



Northern Ireland
Assembly

Committee for the Economy

OFFICIAL REPORT (Hansard)

Budget 2024-25: Department for the
Economy

5 June 2024

NORTHERN IRELAND ASSEMBLY

Committee for the Economy

Budget 2024-25: Department for the Economy

5 June 2024

Members present for all or part of the proceedings:

Mr Phillip Brett (Chairperson)
Mr Gary Middleton (Deputy Chairperson)
Mr Pádraig Delargy
Mr David Honeyford
Mr Philip McGuigan
Ms Sinéad McLaughlin

Witnesses:

Ms Susan Butler	Department for the Economy
Ms Niamh McGarvey	Department for the Economy
Ms Johanna Park	Department for the Economy

The Chairperson (Mr Brett): Good morning. I welcome the representatives from the Department. I am happy to hand over to you, if you are ready.

Ms Johanna Park (Department for the Economy): Thank you, Chair. I am joined by my colleagues Susan Butler and Niamh McGarvey to update members on the Department for the Economy's 2024-25 budget. Since my last appearance before you just two weeks ago, the Department of Finance has commissioned June monitoring. Whilst the initial Budget process is ongoing, and equality screening is not yet complete, several allocations have since been confirmed by Treasury that necessitate having a monitoring round now, rather than waiting until later in the financial year.

The Department submitted its return to DOF as requested on 31 May. The paper that members have in front of them this morning sets out my Department's response to the June monitoring exercise. As members will be aware, the monitoring exercise, which typically occurs three times a year, allows the Executive to realign their Budget allocations on the basis of emerging needs. The paper, therefore, details changes to the DFE 2024-25 allocation due to anticipated funding from Treasury, bids to the Executive for additional funding and reduced requirements.

I will briefly summarise the headline figures, rounded to the nearest million pounds. It is anticipated that the DFE 2024-25 non-ring-fenced resource departmental expenditure limit (DEL) budget will increase by £31 million, from £767 million to £798 million. That is as a result of £15 million earmarked funding from Treasury to fund ongoing work related to the protocol and the Windsor framework and £16 million from the Northern Ireland Office to support additional skills and entrepreneurship programmes and to advance international expansion: all of which are key aspects of the Minister's economic vision. There is a £0.2 million reduction due to income from minerals sales that cannot be retained and must, therefore, be returned to the Department of Finance as consolidated fund extra

receipts. There is also a £0.1 million net reduction due to agreed budget transfers between Departments.

Turning to capital, it is anticipated that the DFE 2024-25 capital DEL budget will increase by just under £1 million, from £222 million to £223 million. That is due to a £29 million bid to meet the initial shortfall in allocations for the Belfast region city deal projects; a £2 million reduced requirement relating to Invest NI's earmarked complementary funding; a £500,000 allocation for protocol and Windsor framework capital; and £27 million of transfers to other Departments, mainly in respect of the public-sector energy invest-to-save projects.

As Departments can reallocate their non-ring-fenced resource and capital budgets to meet emerging pressures without recourse to the Department of Finance, the paper also sets out changes to the internal budget allocation in the Department for the Economy due to internal reduced requirements, budget pressures and reallocations actioned as part of June monitoring. DFE has allocated £6.5 million of non-ring-fenced resource DEL against pressures of £5 million. That has resulted in a £1.5 million reduction to the opening overcommitment. However, £12.5 million is considered manageable in the overall departmental position. In capital, internal reduced requirements of £18 million were identified in June monitoring and offset against bids of £18 million, resulting in the overcommitment remaining at £12.8 million. As with resource, that is considered manageable in the overall departmental position.

In addition to changes in non-ring-fenced resource DEL and capital DEL, the Department has submitted a bid for £35 million of ring-fenced resource DEL for depreciation and impairment in order to address the £34 million shortfall in the initial budget plus a further £1 million pressure. The Department has also submitted a £3 million reduced requirement for financial transactions capital (FTC), due to Invest NI expenditure being lower than anticipated coupled with higher receipts.

