



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

OFFICIAL REPORT
(Hansard)

**Budget Bill 2010 - Spring Supplementary
Estimates and Vote on Account**

10 February 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Adrian McQuillan
Mr Declan O'Loan
Mr Ian Paisley Jnr
Ms Dawn Purvis

Witnesses:

Mr Barry Armstrong)
Ms Agnes Lennon) Department of Finance and Personnel
Ms Joanne McBurney)

The Chairperson (Ms J McCann):

I welcome the officials from the Department of Finance and Personnel (DFP): Mr Barry Armstrong, Ms Agnes Lennon and Ms Joanne McBurney. I invite you to make an opening statement, after which there will be a question-and-answer session.

Ms Agnes Lennon (Department of Finance and Personnel):

By now, members will be familiar with the Spring Supplementary Estimates and the related

Budget Bill, as this is the third year that we have appeared before the Committee to give evidence. The context of today's session has been outlined in the background paper that was provided to the Committee at the end of January.

We are very much aware of the important role that the Committee plays in the accelerated passage of the Budget Bill. The Assembly recognises the logistical need for that quick passage in Standing Order 42(2), which makes provision for accelerated passage as long as the Committee for Finance and Personnel is satisfied that it has been consulted appropriately on the public expenditure proposals in the Bill. We are here today to assist the Committee in its scrutiny role and to answer any questions that members have on the public expenditure proposals. We do not promise that we know every line of the Estimates, but we will do our best to answer your questions.

The Spring Supplementary Estimates process is wholly routine at this time of year. As members will recall, the opening position for 2009-2010 was set out by the Assembly in the Main Estimates and the Budget (No. 2) Bill last June. Since then, the Committee has been involved in three monitoring rounds, which adjusted our departmental expenditure limit position. The paper reconciles that position with the Main Estimates through to the Supplementary Estimates. There have also been two exercises to adjust the annually managed expenditure (AME) requirements. That has all resulted in the Estimates that are before the Committee today — the final departmental expenditure plans for 2009-2010.

However, we have included some headroom in the Estimates. I will split that headroom into three categories. Perhaps the word “headroom” is a misnomer, because, as the Committee knows, in November, the Executive decided to agree proposals to put to the unions to settle the Northern Ireland Civil Service equal pay claim. Following their decision, we have included in the Estimates provision for the settlement payments and the pay arrears involved. In a sense, that is not really headroom, although we call it that in the paper. So, that is the first category.

It was also thought prudent to build into the second category some flexibility for the Executive so that they can make allocations, if the need arises, in the February monitoring round. We have built in around £25 million of headroom in the Estimates in order to do that, otherwise — and I must stress this — the Executive would not be able to make allocations in the February monitoring round because the limit would be set by the Assembly, and they would not be able to

exceed it.

The third category of headroom is technical in nature. It mostly relates to changes to accounting standards, and, as you already know, there is no additional spending power with those.

At the time of preparation of the Estimates, the Department of Culture, Arts and Leisure, the Department of Finance and Personnel and the Audit Office recognised that that they would be declaring reduced requirements in the February monitoring round. They have written their Estimates to reflect that slightly reduced position.

Schedules 3 and 4 of the Budget Bill set out the Vote on Account for the early months of 2010-11. That is around 45% of this year's provisions, so it will get Departments spending in the early months of next year, until we bring forward the Main Estimates and the second Budget Bill. I must stress that the Vote on Account is based on this year's provision, and it has absolutely no relationship to the outcome of the 2010-11 review of spending proposals that are currently under consideration.

I hope that I have covered most of the pertinent points, and I am happy to answer any questions.

The Chairperson:

Last year, when officials appeared before the Committee, they said that decisions on headroom would not be taken lightly, because sometimes that approach is not realistic. You said that it provides flexibility to allow the Executive to allocate money in the February monitoring round, but your paper states:

“Departments have also been clearly advised that inclusion of headroom does not indicate that additional resources will be allocated by the Executive in February monitoring.”

Given that there was a concern about allowing for headroom last year, what is the justification for allowing for it again this year? Does it affect the accuracy of the Estimates as a whole?

Ms Lennon:

The only impact on the accuracy of the Estimates is that the building in of headroom allows for additional spending power. The headroom figure is quite small this year; it is only around £25 million. If we did not build it in, the Executive would not be able to make allocations in the

February monitoring round.

The Chairperson:

Do you think that there will be higher levels of reduced requirements? Is that what is being indicated?

Ms Joanne McBurney (Department of the Finance and Personnel)

No; headroom is not really related to the level of reduced requirements that we are expecting. The Departments that have it built in are those that have raised specific issues with us. Those Departments have told us that, should resources become available in February, they would like the Executive to consider making an allocation for a particular purpose. That is why the matter is restricted to only a few Departments. Obviously, until Departments give us the details of their reduced requirements, we really do not know what they will be.

The Chairperson:

Have you had any indication of what they will be?

Ms McBurney:

We have had no indication, other than from those Departments that have put down lower Spring Supplementary Estimates. The headroom is not directly related to what we anticipate we will get in February; it is just to allow the Executive flexibility to meet the pressures that Departments have flagged up.

Ms Purvis:

I need a better explanation of that. You say that it is headroom, but it is not to be spent. I do not get that at all.

Ms Lennon:

The Estimates set an upper limit on the amount a Department can spend, both in resources and in cash. As we know, Departments do not always spend right up to that limit, so we have increased that limit slightly for some Departments because they have indicated that they may bid in the February monitoring round. If we did not do that, allocations could not be made to those Departments in the February monitoring round.

