



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Main Estimates and Budget (No. 2) Bill

1 June 2011

NORTHERN IRELAND ASSEMBLY

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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)
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Mitchel McLaughlin

Witnesses:

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

The Chairperson:

I welcome Michael Brennan and Agnes Lennon and ask them to make an opening statement.

Mr Michael Brennan (Department of Finance and Personnel):

Thank you, Chairman. We circulated a background briefing paper on 27 May. This is an opportunity to provide further information on, and clarification of, that paper. The context is that a four-year Budget settlement was bestowed on Departments on 9 March. That set Departments' spending plans over the next four years and this year in particular. However, it does not provide Departments with legal authority to actually spend money. Legal authority to spend money is

granted by the Assembly. Back in February, the Assembly passed a Vote on Account that gave Departments authority to spend money. However, that was only an initial allocation for 2011-12. It was only 45% of the previous year's budget.

The position is that Departments will effectively have no cash resources to spend by about the end of July 2011. It is imperative that the Assembly gives Departments the authority to spend money. That is the basis for these Main Estimates going forward. Standing Orders allow for this Committee to grant accelerated passage to facilitate the passing of the Main Estimates and ensure that Departments have spending authority for the remainder of this year. Two Excess Votes also have to be given approval. Those Excess Votes relate back to 2009-2010, and it is on the recommendation of the Public Accounts Committee (PAC) that they are covered now. That is the background and context.

The Chairperson:

Obviously, the two Excess Votes involve the Department of Agriculture and the Department of Education. To satisfy ourselves that there has been appropriate consultation, we may have to have some communication with both relevant Committees. We have not consulted with those Committees on the Excess Votes affecting the Departments that they scrutinise. Under Standing Orders, we are obliged to satisfy ourselves that there has been appropriate consultation. We will have to take up those two issues with the relevant Departments or Committees.

Mr Brennan:

I should add that the Comptroller and Auditor General is automatically notified of an Excess Vote — and he was at that time — and his paper then goes to the PAC. The PAC itself has gone through in some detail the two Excess Votes and what triggered them.

The Chairperson:

OK. I will make a general observation. The Assembly has used accelerated passage regularly, but that does not give anyone a great sense of satisfaction. It is felt that the use of accelerated passage somehow truncates the proper scrutiny process. I know that we will hear a presentation on the latter part of the Budget debates, but is there any sense that the Department will want to address this issue in its review of the financial process? Is there a sense that, rather than having the constant requests for accelerated passage, we should look at the operation of the financial system and seek a more measured approach that does not require requests for accelerated

passage?

There are two issues on which we have not had any discussion with the appropriate Committees, and that means that we have a bit of work to do before we can take a decision on them. Is that something that you will be looking at as part of your review? Obviously, this is not a satisfactory process for a scrutiny Committee. Perhaps it is not even satisfactory for the Department — I do not know. Is that something that you intend to address as part of your review?

Mr Brennan:

It certainly is. That was one of the central drivers that triggered the review process. Members who sat on this Committee in the previous mandate will be aware of the significant concern that there was about the complexity of the estimates process and the fact that, for example, the Assembly was putting through a Vote on Account in February for the preceding financial year and, very shortly thereafter, was going through a Main Estimates process. In addition, there were two Budget Bills, and people were automatically trying to draw a link across to the Budget process, as taken through by the Executive. Therefore, one aim, certainly from the financial point of view, is to bring greater transparency to the whole process and to address a situation whereby you can effectively get two months into the financial year yet still have no certainty about the financial allocations to Departments for the remainder of that year. Such a scenario means that you have to go down the route of accelerated passage, which is the least best option when it comes to Assembly approval for spend.

The Chairperson:

Do members wish to ask any questions?

The request is in from the Minister. What is the time frame for a decision?

The Committee Clerk:

The Committee needs to decide next week. Before the Second Stage of the Budget Bill, the Committee needs to have notified the Speaker of its decision. So, next Wednesday's meeting will be the final opportunity to make a decision. The Committee could write to the other two Committees, namely the Agriculture Committee and the Education Committee, as a courtesy to inform them of the Excess Votes issue. By next week, the responses should be in from those two

Committees, and the Committee could then make its decision.

The Chairperson:

Are members content for us to write to the Agriculture Committee and the Education Committee, because part of our responsibility is to ensure that there is appropriate consultation before we can decide and signal to the Speaker and the Minister that we are content with accelerated passage? Are we content to consult with the other two Committees and get their responses to allow us to take a decision next week?

Mr McLaughlin:

The fact that this is such a compacted process will always make us uncomfortable. At this stage, I am not sure what we can do about that, but I am certain that we need to do something, because it is not a satisfactory way to manage the Budget.

There is also a degree of overlap with the PAC process on the reports on the two Excess Votes, and it may be useful to correspond with the PAC to see what its view is. The PAC will already have had some communication from the Department, which is also relevant to the Excess Votes issue. However, we are talking about a much wider and much more strategic process.

I strongly support the idea of setting a term-time Budget process, but the in-year process needs to be much more refined. At the minute, we are being treated like mushrooms — being kept in the dark and being fed a load of manure. The process is far from transparent, and it is a bit of a sham to let it go on in that way. We should examine the process and challenge ourselves and the Department to see what we can do about it.

