Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Budget Bill and Spring Supplementary Estimates: Department of Finance and Personnel

3 February 2016

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Daithí McKay (Chairperson)
Mr Leslie Cree
Mr John McCallister
Mr Ian McCrea
Mr Máirtín Ó Muilleoir

Witnesses:

Mr Peter Jakobsen	Department of Finance and Personnel
Ms Emer Morelli	Department of Finance and Personnel
Ms Michelle Scott	Department of Finance and Personnel

The Chairperson (Mr McKay): I welcome the officials on this sunny spring morning. Please make an opening statement. We will then go straight to questions.

Ms Emer Morelli (Department of Finance and Personnel): Thank you, Chair. This is the regular occurrence of the Finance Minister looking to progress the spring Supplementary Estimates (SSEs) and the Budget Bill through the Assembly. The Budget Bill gives formal authority for expenditure plans set out in the departmental supply Estimates for the current financial year. A background paper provided to the Committee last week set out the overall context. A critical issue and probably the main reason why we are here today is the need to seek your agreement to the accelerated passage of the Budget Bill under Standing Order 42. That can be given only on the basis that there has been appropriate consultation. Our main purpose today, therefore, is to assist you with your scrutiny of the spring Supplementary Estimates and the subsequent Budget Bill.

This is not the Committee's first engagement on the issue. It is a further stage in the consultation process with you that goes back to the start of the year, when the Main Estimates were produced. The Main Estimates reflected the position set out in the Executive's 2015-16 Budget. As you know, there was full consultation on that Budget with the Committee, other departmental Committees and the wider public. The spring Supplementary Estimates also include changes in the subsequent monitoring rounds. Each departmental Committee was consulted on departmental round proposals, and officials gave evidence to this Committee. We have provided a reconciliation table at annex A that explains how the Main Estimates have evolved during the year until we get to the final sign-off on the legislative authority approval that we seek today. We are happy to talk you through those changes and to provide further detail as necessary. As you can see, there has been extensive consultation with the Committee on the evolution of the spring Supplementary Estimates and Budget Bill.

I would like to draw your attention to some specific issues. On 19 March 2014, a fair employment tribunal ruled against the Public Prosecution Service (PPS) on an equal pay and indirect discrimination case. Due to the timing of the case, the PPS was unable to bid for funding covered during the 2013-14 monitoring rounds. The necessity to make provision for those costs at year end breached the PPS's annually managed expenditure (AME) budget allocation for 2013-14. The Assembly is now being asked to provide the additional resources through an Excess Vote, and the Public Accounts Committee has recommended that the Assembly agree to that.

The final issue is the Vote on Account. This is the approval process to give Departments the authority to spend at the start of the 2016-17 financial year. It normally provides for 45% of what a Department needs to get through to the Main Estimates approval process in June. This year, the Vote on Account will be taken on the existing 12-Department structure, because all the Departments will be in existence until the transfer of functions order takes effect in early May. That creates some anomalies, in that the existing Departments will cease to exist in early May 2016. The transfer of functions order will create nine new Departments by renaming nine existing Departments and transferring relevant functions to them. Those Departments will therefore need to have sufficient cover in the Vote on Account to provide cash and resources not only for their existing functions but for those transferring in May 2016. The Vote on Account for each Department has been set to ensure that all Departments have sufficient cover to deliver existing and new functions until the Main Estimates have been agreed by the Assembly and the Budget (No. 2) Bill receives Royal Assent on the new nine-Department basis. Those are the key issues, and we are happy to take any questions.

The Chairperson (Mr McKay): On that last point about the change in Departments and the transition period, how difficult a process will that be, and are there any risks that we should be concerned about?

Ms Morelli: To minimise the risks from a financial perspective, it is necessary to have sufficient cover on the cash side of things and the resources to cover the new Departments. The Vote on Account would normally be 45% of a Department's projected spend. For four Departments this year — DSD, DRD, DEL and DETI — the Vote on Account percentage has been increased to give sufficient cover. That minimises the risk.

