



Northern Ireland
Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Final Forecast Out-turn 2023-24: Department
of Finance

17 April 2024

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Matthew O'Toole (Chairperson)
Ms Diane Forsythe (Deputy Chairperson)
Dr Steve Aiken
Mr Phillip Brett
Miss Nicola Brogan
Mr Gerry Carroll
Mr Paul Frew
Miss Deirdre Hargey
Mr Eóin Tennyson

Witnesses:

Ms Cris Farmer	Department of Finance
Ms Joanne McBurney	Department of Finance
Ms Maryann Smith	Department of Finance

The Chairperson (Mr O'Toole): We have with us from the Department of Finance Joanne McBurney, director of public spending — she is a frequent flyer with the Committee — and Maryann Smith and Cris Farmer, who are in the public spending team. Thank you very much for joining us. I invite you to make an opening statement and to highlight any particularly compelling bits of the final forecast out-turn.

Ms Joanne McBurney (Department of Finance): Thank you for the opportunity to brief the Committee on the forecast out-turn. I intend to keep my opening remarks quite brief, because I am sure that you would prefer to have a bit more time for questions.

I will start with a quick run-through of — to give it its full title — the out-turn and forecast out-turn. That is a monthly return that is required by the Treasury from Whitehall Departments and devolved Administrations. DOF seeks monthly returns from Departments to inform the return to Treasury and to assist with our monitoring of departmental spending throughout the year. Those returns provide out-turns for the previous months of the financial year and forecast spend for the remaining months. When we refer to something as "the April return", it means that it is the out-turn for April and the forecast for the rest of the year. Forecast expenditure is then compared with the latest agreed position for each Department. In previous years, given that Departments should not plan to overspend against their Budget allocations, they were not permitted to forecast expenditure that exceeded their agreed Budget allocation for any given category.

In 2022-23, in the absence of an agreed Budget, DOF used the out-turn and forecast out-turn information provided by Departments to monitor the overall block position. For that reason,

Departments were not constrained to a departmental expenditure limit (DEL) control total, as was the case in previous years. Instead, they were asked to provide as accurate a forecast as possible against their anticipated expenditure.

That approach was also followed in 2023-24, as it was recognised that, even though a Budget was set by the Secretary of State at the end of April, Departments would find it challenging to live within that Budget. The approach was refined throughout the year in an attempt to provide the most accurate assessment of the overall financial position. For example, in their April forecasts for non-ring-fenced resource DEL (RDEL), which is our day-to-day spending, Departments included non-contractual pay costs. In May, we asked them not to include those costs, on the basis that those are not an inescapable pressure. From November, we realised that some Departments were including some non-contractual pay costs even when they were forecasting an overspend and we started stripping that out. You will see some big jumps in the numbers: that is because of the change of process as opposed to a change in the departmental expenditure.

We have provided the Committee with a position report for each month of 2023-24 and are happy to take questions on that. There are quite a lot of numbers, and we may not be able to answer very detailed questions on all of it today, but, if we cannot, we will get back to you.

Chair, you asked me to highlight some key things. I think that one of the main things that you will want to focus on is the most recent forecast of the year. One of the main things to highlight in that is the fact that Departments have been forecasting an underspend of £11.7 million in non-ring-fenced resource DEL. That was not going to be in my opening remarks, but, as you have asked me to highlight it, I will go into it now.

The Chairperson (Mr O'Toole): Yes.

Ms McBurney: You will know that that is of concern. Owing to the detail of the financial package, which sees us being funded from a reserve claim, we are not allowed to carry forward any non-ring-fenced resource DEL at the end of the year, as we would normally be allowed to do. Therefore, since we received that forecast, we have been engaging with Departments to make sure that no other surprises are coming down the tracks, and to see whether anybody could utilise any of that money. We are very grateful to the Department for Infrastructure, which has indicated that it can.

We went out and engaged with Departments, and, as a result of that, their forecast increased to £13.6 million of an underspend. Of that, £1.7 million relates to Treasury-earmarked funding, which has to be returned to the Treasury, but we propose to make an allocation of £12 million to DFI. As Departments are still finalising their expenditure positions for the year, there is potential for the underspend figure to increase or decrease by the time we get to provisional out-turn in May, but we have done everything that we can, at this point, to minimise that risk. That is as far as we can go.

That is all I intended to say. I am happy to take questions.

The Chairperson (Mr O'Toole): Thank you, Joanne; that was admirably brief. I am sure that we have lots of questions. I have just a few. At the minute, there is a non-ring-fenced RDEL. Most RDEL is non-ring-fenced.

