



Northern Ireland
Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Draft Executive Budget 2024-25:
Department of Finance

22 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)
Dr Steve Aiken
Miss Nicola Brogan
Mr Gerry Carroll
Mr Paul Frew
Mr Eóin Tennyson

Witnesses:

Ms Joanne McBurney	Department of Finance
Mr Patrick Neeson	Department of Finance
Ms Maryann Smith	Department of Finance

The Chairperson (Mr O'Toole): To give evidence, we have our most regular attendee, Joanne McBurney, budget director and head of public spending directorate; Maryann Smith, head of central expenditure division; and Patrick Neeson from the public spending directorate in the Department of Finance (DOF). Joanne, would you like to make an opening statement?

Ms Joanne McBurney (Department of Finance): I will, Chair. My opening statement may pre-empt your questions.

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

Ms McBurney: I know that today's session is primarily to cover the Budget, but I am aware that the Committee also wants to hear about the interim fiscal framework. As we have discussed the Budget previously, I do not intend to go into a great deal of detail in my opening remarks. The Committee has the document. I apologise that it is not the proper, printed bound document — we had a glitch with the printers — but that should be given to all MLAs shortly. I am happy to pick up any questions on that and to cover off the October monitoring round.

Following Executive approval, the Minister signed the interim fiscal framework in London yesterday, as you know, with the Chief Secretary to the Treasury. The interim fiscal framework marks significant progress on the current position in the financial package. I will set out briefly some of the key aspects of that.

First, it secures a commitment from the Treasury to review how the Executive are funded going forward. You will be aware of our concerns about a funding cliff edge once the financial package

comes to an end in 2025-26. The framework provides an assurance that the Executive can plan on the assumption that we will be funded at or above the 124% level of relative need in future financial years.

Secondly, the Treasury has agreed to the 124% needs-based adjustment factor from the Barnett consequentials being applied from the date of the restoration of the Executive. While you would have thought that that was a given, the Treasury's view was that it would apply only from the 2024-25 financial year and only for fiscal events in that financial year, which meant that we would not have got any additional money from the spring Budget. The Treasury's starting position was that the 124% would not apply in 2024-25 or 2025-26, as the financial package brings the Executive above relative need in those years.

The Chairperson (Mr O'Toole): No additional in-year Barnett consequentials would have flowed?

Ms McBurney: Would have flowed from what was the Treasury's starting position before the negotiations. The fact that we are above relative need in the next two years — certainly in this year — has been borne out by the Fiscal Council's report.

Not only did that leave us facing a financial cliff edge in 2026-27, but it would have meant significantly less funding in 2024-25 and 2025-26. The signing of the interim fiscal framework now means that a further £24 million from the spring Budget will be available for allocation as part of the June monitoring round. We are also expecting additional Barnett consequentials from the Westminster Main Estimates, which are due to be set out in the next few weeks. That will also result in additional moneys for allocation in the June monitoring round, which would not have been the case without the interim fiscal framework.

Thirdly, the Treasury will consider a review of the Executive's relative need if multiple independent and credible sources provide evidence that relative need is different from 124%. That is a change from the previous Treasury position, which was that 124% was already a concession in the talks process and that it would not reopen it. The signing also sees the establishment of a Joint Exchequer Committee (JEC) that will discuss the implementation of the relevant aspects of the interim fiscal framework and matters relating to the agreement of the full fiscal framework. That puts the arrangements for the negotiation on the wider fiscal framework on a more formal footing. It reflects the same formal arrangements as were used with Scotland and Wales when they were negotiating their frameworks.

The signing of the interim fiscal framework follows intensive and constructive engagement with the Treasury, and it provides a platform for us to build on and from which to negotiate a more comprehensive fiscal framework in the longer term. It is only a stepping-point to that final fiscal framework, but it is a very important one, because it results in additional funding for us immediately.

I am happy to take any questions on any of the wide range of topics.

The Chairperson (Mr O'Toole): OK. Great. I am sure that we will have lots of questions. A couple of members are with us remotely. First, I will ask some questions about the fiscal framework, and then I may offer that up to members and come back and ask a couple of questions on the Budget picture.

On the fiscal framework, what is new from your perspective, Joanne, other than the confirmation of the 24% uplift and the confirmation of the cliff edge not happening in 2025-26? What are the other new developments?

Ms McBurney: First, I will take you back to the confirmation. Yes, you are right: the 124% was in the financial package. As you know, however, financial packages are sometimes worded quite loosely and the interpretation of that is largely down to the Treasury because it holds the purse strings. This clarifies that we will get that 124% and that we will get it from the date of restoration, which results in an additional £24 million from the spring Budget. While we have been saying all along that we should have got that, the Treasury's position was clearly that that was not on the table.

The Chairperson (Mr O'Toole): Did the Treasury actually say that it was not on the table? Post the spring Budget, did it say to the Department that you were not getting the extra £24 million?

Ms McBurney: We have been in discussions with the Treasury since then, and it said that its starting position is that "from 2024-25" — the wording in the financial package — means from fiscal events taking place from 2024-25 onwards.

The Chairperson (Mr O'Toole): Were I being cynical — you have effectively invited me to be cynical about the Treasury, given what you have said about its approach — I might say that that is a very obvious concession that it put there and could give away. Is that an unreasonable conclusion?

Ms McBurney: That may well be the case, but the fact is that, had we not signed the interim fiscal framework, we would be £24 million down. Whether it is an obvious concession or not, only the Treasury can answer that; I cannot answer that. The fact is that, if the interim fiscal framework had not been agreed, that £24 million would not be available for the June monitoring round.

The Chairperson (Mr O'Toole): OK. In addition to the £24 million, what are the other new things that we found out yesterday?

Ms McBurney: Again, the Treasury's position is that it is a needs-based adjustment factor, so it applies only when you are above need. We now have the agreement that it applies in 2024-25 and 2025-26 even if the financial package brings us above need. We know that the Fiscal Council's report matches the Treasury's analysis that, in 2024-25, that financial package brings us above need. It means that we will get the 24% applied to all Barnett consequentials that come in-year. We are expecting the first of those to come shortly in the Westminster Main Estimates. There will be additional funding coming out of that. We cannot confirm any numbers yet, but at least we will be getting a full uplift on that.

The two main new things in it, which are, I think, probably the bigger concessions, are the Treasury's agreement to reopen or review the 124% as the level of relative need. We have been clear all along and the Executive have been clear that they do not accept 124% as the level of relative need. During the talks, however, and since the talks, the Treasury's position has been that that was a huge concession on its part. Its internal analysis showed that the relative need is 121%, and it had given us that concession and would not reopen it: what is done is done and that was agreed. We have now got the Treasury to agree that, if we provide the evidence, it will review it. That is very important for moving us forward to the final fiscal framework.

Then we have the matter of addressing the cliff edge in 2026-27. You will know that one of the main concerns about the financial package was that, when the £520 million that is available in two years comes to an end, we fall off a cliff edge in 2026-27. The Treasury position during the talks up to now was that the 124% was only for new Barnett consequentials. It would not look at baselines, and it would not look at overall levels of need. It was just applied to new Barnett consequentials.

The Chairperson (Mr O'Toole): You said that it was not new Barnett consequentials in this financial year or next financial year.

Ms McBurney: Not if we were above need, which we are.

The Chairperson (Mr O'Toole): That is because the package brought you above need.

Ms McBurney: The £520 million in the package brings us above need. There is £520 million and £94 million.

The Chairperson (Mr O'Toole): Its calculation of need.

