Northern Ireland
Assembly

COMMITTEE FOR
FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

Implications of Spending Review:
2011-12 to 2014-2015

3 November 2010

NORTHERN IRELAND ASSEMBLY

COMMITTEE FOR FINANCE AND PERSONNEL

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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 Paul Frew
Mr Paul Girvan
Mr Simon Hamilton
Mr Daithí McKay
Mr Mitchel McLaughlin
Ms Dawn Purvis

Witnesses:

Mr Michael Brennan	)	Department of Finance and Personnel
Ms Joanne McBurney	)	

The Chairperson (Ms J McCann):
I welcome Michael Brennan, head of the central expenditure division and his colleague in that division Joanne McBurney. You have been here before and know the drill. I invite you to make a few opening remarks, after which I will open up the meeting for questions.

Mr Michael Brennan (Department of Finance and Personnel):
I will begin with a few headline observations and then delve into some of the detail of the data.

The spending review outcome was almost exactly as the Department of Finance and Personnel (DFP) had been forecasting for the past five or six months. Over the four-year period, current expenditure will fall by 8% in real terms, and capital expenditure will fall by some 40% in real terms. The net effect is that, over the four years, the Executive and the Assembly will have, cumulatively, some £4 billion less in real terms to spend on the provision of goods and services. After the effect of inflation has been taken into account over that period, the totality of the shortfall in spend is £4 billion. When that is broken down, the current expenditure will be down by £2·1 billion and capital expenditure will be down by £1·8 billion in real terms over the four years.

There has been widespread confusion about the apparent disparity between DFP's numbers and those of the Treasury. In current expenditure, for example, the Treasury quoted a decline of 6·7% and DFP quoted 8%. On the capital side, the Treasury quoted 37% and DFP quoted 40%. Their 2010-11 baseline positions were different: the Treasury's opening baseline position was £9·3 billion, and DFP's position was £9·8 billion on the current side. The vast bulk of that difference was made up of some £400 million for depreciation, impairments and ring-fenced student loans. The Treasury takes the position that those are ring-fenced items and should not be included in the baseline figure, but our position is that they are costs that the Executive and Assembly have to cover, so that is why they are built in.

After the spending review announcement, there was also much debate about whether the commitment to the £18 billion investment strategy would be delivered. DFP's position is that, by the end of March 2011, Northern Ireland will have spent some £9 billion on capital investment. If we take our spending review settlement from the Treasury and factor in £200 million a year for the reinvestment and reform initiative (RRI) borrowing and the capital receipts that Departments have notified to us, it means that, over the next four years, we will spend a further £4·57 billion on capital investment. That brings the total capital spend from the start of the investment strategy to March 2015 to some £13·6 billion. Effectively, that means that, in the final two years of the investment strategy, a further £4·4 billion in capital would have to be made available to the Executive and Assembly. We cannot tell what will happen in the two years after the spending review. However, on the presumption that that will even out at more than £2 billion a year, it would require some heroic assumptions about what we may get in capital in the next spending review.

On an upbeat note, although the capital spend will reduce dramatically over the next four years — a 40% decline is significant — that just takes us back to where we were in 2004-05. The delivery of capital projects will not fall off the end of the earth. Over the next four years, there will still be significant capital spend — in excess of £1 billion a year — by the Executive and Assembly.

Members will probably have picked up on some concern about how the end-year flexibility (EYF) scheme will work as we go forward. The Treasury has confirmed that the operation of the EYF scheme will end next year. It will no longer be available. The Executive had a stock of some £312 million in current expenditure resources that we had built up over the years. That has been taken away from us, so we cannot plan to draw down any of that. A further concern was that the stock of capital that is held by the Department of Justice (DOJ) might also have been lost. Our latest understanding is that the planned EYF drawdown by the DOJ for 2011-12, which I think is in the order of £32 million, will be honoured by the Treasury and delivered to the DOJ.

We also now understand that whatever amount of EYF the Department of Justice was planning to draw down in 2010-11 — I think that it was some £100 million in current and £50 million in capital spend — that is not spent that year, it will be allowed to carry across into the following year. That was a positive element of the EYF scheme for us. The £312 million was money that the Executive earmarked over the past years, but that has been taken away.