Ms McBurney: Yes.

The Chairperson (Mr O'Toole): That is the vast majority of what goes to pay teachers, doctors, council workers etc. For 2023-24, there is a non-ring-fenced RDEL underspend of £30 million, and some of that is being redirected to the Department for Infrastructure. If that cannot all be reallocated, will it have to be returned to the Treasury?

Ms McBurney: It will when we get to the end of the year. The Departments forecast £11.7 million. Cris and her team spoke to the Departments and said, "You forecast this underspend. How good are your forecasts? Are you content that we reallocate it?". Some Departments said, "We are not really there yet. We do not want to take that risk because it might go up and it might go down". We propose not to reduce the allocation to any Department. We are, in effect, introducing an over-commitment at the centre, equal to the amount by which we are told that Departments are likely to underspend. Yes, if they underspend by more than that, there is a risk that it will be returned to the Treasury.

The Chairperson (Mr O'Toole): I am always learning new things. That amount seems to be well below the headroom in the Budget exchange scheme. Why is there a risk? It seems like a relatively small amount.

Ms McBurney: You are right, and, in a normal year, that would not be an issue for us at all. That is why the Budget exchange scheme exists. We have to recognise that, with a Budget of the size that we are trying manage, and which is spread across a number of Departments and their arm's-length bodies (ALBs), it is impossible to land it on the button. The difference this year is that the additional funding in the financial package that was provided for 2023-24 came from a reserve claim, and the statement of funding policy sets out that funding from the reserve cannot be carried forward.

The Chairperson (Mr O'Toole): It maxes out the Budget exchange scheme.

Ms McBurney: Yes. The Budget exchange scheme does not exist for non-ring-fenced resource DEL; it does exist for the other categories. We are not as worried about the small capital underspend that is forecast, but the forecast resource DEL is very —.

The Chairperson (Mr O'Toole): Does it not apply to non-ring-fenced resource DEL every year?

Ms McBurney: No. It is only when there is a reserve claim.

The Chairperson (Mr O'Toole): It is only when there is a reserve claim. The reserve claim cancels that out; OK.

People will think, "Well, the financial year is over now". What is the date by which this has be sorted?

Ms McBurney: There is a limit on what Departments can do. After the year-end, they are trying to finalise their accounts. We have a limited capacity to do anything beyond this week in allocating further money or Departments being able to spend it. As for knowing the final figures, we usually get a provisional out-turn from Departments around the middle of May. That will be the Departments' best estimates based on where they are with producing their accounts. Those are usually the underspends that we factor into the June monitoring round. It is not the final position because, once the accounts are audited, there may be small changes. We usually bring back the final out-turn sometime in the autumn: September or October. However, the changes between the provisional out-turn and final out-turn are very small. Similarly, one would expect any changes coming out between now and the provisional out-turn to be small, unless a Department has something unexpected come in from, for example, one of its ALBs.

The Chairperson (Mr O'Toole): OK. If a Department were to say, "We could use £5 million", that would have to be RDEL; it could not be switched to capital.

Ms McBurney: That is right.

The Chairperson (Mr O'Toole): And it would have to be in the next 72 hours.

Ms McBurney: It would depend on the Department. We have spoken to all the Departments, and only DFI has indicated that it can spend any money. From memory, it needs to know this week. We are probably closing the books on that, unfortunately.

The Chairperson (Mr O'Toole): Should we expect a Budget in the next few days?

Ms McBurney: Obviously, that is not up to me. *[Laughter.]*

Dr Aiken: Go on, Joanne.

Ms McBurney: Much has been made of the fact that we do not have a Budget in place for the start of the financial year as normal, but the Executive have agreed that it is right and proper that each Minister has time to properly consider their Department's financial position. The Executive agreed a short delay until the end of April, and on the need for a balanced Budget. Last week, the Finance Minister brought to the Executive for discussion a paper that set out the scale of the pressures and the

funding that is available. The Finance Minister is now ready to bring a paper to the Executive at the first opportunity.

Although you have not asked, now may be a good time to come on to the level of pressures. The demands on our Budget, as you would imagine, outstrip, many times over, the funding that we have available. In fact, on day-to-day funding and resource DEL, we currently have three times as many demands as we have funding. After we provide for earmarked funding, there is £1 billion of resource DEL available for allocation to general pressures, and Departments have submitted funding requirements of £3.2 billion.

