Northern Ireland Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Budget Bill, Spring Supplementary Estimates and Vote on Account: Department of Finance

17 February 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 Roisin Kelly	Department of Finance
Mr Jonathan McAdams	Department of Finance
Ms Joanne McBurney	Department of Finance

The Chairperson (Dr Aiken): I welcome Joanne McBurney, Jonathan McAdams and Roisin Kelly. Joanne, please tell us that you can hear us.

Ms Joanne McBurney (Department of Finance): I can hear you, Chair. Can you hear me?

The Chairperson (Dr Aiken): Hooray. Yes. I apologise for the timings being slightly awry. We had a communications failure earlier and are trying to catch up. The other thing is that I need to apologise for having to step out of the meeting for a few minutes at 3.15 pm. The Deputy Chair will cover for me at that time. I remind members that the session is being recorded by Hansard.

Joanne, will you make an opening statement, please?

Ms McBurney: Thank you very much for this opportunity to brief the Committee on the first Budget Bill of 2021. As the Committee will be aware, the Bill is comprised of two parts: the spring Supplementary Estimates (SSEs) 2021; and the Vote on Account for 2021-22.

The spring Supplementary Estimates position is set out in the detailed document provided to the Committee. The Bill reflects the final approval for the current financial year. This is essential to ensure that Departments can spend the funding allocated between the Main Estimates and the end of the financial year.

The Vote on Account for 2020-21 is, essentially, a bridging mechanism that allows departmental expenditure to continue between the start of the financial year in April and such time as the Budget (No. 2) Bill or Main Estimates receive Royal Assent, which is usually around the start of July. The Vote on Account does not reflect a set financial position. Instead, it is based on the percentage of voted amounts for the 2020-21 year as part of this Bill. It is not related to the draft Budget announced in January; instead, the Executive's final Budget will be reflected in the Budget (No. 2) Bill and associated Main Estimates.

I know that one of the key considerations for the Committee is whether to agree accelerated passage for the Bill. I would like to say a few words on why it is so important that it receive Royal Assent before the end of the financial year. If it does not, there will be a significant and adverse impact on departmental spending. Until the Budget Bill receives Royal Assent, Departments are constrained by the spending limits in the Budget (No. 3) Bill that was passed in November of last year. Due to the unprecedented level of funding for COVID-19 support, there has been an increase in the total net cash requirement of £1·27 billion and in the net resource requirement of £2·23 billion, which are from the Main Estimates provisions that were set out in the Budget (No. 3) Bill.

If this Bill does not get Royal Assent for the end of March, Departments will not be able to access this additional funding. If a Department runs out of cash, it will not be able to pay its staff or suppliers, or to provide the levels of support needed in this pandemic. This would lead to budgetary underspends, which would result in funding being lost to the Treasury. The emergency measure that exists for a scenario in which a Department has exhausted its cash limits due to unforeseen circumstances takes the form of an advance from the consolidated fund for contingencies. However, the amount that DOF can authorise under that measure is limited to 2% of the total provision from the previous year, which is some £350 million in this case. An added complication is that DOF has already had to access this contingency funding during this year. Therefore, only £152 million remains.

The Chairperson (Dr Aiken): Sorry, I just want to go back to that. Did you say that you have already had to access contingency funds this year?

Ms McBurney: Yes. That is simply because the amount paid out in grants means that the DOF has exhausted the cash that was granted in the Main Estimates. The Committee and the Assembly will have been informed of that. It was a bridging mechanism to get the Department through until such times as these SSEs were approved, so the Department has had to access the consolidated fund for contingencies. That will, of course, be paid back out of the voted amount in this Bill, if it should gain Royal Assent in time. However, that means that the Department is able to access only a further £152 million for contingencies for the remainder of this financial year. As the Committee will appreciate, when a cash requirement has increased by £1·27 billion, £152 million will not go very far.

The Chairperson (Dr Aiken): Joanne, surely that money has been paid back in, thereby resetting the fund.

Ms McBurney: It will not reset it for this year, but it will be all right next year. The money cannot be paid back in until such times as this Bill receives Royal Assent. Until then, the level that the Department can access for contingencies is set at £152 million.

The Chairperson (Dr Aiken): OK.

Ms McBurney: In summary, I appreciate that the granting of accelerated passage is dependent on the Committee having had ample opportunity to scrutinise the Bill. With the SSEs being based on the outworkings of in-year monitoring and numerous COVID exercises this year, I hope that the ongoing engagement that we have had throughout the year means that the Committee has been able to consider fully this position. However, we are here today, and I believe that we are also available next week, to answer any questions that the Committee may have.

The Chairperson (Dr Aiken): Yes.

Ms McBurney: I am happy to take any of those questions now.

The Chairperson (Dr Aiken): OK. The indications following the COVID financial reconciliation process in England are that further Barnett consequentials have been made.

Ms McBurney: Yes.

The Chairperson (Dr Aiken): Looking at the figures, we were expecting that, from the £5 billion, we were looking at a figure of about £247 million. However, that figure has grown to £300 million. Have those additional Barnett consequentials come from the reconciliation process in England?

Ms McBurney: Yes, that is correct, Chair. Up to now, the Department has been operating on the basis of a guarantee from the Treasury. Basically, that has been the Treasury's best estimate of the additional funding that it provides to Whitehall Departments. The Treasury, when doing its own Supplementary Estimates, looked at this year's figures for the GB Departments and, as a result of reconciling those against the guarantee, realised that the devolved Administrations were due additional funding. That equates to some £300 million for us, which was notified to us on 15 February. However, we are able to carry that funding forward to next year.

The Chairperson (Dr Aiken): Joanne, is that mostly for the Department of Health or does it cover other areas?

