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A central budget committee for the Northern Ireland Assembly: some considerations

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The paper looks at models for the purpose and design of a budget committee from international examples and suggests some issues that need to be considered if the Northern Ireland Assembly to establish one. Relationships with sectoral committees are highlighted and some legal issues considered.

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Key Points

- A budget committee could be established following either a totally centralised model or as a hybrid of centralisation and dispersal between the Statutory Committees and their sectoral remits.
- There is an option for a budget committee to assume a monitoring role in respect of budget implementation – and therefore the delivery of the Executive’s Programme for Government. It could take responsibility for scrutinising other performance-related aspects, such as departmental Efficiency Delivery Plans.
- There are some legal issues that will need clarification. In particular the provisions in the Northern Ireland Act 1998 relating to the establishment of committees.
- If a hybrid model is chosen, a budget committee would need a clearly defined remit in relation to budgeting and its relationship with the Statutory Committees. It might need the power to challenge or even overrule the views of other committees.
- There is a wide range of ways that budget committees can operate. An Assembly committee is more likely to be effective in budgeting if its design is considered alongside reform of the budget process.

Executive Summary

This research looks at possible models for establishing a budget committee within the Northern Ireland Assembly. In doing so various issues are highlighted as appearing to be important considerations in such a committee's design.

The paper looks first at what a budget committee would do. What would be the role of a budget committee? Internationally there are different models for budget committees. It is suggested that the role between a potential budget committee and the Assembly's Statutory Committees in relation to budgets generally needs to be determined (Issue 1). It is also suggested that there might be a role for a budget committee in monitoring delivery as well as inputs (Issue 2) but this would rely on progress on other fronts (such as the provision of information by the Executive, for example) first.

Secondly, the paper addresses structural issues and how a budget committee might be established. It is suggested that legal advice is needed on the relevant provisions of the Northern Ireland Act 1998 (Issue 3) as it appears that amendments may be necessary. Further, it is suggested that the powers of the Statutory Committees as envisaged in the Belfast Agreement need to be examined in this context (Issue 4). A central budget committee would fundamentally alter the role of the Statutory Committees that was envisaged in that Agreement.

Thirdly, the research looked at the powers that a budget committee might need in relation to other sectoral/subject committees by drawing on some international examples. It is suggested that the design of a budget committee and consequent changes to the Assembly's overall Statutory Committee structure should be undertaken in parallel with any reform of the wider Northern Ireland budget process (Issue 5): a good fit between committee structure and overall process is more likely to be achieved if considered at the same time.

The final section of this paper looks at the membership of a budget committee in the context of the rules of the Assembly. Intuitively it seems that there should be some formal division between a budget committee and those that scrutinise departments. No real evidence was found in the standing orders of other legislatures to support this assertion, however. It is suggested that once the overall purpose and form of a budget committee has been developed further consideration needs to be given both to its leadership and to its membership (Issue 6).

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1. Introduction

This paper follows from Assembly Research paper 45/10 *Considerations for Reform of the budget process in Northern Ireland*.¹ It recommended that the Assembly reorganise the system of budget scrutiny by committees and establish a budget committee (Recommendation 7). It was suggested that the budget committee could have overall responsibility for considering aggregate spending and financial instruments might be referred to it, rather than the other Statutory Committees.

The purpose of this paper is to consider how a budget committee might operate within the Northern Ireland Assembly. Details from other jurisdictions are presented to show the kind of institutional considerations that may be important. Throughout the paper issues that might need to be addressed are identified to help inform any future work.

