



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Spring Supplementary Estimates 2012-13/
Budget Bill: DFP Briefing

30 January 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr John McCallister
Mr David McIlveen
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Mr Michael Brennan	Department of Finance and Personnel
Mr Jeff McGuinness	Department of Finance and Personnel
Mr John McKibbin	Department of Finance and Personnel

The Chairperson: I welcome to the meeting Michael Brennan, head of central expenditure division in the Department of Finance and Personnel (DFP); John McKibbin from supply division; and Jeff McGuinness from central expenditure division. Mike, perhaps you want to make an opening statement.

Mr Michael Brennan (Department of Finance and Personnel): As Committee members will know, this is a regular occurrence, whereby the Executive look to progress the spring Supplementary Estimates (SSEs) and the Budget Bill through the Assembly. It is where legislative authority is given to Departments to incur expenditure. I understand that the Committee has been provided with the usual background paper, which provides reconciliation from the Budget position back to the Estimates.

The Assembly recognises the need, under Standing Order 42, to progress the Budget Bill under the accelerated passage procedure in the Assembly to ensure that it receives Royal Assent before the end of March. This is not the Committee's first engagement on the issue but a further stage of consultation with you that goes back to the start of the year when the Main Estimates were produced and includes the iterative stages as we progressed the monitoring rounds through the Committee. Therefore, there has already been extensive consultation with the Committee on the evolution of the spring Supplementary Estimates and the Budget Bill. Annex A to the background paper outlines all the movements through the financial year, and the reconciliation is there to provide comfort to the Committee that it is possible to reflect all the changes that have been agreed by the Executive and the Assembly over the 12-month period.

I have a couple of specific issues to flag, Chair. One concerns the Titanic signature project, which, as Committee members will be aware, was an issue in the January monitoring paper. The specific approval for spending that is under consideration by the First Minister and the deputy First Minister at the minute, but it will not impact on the spring Supplementary Estimates as such. If approved by the First Minister and the deputy First Minister, there will be an amendment to one of the numbers in the supplementary information provided on the Department of Enterprise, Trade and Investment (DETI) spring Supplementary Estimate. If that changes the reconciliation page, which I referred to in the Estimate, we will update it by way of an addendum.

Members will be aware that a key Executive concern is that, as we approach the end of each financial year, no resources be lost from Northern Ireland and surrendered back to Treasury. That would occur if we breached our Budget exchange scheme limit. The Executive are most anxious to ensure that that does not happen. A failsafe mechanism has been built into the Estimates. We have created headroom in two Departments so that if significant sums of unanticipated reduced requirements emerge in the final few weeks of this financial year, they can be reallocated to Departments in Northern Ireland. The two Departments in question are the Department of Health, Social Service and Public Safety (DHSSPS) and the Department of Justice (DOJ). The Committee can draw an assurance that the money will not be spent elsewhere by those two Departments from the fact that DFP will not give virement for those Departments to move that money to any other area in DHSSPS or the Department of Justice. As I said, it is a failsafe mechanism to ensure that the Budget exchange scheme limits are not breached and that money is not lost to Northern Ireland.

The final issue to flag for the benefit of the Committee is that the process gives authority to a Vote on Account for the 2013-14 financial year. That gives Departments in Northern Ireland 45% of the budget that they had for this year. That will give them resources to carry them through until the Assembly endorses the Main Estimates in June 2013.

That was a very quick canter through.

The Chairperson: Perhaps we can start at annex A. Obviously, there are a number of allocations and easements. Can you talk us through some of the technicals? The Department for Employment and Learning has £189 million resource; DHSSPS has £28 million; and DOJ has £71 million. For the Department for Regional Development (DRD), there is a capital technical of £23 million. Can you comment on those sums?

Mr Jeff McGuinness (Department of Finance and Personnel): There are some very significant technicals. The £189 million for the Department for Employment and Learning under resource is connected to student loans. There has been a policy decision made in GB about how that is scored, so we have received additional funding from Treasury, but that funding is ring-fenced for student loans, and should it not be spent there, it will go straight back to Treasury.