Ms McBurney: I do not have the breakdown in front of me. It will be for a combination of areas, although I imagine that a significant proportion is for the Health Department. If the Committee wants the details, I am sure that we can provide them.

The Chairperson (Dr Aiken): OK. You will be aware of the ongoing correspondence and discussion between the Secretary of State and the Finance Minister on the victims' pension and commitments. Can you advise where we are with regard to allocating any of the remaining unspent resources for 2021? In light of the consequences of the Barnett consequentials for COVID spending, can any of this money be used for victims' pensions? Has that been discussed with the Treasury? I think that the Minister has concerns that the figure required is significantly larger than originally thought. However, we are not being told what that figure is. Can you give us any guide on what that figure is? I understand that TEO has now provided figures to your Department.

Ms McBurney: First, I do not have the detail of the figures for victims' payments with me because they do not form part of the Bill. That is because that funding is for next year, not this financial year, and it is not included in the Vote on Account. You are correct that TEO has asked the Government Actuary's Department to prepare a report providing more accurate figures. However, I do not have the detail of those figures. They will be a cost to next year's Budget.

The unspent COVID funding that we had prior to the announcement on 15 February needs to be spent this year. Unfortunately, the Chief Secretary to the Treasury is not allowing us to carry any of that forward. It cannot be spent for victims' pensions because those costs will be incurred next year. The additional £300 million that we got at the start of this week can be carried forward, and it would conceivably be available for victims' pensions. However, that funding has been provided for COVID support, and there is no doubt that it will be needed for COVID support next year. These are things that the Executive can consider as they look at their final Budget of the year, and, indeed, the monitoring rounds in the early stages of the year.

The Chairperson (Dr Aiken): Therefore, the additional £300 million is specifically for COVID support.

Ms McBurney: It has been provided as a result of the funding given to Whitehall Departments for COVID support. My understanding is that the Executive are not restricted in what they can spend that on. However, as it has been given as a consequence of COVID support in England, there may be an expectation that it will be used for COVID support here.

The Chairperson (Dr Aiken): Right, OK.

Mr Allister: I have a couple of points, if I might. Does the Vote on Account include any new services for next year that are not within the ambit of the present Budget?

Ms McBurney: I am afraid that I am going to turn to Roisin and Jonathan on that as they are more over the detail that underpins that. It is possible that new services are included. If the legislation is there to back them up, that is permitted. Perhaps Jonathan or Roisin would like to comment on that.

Mr Jonathan McAdams (Department of Finance): You are on mute, Roisin.

Ms Roisin Kelly (Department of Finance): Sorry. The Vote on Account provides finance for existing services to continue within the first few months of the new financial year, pending the Main Estimates and the Budget (No. 2) Bill.

Mr Allister: Does that mean that there are no new services?

Ms McBurney: Rather than give you false information — off the top of our heads, we do not think that there are — we undertake to come back to you to confirm that.

Mr Allister: OK. The second thing that I want to ask about is the £1 billion of headroom. Surely the situation in a proper accounting process is that the spring Supplementary Estimates and the Budget Bill should be written exactly to that last monitoring position, should they not?

Ms McBurney: In ideal circumstances, yes, it should be written to the final position for the year, which is normally the last monitoring position. However, given the unprecedented circumstances that we are in this year and the level of funding not currently allocated, if we were to stick to the monitoring position, Departments would not be able to spend any further allocations, which would mean that that funding would be returned to the Treasury. You are right that there is a considerable amount of headroom in these estimates. Some of that was allocated to Departments on 10 February. As I am sure you will appreciate, it is a very bulky document, so it is not printed overnight. The time that it takes to prepare means that it is based on the 2 February position. Allocations announced on 10 February are included. They are reflected in the headroom here but are actually allocations to Departments. On top of that, there is additional significant headroom to allow scope for additional allocations as the COVID situation develops and as Departments come forward with proposals to spend the currently unallocated funding.

Mr Allister: It is a false position. I presume that we do not have a spare £1 billion.

Ms McBurney: No, you are correct that we do not. I think that the actual figure for unallocated headroom is now around £850 million or £860 million, and you are right: if you take the resource, capital and financial transactions capital (FTC) into account, around £300 million of that is unallocated. However, as we cannot be seen to pre-empt Executive decisions, we built in scope for allocations to be made. If we knew where the Executive were going to allocate it, we would not need headroom, so to speak. Departments are also constrained by the budgetary position, and all Departments and their accounting officers and Ministers are aware that they cannot spend money for which they do not have the budget cover. Although the headroom that is built into the Estimates allows some £800 million-odd more than has currently been allocated, Departments are aware that they can spend that money only if they have a corresponding budget allocation agreed by the Executive and announced to the Assembly.

Mr Allister: Presumably, that headroom is coming from money unallocated at the centre and money that Departments have not surrendered. Is that right?

Ms McBurney: It is not necessarily money that they have not surrendered, though that could be the case. I hope that we will not get any surrenders between now and the end of the financial year, given that the January monitoring round is usually the last opportunity for that, but it will come from funding that is unallocated at the centre. However, it is greater than that because it is for the Executive to decide where to allocate that funding, and those decisions have not been taken yet. If we were to restrict the headroom to the amount of funding available, that would mean the Executive having to make the allocations to the Departments that had the headroom built in. This leaves their options open as to where that unallocated funding will ultimately go.

Mr Allister: Is that another way of saying —?

Mr McAdams: Perhaps I might —.

Mr Allister: Sorry.

Mr McAdams: Go ahead.

Mr Allister: Is that another way of saying that you are building headroom into multiple Departments, even though you do not have the funding for that, so that the Executive can move it about wherever they want?

