



Northern Ireland
Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Draft Executive Budget 2024-25:
Department of Finance

1 May 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)
Mr Phillip Brett
Miss Nicola Brogan
Mr Gerry Carroll
Mr Paul Frew
Miss Deirdre Hargey
Mr Eóin Tennyson

Witnesses:

Ms Joanne McBurney	Department of Finance
Ms Maryann Smith	Department of Finance
Ms Kerri Smyth	Department of Finance

The Chairperson (Mr O'Toole): I welcome to the meeting Joanne McBurney, director of public spending; Maryann Smith, head of central expenditure division; and Kerri Smyth from the public spending directorate at the Department of Finance. Thank you all very much for coming. You are all busy, and we appreciate you coming to brief us. I ask you, as always, to make a brief opening statement.

Ms Joanne McBurney (Department of Finance): Thank you, Chair. I will try to keep my opening remarks brief.

We have been clear all along that this will be an incredibly challenging Budget. You will be aware from my last Committee appearance that demand far outstrips the funding available, many times over. For every £1 that we have for day-to-day funding for public services, we have three times as many demands. Similarly, for every £1 we have in capital, we have one and half times as many demands. With increased demands on services and rising costs, the Executive simply do not have the Budget to do everything they want to do. Providing additional funding for one area means less funding for another. That was the harsh reality facing the Executive when they were agreeing the Budget.

As I have said before, it was imperative that we had a Budget. It was important to provide certainty to Departments. Without a Budget, Departments and outside bodies cannot plan, and that is not a sustainable position. Now that the Budget has been set, it gives funding envelopes to each Department, and Ministers will now prioritise spending within the funding envelope that they have been given. That will undoubtedly mean difficult decisions for all Departments.

The Budget was reached as the culmination of weeks of engagement with Ministers. The approach to setting the Budget was agreed by the Executive on 15 February. As well as agreeing a short delay until the end of April, that included recognising that the final Budget position for 2023-24 could not be used as a starting point for Budget 2024-25, given the funding available.

Since then, we have engaged with officials across Departments on their requirements. The Finance Minister has also held one-to-one meetings with Ministers. On 11 April, the Finance Minister brought a paper to the Executive detailing the quantum of bids submitted against the Budget available and similar to what I outlined last time I was here. The 2024-25 Budget proposal put forward was informed by the funding available, the bids that were submitted and engagement with Departments at official and ministerial level.

As regards funding allocations, after providing previously earmarked funding, £1 billion of resource DEL (departmental expenditure limit) was available for allocation. The provision of additional earmarked allocations, which were set out in the written ministerial statement (WMS), reduced the funding available for general pressures to £958 million. On the capital side, after taking account of previously earmarked funding, there was £1.8 billion of capital DEL available for allocation. The resource and capital DEL outcomes for each Department can be found in the annexes to the written ministerial statement. That also provides a reconciliation to the Treasury control totals, which were set out in the Finance Minister's statement on 26 March.

The Department of Health was allocated over half of the overall resource DEL provided to Departments: 51.2% of the overall resource DEL outcome. As a result of the ongoing prioritisation of Health, the allocation of a further £472 million in this Budget will see the Department of Health's baseline funding increase by almost £2 billion since the last Executive returned in 2020. Of the £958 million resource DEL that was available to allocate for general pressures, over 90% went to three Departments: Health got 49.3%, Education 31.1% and Justice 9.9%.

I will now talk about the next steps. As I said, the Minister has laid a written ministerial statement, which is a high-level statement setting out the Budget outcome for each Department. That did not go into a great level of detail. We are now working with Departments on the production of a Budget document, which is what you would expect to see, setting out each Department's spending plans and spending area. Once that is published, the Minister will bring a Budget 2024-25 to the Assembly for a debate and vote. We hope that that will be at the end of May or in early June. That obviously depends on Departments taking those decisions and providing us with the spending area-level detail on time.

The Chairperson (Mr O'Toole): You hope that the Budget document will be produced at the end of May or in early June.

Ms McBurney: No, we hope that the Assembly debate and vote will be at the end of May or in early June. Unless there is an undue delay somewhere — I hope that it will not be on our side — the Budget document will be produced before that, because it is important that you have sight of it before we have the debate and vote.

The Chairperson (Mr O'Toole): Is it in the legislation how long we should have it before? I do not think that it is.

Ms McBurney: No, it is not.

The Chairperson (Mr O'Toole): It could be one minute before. Obviously, we do not want that to happen, but, legally, it could.

Ms McBurney: It could, legally. I think that, at some points in the past, it may have been produced very shortly before, but that is certainly not what we are planning for this time. Work has already commenced and has been ongoing on the chapters on the economic outlook and context. We could not do anything on the outcome itself until the Executive reached agreement. We depend on Departments providing the information to us in order to populate the spending area tables. Following the Budget debate and vote, there will be a Budget Bill, which we hope to bring to the Assembly ahead of summer recess. We have already scheduled some Committee sessions on that.

That is all that I want to say by way of opening remarks. I am happy to take questions.

The Chairperson (Mr O'Toole): Thank you very much. Members, please indicate, should you wish to ask questions. The Clerk will keep a note.

Joanne, you said that, without a Budget, it is difficult for Departments to plan. It is also true that, without a plan, it is difficult to budget. It is chicken and egg. Would it have been easier to do the Budget with a Programme for Government (PFG) or at least an outline or indicative Programme for Government?

Ms McBurney: Setting a Budget would have been challenging with or without a PFG. A PFG would have set out the Executive's priorities, but we have tried as far as possible to take the priorities into account. For example, childcare is an Executive priority, and funding is set aside for that. We have also honoured previous priorities such as welfare mitigations and historical institutional abuse (HIA) victims.

In an ideal Budget process, yes, we would have a Programme for Government. The process would also be different, because we would set a draft Budget and have 12 weeks of consultation on it that would be used to inform the final Budget position. That is what we would like to see. The Finance Minister has also been clear that she would like to see a multi-year Budget. We cannot do that, because we are at the end of the spending review period. All those things coming together would make for a much better process.

The Chairperson (Mr O'Toole): The written statement that we got last week says something to the effect — I am trying to find the specific line.

I have it verbatim:

"Each department has, to varying degrees, received some additional funding for their general pressures."

A sceptic or a cynic — not me, obviously — would say that that says, "Everyone got something". Is that the approach, or is it prioritisation?

