Northern Ireland Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Main Estimates and Budget (No. 3) Bill: Department of Finance

14 October 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Dr Steve Aiken (Chairperson)
Mr Paul Frew (Deputy Chairperson)
Mr Jim Allister
Mr Pat Catney
Ms Jemma Dolan
Mr Philip McGuigan
Mr Maolíosa McHugh
Mr Matthew O'Toole
Mr Jim Wells

Witnesses:

Mr Barry Armstrong	Department of Finance
Mr Jonathan McAdams	Department of Finance
Mr Jeff McGuinness	Department of Finance

The Chairperson (Dr Aiken): Good afternoon, Jeff and Barry. Can Jonathan hear us?

Mr Jonathan McAdams (Department of Finance): Yes, I can hear you. I hope that you can hear me.

The Chairperson (Dr Aiken): We can indeed. You look scarily like Sam McBride, which will probably frighten a lot of people here. You are all very welcome. The relevant papers for this agenda item are in members' packs.

Jeff, who is going to lead off?

Mr Jeff McGuinness (Department of Finance): Barry will do that.

Mr Barry Armstrong (Department of Finance): Good afternoon. The Main Estimates and associated Budget Bill are a regular stage in the public expenditure and legislative process, whereby the Executive seeks the Assembly's approval in legislation for the spending plans for the financial year. What is less usual this year is that those are being brought to the Assembly much later in the year than would normally be the case.

As the Committee will recall, the urgency of the response that was required to the COVID-19 pandemic meant that had the Main Estimates and Budget (No. 2) Bill been prepared to reflect the Executive's opening 2020-21 Budget position, it would not have provided authority for Departments to access sufficient cash to deliver services in response to the pandemic, due to the unprecedented level of additional allocations that were being made by the Executive in response to the COVID emergency.

The consequences of Departments running out of cash under those circumstances would have been unthinkable.

The Chairperson (Dr Aiken): Jeff, just a quick query; maybe you will come to it in your brief. One thing that we are not aware of is the additional Barnett consequentials that were mentioned this week. It was either the First Minister or the Finance Minister who alluded to the fact that there is about an extra £200 million. If that is the case, what is the overall total, on top of what is in the Estimates?

Mr McGuinness: The additional amount is £2·4 billion over and above what we would have —.

The Chairperson (Dr Aiken): And that includes the additional £200 million. Thanks.

Mr Armstrong: To compound that, the Executive's expenditure plans have continued to evolve rapidly since the start of April. Any attempt to produce an Estimates document based on the up-to-date expenditure plans would have meant that it would have been obsolete before it could have been completed.

In response to that situation, the Finance Minister asked the Assembly to pass a Budget Bill seeking the Assembly's approval for a further Vote on Account to ensure that Departments would have access to the cash that was needed to continue to deliver services until the autumn. The Assembly passed that Bill as the Budget (No. 2) Act (Northern Ireland) 2020 in June.

Following the Executive's agreement of a series of allocations in response to the COVID-19 pandemic and to support the economic recovery, which the Finance Minister announced on 24 September, there is now an opportunity for the 2020-21 Main Estimates to be considered, based on the Executive's up-to-date expenditure plans.

The Budget (No. 3) Bill gives formal authority for the expenditure plans that are set out in the Main Estimates for the 2020-21 financial year, which were laid in the Assembly yesterday. A background paper, provided to the Committee last week, sets out the overall context, including a summary of the allocations that the Finance Minister has announced. Whereas the Main Estimates and corresponding Budget Bill would normally be introduced at the start of the financial year and, so, would be written to the Executive's opening Budget position, these Main Estimates and Budget Bill have been written to reflect the Executive's up-to-date expenditure plans, including just over £2·3 billion of allocations that have been, or are anticipated to be made, in response to COVID-19 and for the economic recovery.

As explained in the briefing paper, the Main Estimates and Budget (No. 3) Bill contain two elements of headroom, which I will explain. Those are, first, £600 million resource headroom for the Department of Health, the reason for which is that the Executive have agreed to hold that sum centrally from the moneys that were confirmed by the UK Government, pending an assessment by the Department of Health as to the amount that it will require for the remainder of the financial year. As Health could bid for the full amount, the decision was taken to include that headroom to ensure that Health will have access to sufficient cash to spend that allocation if and when the Executive agree to make it.