¹ Assembly Research (2010) 'Considerations for Reform of the budget process in Northern Ireland' available online at: <http://assist.assemblyni.gov.uk/services/rsrchlib/research/reports/dept/fp/2010/pidgeon4510.pdf>

2. What would a budget committee do?

In essence, a budget committee might assist the Assembly in altering and rebalancing the relationship with the Executive over budgetary issues. Across a number of Organisation for Economic Co-operation and Development (OECD) countries there has been a move to

expand the role of standing committees to deal with the budget. These committees are authorised to review the estimates, take evidence, demand information on the budget, and recommend legislative action. In countries where the legislature may amend the budget, its committees also recommend changes in the fiscal plans submitted by the government.²

The way that committees are structured to deal with the budget varies. These differences can be categorised into three patterns:

| | Characteristics | Advantages | Disadvantages |
|--------------------|---|---|--|
| Centralised | A centralised budget committee is assigned full responsibility for budgetary issues. | <ol style="list-style-type: none"> 1. Encourages looking at the whole budget in fiscal rather than narrower sectoral terms 2. Eases task of co-ordination 3. Promotes consistency in the response of the legislature to budgets 4. May encourage fiscal discipline. | <ol style="list-style-type: none"> 1. Sectoral committees may feel disempowered. 2. May reduce opportunities for sectoral interests to influence the budget. |
| Dispersed | Responsibility for budgetary issues dispersed amongst sectoral committees. | <ol style="list-style-type: none"> 1. Encourages focus on programmes. 2. Allows greater sectoral expertise to be tied in to legislative budget consideration. 3. May allow sectoral interests greater opportunity to influence the budget. | <ol style="list-style-type: none"> 1. May discourage fiscal discipline. 2. Response of the legislature may be uncoordinated. |
| Hybrid | Sectoral committees review relevant portions of the budget and recommend action within a framework set by a centralised budget committee. | <ol style="list-style-type: none"> 1. Can combine both a programme and an overall fiscal outlook. 2. Can encourage fiscal discipline and use sectoral expertise. | <ol style="list-style-type: none"> 1. Sectoral committees may feel disempowered. |

² Schick, A (2002) 'Can National Legislatures Regain an Effective Voice in Budget Policy' *OECD Journal on Budgeting* Vol 1 No.3 available online at: <http://www.oecd.org/dataoecd/62/57/43514045.pdf> (accessed 14 May 2010) (see page 29)

³ Adapted from Schick, A (2002) 'Can National Legislatures Regain an Effective Voice in Budget Policy' *OECD Journal on Budgeting* Vol 1 No.3 available online at: <http://www.oecd.org/dataoecd/62/57/43514045.pdf> (accessed 14 May 2010)

At present, the Northern Ireland Assembly Statutory Committee structure fits into the 'dispersed' category - although there is a co-ordinating role for the Committee for Finance and Personnel in reporting to the Assembly on the scrutiny of cross-departmental budgetary issues. In relation to sectoral input from other Statutory Committees, it does not have a remit of challenging their views, merely reporting them.

Under a centralised model, the budget committee would remove all budget-related duties from the Statutory Committees, leaving them to focus on sector-specific policy, legislation and performance issues. An effect of this – counter-intuitively perhaps - might be to *weaken* budget scrutiny in the Assembly as it could reduce the application of sectoral expertise from decisions on allocations.

On the other hand, there could be an increase in fiscal discipline as the centralised committee is encouraged to look at decisions from a 'global' perspective.

Under a hybrid model, the budget committee could be responsible for engaging with the Executive at the early stages of budget formulation and consider issues relating to the overall budget allocation and the split between departments. It would then be for the Statutory Committees to consider proposals at a later stage (probably once a draft budget has been produced) in terms of the split of their respective departments' allocation between programme areas.

Monitoring departmental performance

The Department for Finance and Personnel (DFP) recently presented its *Review of Northern Ireland Executive Budget 2008-11 Process* to the Committee for Finance and Personnel. A DFP official stated that

DFP, jointly with OFMDFM, commissioned an exercise on 28 April asking Departments to quantify expenditure against the [Public Service Agreements] so that we can track direct linkages to the PSA delivery against actual resource allocation.⁴

Once this kind of joined-up information becomes available it should be more possible for Assembly Committees to monitor departmental progress against Programme for Government targets. If departments' Efficiency Delivery Plans and Investment Delivery Plans were also linked in this way, it could become an important part of a budget committee's role to monitor progress against those also as part of a remit to take account of the implementation phase of the budget.

