



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

**Draft Budget 2011-15:
Spring Supplementary Estimates
and Vote on Account**

2 February 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Paul Frew
Mr Paul Girvan
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Michael Brennan) Department of Finance and Personnel
Ms Agnes Lennon)

The Chairperson (Mr McKay):

I welcome Mr Michael Brennan and Ms Agnes Lennon from the central expenditure division of the Department of Finance and Personnel. Michael, your briefing paper states that, once again, accelerated passage will be required. What steps have been taken to ensure that there has been appropriate consultation with this Committee, as is required under Standing Order 42(2)?

Mr Michael Brennan (Department of Finance and Personnel):

Perhaps Agnes can add more detail, but the Committee has much experience of this process, and it knows it very well. The spring Supplementary Estimates (SSEs) are the end point in a long

process that begins with the approval of the Main Estimates. The Committee also had discussions on the revised 2010-11 spending plans and the three monitoring rounds in June, September and December. Therefore, there has been a long, iterative process of engagement with the Committee, which has taken us to the point of seeking accelerated passage.

The Chairperson:

In layman's terms, can you demonstrate how the SSEs link to the monitoring round allocations? How does the Department ensure that the Executive's main priorities are still to the fore and that value for money is achieved in moving expenditure on that scale?

Mr Brennan:

An explanation of what the Budget is, as agreed by the Executive and the Assembly, and the Estimates process, is incredibly technical. However, we have provided the Committee with a table that shows the reconciliation of departmental expenditure from the Budget allocations to Departments to give reassurance that reconciliation is possible in the Budget settlement that Departments have and the Estimates as approved by the Assembly.

Ms Agnes Lennon (Department of Finance and Personnel):

Each estimate also shows two reconciliation tables; one for resource and one for capital, which take you from the estimate position to the current Budget position. There is absolutely no doubt about the relationship between the two.

Mr McLaughlin:

This is an incredibly technical and complex issue, and a significant amount of hair-pulling has gone on to get to this stage. The background was one of bad-tempered discussion about delay in producing sufficient information. To use a term that has come into use lately around the green new deal; will we be "retrofitting" a Programme for Government on to a Budget?

Mr Brennan:

Are you asking about a new, emerging Programme for Government?

Mr McLaughlin:

I am talking about the process. We are deciding a Budget before we decide what our priorities are.

Ms Lennon:

The particular Estimates in front of you are for the year 2010-11, which fits within the last Programme for Government.

Mr McLaughlin:

That is part of what I am talking about. It is very difficult. I am not creating problems, because I understand why some of these bottlenecks occur, but I do not think that you can separate the absence of a strategic perspective governed by some kind of endorsement by parties, from a direction of travel. We have a certain direction of travel that is mandated until, I think, 31 March, and sometime in May we will hopefully work out a consistent and agreeable way forward to reflect that. However, year on year, we have this kind of confusion or pile-up. We have accelerated passage and either the withholding of or failure to produce information in a timely fashion, which the Committee has drawn attention to early enough, but we never got a satisfactory response from the Department about how we unblock the process.

Mr Brennan:

As Agnes said, these Estimates are the tidy-up for the 2010-11 year, and the allocations made in that year by the Executive and approved by the Assembly were for the existing Programme for Government. The table included in members' papers indicates that the resources and capital allocations to the Department were made on the basis of the existing Programme for Government and endorsed by the Executive and the Assembly. This is really just end-of-year closure.

Mr McLaughlin:

What I am getting at is that it is also the end of term, which is different this year from the problems that we had last year.

Mr Brennan:

The big difference in the spring Supplementary Estimates this year is the fact that Treasury has taken away the end-year flexibility (EYF). That means that we have to ensure that we build in sufficient headroom in particular areas so that, whatever resources emerge from February monitoring, we can allocate that back to Departments to spend within the remaining weeks of this financial year rather than surrender it back to the Treasury. That is the big difference in addressing these SSEs.

Mr McLaughlin:

I accept what the spring Supplementary Estimates discussion is meant to achieve. I wonder if our process takes account of the ability of the Assembly to sustain itself from one term into another, and to have a continuum that operates on that assumption. Some people thought that it was controversial to take a four-year view instead of having an annual process, but we need to be thinking about terms of three, four or five years in order to have a strategic direction of travel. I do not think that our processes serve us well. It is a pillar-to-post system.