Ms McBurney: No. Everybody has got something, but that reflects the fact that every Department and every Minister has made a strong case for their Department and the pressures that they face. They have not all got an equal share of the funding. As far as possible, we have tried to prioritise it within the funding available. The funding available was very limited compared with the pressures. Had we had more money, we would probably have given more money to most — in fact, all — Departments, but it has not been a simple mathematical equation. The Finance Minister met every Minister and discussed their pressures. With the funding available, we have done the best that we can to reflect the known priorities and the engagement with Departments.

The Chairperson (Mr O'Toole): When you say "the known priorities", is that based on motions that have been put before the Assembly; on discussions inside the Executive or, perhaps, before the formation of an Executive; on Programme for Government preliminary meetings; or on all of those?

Ms McBurney: Probably all of those. Obviously, I am not privy to discussions inside the Executive. It is based on individual Ministers setting forward their plans, on motions in the Assembly and on the priorities that were set out before.

The Chairperson (Mr O'Toole): OK. You mentioned that the baseline had increased. A specific reference to that is the discussion around the Department of Health's budget. The Department's position is that the 6% increase should be measured against its baseline from the start of the financial year 2023-24 rather than post monitoring rounds or post full financial year — the out-turn, basically. It should be year start versus year start rather than baseline versus year start. Is it your view or expectation that the Department of Health will be a first call for some of the monitoring rounds, or is that a decision that has not been made yet?

Ms McBurney: Starting at the beginning, we would clearly say that, to be fair to all parties, it is hard to get an accurate comparison between one year and the next. Our view would be that the best comparison is to compare similar periods in the financial year — start to start rather than end to end. Things happen during the financial year, such as additional allocations, which is one of the things that you are referring to, and technical transfers coming in from other Departments. Some of those can be

significant: the Department of Health had around £80 million-odd of transfers coming in from other Departments during the year.

No decision on first call on additional allocations has been made, other than that the monitoring rounds will continue to reflect the Executive's priorities. Will the Department of Health receive funding? It is quite possible, but we do not yet know how much money will be available to hand out in-year, nor do we know what other pressures there will be at that time.

The Chairperson (Mr O'Toole): There will be a June monitoring round pretty much as soon as we have voted on a Budget statement. I know that we are only a month and a bit into the financial year, but are there indications of how much will be available for reallocation?

Ms McBurney: Not at this stage, but Westminster Main Estimates should be coming up shortly, which will give rise to Barnett consequentials. We already know that we will get some, but we do not know the quantum. Westminster has already flagged that Whitehall Departments will get some of the pension contributions pot from the Westminster Main Estimates, so we will get our consequentials from that. There will be funding, but we do not know the quantity yet.

The Chairperson (Mr O'Toole): I have one more question before I go to members. Can we expect some kind of strategic vision in the Budget statement for rescuing public services? That is a phrase that I have used, but others have talked about their priorities. Will there be some sense of prioritisation while we await a Programme for Government?

Ms McBurney: You will also be aware that the financial package set out that we were to do a sustainability plan. That is something that the Executive and, certainly, the Finance Minister would have wanted to do in any case, because we have to recognise the long-term trajectory of our spending. While it may not come as part of that Budget statement, that sustainability plan, which sets out how we plan to make the Executive's finances more sustainable in the longer term, will certainly be coming, if not with the Budget statement, in the coming months. We have to agree the scope of that with Treasury in May, and we have to have the plan by August. We may want to go further than what we agree with Treasury, but that is something that the Finance Minister will be looking at, and work on that has already begun.

The Chairperson (Mr O'Toole): I am afraid that that gives rise to one more question from me. That would imply that revenue raising is part of that, because you cannot have a fiscal sustainability plan without some indication of what you want to do around revenue raising.

Ms McBurney: It will take a number of factors into account, including spending plans, efficiencies, savings and possibly revenue raising. My understanding is that nothing is off the table. We will need to look at the whole picture.

The Chairperson (Mr O'Toole): That will be in May [*Inaudible*] we might have an indication of potential revenue raising plans before we have a Budget statement.

Ms McBurney: You would have the scope in May and the plan in August. It has to be agreed with the Treasury for August, so you would have that at that point.

The Chairperson (Mr O'Toole): So we may at least have an indication of revenue-raising plans then.

Ms McBurney: There may be, but the other thing is the long-term sustainability of our finances. We have been clear that we do not accept the financial package whereby, for example, we fall off a cliff edge in 2026-27. That is something else that we want to pick up, in order to make sure that we are funded at need going forward.

The Chairperson (Mr O'Toole): In order to have that negotiation, you need to take this, which could include revenue raising. OK, that is helpful.

Ms Forsythe: Thank you, Joanne and your team, for being here today. As you say, it is an extremely challenging Budget. I know that, in previous meetings with us, you said that every Minister had made substantial bids that were well over what they were awarded, so everyone is disappointed. I just want to clarify some of the things that you said in previous evidence sessions. Effectively, you have said here today that Health has been prioritised: it has got half of the additional allocation to all

Departments. You have said that Health is up by £2 billion since the last Executive's Budget. The very public narrative is that the Health Minister has not accepted the Budget. What will the consequences be for the other Departments were it to be changed in any other way?

Ms McBurney: The Budget allocated all of the funding that was available, so, at this stage, the only way in which to give more funding to Health is to take that funding off somewhere else. No Minister implied that they could live with anything less than the amount they received; in fact, all of them asked for significantly more than they received. The only way to give more money to one Department is, unfortunately, to take it off another.

Ms Forsythe: Absolutely. I accept that. You said that you were looking at some £3 billion-worth of bids across the different Budget headers that Ministers had put in over and above that. Do you believe that there is any risk to the delivery of any of the ring-fenced items that have come through in the Budget statement in that quantification in this financial year?

Ms McBurney: The ring-fenced items are based on the estimates by the Departments that are responsible for them. The only area in which we were slightly down was HIA, victims and truth recovery, where the bid from TEO was slightly above £100 million. However, we have taken account of the underspends that have been handed back this year and set that at £100 million. Should the demand be higher, the Executive would have to fund that additional demand.

We will monitor those ring-fenced items throughout the year. If those Departments cannot spend that money, they will, hopefully, give it back at the earliest opportunity, which will allow it to be reallocated to other things. Part of the reason for the earmarking is to make sure that it can be spent only for that purpose.

