



Northern Ireland  
Assembly

## Research and Library Service Briefing Note

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Paper 000/00

26 May 2010

NIAR 243-10

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# Resources for budget scrutiny: preliminary assessment of options costs

## Background

This Briefing Note has been produced to give a preliminary assessment of the costs of the five options for supporting Members in Assembly Research Paper *Resources for Budget Scrutiny* (presented to the Committee for Finance and Personnel on 19 May 2010).

## 1. Options for resourcing budget scrutiny

### Option one

*The Committee for Finance and Personnel could appoint an adviser and recommend to the other Statutory Committees that they do the same at least for the period of consideration of a draft budget or engagement with their respective departments over their requests for resources.*

**Option two**

*The Executive could be asked to establish a unit (within DFP or perhaps OFMDFM) to provide the Assembly with analysis.*

**Option three**

*The Assembly Secretariat could enhance the Research and Library Services with a dedicated public finance scrutiny unit.*

**Option four**

*The Assembly Secretariat could be asked to redesign its staffing structure to incorporate public finance expertise within the Clerking Directorate.*

**Option five**

*The Assembly could decide to establish a parliamentary budget office, independent of the Secretariat, or located somewhere within it.*

**Declaration of Interest**

This assessment was prepared with objectivity by the Research and Library Service. Please note, however, that option three relates to an extension of the capacity of the Service. While the highest standards of professionalism have been applied in preparing this briefing, the potential conflict of interest is hereby recognised.

## 2. Cost assessment of options

The analysis below focuses on assumed salary costs plus additional employer costs for National Insurance and pension contributions. A flat percentage of 23.8% is applied for employer costs.

**Option one**

There have been few uses of the facility for Assembly Committees to engage special advisers.

For the period April 2008 to May 2009 one Committee procured specialist advice on technical issues at a cost of £30,000.

Another Committee engaged an adviser from January to September 2009 at a cost of £14,000.

Allowing for an inflationary increase of 2.5% per annum, it is assumed that the Committee for Finance and Personnel could recruit an adviser for £31,500 for a year.

If the eleven other Statutory Committee each engaged advisers for a one-month period at the same rate the cost would be:

$$£31,500/12 = £2,625. \quad £2,625 \times 11 = £28,875.$$

**Total option cost = £60,375.**

Note: for this option no employer costs have been included on the basis that advisers would be self-employed and paid on invoice. There would be procurement costs however.

### Option two

If the NICS were to provide a scrutiny-support unit there would be no direct cost to the Assembly. It seems reasonable to assume, however, that the Assembly would be cross-charged for the costs.

It is difficult to second-guess the structure that might be established by the NICS in response to a request from the Assembly. While it would be possible to estimate some costs based on an assumed staffing level for such a unit, it would not be a reliable figure.

It is however safe to assume that the cost of a unit within the NICS would not be significantly different from one established within the Assembly Secretariat; such a unit would be an extension of existing resources rather than the establishment of an entirely new structure. It might be staffed entirely through redeployment or through new recruitments. For the purposes of this assessment, therefore, it is assumed the cost would be broadly similar to that presented for Option three below.

### Option three

The Research and Library Service currently has two researchers specialising in public finance and two further researchers with relevant expertise (in econometrics and demography) are currently being recruited. The figures below are for *additional staff* that would be required to staff a public finance scrutiny unit located within the Research and Library Service.

It is assumed that the new unit would require a manager at Assembly Grade 4. An additional resource of a trained accountant/auditor at Assembly Grade 5 and an executive officer at Assembly Grade 7.

On current pay scales, the salary for a new entrants would be:

$$(AG4) \text{ £41,391} + (AG5) \text{ £32,643} + (AG7) \text{ £23,066} = \text{£97,100}$$

$$\text{£97,100} \times 23.8\% = \text{£23,110}$$

**Total option cost = £120,210**

Note: this assumes that only the *additional* staff salary costs could be attributed to the budget-scrutiny role. The existing staff complement also has an attached costs.

### Option four

Recruitment of an additional member of staff to each Statutory Committee staffing team would mean twelve additional staff at Assembly Grade 6

(AG6) £27,764 x 12 = £333,168

£333,168 x 23.8% = £79,294

**Total option cost = £412,462**

### Option five

The option of establishing a Parliamentary Budget Office is, similar to Option two, difficult to assess; no concrete proposal for what a Northern Ireland PBO would do - or where it would be situated in a governance and accountability framework - has been put forward. Therefore an attempt to cost a PBO for Northern Ireland is based on a number of judgements and assumptions.

For this assessment it is assumed that a Northern Ireland Parliamentary Budget Office would be small scale and independent of the Executive and the Assembly. To attract the right level of expertise, it would require the senior officer to be at least equivalent to the most junior level of the Senior Civil Service – i.e. Grade 5/Assistant Secretary.

It is also assumed that it would need a similar level of staffing to a unit within the NICS or the Assembly: a manager at Grade 7/Principal level, plus five staff at Deputy Principal level (economist/financial analyst/accountant etc) and a data manager at Executive Officer level. Civil service pay scales have been used on the basis that these would be the most likely benchmark.

(Grade 5) £57,300 + (Grade 7) £39,823 + (DP) 30,142 x 5 + (EO) 20,801 = £268,634

£268,634 x 23.8% = £63,935

**Total option cost = £332,569**

Note: An independent Parliamentary Budget Office would also have additional fixed costs which would not apply significantly to the other options. For example, rental of office accommodation, purchase of IT equipment and might need additional support staffing.