Ms McBurney: Yes. The position was that, while we were below need, we would get 124% on new Barnett consequentials but no adjustment would be done to the bulk of our money that is sitting in our baseline. This now recognises that there is a problem in 2026-27, and the Treasury has agreed that, at the relevant spending review, which means the spending review that sets the Budgets for 2026-27, it will review that. What is also very important — it is covered in paragraph 15 — is the acceptance that we will continue to plan on the assumption that we will be funded at or above 124%. It is a very significant concession from the Treasury to recognise that, and I have to confess that that was won by the Finance Minister herself in discussions with the Chief Secretary. Up until she met the Chief Secretary, it was very much, "We might agree that you have a problem in 2026-27, and we will review it, but that is as far as we are going".

The Chairperson (Mr O'Toole): It is helpful that, in the days to come, an election might be called for a month or two months' time or for later in the year, so the person who is negotiating does not really have to deliver on it.

Ms McBurney: I am informed by the Treasury officials, who, as you know, will still be in post. They are the ones who, ultimately, will have to make the numbers add up.

The Chairperson (Mr O'Toole): I respect the position that those are real concessions from the Treasury, but one of the other things that we have learned that is new is the Joint Exchequer Committee. I was not aware of that. That was not public. I know that there is a precedent in Scotland, but I was not aware until yesterday that that institution was going to be set up.

Ms McBurney: From precedent in Scotland and Wales, it is normal to have a formal process when you are agreeing fiscal frameworks. This simply formalises that process and makes the arrangements that we have here the same as those followed in Scotland and Wales. It is a formalisation of that process. It is not a concession from us; it is what needs to be done. We cannot agree a fiscal framework on our own. We need Treasury around the table, and this is the formal mechanism for doing that.

The Chairperson (Mr O'Toole): On the timing for a final fiscal framework, what are we expecting to be new in the final fiscal framework? Is there anything left to be agreed? Is it that it might be slightly higher than 124%? That looks unlikely. It looks as though the Treasury agreed to kind of potentially listen to evidence, but that does not exactly mean that it will agree to it. What are we expecting in the final fiscal framework?

Ms McBurney: There is still quite a lot to come in the final fiscal framework. As you said, we will want to present evidence that 124% is not the correct level of need. We will agree the methodology for calculating whether we are above or below need. As you know, at the moment, we can calculate the numbers, but the Treasury side of the equation is quite opaque. We cannot get the detail of that, and I think that the Fiscal Council would say the same thing. We will work through that methodology with it, and, of course, there are the wider principles of tax devolution and so on to work through. There is a lot still to work through. This is very much an interim step. It puts the 124% on a firmer footing, and we know how that is going to work. It then sets the path for those future negotiations, where there is still quite a lot to be done.

The Chairperson (Mr O'Toole): When you mention the principles of tax devolution, are we to understand that this will be the structure through which the Finance Minister asks for greater devolution of tax powers?

Ms McBurney: That is a matter for the Finance Minister and the Executive in the first instance. How the negotiations with Treasury are conducted will be through the JEC, but it will be for the Executive and the Finance Minister to decide where they wish to go with that.

The Chairperson (Mr O'Toole): On revenue raising, this formalises what was in the 5 February letter and then slightly disowned or downplayed. There is a commitment to examine revenue raising. Is it the expectation that the sustainability plan presented in August will have options or formal proposals for additional revenue raising? It will have to at some point because the £113 million has to be met. Some of that has come from the regional rate rise. Will that come in August?

Ms McBurney: It will do what it says. It will examine the options, and you are right that the £113 million was part of the financial package and there was a requirement to meet that otherwise we will have to repay the £559 million. We cannot risk that. As for what will be in the sustainability plan, we will work through and examine the options. The plan will set out those options.

The Chairperson (Mr O'Toole): Will it set out options for revenue raising?

Ms McBurney: It will not necessarily set out options for revenue raising. It will consider a range of options, and the Finance Minister has been open about doing so. All the options — efficiencies, the levering in of other powers, other sources of income and revenue raising — will be considered.

The Chairperson (Mr O'Toole): At some point, we will have to raise the difference. It is £113 million over two years. We will raise £30 million each year from the regional rate rise. That is £60 million, so £56 million is still left to be raised, and, at some point, we will have to say how.

Ms McBurney: Yes, we will, but I point out that the Executive already raise considerable revenue through levies and charges on things. All those things are revenue raising. We will have to work

through how we will get to that £113 million, and the Executive may or may not decide that they want to go further than that, but all those options will be considered.

The Chairperson (Mr O'Toole): But an amount still has to be raised through rates charges or whatever. That could mean more from the regional rate or whatever, but £56 million will need to be raised over the next two years. That is less than £30 million a year, but it has to be raised; that is the agreement.

Ms McBurney: It does, but, again, the £113 million was in the financial package. We already negotiated that it would be raised over two years and not one year. That avoided a huge rates increase this year and gives us more time to consider options.

The Chairperson (Mr O'Toole): But there is still that outstanding amount. OK.

I will open up the questioning to my colleagues. I cannot tell people what to ask or not ask, but I would prefer it if people could stick to questions on the fiscal framework at first. We will come back and ask questions on the 2024-25 Budget. Doing so will allow Joanne and the team to focus and get their defences ready.

Ms Forsythe: Thank you, Joanne and team. Thank you for all your work on this, Joanne. As you rightly said, the Treasury officials are left to continue the work, no matter the changes to the political landscape. It is an important point.

I note that, as we all know, when there were discussions at Hillsborough Castle last year, the DUP representatives were the only ones to come out and clearly say that the financial package was well outside what was required and to commit to continue to work on that. I am glad that, on the return of the Assembly, the Executive and the Assembly supported that and pushed forward.

I was really pleased that, with the support of your team, the Finance Minister was able to sign up to this with the Chief Secretary to the Treasury. The leader of the Opposition says that it was "obvious" that some things, such as the £24 million, were going to come through, but, as you said, it was not obvious until there was a signature on it. The Executive have delivered on moving it forward. It is important to recognise that it is progress for Northern Ireland. I certainly welcome it.

You mentioned that the £24 million will be backdated. The Westminster Main Estimates are due in the next few weeks, and we expect to see more Barnett consequentials. A lot of numbers have been flying around. My question overlaps with the Budget, so perhaps it makes sense to take the two issues together. I want to know how much is expected from those Barnett consequentials and how much we can expect to see moving in the June monitoring rounds. Do you have an estimation of how much will become available in June, given that it goes hand in hand with our Budget?

Ms McBurney: I can give only a rough estimation, because we need Treasury to take its Main Estimates to Parliament, which, we think, will happen after the recess next week. That means that it will happen in plenty of time for the June monitoring round. I think that we will get extra tens of millions from the 24% being applied. If you work out the equations, that would lead to a significant amount in other Barnett consequentials. While we will not have enough in the June monitoring round to give everybody what they want or need, I think that we will be able to make significant allocations.

Ms Forsythe: I heard from a few sources that they have been talking about it being around £200 million. Is that a fair estimation?

Ms McBurney: I cannot say anything that pre-empt the Westminster Main Estimates going through, but I do not think that that figure is out of the ballpark.

Ms Forsythe: That would be very welcome right across the board.

I turn to progress on the fiscal framework. On what date do you expect there to be the next significant movement?

Ms McBurney: I cannot give you a specific date, but there was agreement yesterday to move very quickly on it. We will immediately move into the next phase of developing the wider fiscal framework and the sustainability plan. All those things will be brought forward. We are not going to sit back and

wait until the autumn or whenever. The work will start immediately, so we hope that progress will be made quite quickly on a wide range of things.

Ms Forsythe: That is great. The extra Barnett consequentials and the monitoring rounds go hand in hand, so the fact that we are bringing the Budget and monitoring rounds forward together makes things a bit messier and more complicated. How are you working with the Departments to manage that process? Will we see two quite complicated sets of accounts? What should we expect to see?