That is a quick summary of June monitoring. As requested at our previous meeting, members also have in front of them a comparison of last year's opening and closing positions against the 2024-25 initial budget and June monitoring position. I have endeavoured to present what members asked for in as clear and concise a way as possible, but members will appreciate the complexities of public finances and the various aspects that make up our budgets, which mean that the information needs to be presented through several tables. Members raised other queries at our previous meeting, to which we are collating a response.

On that and on June monitoring, Niamh, Susan and I will do our best to answer any questions that members may have and provide additional clarification. Where we cannot give you a precise or complete answer on issues, we will be happy to write to the Clerk to provide the necessary explanations. Where a question is specific to a business area, we will ask our policy colleagues to respond.

The Chairperson (Mr Brett): Thank you very much indeed for that, Johanna.

First, is any figure currently unallocated in the Department's budget?

Ms Park: Yes. The £11.8 million that I spoke about at the previous session remains unallocated. The Minister will be considering proposals for those allocations.

The Chairperson (Mr Brett): Do you know what proposals he will consider?

Ms Park: Obviously, skills is very high up the agenda, so he will be considering additional allocations for skills proposals.

The Chairperson (Mr Brett): Does the £29 million shortfall for the Belfast region city deal relate to specific projects?

Ms Park: No. That is a timing difference. The Finance Minister's Budget was based on the communication from the Secretary of State on 20 March. The shortfall from Treasury was to come in through the June monitoring round. It is basically a timing issue.

The Chairperson (Mr Brett): No problem.

My only other question is on the £2.7 million for pension pressures and pay for Invest NI. Is that an accounting issue again? Where did that large pressure come from?

Ms Park: As part of the initial budget allocation, all arm's-length bodies were funded for their pay and price, with the exception of Invest NI. That was because the Minister requested additional information on what the impact would be because Invest NI's figure is quite large. The impact assessment for that has come through, so the allocation was made as part of the June monitoring exercise.

Mr Honeyford: Thank you, Johanna, for the tables that have come through. They are really, really helpful. I will get to look at them in more detail over the next while, but I appreciate that you have delivered what we asked for.

I am not sure whether you are best placed to answer these questions, but I have a couple of queries. There is £150 million for the enhanced investment zone, and the DEL is around £343 million. It is a significant value. Basically, is there an update on how that will work?

Ms Park: The Department for Levelling Up, Housing and Communities is the lead on that, along with Treasury. I do not have any updates on that.

Mr Honeyford: No bother. I am saying that £150 million is going in. What is the return on that investment? If you put in £150 million, what is the Department expecting back?

Ms Park: There will be the normal business case value-for-money assessment, and the return on investment will probably be assessed through that.

Mr Honeyford: I was going to ask you about the city deal, but the Chair has covered that.

There is a line that states that annually managed expenditure (AME) is £557.1 million. What exactly makes that?

Ms Park: The majority of our annually managed expenditure budget is student loans. That is the physical cash payment out on student loans, which are managed through the AME budget. There are also technical things, such as provisions, and the renewable heat incentive is the other. They are the main categories under our AME budget.

Mr Honeyford: Thank you.

Mr Middleton: Thank you for the information. It is much better, clearer and more detailed, and, as a Committee, we will, no doubt, follow it closely over the next financial year. I am interested in the £11.8 million, and we will wait for the Minister to come back on that.

I notice that there is a reduction of £4.3 million from the 2023 opening to the current opening for student support. Can you explain the reasoning for that?

Ms Park: The maintenance grant levels and income thresholds against which students are means-tested have been frozen since the 2010-11 academic year. Therefore, as household incomes have risen with inflation, a reduced number of students have become eligible to receive grants under those thresholds. That has resulted in a downward trend and, obviously, an underspend in those areas. The Minister has requested that officials examine options for him to consider in that area.

Mr Middleton: That is useful. Thank you.

The Committee Clerk: We will try Pádraig. Are you there?

Mr Delargy: Can you hear me OK?

The Chairperson (Mr Brett): Yes.

Mr Delargy: Sorry, I am having a couple of technical difficulties this morning.

