Northern Ireland
Assembly

COMMITTEE FOR
FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

Draft Budget 2011-15: Strategic Issues

12 January 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Ms Jennifer McCann (Chairperson)
Mr David McNarry (Deputy Chairperson)
Dr Stephen Farry
Mr Paul Frew
Mr Simon Hamilton
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Michael Brennan	)	
Ms Joanne McBurney	)	Department of Finance and Personnel
Mr Jeff McGuinness	)	

The Chairperson (Ms J McCann):
Today, departmental officials will focus on the strategic and cross-cutting issues covered in the draft Budget 2011-15 document, which has been issued separately to members. I also refer members to correspondence from the Irish Congress of Trade Unions.

I welcome Mr Michael Brennan, head of the central expenditure division, and Ms Joanne McBurney and Mr Jeff McGuinness, also from the central expenditure division, all of whom are in the corporate services group. Michael, since you have been here before, I will ask you to make a brief opening statement, and I will then open the session to members' questions.

Mr Michael Brennan (Department of Finance and Personnel): Thank you, Chairperson. I shall begin by highlighting the main issues in the draft Budget document. The starting point for the Executive was the conclusion of the UK spending review, which reduced the current departmental expenditure limit allocation to Northern Ireland by 8% in real terms over the four-year period and the capital expenditure allocation by just over 40% in real terms. The Executive then had to look, initially through the Budget review group, at ways of raising additional revenue for allocation through the budgetary process. Some of the steps that they took, which are reflected in the draft Budget position, relate to rates, for example. Domestic and non-domestic rates will increase in line with inflation over the four-year period, generating £12 million in the first year and, subsequently, £27 million, £44 million and £63 million across the four-year period. That is a total of £146 million that will come through the inflation increase in domestic and non-domestic rates. Some other additional new revenue sources that the Executive have factored into the draft Budget position relate, for example, to Belfast port. The Minister for Regional Development will bring a paper to the Executive on suggested changes and recommendations for ports legislation, which he anticipates will free up £125 million over the four-year period.

In advance of that, the Executive decided to factor some initial resources into the draft Budget position. For instance, in year one, there is a £5 million allocation for the refurbishment of the Paint Hall in the harbour commissioners' estate, and, in years three and four, a dividend of £15 million a year will come into DRD from Belfast port.

Work is to be progressed by the central asset management unit in OFMDFM on maximising capital receipts. However, the Executive thought that £542 million was a robust amount to factor into the Budget position at this time. Four hundred and forty-two million of that was already built into the Budget positions by Departments. They were receipts that Departments had keyed into DFP receipts, which they were already planning on getting. There was an additional £100 million of receipts that the Executive concluded could be delivered by the central asset management unit over the four years.

The decision to carry across £23 million of capital expenditure from the 2010-11 financial year into 2011-12 also assisted the Executive. That £23 million will be available to the Executive for the Budget period.

The introduction by the Environment Minister of a levy on plastic bags is another revenue-raising measure that has been built into the Budget position; it is assumed that it will raise £4 million in each of the four years of the Budget period. A contribution of £20 million per annum, for the next four years, by housing associations towards new housing construction is another measure that has been built into the Budget position.

The Budget review group considered a wide range of other revenue-raising issues, which come to some £800 million over the four-year period. However, the Executive took the view that there was still work to do to firm up those proposals. They have asked the ministerial Budget review group to look at those proposals and to firm them up with a view to factoring them into a final Budget position to see how robust they are. If they are genuinely deliverable, they should be factored into the Budget position.

The Executive decision reflected in the draft Budget position was that staff would receive their contractual entitlements in scale progression and that all staff earning less than £21,000 would receive a payment of £250. That is similar to the announcement that the UK coalition Government made for Civil Service workers in the UK. There will be a moratorium on Civil Service recruitment for 2011-12, and there will be a review at the end of that to decide whether the moratorium will continue. Ministers have also agreed to take voluntary reductions in salary.