Ms McBurney: I will let Jonathan come in because he wants to make a point. It is not so that they can move about it wherever they want but so that the Executive can decide where to allocate funding that is currently unallocated. The £9 million of headroom for DAERA is for Forest Service, and that was announced on 10 February. Similarly, the Health headroom of £175 million is for PPE and the £15·2 million is for trust capital, which was also announced on 10 February. There are other amounts in there, primarily for DFE and DOF, where headroom has been built in to allow either extensions of existing schemes as the situation develops or to allow new schemes to be developed. At this point, it is not clear where that funding will go, so, yes, we have left the option open. Sorry, Jonathan, do you want to come in?

Mr McAdams: Yes, I was going to say that part of the reason why the headroom is a multiple of the budget that can be allocated is the uncertainty that you have talked about, Joanne, especially if we think back to the position on 2 February, which was the January monitoring round. At that point, the uncertainty was even greater. In my head, I use the analogy of court cases. If you have three court cases that could each cost £10 million, and there is only a one in three chance that you will lose any one of them, you will need only a £10 million budget, but the headroom would need to give you the option to put it in any one of those cases. Joanne referred to a comparable level of uncertainty around the schemes. Many Departments are, as you know, building schemes at some pace. This allows them to explore the practicalities of schemes and allows the Executive to make the allocations to whichever ones are the most promising, whereas, at the position where the Estimates were, if you like, finalised, the Departments did not have that level of detail on how much was practical for them to spend and how much they would need. A lot of the schemes are demand-led, so it takes some time to work those details through.

Mr Allister: Just reconcile all of what you have just said with the spirit of section 64 of the 1998 Act.

Mr McAdams: You will have to remind me what it says.

Ms McBurney: I was about to say the same thing.

Mr Allister: Let me read it to you:

> *"The Minister ... shall, before the beginning of each financial year, lay before the Assembly a draft budget, that is to say, a programme of expenditure proposals for that year which has been agreed ... At least 14 days before laying a draft budget for a financial year, the Minister of Finance ... must lay before the Assembly a statement specifying the amount of UK funding for that year notified to the Minister ... At the same time as laying a draft budget ... the Minister ... must lay before the Assembly a statement showing that the amount of UK funding required by the draft budget does not exceed the amount specified under subsection (1A)".*

Surely you are now speculating £1 billion of headroom that does not equate to the funding notified to Northern Ireland by the Secretary of State.

Ms McBurney: Section 64 relates to the Budget, not to the Budget Bill. Departments will be constrained by the Budget that is available and the level of funding that is provided by the UK Government and our rates income. There is no doubt about that. The Budget Bill provides legislative authority for headroom for Departments to spend more, should the Executive choose to allocate money to Departments.

Mr Allister: Does your headroom include money beyond what has been allocated by the Secretary of State and beyond what you have?

Ms McBurney: It does, but it does not allow Departments to spend more than their budgetary allocation. There are two separate controls. The Budget Bill is the legislative control that controls the level of cash that Departments can access and the resources that they can use. However, Departments are also constrained by the Budget position, and it is that Budget position that section 64 relates to, not the Budget Bill. That Budget position will not allocate more funding than the Executive have at their disposal. Building headroom into the Budget Bill allows the Executive the discretion to

allocate the money that is available to them in their Budget. Having headroom that is more than the Budget available allows for that flexibility as Departments work up schemes in the middle of the pandemic that are best able to support people and use the available funding.

Mr Allister: But you have —.

Ms McBurney: If we did not have the headroom and constrained it to the January monitoring position, or, indeed, the 2 February position, Departments would not be able to spend any additional allocations, meaning that the money would automatically go back to the Treasury because we could not spend it.

Mr Allister: You have already told me that it should have been written exactly to the last monitoring round position and that it is deliberately not. Does that also —?

Ms McBurney: I will explain —.

Mr Allister: Sorry.

Ms McBurney: In normal circumstances, it is written to the last monitoring round position. In this case, the last monitoring round position concluded with money still available and Departments still developing schemes for COVID support. If we had written the Estimates to the last monitoring round position, the money that was unallocated up to that point would have had to be returned to the Treasury. By writing headroom into the Estimates, we allow the Executive to allocate that funding and ensure that it does not go back to the Treasury, but Departments are constrained by the Budget position and so will not spend more money than the Executive have at their disposal.

Mr Allister: Does Treasury approve of that process?

Ms McBurney: Treasury does not approve our Budget Bill process, but it will accept that headroom needs to be built in because it is not in anybody's interest to constrain the Executive's ability to spend the funding that is available to them *[Inaudible.]*

Mr Allister: Does Treasury accept an artificially inflated headroom?

Ms McBurney: As I said, Treasury does not approve our Estimates or Budget Bill processes. Those are matters for the Executive and the Assembly. I have not had the conversation with Treasury, nor do I know what approach it takes.

Mr Allister: Do you do not feel any requirement to have that conversation?

Ms McBurney: No. Treasury does not approve our Budget Bill. Section 64 relates to the Budget, which is a different process. Yes, there is the requirement to reconcile to the figures notified by the Northern Ireland Office. That has been provided. We did the statement 14 days before the Finance Minister brought a draft Budget to the Assembly, but this position is not based on the draft Budget. This is the final position for the year and a Vote on Account for the following year. It does not relate to that draft Budget in any way.

Mr Allister: Finally, if Departments overspend under this aegis, does it mean they will not have to do any Excess Votes or provide any explanations?

Ms McBurney: You are correct that there will not be an Excess Vote, but they will have to provide explanations. If, in a budget breach, a Department overspends against its budget controls, we require an explanation and hold the right to take that money off its budget the following year. If the Executive as a whole breach their Budget controls, Treasury will take that funding from us next year. It is not in anybody's interest to spend more than is available in their budget, regardless of what the Budget Bill has authorised.

