



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Budget (No. 3) Bill

9 June 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr David McNarry (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

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

The Chairperson (Ms J McCann):

I welcome Michael Brennan and Agnes Lennon. You are aware of the issues at hand; therefore, we will go straight to members' questions.

Mr McNarry:

Thank you for being here. I hope that you have seen some of the papers that we have received. I am working from a background paper dated 28 May that was prepared for the Committee by Norman Irwin, which is a summary of the issues that we are talking about. I want to follow on from the Clerk Assistant's useful briefing so that we can take a position on those issues and make decisions. I appreciate and respect the view that Declan O'Loan has expressed. I do not

necessarily agree with him, but I accept what he is saying.

What we have in front of us is happening. I have said that, in somewhat unique circumstances, I can see the emergency and the need, and we are working on the basis of revised spending plans. The Westminster Budget on 22 June has the potential to have a serious impact on those plans in 2010-11. We cannot get away from that. Should the Committee be aware of ongoing plans that you are working on to revise again the 2010-11 spending plans? If that is the case, would such work be done by the Department during the summer recess to be in place for September? My understanding is that the choices are limited as to how the directives from London are implemented.

Will the Committee be put in a situation that is similar to the one that we are in today? I can appreciate and understand it if that is to be the case, but it would tie in with the message that the Committee wants to put across. Can you tell the Committee whether you are working — I hope that you are — and will be working through the summer — I hope that you will be — on what is coming from London in order to initiate what needs to be done here? Can you give a commitment that you will keep the Committee informed so that it will not be a surprise to us? We cannot challenge you if you are faced again with something that is of an emergency nature.

Mr Michael Brennan (Department of Finance and Personnel):

You have touched on a number of issues, Mr McNarry. The first point that I want to make is that I understand completely where the Committee is coming from about the time constraints on the production of the Estimates. However, the Assembly only signed off on the revised plans on 20 April. The Estimates have to be prepared, and there has to be an engagement with Departments to obtain their agreement. That sets the framework for the overall production of the Estimates. The point that you made —

Mr McNarry:

The Assembly only signed off on an Executive decision.

Mr Brennan:

Yes; on 20 April. Normally, the Budget is agreed well in advance —

Mr McNarry:

The Assembly cannot sign off on anything unless it is brought to the House. It is not the Assembly's fault. The business is brought to us, and we sign off on it. What is your point?

Mr Brennan:

The point that I am making is that there was a compressed time frame within which to produce the Estimates.

The second point that I want to make is about the UK Budget on 22 June. We have checked with Treasury colleagues who have told us that the public expenditure position for 2010-11 was largely determined as a result of the £6.2 billion UK Government in-year reduction. It is highly unlikely that there will be any further public expenditure implications. There will, obviously, be changes in the Budget on the tax side, but, bearing in mind the mechanics and the operation of the Barnett formula, it is highly unlikely that there will be any changes in the Budget on 22 June. If, however, there are changes, they will be factored into the June monitoring round that is now under way. That is part of the normal process whereby the Executive come to an agreed position on June monitoring, which produces in-year reallocations in Departments. We bring that to the Committee during the summer. There is a constant process of monitoring rounds and changing departmental baseline positions. The Estimates simply set the opening position for the 2010-11 financial allocations to Departments.

Mr McNarry:

Therefore, in effect, you do not see any further adjustments.

Mr Brennan:

There will be adjustments automatically as a consequence of June monitoring.

Ms Agnes Lennon (Department of Finance and Personnel):

We will mop up those adjustments in the spring Supplementary Estimates, which we will bring to the Committee next February.

Mr Brennan:

I will make another general point, which was raised in the earlier conversation about reviewing the Budget process. In our Minister's response to the Chairperson's letter, he made the point that

he understands completely the Committee's concerns about transparency and the convoluted process that leads to issues such as the time periods for engagement, consideration and debate being compressed. We have produced a paper and are working with the Minister to produce a much more simple and transparent process that facilitates Assembly and Committee engagement, wider understanding of how the Budget works and interaction with the Estimates process.

Mr McNarry:

OK. Can I take from what you are saying, which is very helpful, that what is being asked now is unlikely to be asked again in the future because you are on top of things? You know what you are doing, and you have all the preparation work and mechanics in place. Therefore, the Department is unlikely to come back to the Committee with a request to suspend Standing Orders or to introduce emergency procedure for Budget matters.

Mr Brennan:

I cannot give that assurance now, because there are so many key stakeholders involved. There is the wider consideration, the Executive's consideration, the Committee's consideration and the Assembly's consideration of how the review of the financial and budgetary process may be taken forward. I cannot give any assurance on that now.