The second element of headroom is for £30 million for the Executive Office in anticipation that the Northern Ireland Investment Fund will require a further allocation of £30 million of financial transactions capital (FTC). As the Executive are currently holding £100 million in FTC, it is reasonable to assume that they would agree to allocate that full £30 million if and when it is bid for.

The Chairperson (Dr Aiken): Has it not been bid for?

Mr McGuinness: I understand that it will be part of October monitoring.

The Chairperson (Dr Aiken): Is that for Magee?

Mr McGuinness: That is for the Northern Ireland Investment Fund. It is a private-sector fund that primarily looks at things like grade-A office accommodation and areas like that.

The Chairperson (Dr Aiken): That £30 million *[Inaudible owing to mobile phone interference.]* October monitoring round?

Mr McGuinness: Yes, it is anticipated to be part of October monitoring.

The Chairperson (Dr Aiken): Maybe that is Sam McBride trying to get through.

Mr Armstrong: As well as seeking approval for the expenditure for the remainder of the 2020-21 financial year, the Bill, together with the associated Statement of Excess, seeks approval to regularise the excess expenditure that occurred in 2016-17.

Following the collapse of the Executive at the start of 2017, no spring Supplementary Estimates or associated Budget Bill could be progressed by the Assembly that year. As a result, a number of Departments that had received in-year allocations through the monitoring round process during the 2016-17 financial year exceeded the cash and resource limits set by the Budget Act (Northern Ireland) 2016 and the Budget (No. 2) Act (Northern Ireland) 2016. Those resulted in excesses being incurred by the Departments and other bodies concerned.

In the normal course of events, once those excesses had been examined and reported on by the Comptroller and Auditor General, they would have been considered by the Assembly's Public Accounts Committee during the year after they were incurred and, provided that the Public Accounts Committee was in agreement, they would have been included in a Statement of Excess alongside a Budget Bill in 2018. However, as the Assembly did not sit again until 2020, the Public Accounts Committee was unable to consider the C&AG's report on those excesses until July of this year. This, therefore, is the first opportunity for those excesses to be regularised through the Statement of Excess and their inclusion in this Budget (No. 3) Bill.

While the majority of those excesses would not have occurred had the spring Supplementary Estimates been passed at the start of 2017, I will highlight that £2·2 million for the Health and Social Care pension scheme would still have occurred as a result of the current service costs used in the budgetary process being underestimated as a result of actual payroll details not being available at the time. Therefore, it would still have been an excess.

The details of each of the excesses and the Public Accounts Committee's recommendations are contained in the Public Accounts Committee's report on the matter.

As you will know, as with any Budget Bill, a critical issue —.

The Chairperson (Dr Aiken): Just one second. Did the excess actually go to the PAC since it has been reconstituted?

Mr Armstrong: Yes, it did.

The Committee Clerk: The Committee considered the report on 9 September.

Mr Armstrong: We forwarded a copy of the report with the briefing.

As you will know, as with any Budget Bill, a critical issue is the need to seek the Committee's agreement to accelerated passage under Standing Order 42(2) in respect of the Budget (No. 3) Bill. That can only be given on the basis that there has been appropriate consultation. Our main purpose here today, therefore, is to assist the Committee with the scrutiny of the Main Estimates, the Statement of Excess and the associated Budget (No. 3) Bill.

Those are the key issues that I have highlighted. We are happy to take any further questions.

The Chairperson (Dr Aiken): Thank you very much indeed. *[Pause]* Everyone is being remarkably quiet and acquiescent today.

Mr Wells: Our minds have been on other things this morning for some strange reason.

Mr Allister: I have a couple of questions. I have almost lost track of this, but on the renewable heat incentive (RHI) overspend, page 42 of the Estimates shows that £33·4 million is appearing in the annually managed expenditure (AME) spend.

Mr Armstrong: Yes, £33,470,000.

Mr Allister: Does that indicate that the Treasury is still funding the AME on that, or is it an adjustment to our departmental expenditure limit (DEL) to compensate for overspend?

Mr McGuinness: My understanding is that it is within the AME envelope allowed for RHI and that the current profile on RHI, because of the cost caps, has driven it below the AME profile. Therefore, there is no additional DEL spend, at this stage.

Mr Allister: There is no additional DEL spend? Is that the ongoing total spend in this year on RHI?

Mr McGuinness: Yes.

Mr Allister: That does not involve any overspend?

Mr McGuinness: It does not involve any breach of that AME cap.