⁴Committee for Finance and Personnel Official Report 12 May 2010 available online at: <http://www.niassembly.gov.uk/record/committees2009/FinancePersonnel/100512ReviewofBudgetProcess.pdf> (accessed 25 May 2010) (see page 12)

Issue 1

The relationship between a budget committee and the Statutory Committees needs be determined – and this would need decisions on whether to move forward with a centralised or hybrid model or to retain the dispersed model. There may be an important role for the Chairpersons' Liaison Group and/or the Business Committee in considering this issue.

Issue 2

At present, delivery of cross-cutting programmes and the Executive's Programme for Government generally is the responsibility of the Office of the First Minister and Deputy First Minister (OFMDFM). Consequently, it is the responsibility of the Statutory Committee for OFMDFM to hold that Department to account on this aspect of NICS Departmental performance. However, Efficiency Delivery Plans, for example, fall within the remit of the Committee for Finance and Personnel. It may be worth exploring if there is some merit in bringing all these cross-cutting issues under the remit of a budget committee.

3. How could a budget committee be established?

The statutory provisions giving the Assembly the power to establish committees are contained in the Northern Ireland Act 1998 (c.47).⁵ Section 29(1) of that Act provides that the Assembly's Standing Orders must make rules:

(a) for establishing committees of members of the Assembly ("statutory committees") to advise and assist each Northern Ireland Minister in the formulation of policy with respect to matters within his responsibilities as a Minister;

(b) for enabling a committee to be so established either in relation to a single Northern Ireland Minister or in relation to more than one; and

(c) conferring on the committees the powers described in paragraph 9 of Strand One of the Belfast Agreement.

Paragraph nine of Strand One of the Belfast Agreement states:

The Committees will have a scrutiny, policy development and consultation role with respect to the Department with which each is associated, and will have a role in initiation of legislation. They will have the power to:

- consider and advise on Departmental budgets and Annual Plans in the context of the overall budget allocation;*
- approve relevant secondary legislation and take the Committee stage of relevant primary legislation;*
- call for persons and papers;*
- initiate enquiries and make reports;*
- consider and advise on matters brought to the Committee by its Minister.*

Issue 3

Section 29(1)(b) seems to empower the Assembly to establish only a single committee in relation to a Northern Ireland Minister. If a budget committee were established and the Committee for Finance and Personnel were retained this would mean the Assembly had *two* committees in relation to the Minister for Finance and Personnel. The Committee may wish to seek legal advice to establish whether a budget committee could be established under the existing provisions or whether an amendment to the legislation would be necessary.

⁵ Northern Ireland Act 1998 (chapter 47) available online at:

<http://www.statutelaw.gov.uk/legResults.aspx?LegType=All+Legislation&title=northern+ireland+act&Year=1998&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&sortAlpha=0&TYPE=QS&PageNumber=1&NavForm=0&activeTextDocId=2045126> (accessed 14 May 2010)

It might be possible to establish a budget committee as a sub-committee of the Committee for Finance and Personnel, however this approach would not provide it with any additional powers in relation to the other Statutory Committees (see section 4 below). Under Standing Order 63 a sub-committee can only discharge delegated functions of – and must report to - the parent Statutory Committee.⁶

Other alternatives that might be considered are:

- the establishment of a budget committee as a ad-hoc committee with terms of reference that would allow it to take on a centralised budget role as a matter of joint concern; or
- all the Statutory Committees sitting concurrently to deal with the strategic phase of budgeting.

Issue 4

Paragraph nine of Strand One of the Belfast Agreement states that each Statutory Committee will have the power to consider and advise on its respective Departmental budget. The relationship between a budget committee and the Statutory Committees would need to be developed with this in mind.

