Northern Ireland Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

January Monitoring Round: Department of Finance

27 January 2021

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:

Ms Pamela Galloway	Department of Finance
Mr Jeff McGuinness	Department of Finance

The Chairperson (Dr Aiken): I welcome Jeff McGuinness. Is Pamela joining us or is she coming into the spotlight?

Mr Jeff McGuinness (Department of Finance): She should be coming into the spotlight.

The Chairperson (Dr Aiken): OK. We will see whether we can bring Pamela up. Jeff, you are leading on this discussion, and we all know one another well enough for you to crack on. Will you give us your presentation, and then we will ask questions?

Mr McGuinness: Certainly, Chair. I am here to speak on January monitoring and assist the Committee with its scrutiny of the 2020-21 in-year budgetary position. Members may recall that, following announcements of further allocations in November, we were holding approximately £26·6 million for contingency until the end of the financial year.

On 23 December, Treasury increased the guaranteed COVID-19 funding for 2020-21 to £3 billion, providing an additional £200 million. The Minister has indicated that he is pressing Treasury for agreement to carry that forward into next year, but it has not been built into the January monitoring round.

As the £200 million will be sufficient to cover the £150 million cost of further rate support next year, the funding that was held centrally for that was made available for allocation in January monitoring. The Economy Department confirmed that the £60 million that was held centrally for business support was needed. The Infrastructure Minister brought forward proposals to use the £6 million held centrally for support to the private transport sector.

The money set aside for support to ferry companies was held to be transferred to the Department for Transport (DfT) in England, and that transfer has now taken place. The amount requested by DfT was £308,000, so a small amount of some £42,000 was made available in this monitoring round.

There are a number of COVID reduced requirements from Departments totalling £219·2 million resource DEL and £10·5 million financial transactions capital (FTC). Revised estimates of costs of previously announced rate relief made £46·4 million available for reallocation. As a result, total COVID funding available for the January monitoring round was £509·8 million.

On bids and allocations, the Departments identified £215·6 million of resource DEL COVID pressures. The Executive agreed allocations for all COVID bids submitted.

The Chairperson (Dr Aiken): Sorry, just a quick question: did you say £508 million?

Mr McGuinness: I said £509·8 million.

The Chairperson (Dr Aiken): That is an increase on the £435 million that the Minister briefed us on on Monday.

Mr McGuinness: That was at the beginning of the January monitoring round. The £435 million is at the conclusion of the monitoring round. We will get on to that.

The Executive agreed allocations for all COVID bids submitted. For DFE, in addition to the £60 million from the centrally held funds, £94·5 million was allocated for a range of measures to support business, tourism and hospitality, further and higher education, and to replace European social fund funding.

For the Department of Education, a total of £7·5 million was allocated for the response to COVID and costs associated with restarting education in schools. For the Department of Finance, a total of £101·6 million was allocated, £100 million of which is to continue the financial assistance scheme in view of the new restrictions, with £0·6 million providing rate relief to newspapers.

For the Department for Infrastructure, in addition to the £6 million held centrally that was allocated to it, £12·1 million was allocated for lost income and PPE costs. That left £294·2 million available to provide further support in the coming days.

The Executive have agreed to grant flexibility requested by the Economy and Education Ministers to reallocate funding from one COVID measure to another to help to ensure that support is provided where needed and that spend occurs in this financial year.

I will turn to the more general January monitoring funding and pressures. Departments identified £93·9 million of resource DEL, £55·7 million of capital DEL and £12 million of financial transactions capital reduced requirements. It is a high level of reduced requirements at this late stage of the year, although there are mitigating circumstances, given the impact of the pandemic and the uncertainty that it has created. That meant that £110·7 million resource DEL, £46·4 million capital DEL and £55·7 million FTC of non-COVID funding was available for allocation in January monitoring.

The Chairperson (Dr Aiken): Sorry. Just give me that FTC figure again, Jeff.

Mr McGuinness: It is £55·7 million.

The Chairperson (Dr Aiken): That is after £30 million has gone to Ulster University for its bottomless York Road pit.

Mr McGuinness: That is after an allocation to the university in October.

The Chairperson (Dr Aiken): I was not asking you to comment on the bottomless York Road pit. I was just saying that. That seems to be where our entire FTC budget disappears into.

Mr McGuinness: Departments have bid for £98·2 million resource DEL and £24·2 million capital DEL of non-COVID-related pressures in January monitoring. A bid for £4,000 of FTC was received from the Executive Office (TEO).

The Treasury provided funding in relation to expected credit loss, accrued annual leave and Project Stratum, so bids for those have not been considered for allocation from Executive funds. Northern Ireland protocol funding for this year is confirmed at £29·9 million rather than the £30·3 million in the paper, reflecting a reduction in need.

The Executive have agreed allocations for all other bids submitted, totalling £58·4 million of resource DEL, £18·1 million of capital DEL and £4,000 of financial transactions capital. A total of £3·5 million was allocated to DAERA for a financial discipline reimbursement due from the EU. Discussions are ongoing on a mechanism for that.

The Department for the Economy was allocated £9·7 million for higher education quality research and the pay remit in further education colleges. The Department for Infrastructure received £45 million to provide certainty and resilience for the Driver and Vehicle Agency (DVA) and Translink. Those allocations helped to ease pressures and can be proposed in the context of resource available this year. For the Public Prosecution Service (PPS), there was £0·3 million for dilapidation costs. The Department of Education received £18·1 million in capital DEL for the cost of providing ICT to the Education Authority (EA) and to carry out minor works across the education sector.

In terms of outcome *[Inaudible]* and non-COVID funding remain unallocated, the total between the two areas is £346·4 million resource, £28·3 capital and £55·7 million FTC unallocated at this stage in the year. There is a higher than usual risk of funding being returned to the Treasury as unspent at the end of the financial year.

There are a number of factors where we are planning for mitigation in those areas. We are awaiting the outcome of discussions with the Treasury on carrying forward unspent funding, but it is imperative that we press ahead and consider further plans for that funding and not rely on an agreement from Treasury. In that context, the Executive have agreed to reconvene on the issue, and the Minister has called for further bids to be brought forward by his Executive colleagues. The Committee may be aware of a number of those being announced in the press recently.

