



**Northern Ireland
Assembly**

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Draft Budget 2011-15

9 February 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr David McNarry (Deputy Chairperson)
Dr Stephen Farry
Mr Paul Frew
Mr Paul Girvan
Mr Simon Hamilton
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Sammy Wilson) The Minister of Finance and Personnel

Mr Michael Brennan) Department of Finance and Personnel

The Chairperson (Mr McKay):

Minister, you are very welcome. I welcome again Mike Brennan, head of the central expenditure division. Minister, we will go straight into questions if that is OK with you.

The Minister of Finance and Personnel (Mr S Wilson):

Do I not get a chance to put my spin on this?

The Chairperson:

Mervyn King recently forecast that there could be a worrying inflation rise of 5% over the next few months. The Committee is interested to know what the implications of that higher than expected inflation rate would be on the draft Budget allocations and on the revision of rates in particular.

The Minister of Finance and Personnel:

When the Budget figures were given to us we were told that we had a real decrease of 8% in the block grant and current spending and 40% on capital spending. That was based on the gross domestic product (GDP) deflator at that stage. The GDP deflator is used as a measure because it includes investment spending and spending on government services as well as consumer spending, so it is probably the more accurate measure, for public spending at least.

If the GDP deflator changes, and the Chairman quite rightly pointed out that it has, the impact on all government spending across the United Kingdom will be to make the real decrease greater. I am not too sure by how much the GDP deflator will change. I do not know whether Mike has the exact figure, but you are right that a higher rate is being spoken about. When we got our Budget allocation, figures were being deflated by 2.5%. I am not too sure what that figure is now, but it will lead to a greater real decrease than was anticipated when the allocations were made to us.

Mr Michael Brennan (Department of Finance and Personnel):

When the draft Budget was being constructed, the GDP deflator built into the draft Budget position was 1.9% over the financial year 2011-12. As the Minister said, it is now set at 2.5%. That will have implications. For example, when it comes to make real-terms allocations to some Departments, we will have to make material adjustments to the cash amounts that they get.

The Chairperson:

I know that there has been a great deal of debate about revenue generation over recent weeks and that the Budget review group is looking at additional revenue streams. How is the Department tying in with that group? Is it providing papers and information, and has it abided by all requests?

The Minister of Finance and Personnel:

So far, from the additional revenue that we have looked at, we have generated an added £842 million on top of the block grant. That comprises the money from the increase in rates, which will give us an increase of £146 million over the period. Mike has just given me that figure. The additional capital receipts, which have been identified by Departments, work out at £440 million. We hope to bring in £100 million over the four years from the assets that will be a result of the assets realisation management. Most of that is loaded towards the end of the period because we want to make sure that the opportunities are maximised, and, hopefully, the market will have changed by then.

We also have to get bundles of assets together and determine whether we will go for sale and lease back or for whatever else happens to be there. There is also the money from Belfast harbour and money that we hope to get housing associations to put to better use. There is a misconception that we will take money from housing associations; that is not the case. We simply intend to try to get associations to use the reserves that they have more fully, and we will reduce the amount of grant that we give them. That is where the £842 million comes from.

Other revenue raising has not been included. I do not want to pre-empt the decisions of the Budget review group, but some will be about reducing the number of quangos; that will involve the information that the Department of Finance and Personnel (DFP) and other Departments can bring to the table. There was the issue of whether a tax on phone masts could realise money. There are legal issues to be looked at in that regard, and the Departmental Solicitor's Office, the Attorney General and others can bring information to the table about those.

The Minister for Regional Development contended that we could get far more money from the port than what is in the Budget. That has not been included because we were not satisfied that the money could be realised. Those things have to be teased out. The Department for Regional Development (DRD) will have to bring some information to the table; it is not just about DFP. We can provide the likely figures and papers. However, Departments will provide information about the arm's-length bodies that can be brought in and about savings that can be made from legislative changes that might need to be made in Departments, et cetera. That is why the Budget review group needs to continue its work throughout the Budget period. If savings become realisable — and we are convinced that they are realisable — only then will we put those figures into the Budget. I am sure that you appreciate why, Chairman. There is no point in putting

figures into the Budget on which Departments plan their spending only for the money not to be realised.

Mr O'Loan:

Minister, you are very welcome. Minister, if I am critical of the Budget, it is not to score political points. The public is eager for the Assembly to do its business. We saw the public euphoria when the draft Budget was agreed; people want the Assembly to do well because we all live here and have a joint interest in progress.

The Budget is a disappointingly slim volume. The documentation that we received when the Assembly was getting up and running was substantial, particularly the Programme for Government. I cannot see a vision of where we are going, even over the four-year period, or setting that in a framework of 10 or 20 years ahead and explaining where we want to get to. There is no evidence of an Executive that is cohering and working together. When the Budget was being put together, what was your basis? The spending plans in Departments make no connection to one another and do not refer to their parent document to show how they contribute to an overall plan. What, if anything, was in your mind beyond doing sums that will, to some degree, add up? What were you trying to achieve?

The Minister of Finance and Personnel:

Those of us who work in the Assembly take pride in our work, as we believe it to be important. I counted my first opportunity to do a four-year Budget as an important event.

We wanted to a number of things. When the new Government took over at Westminster, we had fears and concerns about its impact on regions such as Northern Ireland, especially if there were huge cutbacks in public spending. A constant in all the representations that I received from industry and consumer groups was the need for stability. We need a Budget that at least guides us through where Departments will have money to spend for the next four years.

The first objective was to create stability by getting a four-year Budget. Many people said that we could not do it and that we would duck the issue by giving people a nice soft Budget for the first year until we got the election over and people would get the truth after that. We have succeeded at least in looking at what resources Departments will be able to spend so that Ministers can plan spending over a four-year period. That is a singular achievement, especially

given all the pressures that we are under and the fact that many people may have wanted to sweeten the pill before an election.

The second point with which I take issue is the suggestion that there is no vision in the Budget. It would have been good if we could have married it up with a Programme for Government that set targets. I am sure that someone will ask me that question at some stage today. The Programme for Government was not within the gift of DFP; it is the responsibility of the Office of the First Minister and the deputy First Minister (OFMDFM). I am sure that they will explain why it has not been possible to make a new Programme for Government available.

Some argue that the new Assembly should set the Programme for Government. However, although there may be some tweaking, I cannot see the new Programme for Government not reflecting many of the main objectives and priorities of the current one, the first of which was to grow the economy, and the second to show the importance of the Health Service.

The decisions outlined in the Budget reflect that, for example, the commitment to job creation. We have schemes, including growing the infrastructure of the economy and the additional money that we have put into the capital programme by moving some current money into the capital programme and looking for additional receipts that can go into the capital infrastructure. There has also been an emphasis on the Department of Enterprise, Trade and Investment (DETI) and the Department for Employment and Learning (DEL). Secondly, there is the protection that has been afforded to the Health Service, despite what the Health Minister says, and has been saying again this morning. It is unfair to say that there has not been a vision and that we have not seen a way of driving things through to achieve our objectives.

The third thing, whether we like it or not — it may seem like the mundane, grubby side — is that we had a Budget with a certain amount of money allocated to us, and we had to divvy it up among Departments. That has to be done. I hope that I have shown that, in divvying it up, we have tried to have a longer-term view of how we want that money spent, how we believe it can be best spent in the economy, and how we believe that we can get some stability into the system with the money that has been allocated to us, by making sure that we took four-year decisions.

Mr O’Loan:

We have seen the criticisms from NICVA about the PWC report. I will refer to another report

from the Poverty and Social Exclusion in the UK project out of the school of sociology at Queen's University and the Economic and Social Research Council. It says that the Budget will reduce living standards and increase poverty.

If there were a Programme for Government, it would include the economy and, surely, reducing poverty and bringing our society together. I note the absence in some plans of the equality impact assessment (EQIA). Remarkably, OFMDFM, which should be leading on it, says that it will do that work after the Budget has been allocated when looking at individual programmes.

