Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Budget 2015-16: Department of Finance and Personnel

21 January 2015

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Ms Michaela Boyle
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea
Mr Adrian McQuillan
Mr Máirtín Ó Muilleoir
Mr Peter Weir

Witnesses:

Mr Stephen Barrett	Department of Finance and Personnel
Ms Joanne McBurney	Department of Finance and Personnel
Mr Jeff McGuinness	Department of Finance and Personnel

The Chairperson (Mr McKay): I welcome Joanne McBurney and Jeff McGuinness back to the Committee. Can I clear something up, first? Is the Budget debate next week?

Ms Joanne McBurney (Department of Finance and Personnel): It is Tuesday.

The Chairperson (Mr McKay): We were under the impression that it would be in February. Has it been brought forward?

Ms McBurney: I was not aware of the February date. Tuesday was the first.

Mrs Cochrane: The ones in February are more to do with the Supplementaries and the Vote on Account than the actual approval of the Budget.

Mr Jeff McGuinness (Department of Finance and Personnel): The Budget Bill.

Ms McBurney: The actual Budget.

The Chairperson (Mr McKay): OK.

Mrs Cochrane: I asked the same question yesterday. That is the only reason why I know. *[Laughter.]*

The Chairperson (Mr McKay): Do you want to make some brief opening comments? We will then go to questions.

Ms McBurney: Yes, I will indeed. Thank you very much for the chance to update you on the final Budget. You will be aware that the main changes to the overall positions since the Executive's draft Budget in November came from the Stormont House Agreement and the outworking of the Chancellor's autumn statement.

The autumn statement provided additional funding of £67 million resource DEL, £5·7 million capital DEL and £1·3 million of financial transactions capital (FTC). The Stormont House Agreement confirmed the resource capital flexibilities sought in the draft Budget. It also increased that to allow a further £100 million of reinvestment and reform initiative (RRI) borrowing to be used to fund a voluntary exit scheme, bringing the total available for that scheme to £200 million in 2015-16. It also provided an additional £100 million of borrowing for capital projects to help offset that additional switch and allowed the flexibility to repay the £114 million welfare reform penalty from capital. The agreement also provided £30 million for bodies dealing with the past and £50 million for shared and integrated education projects. Those changes have all been incorporated into the Budget position.

The final Budget makes further allocations of non-ring-fenced resource DEL amounting to £151·6 million. That includes £64·6 million to Education, £33·2 million to the Department for Employment and Learning and £20·8 million to the Department of Justice. The £151·6 million includes £30 million of change fund bids. Apart from some reduced requirements, there have been no substantial changes to departmental allocations for capital DEL. The Northern Ireland investment fund is to receive a further £28·8 million in anticipation of it becoming operational in 2015-16. However, that does not preclude Departments from identifying further proposals for the use of FTC funding.

As a result of the changes, the Executive have a final Budget with an overcommitment of £58·4 million on resource DEL and a very small £2·3 million capital DEL overcommitment. Given that the current welfare reform timetable will lead to a proportion of the £114 million being returned to the Executive, it is considered that that level of overcommitment is manageable.

I am happy to take any questions that you might have.

The Chairperson (Mr McKay): I think that Simon said in his statement that there were numerous applications to the change fund.

Ms McBurney: There were.

The Chairperson (Mr McKay): Could we get details of all the applications, as well as those that were successful?

Ms McBurney: I do not have the details of every application. Jeff, do you know the actual number? There was a substantial number.

Mr J McGuinness: I do not know the exact number, but we will be able to get you a summary of the applications.

Ms McBurney: We can do that. We can talk through some of the detail of those applications that were successful. There were 19 successful bids.