Ms McBurney: That is a good point. As you recognised, the process is far from ideal. The Budget will be debated in the Assembly next week, a monitoring round has been commissioned for very shortly after that, and, when we get to the Estimates, which will go through in the Budget Bill, they will be based on the Budget position that is set out in the document that you have just received. The June monitoring round will go through at the same time, and it will change those positions. Normally, we do not like to see that, but it is important that the June monitoring round happens quickly in order to provide certainty to Departments that will get additional allocations, because that may impact on the decisions that they make. Unfortunately, it will be a very busy time for my team and for the Committee, as you try to scrutinise everything that we provide to you. Apologies in advance for that.

Ms Forsythe: Absolutely. Thank you for that. The Committee is committed to adding value to the Budget process through how it works with other Committees. Thanks very much.

Mr Carroll: This paper is concerning. What is most concerning is a phrase that sounds alarm bells for me, as it will for many other people, which is that the Treasury will:

"consider a review of the ... need".

That does not fill me with confidence, for lots of reasons. A Labour Government are likely to come in soon. It seems that Labour does not differ from the Tories on many questions, especially those around being fiscally tight, so I am not filled with a lot of confidence. I take your point about officials, but these are political decisions that are taken by parties. That jumps out at me from the briefing paper.

The Minister went over to London yesterday and, effectively, received buttons. In the context of a Budget of tens of billions, £24 million is small fry. This morning, I was on picket lines talking to junior doctors and education workers. They know that that will not go anywhere towards addressing their demands and disputes, despite the fact they have been told by those in this Building and by the Executive that there will be a public-sector pay deal. That is my view on the situation. You can disagree if you want, but I just wanted to outline that.

Were you in attendance at the meeting yesterday, Joanne?

Ms McBurney: Yes.

Mr Carroll: Did the Finance Minister put to the Treasury the need for either an increase in corporation tax or a clampdown on organisations that, whether avoiding or evading, are not paying tax?

Ms McBurney: I cannot discuss what happened at that meeting. It was a Joint Exchequer Committee, so I cannot discuss it. The Finance Minister made several points around that issue. Corporation tax needs to be taken forward as part of the wider discussions around that.

I will come back to your first point. I do not disagree that the money available is not sufficient to meet our needs, but there are two issues: the funding of relative need and the funding of wider public services. We are negotiating our need relative to that of England, and I would say that we have managed to get a good outcome. That does not mean that services in England are funded appropriately. If services in England are not funded appropriately, that impacts on services here. That is the unfortunate reality.

Mr Carroll: I appreciate that you will not divulge what was discussed, but my interpretation is that the Minister did not raise those points.

Ms McBurney: I did not say that she did not.

Mr Carroll: You did not.

Ms McBurney: I did not. A number of issues were discussed in the context of the interim fiscal framework and as we move to wider discussions.

Mr Carroll: Thanks.

The Chairperson (Mr O'Toole): It is important to say something about members' robust questioning. Officials are not able to discuss certain things, because there are very specific rules. In fairness to the officials, we cannot infer specific meanings from what they say.

Miss Brogan: Thank you to the three of you for attending this afternoon. Yesterday's announcement was, of course, welcome — especially what Joanne was saying about the work that the Minister put in to ensure that the Executive can move forward with their plans to use the 124% figure. That is massive for the Executive and will have a huge impact on future Budgets. I welcome that.

Last week, the Committee received a briefing from Pivotal and the Nevin Economic Research Institute (NERI). Two of my main takeaways from that meeting were these: the urgent need for transformation of our public services to improve them and put our finances on a more sustainable footing; and those organisations' serious concerns about the cliff edge that is coming in 2026-27. How does the interim fiscal framework affect both of those?

Ms McBurney: We still have challenges. It does not solve all of our budgetary issues. However, the important thing is that we now no longer have to plan on the basis that we will fall off that cliff edge. Had the position remained where we would go back down well below need in 2026-27, we would have had to start planning now for the decisions that we would have to take to manage that when we reached 2026-27. The interim fiscal framework means that we can continue to plan in a steadier state. It is very helpful. It means that we can avoid any unnecessary reductions or decisions to do anything differently now. It is a big concession to be allowed to plan on that basis.

Miss Brogan: Diane raised a point about the June monitoring round. What had you expected to receive, as opposed to what you hope to receive now because of the framework?

Ms McBurney: I think that we will get tens of millions more because of the framework. We are in the hands of Treasury as to how much comes out of the Main Estimates in the normal Barnett process, but the fact that we are getting 24% more now means that it will be tens of millions higher. We already know about the £24 million. I would not be surprised if it takes us to £50 million, £60 million or £70 million more. It is impossible to say until we get the numbers, but it will certainly come in time for June monitoring, which is very welcome.

Miss Brogan: The Chair made some points about the Joint Exchequer Committee. Scotland and Wales already have that, so we are the only devolved Administration not to have had one until now. What are the benefits of our being part of that Committee?

Ms McBurney: It is a formal mechanism for discussing things between the Treasury and the Finance Minister, who can take the Executive's view. It is a clear sign that we are moving towards a fiscal framework in the same way as other devolved regions have, so it is very important to have those formalised arrangements in place. It recognises that we are working towards that final fiscal framework.

Dr Aiken: Thanks, Joanne. It is great to hear from you again from a distant Saint Helena, 5,900 miles away. Just hearing your voice makes us feel so happy out here.

Ms McBurney: Not many people say that.

Dr Aiken: Joanne, if I picked you up correctly, when you were asked about what we are likely to get out of June monitoring from the changes to Barnett and the rest, you said that a ballpark figure of around £200 million may not be out of the question. You used the word "ballpark", so I will not tie you down to a specific figure. Bearing in mind that an additional £200 million is likely to come in at the end of the month for June monitoring and that we voted for a Vote on Account of 65% to give us additional time, can you give me the rationale for rushing ahead with the Budget without a Programme for Government (PFG) or any consultation? We know that, potentially, there will be an additional £200 million, or maybe more, at the end of June, which will change all of the calculations. Will you give me the rationale behind that? Quite frankly, I am perplexed. I asked Sir Robert the same question last

week during his evidence to the Committee. He made it very clear that we should take every opportunity to look at prioritisation, a PFG and those things. We have been given additional scope and moneys, but we are rushing ahead, and something else will have an impact.

I am unsettled by the idea that we do not need October monitoring. Doing appropriate scrutiny is an important job of the Assembly and this Committee, but one of the most valuable periods in which we see how Departments are doing at the halfway point is being removed. That does not fill me with a lot of certainty about the direction of travel that we might be going in.

Ms McBurney: It was vital that we got a Budget through as quickly as possible after the start of the financial year, because Departments are starting to spend money. If we do not get a Budget through to allow them to plan effectively, that can lead to, as we saw in 2022-23, very significant overspend. It is very important to give Departments that certainty. You are absolutely right: more money is coming down the line in June monitoring, but, while £200 million is, as you said, very welcome for additional allocations, it is a small amount in the context of the overall block.

Once we get the Budget done and agreed, a significant period will be needed to produce the Main Estimates. The 65% Vote on Account was to allow for that. The Estimates timetable, as it sits at the minute, will see the Budget Bill and Estimates being introduced before the summer recess, but we will not go through the final consideration stages until September, which means that we will not actually get Royal Assent until September time, which is why we needed the 65%. We absolutely needed a Budget as soon as possible after the start of the financial year. I certainly would not have been comfortable going beyond April knowing how that would impact on Departments.