Mr Allister: Right, OK. Could I return to the ubiquitous black boxes issue? A number of those, of quite substantial proportions, still appear. There is the £34 million on welfare, £8 million on good relations and there is still £14 million on NI Screen. Did we not pass legislation on NI Screen?

Mr Armstrong: Yes. If I may just explain about Northern Ireland Screen. The £14·6 million that you see there is the amount that earlier in the year the Department for the Economy asked the Department of Finance to agree to be included on the sole authority of the Budget Act this year. That is the full expenditure on Northern Ireland Screen for the year.

You are correct that legislation was passed since they asked for that approval. The legislation was passed at the start of the year, but some additional approvals were required before it came into force. It has now come into force, so we anticipate that the Department for the Economy will revise down the amount that it is seeking approval for on the sole authority of the Budget Act. As we did not have that when the Main Estimates were being produced, I anticipate that, when the spring Supplementary Estimates are tabled in the Assembly at the end of the financial year, that figure will be significantly lower than it is at the moment.

Mr Allister: Could that not be done for these Estimates?

Mr Armstrong: It could not be done for these Estimates.

Mr Allister: In regard to black box expenditure, such as expenditure under the authority of Budget Act that does not have any other authority, 'Managing Public Money' is pretty clear that supply division has to give approval to all of that. Are all those approvals in place?

Mr Armstrong: They are, which is why, for example, the approval in place for Northern Ireland Screen for the £14 million now needs to be revised, but it had not been at the time that the Main Estimates were —.

Mr Allister: Can the Committee see the letters of approval?

Mr Armstrong: Yes, we could provide those for you.

Mr Allister: I would be grateful if you would. Do those letters of approval, as you would expect them to, because this should not go on indefinitely, require and comment on any timetable for regularising the expenditure?

Mr Armstrong: Some will, and there would certainly be comment. In some of those areas, there will be a stipulation that DOF will expect legislation to have been put in place.

Mr Allister: Is there not a two-year period in which you are meant to have done that?

Mr Armstrong: There would normally be either a threshold of less than £1·5 million or a two-year period. There are some, such as the welfare reform mitigations, for which we expected legislation to have been in place. However, that is still being considered at the Executive, so I am not able to be able to confirm *[Inaudible.]*

Mr Allister: How many of the black box expenditures are in excess of the two-year period?

Mr Armstrong: I know that HMS Caroline's is in excess of the two-year period. That is one case that we have been discussing with DFE recently. HMS Caroline closed to the public in March, at the start of the pandemic. At the same time, there have been negotiations between DFE and National Museum of the Royal Navy as to the long-term arrangements, because we were expecting use of sole authority of the Budget Act to cease this year for HMS Caroline —.

The Chairperson (Dr Aiken): Is not there a line in the Economy Estimates for £420,000?

Mr Armstrong: There is, yes. It is for £450,000. We expected that use of the sole authority for HMS Caroline to cease this year because a new contract arrangement was due to have been put in place with the National Museum of the Royal Navy, and that would have meant that sole authority of the Budget Act would no longer have been required. That has not happened, and I understand that the Department for the Economy and the National Museum of the Royal Navy are currently in negotiations over the future relationship. The £450,000 that you see there is what the Department for the Economy asked us to approve to ensure that the ship is maintained as an attraction in the interim, while those future contractual arrangements are put in place.

The Chairperson (Dr Aiken): Is that to the end of the financial year or to the end of the year? I understand that contract negotiations are supposed to be finished. The Minister stated that 31 December is the cut-off date.

Mr Armstrong: You may be right. Apologies, I do not have the exact date here, but I know that that £450,000 is what Economy told us.

The Chairperson (Dr Aiken): I am sorry, I should have declared an interest as an ex-HMS Caroline rating from many moons ago. As soon as you said "HMS Caroline", my ears pricked up. Not that they are always attentive.

Mr Armstrong: I can actually join you in that.

The Chairperson (Dr Aiken): Oh!

Mr Allister: An old boys' club. *[Laughter.]*

Mr Armstrong: That is what the Department for the Economy told us was needed for the remainder of this year to ensure the maintenance of the ship, pending confirmation of the future relationship with the National Museum of the Royal Navy.

As you mentioned, the approval for Northern Ireland Screen has been running for more than two years because we were awaiting legislation. Because the Assembly was not sitting, it was not possible to progress that legislation. It has now been put in place, so that situation will end this year. The expenditure up to the point at which the legislation came into force this year will remain on the sole authority of the Budget Act.