It is anticipated that the Executive will make more allocations in the coming days as they consider further proposals.

I am happy to take questions.

The Chairperson (Dr Aiken): Thanks, Jeff. The Minister briefed us that he was getting a flat cash Budget, yet we are at the end of this year's Budget, and there is a surplus of £509 million to be allocated in a very short time. We have a lot of significant questions.

I have questions about discussions with the Treasury. There seems to be an implication that there will be a large carry-over. However, I do not see any indication from any source that the Treasury is amenable to or even aware of the full extent of the £509 million that we are talking about. Will you update us on the discussions with the Treasury? It is all well and good to say that discussions are ongoing, but we are now at the end of January. We potentially have two months to spend £0·5 billion, and, unless there is a plan to do that effectively, the money will end up being put into pet projects. A significant issue for us at the moment — it is my biggest concern — is that we have no real oversight of how the money got to this point, and the Department for the Economy does not seem to able to get out its allocated money. We have still not had a direction on what is happening with the £95 million voucher scheme and how that is likely to be put out. Those are really significant questions. Will you give us some views on that?

Mr McGuinness: Certainly, Chair. I can confirm that £346·4 million resource, £28·3 million capital and £55·7 FTC are unallocated at the end of the monitoring round. The £509·8 million relates to COVID at the start of this monitoring round. However, you are right: that is a significant amount of money, which we are trying to mitigate in a number of ways, one of which is the Treasury route. We have been in contact with the Treasury to press it for additional flexibility in being able to carry forward. We do not want to be penalised for trying to do the right thing with the money just because it ends up being allocated a few days later than 31 March. We are doing our best to make sure that the Treasury is aware of those funding issues. We had anticipated that the Treasury would provide a view on carrying forward this week, so we are expecting that view any day now. You will be aware that the Minister, along with his devolved Administration counterparts, has written to the Treasury on the issue. There is engagement with the Treasury not only at official level but at ministerial level. We are trying our best to impress on the Treasury the need to carry forward so that the funding can be spent appropriately and not lost because of financial rules.

The Chairperson (Dr Aiken): Further to that, please tell me that this is just idle media speculation and that there are no plans to front-load £95 million to MasterCards for everyone in Northern Ireland, which will be retained until the end of the COVID period. That money would be handed out to the people of Northern Ireland to boost Amazon's profits. Please tell me that the Department for the Economy is not thinking about such as proposal.

Mr McGuinness: I am not aware of that proposal. If it is being considered, it has not yet reached my desk.

The Chairperson (Dr Aiken): What is the Department proposing to do with the £95 million that had been allocated to it?

Mr McGuinness: The £95 million has been surrendered as part of this monitoring round. It now forms part of the unallocated funding that is being considered for further bids.

The Chairperson (Dr Aiken): The Minister mentioned other things. He talked about a potential and considerable ICT uplift, particularly for schools and education. The implication was that will be a significant buy in a short time. If that is the case, how can we do due diligence when it comes to purchasing and going out to contract if we have only two months left to achieve that?

Mr McGuinness: I am not aware of the specifics of that issue, Chair. However, I will talk about how the process works for a number of issues whereby Departments will be in ongoing contact with the public spending directorate about projects that are in the pipeline. Should something come to fruition before the end of the financial year, Departments will probably have already spoken to supply teams and progressed the business cases in advance of any announcements. It is not that business cases and suggestions for spend come to us completely cold, Chair. Those conversations are happening. At official level, we will be aware of some things that Departments are trying to progress.

The Chairperson (Dr Aiken): When the Minister was producing the draft Budget — in particular, we are talking about Health, the change programme and safe working practices — there was a suggestion that we would wait until the mid-year monitoring round to see what surplus there may be, but we are now sitting on £500 million. Is any mechanism being worked out, particularly for Health, which could be seen as COVID-related, where those moneys could be ring-fenced now so that we can achieve what we promised under New Decade, New Approach?

Mr McGuinness: One problem that we will face, Chair, is the resource accounting and budgeting scheme in trying to make sure that we can accrue the money to the right financial year. If funding is required for safe staffing in 2021-22, it will be very difficult for us to accrue that in 2021, simply because it is not the right financial year. Those are the budgeting rules under which we work. Those are Treasury rules and are part of the wider European system of accounts, so our hands are somewhat tied. Departments will undoubtedly be working on ways to maximise funding within the budgeting rules.

The Chairperson (Dr Aiken): There seems to have been quite a bit of creative accounting throughout this entire year, so all I would suggest is that we ought to be doing a lot of creative accounting to make sure that we meet the needs of our dedicated health and other workers who have put themselves on the front line.

The Minister said that one of the ways to get this money moving was to increase allocations to arm's-length bodies. It was not so long ago that the permanent secretary was here complaining about a lack of transparency among arm's-length bodies and where moneys go. The Department did not have a good oversight of how money was being spent and allocated once it went to arm's-length bodies. If we are serious about increasing the amount of funding that we will give to arm's-length bodies in order to reduce the £500 million, bearing in mind that we do not have a fiscal council, which we have been promised for a year, how will we monitor how moneys are being spent, given the concerns that your permanent secretary raised about arm's-length bodies?

Mr McGuinness: There is an issue about how we police the funding. One concern is that there is a lack of transparency about where the funding is spent. It will be for Departments and individual accounting officers to satisfy themselves that any allocations that are made in the remainder of the financial year are done within the rules and that there is sufficient transparency on where the funding

might be going, what it might be spent on and by when. Those are the key areas in which accounting officers must satisfy themselves that that funding is being spent appropriately.

The Chairperson (Dr Aiken): It is difficult to say in which direction COVID is progressing, but we will still be dealing with it by the end of the financial year, which will pose further questions. People have noted that pandemic waves come in threes. Regrettably, the second wave is normally the largest, but there is the potential for a continuing process. What contingency is the Department of Finance looking for? A rate holiday for small to medium-sized enterprises (SMEs) for the rest of the financial year, particularly through 2021 into 2022, would be a welcome and effective way of dealing with those situations. Those businesses will need support when we reach a significant level of vaccination and can start, slowly but surely, to open up our economy. You said that you had a contingency of £150 million before this. What level of contingency is the Department of Finance looking to achieve as we move into 2021-22?