The Chairperson (Mr McKay): You are confident that there will be no issues arising from the transition.

Ms Morelli: We have taken every step to ensure that we have minimised the risk.

The Chairperson (Mr McKay): Good answer. Can you explain your point about the PPS and the Excess Vote of £6 million? What you are saying is that it was too late to deal with that in the previous financial year.

Ms Morelli: Yes, it was a legal issue. Until they had further clarity, they did not bid in the monitoring rounds, which meant that they then went to Excess Vote. It happens from time to time on the Excess Vote position. The matter has gone to the Public Accounts Committee, which has recommended to the Assembly that it be approved. It was a technical point of timing rather than any irregularity of spend or anything like that.

The Chairperson (Mr McKay): OK. By way of background, can you explain how the SSEs link back to the monitoring round allocations, in particular the main movements of money as summarised in the reconciliation table at annex A?

Mr Peter Jakobsen (Department of Finance and Personnel): I can talk you through the main issues on that. I understand that the Minister has cleared a detailed annex to go to you that shows all the movements. It will hopefully be with you later today or tomorrow. It might be helpful if I talk you through the main amounts for each of the allocations, easements and the technicals.

There were about £7 million of allocations to DARD throughout the year. TB compensation was £3·9 million, and public-sector pensions were £3·1 million. For DCAL, there was an allocation of £3 million resource. Those numbers are relatively small. The biggest allocation was for health and safety publications, at £1·1 million. There was a £13·3 million capital allocation to DCAL. That was all for the sports stadiums. There was a £54·5 million allocation to DE, £34·7 of which was for public-sector pensions, £5 million for the school surpluses drawdown end-year flexibility (EYF) scheme, £5 million for school estate management and £5 million for special educational needs. For DEL, there was £5·2 million, which was all for public-sector pensions. DETI received £4 million capital for Invest NI, and there was £2·2 million resource for social economy incubation hubs and £1·1 million for public-sector pensions. For DFP, there was a £3·1 million allocation for public-sector pensions, and there was £2·4 million for DFP on the capital side. Most of that — £2 million — was for the rate rebate replacement project. DHSSPS received £123·4 million on the resource side. There was £40 million for elective care and a £10 million allocation for depreciation, a non-cash item. That was the bulk of it, except for public-sector pensions, which was £58 million. That makes up the rest of that. There is a small capital allocation for Bright Start school-age children, which is £500,000.

DOE received £3·7 million. Again, there were small allocations for IT, depreciation costs, planning portal depreciations and £1·5 million for pensions. DOJ received a £9·7 million allocation. Most of that was for public-sector pensions — £7·5 million — and other small depreciation costs. On the capital side, there was £2·8 million for DOJ. The biggest item there was prison estates, which got £1·6 million. DRD got £21·9 million throughout the financial year. The biggest part of that was road maintenance, which was a total of £16·5 million. On the capital side, it got £5 million for road structural maintenance. DSD received £6 million of resource, which was nearly all public-sector pensions at £5·3 million. There was a lot of financial transactions capital (FTC) and a total capital allocation of nearly £97 million. The bulk of that — £94·5 million — was FTC for the Co-ownership scheme.

OFMDFM got £13 million on the resource side. Most of that — £7·1 million — was for the Together: Building a United Community programme (T:BUC), and £4·3 million was for the social investment fund (SIF). On the capital side, there was £2·3 million for the social investment fund and £14·5 million FTC for Queen's University Belfast, which is really an allocation to DEL, but, because DEL does not have the legal authority to give out loans, it goes through the Strategic Investment Board (SIB) and OFMDFM.

I will not go through all the minor issues. You can get all the detail behind those. Those are all small amounts. I will move on to the main easements.

The Chairperson (Mr McKay): On the allocations, you made reference to pensions required in DSD and other Departments. Why were they required in year?