We do not know what scheme the Treasury will put in place from April 2011 to replace the end-year flexibility mechanism. I suspect that it will be a more centralist system whereby an individual Department will not have access to its own end-year flexibility scheme. The Treasury will probably create some sort of national reserve, whereby all departmental underspends will be carried across, held centrally and then dispersed. I suspect that the Treasury will set up something along those lines.

That was just a quick run through of some of the numbers and issues.

Mr McNarry:

Good morning. What is the Department's view on whether there has been a breach of the £18 billion capital investment commitment?

Mr Brennan:

It is difficult to say definitively whether that commitment has been breached, because the spending review period ends before the end of the investment strategy, which extends for two years beyond March 2015. As I said earlier, by the end of the spending review, the Executive will have spent only £13·5 billion, which leaves a shortfall in the investment strategy of more than £4 billion. Given that the Treasury has given us a capital departmental expenditure limit of less than £1 billion for the next four years, it would be a quite heroic assumption that that would suddenly be ramped up to in excess of £2 billion in each of the final two years.

Mr McNarry:

We really need to get our heads around this; it would certainly help me to get my head around it. Is it in order for us to request papers that set out in detail the Department's understanding of the capital commitments that were made at St Andrews by what was a different Government and at a time when there were only 11 Departments? May we also have details of what additional capital commitments were made as a result of the devolution of policing and justice powers and a breakdown of how the UK Government's calculation of the £18 billion capital investment compares with that of DFP? We are grateful to Michael and his team for telling us how DFP made its calculation, but we do not have direct access to London to ask the UK Government about their calculation. No one from London will sit in front of us, which is disappointing. We need those important bits of information.

The Chairperson:

Can you provide that information?

Mr Brennan:

We have a table that disaggregates the investment strategy over the period, as we see it. It breaks down the spending review from the Treasury, the reinvestment and reform initiative borrowing and the receipts of Departments. We could make that table available to the Committee if it would assist members. I should have clarified that the capital departmental expenditure limit going forward includes contributions to, for example, the Department of Justice. When the original investment strategy was constructed, there was no assumption that those functions would be transferred. If it will help, we will certainly make that table available to you.

Mr McNarry:

That would be useful. It would also be interesting to access information to compare the calculations of the Treasury and DFP; perhaps you will provide that too.

I declare an interest as a member of the Committee for Justice. From the outset, that Committee was interested in the funding for the Department of Justice. On a number of occasions, the Minister of Justice and his officials, genuinely, in my opinion, made it clear that the Department of Justice had direct access to the Treasury reserves. It seems that there is either a blind spot or an unquantified position as regards what "reserves" means. We all saw the Chief Constable make his pitch for £200 million or whatever. How he was able to do that I do not know, but, no matter, it has happened. I wonder whether that represents access to an unknown sum. The Justice Minister was genuine in what he said, as were his officials. He said that, if there were to be a policing problem that was connected to the issues to which the Chief Constable has been referring, we could access the reserves. It would be extra money for the unforeseen, as opposed to money for simply running the police or its administration.

Do you include in your calculations some transfer of moneys that are either additional to, or taken out of, the funding of policing and justice? Are you satisfied that the word of the Minister, which is not to be challenged, is firm? Are you satisfied that, to meet any extraordinary requirements for which the Chief Constable might convince the Minister that he needs funds, the access to that money would come through the reserves? Where should we position the reserves or the access to them?

Mr Brennan:

The DOJ settlement in the spending review was achieved through the mechanics of the Barnett formula. The DOJ received what are known as the Barnett consequentials on all the allocations that went to the Home Office and the Ministry of Justice. All those moneys have come across as planned. There were two worries about how the settlement letter received by the First Minister and the deputy First Minister would be interpreted in light of the spending review. The first, as I mentioned, was about how the EYF scheme might operate in relation to the Department of Justice. We are now in a more comfortable position with regard to what we think that the Treasury means in relation to access to EYF —

Mr McNarry:

Will you speak up a little, Michael?

Mr Brennan:

I am sorry. We are now more comfortable about how we think that the EYF scheme will operate in relation to policing and justice. The DOJ's underspends will carry across, and it will have full access to those, which gives us comfort. The remaining issue relates to the security pressures that the Chief Constable identified, which run to approximately £50 million or £60 million a year over the next four years. Our understanding was that, if those pressures were to arise, the Department of Justice could go directly to the Treasury and the Cabinet Office to access the national reserve to meet those pressures.