Mr Allister: What about the almost £8 million of black box money and good relations? It is on page 219 of the Estimates.

Mr Armstrong: That relates to the social investment fund, and that, likewise, has been running for more than two years. When it began, the expenditure was initially on the sole authority of the Budget Act, pending legislation. However, when the Assembly stopped sitting, it was no longer possible to bring any legislation forward. Now that the Assembly has been restored, the information from the Executive Office is that the expenditure is due to be wound up. Initially, it was thought that it would cease in the 2020 calendar year, but my understanding is that there has been some delay, so it will extend into the 2021 calendar year but not beyond that. Therefore, by the time any new legislation could be progressed through the Assembly, it would be obsolete. We anticipate that the expenditure on this, until the social investment fund ceases, will remain on the sole authority of the Budget Act.

Mr Allister: You just give them a bye-ball on that?

Mr Armstrong: It is not physically possible for the Executive Office to bring legislation through the Assembly before the fund ceases, and given that the Executive had committed to the social investment fund, we were left with that decision to make. It had been approved, and it made use of sole authority of the Budget Act during the time that Budget Acts were being passed through Westminster. This is just the tail of the programme.

Mr Allister: Each of these approval letters, which you are going to let us see, will set out the rationale for approval in each case?

Mr Armstrong: They will certainly confirm the amounts and the terms. The rationale is set out in the approval letter or the supporting correspondence. I do not have each letter in front of me, so I cannot say that it will all be in the approval letter itself, but it will be in the supporting correspondence between the Departments and DOF.

Mr Allister: OK. Thank you.

Mr Frew: Thank you very much for your presentation. The Minister made a statement last week about requesting flexibilities from the Treasury, one of them being on the transfer money from capital to resource. What work has been done in the Department, should that wish ever come true?

Mr McGuinness: You are correct that the Minister is speaking with Treasury on that particular issue, as are all devolved Administrations, seeking to find additional flexibility to manage the Budget within the resources that we have rather than asking for additional resources in one category or another. We have been monitoring the overall Budget position and continue to do so. We do that monthly, with returns from Departments, to ensure that our overall spend is within our controlled total limits. The flexibility that we are requesting could, potentially, extend into future years. At that stage, a more strategic decision could be taken on what the overall capital and resource envelopes look like. We will only have the fuller picture once we have the spending review outcome. That will allow us to see what our normal resource and capital envelope would be, to understand the degree to which we can flex within that. It gives us an opportunity to respond quite dynamically to changes that might be last minute. I can give you an example where, in March, we did not have that flexibility, and there was an underspend in our capital that we could have managed a little bit more dynamically had we the ability to do a little bit of flex there.

The Chairperson (Dr Aiken): What is the status of the comprehensive spending review (CSR)?

Mr McGuinness: As you know, the Chancellor has cancelled the UK autumn Budget. The word from Treasury officials is that they are still aiming to have a multi-year spending review, which will be published in the autumn. Despite repeated pressing on what " the autumn" means, we have no further clarity on that.

The Chairperson (Dr Aiken): Basically, anytime up to the 21 December.

Mr McGuinness: Absolutely, yes.

Mr Frew: If I am reading this right, whilst the Minister asked for a whole suite of tools with regard to flexibility, according to his statement, you are saying that the one around transferring money from capital to resource would only be a spring or late-winter action, when you realise that there would not be a fulfilling of capital spend, rather than moving money from capital to resource in a general sense.

Mr McGuinness: For future years, it would be helpful, and we could plan on that process. For the current year, if we had flexibility in resource and capital, it would allow us to respond fairly quickly to emerging pressures. If the second wave of COVID were to continue, or we were to go into a third wave, and pressure was apparent in the health system, for instance, on staffing costs, and if we knew that capital projects were being delayed due to lockdowns, we could, at that stage, transfer funding from capital to resource to manage those pressures. However, at this stage, it would be a reactive understanding of the wider picture.

Mr Frew: Is that a good example? It seems to me, and it might be the case, that the Health Minister has given money back on resource. You cannot increase staff costs if you do not have the additional staff. That is a slow burn — a cog-turning-slowly machine — with regard to training staff. Has the Department gauged reaction to last weeks' statement from people throughout Departments and the

private sector as to how they will plan for the year ahead if they do not have the capital spend that they would have expected?

Mr McGuinness: Health was probably not the greatest example; my apologies for that. It is an ability for us to flex whenever we see the system moving in front of us on resource and capital pressures.