Thank you for your presentation. I have just one question, which, I suppose, is around the budget. It is on the recommendations for the renewable heat incentive. I would like confirmation on whether, as part of wider budgeting, the Department is looking at the report and the financial value attached to the recommendations and considering their implementation in the like of staff training, for instance.

Ms Park: Unfortunately, I am not able to answer that. That is for my colleagues in the energy division who oversee the policy and its implementation. There was, perhaps, something related to that in one of the outstanding queries that we are to get back on. If it is included as a query, we can add it to the correspondence that we will be sending back.

Mr Delargy: That is great. Thank you.

The Chairperson (Mr Brett): David, you wanted to come back in.

Mr Honeyford: I will be very quick. Is there a set of figures to show the return on bodies such as NI Screen or Tourism NI? People do studies that show that NI Screen gives a return of whatever amount of pounds. Does the Department do that for any bodies?

Ms Park: It will be based on the individual business plan. When there are specific business cases, that will look at those. I think that there was a written briefing on this before. There are varying approaches by the partner organisations, and then in the Department, to measure how each of those partner organisations delivers on its targets agreed by the Department as part of that business planning process.

Mr Honeyford: There is that and then the wider piece. With NI Screen, for example —

Ms Park: Additionality and things like that.

Mr Honeyford: — it is about what it brings to the wider community. Are there any official figures that show that — I am just plucking a figure — for every £1 spent, we get £2.50 return or £5 whatever return?

Ms Park: There are, based on when we look at individual grant schemes and different programmes. It would probably be specific to each project, but it would be my analytic and economic colleagues who could probably answer that. I think that there is a specific query on NI Screen as well.

Mr Honeyford: That is one of them. There are a few. For some, it is not applicable at all, but, if we are putting investment in, it is about what that is then worth. Is it worth putting more in, is what I am getting at, rather than less? Is it worth investing more?

Ms Park: There are specific things. If my memory serves me right, with Invest NI's grant for R&D, for every £1 spent, I think, that is a £5 investment, because you have the match funding.

Mr Honeyford: Exactly. Is it the case, however, that the calculation is done overall from the Department so that it is standardised?

Ms Park: It would not be standardised because the deliverables from each of them would be very different. They would look at each of those on an individual basis.

Mr Honeyford: No problem. Thank you.

The Chairperson (Mr Brett): I want to go through the bids that have been submitted for the June monitoring round. Are there any that the Minister thinks will not be approved or that we know are unlikely to be approved at this stage?

Ms Park: In respect of the Treasury funding, all of those have already been confirmed by the Department of Finance. In respect of the non-ring-fenced DEL for depreciation, that is the same for all Departments: all Departments had a reduction in that as part of the initial Budget. Again, that will very much depend on timing. If Treasury has increased the NI block allocation for that, I anticipate that we would get at least some of that now or, at least, later in the financial year.

The Chairperson (Mr Brett): With the new mechanism in the budgeting process whereby there will be monthly returns to DOF, and trying to ensure that they stick to a Budget across the Executive, is it then your understanding that there will not be an October monitoring round?

Ms Park: It has not been communicated to us at present that there will not be an October monitoring round. We always do a monthly forecasting exercise.

The Chairperson (Mr Brett): The Fiscal Council report states that the Executive had taken the view that there would not be an October monitoring round.

Ms Niamh McGarvey (Department for the Economy): It was indicated in the Executive paper that there will be no October monitoring round. However, the latest that we have heard from DOF is that there will be one because of the transformation fund. That is when it will likely be allocated.

The Chairperson (Mr Brett): OK.

Ms McGarvey: There will probably be more details to come.

Ms Park: I think that it was anticipated that it might be able to be done by June, but it will not be. Obviously, then, it is dependent on Westminster and Treasury's timetable as well.

The Chairperson (Mr Brett): Will there be anything for the Department for the Economy in that allocation in respect of public-sector transformation?

Ms Park: It was commissioned only on Friday, so I have not been party to any information in respect of that.