⁶ The NIA Standing Orders are available online at: <http://www.niassembly.gov.uk/sopdf/2007mandate/StandingOrders.pdf> (accessed 18 May 2010)

4. What powers would a budget committee need?

The powers that a budget committee would need will depend to a large extent on whether it were to be a totally centralised committee with responsibility for all budgetary decisions within the Assembly or a hybrid.

4.1 A centralised budget committee

As noted above, a budget committee on the centralised model would take over the Statutory Committees current remit to scrutinise and advise their respective Ministers on budget allocations.

Budgeting in Austria

The parliamentary process for the budget in Austria provides an interesting model for consideration in the Northern Ireland context. This is because typically no political party enjoys a majority and therefore coalitions are necessary.

The budget process

The time that Parliament in Austria has to consider the budget proposal is relatively short. The budget is presented two months before the start of the fiscal year; in most OECD countries a three-month period is more common.⁷

The Minister of Finance begins the process with a speech in late October, following which Parliament is immediately adjourned. The following day members of parliament respond in a debate that typically lasts eight to ten hours. Then the budget proposal is referred to the Budget Committee.

Committee stage

The Budget Committee consists of a main committee and a number of sub-committees (see section 5 below regarding membership of a budget committee). The main committee is responsible for the budget proposal as a whole, and also for in-year monitoring of implementation – the Minister of Finance is required to report to it quarterly.

The Budget Committee's examination takes place over a one-week period. The main committee first examines the overall budget strategy (the 'budget hearing'). For this hearing, each political party nominates an outside expert (i.e. not a Member of Parliament) to take part in the questioning of the Minister.

⁷ Blöndal, JR and Bergvall, D (2007) 'Budgeting in Austria' *OECD Journal on Budgeting* Vol. 7 No.3 available online at: <http://www.oecd.org/dataoecd/57/47/40961371.pdf> (accessed 24 May 2010)

The next stage moves to the sub-committees. The budget of each government ministry is examined over a one-week period at a more detailed and programme-specific level. Each sub-committee then reports to the main Budget Committee.

The Budget Committee reconvenes to discuss the sub-committees' reports and to consider any amendments to the budget.

Amending the budget

There are three types of amendment that may be moved by the Budget Committee:

Government amendments

These can be technical corrections, responses to new political pressures, or – most commonly – the result of negotiations between the coalition parties on sensitive issues that were not finalised prior to the introduction of the budget. The Minister of Finance would have mentioned these areas in his/her budget speech. It should be noted that these negotiations do not take place in the Budget Committee but are rather conducted by the leaders of the coalition parties, who then inform parliament of the decisions. The subsequent amendments may increase total expenditures or – more commonly – involve reallocations of expenditures within the same total level of expenditures.

Budget Committee amendments

The Budget Committee may introduce amendments on its own initiative. This can sometimes be a response to the lobbying efforts of spending ministries – who “lost” in negotiations with the Ministry of Finance – for increased expenditure. It is extremely rare that this practice is successful, but it does happen and is regularly attempted.

Opposition amendments

Opposition parties may propose amendments. As their amendments would by definition not be agreed by the majority in the committee, the opposition will only announce their amendments in the Budget Committee, and then formally introduce them in plenary session during the second reading of the budget. There is no possibility for the majority to “kill” amendments in committee.⁸

The conclusions that the Budget Committee reaches for the basis for the next reading of the budget.

⁸ Blöndal, JR and Bergvall, D (2007) 'Budgeting in Austria' OECD Journal on Budgeting Vol. 7 No.3 available online at: <http://www.oecd.org/dataoecd/57/47/40961371.pdf> (accessed 24 May 2010) (see page 18)

Second reading

One or two weeks after the Budget Committee's examination, second reading takes place in plenary and takes around a week. The chair of the Budget Committee outlines agreed amendments and their rationale. Next a senior member of each sub-committee initiates a discussion on each ministry's allocation. This is also the stage when opposition parties may introduce their amendments – consolidated into a single proposed amendment for each budget chapter – although these amendments are “uniformly rejected.”⁹

Third reading

This is the final stage and consists of a vote being taken on the budget as a whole. It occurs immediately after the conclusion of the votes on each chapter. There is no separate debate for third reading.