DARD got £1 million for the integration of control information for EU area-based schemes. That is its area-based plans for maps for farmers, which will help to avoid EU fines. DE got £1·6 million for nurture units. DEL got £13·2 million for a variety of projects, including a programme of essential skills in maths and English for 14- to 16-year-olds, a condition management programme, the pilot phase of the United Youth programme, apprenticeships and youth training, and a joint bid with DETI for collaborative skills, for which DEL received £2 million and DETI received £7·1 million. DETI also received £0·3 million for health, innovation and life sciences. DFP received £1·6 million for collaborative procurement and a public sector innovation lab. Health received £4 million for a modernisation of the Belfast Trust's outpatients service, the rapid assessment interface discharge programme, the Northern Ireland strategic innovation in medicines management programme, Project ECHO, and an all-island congenital cardiac service model. DOJ received two bids: £0·3 million for the Prison Service's underachieving boys programme, which will support young offenders to change their lives through education; and a sum for the Probation Board's intensive resettlement and

rehabilitation project. DSD received £0·4 million for two projects: the want to work or why work project; and a pilot project to deliver services to older people in their home.

The Chairperson (Mr McKay): Departments will obviously chance their arm and try to make anything fit under the change fund. How wide was it for applications? Have you been very specific?

Ms McBurney: We set the criteria. Departments had to apply and satisfy certain criteria, which I am just trying to find.

The Chairperson (Mr McKay): Did you find with some of the applications that were turned down that Departments were chancing their arm?

Ms McBurney: Some of them were, definitely. We had essential criteria and marked those on a pass/fail basis, and any that did not pass the criteria were put to one side. The others were scored on the full range of the criteria, including the desirable, and those with the top marks got through. But, yes, some applications were pushing it a bit.

The Chairperson (Mr McKay): What consideration has been given to the recommendations in the Committee's report that was done before Christmas?

Ms McBurney: At the end of the day, final Budget allocations are a matter for the Executive, but we read the Committee's report and considered it, and we will continue to do that as we work through the process. Jeff has the detail of that.

Mr J McGuinness: We have taken on a number of the recommendations from the Committee's report, including having a greater degree of information that is based on departmental outcomes in the final Budget report. So, the Budget document will give more detail, at departmental level, on their outcomes, the options that they are using to live within their budgets and the different allocations like the change fund. All that sort of information is now more detailed in the final Budget document.

The Chairperson (Mr McKay): The welfare reform figure is £114 million. Is that being held by DFP at the centre, or will it be paid to Treasury at the beginning of the year?

Ms McBurney: It is being returned to Treasury at the beginning of the year. That was part of the Stormont House Agreement. Treasury will deduct that from our Budget at the start of the year. However, it is agreed that, once welfare reform is implemented, a proportion of that will be repaid to the Executive in-year.

Mr Weir: I presume that that is pro rata as to when it is —

Ms McBurney: Yes, depending on implementation dates. We are working on the basis that it will be about six months into the year.

The Chairperson (Mr McKay): There is a figure of £26·9 million for measures to mitigate the worst impacts of welfare reform during the second half of the financial year. How was that calculated?

Ms McBurney: That was based on a figure provided by the Social Security Agency. I do not have the underpinning detail for that, but it has provided that, and, as you said, it is only for the second half of the year.

The Chairperson (Mr McKay): Are you sure that that is a correct figure from the Social Security Agency?

Ms McBurney: Sorry? *[Laughter.]*

Mr Cree: It is the latest figure.

The Chairperson (Mr McKay): Are there any other questions?

Mr Cree: I have two or three quick questions, Chairman. The Budget paper shows some £50 million of asset realisation. In response to a question on his statement, the Minister stated that the figure was £158 million. What is the difference?

Ms McBurney: There were already £109 million of capital receipts built into the draft Budget position on top of the £50 million of asset realisation. Additional receipts were then identified by Departments between the draft Budget and the revised Budget.

Mr Cree: How are those receipts treated as capital?

Ms McBurney: It depends on the nature of the receipt. If they are from asset sales or loan repayments, they will be capital receipts.

Mr Cree: Were they from asset sales?

Ms McBurney: They were from asset sales and loan repayments. They are all capital in —

Mr Cree: Are loan repayments also included in that?

Ms McBurney: Yes, loan repayments are treated as capital principal repayments.

Mr Cree: What was the figure for loan repayments?

Ms McBurney: I do not have it off the top of my head, but it was quite high in the draft Budget. It was basically Northern Ireland Housing Executive (NIHE) and housing association loan repayments.

Mr Cree: So, it is from the social development end.

Ms McBurney: Yes. Historically, they have a large level of capital receipts from that source.

Mr Cree: Where can I find that in the Budget papers?