The employment of external consultants was of great concern to many Ministers. The analysis of the figure work showed that although expenditure on external consultants has more than halved over the past four years, there is still a desire to exert further pressure downwards towards eliminating those cost pressures. The Executive therefore agreed that a target of a 10% per annum reduction on the employment of external consultants would be introduced. Furthermore, if a Department wanted to employ an external consultant and if any of the proposed projects cost more than £10,000, the Department would require ministerial endorsement to proceed.

There was considerable interest in rationalising the scope and cost of arm's-length bodies, but the work in taking that forward and seeing what can be delivered has been remitted to the ministerial Budget review group to firm up the foundations.

There was also considerable debate about the pressures on the capital budget over the next four years and concern about the implications for the construction sector, for example, and the wider economy. There was a significant transfer or reclassification of departmental expenditure limit resources from current expenditure into capital investment resources; over the four-year period, that totalled just over £250 million.

Under Treasury's accounting rules, it is permissible to transfer resources from current to capital — that is relatively straightforward — but not from capital back to current. However, the Executive have agreed that if a Minister had significant current pressures but thought that they might have less pressure on their capital side they could approach the Executive for permission to reclassify from capital to current. That will be managed in the totality of the Northern Ireland departmental expenditure limit.

Two new funds were established: a social investment fund and a social protection fund. The social investment fund, which is led by OFMDFM, will spend approximately £20 million a year in each of the four years on revitalising the marginalised and most deprived communities in Northern Ireland. Initially, the allocation for the social protection fund will be £20 million in 2011-12; later, however, funding will come through the additional receipts that are generated. The social protection fund is targeted at addressing the negative outcomes of the UK's welfare reform agenda to provide assistance and support to those who suffer most as a consequence of that.

Another important issue that is worth flagging up is the recommendation to provide assistance to the administrator to resolve the Presbyterian Mutual Society problem. The Executive have allocated £25 million of departmental expenditure limit to match-fund the Treasury's contribution of £25 million. That sits at the centre to be managed as a mutual access fund to assist the most deprived. In addition, Treasury has indicated that £175 million of annually managed expenditure

(AME) will be made available through our borrowing facility to go towards a long-term resolution of realising the assets and paying back savers and creditors.

The Executive also took a decision to establish an invest-to-save initiative for the four years of the Budget. The rationale was that short-term immediate interventions now can generate long-term savings for the Executive over the four-year period of the Budget and beyond and that if a business case is submitted under the invest-to-save banner that shows value for money and generates long-term savings it should be supported. At present, the allocation is £75 million in each of the four years to Departments under the invest-to-save banner. DFP has now asked Departments to produce business cases to justify those allocations so that we have robust evidence to make the allocations.

The Executive's priority when constructing the Budget was the need to offer a degree of ring-fenced protection for health services in Northern Ireland through the allocation to the Department of Health, Social Services and Public Safety (DHSSPS). That is reflected in the fact that the allocations for the health element of the DHSSPS budget, which is 77% of that budget, has been built in at 0·2% per annum over the four-year period. That compares with an allocation in Wales for combined current and capital real terms allocation for 2011-12 of -2·5% and a combined current and capital allocation for Scotland of -0·3%. I know that there is an issue about the Minister's response to a question after his Budget statement, in which he quoted a figure of 3·0% rather than 0·3%. That was not in the Minister's statement as such; it was a response to a question that he caveated by saying "I think" at the start. However, I am sure that the Minister is now aware of that and will want to correct it at the earliest opportunity.

It is also worth pointing out that the Executive agreed that the Health Minister will have full discretion over how he allocates the resources from his budget. That is a significant concession to a Minister to move allocations across spending areas.

There are other key issues. Full provision has been made to the Department of Justice for the training college at Desertcreat. Funding has been allocated for the green new deal project. The Executive regard that as very important because it provides them with an opportunity to make an initial allocation to an initiative that will generate significant employment in the short term, for example, in the local construction industry. At the same time, it levers in significant private-sector spend — some £180 million of private sector spend will come in after the Executive's contribution has been made.

Another issue to flag up is that the concept of ring-fencing for the Department of Justice stays over the Budget period. That was important as it emphasises to the Treasury the importance that the Executive attach to the Department of Justice. It was also needed to ensure that we maintain our access to the end-year flexibility that was guaranteed as a result of the policing and justice settlement and the arrangements that we had with the Treasury.