Initially, having reading the settlement letter, the worry was that it would not work that way. We have not yet received any clarification on that. As I understand it, the request for clarification is one of the major issues contained in the reply of the First Minister and deputy First Minister to the UK Government. We are more comfortable with our take on how EYF would operate for policing and justice.

Mr McNarry:

I understand EYF, but are you saying that, at this stage, there is a question mark over what was the previous understanding on direct access, as articulated publicly by the Minister?

Mr Brennan:

No. I am saying that our current working assumption is that, to deal with the pressures that concern the Chief Constable, our first call is to draw down funds from the national reserve.

Mr McNarry:

Are you saying that your assumption is that such access will not be denied?

Mr Brennan:

Yes.

Mr McNarry:

I am very grateful for that, Chairperson, because I think that we can now park that issue and concentrate on the direct funding that policing and justice needs. You have given us good news, Michael. However, what you have told me is based on your assumption. I do not disbelieve you in any way or want to tie you down too much, but how can you confirm that?

Mr Brennan:

In their reply to UK Treasury Ministers, the Ministers will ask for complete clarification in relation to our reading and understanding of the settlement letter.

Mr McNarry:

Therefore, if there is any change, I assume that you will let the Committee know about it immediately.

Mr Brennan:

I presume that the Minister of Justice will be pretty frank about wanting to address the Committee for Justice on the issue.

Mr McNarry:

I can talk only about this Committee at this meeting.

Can you say whether you are confident that the Budget will be agreed by Christmas, Michael?

Mr Brennan:

Unfortunately, I am not in a position to say that. That depends on engagements in the Executive and among Departments. We have the headline numbers. We know the funding envelope that is available, and it is now up to the Executive and the ministerial Budget review group to take that forward. As an official, I cannot be confident about whether that will be delivered.

Mr McNarry:

I appreciate that. Obviously, the Committee's work is linked to budget outcomes in the Executive, whatever they may be. Although I appreciate what the official says, I am not prepared to accept that "it depends". The onus is on the Executive to resolve the matter. I wonder how long the Committee will be content simply to go along with the situation while the Executive discuss it, or they meet but do not discuss it. It is now November. All indications are that a drama is developing. I wonder how we, as a Committee, can perform our duties if we are not confident that the Executive will be able to prepare and agree a Budget to bring to the Assembly. Therefore, I hope that colleagues agree that the Committee should make the Executive aware of its opinion and exert pressure on them. I do not see how the Committee can function properly if the Executive do not really function properly. It is important that a message be sent out to the public about our ability to address the Budget.

Finally, Michael, I want to come back to your assertion — although not today, because I will need do some more work — that one bit of comfort is that the position that we are in is the same position that we were in in 2004-05. I am not happy about going back and saying that that is good. It is 2010, going on 2011. I am aware of the difficulties that people and businesses faced in 2004-05. I am not persuaded that a return to that time is comforting. I could be persuaded if, attached to that statement, you told us how we will catch up and how long that will take. If you are saying that, in 2011, we have gone back six years, I want to know how quickly we will catch up 2012 at least. I do not believe that what you say provides great comfort. I understand perfectly why you say it. However, it is no comfort whatsoever politically. I want to come back to that issue when I have researched it. The danger is that we will settle for six-year-old standards. That is not progress.

Mr McLaughlin:

Good morning. To return to the issue of confusion over the impacts, what assumptions are we making about inflation over the comprehensive review (CSR) period? Is there a disparity between our projection and that of the Treasury?

Mr Brennan:

Joanne will give you the detail, but the inflation factors that we have used over the four years are Treasury's gross domestic product (GDP) deflators.

Ms Joanne McBurney (Department of Finance and Personnel):

We have used percentage uplifts from 2011-12 onwards of 1·9%, 2·3%, 2·6% and 2·6%. For the first three years, those were taken directly from the Treasury website.

Mr McLaughlin:

Is that an agreed datum point between us and Treasury?

Ms McBurney:

Yes. We used its figures.

Mr McLaughlin:

OK. That is important. A very tight timetable has been agreed. What is the Executive's position on when we have to have the Budget agreed?