Ms Forsythe: Absolutely. You mentioned that childcare is one of the new items. I very much welcome that allocation. I hope that it will be delivered in full and beyond. It has been stated that the £25 million allocation may be increased in the year. Is there any limit to that, effectively, from the statement, or is that quite flexible?

Ms McBurney: It will be flexible, depending on the funding that is available. The Department of Education has set up a task and finish group to look at that, with representatives from across Departments. Once that group concludes its work, that might help to inform the funding that needs to be allocated to that, obviously within the constraints of the funding that we have available overall.

Ms Forsythe: Great. Has the Department sought any legal advice on the decision not to put forward the Budget for full public consultation?

Ms McBurney: We have not sought legal advice as such on that. We had previous legal advice, and there were differing opinions on whether consultation was needed, but we want to have the consultation. Certainly, had time permitted, we would have done the full 12 weeks' consultation. Instead, each Department will now have to do its equality screening in line with its equality scheme and consult as necessary on that. We will ask the Departments to bring that back through us, and that will be brought back to the Executive, at which point the Executive will consider it. If the outworkings of that consultation are that changes need to be made, we will make those adjustments through the in-year monitoring round, either by allocating additional funding or, if absolutely necessary, by moving funding between Departments. Although there will not be a full public consultation on the Budget, there will still be a consultation on any of the decisions that Departments take as a result of the Budget, and we will bring that back to the Executive.

Ms Forsythe: Thank you very much and thanks for your work. It has been a really intense time and a difficult Budget. I appreciate that.

The Chairperson (Mr O'Toole): I suppose that consultation is one of those instances where, if you do not want to hear the answer or if you do not want two different answers, you do not ask the question.

Ms McBurney: We need to weigh up the risks of not having a Budget against the risks of not having the consultation. Although it is not ideal, the risk of not having a Budget is that Departments could not plan. We have seen the impact of that before. If Departments do not have a Budget early enough in the year, the impact of the decisions that they take later in the year is much worse than they would

have been had they taken them at the start of the year. Also, the financial package had a requirement for a balanced Budget: we would have failed to meet that requirement.

The Chairperson (Mr O'Toole): And a Budget by the end of the financial year, of course, which we did not have, but you explained that when you were last here.

Mr Tennyson: Thank you, Joanne, for your answers so far. The Minister set out in the Chamber this week that there were significant capital pressures. I note that one of the earmarked projects is the Strule Shared Education Campus. Those schools have been waiting for a long time for capital investment and are absolutely deserving of new school builds; there is no dispute about that. However, the independent review of education stated that the project was unaffordable and can proceed only if there is a massive addition to school capital or, failing that, if all other school capital spends were reduced to unacceptable levels. The Audit Office also raised concerns. Is the Department of Finance confident that that project will be completed and that it represents value for money? Have you received any assurances from the Department of Education that the review's recommendation of a zero-based review of all spend in respect of the project will be taken forward?

Ms McBurney: I will start with your first bit about the Budget allocation. That reflected the previous Executive commitment to return £150 million, which was in the financial package, to Strule. That was a paper brought forward by the Education Minister, the only difference being that the financial package gave the money back to us as resource. Given the resource pressures, we are now funding it out of capital, so that is why the allocation is in there.

We have not yet had sight of the business case for Strule. I understand that the Department of Education is working on that, and it is that business case that will then demonstrate whether it is value for money. The inclusion of the allocation in the Budget does not jump in front of that approval; the funding can flow only once the appropriate approvals are in place.

On what the Department of Education has done with the recommendations, that is probably more of a question for the Education Minister, or we can come back to you with an update on what we have. We engage with the Department of Education, but that is primarily an issue for it.

Mr Tennyson: Funding for Strule has been allocated in the Budget, but, as you said, it is subject to the business case. Does the Department of Finance have any recourse if there were to be a ministerial direction instead of a business case? Do you have any influence over preventing that scenario?

Ms McBurney: All ministerial directions need the approval of either the Finance Minister or the Executive, so, if a direction were given, it would either come to the Finance Minister or, if it were cross-cutting, which this may well be, given the amount of funding involved, it would go to the Executive.

Mr Tennyson: That is helpful.

You referenced the £150 million from Fresh Start. Did the Department of Finance receive a bid from the Department of Education to replace that funding specifically for integrated schools?

Ms McBurney: I would need to look at the bids to be sure. There is still some Fresh Start money to come that is not in the Budget but will come from Treasury later this year. As you know, the Education Minister has said that he will fund it out of the Department of Education's capital envelope. My colleagues here are looking through the capital bids because I cannot remember offhand who bid for what. I should say that the Committee has requested the bids. Apologies for the delay.

Mr Tennyson: If you do not have it to hand, you can come back.

Ms McBurney: You will get those. We have sent the bids from the majority of Departments.

The Committee Clerk: Those will be in the next pack. We received those today.

Ms McBurney: I was about to say that we sent them shortly before this meeting. We are missing one Department because it is Departments' information and, to keep ourselves right, we have to ask them for approval. They have been a bit slow in giving the approval, but you will get that.

Yes, there appear to be bids in there for Fresh Start from the Education Minister. The way that the capital works is similar to the resource. We give them a capital envelope, and, with the exception of things that are ring-fenced, as Strule will be, the Education Minister will decide on that.

Mr Tennyson: Annex B of the ministerial statement presents the percentage change for each Department. What is the rationale for presenting that with the exclusion of earmarked items?

Ms McBurney: It is because those earmarked items can change from year to year. For example, with the Agriculture budget, if you look at the difference between the £577 million in table 1 and the £243 million in table 2, you will see that it is a big bit. That money comes across ring-fenced from Treasury, so that may have changed, but it is not influenced by the Executive. Similarly, for other things such as welfare mitigations, the numbers can change from year to year, but the Department itself does not have discretion. They are given for a specific purpose. To present it in as fair a way as possible, we strip those out. As I said, it is never an exact science, but we think that that gives you the best feel for what the Department can control.

Mr Tennyson: That is really helpful. Thank you.

Mr Brett: Joanne, welcome back. It is good to see you.

Joanne, this is a difficult Budget, as you and other members have indicated, but it is important that, when we discuss this, there is honesty around the facts and figures. I am new to Finance and new as an MLA, so maybe I am picking these up wrongly and reading them incorrectly, but my reading is that the opening position for the Department of Health this year compared with last year is plus more than £450 million. Is that correct?