Mr Allister: Thank you.

Mr O'Toole: Thank you for your evidence, guys. Joanne, will you remind us, given the *[Inaudible]* ways that things move so quickly, what is the unallocated amount of resource DEL, conventional capital and FTC for 2020-21, as of right now?

Ms McBurney: OK. Following the allocations announced on 10 February, the unallocated funding was £249·7 million of resource DEL, £10·7 million of capital DEL and £55·7 million of financial transactions capital. It totals about £316 million. On 15 February, Treasury announced that we would get an extra £300 million this year and that we could carry it forward. Therefore, I am not counting in that those unallocated amounts because they can be carried forward to next year.

Mr O'Toole: When you add them together, you get £600 million, roughly half of which we can carry forward to next year. Is all that £300 million that came through in Barnett money our DEL?

Ms McBurney: No. It is a combination of all three: resource DEL, capital DEL, and a bit of FTC.

Mr O'Toole: To be absolutely clear: in relation to what is unallocated for 2020-21, has the Treasury said that, other than the budget exchange scheme, the only flexibility will relate to the £300 million that was announced on 15 January?

Ms McBurney: Yes. That is the current position. We are still having discussions with Treasury, but that is the current position. All the money that was unallocated on 10 February now needs to be spent.

Mr O'Toole: The flexibility that you thought would come from the £200 million in December has not come. What the Treasury has actually done is say, "There is more Barnett money after all, even later in the in-year process, and you can carry that forward". Therefore, with weeks or almost days to spare, it has said that there is an extra £300 million that you can carry forward, but the £200 million from December cannot be carried forward.

Ms McBurney: Yes. That is exactly it. The £200 million from December, which, we were led to believe, it would look sympathetically towards our carrying forward, is now not allowed to be carried forward. I can only assume that that is because such high levels of additional funding have become available so late in the year, and it has allowed us to carry that forward. However, you are absolutely right: we cannot carry forward the £200 million from before Christmas.

Mr O'Toole: Did it give an explanation as to why the £200 million could not be carried forward?

Ms McBurney: No. Unfortunately, Treasury does not have to give explanations, just decisions. My own assumption is that, at the time that we were having the conversations about that, it was not aware of how much additional funding was going to come out later in the year, and, given that there is now, for Northern Ireland alone, some £300 million coming out in the middle of February, Treasury feels that that is sufficient to be carried forward, and the preference is, obviously, that we spend the money that was available before Christmas.

Mr O'Toole: Just so that we understand it, because, sometimes, it seems like an opaque process: when you say "Treasury says", does that take the form of an email to you or Jeff McGuinness from a named official saying, "Oh, by the way, you will not be able to carry that forward", or, when it comes to this stuff, is it a formal letter from the Chief Secretary to the Finance Minister informing him? Which is it?

Ms McBurney: In this case, it is a formal letter from the Chief Secretary to the Treasury to the Finance Minister.

Mr O'Toole: OK. On what is unallocated thus far, as of 10 February, you had that £300 million; the £249 million of resource, £10 million of capital DEL and £57 million of FTC. Presumably, they have been agreed by the Executive, and you might not want to tell us the specific terms, but can you give us a sense of whether there have been bids to cover most of that?

Ms McBurney: It was not so much that there were bids than there was an ongoing iterative process with Departments, and they are working up proposals. As you say, those have not gone to the Executive yet, and we have not got all proposals in from all Departments, but, in some ways, they are reflected by the areas in which headroom has been built into those Estimates. Where headroom has

been built in is in the areas where Departments are exploring opportunities. The fact that the headroom is significantly higher than the amount available is, hopefully, a good indication that we should have proposals that are sufficient to spend the money that is unallocated at the moment.

Mr O'Toole: What are those areas?

Ms McBurney: The Department for Communities has headroom of £205 million. My understanding is that it is working up proposals for support of other sectors and some that are internal to the Department. The Department for the Economy has a big bit headroom of £316 million. Included in that is the £27·3 million that was allocated on 10 February for student support. That Department is also looking at its current schemes and any new schemes. There is also £300 million in the Department of Finance, which, again, is looking at extensions of the LRSS and any new schemes. Those are all things that are being considered, and those proposals will be brought to the Executive in due course.

The other big amount of headroom is the Department of Health, with £175 million. That was allocated on 10 February, and that was the PPE, which was possible because Treasury has waived the normal budgeting rules for this year for COVID PPE.

Mr O'Toole: OK. So, the two big ones are basically half a billion pounds collectively for DFC and DFE. In layperson's terms, just remind us what it actually means in practice when it is said that the money has to be spent this year? If it is a support scheme, it does not clearly mean that the grant has to be paid to the business. Does the Department of Finance have a degree of flex? Just explain that if you could.

Ms McBurney: The Department of Finance does not really have any flex. I am sorry, but I cannot explain it in terms that are not technical. Basically, it has to score as expenditure in the Department's accounts, which means that there has to be certainty about the payment going out. You cannot just announce a scheme and say that you are going to spend £200 million on this scheme; that is not sufficient to score as expenditure in your account. You would need to know exactly when and to whom it was going out.

If, for example, you had an applications process, and the applications came in and you had to prove them but you just had not spent the money, that would probably be sufficient to allow the expenditure to score this year. However, if there is any uncertainty about it, it would not score. It is a bit of a technical answer. If it is certain enough to score as expenditure on Department's accounts, it will be treated as expenditure on budgets this year; if it cannot get into the Department's accounts as expenditure, it will not count as being spent.

Mr O'Toole: I get that. There is still a degree of subjectivity there. Whose decision is it? Is it ultimately the accounting officer at the Department of Finance who decides whether it can score as expenditure? Does the accounting officer at the submitting Department have to say, "I am satisfied"?