Mr McGuinness: Chair, you are correct in saying that it is difficult to predict the path of a pandemic and the way in which it might impact on the community. It is equally difficult to predict how that translates into business support, protecting our vulnerable and supporting key public services.

We are seeking permission from Treasury to carry forward £200 million. That will help to support business rate relief in 2021-22. In addition to that, part of the draft Budget — approximately £126·9 million — remains unallocated at the moment so that the Executive can make decisions on that funding a little bit closer to the time, when we know more about the path of the pandemic and the impact that it might have into April, May and June.

Those are the two strands of approach: the £200 million that will carry forward and help to support rate relief and the £126 million that we are holding in 2021-22, which we can allocate nearer the time, whether at final Budget stage or into the financial year, depending on how much certainty we have on what the pandemic might do in the early months of 2021-22.

The Chairperson (Dr Aiken): Thank you for that, Jeff. I have a few short questions. I asked a question in the House about how the annual leave accrual of £8·5 million seems to match the figure from the Northern Ireland Statistics and Research Agency (NISRA) remarkably closely. Can you explain why the reduction in annual leave uptake seems to coincide with the reduction in sick leave during lockdown? Are we doing some HR analysis on that, or is it because people would much rather work from home and that there is less stress than being in the office? Has any more detailed analysis been done on that?

Mr McGuinness: I am not aware of any detailed analysis in that area. It is probably for HR to answer the question. I can speak from the experience of my team. I suspect that less stress at home is not the case, even in the realms of homeschooling.

The Chairperson (Dr Aiken): I agree with you there.

There has been a loss of £12·7 million from Invest NI: an "expected credit loss". Does that refer to a whole bunch of expected credit losses, or is it just one project?

Mr McGuinness: I will check whether Pamela knows this one, but I am pretty sure that it is an amalgamated amount — a one-off amount for Invest NI to cover a number of loans across its portfolio.

Ms Pamela Galloway (Department of Finance): Yes, that is my understanding as well, Chair.

The Chairperson (Dr Aiken): OK. Thanks.

A number of allocations refer to the Department for Infrastructure, the DVA and Translink. We understand about Translink; its reserves have been raided for years, so it has got into a position where it needs its reserves to be rebuilt to enable it to keep going. However, why are we doing that for the DVA? Were the DVA's reserves being raided as well? What is the situation there?

Mr McGuinness: I am sure that the Infrastructure Minister may not accept the language of "being raided", but certainly —

The Chairperson (Dr Aiken): For the record, since we are being reported by Hansard, allow me to ask whether the Executive are to replace reserves for Translink, as it appears to be doing for the DVA. Does that sound better, Jeff?

Mr McGuinness: Yes, Chair. The DVA had its reserves depleted in previous years. That, combined with a significant loss of income over the past 12 months, has allowed the Infrastructure Minister to bid for and receive additional funding for the DVA.

The Chairperson (Dr Aiken): Yes; and, right at the beginning, that obviously included money for the refurbishment of lifts and the fact that we had not been doing any planned maintenance on a lot of the equipment.

Mr McGuinness: Yes. My understanding is that that was bid for and that the funding was received.

The Chairperson (Dr Aiken): OK. Thanks very much for that.

Mr McGuigan: Jeff said that the Treasury may get back with some information this week; that would be welcome. It would be extremely disappointing and probably irrational were there not a certain latitude to carry money over, given the pandemic. I listened to the Minister's responses to questions, in which he gave very good detailed explanations as to why we are in this situation. I also welcome the fact that the Executive are meeting again. Ultimately, it is a test for the Executive to ensure that money is not handed back to the Treasury. I do not think that there would be much public support for that when we had businesses and employees and all the rest trying to get through the pandemic.

I want to ask Jeff about some points that he made. Is there likely to be a further funding review even later on, between now and April? Is there a time frame in the current phase, when Departments make bids, in which a decision will be made? It is important that there is transparency and scrutiny around the decisions and that we are not just handing out money for the sake of it. As the Chair said, there are businesses and employees out there and there are schemes with which people are dissatisfied because of the amount of money that is available and the time frames for getting it out. We should look at that.

There are other things: for example, are there any bids in for student support and support for health workers? I know that that has been detailed. Does the Department of Finance itself have any proposals? Is it looking, for instance, at the allocation of the business support grants in order to expand their remit or even their value?

Under normal circumstances, roads infrastructure would get a huge pot of money at this time of year. As we come out of this freezing weather, the roads in my constituency are in a terrible state. Obviously, I would expect that a certain amount of money would go into the Department for Infrastructure to bring roads, particularly in rural areas, up to a decent standard.

Mr McGuinness: I will take those points one at a time. You are right that the Executive will meet again. My understanding is that that will probably happen in a number of stages, as proposals come to fruition and are brought to the table. It is a fine balancing act for the Executive to work out, because they could have delayed monitoring for another week, and we could have had a few more bids on the table. Obviously, we need to make sure that announcements are made as soon as we have firm proposals.

I suspect that, rather than wait for a number of additional bids, the Executive will do that in stages so that, as I said, as things come on board and as proposals are raised and agreed by the Executive, announcements can be made as soon as possible. That is a difficult area in which there is not one correct approach. That is my understanding. There is a bid for student support in the process, and that will be brought to the Executive and decisions will be made in due course.

We, along with all the other Departments, are looking at ways in which we can enhance the support that we have already provided to business, citizens and the public sector, where we need to do that. I understand that further proposals are being looked at in our Department and right across other Departments. My understanding is that DFI has sufficient funding for its planned road maintenance schemes for this financial year. There were no further funding requests from it. I am not quite sure whether that may be a capacity issue on the side of local road contractors and things like that, rather than in the Department. I do not quite know. That level of detail is more a question for the

Infrastructure Department. However, that was certainly suggested, and we had asked about further bids for that area. I do not think that the Department was able to provide anything.

Mr McGuigan: OK, and just one —.

The Chairperson (Dr Aiken): Sorry to cut across, but I just want to get that correct. Jeff, the Department of Finance asked the Department for Infrastructure whether it wanted to bid for more, and the Department for Infrastructure came back and said no.