Ms McBurney: Yes. Again, that is comparing the Budget set by the Secretary of State last year with those ring-fenced items stripped out, which would have set our baseline compared with the outcome of this. My colleagues can jump in and correct me if I am wrong. Health, in this Budget, on the resource side, got £34 million from the financial package for waiting lists; it got about £9.3 million for the medical school, which was earmarked; and it got £472 million for its general pressures, and that is what the bulk of that increase is.

Mr Brett: So, rather than it being a decrease to the opening position of last year, as some people have tried to indicate, this is a 6.3% increase from last year's Budget: is that correct?

Ms McBurney: Yes, we say that, from the opening position, it is. The Department has looked towards the closing position for the year, but our argument against that is, first, you do not know what additional allocations you will get in-year and, secondly, your closing position had a number of transfers from Whitehall Departments in particular, including quite large sums for the immigration health surcharge, which it should also get this year. Therefore, it is not right to compare the end of one year with the start of the next.

Mr Brett: So it is an indisputable matter of fact that the opening position for the Department's resource DEL is higher this year than it was last year.

Ms McBurney: Yes.

Mr Brett: OK. In relation to the work that you were able to do on the alternative Budget proposals submitted by those who opposed the Budget, did you get a chance to read the Health Minister's proposals?

Ms McBurney: The Health Minister certainly set out clearly his issues with the Budget, but I am not aware of any costed proposals for where the money should be taken from so that it could be given to the Department of Health.

Mr Brett: So, no proposals were given to the Department of Finance for what schools or prisons should be closed or who should not receive extra pay. OK.

The Deputy Chair raised the matter of the stand-alone allocation of £25 million for childcare. Do you know whether that allocation was based on a unanimous decision of the Executive?

Ms McBurney: It was certainly agreed. I cannot remember, but, as far as I know, it was a unanimous decision apart from the fact that the Health Minister did not agree the Budget as a whole, which, I presume, included the childcare allocation. That is a matter for the minutes of the Executive meeting, rather than for me.

Mr Brett: There is a stand-alone allocation of £1.6 million for works to clean up Lough Neagh as well, is there not? Is that right?

Ms McBurney: Yes. That one is slightly different in that it is not included in the Budget outcome for the Department of Agriculture. It is money that, we know, we will definitely get; it will be available in the June monitoring rounds. What we are really saying there is that we will allocate that in advance of the June monitoring rounds. Due to the requirement for the Budget to agree with the total set out by the Secretary of State, it has not been listed here, but Agriculture will get that in June monitoring.

Mr Brett: That would also have been voted against by the Health Minister: is that correct?

Ms McBurney: As I said, I am not party to the vote, but the Health Minister has publicly been clear that he did not agree the Budget, and that would have been everything in the Budget, I presume.

Mr Brett: My last question relates to Education Authority (EA) non-teaching support staff. There is a stand-alone line about that in the document. We have not been able to allocate the funding required for the outstanding pay and regrading settlement for our non-teaching support staff. Where does that sit? The Finance Minister is looking at drawing down funding flexibilities with the Treasury to meet that bid: is that correct?

Ms McBurney: To the best of my knowledge, where it stands is that the Education Minister is engaging with trade union side and that, once that engagement has been completed, he will come back with a figure. The Finance Minister has committed to engaging, at that point, with the Chief Secretary to the Treasury in order to seek flexibility to bring forward some of the funding that was in the financial package. It is not additional funding; it would bring forward existing funding from the package.

Mr Brett: Are you able to discuss the late allocation stuff?

Ms McBurney: For 2023-24?

Mr Brett: Yes.

Ms McBurney: I do not have the detail of that here, but I can try my best. If I cannot answer your questions, we will get back to you on them.

The Chairperson (Mr O'Toole): Is this about what was in the written ministerial statement today?

Mr Brett: Yes.

The Chairperson (Mr O'Toole): We discussed that on the record, so I do not think that we are breaking any protocols by talking about it, but you may not have —.

Ms McBurney: I do not have the detail, but I think that we discussed, last week, that it was up to £12 million. Kerri is not involved in that, but Maryann may be able to keep me right. A sum of £1 million was added to that to make it £13 million.

One of the things that go through the Department of Finance at the end of the year that is hard to predict is the cost of staff's outstanding annual leave. The Department of Education realises that that is the case, and, thankfully, the Department for Infrastructure was still able to take the money. That is reflected in that figure.

Mr Brett: The only reason I raise it is that I have consistently lobbied the Health Minister to bid for some of that and allocate it to the Northern Ireland Children's Hospice to meet its deficit from the previous financial year. According to that statement, the Finance Minister has put it on the record that she did not receive a bid from the Health Minister for any of that funding. Is that factually correct?

Ms McBurney: Yes, that is factually correct. For the late funding, we [*Inaudible*] approached all Departments to see whether anybody else could do that. Now, it may be like that because of the timing of their accounts and when their books closed for that, but that is certainly a fact, at this point in time.

Miss Brogan: Thanks for your briefing, Joanne. I will go back to what Phillip and Diane mentioned about the money that was allocated for childcare. That £25 million is being kept centrally. How do you feel that will be utilised? Is that for the cross-departmental task and finish group that has been set up? Is that for the Minister to tap into, after that group has made a decision, or can the Education Minister still find money for childcare in his budget? Do you expect him to make a bid in that way as well? How do you see that working?

Ms McBurney: Probably both. The £25 million is not everything that we would have wanted to set aside for that, but it is the funding that was available at that point in time. As you say, it is held centrally. The work of that task and finish group should help to inform the allocations from it. It is not for one specific Minister to tap into; it is for any Department to bring forward new or additional actions outside those they are taking within their current remit. Every Department should look to do what they can within their budgets. It is similar to climate change, where Departments should look to do what they can within the funding that they have available. This is additional funding over and above that. I do not think that any proposal would be ruled out, but it is additional to what Departments should be doing.

Miss Brogan: There has been some confusion over that. The Education Minister can still allocate money towards childcare separately, and this is a separate pot, almost like a bit of protection so that they can ensure that there is money for childcare, because it has been a priority for the Executive.

Ms McBurney: Yes, exactly.

Miss Brogan: That is fine; thank you.