Does that mean that if they did not stack up against an EQIA, it would hand the money back? I doubt it. Do you not have concerns about the lack of equality impact assessment in the creation of the draft Budget?

The Minister of Finance and Personnel:

First, we are responsible only for the high-level equality impact assessments. It is up to each Department to do its own equality impact assessments. I am not going to answer, and I cannot answer, for other Departments on how far they have progressed with those assessments. As far as the high-level equality impact assessments are concerned, that is work for the Department, and we are undertaking that work.

When it comes to dealing with poverty and equality in our society, the best way of ensuring that people are lifted out of poverty is to do what we can to grow the economy and create jobs. That is the bottom line in all this. The stability that a four-year Budget gives will help to encourage, even in difficult economic circumstances, growth in Northern Ireland. However, that has to be viewed against the background of all the national and international pressures that there will be on a very small and open economy such as ours.

Secondly, we have put in place in the draft Budget some measures in the social development fund and the social investment fund to try to address some of the issues among those groups that find themselves more vulnerable. Therefore, with the limited resources that we have available, we have tried to give at least some recognition to those particular issues. Again, the draft Budget illustrates that we have not been ignorant of those particular problems.

However, at the end of the day, many of the criticisms that you have levelled at our draft Budget will be levelled at the national Budget, because many groups say that when public spending is reduced, some people are left more vulnerable than others. We have to live within the context of a Budget that is 90% made up of money from a budget-cutting Government at Westminster.

Mr O’Loan:

Of the extra money that you have identified as already having been found — I think that it is around £840 million — more than £400 million is already being offered by Departments. When I look at the table for that, I see that the lion’s share — around £400 million — is coming from the Department for Social Development (DSD). That is not new money at all but consists substantially of repayments of Housing Executive debt. Am I right in what I am saying? If so, in factoring that in, have you not been very unimaginative in identifying new sources of revenue? As you agreed with me recently elsewhere, are you not essentially presenting a Budget that is made in Whitehall instead of one that is made by a devolved region that is in charge of its own affairs?

The Minister of Finance and Personnel:

First, to a certain extent, the Budget has to be one that is made in Whitehall, because 90% of the money that we have available comes from Whitehall. Time and time again, people in the Assembly have asked me — in fact, Mr O’Loan, you have asked me — why a Barnett consequential handed down to us from Whitehall is not spent in the same way. The reason that we do not is that we try to put our own imprint on the money that comes to us. Nevertheless, that is a big part of the money that we have available to us.

As far as the money coming from DSD is concerned, we asked Departments to identify where they might have assets that could realise money in the future. DSD, for various reasons, probably because of its housing stock, may be better placed to sell off some assets quickly than some other Departments are.

As far as the question about new money is concerned, it is not money that we have available at present, so, although it may be from a familiar source, it is money that we would not have had in the past, so we can add it to the Budget for the next four years. Other Departments have identified some revenue streams from the sale of assets, and I take it that, since they have offered

them up, they are assets that are realisable and that we will be able to sell over the Budget period.

I am not sure what you mean by new and more imaginative sources of asset sales or revenue generation by Departments. However, if Departments can identify other means by which money can be brought to the table, they will not be knocked down for being imaginative. I am sure that you would be the last person in the world to insist that DFP should plunder through the other Departments and tell them what they should be doing.

Mr O’Loan:

I question some of the detail in what the Minister said, but I will move on. Minister, you opened up and usefully described the draft Budget as a living document, and the First Minister was also open in his thinking when he spoke about it recently. We do not know who will be re-elected to the Assembly or who will hold what Department, but it is helpful when you describe the draft Budget as a living document. How open will you be in the process and in the outcomes of significant changes in the Budget? Will those be presented in an annualised budgetary process over the four years of the comprehensive spending review (CSR), as this Committee has continually suggested?

The Minister of Finance and Personnel:

We have kept the Budget review group in place, and it has retained its work stream. If all the issues that the review group is currently looking at were to come to fruition, some would argue that £800 million could be realised, which would give us the ability to change allocations and put new money into the Budget over the CSR period. However, it would be reckless to assume that all those things will happen. We have retained the Budget review group, which consists of Minister from all the parties, to do that work, and hopefully some of the £800 million can be realised.

The Budget is a living document. Monitoring rounds occur four times each year, and, through them, Departments have the opportunity to review what they spent money on, what they promised to spend money on and whether they will be able to do that. They also give Departments the opportunity to return money and to make bids on any returns that there may be. Given that we are in a period of economic development that is not likely to be stable, we do not know what will happen with growth nationally. The world economy has been subject to huge shocks in the past few years that impact here, so it would be foolish for anyone to refuse to revisit some decisions.

It is important that we retain flexibility, and we have put in place the structures to do that and to consider how we might improve the Budget position over the CSR period.

Mr Hamilton:

Minister, you are very welcome. On the way in this morning, I heard the Minister of Health, Social Services and Public Safety and the Chief Medical Officer on the radio complaining about the allocation to the Department of Health, Social Services and Public Safety (DHSSPS) in the draft Budget. I am not sure whether you heard that interview or, indeed, whether you have a radio on the motorbike.

The Minister of Finance and Personnel:

I always avoid 'The Stephen Nolan Show' if I can.

Ms Purvis:

He listens to Radio 4.

Mr Hamilton:

Yes, I forgot. It would be well worth listening to that interview later.

The Minister of Finance and Personnel:

I am upmarket in my radio listening.

Mr Hamilton:

I am sure that that will be noted by the said DJ.

I noted in particular the very courageous comment from the Minister of Health, Social Services and Public Safety that the Chancellor had sent Northern Ireland enough money in the block grant. He also claimed that Northern Ireland's allocation for health was worse than that in the other devolved regions. I fully understand that all Ministers are passionate about their brief and will want to fight for money for their Department. However, Minister, perhaps you can clear up the confusion over the health allocation here versus the allocations for Scotland and Wales and make clear it that there are savings options available to the Health Minister. Those savings options may require the Health Minister or, indeed, his successor to take some difficult decisions. However, if difficult decisions are taken, savings possibilities exist.

The Minister of Finance and Personnel:

First, during the Budget process, we sought to engage all Ministers. There is not a Minister in the Assembly who will not have to make difficult decisions over the Budget period, because we have had a real-terms reduction of 8% in current spending and 40% in capital spending. Therefore, nobody will escape that. By and large, during my engagements with Ministers, it has not been a case of DFP's saying: "Here, there is the money that you are getting. That is it." Extensive discussions took place with Ministers from June 2010 onwards. Over the summer, I had meetings with Ministers, and my officials had meetings with accounting officers and Departments coming up to the publication of the draft Budget. Once we knew the allocation on 20 October, there was another round of meetings with Ministers to get the draft Budget agreed. There has been an attempt to understand the pressures that all Departments are under. I have no doubt that pressures exist in DHSSPS just as there are pressures in the Department of Education, DETI, DEL, and the rest of them. However, it is up to Ministers to manage those pressures.

Secondly, the Executive and I recognised at an early stage that health was a high priority in the current Programme for Government and that, given the kinds of demands on the Health Service, which all of us know about from our constituency work, we would afford it a degree of protection. That was an Executive decision. We did that within the confines of the money allocation made to us and did a number of things that we felt would help to relieve the pressures on the health budget.

We protected the health element of the DHSSPS in real terms. I am going to read out these figures, because I want to put them on the record and because I do not want to make the mistake of missing out a decimal point, thereby annoying people or having them wondering how I worked this out. As far as the current and capital positions of DHSPSS are concerned — I will give the position for 2011-12, because that is the only comparison that I can make with Scotland — there was a percentage real-terms change of 0.3%, and that was the same for Scotland. In Wales, there was a 2.5% real-terms reduction. As far as capital is concerned, health in Northern Ireland will receive a 4.5% real-terms increase in that financial year; whereas there will be a -17.1% increase in Scotland and a -14.2% increase in Wales. As far as current spending for the health elements of the DHSSPS budget is concerned, it represents 0.2% of an increase. In Scotland, it is 0.6% of an increase, and in Wales, it is 1.9% of a decrease in real terms.