Ms McBurney: It will not be detailed in the Budget paper. However, if you wish to have a specific breakdown of the capital receipts, I can get that for you.

Mr Cree: I would like to know, because I hate these things coming out of the air. From my rather straitened, logical view of things, I cannot see how the repayment of a loan can be treated as asset realisation.

Ms McBurney: They are not asset realisation. They are capital receipts. There are variations of capital receipts.

Mr Cree: Why would the Minister mix those two up?

Ms McBurney: I would have to look at what was said in his statement. I am sure that he said capital receipts, but I would have to look back at that. However, they are all capital receipts.

Mr Cree: The other thing of particular interest to me was the capital to resource switch. I asked the Minister about that, but he danced around it a little bit. Has that now been agreed as a precedent?

Ms McBurney: No. It has been agreed for the period set out in the Stormont House Agreement. It is not a precedent. If we wanted anything over and above what has been agreed in the Stormont House Agreement, we would still have to seek that from Treasury. It has been agreed for very specific purposes for a very specific time.

Mr Cree: So is it only that one amount?

Ms McBurney: It is only the amounts that are detailed in the Stormont House Agreement. The use of RRI borrowing for the voluntary exit scheme is over a period of years. It is £700 million over — is it five years?

Mr Cree: It is 15 years or something like that, is it not?

Ms McBurney: No, it is four years.

Mr J McGuinness: It is four years.

Mr Cree: OK. Using the same sort of logic, we were hoping to put financial transactions capital in through the Northern Ireland investment fund. Has that been agreed?

Ms McBurney: The Northern Ireland investment fund is still at the feasibility study stage, and there will be outworkings from that, but Treasury has agreed in principle. It will obviously be interested, though, in the outworkings from the feasibility study.

Mr Cree: There should not be any difficulty with that.

Ms McBurney: No.

Mr Cree: We are talking about some £40·9 million in it next year.

Ms McBurney: Yes. We engage with Treasury on all the FTC proposals as they come up so that there are no surprises.

Mr Cree: Good. This is my last question, Chair. Are any figures held in the centre at this point in time?

Ms McBurney: Yes. They are detailed in annex A to the Budget document.

Mr Cree: Have they not moved? Have there been no changes?

Ms McBurney: No, there are no changes. This is the position, and it will remain so.

Mr Cree: You have to watch them carefully.

Mr D Bradley: Good morning. There is a 5% cut to the Assembly's budget. Since the Assembly is the body that has primacy in the institutions and the Minister is answerable to the Assembly and the Assembly is responsible for scrutinising his actions, is he within his authority to cut its budget?

Ms McBurney: It was not the Minister's decision alone; it was the Executive's decision. I think the Executive —

Mr D Bradley: The Executive are also responsible to the Assembly.

Ms McBurney: Yes, and I would say that they considered that before they took the decision to reduce the Assembly's budget.

Mr D Bradley: The same applies to the Audit Office. The Audit Office is another form of scrutiny that we have in public spending, yet we find that it has been cut by 5% as well. One would not be mistaken if one said that the Budget had the appearance of reducing the levels of scrutiny on public spending.

Ms McBurney: No, I do not think the intention is to reduce the level of scrutiny in any way, but those bodies have to be as efficient as other Departments are being expected to be. It is only fair that they should lead the way in efficiencies. So far, their budgets are reduced by less than the reductions that other Departments are facing.

Mr D Bradley: Surely, the work of the Audit Office, particularly, has proven to save the public purse many millions. By reducing the budget of the Audit Office, you are, therefore, reducing its ability to produce those savings. So, it could well end up being a false economy.

Ms McBurney: Obviously, that is something that would have to be considered, but I think the view is that the Audit Office should be able to continue its role in, simply, a more efficient manner. I imagine that there is no body out there operating at its most efficient at the moment.

Mr D Bradley: I have my doubts about those two reductions and the effects that they will have, but, no doubt, we will have a chance to raise those issues directly with the Minister.

The Chairperson (Mr McKay): Joanne, I see that £30 million has been allocated to the funding of bodies dealing with the past. Obviously, we are going on to new ground in some respects. What assurance do we have that that will be enough? How have those figures been reached?