Mr McGuinness: From my understanding, Chair, yes. We ask all Departments about what is coming up and about those things for which we normally expect bids at the end of the financial year, such as road maintenance. If the Department has sufficient funding for what it plans to do, no additional funding will be asked for or allocated. We can double-check that, Chair, but that is my understanding.

The Chairperson (Dr Aiken): Right. I can think of quite a few holes in south Antrim that need filled, as is the case in north Antrim.

Mr McGuigan: Yes. Chair, yesterday or the day before, I read about a rural primary school that had to take on a private contractor to grit the roads. Therefore, I think that people will be looking at that Department and thinking that maybe there should have been additional bids for that.

With regard to my criticisms of the Treasury, should it not be forthcoming on this? Have the Executive and the Department explored all of the possibilities for our financial system being relaxed? Obviously, we have to have good governance, the money has to be spent properly, and there has to be proper scrutiny. However, given the context of the pandemic and the situation that we find ourselves in, have the Executive and the Department of Finance explored all of the possibilities for relaxing the rules to allow us to maintain good governance while getting this money out as quickly as possible?

Mr McGuinness: We are very constrained by the overarching public expenditure rules set out by Treasury. We are constrained by resource accounting and budgeting. However, we have been looking at all that we can do to encourage spending in appropriate ways and with the appropriate controls, mechanisms and governance in place. We are trying to push those boundaries without breaking the rules. We have been in touch with Treasury about specific areas of funding to try to understand what is the best mechanism for spending without going beyond those particular rules. The Department has been in touch with the Audit Office on those. Where the Treasury has given us more information, we have been in touch with the Audit Office to make sure that it is content with what the Treasury is saying and that, should we utilise those areas, that would be acceptable to the Audit Office when it comes to finalising accounts and that sort of thing. We are doing as much as we possibly can to facilitate Departments' spending proposals for this financial year.

Mr McGuigan: OK, thank you.

Ms Dolan: Thank you, Jeff. You kind of covered this in your answer to Philip, but roads are a huge issue in my constituency. If the Chair thinks that there are potholes in south Antrim, he really needs to come to Fermanagh for a while. Another issue that I am dealing with is the sewerage infrastructure in Fermanagh, and the Infrastructure Minister has told me that nothing can be done for another six years because of the underfunding of NI Water. I know that NI Water got money at the end of 2020, but has the Infrastructure Minister — again, this might be a question for the Infrastructure Department — put in any further bids for NI Water?

Mr McGuinness: As far as I understand, there have been no further bids for capital funding for 2021. Again, capital funding is a much more difficult type of funding to implement before the end of the financial year. It requires significant work to be done on the ground, and funding tends to be released in tranches to cover that. We have not had any further capital funding requirements from the Infrastructure Minister. As of today, I am not aware of any. The answer is no, but there are good reasons for that answer.

Ms Dolan: OK. No problem. Thank you.

I think that I know the answer to this, but I will ask you anyway. If councils were to have shovel-ready projects, is there a way in which they can apply directly to the Department of Finance for funding, or do they have to go through the Department for Communities or DAERA?

Mr McGuinness: We do not have the vires. The Department of Finance does not tend to provide funding directly to councils. The primary conduit tends to be the Department for Communities or, in certain cases, the Department of Agriculture. We tend to say that, should funding need to be directed to councils, it should go through those channels, because they have the expertise and the ability to direct that funding appropriately. They have in place the governance arrangements and everything else that would tend to hold us up should we have to try to do it ourselves.

The Chairperson (Dr Aiken): Jeff, for clarity, is the £70 million reinvestment and reform initiative (RRI) bid from the Department for Infrastructure for Northern Ireland Water still going through?

Mr McGuinness: Yes, that relates to the 2021-22 financial year, Chair, so that will be allocated to Northern Ireland Water as part of the Budget in April.

Mr Allister: Jeff, you have somewhere between £300 million and £500 million available to spend. What do the current bids total?

Mr McGuinness: I am not specifically aware of where we are with the current bids. A number of bids have come through at official level, but some are not necessarily agreed at ministerial level just yet. The total is not in the hundreds of millions, but it is certainly a significant amount.

Mr Allister: When you say that they have come through at official level but are not ministerially approved, do you mean not ministerially approved by the asking Department?

Mr McGuinness: Yes. We have discussions with all Departments at official level, and Departments share ideas on potential projects and maybe try to get views from us on feasibility and that sort of thing. We are having those discussions, but it would not be correct to mention any of those without appropriate ministerial cover, because, by the time they get to the accounting officer or the Minister, they may have changed significantly or dropped off the table.

Mr Allister: Have any applications been ministerially approved?

Mr McGuinness: I think that there are some for Executive agreement, but I do not have the details to hand.

Mr Allister: Obviously, it is too late to do a further monitoring round, so what will be the mechanism for the approval of any grants, bearing in mind the need to protect ourselves against rushed and inappropriate spending?

Mr McGuinness: A significant thought in our processes is that funding needs to have the appropriate governance in place, needs to demonstrate value for money (VFM), and there need to be appropriate mechanisms in place so that public money is spent appropriately. Whilst we have finalised January monitoring, we have had a number of allocations right across this financial year. Normally, January monitoring is the third set of allocations in a year. We think that it is probably the tenth set of allocations this year, and the Executive have the ability to allocate further funding as we go forward. Obviously, that will have an impact on Estimates, and we will have to consider how best we can incorporate the room required for further funding later in the year as we come to agreeing the Estimates process.

Mr Allister: Can you assure us that no shortcuts will be taken with the business case requirements?

Mr McGuinness: From our point of view, the supply side in the Department of Finance will always seek business case approval where it is appropriate. For some Departments, businesses cases remain in the Department and do not come to the Department of Finance, but when business cases are required by the Department of Finance, that due diligence will be carried out — absolutely.

Mr Allister: Is there a consciousness that, ultimately, any of these rushed decisions could well come to examination by the Audit Office?

Mr McGuinness: Every spending decision that is taken right across the system has the potential to be examined by the Audit Office. That is very much in our focus and part and parcel of everyday work for supply teams in approving business cases and making sure that the appropriate VFM is in place and

that Departments are aware of the governance surrounding business cases. It is part and parcel of the supply team's work, so I do not see it being any different.