On your second point, it is difficult to tell at this stage. We are engaging with Departments every month and engaging informally much more frequently to understand what their capital and resource costs look like. The Departments provide returns, which we forward to the Committee as a forecast out-turn to indicate what Departments will spend up to the end of the financial year. The Minister wants that as an option rather than saying, "We will do something with this if we get it". If the dynamic changes in the public expenditure system, we would like to have that up our sleeve.

Mr Frew: Surely if you are requesting that flexibility, you must have uses for it. Might the Finance Minister, for instance, decide to populate a business grant scheme with capital spend?

Mr McGuinness: We are talking hypothetically, but, come February, there could be a further lockdown. Capital spend would have to be pulled back because people would not be able to get onto building sites and projects would not go forward, and there could be real need in the business sector. At that stage, the capital to resource flexibility could kick in, provide grants to businesses without detriment to what has already happened with the reduced capital assessment.

Mr Frew: There should be no reason why building sites could not continue to work through lockdown.

Mr McGuinness: Yes, absolutely. That was just an example. Ultimately, it depends on what is happening on the capital side towards the end of the year. We are monitoring that.

Mr Frew: What processes are ongoing for next year's Budget, and what has been completed to date?

Mr McGuinness: We are looking at departmental returns. Departments have provided information to the Finance Department on what their bids look like for the next three years. We are looking at those bids and starting to assess them. We will not be able to look much further at the overall context until we get the outcome of the spending review, which will set the Budget envelope for future years. We are working with Departments on their needs. In the coming weeks, the Minister will meet his ministerial colleagues bilaterally to get a better assessment of the needs and pressures in their Departments and where things can be changed or
assessed.

Mr Frew: In the vacuum of not having an autumn statement or Budget from the Chancellor, what figure or envelope do you use? Do you use the previous year's figures with a tolerance of 5% or 10%? How does it work?

Mr McGuinness: We will create a baseline for Departments that will look at previous years' spend and strip back anything that is time-bound. If a programme is due to come to an end, we will take the funding out of the Department and give it a baseline position. The impact on the baseline will depend on overall numbers. For some Departments, the baseline could increase; for others, it could reduce; and for some, it could stay the same. We do not yet know about the bigger impact. It will also depend on pressures in the system. Some Departments may be able to survive relatively well on a baseline position. Other Departments, because of new or emerging issues, will require additional funding. Those issues will be teased out in the bilateral engagements with the Minister.

Mr Frew: When is your next deadline?

Mr McGuinness: In some ways, our next deadline is a waiting game for the spending review outcome.

Mr Frew: Can you do no more until then?

Mr McGuinness: We can do things in the background such as liaise with Departments and engage with that process, but that will be the key driver for how we go forward.

Mr Frew: What is in this year's Main Estimates that scares you and that you have not yet told us about?

Mr Armstrong: There is nothing in this document that scares me. Without beating about the bush, the big concern — I am sure that it will be the same for everybody — is what will happen with COVID, because we have written this document to the Executive's up-to-date Budget position based on our knowledge of the funding that has been raised locally plus the block grant and the Barnett consequentials that we have received. If something happens after this that requires a further increase in public expenditure, that will create a problem.

Mr Frew: Like the lockdown that was announced this morning.

Mr Armstrong: It is the expenditure that goes with the lockdown. The lockdown does not in itself cost, but it is the expenditure that will then be needed to support the economy.

The Chairperson (Dr Aiken): Just to unpack that a bit, there was quite an interesting comment of, "Look, you are now getting monthly returns from all the Departments". In essence, we are trying to wait for monitoring rounds coming in, but we never seem to see that until it is well past the point. You probably have a very good handle now on where the pressures and the underspends are. Which Departments do we have headroom in at the moment? Bearing in mind that we want as much of the £200 million that has come in from Barnett consequentials for business support to go directly to business support, how many other areas of headroom have we got? You must have a fairly good idea of it now, because the chances of our getting substantial capital spend done between now and the end of the financial year are rapidly diminishing. We must have an idea of that envelope at the moment.

Mr McGuinness: Part of that analysis will feed into the likes of October monitoring.

The Chairperson (Dr Aiken): It is October now.

Mr McGuinness: Yes, Departments have been engaging on that, and we are finalising that work at the minute. There will be reduced requirements from Departments, and that is an effect of looking at what they are potentially spending through the year, and, if they are coming up short in some areas, that is then presented to the Executive for redistribution. We are finalising those numbers with the Minister and hope to be in a position to inform the Committee of that next week.