The figures for England are more difficult to compare because of the definitions there. However, even if one takes the figures that England has plus the £20 billion efficiency savings that were imposed on the Health Service in England, Northern Ireland is better off in those terms. Those are the statistics.

Thirdly, the Minister of Health, Social Services and Public Safety asked me whether he could have flexibility to move money around in his budget, and I have given him greater flexibility. Therefore, if he does not spend money in one area, it does not, in many instances, have to come back in monitoring rounds. It can simply be moved around. It is worth a lot for any Minister to have that flexibility.

Given the fact that his capital position is much better than that in Scotland and Wales, he asked for the ability to move money from capital into current spending. Normally, that would not be possible under Treasury rules — one can move money from current to capital but not from capital to current. However, because we had moved £252 million from current to capital, that meant that we had some flexibility internally, and that flexibility has been afforded to the Health Minister if he so wishes. If he finds that there are running-cost pressures, he can stop some capital projects and move money into current spending.

Between the protection that was given to the total amount of money and the flexibility that was given in the draft Budget, we have done what we can to relieve the pressure with the allocation of money that is available to us. It is easy to use the throwaway line, “I need another £200 million a year for DHSSPS.” However, in my discussions, I have yet to have any indication as to where that money will come from. It is a huge sum of money, and it has to be brought from other Departments. The question is which Department would take that kind of hit. To be truthful, the only Departments whose budgets would be big enough to take that kind of hit would be the Department of Education or the Department of Justice. If £200 million were taken off some other Departments, they would almost be wiped out. One is limited in from where the money can be taken.

Are efficiencies and savings to be found? I am sure that the Committee would not expect me to do the Health Minister’s job for him. The Committee for Health, Social Services and Public Safety tried to get to the bottom of it and see whether there was an ability to make savings. It was hoping that the research would throw up the fact that there was not much scope for savings to be

made. However, two health economists said that, with a budget of that size, it should not be difficult to find between 5% and 8% of efficiency savings if there was a squeeze, and we are asking for 2%. That is the kind of scope that is available.

It is an unfortunate situation. All the other Ministers have played ball, and some of them have as much grounds, or possibly more, to complain about the budget that they have been allocated and the pressures that have been placed on them as a result of those budget allocations. It is not easy for anybody, but other Ministers have got down to the job rather than create a public furore about it.

Mr Purvis:

I have a supplementary question about the health figures that you cited. Are you comparing like with like? Are you comparing Northern Ireland's four-year Budget to Scotland's one-year Budget?

The Minister of Finance and Personnel:

No, I am not. I said that I could have given you the four-year figures, which would have appeared even better. However, I cannot do that. Wales has produced a three-year Budget, Scotland a one-year Budget and Northern Ireland a four-year Budget. I have just given the figures for the first year, Dawn.

Ms Purvis:

Is the Health Minister's flexibility just with the health element of his budget, or is he able to move money into social services and public safety?

The Minister of Finance and Personnel:

Yes, and that is the point that I was making earlier in reply to Simon Hamilton. There is total flexibility to move money around. At the end of the day, he makes the decisions. If he wants to make savings in one part of this budget, he can move money into another part of his budget. He has probably been given greater flexibility than some other Ministers have been given in that regard.

I have given the figures for Scotland and Wales compared with those for Northern Ireland. We have given certainty to the Health Service in Northern Ireland as to what its spending will be

over the four years. Who knows what the Scottish Government will do after the election? They have played cleverly and given a Budget for one year. I do not know, but we might find that when a four-year Budget is revealed for Scotland, given the pressures that exist there, there might be far worse news for its Health Service.

I am not underplaying the difficulties that Ministers will have. All that I am saying is that I believe that we have played fair by DHSSPS. As an Executive, we have treated that Department more generously than we have some others. I must point out that some other Ministers could have kicked up a far bigger stink. They have accepted that their budget is part of a negotiated process. They have accepted that they were engaged fully in that process and that they had an opportunity to make their points and highlight pressures that they face. They have been given their allocations on the back of that. Obviously, some of them are fighting with me privately about those allocations. At least, we are trying to show some collegiality.

Mr Frew:

Thank you for your answers so far, Minister. You have covered many of my questions. What is your assessment of how the speed, or lack of it, of individual Ministers — I am talking about them all to a certain degree — in publishing their savings and spending plans has damaged the very character and reputation of the Executive and the Assembly as a whole?

The fact is that there are Ministers from different parties and they have different attitudes to the Budget process. Some have courted the media, while some have not. Some have got on with the job at hand. In effect, parties here go their different ways. They have their own social elements and belief structures. How do you feel that that has affected the running of the Executive?

The Minister of Finance and Personnel:

First, I will probably get bashed all around the place for saying this, but I will say it anyhow: of all the Administrations in the United Kingdom and, indeed, the Irish Republic, we give people far more opportunities to scrutinise our Budget. With regard to the Irish Republic, I scratch my head thinking, “You gave them how long to talk about the Budget?” There is no consultation on the Budget in Scotland or England. We give people a good opportunity to know what we are spending money on and for them to give feedback. Is good or bad? All that I will say is let us put it in context. People complain about not having enough time to have their say on the Budget.

However, they have far more say in Northern Ireland than they would have anywhere else.

Secondly, we knew that we would have a fairly tight deadline because the Government made it clear that we would not know the final figures until 20 October 2010. We knew that we had a tight period in which to get a Budget in place, through the Executive, through the consultation period and through the Assembly process. Moreover, we had to give Departments some warning before the end of the financial year. We wanted to avoid Ministers having to come to this cold. That is why, way back in June 2010, Ministers were told to make an assumption that they would have to make a 5% cut in their budget in real terms. That was our best guess at that stage from discussions that officials, such as Mike, were having with Westminster officials. We probably erred on the side of caution and asked people to look at savings plans that included bigger savings than they would finally have to make.

The idea was that those would be available by, I think, the end of August. There was then an opportunity to discuss savings plans with Committees during the period between the Assembly coming back from the summer recess and the draft Budget being made available. My officials had an opportunity to talk to the Committee for Finance and Personnel about how we would realise 5% savings year on year if we had to do so in DFP. A number of other Departments did that.

Departments that worked on the basis of the information that we gave them and the requests that we made to them should have had in place a list of savings that could be made. If they had a reduction of less than 5%, they could have scrapped the savings that were the lowest priority and said that those spending cuts would not be made. The highest priority savings would obviously have stayed in. It should not have been too difficult for Departments, once they got their final allocation, to produce a document quickly that showed savings. Part of the Budget discussions in the Executive centred on having Departments publish their savings plans within a week, which was not unrealistic, given of the previous work that was expected to have been done. It is a bit of a disappointment that that did not happen. Indeed, some Departments did not publish a document until the middle of January, and that obviously impacted on the ability of Committees to scrutinise and on the public to have the detail.

Mr O'Loan made the point that we, in the previous four-year Budget, had the luxury of not being up against the tight deadline that we are up against here and that, therefore, a lot of the

departmental spending plans and whatnot were included in the draft Budget proposals. We did not have that opportunity this time because of time constraints, but Departments could have had them out fairly quickly.

Having said that, there has been a good opportunity for people to respond. I do not have the latest figures, but all the major groups have been interviewed and spoken to, and they have given high-level responses to the draft Budget. At the last count, there were 117 submissions.

Mr Brennan:

I think that there are now more than 400 formal responses to the information provided on the Budget website.

The Minister of Finance and Personnel:

There have been plenty of opportunities for people to respond. We have extended the consultation period for a week. Departments did not play ball as much as they should have done, which is disappointing. We cannot force them to, but Committees should hold Ministers and Departments to account for not doing that. Nevertheless, there has been an opportunity for people to respond.