I am sorry that I may not pick up on all your points. We put it to the Executive that we would review the October monitoring round and that, in any given year, we might decide not to have one. The reason for that is simple. The June monitoring round is essential. We usually get additional money through carry-forward or Westminster Main Estimates, and we need to allocate that as early as possible in the year. The December/January monitoring round is equally essential in order to tidy up the financial year and take account of transactions that have happened since then. With the exception of the reduced requirements surrendered by Departments, there is usually not as much money in the October monitoring round on which to make those decisions. We have said that we will review that during the year and decide, on the basis of what is happening, whether to have an October monitoring round.

This year, we will have an October monitoring round, because one of the consequences of having no consultation on the Budget and its late timing is that Departments now have to do their proper equality screening and equality impact assessments (EQIAs) of the decisions that they are taking in order to live within their funding envelopes. The Executive will wish and need to consider those, and they will not be done in time for the June monitoring round, so we will have an October monitoring round, primarily to allow the Executive to consider the outworkings of the consultations and EQIAs and decide whether they need to make any changes. That will also encompass the rest of the normal monitoring round process.

For the purpose of the Committee's scrutiny, you will continue to receive the monthly forecast out-turn, and we will be happy to answer any questions in oral briefings or by providing written updates. I do not think that the Committee's scrutiny of the overall position will be hindered by that. If there is anything additional that you need us to provide, we will be happy to do so.

Dr Aiken: With your indulgence Chair, I ask for confirmation that the October monitoring will go forward.

Ms McBurney: This year, yes, but we may review it in future years. It is more about setting out our intention to review, depending on the circumstances.

Dr Aiken: So, the final decision has not been made on whether to drop the October monitoring round.

Ms McBurney: No. We have put forward the proposal that we may choose to do so if nothing happens to indicate that we need one.

Dr Aiken: Thank you.

The Chairperson (Mr O'Toole): I am sure that it was not the intention of the Department, but we found out via the Fiscal Council that that was under active discussion. It is the kind of thing that, in

doing our job as a scrutiny Committee, we would hope to have the opportunity to feed into before it became known and formalised. We welcome the fact that it is a proposal, and I hope that our viewpoint as a scrutiny Committee will be taken into account as that policy proceeds, given our statutory scrutiny role.

Mr Tennyson: Thank you, Joanne, for all your answers so far. On the basis of the engagement that the Department has had with Treasury, does the Department have a view on whether the interim fiscal framework would have been possible in the absence of Executive agreement on a Budget?

Ms McBurney: To be honest, no, I do not think so, because one of the main conditions of the financial package was a balanced Budget for 2024-25. Treasury would not enter into discussions on anything else unless a Budget was agreed.

Mr Tennyson: If a Budget had not been agreed, the additional flexibility that the Minister outlined would not have been forthcoming. Is that a fair enough assessment?

Ms McBurney: It is fair enough to say that, yes.

Mr Tennyson: Thank you. The interim framework agreement includes:

"consideration of a review of Northern Ireland's relative need if multiple independent and credible sources provide evidence".

In a departmental briefing on the Department's budget, we were told that no funding had been allocated to establishing a commission or commissioning independent research. In the absence of that, what is the strategy for providing such evidence?

Ms McBurney: We will need to work through that. We will set up a Budget sustainability team in the Department to look at the sustainability plan that goes beyond August, because there is a lot more work to be done. We will also set up a fiscal team to look at the wider fiscal devolution side, and, as part of that, we will consider what evidence we may seek. If we need funding to do that, we will look at whether to seek funding through a monitoring round or carve out money within the Department. All of that will be in the mix. We have the agreement. We now need to move forward and decide on the best way to get that evidence.

Mr Tennyson: We do not know when the next spending review will be or how comprehensive or otherwise it will be. It could be as soon as the autumn and cover 2026-27, which is when we expect the cliff edge. Is there an urgency to at least be in a position to provide some evidence in the autumn, should that situation arise?

Ms McBurney: Yes, there is, and we will work at pace. There are probably two parts to that. You are absolutely right: all that Treasury has said is that the next spending review will be after the election, but we do not know when that election will be. We do not know whether it will be a one-year spending review or a three-year spending review. That will depend on the timing of the election.

While we want to get the level of need reviewed before the next spending review, if possible, it does not say that it "has" to be, so we can choose the point at which we provide that evidence. We will try to do it as quickly as we can, but it is also important to make sure that we get the right evidence. Treasury would be at pains to point out that the number can go down as well as up, so we need to make sure that our evidence is strong and well accepted. It is vital that, before Treasury sets allocations for 2026-27, we look at the methodology for calculating that adjustment to bring us up to need. Whether that need is 124%, 126%, 127% or whatever, we need to make sure that that methodology is right so that it is looking at the right level of baseline funding and uplifting that. Those are the two pieces of work that we need to do. The baseline bit will generate more than a marginal change between 124%, 126%, 127% or whatever the figure is.

Mr Tennyson: I appreciate that there are two separate conversations around the baselining and the indexing, but is it fair to say that the evidence that we will seek to gather will probably apply to both? It is quite hard to disaggregate them entirely. Is it fair to say that?

Ms McBurney: Yes. If you agree a higher level of need, that factors into the adjustment that you would make to any baseline level of funding, but the methodology for determining what funding goes

into measuring your baseline level does not depend on the level of need that you get. They are interlinked but not necessarily the same.

Mr Tennyson: Of course. I appreciate that.

I have one final question on the framework. In a previous answer, you said that, in facing that cliff edge, we have to start planning now, effectively, for how we want to live within that. It is a scenario that I do not think anybody would want to even countenance. On the basis of discussions that you have had with Treasury and given the wording in the framework — it is woolly, as Gerry said, but it is probably as good as you will get from Treasury — are you confident that that is enough to take assurance that we do not have to countenance that worst-case scenario?

Ms McBurney: Yes. If you are looking at the bulleted text, you will not see it, but, if you turn to paragraph 15 in the document, you will see that it says very clearly that Treasury accepts that the Executive will plan on being:

"funded at or above the 124%".

Mr Tennyson: That is perfect. Chair, my other questions are about the Budget, so I am happy to come back in later.

The Chairperson (Mr O'Toole): Thank you, Eóin. We will do that.

On that, when it comes to the Budget, are you confident that the fact —? Oh, sorry, Paul Frew may want to come in. Paul, do you want to come in during the first round of questions, which is on the fiscal framework?

Mr Frew: Yes, please, if that is OK, Chair.

The Chairperson (Mr O'Toole): Yes, that is totally fine.

Mr Frew: There are a number of points, Joanne, that I want to explore with you. I will go to the Chair's point first about raising the extra revenue so that we do not lose the £500-odd million that we have to repaying debt. We have established that around £60 million still has to be raised. You talked about other means of doing it rather than tax raising, and you talked about levies and charges that the Government have at hand. Can you give us more detail on what those charges and levies are and how they amount to £60 million?

Ms McBurney: We have asked for information from Departments on that, and we will work through that and bring it back to the Executive in due course. I was saying that the Executive already raise considerable revenue through those methodologies, and you have charging for MOTs, car parking and a lot of different measures there. We will look at every one of them. Do we have the plan for where that all adds up? Not yet, because that would need to go to the Executive, and it will come out at that point. It is just to say that we are looking at all options. The interim fiscal framework talks about examining options, and I am confident that there will be options that will get us to the £113 million.

Mr Frew: In a way, we are using what charges we already have and the framework that we already have without actually needing additional fiscal power. Is that correct?

Ms McBurney: There are wider issues here. There is the £113 million that was in the financial package. There is then the Executive putting their funding on a sustainable footing, and that will need wider consideration of all the options available to them.