The position on capital is equally challenging. Total departmental capital requirements come to over one and a half times the funding that we have available. After accounting for earmarked funding, we have £1.8 billion of capital to allocate, and Departments have identified capital requirements of £2.8 billion. It is a challenging position all round, so it is right that the Executive take time to consider it properly.

The Chairperson (Mr O'Toole): If I am counting right, in RDEL, demand is outstripping supply by £2 billion, and, in capital DEL, the figure is £1 billion. Therefore, it is £3 billion.

Ms McBurney: Yes.

The Chairperson (Mr O'Toole): OK. It is a difficult picture indeed. The answer is, basically, that the Finance Minister is bringing a Budget. You talked about a paper. Will that be a paper with a Budget annexed to it?

Ms McBurney: Yes. It is a paper with her recommendations. She took a paper on the overall position to the Executive last week for discussion, and she is ready to bring forward a paper.

The Chairperson (Mr O'Toole): Grand. There is an Executive meeting tomorrow. Is the intention —

Ms McBurney: The timing and agendas of Executive meetings are outside my remit —

The Chairperson (Mr O'Toole): There are things outside your remit, Joanne. OK. We will find out when we find out. We are in touch with the Department, and I hope that we will be made aware.

I will ask for clarity on a point that you mentioned earlier. The Department and, effectively, the Executive are, technically, in breach of the law in respect of section 64 of the Northern Ireland Act 1998.

Ms McBurney: Technically, yes, you are correct, as there is the requirement relating to the start of the financial year. However, section 64 would have precluded our bringing forward a Budget before the start of the financial year, because it also states that the Finance Minister, before laying a Budget, must lay in the Assembly a statement setting out the funding available to the Executive as notified by the Secretary of State. She must do that 14 days before laying a Budget. The Secretary of State wrote to us on 20 March, which would in itself have stopped us because we did not have the 14 days. As I am sure that you appreciate, with the Executive having just returned, it is very important that Ministers have time to properly consider the Budget that they are asked to agree.

The Chairperson (Mr O'Toole): Is there any concern that the Budget or Budget allocations could be judicially reviewed or that a claim could be brought for that reason?

Ms McBurney: That is not for me; I cannot comment on the legal process. Anything is possible, but I would say that the approach is pragmatic and sensible. It is important that the Executive fully consider a Budget before they agree it. There is no point in rushing it through and setting a bad Budget. It is more important that every Minister be properly informed.

The Chairperson (Mr O'Toole): OK. There is a period after that during which the draft Budget will be consulted on. Does the Department know when it will be brought to the Assembly for a vote?

Ms McBurney: I do not have the exact timetable in front of me. Unfortunately, because of the late stage in the financial year that the Executive returned, we will not have the normal process of draft Budget, consultation and revised Budget. The Assembly will be notified of a Budget by written

ministerial statement as soon as it is agreed. We will then produce a Budget document, and that will come before the Assembly for debate and a vote. I am sorry. I should have the timetable with me but, because I came on the forecast out-turn —.

The Chairperson (Mr O'Toole): Do not worry. That is fine. But the Budget document —.

Ms McBurney: I imagine that the Budget will come to the Assembly for debate and a vote before summer recess. We will then introduce a Budget Bill that we hope will also go through before summer recess.

The Chairperson (Mr O'Toole): OK. Its being agreed by the Executive does not mean that we get the document. The document will take a while after that.

Ms McBurney: It takes a while.

The Chairperson (Mr O'Toole): My final question is on ending ring-fencing of integrated education funding, on which it is important to understand the "how" and the "when". You may not have the precise chronology in front of you, but I got one answer from the Finance Minister and another answer from the Education Minister. The Education Minister said that he was told by the Finance Minister on 15 February that the ring fence had come off. The Finance Minister says that she did not tell Executive colleagues until 5 March, but she acknowledges that, on 15 February, a letter came in from the Chief Secretary to the Treasury. They both refer to 15 February, but it is not entirely clear what they are referring to on that date. In the Finance Minister's response, there is also an acknowledgement that officials were told in December that that was one of the things that ring-fencing would be removed from. Is that right? It would be helpful if we could clear that up.

Ms McBurney: Yes. It was a bit of an iterative process as we worked through the talks.

The Chairperson (Mr O'Toole): Yes.