Mr Jakobsen: There was an additional pensions pressure this year, and we set money aside at the centre to cover that in the last Budget. At the time of the Budget, from memory, they did not know the exact pressure and exactly where it would fall, so it made sense to wait until the June monitoring round. It was all set aside in the Budget previously.

On easements, there was £2·7 million resource in DARD, which is all depreciation. DCAL had £1·2 million capital, which was the Casement Park project. DE's £2 million resource easement was the drawdown of school surpluses, and DE capital was £5·4 million. Most of that was surplus receipts from asset disposals — £3·1 million. Sorry; T:BUC was £3·1 million, and surplus assets was £2·2 million. Apologies.

For DEL, there was a £256 million resource easement. Most of that — £238 million — was in relation to student loans. It was a non-cash item. A technical change was applied in year to the student loan book, and there was £4·6 million on the capital side, which is a T:BUC easement. DETI had a £7 million resource easement. There are a lot of very small amounts, but most of them were additional receipts received in the Department. On the capital side, there was £22·5 million easement. £6·1 million of that was FTC in relation to the Northern Ireland Science Park project, which came back. Gas to the west got £3 million and another FTC amount related to Invest NI — £7·9 million. There were additional receipts of £5 million from the Presbyterian Mutual Society. For DFP, there was a £6·9 million easement on the resource side. Most of that was a £1·4 million easement from the voluntary exit scheme (VES), profit and disposal of Rosepark House at £2·1 million, and some reduced requirements on depreciation of £2·1 million.

There was not really much in DHSSPS. It was mainly some EU match funding easements and change fund on the resource side. On the capital side, there is only £1·1 million, which is mainly FTC in relation to the GP loan scheme. For DOE, the £50·5 million is the Arc21 waste project, and that was FTC that came back. For DOJ, £20·6 million came back in total on the resource side. Most of that was depreciation of £2·5 million, and justice delivery at £4·4 million. For DRD, on the resource side, £24·6 million came back. Most of that, about £24 million, was depreciation. There were some capital easements from DRD. Most of that was EU income of £5·5 million. For DSD, on the resource side, £20 million came back. A lot of that was depreciation at £5 million and urban development at £9·3 million. On the capital side, £14·3 million came back from DSD, and there was £8 million from T:BUC. There was FTC from the north Belfast project at £2·3 million and crisis loans at £2·5 million.

Finally on easements, for OFMDFM, the figure of £1·4 million is made up of a number of very small items such as depreciation and things like that. It is not much really. On the capital side, most of the £3·2 million is made up of the sale of St Patrick's Barracks at £2·7 million. Those are the easements. I am happy to answer any questions on that.

The Chairperson (Mr McKay): Could you confirm the total amount of capital easements? There is a formula at the bottom as opposed to a figure.

Mr Jakobsen: It is £142·8 million.

The Chairperson (Mr McKay): Is that high in comparison with other years?

Mr Jakobsen: It is high. Most of that is FTC; that is why it is so high.

The Chairperson (Mr McKay): What percentage is FTC?

Mr Jakobsen: About £50 million came back from Arc21. That is why it is so high.

The Chairperson (Mr McKay): Is the resource particularly high?

Mr Jakobsen: Yes, the outlier is the reduction in DEL in terms of the student loans. That was a change in the discount rate that was applied by Treasury in December. That was £138 million. It is a lot higher than usual because of that. It is a non-cash item that is ring-fenced by Treasury. We could not spend that anywhere else. In other years, we have gone to Treasury and asked for more budget cover in that area, but this year happened to be different.

The Chairperson (Mr McKay): What is the easement in the PPS of £632,000?

Mr Jakobsen: Depreciation.

Mr Cree: Why would that depreciation be coming back? Quite a lot of what you mentioned, Peter, is coming back. Why?

Mr Jakobsen: It is because things change. Things that are written down —

Mr Cree: And the wrong figure is used.

Mr Jakobsen: It is accounting adjustments to the assets. I do not know the detail of all of it.

Mr Cree: I find it hard to believe that that can happen. Someone has obviously overestimated, or something has changed. Which is it?