### Limitations of this analysis

A number of limitations to the analysis have already been identified under some of the options. In addition, no attempt has been made to quantify other running costs such as

stationery, printing and postage for example. It is assumed that under any of the options these costs would be relatively similar.

The focus on salary and employer costs ignores accommodation costs. Whilst it is reasonable to assume that under Options one to four accommodation could be found within Parliament Buildings or the existing government estate under Option five there may be an additional hard cost. This is assumed because some other extra-Parliamentary bodies like the Boundaries Commission charge directly to the Consolidated Fund.

### 3. Non-monetary assessment of options

Cost is one factor. An essential element of an appraisal is also to attempt evaluate non-cost factors to which a monetary value cannot easily be applied. This can be achieved by using a weighting and scoring method.

Criterion No.	Description	Weighting
1	Provides appropriate level of expertise	35
2	Provides continuity of advice	25
3	Provides support to all Assembly Members and Committees and their staffs.	25
4	Easily and quickly implemented put in place	15
	<b>Total</b>	<b>100</b>

#### Rationale for weighting

##### Criterion 1

It is important that the resource for supporting the Assembly in its budget-scrutiny role has a sufficient level of expertise in terms of policy analysis, financial and economic analysis, accountancy/audit skills, and statistics. The facility would otherwise be of little value.

##### Criterion 2

Budgets are developed with a view beyond the immediate term. Continuity of advice is therefore important. The resource should be able to develop skills, expertise and sector and policy-specific expertise over a sustained period.

##### Criterion 3

The resource should be available to all Assembly Members, Committees, and their staff. A resource restricted to a particular client base would be of less value.

#### Criterion 4

The resource should be capable of being established without the need for legislation or protracted negotiation. Whilst this is important, the lowest weighting has been given on the basis that it's more important to get the *right* resources in than to get the wrong resources more quickly.

### Non-monetary scoring

Each option is given a score out of ten against each of the criteria. This is then multiplied by the weighting so it is possible to give a ranking. Note that each option has been scored as it was originally presented. It may be possible that with some changes in the design of one option that the scorings would change relative to the other options.

Criterion No.	Weighting	Option 1	Option 2	Option 3	Option 4	Option 5
1	35	5 (175)	7 (245)	7 (245)	3 (105)	9 (315)
2	25	2 (50)	6 (150)	7 (175)	7 (175)	7 (175)
3	25	5 (125)	7 (175)	8 (200)	5 (125)	8 (200)
4	15	6 (90)	3 (45)	5 (75)	5 (75)	1 (15)
Total	100	440	615	695	480	705

### Rationale for scoring of options

#### Criterion 1

The potential prestige of an independent Parliamentary Budget Office, plus senior level of the top post, suggests that it may be able to attract highly qualified candidates. Both Options two and three are likely to attract a similar level of expertise given that they are pitched at the same earnings level and reasonably attractive terms and conditions. Option one scores less well because while individuals may provide a very high level of expertise in their field, the breadth of the expertise is as unlikely to be as wide as that provided by a team from a range of backgrounds. A team should also be able to produce more output. Finally, it is considered that Option four is least likely to attract the expertise required because of the salary level.

## Criterion 2

Options three, four and five are assessed to be the same in terms of retention of expertise and continuity of support. Option two scores lower because civil servants are probably more career mobile than the Assembly Secretariat staff are or PBO staff would be. Option one scores lowly because a series of fixed term contracts is unlikely to provide continuity over a number of budgetary cycles.

## Criterion 3

Options one and four score the same because, while support would be available *only* to Statutory Committees, there would be coverage across *all* of them. Options three and five also score equally because the Research Service is already established in that role and the PBO would aim for a similar focus of service. Option two seems likely to be less available because it would lack the proximity. It might also suffer from a lack of trust.

## Criterion 4

Option five would take the longest to establish because it would need to be established in statute. Option two also scores lowly because it is anticipated that a unit established within the NICS would take considerable period of negotiation to establish. The necessary statutory provisions are in place for Options one, three and four. Option one may be implemented more quickly because it would be a procurement process rather than a recruitment exercise.

## 4. Ranking

The table below ranks the options in terms of cost and non-monetary assessment. Ranks are given from 1 (best i.e. lowest cost, highest non-monetary score) to five (worst i.e. highest cost, lowest non-monetary score.)

Option No.	Cost assessment	Non-monetary assessment
Option 1	1	5
Option 2	=2	3
Option 3	=2	2
Option 4	5	4
Option 5	4	1

## **Weighting of rankings**

No attempt has been made in this assessment to attach weights to the cost and non-monetary scores. It was noted in the Research Paper that, in the current public spending climate, cost is likely to be a significant factor. But it could also be argued that the responsiveness and effectiveness of the resource in non-monetary terms is equally important: it is left for Members to consider what the relative weight of the factors should be.

## **Analysis of rankings**

On the basis on this assessment, Option four can be discounted immediately. It was assessed as the highest cost option but does not deliver highly rated non-monetary benefits.

Option one is the least costly but also least likely to deliver significant non-monetary benefits. It is possible that this option could be designed in a different way from that presented and the benefits be increased – for example some kind of pool or call-off system could be developed to give a range of expertise to Committees and also perhaps to Members.

Option five was assessed as marginally delivering the most non-monetary benefit, but at relatively high cost in salary terms.

For reasons explained above, Options two and three were assessed as equal in cost terms. Option three scored slightly more in non-monetary benefit, but it was relatively marginal. A more significant issue than the weighted scores may be whether option two is considered politically acceptable in terms of the separation between the legislature and the executive; essentially this a question of whether Members could place sufficient trust in a resource based in an Executive department and whether the officials would find the conflict of simultaneously serving two different political actors manageable.