Ms McBurney: I am not party to how those figures were reached as part of the Stormont House Agreement. There is still work to be done in developing the policies and determining which bodies the funding will go to. That will be ongoing between OFMDFM and us, and it has to have the agreement of the UK Government. At this time, I cannot say whether the funding that is set aside is enough. I do not know. I do not think that it has been well enough formatted, but I am sure that was taken into account in the development of the Stormont House Agreement.

The Chairperson (Mr McKay): So, there is still a level of assurance —

Ms McBurney: From my perspective, yes, but I was not party to the agreement that reached that. I am sure that more thought was put into that than I am aware of.

The Chairperson (Mr McKay): The pensions cost came to the Committee as a bit of a bolt out of the blue, in recent months, in terms of the £133·2 million provision. That has been reduced by £10·7 million. How confident can we be that that is an accurate figure? Or, is it still subject to some variance?

Ms McBurney: That is the agreed figure with Treasury and the Government Actuary's Department and our own pensions branch. That is the figure for the revaluation at this time.

The Chairperson (Mr McKay): So, that will not move.

Ms McBurney: It will not move, or, if it does, it will be very marginal. They now need to develop what the impact is on individual Departments, and we will allocate that money out to them.

The Chairperson (Mr McKay): Members have no more questions. I want to ask a question about the performance of the Department of Health. The Minister has made some comments about how the budgets there have been managed in the previous financial year, and DFP plans to assess the performance during in-year monitoring activity. How will the outcome of that work be reported to the Committee and elsewhere?

Ms McBurney: I am afraid that I am not aware of how that is going to be reported, as yet. It will be determined as we work through the process. The supply officers will keep in close contact with the Department and, no doubt, will report back to the Committee, if you wish us to do so, on how that is —

Mr J McGuinness: I imagine that the outworking of that will come through in each monitoring round. I imagine that the Executive will be updated as part of that process, and then the Committee, through its scrutiny of the monitoring rounds, will receive some sort of update at that point.

The Chairperson (Mr McKay): Is the scrutiny going to be any tighter than what has gone on in the past in the Department of Health?

Mr J McGuinness: I think there is more focus.

The Chairperson (Mr McKay): Is there going to be a step change?

Mr J McGuinness: There is definitely more focus on the additional allocation of £200 million to make sure that it is directed at front-line health and social care.

The Chairperson (Mr McKay): What is front-line health and social care?

Mr J McGuinness: Part of the process is to make sure that we have a very good definition of how that money goes through trusts so that it is not just washed into admin in trusts but goes directly to patient services.

The Chairperson (Mr McKay): Do you have any details of the timetable for the longer-term measure involving a case study as part of the ongoing OECD review?

Mr J McGuinness: Not at this stage; it is not particularly our area. However, we would expect that, as that work progresses, we will incorporate any particular updates from that, as recommended by the Committee.

Mr Ó Muilleoir: Apologies for being late. I was with a Mr Nolan, although I do not know whether that will suffice as an excuse in here.

I do not know whether the social innovation fund came up earlier. Can you tell us more about it and when we can expect to find details of it? The Minister talks about using £5 million of funding in loans to charities, faith-based organisations and social enterprises in our third sector.

Ms McBurney: We do not have a timescale for that yet, at least not that I am aware of, because it is not our area. However, it will use the dormant accounts money and will be developed, and more details will be forthcoming on that. It is hoped that that will lever in additional funding.

Mr J McGuinness: There were previous proposals and, subject to a consultation exercise, the Minister decided that that spending priority should be social investment in general from the dormant accounts scheme. That work will be progressing.

The Chairperson (Mr McKay): What role will DFP have in coordinating the voluntary exit scheme? When will that work begin? Obviously, there has been a lot of public interest in that over the past couple of days, so can you elaborate on the process going into the first financial year of the scheme?

Ms McBurney: It is not something that our area of DFP will be coordinating; it will be the public sector reform division, in conjunction with Corporate HR, for the NICS scheme. There are papers to be brought to the Executive on that shortly, which will set out the timescales and the different measures that are being looked at.

The Chairperson (Mr McKay): Is there no indication of the shape that it will take?

Ms McBurney: I do not have any indication, but I imagine that the plan will be to at least have some exits in 2015-16, given the funding set aside for that year.