The Chairperson (Dr Aiken): That is good because we have a real problem here. Bearing in mind that the identified savings have to be spent in-year, there will be pressure on Departments, unless we can get some kind of arrangement with the Treasury. One of the questions that we will ask the Committee after this is: are we content to support the Minister in his attempts to allow a greater flexibility in transfer of funds from the Treasury? We will discuss that afterwards. The key point is that there will be an awful lot of pressure either to spend the resource that we have or to allocate it to the Departments that will shortly need it. As Paul and other members said, there are real issues now within the business community because it needs support through that period, but we do not want to end up having to hand back £100 million come April because we have not been able to profile it enough or quickly enough to do that. We should be getting those answers fairly soon, and we are quite keen to get a response from the Minister on that next week.

Mr McGuinness: We are very conscious that there is a balance to be struck between getting funding out to support businesses and understanding that there may be further periods of uncertainty in the financial year when we may need additional funding. The Minister is aware of that position, and part of October monitoring will be to look at how we support businesses that have been impacted and will be impacted from Friday.

Mr Catney: I want you to help me. I have tried to understand what you state in your briefing paper. The Department has stated that, under Standing Order 42(2), the Committee must ensure that the Budget Bill is given accelerated passage. Is it the case that the Committee must ensure that the Budget Bill is given accelerated passage?

Mr Armstrong: The Budget Bill cannot proceed by accelerated passage without the agreement of the Committee, which is the point that I was trying to make. Sorry. Apologies if the wording was ambiguous.

Mr Catney: Are you fairly comfortable that we have got all the concentration that we require? That is part of the process today and you have been very open about it, but are you comfortable that we have got it all there?

Mr Frew: You know what we are like, Barry *[Laughter.]*

The Chairperson (Dr Aiken): Through the Chair. Behave, you.

Mr Armstrong: My colleagues and I have been to the Committee on a number of occasions this year to explain, and I hope that you feel that we have done that.

Mr Catney: No doubt.

The Chairperson (Dr Aiken): You are like old friends.

Mr Catney: We thank the Department for that.

On 6 October, the Minister wrote to the Treasury asking for it to a allow a carry-over of increased underspend for the financial year due to the pandemic. Are there specific areas that the Department has identified for that underspend, bearing in mind where we are with COVID? Will it be spent on issues that the First Minister mentioned in the House this morning? I know that you do not have a crystal ball, but can you give me a wee bit more information on that?

Mr McGuinness: That refers to underspend from the last financial year. At the end of March, because of COVID and its implications, a number of areas were not able to spend fully. We had a small underspend in capital that we could not manage within our overall Budget exchange scheme limits. We pressed Treasury to consider allowing us to carry forward that so that we can fully utilise it. The Treasury has indicated that it will consider that as part of its Supplementary Estimates process, which is coming up in November/December. We will also be working with Treasury.

Mr Catney: If Treasury is not minded to grant any additional flexibility, can assurances be given that the areas of underspend will be surrendered early in this financial year to allow time for reallocation in order to minimise the risk of its being lost to Treasury? There is one thing I do understand: I hate to see anything going back. I am sure that we all share common ground on that.

Mr McGuinness: Departments are required to provide us with as early an indication as possible of their reduced requirements. Departments are required to surrender anything that they cannot spend to the centre for reallocation. We have pressed Departments, and continue to do so, in our regular meetings with them on what they can and cannot spend, especially because of COVID. We are making sure that that happens as much as we can.

Mr Catney: The Department has stated that there is a high degree of certainty that the Northern Ireland Investment Fund can use up to £30 million on financial transactions capital funding. Given the difficulty in using that funding in the past, is the Department certain about that?

Mr McGuinness: The £30 million for the investment fund?

Mr Catney: Yes.

Mr McGuinness: Yes, we are certain. We are looking at the memorandum of understanding between the investment fund and the Northern Ireland Civil Service (NICS). That will be transferred.

The Chairperson (Dr Aiken): On the issue of FTC, I noticed — I think that it was mentioned in the Assembly, but I will need to check the Hansard report to ensure that I am correct — that there was funding for Ulster University for an extra £30 million, was it?

Mr Armstrong: There was £80 million.

The Chairperson (Dr Aiken): However, it is not going to Ulster University; it is going to the Strategic Investment Board (SIB). Why? I am a bit confused by that.

Mr Armstrong: That is because most Departments do not have the statutory authority to make loans.