Ms McBurney: There is not the degree of subjectivity that you would think. Normal accounting rules apply, and I am oversimplifying them there, but, ultimately, the Department's accounts are audited by the Audit Office. At the end of the day, the Department would have to be satisfied that the Audit Office would accept it as expenditure this year, and, then, ultimately, the Audit Office would have to look at those accounts and agree with the assumptions that the Department made. Therefore, there is not a great degree of subjectivity or flexibility, and it is not something that the Department of Finance has a great deal of control over. It is not a decision that we make; it is the application of the accounting rules.

Mr O'Toole: Indeed. Maybe "subjectivity" is too loose a word, but there is some degree of judgement on behalf of the accounting officer as to whether they are satisfied.

Ms McBurney: No, not really. It has to be quite definite before you can accrue a cost. An accountant would have to be satisfied that they can accrue the cost in their accounts. While I have tried to explain that you do not necessarily have to get the money out the door, you have to have a firm expectation — that is probably the wrong word — that the money is near enough out the door before you can account for it in that way.

Mr O'Toole: OK. Finally, can you just say a bit more about accelerated passage? Given what you have said, in a sense, the Department's view is that accelerated passage is more necessary this year than in a normal year because of what happened earlier in the financial year. Is that what you are

saying? Are you saying that legal flexibility exists for the Department of Finance permanent secretary to authorise expenditure in the absence of Royal Assent being reduced this year?

Ms McBurney: There are two elements. Accelerated passage is necessary in any year; we are not unique in that. Treasury has the same process. Its spring Supplementary Estimates last year went through Parliament in two days, so that is not unique. There is always the need for accelerated passage; otherwise, the position that we are writing the Bill to would be even more out of date, and you would have to build in even more headroom than we have done in this case.

The position is exacerbated this year. We have contingency arrangements whereby if a Department runs out of cash and, say, an unexpected Bill comes in or something happens, it can come to the Department of Finance and ask for an advance on the Consolidated Fund for contingencies. However, we are limited to the amount that we can approve under that, and that limit is 2% of the previous year. In a normal year, as you approach the end of the financial year, if there is a slight delay in Royal Assent, that may be enough to get Departments that are running out of cash enough funding to keep going. This year, however, it will definitely not be enough to get those Departments over the line at the end of the financial year.

In a normal monitoring round, you tend to spend a lot of your time recycling money and Departments surrender reduced requirements, and they go out to different Departments. We do not have the same level of new funding coming in in year. This year, we have had an extra £3 billion of new funding coming in to be allocated, and, basically, the contingency arrangements just cannot cope with that. The advance on the Consolidated Fund contingencies is slightly different from the section-59 letters that the permanent secretary can issue if a Budget Bill has not been passed at all for the year. That might come into play from 1 April if necessary, but those are different. In this case, it is very restrictive and, as I say, is limited to that 2% or £350 million.

Mr McGuigan: I have to make a point of getting in before Matthew in future. I had three questions, and he asked them all. He made a point about the flexibility of COVID schemes that I would like to pursue. There may be schemes starting in March and going beyond April, so, in terms of the accounting of that position, is it when the scheme starts or is 1 April the cut-off point for this year's financial accounts and then it starts next year?

Ms McBurney: There is that cut-off between the end of March and the beginning of the new financial year in April. What happens with each scheme depends on how it has been set up and what stage the payments are at, so I cannot comment on each individual scheme. I do not have that level of detail to say at what point they need to be before they can accrue the costs of this year. However, there is, in some ways, an artificial cut-off due to the financial year and where expenditure falls, either in the current or the next financial year. That is normal; it is not unique to COVID. However, it is unfortunate in these circumstances, because you are completely right: the support needed does not come to an end on 31 March.

Mr McGuigan: The final point that Matthew was talking about —. I cannot remember what it was now.

Ms McBurney: I think that it was accelerated passage and the contingencies fund.

Mr McGuigan: Yes, accelerated passage. The consequence for us is that, if accelerated passage is not granted, it has a very severe impact on Departments and, ultimately, on public services and the people in the North who want this money to get out. There is essentially no other option but to grant accelerated passage.

Ms McBurney: I do not want to tie the Committee's hands on this in any way, but we do not ask for accelerated passage lightly. There is a reason why Budget Bills always go through by accelerated passage, and that is because there simply is no time to do it another way. This year, if we do not get accelerated passage, Departments will start to run out of cash. The Department of Finance already has, and we have already granted access to the Consolidated Fund for contingencies.

From looking at our cash forecast, the next Department will start to run out of cash on 9 March, and then, very rapidly after or around 24 March, when the pay run is done, Departments will run out of cash. If that happens, they physically cannot access the cash unless it has been voted through by the Assembly. At that point, they will have to stop making payments. What might also happen at an earlier stage is that, if Departments think that the Budget Bill is at risk of not going through, they might start to

slow down or stop payments in some areas to allow them to meet their absolute legal obligations, because no Department wants to be in default in that way.

Therefore, if accelerated passage is not granted, there will be real-world implications for Departments' spending. Ultimately, if we do not spend the money, we return it to the Treasury and it is lost to us.

Mr McGuigan: Finally, the Committee has an important role in scrutinising the work of the Department and the Minister, and we should be asking difficult questions, but we should also accept a good, sound explanation when we hear it.

I am a bit confused by Jim's pushing the issue of building headroom. In the Committee and in the Assembly we ask that no money be handed back to the Treasury this year, because there are many businesses and people across the North suffering as a result of COVID. It would be ridiculous to think that the Executive and the Finance Minister are not doing all they can to ensure that that money gets out.