Mr Frew: OK, thank you. On the issue that my colleague Steve raised, when was dropping an October monitoring round first raised?

Ms McBurney: It came up as part of Budget discussions with the Executive. Departments now have more flexibility. In previous years — not this year; it was brought in, I think, in 2021-22 — Departments had to come back to the Executive to be able to move money between spending areas. They can now do that without the Executive's approval, but we publish the movements as part of the information that

we provide as part of the monitoring round. With additional flexibility, there is less need for Departments to come back to us for that.

As I explained to Dr Aiken, less funding is available in the October monitoring round, unless it is through reduced requirements. If you look at the position facing Departments whereby they are all under significant pressure but have flexibility to manage their budgets in different ways from previously, it leads you to question whether the October monitoring round is necessary. If no additional funding is coming and if everything appears from our forecast out-turn to get Departments on track, do we need to do that?

An awful lot of effort from everybody — Departments, the Committees, my team — goes into that October monitoring round. If you are to do that, you want to make sure that it is worthwhile, which is why those discussions are there. In any year, we may decide that there is a need for it. The Executive can, ultimately, have as many or as few October monitoring rounds as they choose, depending on the circumstances at the time. This was simply floating the idea that the October monitoring round may not be the best use of resources. However, should it look as though we need one, we can absolutely have one, and it does not necessarily need to be in October. There could be a different timetable.

This year, we looked at the time taken by Departments to go out and consult and do their EQIAs, and October monitoring seems to work to the best timetable to allow the Executive to consider that. As we go through future years, we may or may not have one, depending on what is happening at that time.

Mr Frew: At the minute, we have a June monitoring round, an October monitoring round and one after Christmas — a January monitoring round. Whilst it may not be set in stone, that has always been the case, as far as I can remember. Why, when a Budget has just been agreed, would an October monitoring round be less necessary than a June monitoring round?

Ms McBurney: In a normal year, when we carry forward under the Budget exchange scheme for resource and capital DEL, there is usually considerable additional money to hand out in the June monitoring round. Also, generally, the Budget has happened at an earlier stage, so there is a bigger gap. However, if we have money to allocate, it is important to get it to Departments as quickly as possible to allow it to be spent most effectively. If we allocate money late in the year, there is less chance of that.

One thing that we would need to look at when deciding whether there was to be an October monitoring round is that, if additional money has come through, it would certainly be worth doing. The other thing to take into account is the long summer recess between the June and October monitoring rounds. In summer recess, the Treasury does not announce any more funding, which lends itself to the October monitoring round probably not having an awful lot of additional funding.

Mr Frew: OK. I want to talk about the real and tangible concessions that we seem to have got, such as the £24 million that will be allocated in June monitoring. The reopening of the debate on the 124% figure is promising, but the interesting thing was about addressing the cliff edge in 2026-27 and the fact that the Treasury has agreed to a review. I know that you are in the room and everything else, and I do not want to get into that, but, in a heat test, how hot or cold would the Treasury be on that review?

The two are not really related. If we decide, agree and can prove that the level of need is not 124% but 127%, that is the need. That is the truth, and that is exactly what we need. The cliff edge will still be the same whether our need is 124% or 127%. Do you know what I mean?

Ms McBurney: Yes, I know exactly what you mean: the cliff edge is caused by our baseline funding and not the Barnett applied. The level of need will get us additional funding. What you are asking, I suppose, is how certain I am that Treasury will review the funding before 2026-27. I am absolutely certain that it will review it, because that is what it has committed to. In reviewing the level of need, should that be 124% or something else, we have to provide the evidence. Will Treasury review our overall level of funding before 2026-27? Yes, that is absolutely what it has committed to. I cannot tell you what number will come out of the review. We have work to do on the methodology for calculating what funding goes into calculating our relative need against England. I cannot give you a number, but Treasury will review it.

Mr Frew: Of course, a review means exactly that: Treasury will look at it. It could come back and say, "No, it is the same".

Ms McBurney: I think that there is a recognition that we can plan to be funded at at least 124%. I do not think that anybody could argue that, unless you address the shortfall in the baseline, we will be funded at 124% once that financial package ends. Treasury's acceptance that we will plan on the basis that we will be funded at or above the 124% level gives me significant assurance that we will not face the same cliff edge in 2026-27. I cannot say what our ultimate Budget will be for that year. Until we have worked through that process, we do not know what that will turn out as.

Mr Frew: OK. Thank you very much Joanne.

The Chairperson (Mr O'Toole): OK. We will now move on to more Budget-focused questions. Then, if people have questions on the one-year Budget, we will go round the table again. We have this Budget document, and thank you very much for providing it in hard copy. We will get it in a slightly swankier hard copy, but this is grand. In these straitened times, we can hardly nitpick about that. The document begins with a foreword by the Minister, which says:

"Since devolution was restored, it has been clear this was always going to be a difficult budget."

Chapter 1 of the introduction, on the next page, says:

"This Budget document sets out the Executive's spending plans for the one-year period from 1 April 2024 to 31 March 2025."

It then gives a chronology around the restoration of the Executive and the extension to the Budget process time frame. Then, after setting out the legislative provisions under section 64 of the Northern Ireland Act 1998, it says:

"Unfortunately, as 2024-25 is the last year of the Spending Review period it was not possible to agree a multi-year Budget."

You might say that I should ask this of the Finance Minister or another member of the Executive, but would it not be a slightly more coherent Budget document if it set out a set of strategic goals or priorities that guided the setting of the Budget, rather than simply a chronological description of how the Budget was constructed?

Ms McBurney: The Finance Minister has been clear that it reflects the Executive's priorities. What we do not have is a Programme for Government. If we had that, that is what would be reflected and referred to. Without that, we have reflected the priorities, as far as possible, in those allocations. Ultimately, however, it is for individual Ministers now to take decisions to live within their funding envelopes. I am sure that you have heard in other Committees that not all Ministers have taken those decisions yet. In some ways, until we get the outworking of that, it is very difficult. The Budget is therefore presented on the factual basis of how we got to the level of funding that we agreed for each Department. That takes into account, for example, that there is funding in there for childcare. Health receives over half of the total allocation. Those were set out in the written ministerial statement as well and reflected in the allocations.

The Chairperson (Mr O'Toole): So, to set a strategic Budget requires a Programme for Government, which requires a multi-year Budget. It is a bit of a chicken-and-egg situation. We are waiting for what happens in London, and I acknowledge that we need a comprehensive spending round. On some of the other provisions that have been agreed, you mentioned earlier, Joanne, the Joint Exchequer Committee, Was yesterday its first meeting?

Ms McBurney: Yes

The Chairperson (Mr O'Toole): The JEC has a presence in Holyrood and Cardiff, but the Public Service Transformation Board (PSTB) is unique to Northern Ireland. When will that be set up?

Ms McBurney: It is not my side of the house to take that forward, but I will point out that the Public Service Transformation Board was part of the financial package.

The Chairperson (Mr O'Toole): The restoration package. Yes, I knew that it was not new yesterday.

Ms McBurney: There was nothing new in that. It will be set up and will be up and running. It intends, hopefully, to make allocations in the June monitoring round from the £47 million that is within its control this year.

The Chairperson (Mr O'Toole): Will the Public Service Transformation Board formally allocate the £47 million?

Ms McBurney: No, but it has to give recommendations and sign off that the projects that it has allocated are transformational. It will come to the Executive to make the allocations, probably through the June monitoring round.

The Chairperson (Mr O'Toole): I was not specifically aware that the PSTB would have that role. I thought it would be —.

Ms McBurney: It is in the financial package.