Mr Barry Armstrong (Department of Finance and Personnel):

The Estimates do not give those Departments a budget to spend. They may get that budget to spend if the Executive choose to make an allocation in the February monitoring round. However, until that happens, they do not have that budget to spend. All the increased limit does is increase the cap on the amount that the Assembly has approved for a Department's spend, so that, if that budget is allocated to that Department, it has the Assembly's approval to spend it.

Ms Purvis:

So, it is an imaginary line representing the limit of funding that the Executive may allocate to a Department.

Ms Lennon:

In a sense, yes. We have stressed to Departments in writing that the system operates within very tight controls and that they will not be allowed to vire at a later stage and move that limit of expenditure to any other part of the Estimate.

Mr McQuillan:

You seem to have made an allowance for the equal pay issue in the headroom figure. Is that an indication that the equal pay settlement will be paid early in 2010-11?

Ms Lennon:

Not necessarily. We have made provision for the equal pay settlement because, once the Executive agreed to make an offer to the unions, we had to make provision in accounting terms for that payment. I can make no comment on when that will be paid, because I do not know, but accounting provision has to be made to cover it.

Mr McQuillan:

So that money will just sit there and will not be used for anything else?

Ms Lennon:

Yes.

Mr Barry Armstrong:

In the Estimates, that settlement is shown as a non-cash provision, so no cash is associated with it,

nor will be associated with it, until approval is given for payment.

The Chairperson:

Why is the equal pay provision for DFP so high, given that it is quite a small Department?

Ms Lennon:

Even though DFP is a small Department, the figure is relative to the number of staff in the Department at the grades of administrative assistant (AA) and administrative officer (AO). I suspect that the shared services facilities in DFP would have many staff in the lower ranks who qualify for the equal pay settlement.

Mr O'Loan:

In relation to the equal pay settlement for this year, you said that the figures do not really represent headroom but rather — as I understand it — represent actual intended expenditure for this year. What is the total amount expected to be paid across all Departments for the equal pay settlement in 2009-2010?

Ms Lennon:

The total amount that the Estimates make provision for — though that does not necessarily mean that the figure will be paid in 2009-2010 — is around £160 million.

Mr O'Loan:

Are those the figures that appear in the table at the back of the paper?

Ms Lennon:

I have not actually added up those figures; that total would be much smaller. However, the total settlement is expected to amount to around £160 million, including pay arrears.

Mr O'Loan:

Yes; I know that figure. The latest document that we received said that the figure would be between £155 million to £170 million, so that is in the same ballpark. Do the figures that appear in the table represent back pay or payments under enhanced pay scales?

Ms Lennon:

It is starting to get a little complex. In the Estimates, we have to split the total pay arrears due across the different function lines in each Estimate. Although we are fairly content with the overall amount of pay worked out in our model, when that is split across the different function lines and the separate requests for resources, that figure may become slightly incorrect. We built in slight headroom in pay arrears of about 5%, and that is shown in the table in the paper. It provides a little wiggle room.

Mr O'Loan:

That is helpful.

It has been reported today that a lot of the swine flu vaccine will not be used. I have forgotten what allocation was made for that; it might have been of the order of £60 million. In the Estimates, what is the latest figure for how much money will be needed for swine flu?

Ms McBurney:

We do not have an Estimate for that, but we expect that the Department of Health, Social Services and Public Safety's February monitoring return will include the surrender of any amounts that it was allocated for swine flu but did not spend. I have no idea of the actual figure.

Mr O'Loan:

So, you cannot give us the figure until you see the February monitoring returns.

Ms McBurney:

That is correct.

Mr O'Loan:

That is information that the public needs to know.

Ms McBurney:

It will be made available to the public.

Mr O'Loan:

I do not know whether you will be able to answer my next question. When the allocation for

swine flu was made, something of the order of £20 million or £22 million was classified as capital allocation. I thought that that was strange, and I asked why such an amount was classified as capital. I was told that the capital allocation related to the purchase of vaccines. I was surprised to see that the purchase of vaccines was regarded as a capital item. Can you shed any light on that?

Ms McBurney:

It relates to the accounting treatment of vaccines that remain as stock at the end of the financial year. The Treasury has revised the budgetary treatment of swine flu costs and is putting the money into the current allocation. In the headroom table in our paper, we have included a switch of £10 million from capital to resource under the reclassification of swine flu. That is driven by Treasury treatment of the matter.

Mr O'Loan:

I take it that, when the vaccines were ordered, it was not anticipated that they would be stockpiled.

Ms McBurney:

No. I am not sure of the exact treatment, but the costs are not incurred when the items are ordered. It relates more to whether they are in stock or whether they are used. The cost is incurred when the item is used or if it is in stock at the end of the financial year. There may have been plans to roll out the vaccination programme, but I think that there were also plans that it would not be rolled out before the end of the year.

Ms Lennon:

It is often tied into the life of the drugs. A lot of drugs are scored as capital, and much depends on the life of the drug.

Mr O'Loan:

It is a curious point.

Ms Lennon:

It is all driven by accounting rules.

Mr F McCann:

We have been told that there has been a settlement in respect of equal pay. Can you estimate when the first payments will be made and when the process will be completed? The total amount payable was built into the Budget.

Ms Lennon:

I am not in a position to answer that question, because I am not involved in the equal pay issue. I am not sure when the first payments will be made.

Mr F McCann:

The total amount was built into the Budget.

Ms Lennon:

Yes. We made provision for it, but that does not mean that we have provided the cash as yet.

Mr Barry Armstrong:

There is a distinction between making a provision for a future payment and making that payment. As I explained earlier, the equal pay settlement is classed as a non-cash provision, and it has to be shown in the accounts at the end of the 2009-2010 financial year. Therefore, we need cover in the Estimates for that. That does not mean that the payment will be made to the recipients at that stage; it merely means that the accounts make provision for a payment that will have to be made in the future.

The Chairperson:

Thank you for attending this morning's Committee meeting.