Mr McNarry:

You cannot give an assurance on that?

Mr Brennan:

No, because I cannot foresee the outcome of the deliberations and engagements with the other key stakeholders.

Mr McNarry:

If that is your answer and that is the best that you can do, fair enough.

Ms Lennon:

You made a point about why the request is being made this time, and you are quite right that the Assembly could not approve the opening spending plans until those were brought to it on 20 April. However, that left us with a particular logistical problem. There are hundreds of expenditure lines in Departments that then have to be amended on a huge database. Lots of work

goes in to producing the Estimates, which we had to get to your pigeonholes for 28 May. The fact that it was approved fairly late presented us with a logistical nightmare.

Mr McNarry:

I appreciate that fact very much. I am making the point that everybody responded to that situation, and I reiterate that it was not the Assembly's fault. We only do the business that comes in front of us. Perhaps that message should go down the line to whoever caused or is looking at the problems that resulted from the delay, so that the Assembly is given more time. The Assembly deals with whatever business is put in front of it on the Order Paper. I appreciate what you are saying, and I have sympathy for it.

Ms Purvis:

This is part of a normal process that we go through every year, but it never usually happens at this time of year. Is the delay in bringing the Estimates to the Committee and the Assembly due to the similar delay with the revised spending plans in January and February? Did that have a knock-on effect on the whole process of agreeing revised spending plans and so on? There were delays because of the Hillsborough talks and the general election. Is that what has effectively delayed the process to the point where the time period now has to be compressed?

Ms Lennon:

To some extent. Normally, we come to the Assembly with the Estimates about a week earlier. The delays have made all the difference and run us very close to the last Assembly sitting before the summer recess, which takes place on 29 June. If there were to be a Further Consideration Stage and a full 10-day period, the Final Stage debate would take place during the last sitting of the Assembly.

Mr Brennan:

We are not doing away with the 10 days completely; there will still be seven or eight days.

The Chairperson:

Would a decision not to suspend Standing Orders prevent the Bill from receiving Royal Assent by 31 July? Would that decision have any impact on the timetable?

Mr Brennan:

There are two Standing Orders involved.

The Chairperson:

I am not talking about accelerated passage; I am talking about the suspension of Standing Orders.

Ms Lennon:

For the Further Consideration Stage?

The Chairperson:

Yes.

Ms Lennon:

If the Business Committee cannot fit in all the debates before the end of the parliamentary session, I assume that it would organise additional sittings.

The Chairperson:

Therefore, that decision would not prevent the Bill from receiving Royal Assent on 31 July.

Ms Lennon:

As the Clerk Assistant said, that is not totally within the control of the Assembly, although every effort is made to get Royal Assent before the end of July.

Mr Brennan:

The other issue to factor in is that this is establishing an opening position for the financial year. However, you would have the situation of the Executive probably discussing the June monitoring position in advance.

Dr Farry:

I want to give Michael and Agnes the opportunity to make clear why this has happened. This is not an administrative failing on the part of the Department. It is essentially the outworking of a political decision and the timing of that decision in the Executive regarding revised spending plans. That, obviously, was the subject of political discussion. I am not asking you to comment on the whys and wherefores of that discussion, but is that the primary reason why we are

essentially one week behind where we would normally be?

Mr Brennan:

The Executive's endorsement of the revised spending plans was later than normal. That means that we have a compressed period, which has led us to approach the Committee a week later than normal.

Mr McLaughlin:

It did take a long time to get through the Executive. I say that because my party, too, had its role to play in that. We are dealing with a requirement to at least speed up the process about which we are complaining and not add any further congestion or constipation to it. I think that we will continue to press as vigorously as we can the case for opening up the process and being prepared to look at it. I am hearing consistently from you that the Department recognises that more work has to be done on that.

The key rationale is in paragraph 16 of Norman Irwin's paper, and we have a status quo process kicking in. There is significant overlap, because that work is ongoing as we speak. Yet we are going through what is almost a procedural process. I see no sensible reason, political or otherwise, for just adding to the confusion. Therefore, on the basis that the Committee will caveat its position, I do not think that we even need to consider the conditionality in the Minister's statement. We can take it at face value that he has no intention to introduce amendments. So let us do the business and keep the proper focus and settled view that the Committee developed over a period of time, namely, that the Budget process is unsatisfactory, not fit for purpose, and in need of reform.

The Chairperson:

There are no further questions. Thank you, Agnes and Michael.