How well does this work?

It has been argued that “the present committee structure for deliberating the budget is exemplary in most respects, as it seamlessly links the discussion of finance (budget committee) and policy (sectoral committees), in administrative terms.”¹⁰

It was also noted, however, there were areas in which committee involvement could be strengthened. Whilst the focus of this section of the paper is on structural issues relating to committee design, it is worth noting that:

*The Budget Committee could, for example, concentrate more on the aggregates. It could give voice to the “macro” budgetary issues, overall priorities between different chapters, and fiscal sustainability. This is especially important with the introduction of the budget strategy report. The sectoral committees could also concentrate on integrating further the budgetary and substantive policy aspects of their work. This is especially important if performance and results information is to be integrated into the discussion, as envisaged by the proposed budget reforms. The sectoral committees could then be in a position to link budget, policy and performance.*¹¹

⁹ Blöndal, JR and Bergvall, D (2007) 'Budgeting in Austria' *OECD Journal on Budgeting* Vol. 7 No.3 available online at: <http://www.oecd.org/dataoecd/57/47/40961371.pdf> (accessed 24 May 2010) (see page 19)

¹⁰ Blöndal, JR and Bergvall, D (2007) 'Budgeting in Austria' *OECD Journal on Budgeting* Vol. 7 No.3 available online at: <http://www.oecd.org/dataoecd/57/47/40961371.pdf> (accessed 24 May 2010) (see page 20)

¹¹ Blöndal, JR and Bergvall, D (2007) 'Budgeting in Austria' *OECD Journal on Budgeting* Vol. 7 No.3 available online at: <http://www.oecd.org/dataoecd/57/47/40961371.pdf> (accessed 24 May 2010) (see page 20)

It should also be noted that Austria has embarked on a process of reform of its budgeting – particularly in relation to linking stage one of the process to a medium-term expenditure framework and making the budget information less input-oriented.¹²

4.2 A hybrid budget committee

A hybrid budget committee does not take responsibility for all budget scrutiny. Rather it would take over some of the scrutiny function from Statutory Committees whilst they retain elements related specifically to their sectoral remit.

Issue 1 (see section 1) needs to be explored before much detail on specific design issues is either possible or helpful. In order to inform the discussion, however, some case study information may be of interest.

The Finance and Expenditure Select Committee, New Zealand

The Finance and Expenditure Select Committee is a committee of the House of Representatives (note that the New Zealand Parliament is unicameral, so there is no upper chamber). There is a two-stage parliamentary process on the New Zealand Budget.

The budget process –stage one

The first stage is divided into the following steps:

- The Budget Policy Statement.

This is tabled (usually in December) in the House of Representatives by the Minister of Finance and states the broad strategic priorities for the forthcoming budget; explains any changes in long-term fiscal objectives; and, explains changes in short-term fiscal intentions.

Under the Parliament's Standing Orders¹³, the *Budget Policy Statement* is referred to the Finance and Expenditure Select Committee which has 40 days to report to the House and its report is then debated.

- Delivery of the budget

The government moves an *Appropriation Bill* to give effect to its budget. The first stage (which is not debated as in the Northern Ireland Assembly) of this comes before the *Budget Statement* which occurs at the same time as the second stage of the Appropriation Bill.