Mr Brennan:

There is a ministerial Budget review group meeting tomorrow afternoon. I think that the intention is that Ministers on that subgroup will get together as much as is necessary over the next two to three weeks to have a Budget paper ready to take to the Executive.

Mr McLaughlin:

I understand that the Executive have not agreed on the Budget, but we are informed that they have agreed on the timetable. What is that timetable and when is the sign-off date?

Mr Brennan:

The initial timetable goes something along the lines of the Executive agreeing a draft Budget around 15 or 16 November and presenting it to the Assembly the following day. That would then issue to formal public consultation with a view to bringing it back to the Executive and Assembly in early February for ratification.

Mr McLaughlin:

The Chancellor referred to the statement on rebalancing the economy here by growing the private sector. When he made the CSR statement, he announced that that was one of the absolute priorities of the Secretary of State. I will resist discussing just how much reassurance I take from that commitment. The contents of that paper must be a factor in the ability of the Executive to agree a Budget and a Programme for Government. When do we expect that paper? Is Westminster working to a firm deadline?

Mr Brennan:

All that I know is that we have not received the paper. We are told that it is imminent, but I am not sure what that means.

Mr McLaughlin:

What are the implications of not knowing what it will say for agreeing a Budget in the timetable that we have set ourselves?

Mr Brennan:

From recollection, that paper was to address the long-term economic transformation of Northern Ireland. One of the timescales that was included was that the transformation would take 25 years. I think that that was what the Secretary of State said. The paper will address a long-term agenda.

Mr McLaughlin:

Assuming that it would feature in our current Budget projections —

Mr McNarry:

That is a start.

Mr McLaughlin:

It starts at some point. I cannot see how we can expect our Executive to agree a Budget unless they can factor that paper into their discussions and allocations from the get-go.

How real is the timetable for agreeing the Budget if we have no real date for the announcement by George Osborne, David Cameron, or whoever makes it?

Mr Brennan:

The Assembly and Executive's fundamental difficulty is that they do not have the luxury of sitting and waiting for the paper, because, as the Minister of Finance and Personnel has said many times recently, there needs to be certainty about the Departments, the arm's-length bodies, the trusts, the boards, the schools and the hospitals. They all need to know what their budgets are come 1 April next year.

Mr McLaughlin:

Is it viable to go forward on the basis of current realities and then run another Budget process when the document is produced? Is that what we are being told?

Mr Brennan:

It is for the Executive to form a view on how they want to deal with that. Until the paper is delivered and presented —

Mr McLaughlin:

I just want to be clear about how real the timetables are that people are talking about. That information was promised after the CSR announcement. I am asking you, Michael, but you did not create the timetable or the difficulty. I see a complete contradiction if people have said that rebalancing the economy is an absolute priority.

How can we take the Budget forward? How can our Executive deal with the matter unless Treasury tells us when we will get the document and what we can expect, and gives us the detail and the quantum so that we can take it forward as part of our Programme for Government, as well as the Budget that will underpin it?

Mr Brennan:

The Finance Minister's primary responsibility is to construct and present a draft Budget. That is where all his focus lies in his engagement with ministerial colleagues. In many ways, we will not know what comes out of the paper on rebalancing the economy until we see it. We cannot hold up the whole process; everything is in abeyance until we see what emerges from that document. It may be something of substance, or it may be a more long-term project.

Mr McLaughlin:
If it proves impossible to agree the Budget in the absence of that information, we could well be walking into a situation in which the Assembly gets the blame for that when in fact it is not responsible for creating what I see as a crisis in the process. There is logic in getting the CSR statement and getting the commitment to delivering proposals and policies for rebalancing the economy. I take the point that a generational change is being set down here, but the process is supposed to start this autumn. There is then the process of drafting the Programme for Government, after which there is the process of agreeing the Budget. We cannot do that back to front or with half the information.

Mr Brennan:
As far as rebalancing the economy is concerned, I suspect that many of the issues that will be presented in that regard, even with the best will in the world, will take many years to deal with. The issue that seems to be attracting a lot of attention at the moment is some sort of initiative on corporation tax. That would require legislation and European Commission approval. A considerable amount of time will have passed before any of those measures would be introduced, so I suspect that the first priority is to establish the financial position for 2011-12.