During the Budget process, I was mildly surprised. We can be critical of individual Ministers, some of whom have made a bit of noise about the Budget and everything else. However, there was a maturity about the process. Do not forget that we are operating a five-party coalition, which is under far more pressure than the coalitions in Scotland and Wales. We were only two or three weeks behind the Scotland and Wales Administrations, and they did not have five different parties to negotiate with. People settled down, got the thing done and got it out reasonably quickly. I would have liked it to have been done quicker. I would have liked to have had certainty sooner, but it is still something of which the Assembly can be a bit proud. Despite all the pressures and differences, we agreed a four-year draft Budget in time to allow for a considerable consultation period.

Mr Frew:

Will you give us your assessment of where the Budget lies with our priority for government, which is to enhance the economy? Invest Northern Ireland has called for some sort of end-year flexibility. A concern has been expressed that the economy will not be able to be enhanced when

we get to full-time recovery at full speed.

The CBI says that Invest NI needs an additional £5 million to £8 million a year for the first two years. We have contractual agreements with Invest NI for the first two years, after which the money takes a deep fall in years three and four, which is when, it could be argued, recovery kicks in. What is your assessment of how that walks side-by-side with the Programme for Government's priority, which is the economy?

The Minister of Finance and Personnel:

The two are not incompatible. First, DETI's bids and its previous commitments have been fully funded in its settlement. Secondly, additional money over and above that settlement is available. However, I am sure that you will appreciate that at a time when money is tight we do not want to build speculative allocations into Departments.

Perhaps they will get the business in and will have to spend that money. There is a balance there. How much do we realistically think DETI can spend? What trends is it looking at? Of course, DETI is particularly prone to such situations. Someone may come out of the blue, wanting to invest in Northern Ireland and create 400 jobs but needs a degree of help. DETI could find that there is a demand for the money that it had not known it was going to spend or, perhaps, did not have an inkling that it could have spent.

That is where the priorities in the Programme for Government come in. We retain the monitoring rounds. When money is surrendered in the monitoring rounds, we make assessments about how it ought to be allocated among competing bids. First, the priority in the Programme for Government will be an important factor in determining allocations. Secondly, we have to consider the pressing nature of Departments' bids. Thirdly, we have to assess how all that fits into the objectives that we have set ourselves.

It has happened before. Any time that DETI has come through with a real proposition for spending and where jobs have been at stake, the money has been found. On one occasion, because there was not enough money in the monitoring round, we simply top-sliced money off Departments to ensure that we did not lose the job opportunities. That is the assurance. I am sure that Invest NI cannot give examples of situations in which a bid for a project could not be met.

The Government indicated that they may look for a replacement for end-year flexibility. If I was a cynic, I would say that they simply stopped the current end-year flexibility because they saw the big pot of money and thought that they could swipe it. They could stop it, take the money back and then reinstate it, calling it something else. Meanwhile, they got £316 million from Northern Ireland on top of whatever they got from Scotland and Wales. Looking at it from DFP's view of the prudent use of public money, there has to be a means of allowing some carry-over from one year to another to avoid the obscene end-year blowing of money on anything just to avoid giving it back.

Mr Frew:

Do you feel that we have taken full advantage of our economic position? There is an argument that we have missed the opportunity to rebalance the economy between the public and private sectors in order to make the public sector more efficient and more business-like. I welcome the transfer of resource from current to capital, as it will be a relief to the construction industry. However, some Ministers are trying to reverse that trend.

The Minister of Finance and Personnel:

There will be opportunities and demands on Ministers over the next four years to look at how money in the public sector is used and what efficiencies can be realised in it. As pressures grow on Ministers, it will be important that they take those opportunities that have not been taken so far or which did not have to be taken when public expenditure was plentiful. There is work to be done to make the public sector more efficient and slim line. We will be forced to do that because the money will not be available.

I hope that, in their spending plans, Committees are looking at the priority that Ministers have given to reducing bureaucracy and administrative costs in their Departments as opposed to cutting front-line services. That is a question that each Committee needs to ask of Ministers.

We have switched £252 million from current to capital. I have used the example of the Health Minister, where, in order to help him, we have given him his capital allocation, which is more generous than elsewhere; but to help him to manage his budget, the Department is affording him the opportunity to switch some of that back if he so desires. Again, that is a compromise between what we would like to see ideally — money being spent on improving infrastructure — and recognising that there are pressures on Ministers. We genuinely want to help a Minister who

finds himself in that situation. The Health Minister has been vociferous about that, and that is why it has been afforded to him.

I am sure that many people will say that a health centre was promised for their area to deliver a more efficient service for them; however, that is a decision for the Minister. If he decides that capital spending in a particular area might have longer-term savings and deliver health more efficiently, but he decides against it, it has to be justified.

Mr Brennan:

The Education Minister said that she wants to move £41 million from capital into current expenditure. Many Ministers are looking at their immediate pressures in 2011-12, but that has to be balanced against the overall aggregate control that the Minister referred to earlier that must be exercised on current and capital switching at block level.

The Chairperson:

Before I let Stephen in, I am conscious that we are running over time, and another five members wish to speak. I ask members to be as brief as possible in their questions and answers.

Dr Farry:

Chairman, you are shifting the goalposts half-way through the game. *[Laughter.]*

The Minister of Finance and Personnel:

That is not fair.

Dr Farry:

I want to pick up on the point about the shift from current to capital and capital to current. Given Ministers' discretion, is it not a little self-defeating and indicative of a lack of strategic approach to investment in our infrastructure?

The Minister of Finance and Personnel:

First, there will be a limit, because Ministers cannot shift expenditure it ad infinitum insofar as the limit is set by how much money we switched. That is the only area in which we have freedom; we do not have freedom to switch money that was given to us in the block grant as capital spending to current spending. There would be a danger if everyone took that as the easy

way out. That is why I gave the illustration that, in some cases, sticking to the capital plan might be beneficial because putting a new or a more efficient infrastructure in place might lead to revenue savings. However, those are decisions for individual Ministers. We would be accused of interfering if we did not allow a Minister to transfer from capital to current even though that Minister had identified an immense pressure that they could overcome by no other means.

That is where the collegiate approach is important. We have corporately set a strategic objective: we want to grow our infrastructure, because we believe that that is important to growing the economy. We also believe that, in the short run, it helps the construction industry, as Mr Frew said, and that Ministers, having signed up to those broad principles, exercise them in their own Departments, even if that means taking difficult decisions.

Dr Farry:

I say this with some qualification, but it might encourage you to interfere a little bit more rather than the Executive collegiately seeking to interfere. There is a serious point. Seamus McAleavey this morning made the valid point that there is no sense of a strategic approach to how things have been done. You have divvied up a budget among 12 Departments, and Ministers are doing their own thing on their own spending plans. There seems to be no mechanism for Ministers to make a cross-reference with what another Minister is doing to see whether there can be synergies from collaboration.

The Minister of Finance and Personnel:

Although there may be no formal mechanism, there are opportunities for it in Executive discussions. Secondly, there is an economic imperative on Ministers to ask those questions, because there is no better discipline than the kind of straitened budget circumstances in which we find ourselves to get Ministers to ask whether they really need to spend money or whether spending in conjunction with another Minister would relieve a pressure. Those are the kinds of things that I expect Ministers to do, even if only for selfish reasons, insofar as it helps them to manage their budget.

Dr Farry:

Is there any evidence of that occurring? Give us one example.

The Minister of Finance and Personnel:

I am trying to think of one. Not being past the nitty-gritty of departmental spends, I cannot really think of one.

Mr Brennan:

An example of Departments being forced to co-operate is that DEL has a bid in for assured skills under the Invest to Save scheme, but the main beneficiaries of that are DETI and Invest NI.

Mr McLaughlin:

That is a good example.

Dr Farry:

We are moving in that direction. I want to make two points about the economy. I take on board the Chairperson's comment about moving on as quickly as we can, but there seems to be a real concern from the business community regarding the Budget. I appreciate that we are developing our economic strategy as an Executive, we are in discussions with the Treasury about a paper on rebalancing the economy, and a Programme for Government is to come down the line.

The Budget seems to say that the economy is important, but it sets out different allocations to Departments. There seems to be no evidence of that being joined-up. No one can take from the Budget statement any sense of how the rhetoric about the economy being the priority will be followed through in how the different allocations have been made.