¹² Meszarits, V and Seiwald, J (2008) Federal Ministry of Finance Working Paper 3/2008 'Budgetary Reform in Austria: Towards tighter coupling within the financial and management system' available online at http://english.bmf.gv.at/budget/theaustrianfederalb_399/working_paper.pdf (accessed 24 May 2010)

¹³ New Zealand Parliament (2008) 'Standing Orders of the House of Representatives' available online at: <http://www.parliament.nz/en-NZ/PB/Rules/StOrders/1/b/6/00H0HPBReferenceStOrders2-Standing-Orders-of-the-House-of-Representatives.htm> (accessed 18 May 2010) (see pages 101-4)

- Fiscal Strategy Report and Economic and Fiscal Update.

At the same time as the Budget Statement the government presents a *Fiscal Strategy Report and Economic and Fiscal Update*. This is also referred to the Finance and Expenditure Select Committee which has two months to report to the House.

- Half-year economic and fiscal updates and statement on long-term fiscal position

This is published between 1 November and 31 December (and can therefore help inform scrutiny of the following year's *Budget Policy Statement*. Again, this publication is referred under Standing Orders to the Finance and Expenditure Select Committee.

The budget process – stage two

After consideration by the Finance and Expenditure Select Committee and the House of the overall budgetary position, stage two looks in more detail at the estimates.

- Referral of Estimates

Under Standing Orders the Estimates are referred firstly to the Finance and Expenditure Select Committee. It may

(a) examine a Vote itself, or

(b) refer a Vote to any subject select committee, or

(c) examine some of the appropriations contained in a Vote itself and refer the remainder to any subject select committee, or

(d) refer the appropriations contained in a Vote to two or more subject select committees.¹⁴

- Examination of Estimates

Each select committee to which a Vote is referred examines the Estimate, and either recommends the appropriation be accepted or amended. They have two months to report to the House and there is a debate on all the Estimates and the Votes are taken.

- Supplementary Estimates

A similar process is used for supplementary estimates, whereby the initial referral under Standing Orders is to the Finance and Expenditure Select Committee.

It is interesting in the context of this paper that it is the Finance and Expenditure Select Committee that decides what it will investigate itself and what it will refer (in effect delegate) to the sectoral committees.

¹⁴ New Zealand Parliament (2008) 'Standing Orders of the House of Representatives' available online at: <http://www.parliament.nz/en-NZ/PB/Rules/StOrders/1/b/6/00HOHPBReferenceStOrders2-Standing-Orders-of-the-House-of-Representatives.htm> (accessed 18 May 2010) (see *Standing Order* 327 pages 102-3)

The Finance Committee in the Swedish budget process

A further example of a hybrid system is provided by Sweden's budgeting process.¹⁵

The budget process

In spring each year the government prepares a Fiscal Policy Bill, which contains guidelines for the coming year's budget policy. This is scrutinized by the Finance Committee and reported on to Parliament; the first parliamentary decision is in the autumn.

A Budget Bill is prepared by the executive the following September which proposes aggregate expenditure ceilings. There are 27 expenditure areas in total. The Finance Committee is responsible for the aggregate spending total as well as the 'frames' for each of the 27 areas; this hierarchical structure was a key part of budgetary reform in the 1990s and early 2000s.

The role of sectoral committees

Sectoral committees are responsible for between one and four expenditure areas. They can make allocational proposals within the approved ceilings for each area; they can propose shifting funding between items within an area, but may not breach the total set for the area:

*In effect a hard budget constraint has been imposed on sectoral committees. Members on the sectoral committees initially resisted this change, but against the backdrop of fiscal crisis, the reformers assembled enough support for the new process to be accepted.*¹⁶

This model may be of some interest for considering how a central budget or finance committee could be fitted within the processes of the Northern Ireland Assembly. Revision of the committee structure alone, however, was not considered to be entirely the cause of Sweden's recovery from a position of fiscal crisis in the 1990s.

The voting procedure

A major factor is also the voting procedure:

The report of the Finance Committee contains a proposal as well as reservations from the opposition parties that cover total spending, the allocation of expenditure across different areas as well as revenue changes. These are treated as packages, unlike in the previous system where shifting majorities could form on individual items [of expenditure]. Under the new system, opposition proposals are eliminated until one main

¹⁵ Material from Assembly Research Paper 45/10 presented again here for ease of reference.