I welcome the explanation that Joanne and Jonathan gave in relation to building headroom in to ensure that the Executive and all the Ministers have a bit of extra flexibility and time. My hope is that Ministers come up with schemes to ensure that that flexibility is used so that people get the money that they deserve to get them through the pandemic.

Ms McBurney: Thank you. I hope that we manage to spend the money.

Mr Frew: Joanne, can I come in there? I tried to follow that as best I could, but my primitive mind sometimes fails me, so forgive me. Will the Department explain why £150-plus million has been drawn down from the Consolidated Fund when we are already awash with money, through no fault of your own, sprinkled on from on high by the sovereign Government. Yet we have still to dip into the Consolidated Fund. Can you explain why that has had to happen?

Ms McBurney: I will attempt to explain that. There is a difference between the £3 billion funding from Treasury and other funding because that is basically Budget cover that the Treasury has given us. Yes, it is backed up with the cash, but the cash is drawn down on a daily, weekly, monthly basis through the Northern Ireland Office into our Consolidated Fund, and then from it out to Departments. Departments can access funding in the Consolidated Fund only if it has been voted in a Budget Bill. What has happened to the Department of Finance this year is the amount that was voted through at the time of the Main Estimates in the Budget (No. 3) Bill in November.

However, although it was based on the latest position at that time, it did not take account of the great number of additional grants that the Department of Finance was going to pay out, given the latest COVID position. Therefore the amount in the Budget Bill at that time was not sufficient to cover this additional grant, which meant that, while we had plenty of Budget cover for those grants, the Department of Finance did not have the legislative authority to draw the money from the Consolidated Fund; and the only way to get money from the Consolidated Fund, other than its having been voted in a Budget Bill, is through an advance from the Consolidated Fund for contingencies, which allows DOF to issue a limited amount. That is what has happened this year. It has been at timing issue between the Main Estimates and this latest Budget Bill. All Departments will hit that problem if this Budget Bill does not get Royal Assent before the end of March.

Mr Frew: OK. Is it a timing thing with regard to the £1 billion headroom? I get why you would want to create as much flexibility in a devolved Assembly as possible — our destiny is not our — own with regard to our Budget, and we have no tax-raising powers. Is the headroom piece only about coming to the end of a financial year? In other words, the Vote on Account piece?

Ms McBurney: Yes. You are absolutely right. The headroom is completely a timing issue. If we had been able to hold off until, say, the middle of March before putting through a Budget Bill, we could have reflected the position at that time, which, hopefully, would have had all the available funding allocated. Unfortunately, we cannot do that. We have to allow time to prepare the documents that accompany the Budget Bill, draft the Bill itself, and allow Committee scrutiny and the Assembly process. Even with accelerated passage, it takes time. It means that we cannot afford to wait until the end of or the middle of March to produce the Bill. Moreover, Departments will start to run out of funding. It is absolutely a timing issue.

The Vote on Account is slightly different. It is not based on a financial position; it is a bridging mechanism. The reason for the Vote on Account is to allow the Assembly scrutiny of the Executive's Budget position.

The Executive announce their Budget position in March. If we were to bring forward a Budget Bill to put in place the spending authority for 1 April, first, we could not wait for that Budget in March, and, secondly, we would have to do it very quickly. This says, "OK. We know that we need time to scrutinise the Budget position and to introduce a Budget Bill based on it". However, that would mean that the Bill would not be introduced until June, and Departments need to spend money from 1 April. The Vote on Account enables them to spend that money.

However, it is not based in any way on the Budget position. It is simply 45% of the amount quoted in last year's Budget Bill allocation. It is set at 45% for most Departments because that level does not, in any way, constrain the Executive's decisions on the Budget or the Assembly scrutiny of the Budget. Even in the worst of years, it is highly unlikely that you are going to cut a Department's budget by 55%. So, they can spend up to 45% of last year's amount without influencing the Budget position in anyway.

Mr Frew: Understood.

Mr McAdams: Paul, from a mind that is definitely simpler than yours, I think that your two questions go hand in hand: Departments need to have the money available in order for them to spend it, but, as well as that, the Assembly needs to have voted its approval, as Departments need the lawful authority.

Your first question was why DOF had to access the contingency mechanism even though there was plenty of cash. It is because the latest word on the lawful authority that the Assembly had provided was in the Budget (No. 2) Bill, and it did not cover the amount that DOF required because of the additional work that it was doing. There is a similar dynamic with the headroom. We are providing lawful authority for a number of different routes. On your question, it is the money that is restricted. If we are lucky, we will allocate all the money. However, we need to provide the lawful authority for a number of different routes because we do not know yet which are practicable and which are not. It is hand in glove: you need to have the money available, but you also need to have the lawful authority before a Department can spend it.

Mr Frew: Thank you for that. The £1 billion headroom has to do with the spend this year. I take it that the £249 million resource, the £10 million capital and £57 million financial transactions capital that are left unallocated from 10 February are all contained in that £1 billion headroom. Does it also include the £300 million that we received on 15 February?

Ms McBurney: It does not really. If the Executive chose to allocate the full amount that it can, given the headroom, that would allow scope to spend that money. In reality, it is more likely that that money will be carried forward as the flexibility exists and, therefore, that the Executive will allocate only the funding that they currently have; that is. the £300 million that was available after 10 February. However, in principle, the Executive could choose to allocate up to the full amount available this year.

Mr Frew: Yes. The headroom is the headroom, and the money is the money. It is slightly different. The headroom is only the flexibility; the parameter within which that money is contained; am I right? I am trying to visualise it in my head.

Ms McBurney: Yes.