Mr Allister: Finally, we are all taxpayers. This is the money of taxpayers from across the UK. If you have too much money, there should be no shame in returning money to taxpayers and the Treasury, should there?

Mr McGuinness: You are correct that it is taxpayers' money. That is how we in the public spending directorate look at it. It is not our money or the Department's money; it is taxpayers' money. Should we have schemes, projects and programmes that, having gone through the appropriate VFM and governance tests, deserve that taxpayers' money, and should the Executive agree to those, we are happy to release that funding. Those are the rules that we apply. We will always make sure that any taxpayers' money that is approved by DOF is approved in the right way and at the right time.

Mr Allister: Thank you.

The Chairperson (Dr Aiken): Jeff, just a quick question. You said that Departments have a spending limit below which they might not have to come to the Department of Finance. What is the current limit? Is it £1 million or has it been increased?

Mr McGuinness: It very much depends on the specific area. For capital projects in some Departments, it could be £1 million or £5 million. I cannot quite remember. There are different spending limits, or "delegated limits" as we call them, for different Departments. It depends on their history, how they have performed in the past and their level of overall budget. There tends to be more delegation for resource programmes and projects, except, potentially, when they are novel or contentious, and those come to the Department of Finance.

I am going to say that the delegated limits have not been changed in the last 12 months, at least. It is not my side of things, so I am not quite sure, but I am certainly not aware of there having been any significant changes in at least the last year.

The Chairperson (Dr Aiken): I imagine that everything from the Department for the Economy must now be coming to you. Everything that it is doing seems to be a combination of novel and contentious.

Mr McGuinness: We have seen a number of new things that would not even have crossed our radar 12 months ago, Chair.

The Chairperson (Dr Aiken): *[Laughter.]* That is one way of putting it.

Mr Frew: Jeff, thank you for your time and for the extensive answers that you have given. You certainly put in a shift when you come here.

Earlier in the week, I asked the Minister a question in a private capacity. I did not expect an answer then, and you may not be able to answer it now. That question was this: whilst we are not comparing apples and oranges when we compare Northern Ireland with Wales and Scotland, do we know what pressures those jurisdictions are under with underspends? Are they comparable with those in Northern Ireland?

Mr McGuinness: It is a good question. We discuss this, at an official level, with other areas. The Scottish and Welsh Administrations are seeking similar levels of carry-forward to ours. That is evidenced by the joint Finance Ministers' letter to the Chief Secretary of the Treasury. We might know more after our Minister speaks to his Scottish and Welsh counterparts about that issue this afternoon.

Mr Frew: With regard to bidding, you told us that the Department has actively approached or reached out to other Ministers to see how we can spend the underspend in what, I suspect, will become an agile monitoring round. That strikes me as a completely different approach from the approach that the Minister has taken in-year. Time after time, the Minister has told the Assembly that he does not create bids. He said that he waits for other Ministers to bid and then gives out the money. Now, he is becoming proactive. Why was the Finance Minister not proactive in any of the previous monitoring rounds?

Mr McGuinness: Perhaps that was my loose use of language. In each monitoring round, we always ask Departments what pressures they are facing, and we do that proactively. Supply teams in the public spending directorate are in touch with their Departments — weekly or more often — on what the Departments are doing and what is the financial outlook for each Department. Ultimately, when we request details of financial pressures, they come to us through a monitoring round, or, as you said, a more agile monitoring round, and we look at those. It is our job to know what is going on out there. In every financial exercise, we want to know what the pressures are for all Departments. I suspect that I would come under significant criticism from the Committee if I did not ask those particular questions.

Mr Frew: It strikes me that there is a sea change in approach from the Minister every time he comes to the Assembly. I hear what you are saying, and it is a novel defence to say that it was down to your language as opposed to that of the Minister. I take that, Jeff, and commend you for it.

When you allocate money to a Department that has a rolling, live and breathing capital list, such as the Infrastructure Department, where is the limit drawn? You usually allocate money through a monitoring round, so it is usually done and dusted by now. Imagine that, a day before the new tax year starts, you give DFI money for work that it has scheduled to begin in May. Does that work?

Mr McGuinness: We would have to look at the specifics. However, going by the information that you have provided, I certainly would not recommend providing DFI with funding on 31 March for anything happening in May. To me, that would break the rules.

Mr Frew: Would it break the rules if the work commenced in this tax year but money had not been allocated to suppliers or contractors?

Mr McGuinness: Again, it would depend on the individual project and its specifics. If it had commenced in this financial year, there would be a much stronger argument to provide funding for it. Ultimately, it comes down to what audit says, but I imagine that there would be a strong argument for saying, "We are allocating this money now because this project is commencing on 31 March".

Mr Frew: Of course, if it was a rolling programme of capital for DFI, or even for schools or hospitals, that would be capital, not resource. Is that correct?

Mr McGuinness: It depends on the project. If it is an improvement to the asset, it will be capital in nature. The likes of road maintenance is not capital in nature, because you are just maintaining roads at their current level. A new build, new road or significant upgrade will be capital in nature.

Mr Frew: In January monitoring, it is natural to dump, for want of a better word, money on the Department for Infrastructure, which is, traditionally, underfunded in the Budget and earlier monitoring rounds. In January, the Executive usually give it the money to furnish a good bit of its rolling resource programme for improvements to roads. The only thing that might limit DFI is the capacity of contractors to get people on the ground. I am not saying that this would be the best use of money, but at least the money would be used on the ground and would result in brand new road surfaces. Are you considering using resource funding for that?

Mr McGuinness: We have been discussing road maintenance with DFI as part of January monitoring. As you rightly state, it is probably restricted by the contractor as opposed to anything that the Department does. The Department might have had funding for road maintenance in its resource budget and have spent out sufficiently for it not to require additional funding in January. We can go away and look at that. If it is possible and viable, and if the Infrastructure Minister wants to look at it and can find capacity for it, we can consider it as part of a further allocation.

Mr Frew: Given that logic, will the permanent disablement pension come from the capital or resource budget?

Mr McGuinness: My understanding is that it is a resource budget.