The Chairperson (Mr O'Toole): I thought I had read it many times and had been very annoying about the detail, but I was not aware that it had that direct a role in some of the allocations. However, the £47 million is in addition to the £24 million unlocked yesterday and the other tens of millions. Diane asked you earlier whether it could be that June monitoring —. You cannot confirm it, understandably, because you would have to see the Main Estimates in London — but is the £47 million outwith the £200 million?

Ms McBurney: Yes, the £47 million is separate, because it is separate and it does —. Just to go back to the letter that the Chief Secretary to the Treasury sent, it says that the £47 million RDEL is

"subject to approval by the new Public Sector Transformation Board, who will consider whether projects are transformational."

That was in the financial package. I am not including that in any of the June monitoring numbers, albeit that I hope that we will be in a position to allocate funding from that —.

The Chairperson (Mr O'Toole): So it could be well over £200 million, but of that £200 million, £47 million will have to be specifically signed off by the PSTB?

Ms McBurney: As it says in the financial package, the PSTB considers whether projects are transformational, and projects are subject to its approval for that £47 million.

The Chairperson (Mr O'Toole): That is really helpful. Just on some of the language used around "balanced budget", a complete newbie to this would say that it is, in one sense, impossible for the Executive to do anything other than a balanced Budget because of the way the block grant works. Obviously, in particular circumstances, when the Executive were not functioning, certain perm secs made decisions to effectively overspend. I am sure that that was much to your chagrin and that of your colleagues. Aside from that circumstance when accounting officers basically decide to spend more than they are legally able to, how can there not be a balanced Budget?

Ms McBurney: As you rightly say, section 64 of the Northern Ireland Act means that we have to come into those totals set by the Secretary of State. In that way, we have to set out how the Budget does, and that balances it. Now, that is for the Budget. We could introduce a huge overcommitment once we got past that point, and that would be very quickly an unbalanced Budget, and Treasury would say, "You are not going to do that." Also, we need to work through this year, because, as you said, if we have overspend at the end of the year, that is clearly not a balanced Budget. Setting the Budget is the first step, and, yes, we have set that Budget and it balances. Then we need to go through the financial year and each Minister now needs to make a decision to live within the funding envelope that he or she has been given because, when we get to the end of the year, we cannot exceed the control totals that we have been given by Treasury.

The Chairperson (Mr O'Toole): Just on some of the timings, we have got this next Tuesday. Presumably you or your colleagues will be sitting in the Box and, apologies in advance, you will probably have to endure speeches from all of us, particularly me. I am sure that you would rather be somewhere else. However, as Steve Aiken said, that vote is going to happen in advance of the June monitoring round but, as we have heard today, there is going to be a significant —. We know that, at a

bare minimum, there will be tens of millions of pounds, and it sounds like it could be into the hundreds, possibly low hundreds —. Money will be allocated. Will the Finance Minister be able to give an indication of the quantum of additional funding, on top of the RDEL totals in the Budget statement, to MLAs next week?

Ms McBurney: That depends on the timing of the Westminster Main Estimates and, as we have a Westminster recess next week, no, she will not be able to.

The Chairperson (Mr O'Toole): OK. You cannot do June monitoring, then, to release those amounts of money, until the Main Estimates. Will you be able to do it pretty much instantly after that, or will there have to be discussion at Executive level?

Ms McBurney: We propose to agree a June monitoring outcome by the end of June. We will kick off the process with Departments and then the Executive. It will go back to the Executive: obviously, they make the decisions on any allocations, so it will go back to the Executive with the hope of having it agreed by the end of June.

The Chairperson (Mr O'Toole): OK.

Ms McBurney: Westminster Main Estimates should have happened before then.

The Chairperson (Mr O'Toole): That is helpful. I open the meeting to questions from colleagues.

Ms Forsythe: Thanks, Joanne. The Chair mentioned the extra £47 million as well. I want to ask you, just for clarity, if we are talking about an estimated £200 million extra coming through in June, where specifically does it come from? What is the breakdown of that?

Ms McBurney: I do not have the breakdown and will not have it until we get the Westminster Main Estimates. We expect that the funding will come from pension costs. They are called the superannuation contributions adjusted for past experience (SCAPE). They are like a technical revaluation of pensions. We will get Barnett consequentials from that in England. I am not sure where the others are coming from yet, but we will have a breakdown of that when we get it.

Ms Forsythe: It is £140 million of Barnett consequentials and £60 million of June monitoring round; is that what you are saying?

Ms McBurney: We will get the Barnett consequentials. We will have the £24 million from the spring Budget, the Barnett consequentials from the Main Estimates, and £40 million in Barnett consequentials which came in very late in 2023-24. The Treasury allowed us to carry those forward despite the reserve claim when you are not allowed any Budget exchange because they came in so late, and it recognised that we could not use them. We know that there is at least £64 million coming our way, which I should have said earlier. The balance will be those Main Estimates consequentials and, where they are arising in Westminster, we will know at that point in time.

The Chairperson (Mr O'Toole): Does the £64 million include the £24 million?

Ms McBurney: Yes. It is £24 million plus £40 million. I think it is actually £41 million, so it is £65 million.

The Chairperson (Mr O'Toole): Plus the £47 million from the PSTB?

Ms McBurney: Plus the £47 million, which we are treating as being handled separately.

Ms Forsythe: In respect of the centralised process of the Budget and all the Departments, you mentioned how difficult decisions have to be taken and a number of Ministers have not decided exactly what way those are going to fall. We have liaised with other Committees, and some feedback has been coming through. The Committees have not had sight of detailed budgets, but it is very clear why that is. If people think that another £250 million is coming in June, they will not have to make as difficult decisions in this preliminary Budget to take to their Committees to talk about it. That is really unsatisfactory, given that all the Committees, ours included, have to go to the Chamber to speak to

the Budget, knowing all of that in the background. What are your thoughts on what that should look like in Tuesday's Budget for our Committees and our MLAs?

Ms McBurney: The first thing I would say is that, until the Executive agree additional allocations, every Department should work on the basis that each budget allocation is a ceiling, and it has to take action to live within that. The £200-odd million sounds like a big number on the face of it, but if you add up all those pressures which Departments say are unfunded, it will not go anywhere near meeting all those pressures. Every Department should work on the basis that it plans to live within its budget. It may then say, "I might hold off on that individual decision because I think that I am going to get", but the £200-odd million will not go as far as people think it will, so it is an absolute ceiling.

With regard to the timing, unfortunately, it is one of those instances where we are also at the behest of Westminster timetables and not knowing what we are getting through Main Estimates. Unfortunately, you will see that as we go through the year. We will have the same issue at the end of the year where we get money late on from their Supplementary Estimates process. It is one of the things that are outside our control, but I agree that it is very difficult. The timing this year is particularly difficult because normally we have a Budget agreed well in advance.

Ms Forsythe: We had a briefing today from your colleagues on the other side of the Department of Finance as to how they plan to meet the pressures in the current form of the Budget. I feel that every Department should have taken steps to align what it would look like now and how it would achieve that and bring it to their Committee so that the Committee could speak to that scenario on Tuesday. If any Department has not done that, the point should be made very clearly, because it does not help anyone in the Budget process, and I am sure that it does not help you centrally either.

Ms McBurney: No. We are very much of the view that every Department should make plans to live within the budget that it has been given. We are always clear in any guidance we send out that budget allocations are a ceiling and you should not presume that you will get any additional money in a monitoring round. All the bids need to be considered in their own right and in the context of the funding available at that time. You cannot pre-empt what the Executive will decide to do in a monitoring round.

Ms Forsythe: No, absolutely. I appreciate that it is difficult for you at the centre. Thanks again for coming today.