Mr Frew: All those Departments are beavering feverishly away trying to put in place funding mechanisms or schemes to spend. Why, then, is no real detailed work being done on the victims' pension? We see clearly that the Executive have a legal duty. Given the time and the headroom of £1 billion, is active work being done, whether in the Executive Office, the Department of Finance or the Department of Justice or in all three, to ascertain the exact amount? Given what you said to Matthew about money having to be allocated not just to shovel-ready projects but projects that are quite mature — we know exactly how much they will need when they are mature like that — will any work be done on the victims' pension before the end of the financial year?

Ms McBurney: Work is ongoing in the Executive Office and in the Department of Justice to get the victims' pension scheme up and running. However, with the best will in the world, funding for the payments themselves will not be needed until the next financial year. The headroom that is built into

these Estimates relates only to the 2020-21 financial year and comes to an end on 31 March. It is in the next financial year that the funding will be needed for those victims' payments. That could be covered by the Vote on Account if those payments happen quickly enough in the year, but they will be reflected in the Executive's final Budget. Hopefully, it will be resolved by then and reflected in the final Budget for the year. It is not an issue for these SSEs. However, you are right: work is being done in the background in DOJ and TEO, and DOF is being kept informed about it so that there is no delay to the scheme.

Mr Frew: We are left in the perverse situation — I understand why — where we have the headroom, which is the £250 million resource and the £300 million that has come from on high, and, if we do not get that money allocated, there will be a transfer that means that we keep the £300 million that has just been allocated to us and give back some amount of money. With the £300 million giving additional flexibility to what is in the headroom, surely something can be done to allocate the money that we may lose in April to a victims' pension. We could just spend some of the £300 million on the victims' pension next year because we were able to forward it on. Instead of handing that money back to the Treasury, would it not be more economical for us to use part of it? I am sure that we will allocate most of it, but we could put into the pension scheme whatever is left and is in danger of going back. Surely, if work is done in February and March, we should be assured of what we will actually need to spend. Remember that the victims' pension payments were meant to be first allocated last summer. There must be some accountancy work done on how much the spend would be.

Ms McBurney: Unfortunately, it is not as simple as knowing what the spend would be. DOJ is progressing the scheme, but my understanding is that, with the best will in the world, that scheme is likely to open for applications some time in March. It will not be sufficiently progressed to allow us to score payments to the victims in this financial year. You are absolutely right that we have unallocated funding there and that it would be better if we could allocate it now. However, it has to be spent by 31 March, and the victims' pension scheme is not in a position to do that.

Treasury has refused our request to carry forward the funding that we received just before Christmas, which means that it has to be spent in this financial year; therefore, it is not available for the victims' payments. Of course, you are right that the flexibility to carry forward the £300 million into the next financial year provides additional flexibility for the Executive. That can be considered as the Executive work towards their final budget. It is unlikely — in fact, I would say that it is a definite that we will not be able to factor that £300 million into our final Budget because the Treasury does not allow carry-forward in that way to be factored in until later in the year. However, the Executive will be aware that that funding is available and can base decisions on that. Unfortunately, we are not able to allocate to the victims' pension any of the funding that is unallocated in this financial year. Much as we might want to do that, it is just not possible.

Mr Frew: There is no doubt that some money will have to go to the Department of Justice for the infrastructure of the victims' pension scheme. Is there a possibility that you could allocate that money for the infrastructure of the victims' pension scheme and then at some point, either this year or next year, reallocate that from infrastructure to pure payment?

Ms McBurney: My understanding — I am going off the top of my head, so I might be wrong — is that the Department of Justice got some funding this year for the administrative costs of setting up the scheme. There was an allocation of, I think, about £6 million or £7 million in the draft Budget for those administration costs. That funding has already been provided. There is not scope for any more of that. The accounting rules would not permit you to accrue for a payment without a basis for that. The funding has already been provided in the draft Budget for those administrative costs, or "infrastructure", as you put it. That is already in place. The only question has been over the funding for the payments themselves. You are aware of the entire Executive's view that the UK Government should pay for that given that the changes went through at Westminster. Those discussions are ongoing. Nobody is disputing that those payments have to be funded, but, unfortunately, it cannot be from the funding that is available this year.

Mr Frew: I have a question about borrowing. I think that, to a person, everyone on the Committee realises that the cost of borrowing is so low now that it gives you additional flexibility to borrow. That may well be a good thing. However, there has always been a concern in my head about the burden of borrowing, the cost implications and the interest payments. The draft Budget document shows estimated annual costs of borrowing, but those are centralised. I could be wrong, and you will correct me if I am, but I am led to believe that individual Departments take a burden of the interest. I will give you an example. I remember talking to Infrastructure officials a number of years ago about road

schemes. One of those officials lamented that so much of his budget went out on interest payments that it would "silt up" his Department. That was a term that was used last week. Can you give us some insight into that? Is that burden of interest on borrowing centralised, or is it down to the Departments that actually availed themselves of that borrowing?

Ms McBurney: I cannot speak for the Department for Infrastructure or what that official was talking about, but, no, it is completely centralised. It is handled at a central level. There is no burden on the Department. There should be no difference to a Department pursuing a project that is funded through borrowing and pursuing a project that is funded through conventional capital DEL. It is completely centralised. That official may have been talking about the PFI, which is different. In that case, the ongoing unitary charges would be a burden on the Department, but that is different from reinvestment and reform initiative (RRI) borrowing.

Mr Frew: That is exactly what it was; you solved that for me. RRI borrowing is completely centralised, but all the other borrowing that we have had over the last decade or 15 years has been individualised. Is that correct?

Ms McBurney: That would be only for private finance initiatives or PPPs. Departments do not borrow in any other way. The Executive can borrow only through the reinvestment and reform initiative. Those PPP contracts are different, and, yes, that would be down to individual Departments. It is the individual Department's decision whether to enter into those contracts. There are quite a few historical contracts. I am not aware of any new PFIs coming on board. There may be historical interests in that, but, as far as I am aware, there are no plans for any additional ones.