Mr Frew: If you get to a certain point in this tax year and know that you are going to hand money back to the Treasury, it will, effectively, become Treasury money. Notwithstanding the political arguments about who should pay the permanent disablement pension, if we are about to hand £346 million back to the Treasury and make the political argument that it should fund this pension, what is stopping the Minister and Department from holding that money to pay permanently disabled victims their pension?

Mr McGuinness: I am only on the periphery of this, but my understanding is that the scheme is not in a position to pay out in this financial year. Administrative costs have been provided to the scheme as part of the draft Budget to enable it to be in a position to pay out by May, I think. I am not sure that the scheme will be in a position to pay out anything at the end of March, which is when the financial rules apply.

Mr Frew: Are you saying that you cannot, in any way, hold money, or have it sitting in a trust, storage, some sort of vehicle or company, in order to administer those payments over time, knowing that there will be costs for the lifetime of a number of people?

Mr McGuinness: Again, it is probably for those who will administer the scheme to confirm this, but my understanding is that, until we get to the point at which we can accrue the money so that we can pin down exactly what it is, when it will be available, how the scheme will work, who will get paid and at what stage, we cannot, as you say, hold that money in trust. Otherwise, we would certainly consider it.

Mr McHugh: Jeff, go raibh maith agat. Thank you for your statement. I am covering ground that has already been touched on, but, at the same time, it is very pertinent. When the general public hear about moneys going back, even though they are going back to the taxpayer, they are shocked that Departments, in the event of money being allocated at a late date, are not ready to use that money to address what are, in many cases, the very obvious gaps in our infrastructure at present. When I use the word "infrastructure", I am talking about the general organisation of our society, whether that is education, health or roads. Take, in particular, the issue of roads, an area in which projects have not been coming forward. Yet and all, community groups throughout the country are having to resort to carrying out what were previously the duties of Roads Service. I am thinking particularly about the gritting situation, which, all of a sudden, is in crisis. Over the past couple of weeks, not only have many roads not been gritted but, in urban areas, grit boxes have not been supplied. Invariably, when we contact Roads Service, we get the same excuses of, "There are cutbacks", "We don't have the money" or "We can't carry out our duties as we would like to or as we have done in the past". Then, we hear that a bid has not even been submitted to the Department of Finance for such work.

I congratulate you, Jeff, on defending the positivity of the Department of Finance in reacting to Departments, not only in the allocation of funding but in requesting them to come forward with ideas. Let us face it: that is not entirely the responsibility of the Minister of Finance or the Finance Department; each and every Minister should take full responsibility for their Department.

I welcome the fact that provision for students and so on has been taken into consideration. The whole education system, and, in particular, further and higher education, has suffered greatly as a result of the pandemic. I am glad to see that initiatives are being brought forward, and, hopefully, they will help to soften the blow or ease the current difficulty with participation in further and higher education.

I am not sure where the responsibility for this lies, but sole directors are falling through the net and are not receiving the type of support that one would expect. I have dealt directly with some of them. I would like to think that someone has been a bit more imaginative and has, at least, been in contact with those people and taken on board the support that they need at this time, especially in view of the fact that it seems to be the case that abundant funds are available to people who can come forward with imaginative projects that meet the criteria of good governance and everything else.

Those were statements rather than questions.

Mr McGuinness: I will pick up on a couple of those issues. Absolutely; Departments tend to have a number of projects that are in states of readiness. I suspect that, at the end of *[Inaudible]* a number of those Departments will get funding in a normal year. We have just experienced an unprecedented year, and I struggle to use that word because it has kind of lost some of its meaning over the last 12 months. In my 18 years of working in public finance, I have not seen a year like the one that we have had where there were such significant amounts of additional funding and unparalleled work by Departments to get off the ground and running new initiatives and things that, 12 months ago, we would not have considered. We have been trying to get accurate cost assessments for them and accurate usage statistics that would help us to inform those projects and programmes. Things that in a normal course of events we would potentially do over 12, 24 or 36 months, we are now doing in three, four or five months. The state of readiness has changed somewhat since this time last year, where a number of Departments were ready with run-of-the-mill changes that they could take on board at the last minute to help us to spend whatever funding that we had.

You were talking about people falling through the net. The Minister has called yet again for all Departments to look at areas where people are not getting appropriate support, where they have fallen through the net and where, because of one circumstance or another, they have not been able to pick up the support that has been provided to others. The Minister has been encouraging those in the business and economy sectors to look at those things to try to find where the gaps are and to fill them. We have certainly been encouraging Departments to do that.

Mr Catney: Jeff, there is no doubt that I am very concerned about the Department of Finance, and, as we heard, we are sitting with £509 million. I listened to a lot of talk, and I hope that you will agree about the bids that were made by the Department for Infrastructure. It sounds like this is an Infrastructure meeting rather than a Finance meeting. There is £509 million that is unspent, and we should be asking questions of our Finance Minister about where it is.

I noticed from the Department for Infrastructure's structural maintenance budget that there was £75 million in capital as result of its bid and adjustments. That Department was able to increase that by 11·7%, bringing its amount to £83 million, so extra money was given there. When I look at all the Departments, I see that the Department for Infrastructure was the only one to return 0·18%, so it has managed to keep things on track and to deliver throughout the year within its budget. Other Departments are returning millions, which we are sitting on. Given the very substantial sums that are left unspent in the Department, will you undertake another monitoring round before the end of the financial year? I would love the answer in really plain English. Will the Minister make a further statement on the anticipated other allocations?

Mr McGuinness: I can absolutely give an undertaking that the Minister will present to his Executive colleagues further bids for consideration. Should those be agreed by the Executive, they will be announced as part of what we call that agile monitoring round.

You mentioned that we had £500 million unspent at the start of this monitoring round. We are now sitting at around £350 million. There are a number of factors in that that we did not anticipate. We did not anticipate the additional money from Treasury, and we probably could not have done, when we concluded October monitoring. There was the return of funding for the high street scheme of about £100 million, which we did not anticipate. There was a further £90 million reduction from Health that we did not anticipate. There are a number of good and valid reasons why that funding has been returned. It just happens that those significant amounts give us additional money that we now have to get moving.