Ms Lennon:

That is what the Budget does; it takes the longer-term view, but the Assembly has to approve spending plans of Departments annually, which is what this process does. As Mike said, it is about approving spending plans for the end of the year.

We have just had the December monitoring round and the outworkings of that, the Executive's approval of it and announcement to the Assembly, following which the database has to be updated with all of the information in order to produce the Estimates that are before you today. That takes time. The Assembly recognises the need for accelerated passage in its Standing Orders, as do other devolved Administrations.

Mr McLaughlin:

Yes. However, I contend that we are dealing with a situation that was almost handed to us. I do not believe that the spring Supplementary Estimates process, in itself, is inherently wrong. It is being used for the wrong purpose. That is because there is a short-term perspective. It is not necessarily the best option that is available to an Assembly that is capable of sustaining itself, not only through a term, but on an ongoing basis in the foreseeable future.

Mr Brennan:

It is certainly a convoluted process. We have discussed —

Mr McLaughlin:

We end up with a logjam every year at this time of the year.

Mr Brennan:

Yes. As you know, we have been to the Committee previously to look at rationalising the entire financial process with a view to making it simpler and more transparent. In fact, our Minister issued a paper, which has been with the Executive for a considerable time — since September — to try to get that cleared. I do not think that anyone would dispute that there is need for greater transparency and simplification of the interrelationship of Supplementary Estimates with the Budget, and the entire Budget process.

Ms Purvis:

Can I go back to the issue of headroom and reductions that are built into SSEs? You say quite clearly that those are not extra resources to be spent by the Executive and that they must be used only for agreed purposes. How can you ensure that they are spent only for agreed purposes?

Ms Lennon:

First, when you build in headroom, it means that the Assembly will approve the upper limit that can be spent in individual areas. It will be up to the Executive in the February monitoring round to decide whether they actually want to make a Budget allocation for those areas of expenditure. If they do not make that Budget allocation in those areas of expenditure, the Department of Finance's supply division will monitor that and will not allow any virement from that area of expenditure to any other area where overspend could have been incurred.

Mr O'Loan:

I want to raise a matter that I should have raised in the previous session when we discussed strategic issues. If you do not mind, I would like to take advantage of your continued presence, Michael. Some time ago, I raised the issue of the change to state aid rules. I wondered whether the Committee should look at that issue. The Committee Clerk has helpfully written me a note in that regard. Obviously, it might have bigger implications for DETI than for the Department of Finance. However, potentially, a change to state aid rules in 2014 might have budgetary implications during the four-year Budget period. Is there an issue for the Department? Has the matter been given consideration? Are there potential issues that the Committee ought to think about?

Mr Brennan:

We are, certainly, aware of imminent changes to regional aid rates, for example, with regard to

assistance for industry. I know that DETI is exploring the issue with both the Treasury and the EU Commission. The draft Budget position has been constructed on the basis of what we know that we will draw down from EU receipts for matched funding during the four years. Therefore, certain assumptions are built into departmental allocations with regard to what they will need in order to draw down their EU funding. That is allowed for and covered.

However, if there is significant change — for example, if the European Commission decides to grant a further dispensation with regard to regional assistance rates, that would, obviously, lead to the DETI Minister having to come back to the Executive to say that the funding envelope for Invest NI has to change because its perceived level of activity may be higher or lower. We have not constructed a Budget position based on the aspirations of getting some change with regard to regional aid; it is constructed on the basis of what we know at this point in time.

Mr O’Loan:

Could that represent a big budgetary problem for the way in which DETI might do its business?

Mr Brennan:

I would not have thought so. Following their meeting with President Barroso, the Executive are looking at ways to identify, explore and maximise other EU funding streams. If any of those materialise and come through, it may be a material issue to factor into a Budget position.

Mr O’Loan:

Does that relate to state aid rules?

Mr Brennan:

It might. For example, Northern Ireland might get a further dispensation on the regional aid thresholds that apply here, so it might be a material issue.

Mr O’Loan:

OK. We can think about that.

The Chairperson:

Thank you both for addressing the Committee.