Mr Frew: I am just going to throw this at you, but you probably do not have the detail at hand. Do you know how many Departments have PPP or PFI borrowing? Do you see that as a problem in silting up a Department's budget?

Ms McBurney: I do not have the details of which Departments have that, but I am sure that we can find out for you. As far as I know, the Executive Office coordinates the details of the PFI projects. It is completely correct that DFI has a number of big roads projects, so it may be a bit of an issue for that Department. I do not think that it is an issue for other Departments. We can certainly undertake to try to find some details on PFI projects for the Committee.

Mr Wells: Joanne, the South West Acute Hospital was a PPI of £240 million.

Ms McBurney: Yes, you are right.

Mr Wells: When I was involved with Health, we had to find £100 million to pay some of that off. You might find that Health has some big capital projects as well.

Ms McBurney: Yes, you are completely right. I had forgotten about that one.

Mr Frew: This is my final question, I promise. Is there any means or way that, in an accounting sense, that burden could ever be reallocated into a centralised pot? With the best will in the world, a hospital helps us all and helps all Departments. A road network helps all Departments and helps the Executive as a whole. Even though it was one Department's decision to fund something in that way, that actually helps all of us in society. It strikes me that it could add flexibility if that burden were somehow centralised.

Ms McBurney: This is off the top of my head because I do not have the details, but Departments have the opportunity to look at buying out their PFI contracts if doing so would provide better value for money. They can certainly come forward with proposals for that.

I do not think that centralising it would benefit anybody greatly. If we took the burden on centrally, it would still be there, and that would simply reduce the funding that is available for all Departments. It may help the Department that initially took the decision to build the hospital or the road and benefited from it, but it would penalise the Departments that did not take that decision because it would come off the available funding before it was allocated to those Departments. It would not help in the overall scheme of things. It may help individual Departments, but it is likely to penalise others. As I said, I say that off the top of my head without my having the detail of all the individual PFI contracts in front of me.

Mr Frew: It may be a very pleasant problem to have if you are sitting at the end of a financial year about to hand money back but could then allocate it to that burden.

Ms McBurney: I do not think that it could be allocated that simply. If a Department has issues with funding, it can bid throughout the year, or it could come forward with a bid for that money now, and we would consider that.

Mr Frew: OK. Thank you very much.

The Chairperson (Dr Aiken): Are you happy to hand this back to the Chair of the Committee?

Mr Frew: Absolutely. You can have that burden, Chair.

Mr McHugh: I will be a whole lot shorter in every respect. Thanks ever so much for all your answers, which covered most of the issues. It jumped out at me that, when you gave the figures for those Departments that have made bids to ensure that the moneys are spent rather than handed back, you prioritised Communities, Economy and Health. Have any bids been submitted by Infrastructure?

Ms McBurney: Sorry, I have lost the detail of it, but there is some headroom built in for Infrastructure. As far as I am aware, Infrastructure is considering proposals. There is headroom built in for Infrastructure, but it is just not as large. The Departments that I picked out, namely Economy, Communities, Health and DOF, have the most headroom built in, but DFI has headroom built in, so it is considering proposals.

Mr McHugh: Yes. That is an area that we have raised, because we feel that there are many projects that should have been seen as spade-ready, particularly in Infrastructure. I would be more than disappointed if Infrastructure did not have a substantial bid in, especially for provision in rural communities, where we are crying out for improvements.

I will not plough furrows that others have already ploughed, so thanks ever so much once again. Go raibh maith agat.

Mr McAdams: I have the figures for DFI if that would be helpful, Maolíosa. The resource headroom is £21 million, and the capital is £51·5 million. So, it is not as significant as the others that Joanne mentioned, but it is not an insignificant amount either.

Mr McHugh: OK. I am glad to hear that.

The Chairperson (Dr Aiken): What is the Department of Justice figure, by the way?

Ms McBurney: I do not think that the Department of Justice has any headroom built in. Is that correct, Jonathan?

Mr McAdams: That is right.

The Chairperson (Dr Aiken): None?

Ms McBurney: There is none for the Department of Justice.

The Chairperson (Dr Aiken): OK.

Ms McBurney: I would like to clarify, Chair, that the headrooms were built in at the behest of the Departments; it was not DOF determining who got the headroom. Obviously, we agree whether a headroom can go in, but we do not actually say what headroom should go to which Department.

The Chairperson (Dr Aiken): I just find it surprising, given the pressures on policing and various other issues, that the Department of Justice has not looked for headroom.

Ms McBurney: It is possible that those pressures will emerge in the next financial year. The headroom relates only to this financial year. It is only for funding that can be spent before the end of

March. That is probably why DOJ does not need it this year. It will be next year that it will have the pressures.

Mr McAdams: There were also —.

Ms McBurney: Sorry, Jonathan, you have frozen.

Mr Frew: A bit like our assets. *[Laughter.]*

The Chairperson (Dr Aiken): Come on. Fire it through, Jonathan.

Mr McAdams: Sorry about that. I was just going to say that, to be fair to some Departments, they had more certainty about what their position was and, therefore, were able to bid slightly earlier. You will see that it is those Departments that have faced the greatest uncertainty because of COVID that have built in the most significant headroom. There are other Departments that were able to put forward definitively and with more certainty their position at spring Supplementary Estimates.

The Chairperson (Dr Aiken): OK. Joanne, Jonathan and Roisin, thank you very much indeed for your evidence and for coming along. I apologise for the communications and the crinkly links back and forth. We look forward to talking to you again fairly soon. Cheers.

Ms McBurney: Thank you. Bye.

Mr McAdams: Thank you.