The Chairperson:

From our discussion on the legacy report by the previous Committee, there is a strong sense that there are elements that the Finance Committee wants to see improved. The Department has ideas about how it would like things to be done differently. Our interest, of course, is to ensure that there is proper scrutiny and that not only the Finance and Personnel Committee but all the Committees properly scrutinise departmental spend throughout the year and the way in which those processes are worked through. We want to see a meeting of minds between the Department's ideas for the review and the Committee's.

As I said, we will be in communication with the Department about a series of recommendations that came out of previous reports, some of which we have yet to hear back from the Department about. One of the recommendations was about improving this process. I think that there is a sense in the Committee and in the Department that it needs to be improved and to be more transparent and manageable in order to allow all Committees to get a proper handle on it and to have proper engagement with DFP and the other Departments about it.

Mr McLaughlin:

I am just looking for some explanation. The limit for the Vote on Account is 45%, and it allows the Department to go on spending money. However, 45% does not represent the upper limit of the brief that we could give to Departments. I understand that that could go up to 80% or 85%. I am not actually advocating that, but I am examining whether we can build more time into the process by avoiding this situation. We are almost being shoehorned, because we are told that the Department will run out of money unless we do blah, blah and blah. Is that an artificial ultimatum or is there good reason for it?

Ms Agnes Lennon (Department of Finance and Personnel):

There are a couple of points. The legal limit was set at 45% in the last Budget Bill. So, the ability to set a higher limit is in the hands of the Assembly.

Mr McLaughlin:

I am just examining whether it would help both of us if we were to go for a higher limit.

Mrs Lennon:

If we did not have accelerated passage, the reality is that the Budget would have to be set 18 months or two years before the commencement of the financial year. If a Budget were not set in that time frame, we would be back to the position where we would need accelerated passage, otherwise Departments would not have the authority to spend and all services would have to stop.

The Chairperson:

The view of the Department and, it seems, the Committee is that that is not a satisfactory process. Was that process inherited from direct rule, when there was no local elected Assembly with a scrutiny function and the Department could rattle through the legislative stages without any interruption or anybody getting too uptight about it, or was it designed for a devolved

Government set-up? It seems to be one that neither the Department nor the Committee is terribly satisfied with.

Mrs Lennon:

It is a process that has existed for decades and probably since devolution many years ago. It is a process that also exists in other jurisdictions, and we will talk about that further when we come to talk to you about the review. Some jurisdictions put their Budget Bills through in one day because it is accepted that the Budget has been debated thoroughly, consulted on and agreed. The Bill is the legislative leg of it, and the decisions have already been made.

Mr Brennan:

One of the key drivers for the review that the Executive are looking to push forward is that many of the requirements in the budgetary process that we are discussing today are archaic. As Agnes said, they have been there for decades. That has been recognised at Westminster, so the Treasury has been pushing through a significant alignment process for the Budget at Westminster to simplify it and to bring greater transparency, and that is what we are trying to do as well.

Mr Humphrey:

Are we in this situation because of the process that led to the Budget being set very late and of the failure of some Departments to engage in that process?

Mrs Lennon:

Not particularly.

Mr Brennan:

The Vote on Account was put through in February, as it always is. It is important to differentiate between the Budget that was finally endorsed by the Assembly on 9 March, which really just set high-level spending plans for Departments, and what we are talking about here, which is basically the legislative approval that the Assembly grants to Departments to spend that money. In February of each year, the Assembly passes a Vote on Account that allows Departments to draw down on 45% of that money, and that has always been the case. So, there is no direct link to the laggardly process that was followed last year. That is simply not the case. This is really just a procedural issue, although not a best practice one.

Mr Humphrey:

Do we need to look at the review process to ensure that we do not get to this position again?

Mr Brennan:

As I said earlier, that is one key issue that we are looking at with regard to the terms of reference of the review that the Executive want to push forward.

Mr Humphrey:

What is the timescale to ensure that that happens?

Mr Brennan:

I believe that the timetable was circulated after our presentation at last week's meeting.

The Chairperson:

It is in the members' packs. That review is from the Department's perspective; how it would like to see the system work better. During the last mandate, the Committee sent a couple of reports, which, from a scrutiny perspective, contain a series of views on both the ongoing process and the last Budget process.

Mr Brennan:

The review is not just a DFP review; it was wholeheartedly endorsed by the Executive in February 2011. The Executive realised collectively that the review was needed urgently. That is what drives the review. As we said in our presentation last week, key stakeholders will have to be with us in the whole process. Obviously, the Committee is central to that.

As regards addressing recommendations in the legacy report to which you referred, a paper is with the Minister. Hopefully, it will issue within the next few days. From an official's perspective, we concur completely with virtually all of the recommendations that fall within the Department's remit. It is allied very closely to the aims and objectives that the Executive want to pursue in their financial review.

The Chairperson:

OK. I suggest that the Committee is content to communicate with the Committee for Agriculture and Rural Development, the Committee for Education and the Public Accounts Committee in

case there is any overlap and to get some sense from them on the issue of the Excess Votes. We will come back for a decision next week.

Ms Cochrane:

I am happy with that. Can I get a copy of the statement of excess? It is not in my pack.

The Committee Clerk:

Apologies for that.

Ms Lennon:

On that point, Chairman, the second page of the background paper that has been provided quotes the PAC report number. Perhaps members would like to look at the PAC report on Excess Votes. The PAC recommended that expenditure be regularised through Excess Votes.

Mr Brennan:

Paragraph 7 refers to the PAC report.

The Chairperson:

OK. Thank you. Members, would it help if we brought the matter back with additional information for a decision next week?

Members indicated assent.

The Chairperson:

Thank you very much.