You are absolutely correct that the Department for Infrastructure has worked its socks off trying to get funding sorted. Look at the support that we have provided to Translink and the DVA for lost income and resilience. As you say, the Minister has been working on making sure that additional capital has been provided where necessary. There are a number of good things coming out of all Departments, and all Departments are doing their best. If I gave the impression that they are not, I apologise, because that is not the case at all.

Mr Catney: Jeff, from looking through the figures, I notice that other Departments are returning millions of pounds and the Department for Infrastructure returned 0·18%.

Mr McGuinness: Absolutely. One of the things there is that the Department for Infrastructure is providing that funding to established groups in established areas, so that is the likes of Translink and the DVA. The Department of Health, for instance, is looking at how it deals with the pandemic and its pandemic response. I understand how Health provided initial estimates that were not as accurate as it would like them to be. The Department for the Economy had a number of novel schemes coming out. It is hard to understand what the uptake of schemes like that might be. It is hard to understand what the cost estimates might be for new and emerging schemes. You are right that a lot of Departments are handing back additional money; that is just the context of pandemic planning at the moment.

Mr Catney: Even with that pandemic planning, Jeff, do you not agree that the process should have been sped up an awful lot more? Do you not think that it is going to be nearly impossible as we move nearer to the end of this financial year? There is no guarantee that any of that money will be allowed to roll over.

I have just one more point to make after this one.

Mr McGuinness: There is no guarantee at this moment. Obviously, we are hoping for some sort of understanding and formal agreement from Treasury in the next day or two to allow us to plan appropriately for the remainder of the financial year. We are doing our best to make sure that funding is allocated in the appropriate ways. The Minister is very clear that he wants his ministerial colleagues to help him to bring forward programmes and projects that allow the appropriate amount of COVID support for businesses and the vulnerable.

Mr Catney: I hear what you are saying, but I have to say to the Minister that there should have been more schemes sitting there and ready to go from the start of the year. We should have been planning for this situation in the year of the pandemic so that the money would all be taken up. There has been some congestion in the last two or three months in order to make the spend.

Mr McGuinness: One of the issues is that, 12 months ago, we could not have predicted that Treasury would provide over £3 billion of additional money in the financial year. Essentially, we lived on the drip-feed of Barnett consequentials until July, when we got the UK guarantee. That was increased a number of times. Had we known at the start of the financial year what that number would look like, we would have planned in a different way. We would have planned just to understand how to use that £3 billion appropriately across the system. Looking at the big picture, we have not been able to do that until now, as we finally got the last £200 million in December. Treasury could provide additional money before the end of the financial year, depending on what that guarantee looks like. If it does, we expect it to allow us to carry forward anything that it provides between now and the end of the financial year.

Mr Catney: Lastly, can you advise on the specific resource and capital amounts that have been proposed by the Department to Treasury for the carry-over? It seems to move every week that I go in to look at it. I was in to look last week, I went back in today and there seems to be another set of figures coming at us. I heard what some of the other MLAs said about it being Treasury money. We all know the hardship that is out there, and I am coming at it from a business point of view. Businesses are closing. They will not reopen, and it is important that we get every bit of aid that we can out there in order to help businesses to survive.

Mr McGuinness: The amounts that are coming out of January monitoring combined COVID and non-COVID funding, so we are looking at what funding is available for right across the system between now and the end of March. There is £346·4 million of resource, £28·3 million of capital and £55·7 million of financial transactions capital. Those are the numbers that are set in stone at the end of the January monitoring position, and those are the numbers that we will be working with going forward.

Mr Catney: I spoke with the Chair yesterday, and I hope that there is an oven-ready project or something that we can pull together so that we can use some of that capital for the betterment of Northern Ireland.

Mr O'Toole: Chair and Jeff, I apologise for arriving late and for missing any pertinent bits of the presentation. You mentioned the global figures. As of the end of the monitoring round, about £430 million is unallocated, which is largely resource DEL but includes capital and FTC.

I have a few questions to ask. As of last week, the view was that at least £85 million would be allowed to be carried over under the Budget exchange scheme, so you could subtract £85 million from that £346 million. The expectation from you and Joanne was that the £200 million that was allocated in late November or early December would also be allowed to be carried over. If that is right, is the figure more like just over £100 million?

Mr McGuinness: Not quite. You are correct that we would be allowed, under the Budget exchange scheme, to carry forward amounts, so it is 0·6% of our overall resource DEL, which equates to between £85 million and £88 million for this financial year. In theory, you could take that off, assuming that Departments would fully spend on their already allocated budgets. The £200 million carry-forward is not part of that process. It is not in those figures, so it is additional to them.

Mr O'Toole: Do you mean that you have not included that £200 million because you are certain that you will be allowed to carry it over? If the Treasury were to turn round and say that you cannot carry it over, it would be £540 million. I am not saying that that is going to happen.

Mr McGuinness: Yes, we are fairly confident that Treasury will look on us favourably, but you are right; we will not know that until we get formal confirmation.

Mr O'Toole: On resource DEL, in addition to the £200 million that you think will probably be allowed to be carried over, there is the £85 million, which is part of the normal practice under the Budget exchange scheme. You are effectively asking for as much of the £346 million as well as the £28·3 million capital and £55 million FTC.

Mr McGuinness: Yes, we would be asking for proposals to spend all that.

Mr O'Toole: You look like a remarkably young man for someone who has worked in devolved spending for so long. I know that we are in a completely unique year and that we have a chronic problem with underspends generally, but, in proportionate terms, is this the worst that you have seen or the most substantial that you have seen?

Mr McGuinness: It is not the most substantial that I have seen. We have had significant underspend in previous years, when we had the ability to carry it forward. However, since the Budget exchange scheme came in and capped the ability for us to carry forward unspent funding, this has been unprecedented.

Mr O'Toole: OK, so this is the largest amount since the Budget exchange scheme came in. Is there any argument in saying to Treasury that the Budget exchange scheme was a response in part — as I understand it; tell me if this is wrong — to a belief in the Treasury that there was a perverse incentive to having much looser rules for carry-forward? Is part of your argument to it that this is a unique year, so the perverse incentive does not exist because money has been allocated that we did not have an opportunity to spend properly?