Mr Carroll: Today is International Workers' Day. I had a meeting with some workers today in this Building. They are concerned, to put it mildly — "terrified" would probably be more accurate — about the Budget. In my assessment, the Budget does not meet the demands of workers and services generally across society. Education's pay and grading review is not in it, and Health is underfunded, despite what is being presented today. I agree with the Minister and others when they say that this place has been generally underfunded. I note that half a trillion has been withdrawn from public services across the UK. If you use Barnett, that is several billion. I see Joanne is writing it down; she is much better at maths than I am and can probably tell us exactly what it is.

Ms McBurney: I am not calculating the numbers. I am just making sure that I do not forget. [*Laughter.*]

Mr Carroll: That is a lot of money that has been withdrawn from public services. Suggestions were made that there had been overbidding by Ministers, but the British Government owe us that and a lot more. That is a political point.

I know that the Minister is seeking more meetings with Treasury officials and Ministers: do you have any update on that? It might be in our packs, but is there agreement on that? I am concerned about what will happen if the outgoing Government, as they are likely to be, do not change their position. Is there any update on what the shadow Chancellor is saying? Are there any discussions between her and the Finance Minister or between officials?

Ms McBurney: I will try to take your points in order. Treasury is clear — unfortunately, our numbers back it up — that the financial package means that we are funded at relative need this year and next year. It is 2026-27 that is the issue and where we fall off that cliff edge. The important point that, I think, you were alluding to is that that is relative need. The underfunding of public services in England has an immediate impact on all the devolved Administrations, because we do not then get the funding flowing through the Barnett formula. That is a fundamental issue and one our Minister is clear on.

You asked about discussions. There are ongoing discussions with the Treasury. The Finance Minister hopes to meet the Chief Secretary to the Treasury again shortly. She has also met the shadow Secretary of State and, again, made the cases about proper and sustainable funding.

Mr Carroll: OK. Updates on that would be useful.

It is my view that the extra several hundred million pounds that was secured is not enough to meet the demands. It is also my view and that of my party that it was won not by the twisting of arms but by a mass campaign of workers and trade unions taking strike action. It looks like that is what we will need to do again to secure the money. I take exception to any thinking that we are relatively funded within our needs. We have been underfunded for so long, and there is a lot of catching up to do, so I dispute that.

Moving on, the £25 million for childcare is risible. It is about 5% to 6% of what we need for a proper strategy. The Education Minister outlined that we need £400 million. A lot of parents have contacted me and others; they are aghast at the figures that they are paying. In some cases, they are paying double the mortgage every month. Beyond that £25 million, Joanne, is there any update on what work is being done to have a proper strategy rolled out?

Ms McBurney: There are a number of points there. Yes, I have heard the £400 million figure; that is not what the Education Minister bid for this year. Obviously, things take time to develop. The task and finish group that Education has set up, which I referred to earlier, will help inform that. Yes, I am sure that the Finance Minister and other Ministers would have wanted to go further than £25 million, but the funding was simply not available. We have to manage within the funding pot that we have and allocate accordingly. Yes, it is hoped that that could be topped up in-year, but, again, that will depend on the funding available and competing pressures.

Mr Carroll: We have a presentation in our pack on climate budgetary pressure. My reading of it was that there will be some roll-back on climate measures or that stuff previously agreed will not be implemented. Is that the case, as far as you know?

Ms McBurney: I am not over the detail of that. What I will say is that, as I referred to on childcare —

Mr Carroll: Sorry, Joanne: it is climate change and green growth.

Ms McBurney: — every Department should now be looking at what they do through the climate lens. Additional money will, obviously, help. However, it is not necessarily about what additional money can do; it is about looking at what you currently do and doing that in a way that fits better with the climate actions. For example, do you buy buses instead of building roads? Do you buy hydrogen buses instead of diesel buses? It is those sorts of things. Every Department should look at what they can do within the funding that they have and within their current actions. Of course, we can then look at additional funding, but, again, unfortunately, there are competing pressures.

Mr Carroll: Just to clarify, is that £435,000 not available for climate change and green growth?

Ms McBurney: I do not know the detail of that, because I do not have it in front of me. However, I go back to what I said: the Budget allocates every penny we have at this point in time.

Mr Carroll: OK, thanks.

Miss Hargrey: Thank you for the update. I want to confirm the process of agreeing the Budget. At the Executive meeting, all Ministers were engaged and agreed that process. Is your understanding that, at that meeting, there was unanimous agreement to the process that the Minister engaged in?

Ms McBurney: As far as I am aware, yes, there was. Alongside the 2023-24 paper, which made the additional allocations of the over £1 billion financial package, the Finance Minister set out the approach that would be taken to Budget 2024-25. That made it clear that the starting point for 2024-25 had to be the beginning of the 2023-24 financial year and not the end — so not taking account of those additional allocations. The short delay until April was also agreed.

The Finance Minister then brought an update on 11 April, which was the culmination of the bids coming in from Departments and showed the pressures and easements. Between 15 February and bringing the final proposals on 25 April, the Finance Minister met all other Ministers to discuss their pressures. At the same time, there was engagement between officials, and we were scrutinising the information received from Departments. There was a lot of engagement, and the process was clearly set out and agreed by the Executive on 15 February.

Miss Hargey: As you have touched on and as others have said, it is a difficult Budget. It is not the Budget that the Executive or anybody would have wanted to agree. The part of the Budget that we are looking at is one part of a broader plan, as you say; there is also the sustainability plan and the fiscal framework. You said that the scoping of some of that will happen this month and then in August. Does that include the overall framework as well or just the sustainability element? Will you outline the overarching picture of funding and need? I agree about relative need. I do not think that you were saying that you agree with that, because that is relative to somewhere else and does not take into account the unique circumstances here that the Fiscal Council and others have outlined.

Ms McBurney: Exactly.

Miss Hargey: Could you give an overview of the approach whereby this will not all be done within this Budget time frame? In looking forward and trying to get multi-annual funding and Budgets, what work is being done beyond the work on the sustainability plan?

Ms McBurney: Starting at the end, this Budget was never going to solve all those issues. This Budget had to be done quickly, in less than ideal time and with less than ideal processes. It was very challenging because of the funding available.

Other work streams are going on. Work is being taken forward on transformation. Work is being done on a sustainability plan. There are discussions with the Treasury on the fiscal framework. They include discussions on whether the relative need should be at 124% or higher; how we cannot fall off a cliff edge in 2026-27; and how it is not acceptable to have a fiscal ceiling in place and how we need a proper fiscal floor. All those discussions are going on, and you will see that playing out over the next few months.