Dr Farry:
Thank you, Michael. I appreciate that there are a probably many political issues of concern to members. The departmental spending plans are a source of great consternation. That goes back to the lack of detail on the draft Budget. I would like clarification on the obligation on Departments to publish their plans. What enforcement powers does DFP have? How can the consultation have any credibility if there is no detail to which to respond?

Mr Brennan:
You will appreciate that that is a matter of grave concern to our Minister. For a considerable time he has expressed concern about the lack of detail available to assist the consultation process.

DFP does not have any specific power to enforce publication. However, a recommendation to publish plans was contained in the Executive paper. The night that the draft Budget was approved by the Executive, Ministers signed up to a clear recommendation to release the information that should be there to assist stakeholders and the wider public; for example, savings delivery plans, equality impact assessments and departmental allocations to spending areas. All that information should be available.

Dr Farry:
I appreciate that this may be a question for a different unit in DFP, but should Departments have been doing plenty of planning so that the logistics of publishing their departmental plans within seven days of the draft Budget being issued should, in theory, be fairly minimal?

Mr Brennan:

Departments were asked last May to start work on their savings delivery plans. When the Executive met at Greenmount College on 6 July last year, there was a commitment that savings delivery plans would be made available. Therefore, work on that should have been progressing over the past six or seven months.

Dr Farry:

Therefore the notion that a Department gets figures in mid-December, stops for the Christmas holidays and starts work now is utterly far-fetched.

Mr Brennan:

Last May, Departments were asked to plan on the basis of a cut of 5% per annum to their budgets. If you look at the allocations now, you will see that most Departments' figures are better than 5%, so, in many ways, money is being put back into their initial savings delivery plan position.

Dr Farry:

I want to find out where we go from here with the timetable. I appreciate that the consultation is, in the broadest sense, compressed, which is not good practice. The Committee is concerned that virtually every recommendation on best practice and budgets is not being observed in this process, which is perhaps the most critical Budget that Northern Ireland has had for quite some time and may well have for many years to come. That is deeply disappointing.

Can you give us some indication from a departmental perspective of how you see things unfolding, particularly from 9 February onwards? Is there potential to extend the 9 February deadline? What do you see the timetable being for the formal adoption of a Budget through the Executive and the Assembly?

Mr Brennan:

The timescale will be incredibly tight. The best-case scenario is that formal consultation will conclude on 9 February. That does not preclude organisations and individuals putting submissions in after that date; they will still be considered. However, once the consultation period ends, Ministers will have to take a view on the representations that have been made to them; they will need to decide what material issues have to be factored in. A draft Budget position has to be prepared, taken to the Executive, discussed in bilaterals with Ministers and, finally, signed by the Executive. Assuming that the Assembly goes into recess on 24 or 25 March, there will be an incredibly tight window in which to operate.

Dr Farry:

I will ask two questions on content. Michael, I was encouraged by your comments on the green new deal. My reading of the draft Budget is that, at this stage, the only funding for the green new deal that has been agreed formally is a very small amount based on the plastic bag levy. However, the wider proposals put forward by the Green New Deal Group are still to be agreed. There seems to be a willingness to do it, but there is still work to be done on confirmation. Will you clarify how the process will unfold and the prospects for a formal agreement on that money in the final Budget statement?

Mr Brennan:

A working group involving officials from key Departments is already working on that, beginning well in advance of the publication of the draft Budget and led by the Department for Social Development. The key issue is the profile of spend. For example, there is no way that the green new deal was looking for a complete upfront allocation from the whole Executive from day one; the initiative will be phased in over several years. Therefore, the group was tasked with looking at the profile of the spend required; the £4 million is just to establish the floor in order to take the initiative forward. For example, the decision on the additional revenue resources that materialise will have to be factored in. Nevertheless, officials need to work with the wider stakeholder group on the green new deal initiative to see what the spend profile looks like. For example, the £181 million contribution might be leveraged in from the private sector. What does the spend profile of that look like over time? Work started before the draft Budget was published; it is not a recent development.

