



Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

January 2015 Monitoring Round: 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)

Ms Michaela Boyle

Mrs Judith Cochrane

Mr Leslie Cree

Mr Paul Girvan

Mr John McCallister

Mr Ian McCrea

Mr Ian McQuillan

Mr Adrián McQuillan
Mr Máirtín Ó Muilleoir

Witnesses:

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Mr Stephen Barrett

Department of Finance and Personnel

Mr Stephen Barrett
Ms Joanne McBurney

Department of Finance and Personnel

The Chairperson (Mr McKay): Members, the ministerial statement on the January monitoring round is in your tabled papers. I welcome Stephen Barrett to the table. Do you want to make any comments, first of all, before we go to questions?

Ms Joanne McBurney (Department of Finance and Personnel): Yes. I will make some brief comments, if that is OK. Thank you for the opportunity to update you on the 2014-15 January monitoring round. As you will already realise, Stephen is more over the detail of it than I am. I will talk you through the overall position.

The Executive exited the October monitoring round with a £24.7 million resource DEL and a £12.8 million capital DEL overcommitment. As detailed in the Minister's statement, there were a number of centre items that impacted on the resources available to the Executive in this round. These came to £20.3 million resource DEL and £3.1 million capital DEL. In addition, Departments declared reduced requirements of £30.5 million resource DEL and £40.4 million capital DEL, of which £34.7 million was available for reallocation. Taking account of the centre items, reduced requirements and a small number of reclassifications, that left the Executive with £28.1 million resource DEL and £23.2 million capital DEL available for allocation. The Executive have agreed January monitoring allocations amounting to £14.2 million resource DEL and £27.2 million capital DEL. Full details are set out in the tables accompanying the Minister's statement.

In addition, the Executive have agreed allocations of ring-fenced financial transactions capital amounting to £40.6 million, including £38.5 million for the University of Ulster's greater Belfast development programme and £2.1 million for DETI's growth loan fund. As a result, all of the ring-fenced financial transactions capital available to the Executive in 2014-15 has now been allocated.

The Minister also detailed resource DEL allocations of £5.2 million under the Delivering Social Change programme.

The Executive have agreed that £13.9 million of resource DEL will remain unallocated. The Executive hope that this funding can be carried forward under the budget exchange scheme. However, this will be dependent on the 2014-15 out-turn position that is reported by Departments; in particular, the Department for Regional Development, which has indicated that it may incur an overspend this year.

On capital DEL, the Executive have agreed to exit the January monitoring round with an overcommitment of £4 million. Based on historical patterns of spend, the Executive believe that this level of overcommitment is manageable over the remainder of the year. Following the January monitoring round, £15.8 million of resource expenditure ring-fenced for depreciation and impairments remains unallocated. DFP will closely monitor the financial position of Departments over the remainder of the year to ensure that funding that is carried forward under the budget exchange scheme is maximised and that no funding is lost to Northern Ireland.

I am happy to take any questions.

The Chairperson (Mr McKay): I will make an initial comment. In the January monitoring round, we have £30 million resource and £40 million capital. Those are quite significant amounts to return at this stage. I am sure that the Finance Minister is perhaps thankful to some degree, too, in terms of management in Departments.

Ms McBurney: Yes, thankful, because we started the round with an overcommitment, but, to some degree, it is surprising given the pressures that Departments were indicating. So, yes, it is something that surprised us.

The Chairperson (Mr McKay): Bids of £62.4 million resource and £48.3 million capital were received. How many of those were classified as inescapable bids as opposed to anything else?

Ms McBurney: I do not have actual figures for what we classified as inescapable. Of course, you will be aware that, although we prioritise the bids, it is up to the Executive what allocations they make.

The Chairperson (Mr McKay): Surely you would classify them as inescapable or otherwise before it got to that stage.

Ms McBurney: Yes, we do, although the allocations reflect those bids — I am looking towards Stephen — that have been classified as inescapable.

Mr Stephen Barrett (Department of Finance and Personnel): As Joanne says, obviously, internally, we undertake prioritisation of the bids, but ultimately the Executive make decisions around which bids they want to meet.

The Chairperson (Mr McKay): Are the allocations that have been made all inescapables?

Mr Barrett: No. I do not think that they would all be deemed inescapables. Obviously, following movements at the centre and reduced requirements coming in, there would be some funding available for the Executive to allocate. They do not want to be left with too much funding at the centre. It is in their interest to allocate some out to meet their priorities in order that what is left at the centre will not endanger or breach the budget exchange scheme going forward, which means that funding would be lost to Northern Ireland.

The Chairperson (Mr McKay): The Minister has indicated as well that the Executive have agreed not to allocate £13.9 million resource and were hopeful that, if it remained unallocated, it could be carried forward under the budget exchange scheme. Is there any risk attached to that position, or are you confident that it will be carried over?

Ms McBurney: The £13.9 million is being held in the hope that it can be carried forward under the budget exchange scheme. It also mitigates the risk of Departments overspending; in particular, DRD. Obviously, there is a risk that if Departments underspend by a greater degree than our budget exchange scheme allows us to carry forward, funding may be lost. However, given the level of the

budget exchange scheme, which is around £57.6 million carried forward, I think that the £13.9 million is a safe assumption, and it is certainly needed to offset the risk that Departments would overspend.

The Chairperson (Mr McKay): Yes, but given the performance of Departments in the January monitoring round, surely you would be somewhat concerned that it might happen again.

Ms McBurney: I think that the fact that Departments surrendered such a level of reduced requirements in January means that they have been looking at their budgets. I would expect that to be a reasonable position and any underspends now to be minimal. There is, of course, the risk of overspends in particular Departments, which we have to be careful of, because, were we to overspend, there is not only the reputational risk that it would lead to overspending when we have already had a £100 million reserve claim, but the fact that it would be deducted off the 2015-16 Budget when we already face considerable pressures. Holding the £13.9 million is a very prudent position.

The Chairperson (Mr McKay): OK. Any questions, members?

Mr Cree: The big point that concerns me is the one that was just made about the year end and getting this right. I find January monitoring a little bit pressing because a lot of that should not have been left to the last minute. It is an indication to me that Departments were holding on, hoping. I do not know what they were hoping was going to happen, but they did not spend the money. They have really two months of the year left. I would hate to see money going back to the Treasury.

Ms McBurney: Yes, I agree with you there. It is worrying that Departments surrendered such extensive reduced requirements after having identified how difficult things had been through the year. Presumably, the actions that they had taken have generated more savings, but it is a matter of concern. Although that is the last monitoring round of the year, we will continue to monitor closely Departments' performance throughout the year, so that, if it looks like there is any risk, we can take action on that. You are right: it needs to be looked at carefully.

The Chairperson (Mr McKay): OK, members. Happy enough? OK, Joanne and Stephen, thank you very much.