Some things will happen more quickly than others. For example, we hoped that the 124% would be applied to our spring Budget, but, as you know, we did not get that. We hope that that can be sorted relatively quickly. Other things may take slightly longer. More devolved powers and increasing the tax base might take longer. All that will play out over the next few months, and things will come forward. For example, the transformation funding of £47 million was not included in this Budget because the public service transformation board needs to be set up. We hope to bring forward proposals for that at June monitoring. The sustainability plan will follow. The Finance Minister is having ongoing discussions with the Treasury on the other —

Miss Hargey: There was a clear indication that none of that would be ready in time for this Budget, for the reasons that you have given. As you said, we needed to get the Budget out in order to give certainty to key Departments.

Ms McBurney: Yes.

Miss Hargey: On childcare, in the absence of an agreed strategy, that is part of the thing. The £25 million is, at least, additional.

Ms McBurney: Yes.

Miss Hargey: It was not there before. That could be used. We need to look at short-, medium- and long-term implementation. The £500 million would not all be used this year but over a decade, potentially. The £25 million could, technically, be used to mitigate some of the immediate pressures that Employers For Childcare and others have highlighted in order to stabilise the sector and allow other, more developmental work to take place.

Ms McBurney: That is absolutely right. It is an initial pot of additional funding. Once the task and finish group has completed its work and we have the recommendations and costed proposals, we can look at it. If we get a multi-year spending review settlement to allow multi-year Budgets, that will be the time to scope out the longer-term plan and set funding aside for it.

Miss Hargey: Is there a rough timescale for a multi-annual settlement? When will we be able to start planning for that?

Ms McBurney: It is very uncertain. The Treasury has indicated that the next spending review will not be until after the general election, and we do not have a date for that. The other issue is that, the later

the date of the general election, the greater the risk that there will be a single-year spending review. My understanding is that the Treasury will need to put funding envelopes for the next financial year in place by the end of this calendar year. That may push it into doing a single-year spending review, which would again push back our chance to do multi-year budgeting. We are very much dependent on that.

Miss Hargey: My last one — I have more questions, but I will leave them for another day — is about potential Barnett consequentials. Are you aware of any that are likely to come up over the next period?

Ms McBurney: We expect Barnett consequentials to come out of Westminster Main Estimates, which should be laid some time in May. That should be in time to feed into June monitoring. We have no idea of the quantum of those yet — it is more likely to be in the tens of millions; it certainly will not be in the hundreds of millions — but there will be additional funding. Hopefully, that will be in time for June monitoring. We may try to push June monitoring back as far as we can to ensure that it is.

Miss Hargey: Thank you.

The Chairperson (Mr O'Toole): It sounds as though the DEL that might still come — we assume that most of it will be resource DEL — will include £47 million from the public service transformation board that will be realised once the board is established. We think that that will be at some point in the summer, because it will be connected to the sustainability plan. One would imagine — I am not speaking on behalf of anyone — that a significant chunk of that will flow to the Health Department. That is not necessarily the case — that decision would have to be made — but people might assume that that is where transformation funding would go. Plus, tens of millions will flow from an unrealised Barnett consequential, and there could also be reallocation. Are there any other bits that we already know of? Already, tens of millions — possibly close to £100 million — will flow back into the 2024-25 Budget.

Ms McBurney: Yes. It is in the tens of millions. I hesitated on the point about the £47 million going to Health, because we still have to seek proposals for that, and they have to be considered, so we do not know. The £47 million is there to be allocated, and I imagine that tens of millions will come in the June monitoring round.

The Chairperson (Mr O'Toole): I have a couple of additional questions, and members should indicate if they wish to come in. I will bring in Paul Frew in a second. As I understand it, the single-year Budget does not represent 124%, because that has not been realised. Do you expect that to happen in the middle of the financial year?

Ms McBurney: No. If you look at the Budget, you will see that the overall figures bring us above 124% when you add in the financial package. What has not happened yet is that Treasury has not applied the 124% to the spring Budget Barnett.

The Chairperson (Mr O'Toole): Yes. OK.

Ms McBurney: If we can get Treasury to agree to do that, which we hope we can, that would get us £24 million.

The Chairperson (Mr O'Toole): Sorry: that would be an additional £24 million, because this is £100 million.

Ms McBurney: Yes.

The Chairperson (Mr O'Toole): That is £24 million on top of the £47 million. OK, so we are looking at significant —.

Ms McBurney: It is not as though nothing is happening in June monitoring. There should be money to hand out.

The Chairperson (Mr O'Toole): I am not saying that it is Brewster's millions, but it is important that the public know that money will emerge and be allocated. OK, grand. That is useful.

There was a meeting on 15 February. That date is emerging as significant. I do not know whether it was because of Valentine's Day, but lots of things seem to have happened. There seems to have been lots of letters from Treasury and then an Executive meeting at which —

Mr Brett: It is 14 February, Matthew. Your wife would not be happy if you got that wrong. *[Laughter.]*

The Chairperson (Mr O'Toole): I said that it was the day after. Sadly, not much happens in my diary on Valentine's Day. The day after — the fifteenth — was when an approach was agreed by the Executive. The Department's position is that it made the overall approach clear. That does not mean that a cash ceiling was announced.

Ms McBurney: No. The approach that we were taking was that the baseline, the starting point, for each Department would be its 2023-24 opening position. That is the approach that we are taking to allocating the additional money. It did not give indications of what funding would be allocated, but it did agree that the starting point was the opening position for 2023-24, not the closing position.

The Chairperson (Mr O'Toole): I have one more question before I bring in Paul Frew. There has been chatter about Ministers having alternative proposals. You suggested that you were not aware of any full-blown alternative proposals from any Department. On a point of information, on Monday, in the Chamber, the Justice Minister raised a point of order following Mr Tennyson's question for urgent oral answer, in which she asked the Finance Minister to make a correction. I do not know whether that has happened yet. Minister Long said:

"Whilst I do not want to raise in open Chamber those matters in the Executive that remain confidential, I ask the Minister to take an opportunity at the next point that she is in the Chamber to correct the answer that she just gave, because, in fact, at least one alternative Budget proposal was put to the Executive." — [Official Report (Hansard), 29 April 2024, p44-5, col 2-1].