Ms McBurney: As part of the talks process, the NIO and the Treasury said that they were looking at lifting the ring fences from some items. At that point, in December, we would have been told that shared education funding was one of the things that they viewed as not having been committed to particular projects — no contracts had been issued — and, therefore, as being within scope. I imagine that we told our colleagues in the Department of Education shortly afterwards. The Finance Minister received a letter from the Chief Secretary to the Treasury on 15 February that set out the financial package. The £708 million was in that, but the letter did not give a breakdown of it. The Finance Minister asked the Chief Secretary to the Treasury specifically to provide that breakdown, which happened later, matching the March date given for informing Executive colleagues. Until then, there were discussions and indications. Formal confirmation came only in March.

The Chairperson (Mr O'Toole): The integrated schools were told that they were losing that money before the Executive were, which is a slight anomaly. That is really helpful.

We talk a lot about ring-fenced and un-ring-fenced DEL. Once a ring fence comes off, that does not oblige that the money cannot be spent on the area that is now not ring-fenced.

Ms McBurney: No. The £708 million was split into two pots when it came across as part of the financial package. I think that £235 million was to be used for transformation. That is still ring-fenced because it has to go through the public sector transformation board. The remainder is not. It is provided at £94.6 million a year for five years, and it is for the Executive to decide how that is spent. You are absolutely right: it is for the Executive to decide how to do that.

On integrated schools, the Education Minister brought a paper to the Executive, asking for the £150 million that was intended for that to be provided for Strule. The Executive committed to that.

The Chairperson (Mr O'Toole): That is helpful. I think that that is new. I am not sure that I was aware previously that there was a specific Executive paper on that, but perhaps others were.

Ms Forsythe: Thanks very much for the briefing. Do you have any expectations of change of a significant value between the out-turn and the final figure?

Ms McBurney: Not, hopefully, of a significant value. Given the late stage in the year, we hope that any changes will be minimal, but it is very difficult for us to say. We rely on information from Departments. To be fair to Departments, they rely on information from their arm's-length bodies. It is very challenging to try to land resource DEL, in particular, on the button. If we are down to £13 million and it does not get any worse than that, that will be a really good outcome. There is potential for movement, but I hope that it will not be significant. I do not anticipate it being significant, but there is that possibility.

Ms Forsythe: The monthly out-turn and how close you have been to the Budget situation is evidence of improved communications.

Are there certain Departments or bodies that are more inclined to show variances? Is there a pattern?

Ms McBurney: There is no particular pattern. Every Department is slightly different when it comes to its number of bodies and spend. Some areas are challenging to forecast. You may have seen that some of the late easements have come from the Executive Office. That is down to things such as victims' pensions, which are demand-led and very hard to predict. Where there are demand-led areas, it becomes harder for Departments to predict, and that leads to more money being handed back unexpectedly. That is one of the areas, but, to be fair to the Executive Office, it is outside of its control.

Ms Forsythe: Absolutely. I know that we are touching on the first section, but I cannot help but be drawn to the £292 million, which is huge. I do not know whether you are coming on to that next, but can I get some clarity and detail in and around it?

Ms McBurney: That is the ring-fenced resource DEL. DFE is a large contributor to that. Sorry, I should have flagged that up. It is, largely, student loans impairments. The ring-fenced resource DEL is for depreciation and impairments, which is a non-cash cost. That money cannot be spent on delivering services; it is just for depreciation and impairments, which is a technical accounting issue. Student loans is particularly strange: the funding comes across from Treasury in a way that does not match the way that our expenditure works. We get a Barnett share on what happened to the costs in England. Cris is going to shout at me and say, "It used to be a Barnett share on the entire amount". That has changed: it is now split. There is a Barnett share for future forecasts, and the other bit is based on —

Ms Cris Farmer (Department of Finance): English forecasts.

Ms McBurney: — English forecasts. It is Barnett in the future and English forecasts on the other one. That gives us far more money than we would ever spend on student loans, because the student loans system here is slightly different. For one thing, our fees are a lot lower, so our loans are lower. Every year, it looks as though there are what look like huge underspends on student loans impairments, but those are not underspends as such; it is simply that the way in which we are funded does not match the way in which we need the money.

Ms Forsythe: As that is a recurring pattern and such a significant number, do you build that into your recurring forecasts? It jumps out as a huge number, but it is not a surprise to anyone; it is a very clear line that we know about.

Ms McBurney: It is a very clear line. We do not build it into our forecasts, but we do not worry about it because it is a technical issue. DFE gets the money based on its forecasts at the start of the year. It may hand that money back, or it may sit with it, because it cannot be used for any purpose other than student loans impairments. It does not really make a difference whether it is sitting with DFE or with us at the centre. The important thing is that we get more funding than we need, not less, because that means we do not have a pressure on that. It is one that jumps out at people and looks stark, but it is not an issue because of that. We find it challenging to explain because it is so technical. It is money that cannot be spent on anything else.