The Chairperson (Dr Aiken): Yes.

Mr Armstrong: One of the organisations within government that has that statutory power is the Strategic Investment Board. For a situation in which a financial transactions capital loan is going to be made out, we have made use of the Strategic Investment Board to channel that loan. The Department with responsibility remains accountable for the project for which the loan is being made. It is a matter of vires.

The Chairperson (Dr Aiken): Is there is a memorandum of understanding between the university, the Department for the Economy and the Strategic Investment Board?

Mr Armstrong: Yes.

The Chairperson (Dr Aiken): Does that set out clearly the financial responsibility and accountability?

Mr Armstrong: Yes, accountability in particular.

The Chairperson (Dr Aiken): Can we get a copy of that anywhere?

Mr Armstrong: We can provide you with one.

The Chairperson (Dr Aiken): It just seems quite unusual. Invest NI seemed to be the avenue for the disbursement and distribution of funds, but SIB seems to be cropping up fairly regularly in everything from looking for a replacement for the head of the Northern Ireland Civil Service to funding universities. That is quite an unusual way of doing things. Sorry, that is just an observation.

Mr O'Toole: I want to ask more about financial transactions capital, if I may, and to make sure that I am absolutely clear as to where we are with it. The briefing note refers to the Executive retaining £100 million FTC, but, as we have just discussed, £30 million of that is going to the Northern Ireland Investment Fund. Notwithstanding any further allocation, that means that there is £70 million of outstanding unallocated FTC that has to be spent before the end of this financial year.

Mr McGuinness: Yes, that is correct.

Mr O'Toole: For the sake of getting a clear answer, from the Department of Finance's perspective, the FTC allocation is not quite floating around but could be used for anything within the parameters. It could, for example, be used to fund further business support schemes.

Mr McGuinness: Yes, financial transactions capital can be used for loans to or equity in the private sector.

Mr O'Toole: I realise that it has to be a financial transaction rather than a grant. With respect, there was a little bit of strategic vagueness earlier on around the flexibilities that are being asked for from Treasury. The Finance Minister was — probably for good reason — vague about what exactly was being asked for from the Treasury. Are any flexibilities being asked for around FTC and converting that to conventional capital or DEL, which would be quite unconventional?

Mr McGuinness: There is no specific request for that area simply because of the way in which Treasury rules work. It would probably be unacceptable to it. One request that the Treasury will be considering is additional carry-forward, which will allow us to carry forward additional funding rather than the cap that we currently have on FTC.

Mr O'Toole: If FTC is carried forward, does that mean that that £70 million could be carried forward?

Mr McGuinness: Yes.

Mr O'Toole: Are you aware of any active work going on in the Department or elsewhere in the Executive that looks at how that money could be dispersed as loans or as equity to businesses, further to this morning's announcement?

Mr McGuinness: I am aware that the Department for the Economy is looking at different ways to support businesses and is aware of the financial transactions capital that is available.

Mr O'Toole: As Barry said, only certain institutions within the Northern Ireland Civil Service have the vires to make loans. Do you know whether that work has been going on through the summer, or did it begin more recently, such as in the last couple of weeks, as we realised that we would need a further significant series of financial support packages?

Mr McGuinness: The Department for the Economy has been considering how best to support business right from the get-go.

Mr O'Toole: Does that mean that it has started to look specifically at the FTC in the last few weeks, or was that being looked at over the summer?

Mr McGuinness: The Department had been aware of that from the start of the summer.

Mr O'Toole: OK. Thank you.

Mr Armstrong: Financial transactions capital has been around for quite a number of years. This is not unique to this financial year. The Northern Ireland Investment Fund was set up because of the difficulty that the centre had in using it, and it was as an avenue to get it out to business.

Mr O'Toole: I know that it is not going to be covered *[Inaudible]* , but in terms of our reinvestment and reform initiative (RRI) — our borrowing power — where are we in this financial year in our borrowing headroom?

Mr McGuinness: To date, we have not borrowed on RRI in this financial year.

Mr O'Toole: How much could we borrow in this financial year?

Mr McGuinness: Up to £200 million.

Mr O'Toole: How is the interest rate on that worked out? Is it to do with what the Debt Management Office (DMO) gets?

Mr McGuinness: Through the Public Works Loans Board.

Mr O'Toole: That is connected to the price of sovereign debt at any given moment.

Mr McGuinness: Yes, it changes daily.