The Chairperson (Mr O'Toole): Nicola Brogan is next.

Miss Brogan: I am OK for questions, Chair.

The Chairperson (Mr O'Toole): OK. Gerry Carroll.

Mr Carroll: I have a comment and two quick questions. The report that we received talked about wages driving up inflation. That has been heavily disputed. Wages do not drive up inflation; it is profiteering, hoarding of wealth and the drive for maximising profit, rather than wages, that have driven up inflation, generally speaking. Wages, for the most part, have not kept up with inflation. It is important to correct that point in the document. Profits, generally speaking, have been increasing, but people's slice of the pie has not kept up with that. As a general comment, I think that needs to be challenged.

I asked this last week. Apologies, Joanne, if I have asked you before as you have been before the Committee a few times over the last few weeks. Sometimes I forget the questions I have asked. Does your Department have a figure for the financial transactions capital (FTC) that is unspent or has been handed back over the last number of years?

Ms McBurney: I do not have that figure with me, but we can get it for you. I am sure you are already aware of the specialist nature of FTC and that it can only be spent on loans to or equity investment in the private sector. When Sir Robert gave evidence, he said that we are no different from any other devolved Administration in struggling to spend it. The FTC is repayable to the Treasury; we have to repay 80% of what we get from FTC to the Treasury. We have negotiated that any unspent money offsets the repayment, so it is not a cost and we do not repay it in future years if we have not spent it this year. We can absolutely get you a breakdown of that.

Mr Carroll: I appreciate that. I think it was the Fiscal Council that I asked that question of, and I will appreciate it if you can supply the detail. The loans are not for the public sector; you said private sector.

Ms McBurney: Unfortunately.

Mr Carroll: Are any other bodies classed as third sector or others, or is it specifically private sector?

Ms McBurney: The private sector includes the third sector. Basically, I should not have used the term "private sector", but that is the way it is worded for the Treasury. It is anybody that is not central or local government.

Mr Carroll: Central or local government-funded?

Ms McBurney: Yes.

Mr Carroll: Thank you. I have a final question. Again, apologies; I may have asked the question before. Is there any limit on reinvestment and reform initiative (RRI) borrowing?

Ms McBurney: Yes. Treasury set a limit on of £200 million per annum, and it increased this year as part of the financial package to £220 million per annum. In future years, it will increase by the gross domestic product inflator, in line with inflation.

Mr Carroll: As the Deputy Chair said, there are a lot of numbers flying about today. Can you remind me what that is utilised for?

Ms McBurney: We tend to use it to top up our capital budget. We do not say specifically, "We are going to use that borrowing for this", but it tops up the level of the overall capital budget. We have to identify projects that are suitable for capital when we are drawing down the funding from the Treasury, but within our overall capital spend there are more than enough suitable projects to borrow against.

Mr Carroll: Can it be used for anything?

Ms McBurney: Only for capital spending. We cannot use it to meet pay costs or anything like that. It is only for capital spending, which is anything that creates or enhances an asset.

Mr Carroll: Finally, Chair, was there any discussion with the Treasury about changing the parameters about borrowing and for what purpose, because they seem to be quite strict? Was there any discussion about that yesterday or in recent weeks?

Ms McBurney: It has already increased by £20 million this year. Making it for anything other than capital spending is not something that the Treasury will countenance, because our borrowing affects its levels of debt as well. There are ongoing discussions on other areas of borrowing, which will be taken forward as part of the wider fiscal framework, but not as part of the interim one, which is quite focussed.

The Chairperson (Mr O'Toole): It is interesting that there are other areas of borrowing.

Ms McBurney: There are ongoing discussions about the Housing Executive's borrowing and issues like that. There is a lot, and there will be a lot of things in the fiscal framework as well.

Dr Aiken: I have a couple of questions. We are sitting here trying to do the maths as the figures are being put out, but it looks as if the June monitoring ballpark figure will be a lot bigger. We are looking at about £0.25 billion in the June monitoring round.

The Chairperson (Mr O'Toole): Asking for a friend, Steve?

Dr Aiken: Yes. That is £0.25 billion. We are pushing through a Budget next week where we have got no idea —. We are presuming that there will be extra funding at the end of June, which is less than a month away. One of the significant problems is the fact that there is no Programme for Government

and no agreed prioritisation across the Executive. You may argue that we are only one party in the Executive, but the health budget is more than 50% of the Budget. The health budget has always been more than 50% of the Budget, and that is the reality of the situation we are in. How can we put forward a Budget that has any relevance when we know that an extra £0.25 billion is likely to come in at the end of June? What is the rationale for that? The very specific question I would like answered is how we are going to look at those funds in the June monitoring. Will it be based on the apportionment of the draft Budget that you have proposed, or will there be an opportunity for Departments to bid on their real need? From what I am seeing, it looks as if we are going to put through a Budget that is going through the apportionment process, but if you look at Sir Robert's evidence from last week, you see that it is clear that health and education in Northern Ireland are below the line, compared with the rest of the United Kingdom. How are we going to manage that process? We have called, a few times, for all of the permanent secretaries and Ministers to be locked in a room and to come up with an answer. The answer was, "No, we're not going to be able to do this, because there is no additional moneys", and now, lo and behold, we have got an extra quarter of a billion quid.

Ms McBurney: I am not sure that I will manage to cover all of your points. Yes, you are right: the number, as I have said, is ballpark, and, on the face of it, sounds quite significant, but not when you put it in the context of £15 billion of DEL. When you look at it overall, you see that it is quite marginal. I argue that the Budget was not done on a simple proportionate basis. We looked at each Department and its pressures. We could not give each Department what it looked for; we could not even give each Department what we would have liked to have given to it, because of the funding pressures. The process for the monitoring round will be the process that we normally follow: Departments will bid for their most significant pressures — we never go down the proportionate route — and the Executive will consider each bid in the context of the overall funding available.

With regard to the timing of the Budget, it is important that Departments have a budget to plan to, as I said earlier. Every Department should be looking on that budget as a ceiling, and no one can assume that they will get additional funding in the June monitoring round. That is always the case. The only difference this year is that the timing is slightly different. Significant amounts of money are usually handed out in the June monitoring round, which follows on from the Budget. The timing this year is slightly different, but the process will be the same.

The Chairperson (Mr O'Toole): Just to be clear, no one is going to be locked in a room to agree anything, not even the Opposition. We are not going to lock anyone in a room. We can do without locks. *[Laughter.]*

Mr Tennyson: I have two questions, the first of which is on non-teaching pay. There was no allocation in the Budget, and the Minister set out that she was going to work with the Minister of Education and Treasury to try to resolve that issue. Are there any updates? Are you in a position to elaborate on that at this stage?

Ms McBurney: At official level, we have engaged with Treasury, and the Minister has engaged with the Chief Secretary to the Treasury. She has written formally to the Chief Secretary to the Treasury. While I cannot say what was discussed, I can say that she raised it again yesterday. Those discussions are ongoing, and she will work with the Education Minister to do whatever she can.

Mr Tennyson: No problem. My second question is on earmarked capital projects. Apologies, because I know that I asked you about this the last time that you were here, but I just want to get an understanding of the rationale for selecting those earmarked projects. Is it the case that that is being driven by a previous Executive agreement to the draft investment strategy, or was there some other lens through which those projects were selected?