I would infer that she put the alternative Budget proposal to the Executive. Is it your understanding that one was put in from the Justice Department?

Ms McBurney: The Finance Minister will respond to that. My understanding is that Minister Swann did not agree the Budget but did not put forward any alternative costed proposals.

The Chairperson (Mr O'Toole): As regards the Justice Department —

Ms McBurney: Minister Long objected to the approach that was being taken on the Strule Shared Education Campus, which, I think, was the issue that Eóin Tennyson raised there, but, as far as I am aware, there were no alternative proposals on where that money should be allocated. Obviously, I would need to check the minutes of the Executive meeting before I could say that definitively. My understanding is that it was an objection to the way in which that was being handled and the allocation, as opposed to her saying, "Give the allocation to something else", but I might be wrong on that. I would need to check.

The Chairperson (Mr O'Toole): Would it be fair to say that that was an alternative proposal or query about one aspect, rather than her saying, "Here is my alternative Budget. Do we agree this instead?"?

Ms McBurney: Yes.

The Chairperson (Mr O'Toole): On a separate but connected issue, what I understand from, I think, both the Finance Minister and Education Minister is that, effectively, that reallocation, which seems to be the reallocation of the Fresh Start £150 million to Strule, was agreed at the Executive. Is it clear that that is what happened: that that was agreed at the Executive?

Ms McBurney: At the prior meeting, yes.

The Chairperson (Mr O'Toole): So the Justice Minister's saying that she did not agree with it was following the Executive, as a whole, agreeing to it some weeks earlier.

Ms McBurney: To be fair to the Justice Minister — again, I have not looked at the read-out from the Executive meeting at which the money for Strule was agreed — I think that they had agreed to return

the £150 million. What was probably in the Budget paper was that it was being funded from capital and not from resource.

The Chairperson (Mr O'Toole): OK, but what was agreed at the Executive was, effectively, that that money would come out of the integrated schools budget.

Ms McBurney: The £150 million, yes.

The Chairperson (Mr O'Toole): That had been agreed.

Ms McBurney: Basically, there was £150 million that made up part of the £708 million pot that was in the financial package, and it was agreed that the Executive should commit to giving that £150 million to Strule.

The Chairperson (Mr O'Toole): That was agreed by the Executive. OK. That is helpful.

Mr Frew: Thank you very much, Joanne and your team, for being here yet again. You are here constantly.

I agree with the Chairperson's opening comments about the Programme for Government. It is no fault of yours, but it is a bonkers formula whereby we agree a Budget because of the time pressures — I understand that — but there is no Programme for Government. Would the decision-making process on the Budget have been different and how different would it have been if a fully agreed Programme for Government had been in place?

Ms McBurney: It is always difficult to say how anything would change when it has not been in place from the start.

Mr Frew: Even just the decision-making process.

Ms McBurney: Again, once we have the PFG, this will be discussed, and it will be for the Finance Minister and the Executive to decide, but one of the things that, I imagine, would happen is that, when Departments submit their proposals or bids, if that is what you want to call them, to us, we would ask how each relates to the Programme for Government priorities. Then, priority would be given to those that achieve the outcomes desired by the Programme for Government.

Mr Frew: Would there be a weighting for that? If a Department could prove that part of its bid cuts across two or three other Departments with regard to ticking boxes in the Programme for Government, would that be weighted more heavily?

Ms McBurney: We would look at how it achieves the overall outcomes desired by the Programme for Government. One of the things that we encourage but that rarely happens is Departments submitting joint bids. If there was a priority in the Programme for Government and several Departments could contribute to that, we would be open to looking at a joint bid. You could have a lead Department or split the money over Departments. There are different ways to do that. Certainly, we would encourage that collaborative working.

Mr Frew: We talk about the £25 million that has been left in the centre — I think that is the terminology used — for the childcare strategy. We have pre-empted that, with the political lobby and the pressure, and the childcare strategy will be up there as a Programme for Government priority. You can see where you have put the £25 million aside for priorities that could well come out of a Programme for Government. Notwithstanding a childcare strategy, is any other money left in the centre to second-guess or consider with regard to Programme for Government priorities?

Ms McBurney: No. We have small pots of money held at the centre, and those are all set out in annex C. We have a small pot for Delivering Social Change. I think your question is whether any money is specifically set aside so that, once a PFG is agreed, we can allocate to it. At this point, there is not. The Budget pressures were so great that you would not want to set aside huge amounts of money for that. We, obviously, knew that childcare was coming out as a priority, and the task and finish group is working towards that. We could not have set anything aside for other things that are more uncertain. However, should something come out and funding becomes available in-year, that

can be reflected. The PFG will look longer-term. We will hopefully be in a position where the PFG will drive the next Budget process.

Mr Frew: Sorry for any confusion. Is annex C a list of centrally held pots?

Ms McBurney: Yes. It basically shows the available funding that was allocated earlier and the centrally held items. You will see that there is very little in there. There is a small amount for Delivering Social Change. Reinvestment and reform initiative (RRI) interest payments, unfortunately, are the interest on our borrowing, so there is nothing we can do about that. There is also the £25 million for childcare. In resource DEL, there is little other than childcare. We have some unallocated money in financial transactions capital (FTC) that we are, obviously, keen to allocate.

Mr Frew: When in the financial year would you start to get nervous about that £25 million sitting in the centre?

Ms McBurney: Certainly not at this stage of the year. Ideally, one would like to see some of it allocated in June monitoring, but, as long as it is allocated out, that could happen at a later date, if Departments could confirm that they could spend it. We can leave it to later in the year. I do not see it happening for one instant, but, if, for some reason, it could not be spent for that purpose, it could be reallocated to something else at a later point. Certainly, the feeling we get is that it will be used for that purpose, possibly many times over.

Mr Frew: I want to go back to a point that Gerry Carroll raised about the discussions with the Treasury around need. I have a concern about what our actual ask is. There seems to be confusion around it, and I am probably confused. Is the Department's ask that we get the introduction of a fiscal floor at the *[Inaudible]* definition of need, which is 124%, but also the provision of an uplift, which will bring us up to speed on need and not just start with the fiscal floor?