The Chairperson (Mr Brett): With regard to the surrendering at June, there was £2.7 million in FTC. Devolved Administrations across the UK are not amazing at being able to fully utilise FTC. Are there any thoughts about what the Department might be able to do with FTC, given that there is still quite a bit of unallocated FTC in the overall budget?

Ms Park: Invest NI is our main user of financial transactions capital. Whilst the easement is £2.7 million, £1.7 million of that related to the demand-led element of its access to finance scheme. The other £1 million is accelerated receipts; it is getting repayments quicker than it anticipated. Therefore, it is just that £1.7 million. It is a demand-led scheme, so, unfortunately, that is just its nature.

The Chairperson (Mr Brett): Are you involved in the Catalyst application for FTC?

Ms Park: I am not.

The Chairperson (Mr Brett): No. OK.

Can you hear me, Sinéad?

Ms McLaughlin: Yes.

The Chairperson (Mr Brett): That is you.

Ms McLaughlin: Can you hear me now?

The Chairperson (Mr Brett): Yes. Perfect. Thank you.

Ms McLaughlin: OK. Sorry. Look, I have been in and out here, so I do not know whether somebody else has already asked this question. It is about student support. It looks as though it has been reduced by £4.3 million. Can you talk me through that? If you have already been asked that, I can go back and get the answer later. I am sorry —.

Ms Park: No, Sinéad: I am happy to reflect back on that, because it is an important area. That is the maintenance grant element. Maintenance grant levels and the income thresholds against which

students are means-tested have been frozen since the 2010-11 academic year. As household incomes have, obviously, continued to rise with inflation, the number of students who are eligible to receive the grant under those thresholds has fallen, and it continues to fall, as those income thresholds increase. The Minister has requested that officials examine options for him to consider in that area. It is the means-tested element of that that has brought down the level of demand. Fewer people are eligible for it.

Ms McLaughlin: Can you talk me through the allocations for higher education as well?

Ms Park: The higher education budget is the grant that goes to the universities for teaching. Student support is paid directly to the students themselves, so that would be through the ring-fenced resource DEL budget and the AME budget. There would also be things in the non-ring-fenced budget for higher education for various other student supports and the hardship grant that goes to the universities as well. There would also be stuff in, I think, increased participation that is paid over to the universities.

Ms McLaughlin: I am looking in the tables at the FE colleges. Their allocation appears to be down by £27 million when you compare the closing position with the opening position. Can you explain that to me as well?

Ms Park: I can, indeed. In respect of the opening position, there is a significant reduction in the FE position. When you compare last year's closing position against this year's closing position, you see that there is a £6 million reduction. The reason for that is the savings from the voluntary exit scheme. Basically, FE colleges have confirmed that their £233 million allocation this year is sufficient for them to meet their ongoing costs. That is because of savings that they have delivered previously and the savings that they anticipate to get through the voluntary exit scheme. You will also see that, from last year's opening position to closing position, there was quite a significant increase in the FE budget. Its baseline budget has been increased substantially. That is to do with historical pay and price.

Ms McLaughlin: Thank you for that.

Can you provide more detail on the Magee allocation, please? I apologise if that has already been asked by other members.

Ms Park: Sinéad, I do not have any further information from what I had the last time that I was here. My HE colleagues are working with the university on the development of those proposals. The funding that we have allocated is in respect of marker bids. They are under development to get more detail around that, which we can then provide to the Committee.

Ms McLaughlin: Yes. We know the allocation, but we do not know what it is for or the detail of it. That is really important when we are in the middle of the project of growing the student base.

That is all from me. Thank you very much.

The Chairperson (Mr Brett): No problem at all.

Philip, we have had a quick overview. I know that you had another engagement this morning. Was there anything that you wanted to raise?

Mr McGuigan: No. Apologies for being late.

The Chairperson (Mr Brett): I know that you had another engagement.

Mr McGuigan: I have been caught on the hop. *[Laughter.]*

The Chairperson (Mr Brett): Apologies. Do not worry.

Thank you for that. The Committee might discuss something afterwards that it will follow up in writing. Thank you very much for your representations on that. It has been very useful.