The majority of the DHSSPS technical figure is made up of a £19 million transfer to it under the invest-to-save initiative that relates to Transforming Your Care. There is a further £6.6 million transfer to the Department from the Department for Social Development (DSD) for programmes under welfare reform and the Supporting People programme, and that makes up the majority of the £28 million. The DOJ figure is quite high, sitting at £71 million, but, again, the majority of that is made up of reserve claims that we have made for policing for things such as hearing loss at £24 million and £24 million resource and some capital for additional security. In that mix in DOJ, there is also a legal aid reclassification of £10 million from resource to capital.

The DRD technical capital reduction is a combination of things. It reflects some additions for public realm works, so it would get additional capital from DSD for public realm works. However, it also reflects the £30 million reduction for the A5. That is to do with the reinvestment and reform initiative (RRI), and I think that you are all aware of the situation there. The DSD figure is the other side of the DHSSPS figure. It takes in the transfer of money for welfare reform and the Supporting People programme and the public realm works transfer to DRD.

The Chairperson: You referred to the hearing loss claims going through the Department of Justice. Can you give us an overview of where we are with that and whether it will be a continuing pressure?

Mr J McGuinness: I am not aware —

Mr Brennan: That was part of the settlement package for the devolution of policing and justice. Reserve pots were set aside with the agreement of Treasury. We can come back with an update next week on the hearing loss claims.

The Chairperson: Mike, you also referred to the issue of headroom. Your background paper states:

"some very limited headroom has been built into the SSEs to give the Executive ability to spend any last minute underspends on priority areas".

Given that the final monitoring round for 2012-13 has been concluded, will you provide the Committee with more information on the headroom that has been built in and on what the priority areas are?

Mr Brennan: Yes. As I said earlier, £15 million of headroom was allowed for in the DHSSPS Estimates, £2 million of which was for dental services and £13 million for front line health and social care services, such as elective care and winter pressures. DHSSPS knows that it can spend that money if it is given to it, such is the demand.

The other Department allocated headroom was DOJ, which was allowed just over £21 million. That was to allow for further resources to be allocated to the early retirement package for prison officers. If you remember back to January monitoring, the Department of Justice put in a bid for, I think, £31 million in total. In January monitoring, the Executive allocated the Department £10 million. Therefore, that balance of £21 million is sitting there. In the event of some unanticipated reduced requirement emerging, we know that the Department of Justice can definitely spend it on the early retirement package for prison officers, as part of the £21 million. Just to reassure you, it cannot spend it on anything other than that package.

Mr D McIlveen: Thanks very much for the information. Before asking this question, I probably have to declare an interest as a member of the Northern Ireland Policing Board. I understand that there will be a judgement within the next couple of weeks on the ongoing equal pay claim. Last year, the money for that was allowed to be rolled over. Bearing in mind that we are quite tight for time, coming as we are to the end of March again, and regardless of the outcome of the case, have negotiations with Treasury taken place to ensure that that money stays in the budget?

Mr Brennan: We have been in touch with Treasury officials already, just to assure the Department of Justice that should the legal case not be in a position to settle that pressure in this financial year, we will do the same as last year and roll that amount across into the DOJ baseline for next year. It is ring-fenced money, so the Treasury is pretty relaxed about it, because it knows that we cannot spend it anywhere else. All that we need to do is sign off and say that is carried across until the legal case is resolved one way or the other.

Mr Cree: Michael, will you reassure me that this is not just a pot of money, like a slush fund, that is earmarked but is fully flexible and the only thing that matters is that we do not end up with money that is unspent beyond the Budget exchange scheme? *[Laughter.]*

Mr Brennan: I am not sure which pot of money you refer to. Is it the Estimates or the headroom?

Mr Cree: Well, it is all a pot of money, is it not?