Dr Farry:

I am sure that there is a whole host of issues concerning the credibility of figures. However, the biggest is probably the reliability of the capital realisation figures, given that much of the revenue raising is premised on that money being leveraged in. As we are aware, the property market is still very flat, and some banks and economists predict that it will be flat for a number of years. What assurance can you give us that that is a realistic figure and that our Budget will not be quickly knocked off course during the four-year period?

Mr Brennan:

In the days after the announcement of the draft Budget, many commentators talked about the Executive identifying additional spend of £1·6 billion. That was rather misleading. The draft Budget position only factored in £842 million in additional spend over and above the Treasury spending review allocation. The outstanding balance of £800 million equates to the additional revenue resources that Ministers and the Budget review group were looking at. That has not been factored into the draft Budget position. Of the £842 million that has been factored in, £442 million comprises receipts that Departments have already assured us they can deliver, and that has been factored into departmental baselines; it is work that is guaranteed and done and dusted. The other £100 million of receipts was built in after Ministers' discussions with the central asset management unit in OFMDFM. It is profiled at 5, 10, 15, 25 and 50, and it is tiered towards years 3 and 4, when the bulk of those receipts are due to come through, allowing, for example, for any upturn in the property market. It is not as though we are expecting the £100 million receipt to hit us on 1 April 2011.

Ms Purvis:

Will the £100 million come through the central asset management unit?

Mr Brennan:

The central asset management unit in OFMDFM has identified specific projects that it thinks it can bring to the market to realise a receipt.

Ms Purvis:

Why is there no detail of that in the draft Budget?

Mr Brennan:

That is for OFMDFM to provide. Some of it is commercially confidential, because it relates to projects that it wants to bring to market.

Ms Purvis:

We are being asked to have an opinion on something that we cannot see.

Mr O'Loan:

Thank you for your submission. On a technical point, why did your draft Budget document not present the reduction in real terms, Department by Department? We have since received that information from the Assembly Research and Library Service; it is a key piece of information for anyone analysing the Budget. It seems obvious that that should have been in the draft Budget paper.

Mr Brennan:

It is custom and practice that budgets are always presented in cash terms, but we can make the GDP deflators available. However, GDP deflators change regularly. If the document was presented in real terms, it would be meaningless a month later when new GDP figures come out.

Mr O'Loan:

You said that the Treasury reduction was 8% on the revenue side and 40% on the capital side. That is how you prefaced your comments and set the context for the discussion. In light of that, I think that that information ought to have been included.

I want to mention the extra revenue, and, again, it relates to how information was presented. When the draft Budget was issued, there was information in the draft Budget paper, in the Minister's statement to the Assembly and in the press. We can only assume that that information was on the basis of briefings that were given to journalists. The different types of information concern me, and it was noticeable that the more official the published draft document became, the less was in it. Can you give us more clarity on that? The extra revenue has been described, I think, as £842 million. Will you split that between current and capital streams? You said that there was a further £800 million of potential revenue. Will you split that between current and capital streams? Will that £800 million be made certain between the publication of the draft Budget and the final Budget and will it be in the final Budget? It would make a significant difference to departmental positions.

Mr Brennan:

I agree that the departmental level information provided is sparse. The published document was the Executive's agreed position with regard to the funding envelope to be made available to each Department. That is why the Executive agreed that it was vital that all Departments would publish their detailed information within seven days. Before Christmas, all that detailed information should have been made available to the public.

We can give you a current and capital breakdown of the £842 million additional revenue factored into the Budget position. I can give it to you now or I can send it to you. As I said earlier, capital receipts of £442 million have been factored in; those are the receipts that the Departments say that they can deliver. There is an additional £100 million of capital receipts, which the central asset management unit in OFMDFM says is reliable and robust. There is also £146 million in additional receipts from the increase in rates that I mentioned and £23 million from the carry-over of capital departmental expenditure limit. Furthermore, there is £16 million from the plastic bags levy and £80 million from housing associations' contributions to new house starts. That gives a total of £842 million, which is built into the Budget position.