The Chairperson (Mr McKay): Has there been any discussion of how, when you have a voluntary exit scheme, you protect front-line services in terms of some of the skill sets that staff have? Has there been a debate within the Department about how you do that?

Ms McBurney: That is a key issue, and it is something that will have to be considered when the scheme is being developed. But, as I said, it is not our area of work.

Mr McCallister: Just on the Chair's point, the wider thing is that we need to see timescales. What happens if the Executive or public sector reform division start to miss those timescales? That could have a major impact on the Budget, because you may not be borrowing but you will also not accrue the expected savings. Taking 20,000 public sector workers out in a voluntary capacity over a four-year period is pretty ambitious.

Ms McBurney: You are completely right about the timescales and the concerns over the Budget. Obviously, once the Executive have seen the paper and agreed those timescales, you will be aware of them, and we will be monitoring them closely, because you are right that it will have a big impact on our management of the Budget.

Mr Cree: Going back to DSD, there is another point that I found a little bit confusing. There is a switch from resource to capital DEL of £2·7 million, which it is stated is:

"as a consequence of expenditure being incorrectly classified".

Can you clarify that?

Ms McBurney: Jeff may have more details than I do. Sometimes, the treatment of certain categories of expenditure changes due to either changes to Treasury rules or changes in the accounting treatment. That means that the Budget category has to change. In the way the Budget is constructed, the baseline position rolls forward. That amount was also reclassified in-year in 2014-15, which was when the change in classification occurred. However, because we rolled forward to the opening position as opposed to the position after a monitoring round, it was rolled forward into resource DEL, whereas it had actually been changed in classification to capital. It really just effecting for forward years what had happened in-year.

Mr Cree: If you look at the schedule coming out of June monitoring at table A, you see that there is £0·1 million in capital for funeral payments reclassification. So, it was in capital there.

Ms McBurney: I would have to look at the monitoring detail.

Mr J McGuinness: A small part of the £2·7 million relates to funeral payments. There is a larger part that relates —

Ms McBurney: There are two transactions in the monitoring round.

Mr J McGuinness: I am not aware specifically of the larger element.

Ms McBurney: There are two transactions in the monitoring that, I think, give a net position.

Mr Cree: It is still a bit confusing how we are reclassifying from DEL to capital when the reduced requirement was capital in January monitoring.

Ms McBurney: I would have to look at the detail of the monitoring. I think that there were two transactions in the monitoring that gave a net position whereas, in the Budget, there has only been one transaction. It is just making that correction.

Mr Cree: It suggests to me that it was in capital and in resource to some extent.

Ms McBurney: No, I think that, in the monitoring rounds — I am looking at Stephen here — two transactions gave rise to the position.

Mr Stephen Barrett (Department of Finance and Personnel): Yes, the £0·1 million is a capital receipt.

Mr Cree: What does that mean exactly?

Mr Barrett: *[Inaudible.]* — they cannot utilise the capital receipt, and so it is a reduced requirement in the monitoring round process.

Mr Cree: That does not seem logical to me either, Chair. It states quite clearly "Funeral Payments Reclassification".

The Chairperson (Mr McKay): Stephen, do you want to come to the table?

Ms McBurney: I think that that might be easier. He is due up next anyway.

Mr Cree: It might have been a voice from the past down there.

Mr Barrett: There was a reclassification of funeral payments from resource to capital, and you will see that in the reclassifications table as part of the January monitoring round.

Mr Cree: That is the £2·7 million, yes.

Mr Barrett: That is right. However, linked to that, there was a £0·1 million capital receipt relating to repayment of those funeral payments coming back into the Department for Social Development, and, because it was now capital rather than resource —

Mr Cree: But it would have been paid out of resource, would it not?

Mr Barrett: It would have initially been paid out of resource, but the payment was then switched to capital as part of the reclassification. So, the payment was scored in capital and the receipt coming back into the Department was scored in capital. However, the Department deemed that it could not utilise the £0·1 million capital receipt and returned it to the centre as a reduced requirement.

Mr Cree: Is that part of the £2·7 million?

Ms McBurney: It is not part of the reclassification. It the same area, but it is not —

Mr Cree: It is quite a simple question. Is the £0·1 million part of the £2·7 million?