¹⁶ Wehner J (2007) 'Budget reform and legislative control in Sweden' *Journal of European Public Policy* Vol.14 no.2 313-332 (see page 320)

*alternative remains. Opposition parties are ideologically fragmented and typically do not unite against the government, but only support their own proposal.*¹⁷

The voting procedure itself is set out in the Riksdag Act:

Settlement by acclamation

Art. 5. When a matter is settled by acclamation, the Speaker puts to the question every motion put forward in the course of the deliberations. The question shall be worded in such a way that it can be answered with a 'Yes' or 'No'. The Speaker declares what he understands to be the result, and confirms the decision by striking his gavel, unless a member calls for a vote.

Settlement by means of a vote

Art. 6. When a matter is settled by means of a vote, the principal proposal is that motion which in the Speaker's view the Riksdag adopted by acclamation. When there has been no acclamation, the principal proposal is the motion determined by the Speaker. A second motion is put up against this principal proposal to act as a counter-proposal. If there are more than two motions which can be put up against each other, the Riksdag shall first apply Article 5 to determine which shall constitute the counter-proposal.

*Voting is by open ballot. Under the rule laid down in Chapter 4, Article 5 of the Instrument of Government, the proposal which obtains the support of more than half the members voting constitutes the decision of the Riksdag, unless otherwise provided in the Instrument of Government or in this Act. The Speaker announces the result of the vote and confirms the decision by striking his gavel.*¹⁸

It is interesting to note the way the voting procedure deals with a parliament fragmented on ideological lines. It may be that the application of an adapted procedure along these general lines could provide a means to counter-balance both the Executive and a centralised budget or finance committee in the Northern Ireland Assembly. It would mean a quite radical departure from current practice for handling amendments, and might require primary legislation.

¹⁷ Wehner J (2007) 'Budget reform and legislative control in Sweden' *Journal of European Public Policy* Vol.14 no.2 313-332 (see page 321)

¹⁸ See an English-language translation of the Riksdag Act online at: http://www.riksdagen.se/templates/R_PageExtended_6422.aspx (accessed 05 May 2010)

Issue 5

From the examples presented above, it can be seen that a central budget committee can take a variety of forms. What does seem evident is that the committee procedures and structure are linked to the overall budget process. As the budget process in Northern Ireland is likely to undergo some reform over the coming period it should be considered if the committee structure should be redesigned *in parallel*; the alternative is to wait for the new process and to then try to design a structure to fit onto that process.

5. Who would sit on a budget committee?

At present the Northern Ireland Assembly's Statutory Committees' membership is determined in accordance with party strength in the Assembly as a whole.¹⁹

Committee chairpersons

The positions of chairperson and deputy chairperson are filled through a system of nominations: "in making nominations, nominating officers shall prefer committees in which they do not have a party interest over those in which they do have a party interest."²⁰

'Party interest' is defined as the Minister to which a Statutory Committee will relate being of the same party as the nominating officer. In relation to the Committee for the Office of First and Deputy First Minister (COFMDFM) it is either of the joint Ministers of that Department. The effect of this is to prevent the chairperson of a Statutory Committee being from the same political party as the Minister whose performance it is scrutinizing.

This gives rise to an obvious problem in relation to a central budget committee. The budget, like the Programme for Government, is a product of the Northern Ireland Executive. While it is brought forward by the Minister for Finance and Personnel it does not *belong* to him or her. So who would chair a committee with overall responsibility for the budget?

The convention in Germany (which operates a centralised budget committee) is that the chair of the Budget Committee is filled by a member from the opposition.²¹

In Austria, the Budget Committee is made up of 26 members of parliament (each of whom has a substitute or 'understudy' member), with each party represented according to number of seats in the parliament overall. Each sub-committee of the main Budget Committee comprises members of the sectoral committees. It is chaired, however, by a member of the main Budget Committee.