Ms Forsythe: Absolutely. Thank you very much.

Dr Aiken: I have a quick one. Joanne, well done. You have smoothed it all out and made it all nearly add up. The only extra bits are being snaffled up by the Department for Infrastructure, as is tradition, so well done. It is my observation that, obviously, a lot of work has been done to smooth out the spikes to make sure that not a lot of money goes back. That is commendable. You have done a lot of

hard work to make sure that that happens. However, yet again, DFI is relying on the end-of-the-year outcome to be able to do that.

The percentage this year — I am desperately trying to rack my brains for what it was the last time we did this process two and a bit years ago — seems to be roughly the same. Some of the reforms that we were looking at to provide a better approach to expenditure and the rest of it have not taken place, obviously, because this looks very traditional, to my eyes. What proposals are we looking at for the future? We are now in a situation where you have smoothed it out — well done. We are not going to give lots and lots of money back to the Treasury — well done. We are taking the surplus to fill in potholes, as we do. John O'Dowd will be very happy. My constituents in South Antrim would like to get a bit more of that. Thank you for letting us know that there is a bit more money to do it. Yet again, however, we are in a position where we are going through this traditional process that we said we would not do again and again. Yet, here we are doing exactly that. So, where are we?

Ms McBurney: That is an absolutely fair point. For clarity, I should have said that the DFI money is not going to potholes this time; it is going into reserves for Translink and the Driver and Vehicle Agency (DVA), which is very helpful because it reduces some of the pressures on those bodies next year. You are right: we traditionally put it towards roads maintenance. This year has been unique with the absence of an Executive and then their return with a financial package. Obviously, with no Ministers to make decisions, it has been unique. You are right: the problem of funding becoming available at year end has been ongoing, and it is something that we will want to take forward. Obviously, it starts with setting a Budget, and then we need to look at monitoring that throughout the year.

One of the difficulties we have is the way in which we get our funding from Treasury. Treasury tends to have ongoing discussions throughout the year with Whitehall Departments, and it wraps that all up in what it calls its Supplementary Estimates process, which often results in us getting large chunks of Barnett in January or February, and that also makes it difficult. We will try to press Treasury — I know that Scotland and Wales are also pressing Treasury on this — to look at a better way of doing that. It absolutely works for Whitehall Departments, because Treasury keeps the pressure on them throughout the year to manage their spending and pressures, and when they cannot do that, they get topped up, but it does not work for the devolved Administrations. There are two sides to it: can we do anything with Treasury to try to get a more manageable way of handling that; and what can we do to make sure that we put the funding, if it is available, into things properly in the Budget? Hopefully, through the monitoring process, we will get better at that.

One of the things that we also want to look at is whether we revert to the previous way of doing forecast out-turn, which meant that you could not forecast more than your budget because you were not allowed to spend more than that, or whether we keep going with the current process, which, in some ways, provides better information. We need to discuss that with the Finance Minister. It may be that we go with the latter approach, albeit with caveats such as needing to explain your plan to get back on a proper trajectory. That may mean the provision of more meaningful information to help us manage the position better.

Dr Aiken: Just one more, with your indulgence, Chair. I am thinking about the Budget at the moment. The Vote on Account takes us to October.

Ms McBurney: It is September/October. Again, that is another one that is not an exact science. We still plan to have the Budget Bill at least introduced before the summer recess. The idea is —

Dr Aiken: Again, we do not want to be in a situation where we are being asked for accelerated passage.

Ms McBurney: That is part of the reason for doing that. We are keen to have proper engagement on it. I think that we will still have to ask for accelerated passage due to the timescale for Royal Assent, but we certainly do not want to be running in advance of producing proper estimates in the spring Supplementary Estimates document. We want to do that properly.

We have engaged with the Committee Clerk. We are trying to build in two evidence sessions before the Main Estimates, if the Committee would like those. We are keen to try to be as helpful and as transparent as we can. Sometimes, circumstances work against us.

Dr Aiken: OK. Thanks.

The Chairperson (Mr O'Toole): I was going to do my best Sir Humphrey impression: eyebrows raised at that one. I am sure that that is always true.

Mr Carroll: Thanks, Joanne. The £300 million obviously stands out. I have a lot of questions to try to understand it. Is that money that was expected to come through and did not, or is it money that has come through? If it came through, where is it? Has it been returned yet? Has it been put somewhere that exists, or has it not been forwarded at all?