Mr Jakobsen: I do not know. It depends.

Mr Cree: That is a good answer.

Mr Jakobsen: I think that it varies from asset to asset.

Mr Cree: Yes, it is a shambles.

Mr Jakobsen: There are all sorts of reasons why it might be written down.

Mr Cree: It really does prove, Chair —

Mr Jakobsen: There are also allocations for depreciation in some Departments.

Mr Cree: It shows that we really need to change the system and have a new financial process that is logical and provides direct read-across. I have been preaching that now for six years. Anyway, it is nothing to do with you.

Mr Jakobsen: I cannot answer for the all accounting adjustments in all the Departments.

I will move to the technicals. These are all the transfers between Departments and with GB Departments over the year. DARD got £1·8 million of resource through technical transfers from other Departments. It was the same thing on the capital side, in that it got transfers from other Departments. DCAL and DE got very little. DE got £2·5 million in capital for asset management unit (AMU) capital receipts. DEL got £8·7 million in total. Most of that was technical transfers from the other Departments, including mainly DHSSPS for medical and dental students. There was also £1·5 million from DHSSPS for the community family support (CFS) programme and £2·2 million from DHSSPS for social work students. Basically, DHSSPS was funding additional student places.

For DETI, again, there were some small technical transfers from the other Departments. On the capital side, there was £8·4 million in total. Most of that was receipts on SuperConnected Cities, which is a broadband programme that came from a UK Department. The total on the resource side for DFP was £4·1 million. There was £3·1 million from DOJ for an IT assist baseline transfer and £2·7 million from DSD for the Strabane jobs and benefits office. That is a project that DFP is taking forward on behalf of DSD. There were some technical transfers from other Departments to DHSSPS. It got £6·6 million from DSD for the independent living fund and £3 million from DSD for welfare reform. As I mentioned, there was £3·1 million to DEL for additional medical and dental students, £1·5 million for community family support and £2·2 million for social work students. Those are the main ones in DHSSPS.

There was very little in DOE. Most for DOJ was £53 million from the reduction in Desertcreat funding. There was very little in DRD. For DSD, there was £13·9 million on the resource side. Again, most of that was transferred by DHSSPS. It included £6·6 million to DHSSPS for the independent living fund, £3 million from DHSSPS for welfare reform and £2·7 million to DFP for the Strabane jobs and benefits office, which I mentioned. I will not talk about the minus, as there is so little there. Chair, you should get all this detail later today, hopefully.

The Chairperson (Mr McKay): Peter, what is PSTF resource?

Ms Michelle Scott (Department of Finance and Personnel): It is the public sector transformation fund.

Mr Jakobsen: That is basically money for the voluntary exit scheme that was allocated throughout the year.

The Chairperson (Mr McKay): Is there anything you would like to say about that? I see that DEL is getting the most resource for that project.

Mr Jakobsen: There was a process whereby Departments submitted business cases to the public sector transformation fund board, which was chaired by the head of the Civil Service (HOCS). It took decisions on where the funding should go. DEL was probably ready to go on the FE college lecturers and university scheme that it put forward and in the Department itself.

The Chairperson (Mr McKay): Can you give us any overview of those figures? I see that DETI has £2 million and DCAL has £3 million. Obviously, they are smaller Departments, but can you give us a brief overview?

Mr Jakobsen: DETI will have been the core Department. The bulk of the funding — over £100 million — went on the NICS scheme. Of the £183 million — I cannot remember the exact number — £110 million, or something along those lines, went to the NICS scheme. The bulk of it will be for that. DEL obviously had the FE college lecturers scheme ready to go. From memory, DE also had a scheme for teachers, which was funded. Other than that, I think that, from memory, most of those were for the NICS scheme.

The Chairperson (Mr McKay): Was Health £14 million?

Mr Jakobsen: Yes.

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

Mr Ó Muilleoir: It is good to see such an international turnout: we have a Jakobsen, a Morelli and a Scott here this morning.