The Minister of Finance and Personnel:

Let me give a couple of examples. One of the things that the business community has been saying is that if we are to grow the economy and the private sector, we need an infrastructure that allows us to do that and to communicate better, etc. We have sought additional money — despite the 30% reduction in capital spending — to bring back capital spending to the long-term trend of £1,500 million of capital spend by the end of the Budget period in 2015.

First, we are doing that by looking at whether there are assets in the government sector that we can divest ourselves of in order to invest in the infrastructure and do the very thing that the business community says that it wants us to do. That could be in relation to broadband, roads, and transport, for example. Secondly, we have sought to ensure that by allocating money to the

two Departments that will drive that, whether in relation to skills or attracting investment.

The other big role for individual Departments will be looking at what they can do to remove some of the administrative and bureaucratic burden. I hope that the Assembly will get down to addressing that in the long run.

Dr Farry:

One other issue with the economy is corporation tax. I appreciate that you are at the sceptical end of the spectrum on the issue of lowering corporation tax, but a considerable bandwagon of opinion from local economists is in favour of it. There is also support from the Secretary of State.

Lowering corporation tax would be a major strategic opportunity during the four-year period of the Budget. There is no reference in the Budget documentation to it, and there is no contingency on how it may be funded. I appreciate that we have the monitoring rounds, but trying to fund something of that magnitude and central importance through monitoring rounds would seem odd. Is there a plan B — or even a plan A — to accommodate a lowering of corporation tax during the four-year period?

The Minister of Finance and Personnel:

You are right: we have not identified any money in the four-year Budget. However, we have not done so for very good reasons. First, we are not clear what the cost would be. As you say, I am on the sceptical wing because we have to protect services, and we have already taken a bit of a hit. We cannot rush into this headlong without thinking of the consequences.

The first thing that we have to do is ascertain what the costs will be, and there is still a great deal of work to be done with the Treasury on that. We have already identified flaws in the Treasury's calculations and analysis of the total cost. We are not talking about a couple of million pounds; we are talking about tens of millions of pounds of difference between what we believe it will cost and what the Treasury says it will cost. That has to be nailed down.

Secondly, we have to work with Europe to see what exactly it will include as off-sets in the Azores judgement, as that could reduce the bill for us. We want to reduce any Bill to an absolute minimum. Therefore, given how woolly the figures are, it would have been difficult to factor a sum into the Budget.

Thirdly, even with the best will in the world, if we were to agree with the Treasury that we wanted the powers devolved to us, that would probably have to be done through a finance Bill in the House of Commons. Therefore even with the best wind, the power would likely not be devolved until this time next year or later. There would be a time lag.

Fourthly, even once the power is devolved, you would not immediately reduce corporation tax, because you would just be giving a gift to existing firms that would have to do nothing at all. We have to look at the lead-in decision time for investment by outside investors, which is normally two or three years. The prospect of investors being able to capitalise on lower corporation tax is probably enough to make them think about investing in Northern Ireland.

Therefore even if we decide to go ahead with it, the cost may not be borne at all in this Budget period. For all those reasons, it was not imperative to put lower corporation tax into the four-year plan.

Mr McLaughlin:

That discussion was very helpful. Minister, you are very welcome to the Committee. Michael and ourselves have become great friends in recent times.

The Minister of Finance and Personnel:

Michael says that he enjoys his sessions with the Committee; he says that he looks forward to them.

Mr McLaughlin:

He does, and I think that he keeps a score sheet on just how much he has told us. We are keeping a score sheet as well; you should see our report on him.

I want to touch briefly on end-year flexibility. In the context of the comprehensive spending review (CSR) statement and the enormous pressure on developing the draft Budget, I welcome the fact that the Scottish Government, the Welsh Assembly Government and ourselves made a joint statement in protest at the CSR. I wonder whether, as a result of the pressure, we have overlooked what might be a significant strategic, or even constitutional, issue. I am sure that the Treasury did not operate without the strongest support of the Government at the highest level.

The Treasury has, in effect, intervened in the financial management powers of the Assemblies. If the response from the three devolved Administrations has been welcome, it has also been muted, possibly because we are all distracted with trying to get the Budget together.

This a key issue, because it can happen again, and I share your theory that the Treasury could not resist getting its hands on the money. Can we mount a legal challenge? The Assemblies and devolved Administrations got good advice on the record directly from the Treasury and the British Government to manage their money carefully, to plan ahead and to avoid end-of-year splurge. This smash-and-grab of the stock that was built up runs against the entire principle and logic of devolution. Are we going to do anything more about that?

The Minister of Finance and Personnel:

Unfortunately, the statement of funding policy allows the Treasury to do that. The statement of funding policy is open to interpretation, and this is not the only dispute that we have with the Treasury. We have a dispute about how it changed the rules on the Barnett consequential of police spending for the Department of Justice in Northern Ireland. We have had long discussions with the Treasury. With Scotland and Wales, we have also had discussions with it about Olympic funding.

The statement of funding policy is written in a way that allows the Treasury to interpret it as widely as possible. It always uses it as a justification. There is an obligation on the Treasury to consult us on some issues, although its definition of consultation seems to be fairly ropey. On some occasions, the policing issue, for example, there is no discussion with us at all. I am not sure that we have the basis for a legal challenge. However, the way that the Treasury carried out what is, in my view, a smash-and-grab means that we have a political gripe and we should keep the political pressure on.

Mr McLaughlin:

I think that we have both a legal and a political gripe. I wonder whether any thought has been given to asking the respective Attorney Generals to consider the issue, as such raids could continue. During this mandate, for various reasons, the Treasury took chunks out of the block grant, which had already been reduced by about £500 million before the CSR announcement. We need to see that we are defending, as properly and effectively as we can, the resource that is supposedly available.

The Minister of Finance and Personnel:

Mike is more familiar with the detail of the statement of funding policy than I am, but the advice that I have been given is that the Treasury probably acted within its rights, albeit we might feel that it is very unfair.

Mr Brennan:

We had discussions with the Treasury on that very issue yesterday evening. The Treasury's position is that EYF draw-down is a call on the reserve that it manages, so it says that it is a reserved policy that it controls. It also says that the devolved Administrations have been treated more favourably than any other Whitehall Department because the devolved Administrations were, for 2010-11, given the flexibility to carry EYF into 2011-12. It regards that as a magnificent dispensation that it has granted to the devolved Administrations. The critical issue will come with the Budget on 23 March, when the Treasury will set out the new regime that will apply to EYF. As a consequence of the letter to which you referred, they are now aware of the three devolved Administrations' sensitivity about going back to Whitehall to express concern. Once we see what the new EYF regime looks like, we will be able to determine whether, at that stage, for example, further correspondence from Ministers to Treasury Ministers and to Number 10 is required to ensure that the positions of the devolved Administrations are ring-fenced and protected.

Mr McLaughlin:

There might be little that we can do about the fact that the money is gone, in so far as they are going to introduce some scheme or other. At the end of the day, the stocks were as large as they were because Departments had been encouraged to be prudent in deploying their money. In fact, moving it into future years was sensible. At the very least, the point on any new definition has to be pressed in order to avoid repetition.

On a related issue, there is a need to revisit the Barnett formula at a very early stage, although I accept absolutely that this is not an opportune time to do that because of the work that is needed to finalise the Budget. Last year, a review addressed the issue of needs, and had needs been built into the criteria, we would have had a different settlement. It would also have provided more protection from the top-slicing of the CSR period. I would like an indication of whether we will return to the fray on Barnett, because the Treasury thinks that, as Barnett stands, it is magnificent

and very generous. However, it does not take account of the particular and unique socio-economic difficulties with which we have to cope here.

The Minister of Finance and Personnel:

On the other hand, as we have seen in the past, opening that Pandora's box is not always advantageous. There may be some tinkering where there are disputes about the Barnett outcome, such as whether there should be a more independent assessment if the Treasury takes a different view from the devolved Administrations or whether there should be an independent assessor. However, I would be very wary of opening a debate on the Barnett formula, because there would be pressures and we might not come out of it just so well.