Ms McBurney: I missed the first part of that. Which figure is it that you are talking about?

Mr Carroll: The £291 million underspend.

Ms McBurney: Yes, on the ring-fenced. That is money that we got from the Treasury. We got quite a chunk of it late in the year. It is money that can be spent only for depreciation and impairments, which are non-cash money, so no cash goes out the door for that. It basically goes through Departments' accounts; it is a technical accounting issue. It is one of those things that are difficult for Departments to control because it depends on their asset base and what their impairments are.

On student loans, yes, we would absolutely have been expecting there to be what looks like an underspend on that because we are historically, I suppose, overfunded from the Treasury. It is not often that I say those words, but we get too much money from the Treasury for student loans because of the mechanisms being different in England and here. If you were to look back over the last four or five years, you would see the same trajectory, so that has not come as a surprise. Similarly, on the ring-fenced bit that is not student loans — that is basically every Department apart from DFE — up until probably quite recently, we were under pressure in that area, and then we got money from Treasury in its Supplementary Estimates process.

To rattle on a bit on this: the thing about the ring-fenced resource DEL is that we cannot move money out of it into anything else, because it is non-cash and Treasury does not want us to spend it anywhere else. However, if we have a pressure on ring-fenced resource DEL — if we did not have enough money in that category to fund depreciation and impairments — we would have to take money from our resource DEL. Therefore, it is far better to be overfunded and have too much in your ring-fenced category than not to have enough, because, if you did not have enough, you would end up taking money from services to get into this technical accounting issue.

Mr Carroll: There is some clarity there. *[Laughter.]*

Ms McBurney: Sorry. It is complex.

Mr Carroll: It is OK. Some more confusion but —

Dr Aiken: Gerry, summarise that for us. *[Laughter.]*

Mr Carroll: I will come back to you.

On the student loan aspect — I cannot remember whether it is non-ring-fenced or ring-fenced — could that be used to pay back people who have paid students loans? I declare an interest, as somebody who did. It is specifically connected with student loans, but what is the specification? What does it have to be spent on? Is that written down somewhere? Where is that detail?

Ms McBurney: It is basically the impairment of the loans. It is basically — Cris will jump in if I am wrong — an estimation of how much of the loans, we think, will not be paid back. If you issue somebody with a loan of £100, but you think that they will pay back only £50, you would have an impairment of £50. It is to cover that. It is to reflect the loans at their true value in the accounts. It is all a very technical accounting issue. It is not money that could be spent on paying back people's loans, nor could it be transferred to be spent on anything else.

Mr Carroll: Is that because Treasury has said no?

Ms McBurney: Treasury sets the rules, so, yes.

Mr Carroll: What would happen if it was politely told otherwise?

Ms McBurney: That is completely outside our control. We would never get the cash for this money. We only ever get it in budget control totals, so the cash would not flow for this. There is no cash behind it.

Mr Carroll: I have two quick, final points. On that £291 million, has that decision been made, or is it part of the Budget?

Ms McBurney: There is no real decision to make on that. It is the way that student loans are treated in DFE's accounts that drive the impairment. That comes from the accounting and budgeting guidance that is set by Treasury. The funding comes in from Treasury based on a share of what is happening in England. DFE calculates what the impairment is here, based on our loan book. The difference is that the funding from England comes in in excess of what we need and we calculate our impairment. No decisions are really to be made on it.

Mr Carroll: I might come back to you on some of that stuff, Joanne.

Finally, how much did you say was going into DFI reserves for Translink?

Ms McBurney: It is £12 million for Translink and DVA.

Mr Carroll: Thank you.

The Chairperson (Mr O'Toole): It is worth saying that it is a financial transaction in that it is accounted for as what is projected to be an unspent loan — an implied subsidy, I think, they sometimes call it.

Ms McBurney: Yes, on the student loans.

Mr Frew: May I ask a question?

The Chairperson (Mr O'Toole): We will put you on the list, Paul. Nicola Brogan is next.

Miss Brogan: Thank you for the update. I want to ask about the Budget figures that you mentioned, Joanne. Could you go through the figures again, in case I picked them up wrongly, on what you expect?

Ms McBurney: Yes. I am talking about the figures after we have taken account of ring-fencing. For example, we get a big chunk of money across from Treasury for farm payments, which has to go to DAERA. Once we take account of things such as that, we have £1 billion of funding available to be allocated to general pressures on the resource side, and Departments have identified £3.2 billion of things that they would like to be funded.