Mr McLaughlin:
I agree, but not in the absence of what will be the policy superstructure that will determine Budget and Programme for Government processes for the next 25 years.

Let me come at the issue in a different way. We are also told that there is engagement with the Treasury on this issue. Is that correct? Previous to the CSR statement, the Minister of Enterprise, Trade and Investment told the Assembly that she and the Finance Minister had been working with the Treasury on a paper on rebalancing the economy. What has been DFP’s input? Can we assume that there is an agreed Executive position, or is it, at this stage, limited to DFP engagement with the Treasury? It has to be one or the other. Is there formal guidance and manifesto agreed by the full Executive in addressing the issue? It is obvious that there are fairly significant cross-departmental implications.

Mr Brennan:

I am not the lead official on that particular issue, but I know that there is ongoing direct engagement among DFP, the Treasury and other Departments on that work. However, I have not seen the output of that engagement.

Mr McLaughlin:

Is that engagement going to comprise separate engagements, depending on departmental interests, or is there a lead Department that represents the consolidated position of the Executive?

Mr Brennan:

I know that there is an Executive economic strategy subgroup that works directly on that issue with the Treasury. Other than that, I cannot go into the detail.

Mr McLaughlin:

Is that subgroup directing the DFP engagement with the Treasury or not?

Mr Brennan:

I am not close enough to it to go into detail on that.

Mr McLaughlin:

Do you know whether that group is reporting back to the Executive on its engagement and progress, or otherwise, with the Treasury?

Mr Brennan:

I am sorry, but I am not aware of the detail.

Mr McLaughlin:

Can you get that information?

Mr Brennan:

I can certainly relay the point to the lead official.

Mr McLaughlin:

I have to say that I am concerned as to whether we have a real timetable. There are too many imponderables and too many holes in the process. I am not holding you responsible for that, obviously, but great play has been made of the urgency of finding agreement. I would not resist that at all, and I am certainly prepared as a member of this Committee to play my part in facilitating the process. However, I do not see any sense whatsoever in going forward without all the required information, and that seems to be the position in which we find ourselves.

Dr Farry:

Welcome, Michael and Joanne. There appears to be confusion around figures. On the rebalancing of the economy, the Secretary of State is saying 77% of our economy is public sector. I knew that the percentage was high, but I was not under the impression that it was quite that high. What is DFP's understanding of where that lies?

Mr Brennan:

From recollection, public sector activity, both direct and indirect spend, is equivalent to somewhere in the order of about two thirds of regional gross value added (GVA). I have never heard a figure higher than that.

Mr McLaughlin:

Since May 2008, 35,000 jobs have been lost from the private sector, so, exponentially, the 65% figure does not stand up. Percentage-wise, the figure is in the mid-70s.

Dr Farry:

I think that it is certainly over 70%, but, as for the 77% that he is talking about, I think that the Secretary of State has picked it up wrong somewhere.

Looking specifically at the financial end of things, Michael, I understand your point about there being confusion around our baseline versus the Treasury baseline, but the other aspect of the confusion was the figure of £4 billion that was talked about. Speaking in layman's terms, the public were expecting a £2 billion figure coming out of this process, yet all of a sudden the Stormont press machine is pushing a £4 billion headline cut. I understand how one gets the £4 billion figure, but that is not the conventional way in which most Governments measure spending cuts. I am wondering why that was done and what the reasons were for presenting the figure in those terms. Surely what the Treasury has done with its figures and what we were doing going into this process was working on what would be the 2014-15 baseline, relative to our 2010-11 baseline.

Mr Brennan:

The difference is, as you say, a subtle one, in that the £2 billion referred to a point, March 2015, and that is what the reduction would see you at. However, it became apparent that, in many ways, that would be a misleading figure, because carrying forward the same level and range of services as provided today over each of the next four years and allowing for inflation would see a reduced spend of £4 billion across the period. The other factor at play was that there was such a significant decline in 2011-12, particularly on the capital side, so we could get to the final year and be at £2 billion less, but we would need to reflect the magnitude of the changes that take place in years one, two and three. As I say, particularly on the capital side, the decrease was so significant.

Dr Farry:

Yes, but even within that £4 billion, the reductions in capital would still be well under half of that £4 billion.

Mr Brennan:

Yes; the figures that I gave were £2·1 billion on current expenditure and £1·8 billion on capital expenditure.