Mr Barrett: No, the £2·7 million is the payment out, whereas the £0·1 million is coming back in. It is a repayment.

Mr Cree: It is outside that transaction. OK.

The Chairperson (Mr McKay): I will go back to the financial transactions capital. There is a reference to the £27·5 million reduced requirement from DETI. What was that for?

Ms McBurney: The draft Budget set aside indicative allocations for financial transactions projects in individual Departments. Departments were then asked to look at those between the draft and revised Budget, and DETI has revised some of its assumptions. I do not have a breakdown with me of which projects it said it would not spend the full amount on, but it is DETI's assessment of what it needs for the projects for which we gave it financial transactions, and it is surrendering at this point because that allows a longer time for us to determine where to reallocate that funding to.

The Chairperson (Mr McKay): It is a significant amount of money to be returning at this stage.

Ms McBurney: It is, though it did have a significant financial transactions allocation in the draft Budget.

The Chairperson (Mr McKay): Do you have no detail on what that is?

Ms McBurney: I do not have the detail with me, but I can get you the detail.

The Chairperson (Mr McKay): No problem. Does the £40·9 million that is being diverted to the investment fund need to be fully spent in the next financial year?

Ms McBurney: I do not think that the carry-forward arrangements for FTC have been agreed with Treasury for 2015-16 into 2016-17. We envisage it being fully spent, and that is our preference. We will probably have some element that we can carry forward if we need to.

Mr J McGuinness: The carry-forward arrangements will be the same as for capital at that stage. So, it will be up to 1·5%. We are looking at trying to utilise the full FTC allocation of 2015-16 to minimise the risk of having FTC that we have to give back to Treasury.

The Chairperson (Mr McKay): So, what assurances do you have that that will be spent and that you will not have a significant amount of money coming back again?

Ms McBurney: If the Northern Ireland investment fund proceeds as expected, that money will be allocated to the fund and that will count as it being spent. We will monitor that closely. If there is any slippage or any risk of that, we will look for other projects to allocate it to.

Mr J McGuinness: The Minister was very clear that, if Departments have options for utilising FTC, we will divert funds from the Northern Ireland investment fund into viable projects, should they arise.

Mr Cree: I will follow on from that last bit. There has been a weak area in the question of applying and utilising financial transactions capital. This year, an emergency bailout for the university, again, used up some. We still do not have a system — unless you can tell me otherwise — where Departments work with the private sector and there is actually a going platform of some sort. We do not have that, as I understand. I hope that we are not, but are we not simply shuffling money around here with the idea that we will put it in the investment fund, part of the capital pool, and it will not be treated any differently? There is no guarantee that it will actually be utilised. Are any projects being worked up at the moment?

Ms McBurney: A number of projects are under consideration. Obviously, we are reliant to a certain degree on Departments working up those projects with their private-sector partners and also, as our Minister said in his statement, on the private sector coming forward with suggestions and ideas on how that can be used. The Strategic Investment Board does go out and meet the private sector to encourage it to make use of this. The feasibility study of the Northern Ireland investment fund has to be completed. Once that is done, and if the fund is up and running as we imagine it, the funding that has been put aside for that will be utilised. So, the investment fund will give us a mechanism for doing that. In the meantime, a number of proposals are being considered by Departments at the moment, and we are working with them on that.

Mr Cree: Have all those projects that the Minister referred to as requiring further refinement now been sorted out?

Ms McBurney: That is ongoing. Some are at further stages than others. Some of them will be more definite than others. There is ongoing work.

Mr J McGuinness: Departments have confirmed that they have £88·1 million in total allocations out to Departments. In their 2015-16 budgets, they have confirmed that they anticipate using £88·1 million of FTC for particular projects, with the remainder then in —

Mr Cree: I do not wish to appear cynical, but they have projects worked up in the current year that have not materialised. That includes DETI, which was surprising.

Mr J McGuinness: Again, it is probably something that Departments are still trying to get a handle on.

Mr Cree: That is exactly my concern. We have not moved on very far.

Mr J McGuinness: Again, it is something that we will work on with Departments and will encourage them to finalise projects as soon as possible.

The Chairperson (Mr McKay): OK. Thank you.