Ms McBurney: Maryann is going to get me a list of them, because, with the fiscal framework, it has been a while since I have looked at the capital. Most of them are because of previous Executive agreements where there has been a commitment to fund something. Where a Department has that commitment, we ring-fence or earmark the money so that the Department cannot use it for anything else. Departments get a capital allocation — a funding envelope — and can use it as they see fit, but if it is a previous commitment and we are funding that, we earmark that. There will also be things like city deal funding, which is the wider programme, but, again, Departments are getting that for a specific purpose. It comes down to whether the Executive have decided that the money will be used for a specific purpose. If that is what the Executive have decided, the money is earmarked so that the Department cannot take it and use it for anything else. If there is slippage in a normal capital project, for example, the Department will have plans in place to say, "If project A slips, I'll move project B

forward", but if there is slippage in one of the earmarked projects, the money is handed back and the Executive reallocate it.

Mr Tennyson: In selecting those projects for earmarking, was any reappraisal or reprioritisation exercise carried out? I am conscious that, since Executive agreement was reached on a number of them, we have had the Economy Minister set out his economic vision, and we have had the climate change legislation, which brings a new lens to capital spend. Has any substantive work been done to reappraise those projects?

Ms McBurney: Not that I am aware of for capital. We have asked Departments for their latest update of those projects. I still do not have a list of the capital projects.

Ms Smith: I am sorry.

Mr Tennyson: You are OK; do not worry.

Ms McBurney: I am talking off the top of my head. There has not been that, but Departments will have appraised what their costs are.

As regards climate change, our Minister was quite free with the fact that there is —. It is not that there are no earmarked allocations related to climate change, because there are: I think Lough Neagh, maybe, came in on the capital side of things. On climate change in general, it is not that we do not attach priority to it; it is just that, given the very constricted funding envelopes available, we want to provide Departments with maximum capacity and flexibility to manage their budgets. Climate change should not be about changes at the margins; it should be about Departments looking at what their overall funding envelopes are delivering. If we earmarked, we could only earmark the additional allocations, whereas Departments should look at everything they do through that lens.

Mr Tennyson: OK. I have the list here, if that is helpful.

Ms McBurney: We have failed on that point.

Mr Tennyson: You have the complementary fund for DAERA, subregional stadia, city deals, PEACE PLUS, match funding, more city and growth deal funding, Strule, the mother and children's hospital, the Fire and Rescue Service learning and development centre, the A6, the transport hub, and then you have some money earmarked for victims and truth recovery.

The point I am getting at, Joanne, is that those are quite significant allocations. It is a bit of a concern that there does not seem to have been — I appreciate and accept that the Executive are just back and that there is huge time pressure — substantive work with the likes of the Strategic Investment Board (SIB) to reconsider those. It seems to have been led just by what we have done in the past, but the landscape has changed quite significantly. That is something that concerns me. I understand that it cannot necessarily be rectified this time, but, in future, it would be worth the Department's having a more substantive look at capital priorities.

Ms McBurney: You are absolutely right, and you know that SIB is leading work on the investment strategy, which will look at that. What I will say is that the majority of the bigger ones there are Executive flagship projects. Where a project has started, you would expect us to fund that to completion. The complementary fund sits alongside the city deals. Given that the Derry and Strabane city deal got additional funding from the inclusive futures fund, the Executive, when agreeing to match fund the city deals funding, decided to set aside £100 million for those other deals to access, and those are the projects that were agreed as part of the first tranche. They are therefore relatively recently agreed projects. The city deals are led by the council partners, and we match fund what the British Government put in. It is that part of it. I absolutely agree that everything should be reviewed on an ongoing basis and things do change.

Mr Tennyson: It may be the case that, when you have an appraisal, you find that those are the right projects or that they just need just small tweaks. Nonetheless, it would be nice to have that assurance. The Budget is only for this year, but committing to some of those projects now will have big impacts in future financial years and constrain the choices that we make. That is everything from me, Chair.

Mr Frew: Thank you, Joanne, for your answers so far. I see a growing trend here. Whilst I understand why we are in the position that we are in, having a Budget without a Programme for Government, there is a danger that the Finance Minister will not be able to demonstrate any rationale or logic for the additional allocation of £0.25 billion, and there will be a weakness there. Is it the case that a bigger allocation will go to the Minister who shouts the most or who jumps up and down the most? Maybe they will decide not to vote for the Budget, or threaten not to vote for it. You can see the danger for a Finance Minister when there is absolutely no apparatus in place with regard to the priorities of the Executive, which should be in a Programme for Government. Maybe it will be a favourite accounting officer or a party colleague who gets a big bulk of that additional funding. How will the Finance Minister demonstrate to the Assembly that the June monitoring round, which will allocate a substantial additional amount of money, will be done in a logical, strategic way?

Ms McBurney: I cannot speak to the absence of a Programme for Government. Obviously, that is a matter for the Executive. I will say, however, that the Budget needs to be done as soon as possible in the financial year. It will be the Executive that make the decisions on the June monitoring round. We will provide an assessment of every bid that the Departments put in, and the Executive will have details of every bid that Departments put in. Those bids will be considered on their individual merits, and the Finance Minister will bring recommendations on that to the Executive. The Executive will ultimately agree the outcome of the June monitoring round. A statement will then be made to the Assembly to allow for a discussion on that. The funding that will be available will not be enough to address everybody's issues, so there will be people who will be disappointed. If you take into consideration that we had three times as many bids as we had funding available in the Budget, this amount of money is not going to change that. However, the process will be there and the bids will be considered on their own merits, as always happens.

Mr Frew: Yes, thank you. Just to be clear, it is the Finance Department and the Finance Minister, to give her her place, that bring proposals to the Executive, and then the Executive agree or disagree on those proposals. The pressure is on the Finance Minister, in many ways, to bring up a proposal to which the Executive will say yea or nay. It is not really that the whole Executive will agree a Budget. Is it fair to say that?

Ms McBurney: You hit the nail on the head there. The Finance Minister brings proposals, and the Executive agree or disagree. The Executive will not agree what they are not content to agree to. In that context, the whole Executive consider both the Budget and any proposals that come forward in the monitoring round.

Mr Frew: I will leave it there, Chair, thank you.

The Chairperson (Mr O'Toole): OK, Paul. That is everybody. I just have one or two final questions. The first is around centrally held items. In previous iterations of the Budget — for example, in 2021-22, there was a table presented which detailed centrally held funding and included RRI interest payments and tackling paramilitary activity funding. It also included £2.3 million for air passenger duty (APD), which is the amount of money that is held centrally to pay for the block grant reduction to pay for zero-rated long-haul APD, in the context of our not having any long-haul flights, as I have pointed out a few times. In 2024-25, centrally held items includes things like Delivering Social Change and RRI payments, but it does not have the £2.5 million for APD, which is still a centrally held item. Is that just a decision not to include it in the table?

Ms McBurney: No. It is not centrally held at this point, because Treasury has already taken it off our baseline funding at this point. It is a consequence of the timing: it is not us trying to hide anything. I am sorry; it is out of there, so I will be quite open —.

The Chairperson (Mr O'Toole): OK, but it is not mentioned anywhere else in the document. It might be helpful to have it elsewhere in the document.

Ms McBurney: That was an oversight, but it does come off that. In previous years, it would have been that we had still to pay that back at a point in time.

The Chairperson (Mr O'Toole): Next year, perhaps, the table could have the £2.5 million next to a table showing the number of flights that have taken off for which zero-rated APD has —.

Ms McBurney: I would say that that is one of the risks that you take when you devolve a tax.

The Chairperson (Mr O'Toole): Of course it is, and I agree: there are good and bad ways to do things. I have made my point, as I always do on that issue.

Are there any other questions? No. That is grand. In that case, thank you very much, Joanne, Maryann and Patrick. We really appreciate your time and your answering a broad range of questions, particularly after you were dealing with the fiscal framework yesterday and getting ready for the Budget statement next week. It is genuinely appreciated. Thank you very much.