Miss Brogan: That is what I had written down. Have you had conversations about that with the British Government or Treasury? This may be a question for the Minister not you, but do you have an update on the negotiations about assessing the level of need and increasing that? Are the British Government understanding of the pressures? A third of the money that we need is actually available. Have they come back on any of that?

Ms McBurney: There are probably a couple of aspects to that. Yes, we are in regular engagement with Treasury, and the Finance Minister has met the Chief Secretary to the Treasury (CST) quite a few times. She continues to press that we need to be appropriately funded at need. There are ongoing discussions on that. The financial package refers to a fiscal framework that includes that funding at need. The financial package sets a needs-based adjustment factor at £124 a head. The Finance Minister and the Executive do not accept that £124 is the right level; therefore, there needs to be further discussion.

Where we are with this Budget is that we are working within the control of that financial package, which provides us with the top-up money — the £520 million from the financial package, plus the share of the £708 million, and additional funding for Health. The funding that we have available is

actually above £124 a head. I do not think that there is much more money to come out of that this year, but it is very important that those discussions continue, because, for future years, that becomes vital. The Finance Minister is having those discussions, and, at official level, we are having that engagement.

Miss Brogan: Thank you for that.

Mr Brett: I want to check on the final allocations that the Minister informed us about last week. There is a substantial underspend in the scheme of the reallocation of the money that was there. The biggest one was victims' payments from the Executive Office at £3.5 million. Is that for victims' pensions?

Ms McBurney: Yes, that is victims' pensions. As I said earlier, that is because of its demand-led nature. Obviously, they get a budget at the start of the year, but it is based on forecast and is demand-led; as they go through the year, it might not pan out that way.

Mr Brett: This is probably not a point for you and is something that I will take up with the Department of Justice, I assume, as it administers the scheme on behalf of the Executive. When we have constituents waiting for months and months, or years and years, to have their applications assessed, for the organisation to return £3.5 million that could have been used to speed up applications and for resources is hugely disappointing. Again, it is an issue that I can take up separately.

There was some coverage in the media, last week, about an allocation of £205,000 made by the Department of Justice to the Policing Board that the Policing Board had not asked for. It arrived in its bank account and then had to be sent back. Are you aware of that?

Ms McBurney: I am afraid that I have no details on that at all. You seem to be better informed than me on that one. *[Laughter.]*

Mr Brett: That is fine.

What was the amount that you told Gerry was going into Translink reserves?

Ms McBurney: £12 million. That is on top of anything that is already in.

Mr Brett: In the reallocations from last week, Translink got £3.1 million.

Ms McBurney: Yes. This is on top of that. It is not all for Translink. It is for Translink and the DVA. I do not know the way in which it is being split. I do not have that detail.

Mr Brett: So, it is not £12 million for Translink.

Ms McBurney: No. Sorry. It is £12 million on top of that £3 million. The £12 million is the latest, based on the Department's forecasts.

Mr Frew: This might just be a matter of terminology, but it says in the paper that the Department with the most significant forecast variance at the beginning of the year was DFI at 21.3%. Is that the beginning of the financial year or January or December?

Ms McBurney: That was in its April return. That was the first return in which the Department provided a forecast out-turn, which would have been provided on 6 May, at the start of the financial year.

Mr Frew: How did it get to have such a variance at the start of a financial year? Is that because it did not get what it asked for and there was going to be a variation in what it needed?

Ms McBurney: At that point in the year, the April return would reflect the Budget that was set by the Secretary of State, which, bear in mind, was only set on 27 April. This return came in very quickly after that. At that point, the Department would have forecast a lot of pressures that it would then have worked through by asking what decisions it could take and what it could do to bring that down throughout the year.

Another thing was that, at that point, most Departments — I cannot say whether DFI, specifically, was one of them — were forecasting what they thought they would need for non-contractual pay awards in that year, and, in the next return, we said, "No. I'm sorry". From looking at the figures that I have here, I do not think that DFI was overly affected by that in May. We stripped those out.

It is very much the case that the April return was early and followed very quickly on the heels of the Secretary of State setting that Budget, so Departments probably did not have a lot of time to work through the detail of what they thought their position would be.

Mr Frew: OK, so it is to do with the forecast rather than the Budget position.

Ms McBurney: It is a bit of both. The Budget did not do what DFI would have liked it to do, and then it had to go away and think about it. You tend to find that the forecasts at the start of the year are less accurate than those at the end of the year, because there is no out-turn to base them on.