Dr Farry:

However, the goalposts were shifted in the way in which we were presenting the figures. Going into this process and coming out the other end, we used a different methodology, and it is not a methodology that most other Governments would use.

Mr Brennan:

We were trying to convey the message that that is the total shortfall across the four-year period, so that is what the Northern Ireland public will notice as the shortfall in the total provision of public services across that period, not what it would be at the end of the four-year period.

Dr Farry:

The message coming out beforehand was to expect a cut of £2 billion, but all of a sudden we were told that it is £4 billion. That gives the impression that, in very simplistic terms, the cuts were twice as bad as expected, when evidently they were not.

Mr Brennan:

On reflection, for consistency, we should have taken the £4 billion methodology and applied that across the period, because, as I say, that is the total impact.

Dr Farry:

Moving on, you said that the level of the cuts was pretty much as expected. I appreciate that on the capital side it is really bad. On the current side, it is perhaps not quite as bad as we were expecting. I understand that Departments were asked to proceed on the basis of higher percentage cuts.

Mr Brennan:

Yes, we have been working on the basis of a cut of roughly 10% on flat cash, so it was slightly better than that. Some specific issues contributed to that; for example, in 2011-12 there is an allocation from Treasury of £25 million for the Presbyterian Mutual Society. Some specific issues were built into current expenditure, which if netted out, the 8% figure would rise.

Dr Farry:

Yes, so it is slightly better but not by that much.

To what extent is active consideration being given to moving resources from current to capital expenditure? A number of parties, including the Alliance Party, have talked about that option, particularly bearing in mind that the capital side has really suffered while the current side is not quite as bad.

Mr Brennan:

That is an issue under active consideration by the ministerial Budget review group, and it is in the papers that have been prepared. The other side of the coin is the need to look at the quality of capital projects. Good money should not be thrown after bad. The key issue is whether greater value for money is achieved on the current side or the capital side. For example, £x million could be taken out of current expenditure and put into a capital project that generates transitory jobs in a certain sector with poor value for money. However, taking money out of current effectively takes money away from nurses, teachers and doctors. There is a balance to be struck.

Dr Farry:

The political concern that has been expressed by the First Minister, the Finance Minister and the rest of the Executive is to the effect that capital is the area in which we are suffering most. There is an opportunity for us to move resources from current to capital, provided that we do it sensibly.

My final question relates to timetables. I share many of the concerns that David has already mentioned. The next Executive meeting will take place in mid-November. You mentioned that consultation will run until early February and that the Budget will be adopted in February. That takes us down to the wire. The public consultation process is important, particularly on difficult decisions of this magnitude. The Committee must also be allowed to conduct whatever evidence sessions it wishes.

When you talk about the Assembly adopting a Budget in February, that probably refers to the formal vote on a four-year Budget, which is the equivalent of what we did in February 2008. Beyond that, the Budget (No. 1) Bill will have to go through. I am conscious that the Assembly will rise on 24 March 2011. Is that part of your considerations? Have you factored in how you will run through all the legislative stages after the Assembly adopts a Budget in mid-February, which is the best-case scenario?

Mr Brennan:

Those issues are certainly at the forefront of our timetabling concerns. Our Minister has stressed his concern in the House many times. He has said January at the latest, and that time is getting close.

Mr Hamilton:

There has been an understandable concentration on the current and capital departmental expenditure limit, but the Budget also has annually managed expenditure (AME) implications, particularly on the welfare front. What discussions have there been with the Treasury about the implications of reductions in welfare? Is one of the issues that has been discussed the Executive's ability to retain any portion of the savings made in reducing the overall welfare bill?

Her Majesty's Government's policy appears to be to reduce overall spend on welfare through crude cuts on the one hand and longer-term reform on the other. Much of the longer-term reform will concern how welfare is administered, assessed and processed, the cost of which is a direct hit to our Budget. Therefore, we are spending money from our Budget to save money that all goes back to Treasury. The Chief Secretary to the Treasury hinted at the possibility of our retaining some of those savings as an incentive. Has there been any discussion about that?