Page 117 of the papers deals with the grants for Departments. We had a little discussion about that in the Assembly recently, and page 117 covers the DETI grants, including those to Invest NI and the Tourist Board. The grants to Tourism Ireland and InterTradeIreland are the ones I am interested in. I have two questions. The money that we give to Tourism Ireland and InterTradeIreland has doubled. The Irish Government put in twice as much, is that right?

Ms Scott: I am not sure whether the ratio is exactly 50:50, but there are set contribution rates for both bodies, depending on delivery and benefits where they accrue. I just do not know the exact ratio.

Mr Ó Muilleoir: Is it that detailed? I thought it was just 2:1, so, if we put in £1 million, they put in £2 million.

Ms Scott: I do not recall the exact split.

Mr Ó Muilleoir: I was going to ask whether the figures were in euro or sterling, but there is no sense in asking if you are not entirely sure about that question. We will leave that.

The budget for Invest NI for the coming year will be £171 million. Is there a figure anywhere that tells us at the end of the year, "Look an agency made in-year bids, and, in fact, ended up with £190 million?". Invest NI, of course, or whatever agency could have ended up with more. During the year, we hear that everyone has to take a cut of, say, 5%. As we move forward, we hear that Departments are losing 5%. However, they can make in-year bids, which are for projects, so they do not really affect core budget. Is there a summing-up anywhere that can say, "This agency took a 5% cut, but, due to in-year bids, at the end of the year it ended up with x"? Is such a figure available?

Ms Scott: I am afraid I do not have that figure in front of me, but the figure in the Main Estimates could be compared with that in the spring Supplementary Estimates to see what movement there has been.

Obviously, there will be allocations made by DETI to its non-departmental public bodies (NDPBs), which, if they are below £1 million, would not necessarily come up in the monitoring process that we see because we deal with Departments at a departmental level. There is a layer below that where Departments can allocate smaller amounts of money to their NDPBs. Comparing the figure in the spring Supplementary Estimates with that in the Main Estimates would show you any movement.

Mr Ó Muilleoir: The arm's-length bodies and the North/South bodies can make in-year bids as well.

Ms Scott: They can make in-year bids to their parent Departments, yes.

Mr Ó Muilleoir: Does their parent Department bid for them?

Ms Scott: Yes, if it is above the de minimis level, which is £1 million.

Mr Ó Muilleoir: Let us take a year as an example, and then we will leave this. There is no use talking about 2015-16 yet, or maybe there is, but for 2014-15, do we know what the starting budget was? Let us say Invest started with £100 million — Invest will think I am picking on it, so let us say that body x has £100 million. At the end of the year, with in-year bids, do we have a figure for what it ended up with? For example, did it end up with £104 million? Is that easily worked out?

Ms Scott: It would be presented from the Main Estimates to SSEs, so the start figure would be set out in the Main Estimates.

Mr Ó Muilleoir: There is a beautiful table here — I have seen some beautiful accountancy tables, but this is a simple one — saying, "This is what these agencies are going to get for 2015-16". Could you get me what that table looked like in 2014-15 and get figures for what they got at the end of the year?

Ms Scott: Certainly, yes.

Mr Ó Muilleoir: That would cheer me enormously.

Mr Cree: I have a few points. Michelle, you mentioned that the Department can itself redistribute freely any amount below £1 million. What controls are there, if any, to ensure that sums that a Department wishes to distribute without outside interference can be broken into smaller lots and simply passed on?

Ms Scott: As per our monitoring guidelines, we look at allocations at unitive service and unitive business levels. So, we check throughout the year what has been allocated within departmental budgets to ensure the thresholds are not breached.

Mr Cree: The threshold being £1 million, but what happens if you break that up into a third of a million three times?

Ms Scott: It will depend on the receiving area the allocation is being made to. Departments can allocate between their spending areas, be they arm's-length bodies or policy areas, up to that de minimis threshold. Above that, any movements in addition to allocations need approval through DFP. The levels of de minimis movement are monitored at monitoring rounds to aggregate them up.