Whether we like it or not, Whitehall's view is that the devolved Administrations are treated far too generously. Apart from anything else, weight of numbers is likely to push the debate in a direction not necessarily to our benefit, so I would caution you on that one. Nonetheless, I have had discussions with Scottish and Welsh Ministers on how, especially if there are disputes about the Barnett formula, we might get a more independent assessment. I am certainly happy to pursue some of those issues.

Mr McLaughlin:

I respect the fact that there will be different perspectives on the matter; nevertheless, it should be explored fully. We should explore it to the point at which people can make informed decisions. Your concerns may be valid, but I happen to have a different perspective, so I would like to see it examined properly.

The Budget review group has been given several tasks, including identifying whether we can make savings, particularly on arm's-length bodies and quangos, and exploring options for new revenue streams. When can we expect the earliest responses to that? Presumably we will not wait until the end of the process, because there will be progress reports and, perhaps, proposals.

The Minister of Finance and Personnel:

As discussions on proposals firm up and we realise that such and such can be done to release new money, reports will become available. One can only guess how quickly that will happen. However, we need to take legal advice on many of the things that we are considering to see whether we would need to make legislative changes.

Mr McLaughlin:

I should say that we mentioned the monitoring rounds several times.

Those seem to be the logical kinds of milestones to aim for and to put into the mix when interim reviews are going on. Will you comment on that?

The Minister of Finance and Personnel:

As I say, I am not so sure that decisions will coincide with those monitoring rounds. However, if we found that a particular work stream was going to realise money that we believe could be delivered at that stage, we would use it.

I must add a note of caution. Much of the stuff that we are talking about now is long term and probably very tentative. We cannot be sure that those proposals will realise a huge deal of revenue. In fact, to come back to the point that Declan O’Loan and Stephen Farry made, we must be careful that some of the proposals being made do not conflict with some of the other things that we are trying to do.

The Chairperson:

To return to Mitchel’s original point, a number of memorandums of understanding were set up around the time of devolution. Do those have any particular bearing? I know that they do not have any legal standing, but perhaps they place a moral obligation on the Treasury to prevent it from making such unilateral decisions.

Mr Brennan:

The Treasury will always say that control of the public expenditure system is a reserved policy and that it therefore controls it.

The Chairperson:

Is it under no obligation to consult?

Mr Brennan:

It would say that it does consult. For example, when it comes to Budget notifications, we usually get the Minister on the phone to the Chancellor for a half-hour consultation. In fact, the Chancellor is usually on his feet when we get such notifications. Therefore, we do not know

what the Barnett consequentials will be until that point in time. However, the degree to which there is consultation is open to interpretation.

The Chairperson:

This comes back to my earlier point to Mr Frew. We are actually very generous in our consultation.

Mr McNarry:

You are very welcome, and it is nice that you could make it, Minister. To return to an earlier issue, what has been built into the Budget to offset rising inflation?

The Minister of Finance and Personnel:

As we said, the inflation element was shown by the GDP deflator. At that stage, we were assuming that the deflator would be 1.9%. It is now 2.5%. That is the inflationary element that has been used to calculate the real impact on spending changes.

Mr McNarry:

I understand that bit. However, in real terms, what impact would an increase of, say, 4.5%, which is possible, have on the Budget?

The Minister of Finance and Personnel:

In terms of?

Mr McNarry:

Inflation.

The Minister of Finance and Personnel:

Let us make it 3.8% rather than 4.5%, because it might be easier to work out then.

Mr McNarry:

OK, you have doubled 1.9%.

The Minister of Finance and Personnel:

If it were double the rate of inflation, there would be a 12% real-terms decrease in spending as

opposed to an 8% decrease.

Mr McNarry:

Minister, I have asked you about contingency plans many times. Sometimes, you are in good form about them and, at other times, you are in bad form about them. When I ask you about it, I do so on behalf of the Committee, which has discussed contingency plans quite a lot. Has a contingency plan been built in should inflation increase to the types of figures that have been talked about today?

Mr Brennan:

The draft Budget position is that the settlements made to Departments are cash settlements that have to be spent over the next four-year period. Inflation is a material issue for only one Department — the Department of Health, Social Services and Public Safety — because it is getting 0.2% over and above the rate of inflation. Therefore, DHSSPS is the only Department for which inflation is a concern in determining or changing its settlement. That is the key issue.

As the Minister said, the reason that we use GDP is that it embraces and factors in the totality of spend in the economy rather than just consumer or private individual spend. There are competing tensions on the inflation front. Inflation may rise, but, given that we are in an economic depression, savings could be made at the same time in sectors in which there is deflation, such as construction, where price indices are collapsing. Deflation could occur in some sectors. Therefore, inflation is not a concern for the headline numbers allocated to Departments, other than those for DHSSPS.

Mr McNarry:

I understand that. However, the other aspect, which we pick up in our daily work, is that inflation is a major factor for organisations and groups that are waiting to see what funding they will get. Inflation is bound to have an impact. I am worried about £1 of funding being worth 80p all of a sudden and how that will work its way through the system. It just seems inevitable.

I am conscious that the Harbour Commissioners are giving evidence in another part of the Building today. Minister, last June, you said:

“DRD ... is entitled, at any time, to make an equity withdrawal from the reserves.” — [*Official Report, Vol 53, No 1, p33, col 1*].

Do you stand by that?

The Minister of Finance and Personnel:

What I said was that the Harbour Commissioners currently have the power to make a contribution to port-related expenditure if it improves infrastructure that has an impact on the port. That has always been the case. Indeed, the Harbour Commissioners have said that they are prepared to make a net contribution to, for example, various road improvements.

As for DRD's making a demand from the port, that would require a change in legislation. The Minister indicated that he believed that he could access £125 million from the port, but that would require legislation. In fact, I made it clear that the reason that we included sums of £15 million from the harbour in each of the past two years only in the past two years was because, if there were no schemes to which the harbour could commit voluntarily, that would require a change in legislation, which would be up to the Minister for Regional Development to introduce.

Mr McNarry:

I actually agreed with your earlier comments about the Treasury coming in here and raiding our funds. We are now clear that we in Northern Ireland cannot raid the Harbour Commissioners' funds.

The Minister of Finance and Personnel:

I do not think that anyone ever suggested that we could raid the Harbour Commissioners' funds.

Mr McNarry:

That is the interpretation of your comment, only last June:

“DRD ... is entitled, at any time, to make an equity withdrawal from the reserves.”

The Minister of Finance and Personnel:

DRD can only make a contribution to expenditure that the port is entitled to make under its trust status. I am not too sure about the quotation that you gave.

Mr McNarry:

Let me assure you of its accuracy. I would not try to be inaccurate.

The Minister of Finance and Personnel:

Under its trust status, the port is entitled to make contributions to infrastructure development that benefits the port. The port is entitled to contribute to the £5 million expenditure on the Paint Hall refurbishment in year 1, for example, because that will benefit the port's land and work.

Mr McNarry:

Do you have that £5 million to spend?

The Minister of Finance and Personnel:

That £5 million is for work that will be done to provide extra studios. A decision has to be made on whether to spend it, but the port can spend it on the Paint Hall. The reason that we included two sums of £15 million at the end of the period is that legislation may well be required if there are no infrastructure projects coming forward.

Let me give you a couple of examples. Anyone who travels down the road to Bangor in the mornings or evenings will know that there is a huge problem at the entrance to the port at Dee Street.

As development occurs in Titanic Quarter, quite significant infrastructure development will be needed. It would not be unrealistic for DRD to say that it will do that work, which would directly benefit port land and the port, and so a contribution should be made to that, which, of course, would release spending for roads elsewhere. If that were the case, no change at all in legislation would be required to release some of that money.

If, on the other hand, no schemes that were directly related to the port came forward in the next four years, and we wanted to get the money just for general spending, we would have to change the law. There was no point in including that at an early stage of the Budget, because the legislation could not be changed that quickly. We have had that discussion with the port.