Ms McBurney: There are different elements to the fiscal floor and the relative need. The financial package topped us up for 2024-25 and 2025-26 to around what 124% would give us, but then we fall off the cliff edge in 2026-27. The proposals in the financial package are that any future Barnett is at 124%. That will keep us below need because, once we get to 2026-27, we will only get 124% in any additional Barnett, but that whole chunk of money in our baseline is below that. It is at around 120% to 121%. It will take us a long time to get there. That is what the financial package was. As I stated earlier, we would have said — indeed, I think that the parties made this argument in the talks — that we would like 124%. Actually, there are two bits to it. First, do we accept that it is 124%? No. We would argue that it should be higher. Secondly, do we think that we would succeed in making that argument? That is another question.

We would have liked that needs adjustment to be made back to the last spending review. The Treasury was adamant in those talks and has been ever since that it does not do things retrospectively; it will not look back to that. That means that, for 2024-25 and 2025-26, the financial package brings us up to what we would have got had it been baselined, but, when we come to 2026-27, we fall off that cliff edge and fall below need. We need to have that discussion. That is not, to our mind, acceptable. Our argument is, "Scotland and Wales will be funded above need. You cannot have us falling below need". There will be discussions going on. Yes, we will push for it to be baselined back to the spending review. My personal view is that we need to be realistic about what the Treasury will agree. Those who were at the talks will know that it was adamant about that. We also need to go, "We want to reopen this. Is it 124%, 126%, 128% or whatever?". We need to get the 124% on not just the additional funding but the full amount of our funding to ensure that, going forward, we are funded at least at need, not below it.

Mr Frew: OK. Thank you.

Mr Tennyson: I have one final question, Joanne. Correct me if my understanding is wrong. The approach was to take 2023-24 as a baseline, and then pressures were presented in terms of calls on the additional funding.

Ms McBurney: Yes.

Mr Tennyson: On the inescapable pressures that Departments presented, having assessed some of the bids, do you think that there is a universal understanding across Departments of what "inescapable" is? That is my first question.

My second question is this: what assurance does the Department of Finance have about what is in the 2023-24 baseline to ensure that that money is being spent well and prioritised properly?

Ms McBurney: I will take the first one first. On the capital side, we absolutely asked Departments what is inescapable, what is high priority etc. That is one of the ways that we look at that, because, with capital, Departments have contractual commitments that are obviously inescapable. We even ask for the date on which a contract was signed to make sure that it is contractually committed.

On the resource side, we did not ask Departments to look at what was or was not inescapable or for their assessment of that. What we asked Departments to do was rank their bids in priority order. You will see this when you look at the bids: Departments do not bid on a consistent basis. Everybody interprets guidance differently and has different circumstances. Some Departments bid for less than others.

For example, the Department of Finance, obviously, with me harping in their ear all the time, put fewer bids in, because we know that there is no money available. Other Departments took the approach, "I'd better throw everything in there, because I want to get my bids up, as, then, there is more chance of me getting money". Some Departments broke everything down into small, individual items and then ranked those from one to whatever. Other Departments put in a big bid as their number one and said, "These are all our inescapables. You need to fund them". Our guidance was, "Do not bid for the recurrent costs of pay", because, if you agree a pay award in 2023-24, you know that that is recurrent and that you will, therefore, have to fund that from within your baseline. Some Departments said, "That is just not possible. I can't meet those pay costs, so I am going to bid for pay". When you see the bids, you will see that they do not come across on a level playing field, as such. That is where the engagement comes in.

The Chairperson (Mr O'Toole): I am not interrupting, Eoin. You tell Departments, "Don't put pay as an inescapable pressure". Was that a specific bit of guidance?

Ms McBurney: It was a specific bit of guidance. That was set out when we discussed the approach, because I was very conscious that, although there was a big chunk of money for pay in the financial package, there would be less money from the financial package the next year. For 2023-24, the financial package is £1 billion, and for 2024-25, it is £614 million, so it will obviously be an issue.

Once you have made that pay award, pay becomes an inescapable pressure. Our view is that, if you have an inescapable pressure, you should fund that inescapable pressure and bid for the things that are displaced by the actions that you need to take to fund it. You should really be bidding for those lower-priority, non-inescapable items. We said, "Do not bid for pay". Some Departments said, "That is simply not possible and simply not manageable", and they bid for pay. What I am trying to get across is that it is not a case of just looking at the bids and going, "I'll give everybody a percentage of their bids" or "I'll give everybody their number-one priority". We need to apply judgement to that, which is what we have tried to do.

The Finance Minister talks to her colleagues and ourselves. Each Department has a spending team that works with it, not just on the Budget but on an ongoing basis, to build up that level of knowledge. That comes into play as well. The funding has been allocated. We would have liked to have given Departments more money, but it was not available. That comes into play as well. How much money do you have? What do you do with it? It is a combination of all those things and not just about looking down a list of bids.

Mr Tennyson: That is really useful, Joanne. Thank you very much.

The Chairperson (Mr O'Toole): On what is inescapable, would it be the case that, if there was an agreed Programme for Government, it would be easier for you, as an official, to say, "I am telling you that that is not inescapable because it is not delivering on the key priorities or the key themes in a Programme for Government"? That way, the centre would be able to say, in a pretty directive way, "I am afraid that this is the priority. I am telling you that that thing that you want to do, which may be very important, is not a key PFG priority".

Ms McBurney: In theory, yes, but I do not think that it is ever going to be that simple, because Departments also have their statutory obligations. Some of those statutory obligations are, we would say, scalable and things they can do, but it is never going to be as simple as just doing that. Yes, if you had a PFG, it would help you to look at the bids in that light, but to say to Departments, "You can stop something" —. Things do not stop overnight either, and you need to take that longer view, which is where the multi-year budgeting would come in. You could say, "By the end of the three-year period, we would expect you to have skewed money to something else". It is difficult to do that in one year.

The Chairperson (Mr O'Toole): We will, I am sure, hear from you soon. We will, hopefully, have a debate at the end of May or in early June. We will hear about the sustainability package, which could include revenue raising plus the public service transformation board. We will also have a June monitoring round during which we could, hopefully, have some of the additional moneys realised.

Ms McBurney: There are lots of separate work streams going on, and they will probably report at slightly different times, but, yes, you will get lots of updates. Hopefully, it will not always be me providing the updates.

The Chairperson (Mr O'Toole): Indeed. Thank you, Joanne, for your patience in coming to brief us so often. Are there any final questions from members? No. Grand. In that case, we will release you from captivity. Thank you very much, Kerri and Maryann, too.