At this point, I cannot give you a breakdown of the additional £800 million that has not been built in but which the Ministers on the review group are looking at, because they are still exploring the viability of those issues. Therefore we do not have a current/capital split; it is up to Ministers to decide how robust they are. The DFP view is that unless they are genuinely deliverable, they will not go into the final Budget position.

The Chairperson:

Hansard staff say that they are having difficulty in hearing some members, so will you please speak up?

Mr O'Loan:

Is it envisaged that the £800 million will, in the round, be solidified by the time the full Budget is published?

Mr Brennan:

The Executive tasked the ministerial Budget review group with delivering a yea or nay on whether those proposals are factored in.

Mr O'Loan:

I presume that that work will continue beyond the Budget and that initiatives will still be set to raise further revenue. Do you expect to have the opportunity to factor some of that in over the four-year period?

Mr Brennan:

I expect so. A significant number of proposals emerged from Departments; some looked very innovative and something that we should pursue. However, as Mr O'Loan said, that would take a couple of years to bottom out.

Mr O'Loan:

I welcome that freshness; that is a very new and extremely good position. Why was there such variation across Departments? The Health Department's budget was ring-fenced and subject to the smallest reduction of, I think, -2·6%. I do not agree with that; it should have been subject to the same level of scrutiny as other Departments. I cannot believe that there is no significant opportunity to make savings from a £4 billion budget. DRD's budget will be reduced by 20·6%, although, in light of recent events, one might question that. DCAL's budget — I am a member of the CAL Committee — is reduced by 17·7%. I have concerns about that. Because of its small budget such a cut does not yield very much money but makes a huge difference to the sectors involved.

There is no information at all on the broad argument. Why does one Department get a far greater reduction than another? For example, the Department of Education's budget was reduced by 12% or 13%. What discussions went on with Departments? Are those agreed positions with Departments? What was the overall rationale behind the allocations?

Mr Brennan:

The starting point in the allocation process was the envelope of available funds. We then looked at the resources that are necessary to meet the protection of health, and that left a balance of resources to be allocated to Departments. Ministers took a view on what were inescapable pressures on Departments, and resources were added accordingly. There was significant ministerial engagement not just in the Executive — the Finance Minister repeatedly met Ministers on a bilateral basis. Therefore, Departments certainly have signed up, and Ministers were at the Executive meeting when the allocations were approved. There was an explicit recommendation in the Executive paper that Ministers approved the current and capital allocations for Departments.

Mr O'Loan:

One could debate that further, but I will leave it there. I want to ask about public sector pay. There is a small pay increase below £21,000 and, essentially, a freeze above it. There is a guarantee that increments and contractual arrangements will be honoured. How much will have to be delivered for contractual arrangements that are already in place? What is the effect of that? Furthermore, what is the justification for the figure of £21,000 beyond the fact that it emerged from Westminster? Given that inflation is now running at 4% or 5%, people who earn £21,000 a year are on small pay levels and do not have much margin. Given the pressures that they are under, what was the justification for that level?

Mr Brennan:

In the public sector there are normally two elements to pay settlements: an inflation uplift and what is called scale progression, which is an employee's contractual entitlement to move up a predefined scale. The Executive took the view that the scale progression element should be met, and the pay bill increase will cost some 2%. That should apply to the Civil Service as well as to the wider public sector. The £21,000 threshold was set by the Treasury. As I understand it, it is a reflection of the average earnings in the UK, excluding London, although I am not certain of the detail.

Mr O'Loan:

Are there not multi-year pay agreements in place in some cases?

Mr Brennan:

If there are and it is a contractual entitlement, they have to be honoured.

Mr O'Loan:

Do you note how many of those are in place and what contribution they make to the overall figures?

Mr Brennan:

I do not have the figures to hand.