Mr Brennan: It is all to do with large amounts of cash moving around Departments and getting —

Mr Cree: That is OK.

Mr Brennan: — the Assembly to give legislative authority to Departments to spend it. That is basically what the process is about.

Mr Cree: It is all very flexible, yes. As such, it is hard to get too excited about any particular figure because the figures are given to change. In looking at the spring supplementals for DETI, I tried to trace the £18 million on the Titanic project. It is hard to see where the bookkeeping trail is on that.

Mr Brennan: The complication here —

Mr Cree: Is it on page 103 of 'Northern Ireland Spring Supplementary Estimates 2012-2013'?

Mr Brennan: I think that it is probably best to look at page 112. As I said earlier, the £18 million will not actually appear — this is where it gets quite convoluted — in the DETI Estimate, because the £18 million does not score in the departmental accounts. It scores in the Tourist Board's accounts as a non-departmental public body (NDPB). That takes you to the heart of our concern about the review of the financial processes, as you will be aware. The Budget, and what is allocated to Departments in it, is much more wide-ranging and all-embracing than the Estimates. The Estimates reflect only resources going to Departments. The Tourist Board, as an NDPB, will not be reflected in the Estimates. Should the Office of the First Minister and deputy First Minister and the Executive endorse the allocation of £18 million to DETI, it will not appear anywhere in the DETI Estimate. All that you will see is a change, and that is what I am talking about when I say that if approval goes through, we will circulate a one-page addendum. It would be a change on page 112. Jeff will give the detail.

Mr J McGuinness: The departmental expenditure limit at the bottom is basically the resource budget. That will increase by £18 million, which will reflect the fact that it scores within DETI's budget. However, it scores not against its accounts but those of the Tourist Board. That is the nuance. We are trying to resolve that alignment issue in the financial processes.

Mr Cree: Where would that be accrued in the overall accounts?

Mr J McGuinness: In the Tourist Board's accounts. The Tourist Board has a debtor in its accounts, and it scores against the Tourist Board's accounts and not against the Department's.

Mr Cree: That complexity shows how difficult it is to get behind any of this stuff. I will make my usual annual appeal now. What is happening about the financial review process?

Mr Brennan: The current position is that there was a discussion at the Executive some weeks ago, and an action point was allocated to the Minister of Finance and Personnel to engage with the Minister of Education and the Minister for Regional Development. Those meetings took place as recently as the end of last week, and some follow-up work has been discharged to officials. In fact, we had a meeting yesterday evening with Department of Education officials. We have both to go back to our respective Ministers with ideas on the way forward.

Mr Cree: We certainly need improvements. Thank you very much, Michael.

Mr Mitchel McLaughlin: On that point, because Leslie was doing well, if we are talking about slush funds and voting moneys through in the Budget process, it may turn out that we did not actually vote on the tourism budget, yet it is still money that the Executive have control over.

You mentioned the upcoming meetings with the Department of Education and DRD. I know that there have been difficulties in getting agreement. However, that should not hold up the Budget review process per se; for example, in consolidating all those different lines of expenditure through agencies or directly through the Budget review process.

Mr Brennan: There are a couple of difficulties. The first is that a key aim of the financial review is to bring greater transparency to the documents. What is happening is that some Ministers want to brigade existing units of service. For example, they might want to go from three to two, or from four to three. In DFP's view, that reduces transparency. You would have spending areas with larger lumps of money in there, and it would be quite difficult to see what is going on. That is the first concern. The second is around the legislative timetable. In education, I know that there are some material concerns about the impact of the Education and Skills Authority (ESA) and having dry-run accounts brought into play. Therefore, those are the issues that we are trying to discuss. As I say, the fundamental concern is the need to improve transparency, not move away from that principle.

Mr Mitchel McLaughlin: I support that view. It seems to me that these silo arguments really have to be confronted at some stage. If there is a genuine issue about ministerial responsibility and autonomy, we should address that while addressing the issue of transparency.