Mr Brennan:

You touch on two or three important issues, the first of which is the funding of the welfare reform agenda in Northern Ireland. The Treasury position is that the Executive got Barnett consequentials on the allocations that the Treasury made to the Department for Work and Pensions in Whitehall. We got the Barnett consequential on whatever money the Department for Work and Pensions (DWP) got to deliver the welfare reform agenda. Northern Ireland's allocation has a departmental expenditure limit on both resource and capital to deliver the welfare reform agenda and the projects that are needed.

Secondly, the savings that are made in the welfare reform agenda all accrue on the AME side, to the direct benefit of the Treasury. DFP is working closely with Department for Social Development (DSD) colleagues. Our proposition to Treasury is that we find some sort of sharing mechanism — basically, an Invest to Save-type project — by which savings that accrue on the

AME side can be of additional benefit to us and the departmental expenditure limit. That proposition is currently with Treasury. We are still exploring the issue.

The third issue concerns maintaining parity in welfare throughout the UK and whether we can do anything regionally. The difficulty is that Treasury will say that any decision that the Executive take unilaterally on welfare reform, with regard to, for example, differing levels of benefit or not implementing universal credit in future, they must, therefore, fund themselves. One may find that some notional saving is made on the AME side but that Treasury will deduct the difference from the departmental expenditure limit. It goes to the heart of Treasury's concern about the fundamental principle of repercussiveness.

Ms Purvis:

You have access to underspend next year, provided that you meet the £127 million pressure in the current Budget year. Underspend has decreased owing to improvement in Departments' spending. How confident are you that you will meet that £127 million in the current year?

Mr Brennan:

The Executive have not given a formal commitment to address that £127 million pressure in-year. We have told Treasury that we will make our best endeavours to address it. We have until the spring Supplementary Estimates to notify Treasury formally of what we intend to do. We have addressed the capital element of that pressure. We will see where we are after the December monitoring round has been completed in the Executive and the Assembly. We will then notify Treasury formally of what we intend to do on the current side. Treasury will not impose a sanction on us. Our door is still open with Treasury to notify it of what we are doing.

Ms Purvis:

Was that negotiated specifically for Northern Ireland, or do the other devolved regions have similar access?

Mr Brennan:

The regions were all offered the same access. However, I understand that there is a difference in approach between the Scots and the Welsh. One is writing off that pressure and the other is deferring it.

Ms Purvis:
Right. It is allowed to defer?

Mr Brennan:
That was an option. The difficulty with deferring is that all the pain is transferred to the start of the next financial year.

Ms Purvis:
Is it the Executive's intention to agree a four-year Budget, or has any consideration been given to agreeing a one-year Budget?

Mr Brennan:
To date, all work that has been done and papers that have been produced have been on the basis of a four-year Budget.

Mr Frew:
Michael, you said that the Department viewed the figures and cuts that we face here to be pretty much as we expected. I agree with that analysis. I heard the Minister tell us that many times in the House. All Departments were given your assumed figures, on which they based their spending and saving plans. How many Departments have submitted their plans? How will those plans aid the timetable and budgetary process?

Ms McBurney:
Departments were not asked to submit their savings delivery plans to DFP but to publish them alongside the draft Budget. Therefore, we have not been expecting to see those savings delivery plans yet. We asked Departments to provide us with spending area details on our database so that we could have a look at figures. To date, only four Departments have done so. Hopefully, when the overall Budget position is set, they will all follow through with that.

When the level of savings that we have asked Departments to find was compared with the forecasted spending review outcome, the two were slightly different. The level of savings that we asked Departments to provide was higher than our forecasted reduction in spending, because we wanted to set aside money for the Executive to reallocate to anything that they consider a priority. Therefore, the two figures did not exactly correlate.

Mr Frew:

How helpful do you believe that that information will be now to informing a timetable?

Ms McBurney:

The information that we have asked Departments to provide will help them to plan and give them a ballpark position against which they can plan to make savings. Obviously, that will help in working towards a timetable.

Mr Frew:

Do you think that the four Departments that have done that are in a much better position?

Ms McBurney:

The four Departments have provided us with that information. I hope that the other Departments have done the background work but have not necessarily populated our database with it.

The Chairperson:

The Committee is stating very clearly that we and the rest of the Committees need sufficient time to consider any draft Budget. We cannot work to an unrealistic timetable. We will relay that to the Minister, and we hope that we will be given sufficient time. Michael and Joanne, thank you very much for coming.