Mr Frew: The Department for Infrastructure is probably one of those Departments where money can be moved through monitoring rounds and forecasting, because, quite simply, a lot of its stuff will be shovel-ready or could be got up to speed more quickly than in most Departments.

Ms McBurney: Yes.

Mr Frew: Thank you.

The Chairperson (Mr O'Toole): OK. Eóin Tennyson.

Mr Tennyson: I concur with Steve and will give credit where it is due: confirming a financial package about six months out from year end and keeping underspends to such a minimum is not an easy task, in fairness. It is important that the Committee recognises that.

There is quite a significant underspend in financial transactions capital (FTC) DEL in TEO. I note, however, that, per the Secretary of State's Budget at the beginning of the year, there was no FTC allocation for TEO. What is that and what does it relate to?

Ms McBurney: Cris could say more than I will on that matter, but TEO tends to act as a conduit for financial transactions — loans going out for other Departments that do not have the vires to do them themselves. TEO would have got an allocation in year when it asked for the money, and either the Secretary of State or the Executive would have agreed to that. We understand the underspend at the end of the year to be due to a reduction in the estimate of capitalised loan interest. Again, that was in an accounting treatment where they had to capitalise the interest on those loans and it was forecast at one level and they were provided with funding at that level. Those forecasts have since reduced — the estimate has reduced — and that is why they came in with the underspend.

Mr Tennyson: That is helpful, thank you.

I have one question that looks forward to the Budget for this year. Do we expect that the 24% uplift will be applied in this Budget? Is that our assumption? Have we had that confirmation from Treasury?

Ms McBurney: Our Minister pushed the CST on that, and the CST said yes, so we expect it to apply to any Barnett consequentials that we get for 2024-25. So far, the only Barnett consequentials that we got were in the spring Budget. The uplift was not applied at that point, because the Treasury wants a chance to work through methodology with us. We are working through that and hope to have it in place very soon.

Mr Tennyson: Thank you.

The Chairperson (Mr O'Toole): There will possibly be a comprehensive spending review later this year. You would then expect the Barnett consequentials to be worked. In addition, you would expect the £124 from the spring Budget. Are you factoring the £124 into your Budget plans for 2024-25?

Ms McBurney: We can only —

The Chairperson (Mr O'Toole): Based on the Barnett. Presumably you have not counted — you have not got the Barnett consequentials —.

Ms McBurney: Aggregated to 2024?

The Chairperson (Mr O'Toole): Yes.

Ms McBurney: No, we have not. The requirements of section 64 of the Northern Ireland Act 1998 mean that the Budget must agree with the funding that is set out in the Secretary of State's letter, and the Secretary of State's letter did not include that. There are other things that are not in the Secretary of State's letter that we anticipate getting. For example, there will be further Fresh Start funding. That will all come later in the year. We will factor that into the June monitoring, hopefully, but we cannot put it into the Budget, because it was not in the Secretary of State's letter.

The Chairperson (Mr O'Toole): Have you a sense of what the quantum will be? Are we talking about tens of millions?

Ms McBurney: There should be only around £24 million of additional funding in the spring Budget, because it was roughly £100 million, I think, from memory. We do not know yet what the future Barnett money will be. We anticipate that we will get Barnett consequentials in the Westminster Main Estimates, which should be coming up quite soon — we expect that there will be some Barnett money in that — and then there will be Barnett money in the Supplementary Estimates later in the year, but we have no idea of the quantum at this point. There should be some in-year money coming our way; we just do not know how much yet.

The Chairperson (Mr O'Toole): OK. You cannot put it in the draft Budget document, because it is not signed off.

Ms McBurney: No; it is not signed off.

The Chairperson (Mr O'Toole): It will have to be allocated in monitoring rounds.

Ms McBurney: Yes.

The Chairperson (Mr O'Toole): OK. Are there any other outstanding issues?

Miss Hargey: Can you just confirm, Joanne, that the Budget and associated Executive paper are ready —

Ms McBurney: Yes.

Miss Hargey: — for an Executive meeting, whether it is tomorrow or next Thursday?

Ms McBurney: Yes. The Minister is ready to bring those proposals to the Executive.

The Chairperson (Mr O'Toole): OK. There are no further questions from colleagues. Thanks very much to Joanne, Maryann and Cris. The Hansard note-taker has had a very short shift, but works very hard the rest of the time. *[Laughter.]* Thank you very much.