any purpose in any financial year in addition to resources authorised by Budget Act".

Therefore, your evidence is saying that the Department would have to direct the permanent secretary of DFP. That is not done on the basis of the rest of the year but until such time as a Budget Bill is passed. Let us make the distinction between accelerated passage and a Budget Bill being passed. On the basis of until such times as a Budget Bill is passed, you are saying that the permanent secretary would have to direct people that they could not use resources accruing to any Department.

According to the Government Resources and Accounts Act 2001, the Department "may" direct. The only subject is the limit that is set by the Budget Bill.

Mr J McGuinness: It is possibly open to legal interpretation. Section 7 of the Act is titled "Use of resources without Budget Act", whereas "Use of accruing resources" is defined slightly differently. That is potentially where we could get into legal difficulty.

The Chairperson: The scenario that you are outlining is the non-passing of a Budget Bill, not simply the scenario of it not being granted accelerated passage.

Mr J McGuinness: Yes, the non-passing.

The Chairperson: OK. Thank you very much.