Mr McNarry:

I am sure that you will have it again in more detail, but I appreciate your explanation this morning.

I was very interested to hear what you said about the monitoring rounds, particularly in the

realms of people underspending. It will be very interesting to see how that develops. Can it be taken that you, as the Minister of Finance and Personnel, will say that money that is surrendered will go to the priority needs of health?

The Minister of Finance and Personnel:

There will be a number of competing priorities. There are a number of ways of judging how the money that is surrendered in monitoring rounds should be allocated, including looking at the bids from each Department, how they fit in with the priorities for government, how immediate some of them are and the pressures on that Department. For example, in the most recent monitoring round, there were immediate student finance pressures on DEL because of increases in student numbers, and suchlike. It could not possibly have met those within its budget. That was regarded as a pressing need, so money was allocated. Each bid will be looked at, and a number of criteria will be used, including the priorities in the Programme for Government; determining how pressing and immediate the issue is in the Department; identifying the other pressures that the Department is facing; and the benefit that they will be to the economy or other parts of the service. Judgements will be made on that basis. Not just one criterion is used when coming to such a judgment but a whole plethora. At the end of the day, the Executive make the decision as to whether DFP's recommendations will be accepted.

Mr McNarry:

That is OK. I was going to add that.

Come the day, you will present the Budget on behalf of the Executive. I think that you called it a great Christmas present not so long ago. I have picked up from Committee members this morning and from sitting on other Committees that there is no spark; it is not a confidence driver. I have heard you say that we know where we are. Listening to you this morning — only weeks away from presenting the final Budget — it is all ifs and buts and maybes. There is no coherence at all. You seem very uncomfortable in this Budget process; you are not your usual ebullient self. You can sometimes wing it — or spin it, as you said earlier — but this is worrying. That lack of confidence is dripping down to almost everybody with whom you come into contact. However, I will not make any reference to some newspaper from this morning.

You made a valid reference earlier to the impact that the new Government had on us. If Labour had been re-elected, did you not have any fears that the cuts that it intended to implement

would have been scary also? When you made the assumptions — you and your Department were pretty close to the mark — before and after the general election, how far off the mark were you in preparing for what we are going through now?

The Minister of Finance and Personnel:

I think that we were spot on. We indicated that Departments should be assuming that they needed to find savings of 5%. It did not turn out to be as bad as that, but we were very close to the eventual outcome in current and capital, and I think that that is because of the good contact that my officials kept with officials in the Treasury. We receive feedback on that regularly. From that point of view, I think that Ministers were well informed about the level of savings that they should be looking towards and preparing for.

Mr McNarry:

I appreciate that it hurt, and I appreciate what you are doing, but the fact is that what this new Government have introduced is not miles away from Labour's plans. I am making an assumption, but I think that you should be complemented, in that you and your Department hit the right buttons in your assumptions. What the new Government introduced was not such a big shock because you say that you were spot on, and we are now seeing the fruits of the preparation that was done at that time. Am I correct?

The Minister of Finance and Personnel:

At the high level, that preparation gave a good indication to Departments and Ministers of what they had to look at. In answer to earlier questions, whether that preparation then fed down into prompt preparation by individual Departments will come through only as Committees interrogate Ministers and officials to see whether they have thought through savings plans.

Ms Purvis:

One of the biggest criticisms levelled at the draft Budget is its lack of detail. I acknowledge what the Minister said about departmental spending plans since it was published. One issue referred to earlier was an understanding of the rationale behind the departmental allocations. You said earlier that you had the money and it had to be divvied up and that the priority is to grow the economy and create jobs, yet there is no analysis in the draft Budget of where those jobs are coming from or how they will be created. That is another criticism of the draft Budget that you may want to talk about.

Another thing struck me about the draft Budget. Unlike your Department, which provided the Committee with very detailed information, particularly around prioritised savings options and their impact, there is no strategic analysis or assessment of job losses as a result of cuts in public spending as an impact of the draft Budget. We are in an era of rising unemployment. We have restricted opportunities for people to access employment and more than 250,000 illiterate and innumerate adults. There does not seem to be any analysis in the draft Budget of the direct job losses in both the public and the private sector and of the knock-on effect that those losses will have for the economy. The priority is to grow the economy and create jobs, but there is no analysis or assessment of how cuts in public spending are going to lead to job losses. Can you answer that?

The Minister of Finance and Personnel:

Several proposals in the draft Budget look at from where some of the job increases would come. For example, DETI made a bid for £18 million, which has been included in the draft Budget, that, it believes, will create 4,000 new jobs. Money is being put into the green new deal, and we have already allocated some money through the plastic bag tax. We will be looking at other ways of drawing in money. The £72 million that we put in it will draw down approximately £186 million and should create around 3,500 jobs. Most of those jobs will be construction-type jobs in the small and medium-sized enterprise (SME) sector. A multiplier for construction spend can be done to see the impact that it has on construction jobs. I cannot give you the figure off the top of my head.

Ms Purvis:

But it is not in the draft Budget document.

The Minister of Finance and Personnel:

It will not be possible to do so until the specific projects are identified.

One will not know what the job-creation impact will be until the detail of the Budget is known. I will come back to your point about detail, because it is important. However, without knowing the detail of how and what the money will be spent on, it is difficult to work out the exact job impact. I will give you a good example. If one decides to build new houses as opposed to doing maintenance on existing housing stock, the number of jobs that will be created will be

radically different because one project is much more labour-intensive than the other, and, until the Minister for Social Development makes his mind up, that is how I am going to spend the capital allocations that have been made available to me. The job impact will not be known. Although we could stick a figure in, there is no point in sticking a figure in for the sake of it until the detail is known.

Many people have criticised the fact that there is not enough detail. It does not really matter where one looks — whether it is at the Budget process in England or Scotland — one gets the high-level allocations to Departments, and it is only after that that one gets the detail. The detail is not even given in one go: it tends to get rolled out over a period. The budget allocations in England were made in October, and we are still finding out what the detail is likely to be in each Westminster Department. That is not an unreasonable outcome. We have got used to having consultation in Northern Ireland, whereas other places do not have consultation. For the consultation to be meaningful, it is felt that it must contain an awful lot of detail. People expect the minutiae of the Budget to be poured out in the initial documentation, but that is not how it works. That comes back to the point that I made earlier. There sometimes will be variations, even over the period.

There are some specific job proposals because Ministers have said what they will spend the money on, and they have done the detailed work to show what they are getting for it. Where we have had that, we have put it in, and where we have not had that, we have not put it in. That is a more honest way of doing it, rather than just to make a figure up and hope that it will be realised. However, we should see the impact as the spending plans and the detail of that spending are revealed.

We have tried to quantify some of the public sector spending. I hope that my figures are correct. When we decided on the freeze on public sector pay, we reckoned that it would probably save around 800 redundancies, because the money saved would mean that we could continue to employ people. Again, where such decisions have been made and where we have been able to quantify them, we have.

Ms Purvis:

You understand that I am talking about a strategic, high-level, overarching assessment of the overall impact of the Budget. For people to be consulted and have a considered opinion, and give

that considered opinion, they must have that level of detail. They must see the assessment of the impact of the Budget and what the strategic priorities are. One of the strategic priorities of the current Programme for Government, along with growing the economy, is protecting vulnerable citizens. Cuts in public spending have a direct impact on vulnerable families and citizens down the line.

I know that it is an aspiration of the Executive to protect front line services. However, there is no mechanism to ensure that, because individual Ministers get their budget and it is up to them what they do with it. I know that DFP, in particular, would like to look at how Ministers are spending and how budgets are allocated to ensure that front line services be protected. However, there is no mechanism for doing that. Without an assessment of the impact of the Budget, it is very difficult to give a considered opinion on it.

One of the things that you said last week at the Northern Ireland Assembly and Business Trust (NIABT) briefing on the Budget was that you understood why there was a reticence from Ministers to give a particular level of detail, given that there is an election coming up, there may be new Ministers in position after that, and priorities for those Ministers may change. It is important that we now have that level of detail, because we are being asked to give an opinion on something. The Budget will be finalised at the end of March and will go out for the next year or so. Ministers should not be reticent about giving the priorities now.