Mr Brennan: That is the thick of the issue that the Minister is discussing —

Mr Mitchel McLaughlin: It is taking a long time, is it not?

Mr Brennan: What we are trying to do now is find some way in which ministerial autonomy would be protected so that Ministers have discretion to move resources around as they want to, but at the same time we want to provide the Assembly with insight into where the resources are going. That is the work that has been ongoing for the past week or so. Last night, we had discussions, and we are trying to construct some scenarios that we can put to Ministers to see whether they will sign off on it.

Mr Mitchel McLaughlin: That scenario is probably helpful. You spoke about dry-run accounts. We could demonstrate that under a different kind of approach — a much more inclusive and transparent one — you can get the balance right. Perhaps someone will work on that.

Mr Brennan: As I say, we are trying to construct some, shall I say, dummies of what an Estimate might look like and how the information would be presented, and see whether Ministers are content with it.

Mr Mitchel McLaughlin: Thank you.

Mr Cree: Michael made a point about main headings, but you would have supporting schedules to accompany those, so the detail would be in there.

Mr Brennan: That is exactly what we focused on last night. For example, rather than have a single line for ESA with £3 billion in it, you would have an ESA Estimate but then outline primary and pre-primary. The information would be there.

Mr Cree: What is happening with the Harbour Commissioners' moneys that were anticipated? Does that appear anywhere?

Mr Brennan: You refer to the £40 million for the DRD Harbour Commissioners' contribution to 2013-14 and 2014-15. The Executive have agreed that DRD and the Finance Minister will have discussions on how to resolve that, and they will bring a paper during the June monitoring round with a resolution on the way forward.

Mr Cree: Does it not appear here at all?

Mr Brennan: No. It is for 2013-14 and 2014-15.

Mr Cree: How much money is being held at the centre at the moment?

Mr Brennan: For?

Mr Cree: For whatever.

Mr Brennan: The Harbour Commissioners pressure is £20 million in each of those two years. At the minute, it is scoring against the DRD budget.

Mr Cree: Are any moneys being held in the centre?

Mr J McGuinness: A range of funds always sits at the centre for things such as —

Mr Brennan: The social investment fund.

Mr J McGuinness: Rates will sit at the centre, and money is still held at the centre for the green new deal.

Mr Cree: Where can I find that in the document?

Mr J McGuinness: You will not see it, because the document is departmental. At the end of the year, the only amounts that count towards allocations in public expenditure are the ones that are transferred to Departments and issued. The only amount at the end of the year that sits at the centre is the

negative for rates to show the reflection of rates income — things such as the RRI income — and we transfer out everything else as the year goes on to try to get money spent in Departments.

Mr Cree: Therefore, it should be zero in the centre at the end of the year?

Mr J McGuinness: There will be zero voted at the end of the year. We will still have an income line that reflects things such as rates and RRI, because the balance is needed to maintain our overall departmental expenditure limit position.

Mr Brennan: We recently gave a reconciliation of centre items to the Committee to show how that had changed since last June's monitoring round. At each monitoring round, the centre position adjusts as that money moves from the centre out to Departments.

Mr Cree: Part of the difficulty is that it is always moving and is very hard to track.

The Chairperson: Members, we have to make a decision today on accelerated passage of the Budget Bill, and that needs to be conveyed to the Speaker by 12 February, which is the date scheduled for Second Stage. As members are content with the evidence provided and have not invited the officials to give additional evidence next week, I will put the Question.

Question, That the Committee for Finance and Personnel is satisfied that there has been appropriate consultation with it on the public expenditure proposals contained in the Budget Bill and is content to grant accelerated passage to the Bill in accordance with Standing Order 42(2), put and agreed to.

The Chairperson: Do members agree to the draft letter to the Speaker to confirm that decision?

Members indicated assent.

The Chairperson: I thank Mike and the other officials for their contribution.