Mr O'Loan:

My final point is about the Assembly Commission. This is a new Assembly, and it is very important that it be given the opportunity to do its job effectively. It seems to me entirely wrong that such a cut is being made in a budget that is critical in enabling the Assembly to do its job of scrutinising what Departments do. We can see that the professional side of the Assembly — the staffing side — is just building up its capacity to do the job that we, as Committee members, need. There were discussions with the Assembly Commission, but I have seen no indication that there was any agreement by the Assembly Commission that such a degree of cuts was acceptable or could be delivered without seriously impairing the functioning of the Assembly. Can you comment on how the Department reads that?

Mr Brennan:

I know that there have been significant discussions between the Finance Minister and the Assembly Commission and the Speaker on the issue. However, it is important to note that, in the last financial year, the Assembly and the Audit Office had an underspend of 5·9%. That was the starting point in looking at how resources were best used. I should also point out that there is a convention that the Assembly and the Audit Office have the safety net of monitoring rounds where, in effect, they bid for what they need and they get it; they have never had a bid rejected. The starting point was an acknowledgement of last year's significant underspend. If genuine pressures emerge, they will be addressed through the monitoring process.

Mr McLaughlin:

I want to pick up on that point. Is it true that the Commission more than satisfied the guidance that was given in projecting its savings?

Ms Joanne McBurney (Department of Finance and Personnel):

We have not received a savings delivery plan for the Assembly. In formal discussions, the Commission said that it was working towards identifying savings of about 5%, the same as Departments; however, we have not seen anything formal from it to back up those savings.

Mr McLaughlin:

I understand that the Commission is among the better performing units in addressing the requirement to identify savings. There is a serious and interesting issue here, given the role and the sovereignty of the Commission. What happens if it does not accept the allocation? Have you considered that?

Mr Brennan:

If the Assembly Commission tells the Executive that it is not —

Mr McLaughlin:

What if the Commission makes it clear that, because of its function and its constitutional independence of departmental oversight, it requires a budget? Are we picking a fight that we do not need? It is clear that the Commission is deeply unhappy and that there will be an issue, in the middle of all the other issues and the timetables and deadlines that we are trying to meet. Given the scale of the Budget, is that an issue that we need to get involved in at this time?

Mr Brennan:

If the Assembly Commission were to make representations to the Executive that it genuinely needs all the resources that it says it does and had a case to support that, I am sure that that would be an important issue that the Executive would have to factor in and could not ignore, despite the record of underspend last year.

Mr McLaughlin:

My understanding is that the Commission's projections took that into account and that it exceeded the targets. That seemed a credible response, although perhaps not enough for DFP.

Mr Brennan:

DFP does not make the allocation; the Executive do. Therefore if —

Mr McLaughlin:

I am sorry, but all the figure work and recommendations come from —

Ms McBurney:

The Assembly did not have any levels of initial baselines and indicative savings; that was an Executive decision taken later. Therefore it could easily have exceeded the initial guidance because it contained no level of savings for the Assembly.

Mr McLaughlin:

The Committee is considering informing itself better. However, perhaps Ministers on the Executive were blind-sided on the implications of the indicative allocation. I wonder why we get ourselves into these situations.

Mr Brennan:

The Executive will have to take on board whatever representations the Commission makes to them before the final Budget is endorsed.

Mr McLaughlin:

OK. It is interesting that the issue has arisen. It seems to me that there is an agenda.

Mr Brennan:

I am not aware of one.

Mr McLaughlin:

No, of course not. On the issue of capital realisation, there is the vexed question of what property values were five years ago, what they are now, and what they may be in five years' time. With regard to projected receipts, we are simply committed to moving forward on the basis of today's market prices to get the best deal that we can and not agonising over what used to be or what may be in future. Will that not be an inhibitor?

Mr Brennan:

No. The £442 million that Departments have keyed into the system are the receipts that Departments say they can realise at today's valuations.

Mr McLaughlin:

Looking forward over the Budget period, will that not be an inhibitor in year one?

Mr Brennan:

No.

Mr McLaughlin:

OK. I strongly endorse that, because we need to get on with it.

The Chairperson:

I want to pick up on a point that you raised about the 5·9% underspend. Was it not the case that DFP also had a substantial underspend last year?

Mr Brennan:

I am not sure about the departmental level, unless my colleagues know.

Ms McBurney:

Yes, it did have an underspend, although I cannot remember the actual figure.