The current Chair of the Budget Committee is a member of the ÖVP which is the second largest party in the National Council. It should be noted that the Austrian Parliament operates on quite an unusual model with three Presidents. Also members have 'free mandates' enshrined in legislation; there can be no compulsion for members to follow the party line, although in practice they usually do.²²

¹⁹ The NIA Standing Orders are available online at: <http://www.niassembly.gov.uk/sopdf/2007mandate/StandingOrders.pdf> (accessed 18 May 2010)

²⁰ Standing Order 48(5)

²¹ Budget4change 'Preliminary donor budget scoping paper' available online at: <http://www.budget4change.org/library/reports/preliminary-scoping-papers/germany.pdf> (accessed 24 May 2010)

²² See the Austrian Parliament's website which has some useful pages in English: http://www.parlament.gv.at/EN/AP/PA/PAHEUTE/P_PART/ROLE/role-E_Portal.shtml (accessed 26 May 2010)

It is also interesting in the case of Austria that political parties on the Budget Committee can delegate the function of members of parliament at the primary budget hearing to an outside – and unelected – expert: “most of the discussion takes place between the Minister of Finance and these outside experts.”²³

The reality is that budget practices and the committees that scrutinize the executive’s proposals across the globe are extremely diverse.²⁴ There is a relevant model from within the Northern Ireland Assembly, too.

COFMDFM scrutinizes the Office of First and Deputy First Minister which has responsibility for the Programme for Government – like the budget this is a product of the Executive collectively. The Committee is chaired by Members who are not from either of the two biggest parties - as required by standing orders. It might be that a budget committee could follow this precedent. Or perhaps it should be chaired by a Member of the Assembly whose party is not in the Executive?

Committee membership

Generally speaking, the composition of committees internationally reflects that of the parent chamber. Parliamentary political groups are typically represented in committees in proportion to their numerical strength in the chamber. Special consideration can be given to smaller groups to ensure their representation in committees, either as full members or as observers.²⁵

In some parliaments (such as Luxembourg for example), members of the Budget Committee can attend the meetings of other permanent committees and receive requests from them. In these countries, permanent committees in turn can nominate one or more of their members to participate as advisers in the Budget Committee.²⁶

It might be considered that if a central budget committee has a challenge function – or indeed can overrule – in regard to the views of a sectoral committee on a budget proposal there would be a conflict of interest for members who were sitting on both committees. It hasn’t proved possible, however, to find an example in the standing orders of other parliaments that explicitly addresses this issue.

Issue 6

Consideration of the posts of chairperson and deputy chairperson and of membership of a budget committee generally needs to be explored further. It would be helpful to reach

²³ Blöndal, JR and Bergvall, D (2007) ‘Budgeting in Austria’ *OECD Journal on Budgeting* Vol. 7 No.3 available online at: <http://www.oecd.org/dataoecd/57/47/40961371.pdf> (accessed 24 May 2010) (see page 17)

²⁴ See <http://blog-pfm.imf.org/pfmblog/2010/01/how-do-parliaments-approve-budget-laws-and-oversee-budget-processes.html> (accessed 24 May 2010)

²⁵ Yamamoto, H (2008) ‘Tools for parliamentary oversight: A comparative study of 88 national parliaments’ *Inter-Parliamentary Union* available online at <http://www.ipu.org/PDF/publications/oversight08-e.pdf> (accessed 24 May 2010)

²⁶ Yamamoto, H (2008) ‘Tools for parliamentary oversight: A comparative study of 88 national parliaments’ *Inter-Parliamentary Union* available online at <http://www.ipu.org/PDF/publications/oversight08-e.pdf> (accessed 24 May 2010) (see page 37)

conclusions on the model of budget committee that is to be followed first; the extent of its powers in relation to or relationship with the Assembly's Statutory Committees will give a clearer picture of what rules on membership might be needed.