Mr Cree: Has there ever been a challenge to that?

Ms Scott: Regularly — at each monitoring round.

Mr Cree: Has there?

Ms Scott: Yes.

Mr Cree: I would like to know about those. Anyway, Peter mentioned £6 million. Where is that shown in annex A?

Mr Jakobsen: The £6 million for what, sorry?

Mr Cree: The excess — the £6 million from the PPS.

Mr Jakobsen: That does not show up because it is not an in-year movement. Is that the Excess Votes?

Mr Cree: Is it a year-end movement?

Mr Jakobsen: The PPS was a 2013-14 issue. It breached its Vote in 2013-14, so this is a retrospective approval for the PPS.

Mr Cree: But it was paid outside the term.

Mr Jakobsen: It was paid in 2013-14.

Mr Cree: That is terrible, is it not?

Mr Jakobsen: It is because the legal case was so late in the year by the time the Budget hit. It had no chance of actually bidding in year to —

Mr Cree: It was outside the period altogether.

Mr Jakobsen: Yes.

Mr Cree: How much money is in the centre? Bearing in mind that this is what is projected now for next week, how much money is in the centre? Probably a more accurate question is this: how much will be there next week?

Mr Jakobsen: There is still some funding there, so on the resource side, there is £3 million of funding sitting at the centre. The planners will carry that forward through the Budget exchange scheme at the year end. There is a negative against capital, so there is an overcommitment of £9 million on the capital side.

Mr Cree: That is comparatively small.

Mr Jakobsen: Yes, it is.

Mr Cree: Is that all?

Mr Jakobsen: There are other items as well. There are the regional rates, which go to the centre. The income from that is £651 million, and it goes to the centre. It is a financing item that finances the spend in the Department. There are also the reinvestment and reform initiative (RRI) interest repayments that have to be paid every year. They are always handled at the centre. That is a £57·5 million cost against the centre. Finally, on the resource side, there is £6·2 million that is earmarked for flooding. We must remember that we got a Barnett consequential, so that is held at the centre until the Executive decide where to put it. Again, if that is not spent this year, it can be carried forward through the Budget exchange scheme to next year.

Mr Cree: So, there is a fair sum of money still sitting in there, albeit that it is predicated upon certain things. That can be changed, of course.

Mr Jakobsen: Yes.

Mr Cree: What about the asset realisation, Peter? It is hard to keep a handle on that. How much was realised during the year, and how has it been distributed?

Mr Jakobsen: There is nothing held at the centre for assets. Whatever the target was, it would have been met.

Mr Cree: Is that a fact, or do we not know?

Mr Jakobsen: There is nothing —

Mr Cree: You do not see anything there.

Mr Jakobsen: There is nothing left at the centre. Whatever was there has been handled in year, presumably.

Mr Cree: I am suspicious of that as well. OK, thanks, Chair.

The Chairperson (Mr McKay): OK members, are there any other questions? Are you happy enough?

Mr Cree: Just one, quickly. What about the FTC at the end of this, Peter? Where are we on the financial transactions capital?

Mr Jakobsen: Again, it is all allocated out; there is nothing left at the centre.

Mr Cree: I know that, but the trouble is that it is allocated and then reallocated —

Mr Jakobsen: That happens —

Mr Cree: Then it goes to the Northern Ireland investment fund, and then we find out it was not actually there at all and has been reallocated again.

Mr Jakobsen: That has now gone to the Co-ownership scheme. That is where it is now.

Mr Cree: We are talking about £100 million going into it. Is that right?

Mr Jakobsen: It is about £94 million.

Mr Cree: It is £94 million?

Mr Jakobsen: This year.

Mr Cree: Is that all? Is there no more FTC floating about?

Mr Jakobsen: It is all allocated out.

Mr Cree: There is nothing going back to Treasury.

Mr Jakobsen: Nothing is going back to Treasury.

Mr Cree: Thank you.

The Chairperson (Mr McKay): All right folks; thanks very much.