The Chairperson:

Was it not greater than other Departments'?

Ms McBurney:

Yes; but DFP also has to meet a level of savings.

Mr Hamilton:

Despite concerns, I understand, as, I think, does everyone, why the consultation period was truncated, although that is not for going into detail on today. I also note that most of the dissatisfaction emanates from Departments' failure to do their bit subsequent to the publication of the draft Budget. It is worth stressing again that it is not simply because the draft Budget was published a bit later than people might have liked. Departments' subsequent behaviour has not been satisfactory either.

A suggestion was put to the Committee today on the Vote on Account that may allow us to extend the period of consultation. I do not want to offer any view on that or on the desirability of extending the period at all. It seemed fairly technical, which is partly why I will not offer an opinion, because I do not entirely understand it. Can you outline the ability of the Assembly to do that in the first instance and whether it could be done legally and within the time available to us before the end of the financial year and what its effectiveness or limitations might be?

Mr Brennan:

Having to rely on the Vote on Account to allocate resources to Departments for the early stages of 2011-12 would become an issue only if the Executive failed to have a final Budget approved. If a Budget was not in process, the Vote on Account would be the mechanism to give Departments the authority to spend money. However, that would be only an initial allocation, and there are material drawbacks to it. For example, Departments would not have the authority to spend on capital projects, nor could they draw down any receipts that they generated.

For example, MOT centre receipts, fees and suchlike could not be utilised. That is probably the worst-case scenario, because it would signal that the Executive had not agreed a final Budget and it would impose considerable constraints on the ability of some Departments to spend money in the early stages of the new financial year.

Mr Hamilton:

As a device to buy a couple of weeks' additional consultation, are the negatives considerable?

Mr Brennan:

Yes.

Ms Purvis:

You say that the plastic bag levy would amount to £16 million over four years. There is no legislation in place, so does that include the first year?

Mr Brennan:

Yes. There is £4 million for each of the four years of the Budget, so £4 million is built into 2011-12. The Environment Minister is charged with introducing a mechanism to bring that in. I am not sure whether that will be through legislation or whether existing regulations give him the authority to do that.

Ms Purvis:

How can you access housing associations' reserves and those of the Harbour Commissioners?

Mr Brennan:

I understand that the Regional Development Minister's paper will state that, for example, the £15 million allocated in years three and four will be in the form of a dividend that he will, through new legislation, ask to be paid. The £20 million from housing associations to the Housing Executive in each of the four years will not be a matter of asking housing associations to give the Housing Executive £20 million. It will be generated by reducing housing associations' grants by £20 million in each of those four years, so the associations will have to use their reserves for new house-building starts.

Ms Purvis:

What consultation is there on that with housing associations?

Mr Brennan:

That is a matter for the Minister for Social Development.

Ms Purvis:

Was that factored into the Budget without consultation?

Mr Brennan:

I know that the Minister for Social Development has consulted housing associations on those issues.

Ms Purvis:

Formally?

Mr Brennan:

I do not know what the format of the consultation was.

Ms Purvis:

There is a funding allocation for the first year of the social protection fund only. Where is the rest to come from?

Mr Brennan:

It is to be funded in later years through any additional receipts generated by the other revenue-raising mechanisms that the ministerial Budget review group is considering.

Ms Purvis:

The draft Budget stated that administrative cost controls have been successful in bearing down on administrative costs, so why is that approach being scrapped?

Ms McBurney:

Because we feel that it has gone as far as it can. We have borne down on administrative costs, and the feedback that our Minister is getting from other Ministers is that it is taking up more ministerial and officials' time than any benefit gained merited. We will continue to record administrative costs, but Ministers will be able to move money between the two controls. We envisage that Ministers will continue to bear down on costs. There will not be free rein to up administrative costs at the expense of front line services. We still expect such costs to be borne down, but the responsibility for doing so is to be put on the Ministers concerned.

Ms Purvis:

Given that there has been no mechanism to ensure that budgets are spent on front line services — there is no scrutiny of that — how would we know that administrative costs are at their limit?