Mr O'Toole: If the DMO has an auction for UK sovereign debt that is very low, as it is at the minute, we can be assured of the price. Do you know whether any work is being done to look at our making use in-year of our borrowing power in order to support affected businesses?

Mr McGuinness: That is being considered, but, at this stage, we are concerned that Departments will not be able to fully utilise their capital budgets, so injecting further capital might not be the best thing to do. We have it in our minds. We understand that that power is there, and we may be able to utilise it towards the end of the year as a tool to manage our budgets. At this stage, there are no plans for big capital injection through RRI borrowing.

Mr O'Toole: I know that you can use RRI on capital spending only. Perhaps you can give me a direct answer. If you get agreement from Treasury to have more flexibility around capital/current switch or carry-forward, and you know that your capital allocation is not your capital allocation and that it can be current spending, you could get out the RRI credit card, to use a fairly lurid analogy, and spend on

that. Has anyone considered the possibility of doing that? Do you know what I mean? Are you thinking about that?

Mr McGuinness: That is one of the thought processes. Obviously, RRI borrowing will attract a resource interest charge, so there is a repayment element to it that we have to factor in in the longer term. However, that thought has not escaped me.

Mr O'Toole: OK. You are thinking about it but are waiting to get permission from Treasury before you commit to it.

Mr McGuinness: Ultimately, further flexibility will depend on Treasury's approval, and we cannot do anything until we know that we are getting that approval and, if we are, to what extent. It may be limited.

The Chairperson (Dr Aiken): Bear in mind that we will be making a special case, come 1 January. We will be into a hybrid world here. One of the issues with Treasury is that it wants to have commonality across the devolved Administrations, but we are in a different situation because we will incur the substantial costs of the border down the Irish Sea and the impact that that will have on businesses. There is, therefore, potential in making a case now for additional flexibility to enable us to support businesses and other areas, provided we do not get into state-aid issues. Has that stage of the conversation begun, particularly with Treasury? If we tie it to what the other regions do, we will still be having this discussion towards the end of the financial year, and I think things will have moved on for us.

Mr McGuinness: The costs of implementing the protocol have been discussed with Treasury, and the Minister has been clear about those costs.

The Chairperson (Dr Aiken): Have those likely costs been identified yet?

Mr McGuinness: They come in two broad areas. The first is phytosanitary issues, which includes checks on animals, for instance. Offhand, I am not aware of the amount.

The Chairperson (Dr Aiken): Add 50 quid to every cheese that we get and multiply it by a factor of 100.

Mr McGuinness: It is about understanding those. I am not aware, but I believe that it is over £100 million.

Mr McGuinness: Yes, it is understanding those. I am not aware, but I believe that it is over £100 million.

The Chairperson (Dr Aiken): I do not want to put you on the spot, but we will maybe talk to the Minister about it next week. It is an important figure, and we need to discuss it now, because time is marching on rapidly.

Mr McGuinness: Yes. The Minister has sent those figures to the two Chief Secretaries to the Treasury. I do not have them to hand. The Minister will be able to discuss that.

Mr O'Toole: I have a final question on flexibility around the capital/current switch and the flexibilities for which you are asking for. Do you expect to find it before the spending review?

Mr McGuinness: The Minister is meeting the Chief Secretary to the Treasury and his devolved counterparts next week. He will press that issue. If — it is a big if — they agree to any further flexibilities for the devolved Administrations, it might be wrapped up in the spending round announcement.

The Chairperson (Dr Aiken): OK. Any other comments?

I will ask a final question before you go; you probably do not have the answer. We have been told that, along with the Internal Market Bill, we also need to watch out for the Finance Bill, as it is particularly important for Northern Ireland. Do we know where we are with the Finance Bill?

Mr McGuinness: No, I am not aware.

Mr Armstrong: Sorry.

The Chairperson (Dr Aiken): We have been told that there is one set of potential derogations and that the rest of it will come in with the Internal Market Bill, but we were then going to get more details in the Finance Bill. It was going to add more detail to the bits and pieces but, again, it is October and I have not heard anything. I was just wondering whether you had heard anything about the Finance Bill?

Mr Armstrong: I am not sighted on that. Apologies.

The Chairperson (Dr Aiken): When you are talking to the Treasury you might —

Mr McGuinness: Add it to the list?

The Chairperson (Dr Aiken): — give them a gentle, "Hello, it is us. Do you remember?".

Team, thank you very much indeed for coming along and, as usual, it is a pleasure.