That comment of yours concerns me, because, when the final Budget is published, we expect there to be a specific level of detail, disaggregated down to unit of service level. Are you confident that we are going to get that?

The Minister of Finance and Personnel:

I will let Mike deal with your comment on disaggregating down to unit of service level. Although I understand Ministers' reticence, I think that you have accepted that DFP has sought to try to give as much detail as possible. I think that that is the correct way of doing it, as much as it is possible to do that in the circumstances. However, you have to bear in mind that, once there is a new Assembly and new Ministers, in their Departments they will have the opportunity to rejig some of the priorities and some of the things that they most want to do.

Even if one has a fairly detailed plan for spending, that may not necessarily be the way in

which it turns out, because one cannot expect a Minister to simply walk in and say that he or she is going to do the same thing that the previous Minister was going to do. That caution has to be attached to it.

Secondly, there is a role there for Assembly Committees to play in seeking to find out what their Minister is doing with the budget, how the Minister intend to use that budget to protect front line services and whether all the possible savings on back-office administration, and so on, have been explored. That is the real, meaty work that the Assembly and its Committees have to do. Committees have an important role to play.

As for disaggregating down to unit of service level, there is a requirement to do that. We need to know where money is going under the various heads. Do not forget that, when it comes to monitoring rounds, there can be declassifications and Ministers can move money around, so there has to be a word of caution sounded even on that. I will let Mike take you through the disaggregation and what flexibility there might be there.

Mr Brennan:

The final budget document will look radically different from the draft document in the level of detail that is provided. The intention is that, when it is published, the final Budget document will have the disaggregated information down to unit of service level for each Department, so you will see in much greater detail where the resources are going within each departmental boundary. All Departments have keyed that detailed information on to the DFP central database, so we have that information. At this stage, some of it has not been endorsed or formally cleared by some Ministers, but the intention is that all the information will be put out in the final document, so the public will be able to see exactly where the resources are going in individual Departments at unit of service level.

Ms Purvis:

One of the aims of the current Programme for Government is to eradicate or tackle child poverty. It is a cross-departmental, Executive issue.

One thing that I have been particularly keen on is children's budgeting throughout all Departments, and I know that you and the Department have consulted many children's organisations. How can you measure exactly how the Programme for Government is being

achieved — that is what I mean about the detail on where the Budget is and where it is focused — without a Programme for Government? Declan mentioned that earlier. We have to base it on the current Programme for Government. After all, we have talked about growing the economy and other areas. Without a high-level impact assessment on the Budget, particularly in cross-departmental areas such as addressing child poverty and its impact on vulnerable groups such as women, lone-parent families and low-income households, how will the Executive work towards achieving those goals?

The Minister of Finance and Personnel:

It comes down to the detail that Ministers provide in their budgets and the information that they give on all their policies that will affect the various groups in their remit. An equality impact assessment is meant to be done on each budget; that is not the responsibility of my Department but of individual Departments. That is where Committees have to play a role.

Ms Purvis:

You are responsible for the high-level impact assessment. What detail will it have with regard to the Budget? Will it just look at strategic cross-cutting themes? When can we expect to see it? Will it be published alongside the final Budget?

Mr Brennan:

We have already published a strategic impact assessment, which gives a broad overview of where the draft Budget is at present. At the final Budget stage, the key issue will be that although we have detailed information from Departments, we will also need to see their detailed impact assessments, because only when you have individual departmental assessments can you start to construct the overarching strategic assessment at block level. Therefore, it will be critical that Departments co-operate to provide us with their departmental impact assessments.

Ms Purvis:

Can we expect to see that after the Budget?

Mr Brennan:

Yes.

Mr McLaughlin:

Do you see how I aged during those questions?

Ms Purvis:

Daithí was sitting for that long.

Mr McNarry:

After an hour and a half with the Minister of Finance, what do you expect? *[Laughter.]*

The Minister of Finance and Personnel:

An hour and a half with you has aged me more. *[Laughter.]*

Mr Girvan:

Minister, I will make this as painless as possible. I will be brief, unlike everyone else. There is a lack of opportunity for revenue generation from taxation in the Assembly's remit, and rates are a blunt tool for raising revenue. What mechanisms are being put in place to ensure that there are ways to go down the route of surcharges with different sectors that are, perhaps, not working or making contributions to rates at present?

Land and Property Services has focused on identifying properties from which rates have not been lifted for some years to identify voids. What other mechanism is available to allow the Department to review rating policy and take it forward equitably? There is, probably, also a necessity to look at the ability to pay in some areas.

The Minister of Finance and Personnel:

There are no plans for a general review of rating policy. Do not forget that we had a recent review and moved to capital valuations. Work continues to identify properties where rates are not being paid; for example, through a combination of work with local councils. Often, a council carries information about when a property becomes occupied and who the owner or occupier is in order to bill them. It will know when it started collecting bins from a property, for example. Work has been done by councils' building control departments; they have been helpful in identifying such properties. Some councils have had a considerable increase in their rates base as a result of that work.

We are also working with NIE, because utility companies send out bills and will know when the electricity was turned on in a property and so will have an idea of when a property is occupied. Such work helps to increase the collection of rates from properties. By October, we will be collecting rates on vacant domestic properties, so work also needs to be done to identify the owners of those properties. We are looking at the work that can be done with estate agents or solicitors so that, once a house has been sold, they will notify us that their client is now the owner of a certain address.

We want to have as much information as possible to ensure that we move in quickly to collect rates. That is also good for the ratepayer, because it means that they are not hit with a shock rates bill two years after moving into a house. The most up-to-date information allows us to collect the revenue and also allows people to know what their liabilities are as soon as possible. Those are the measures that we are considering, but there are no plans for a general rate reform.

Mr Girvan:

I want to ask about the viability of holding on to all that we have in the public-sector estate, and I know that each Department will probably have to consider that. Has a full needs assessment been made of the requirement of the estate and what can be offloaded? I appreciate that figures are included in the £842 million of revenue generation that, hopefully, will be brought back in through savings and through capital receipts from properties that will be sold or moved on. Have properties been identified so that the estate can be rationalised?

The Minister of Finance and Personnel:

It surprised me that we do not have a comprehensive list of all the assets that are held across Departments. Work is under way to assess and compile a comprehensive list of the properties and land that we own to identify which of them are surplus to requirements and saleable. It is the job of my Department to look at the estate and decide whether it is being put to the best use. For example, two or three Departments may occupy two or three buildings that are coming to the end of their lease or are expensive while one big building is half empty. There would need to be co-operation with Departments to see whether we could move them from those three offices into one big one and sell the other properties if we own them or cease paying rent if we are leasing them.

That work is ongoing. In fact, last year we made savings of £2.6 million in lease renegotiations based on that type of assessment. The Budget review group has commissioned

work to get a comprehensive list of all the assets that are owned by Departments in order to work through it to see whether there is potential for raising money from them.

Mr McLaughlin:

Was nothing done about the call for the establishment of a central register of assets?

The Minister of Finance and Personnel:

We are working on that, as it is important that we get that information as quickly as possible.

The Deputy Chairperson:

As there are no further questions, I thank the Minister for his attendance and his valuable time. I am sure that the Committee found it useful and that it will help us in our deliberations on the next stage.

The Minister of Finance and Personnel:

I thank the Committee for this morning's useful discussion. I assure you that I am not downhearted, nor am I in any way pessimistic about the prospects for the Budget. You may have worn me down after two hours, but I think that we have achieved something that will be good for Northern Ireland. It will create a degree of certainty during a difficult spending period. We have done our best to protect jobs, meet our priorities and ensure that the Budget has been divided as fairly as possible.

The Deputy Chairperson:

Thank you. I will pass those remarks on to Michael McGimpsey; he will be glad to know that there will be no stress. If we need to follow up on any information, I am sure that, as usual, your officials will be only too glad to facilitate us. Once again, I thank you both very much for your attendance.