Ms McBurney:

Departments provide information at that level of detail to us, and we monitor it. Were spending on administrative costs to go up following this decision, such a rise would become clear and could be brought back to the Executive. We also expect Committees to focus on that with their Departments.

Ms Purvis:

It has been a good control mechanism to ensure that Departments focus on front line services. It seems strange that it is being scrapped when a key plank of the Executive is to ensure that front line services are protected as far as possible.

Ms McBurney:

The idea is to continue to protect front line services while allowing Ministers discretion to manage their budget in the way that best suits their Department.

Ms Purvis:

It makes no sense at all. There is no detail in the draft Budget of previous invest-to-save projects that have been funded and whether they have worked or achieved their aims. Yet we are asked to give an opinion on more money that is going to invest-to-save programmes.

Mr Brennan:

Departments have put forward invest-to-save projects. If Departments had published their spending plans as we had hoped, you would have seen the specific invest-to-save proposals. DFP has asked Departments to produce robust business cases to support the invest-to-save allocations. We want to see in those business cases the extent to which long-term value for money will be generated through those investments. I will give you an insight into the type of projects that are being taken forward. In the 2010-11 revised spending plans, some £26 million of invest-to-save funding was allocated to Departments. The projects that were supported were detailed in the revised document, which gives you an idea of the sort of projects that Departments are rolling out.

Mr Jeff McGuinness (Department of Finance and Personnel):
There are no formal monitoring arrangements in place. However, at the start of the Budget 2010 process, we looked at taking off the savings from Departments. The £26 million investment in 2010-11 has released more than £88 million for redistribution across the four years.

Ms Purvis:
OK. It would have been helpful if that level of information and detail had been included. There is public consultation but, although we may remember that, the public may not. The level of detail is an issue.

I also have concerns about the Assembly Commission and the Assembly budget. I want to pick up on some of the points that were raised earlier. As far as I am aware, the Assembly agreed a real-terms reduction of 13·3% over four years. That seems to take into account last year's underspend as well as reductions over the four years. However, in the figures that we have seen the real-terms reduction over four years will be 26·3%, which is nearly double what the Commission agreed to.

On 8 November, the Assembly resolved:

"That this Assembly notes with concern the likely reduction in the block grant that will be brought about by the comprehensive spending review; and calls on the Assembly Commission to reduce its running costs in line with the level of reduction faced by Executive Departments." — *[Official Report, Vol 57, No 4, p197, col 1].*

A reduction of 26·3% is over and above any reduction faced by a Department. The largest reduction in any Department is 20·6%. The proposed 26·3% reduction will interfere with the Assembly's authority, independence and ability to do its work.

Mr Brennan:

The critical issue in relation to funding the Assembly is that if the Assembly and the Assembly Commission make their concerns known to the Executive and the Finance Minister, they will be a material issue in the deliberations to construct a final Budget position.

Ms Purvis:

Did DFP not provide advice to the Minister that went to the Executive?

Mr Brennan:

We have given you an insight into some of the material issues that we had, such as the degree of underspend in the past. There is a safety net: if pressures emerge, the monitoring round gives the Assembly Commission an automatic redress mechanism to ensure that its pressures are covered.

Ms Purvis:

Therefore Members' ability to carry out their scrutiny work and their legislative responsibilities depends on making a bid to the Executive if we run out of resources. Surely there is something constitutionally wrong with that.

Mr Brennan:

If you believe it to be constitutionally wrong, I presume that the Executive will have to acknowledge that.

Ms Purvis:

Finally, when can we expect to have sight of the strategic level equality impact assessment on the draft Budget? Surely, that would help to inform our deliberations on the consultation.

Mr Brennan:

The critical issue is that we do not have the equality impact assessments from Departments, nor do we have the Programme for Government, which is supposed to set the framework for the construction of strategic priorities and areas of impact assessment. I do not know how one can possibly construct a strategic assessment without insight into what Departments think the impacts will be.

Ms Purvis:

This is going from the sublime to the ridiculous.

The Chairperson:

Thank you very much for your attendance. If there is anything on which we need more clarification, we will write to you.