Mr McGuinness: Yes. The argument is very much that we will have very a real need on the ground for COVID support. We could have projects that may hit the ground in early April, and, for the sake of a few days, this process seems to be a perverse way of applying those rules. Treasury has the ability to waive those rules for the devolved Administrations in some form or other. That is the argument that the Minister and his counterparts have put across to Treasury, and we are awaiting the outcome.

Mr O'Toole: The biggest single item of underspend is the high street voucher scheme, I think I am right in saying.

The Chairperson (Dr Aiken): It is £95 million.

Mr McGuinness: Yes, in departmental-specific underspending, that is right; it is £95 million. The other area, which is very significant, is the fact that, because we got £200 million extra that we may now carry forward, we had been holding £150 million for carry-forward for rates that then came into play. That £150 million, the £90 million from the high street voucher scheme and the £90 million from the Department of Health from its reassessment of pandemic pressures are the three big-ticket items in that overall pot.

Mr O'Toole: OK. That scheme was announced, I think, only in November, and the money was allocated in November, I believe, or October, but —.

Mr McGuinness: I am not quite sure whether it was in November or October. Sometimes those allocations all merge into one for me. You are right that it was about that time.

Mr O'Toole: Paul Frew asked about this, but obviously part of the challenge here is about what exactly is represented by spending and when. Why was that money allocated if there was still a high degree of uncertainty about whether shops would be open? Presumably, the money did not need to be spent, as in people did not need to physically spend the vouchers by the end of the financial year, or did they? Talk me through why that was allowed, as it were, as there was clearly a degree of uncertainty about when it would be deliverable.

Mr McGuinness: The specifics of the DFE scheme are not quite my side of things, but, certainly, my understanding is that there were a number of potential ways that it was exploring to do this. As it worked through those particular issues, understood the implications and ruled out what it could and could not do, it came to the realisation that there is not a good way to spend the funding appropriately, with the right governance in place, before the end of the financial year. You are right that is not necessarily about when people spend vouchers; it is more about when we commit to providing the people with vouchers. There are particular difficulties with that.

Mr O'Toole: So, it was not actually the fact that shops remained closed; it was the fact that —. In a sense, what you are telling me is that it is irrelevant that we had a longer lockdown than any of us anticipated because it was not really about whether people could get out to the shop and buy stuff; it was about the scheme actually being delivered and the money being in the account of whoever was providing it.

Mr McGuinness: I am not an expert on it, so I may have taken the wrong end of it, but, certainly, my understanding is that it is more about understanding when the funding accrues to the financial year. It is not necessarily that that happens whenever someone spends the voucher and puts it in a shop's till.

Mr O'Toole: Right. I have a couple more questions, if I may, Chair. In being completely ambitious and novel about how you get this money out the door, as it were, or at least committed in the next few months, is any thought being given to setting up some kind of special purpose vehicle or mechanism to which money could be allocated in expectation of it being dispersed to, for example, businesses? Sadly, hospitality businesses will probably be closed, or at least restricted, further into 2021 than I would like. I would quite like to go to a hospitality business now; I think that we all need that. How can you bend or interpret the rules to the maximum in order to get money allocated so that it can be spent in the 2021-22 financial year? For example, are you thinking about ways that you can allocate FTC money — I know that that is for financial transactions — for spending in the next financial year?

Mr McGuinness: I mentioned that we are trying our best to understand and interpret the financial rules in order to allow us to spend the funding within the financial year. We will not do that to the detriment of the overall public expenditure rules or governance procedures. That is just not possible. We are, however, looking at how we can best push the envelope on that. We are talking to Treasury about the rules in England and how they are interpreted. We are talking to the Audit Office about its view on the issues that would arise if we spent funding in a certain way. We are doing our best to ensure that the funding is allocated appropriately, that it is allocated to areas that can support the public sector, the vulnerable and business in this financial year and that it is spent in this financial year. We are doing everything that we can possibly think of to make sure that those boundaries are challenged but not exceeded.

Mr O'Toole: I have one final question. What date — we may have been told this at a previous hearing, and I have forgotten about it, so apologies if that is the case — did the Finance Minister write to his ministerial colleagues to encourage them to come up with novel schemes? I know that he wrote in the last week or two, but I am talking about prior to that, in the autumn.

Mr McGuinness: I do not have the specific information to hand, but, at the end of September monitoring, for instance, the Minister had, as part of the Executive paper, encouraged his Executive colleagues to look for ways in which funding could be spent, and he encouraged them to support businesses and areas where gaps still had to be covered and support still had not found its way to certain sectors. He continually made sure that he was expressing that opinion and encouraging his Executive colleagues to look for ways in which that funding could be spent.

Mr O'Toole: Thanks, Jeff.

The Chairperson (Dr Aiken): Jeff, before you go, I just have a few comments, rather than questions. Having a fiscal council in place would provide a method of oversight, if we are thinking along the lines of having a special purpose vehicle. Speaking as somebody who was part of the Economy Committee just before the Assembly collapsed as a result of what can only be described as some novel accounting procedures that had gone on beforehand, I am quite nervous about language like "pushing the envelope". We appreciate that we need the money to be spent, but this place does not have a good reputation, by any stretch of the imagination, for novel financing, accountability and responsibility. We have to extraordinarily cautious, and I feel the same when we hear discussions about "novel" finances. Without a fiscal council, the only safeguard that we have is the Assembly's Committee structure. Unless we have sufficient information and knowledge about some of these procedures, I am nervous about the language of novel finances and the rest of it. That is a personal opinion; I am not speaking for the rest of the Committee. We do need to get the money spent, but we need to be very cautious. I am drawn back to the concerns of the permanent secretary about the oversight of funding for arm's-length bodies and where it was going. Now, we hear that part of the solution to the problem might be giving extra resources to arm's-length bodies.

Jeff, it has been quite a long session. However, as usual, thank you very much indeed for your candour. You are probably thinking, "Thank goodness that is all over", but thank you very much.

Pamela, sorry, we did not get much of a chance to talk to you. No doubt you were taking excellent notes and will be reporting back. Keep safe.

Mr McGuinness: Thank you, Chair.

Ms Galloway: Thank you, Chair.