Northern Ireland
Assembly

COMMITTEE FOR
FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

Chancellor's Autumn Statement: Implications for Northern Ireland

18 January 2012

NORTHERN IRELAND ASSEMBLY

COMMITTEE FOR
FINANCE AND PERSONNEL

Chancellor's Autumn Statement: Implications for Northern Ireland

18 January 2012

Members present for all or part of the proceedings:
Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Leslie Cree
Mr Paul Girvan
Mr William Humphrey
Mr Paul Maskey
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Mr Michael Brennan	)	Department of Finance and Personnel
Mr Peter Jakobsen	)	

The Chairperson:

I invite the witnesses to make some opening comments before members ask questions.

Mr Michael Brennan (Department of Finance and Personnel):

We circulated a table that sets out the main issues that arise from the autumn statement. As was mentioned in an earlier session, some quite significant Barnett consequentials came across to the Executive and Assembly that amounted to some £36 million of resource departmental expenditure limit (DEL) and £134 million of capital DEL. The Executive will have to factor that in to the Budget re-assessment or review that we will have to do for the next three years.

The only other issue that is worth flagging up is that it was a bit unsettling to see Treasury start to put conditions on some of the Barnett consequentials. For example, we highlighted the £14 million in capital that came across as part of the housing package. Treasury is now defining that as a "financial transaction", meaning that it will give us the money now, but it is effectively a loan, and we will have to pay 60% of it back by the financial year 2019-2020. From the Department of Finance and Personnel's (DFP) perspective, that was a little bit unsettling and is not something that we would like to see happen going forward.

The rest of the Barnett consequentials were relatively straightforward. They came from major allocations in Whitehall to, for example, the Department for Transport, the Department for Education, and Youth Contracts. Those were straightforward, mathematical consequences of the application of the Barnett formula.

The Chairperson:

I have a question about the enterprise zones. Work was done on that before we narrowed the discussion down to corporation tax. However, did DFP do any work on enterprise zones? The autumn statement confirmed that:

> "Enhanced Capital Allowances will be available in some Enterprise Zones."

Has DFP engaged with the Treasury to find out what that means? Are there any implications here that could be availed of?

Mr Brennan:

I know that colleagues in the strategic policy division of DFP have looked at that in detail, but perhaps Peter can say more about it.

Mr Peter Jakobsen (Department of Finance and Personnel):

Yes. There has been engagement with the Treasury on that issue over the past few months. Even though the Treasury has narrowed it down, I know that there could maybe be one or two enterprise zones in Northern Ireland. I think that that is the agreement. The potential is there to use enhanced capital allowances. I do not think that they are down to an agreement on any specific zones yet or even a policy on whether you could have a couple of zones or take Northern Ireland as a whole.

We can do all that ourselves within the existing legislation; for example, we can do things with planning and so on. A lot of that work is going ahead at the moment anyway at a broad Northern Ireland level. So, the specifics are about whether we are using capital allowances. If we are, in the Treasury's view, we will have to specify one or two specific zones. That is the discussion that is now being held.

The Chairperson:
Who is taking that forward in the Department of Finance and Personnel?

Mr Jakobsen:
The strategic policy division. I think that it intends to put a paper to the Executive shortly with some options for taking that matter forward.

Mr Cree:
Michael, you touched on the clawback situation. I am just trying to find out the logic for it. You talked about 60% of the £14·2 million. Where is that £14·2 million? Does it rest in any particular year?

Mr Brennan:
It is spread across three years. I am sorry; I forgot to bring my glasses, so I will have to get Peter to read the figures out.

Mr Jakobsen:
It is £8·7 million in 2012-13 and £5·9 million in 2013-14. The final year is actually a small negative of £0·4 million. That is because loans and equity are involved, so you will start to see the income at that stage. It is not an allocation.

Mr Cree:
That is most peculiar. Is it an innovation?

Mr Brennan:
They would call it an innovation; I would call it a worry.

Mr Cree:

I think that you are right. I also want to pick up on the Chair's question. I see that 100% capital allowances are envisaged for certain parts of England. Do we have 100% capital allowances here?

Mr Jakobsen:

No. As I explained, discussions are ongoing with the Treasury about whether we will apply for them in Northern Ireland. As the Treasury said, the devolved Administration in each area will have to put forward a case as to whether it is appropriate in their circumstances.

Mr Cree:

Do we have any capital allowances?

Mr Jakobsen:

There are some.

Mr Brennan:

They are at a UK-wide level. Whenever the Chancellor's Budget is announced in March each year, any variations in capital allowances, such as whether there are 25% or 28% allowances on capital, automatically to Northern Ireland. However, as far as I am aware, we no longer have the specific capital allowance scheme. As I understand it, we used to have it in years gone by, but we do not have it any more.

Mr D Bradley:

Leslie asked you in an earlier session about the £30 million for education and the total of £120 million. You identified £30 million, and you are going to need another £90 million over the following three years. If my memory serves me right, the Minister said yesterday that Barnett consequentials would provide an element of that £90 million. Is there evidence in the table that you provided that it can do that?

Mr Brennan:

The £30 million in 2012-13 is obviously an additional pressure on the Executive. You have to factor in that there is the best part of £45 million from Barnett consequentials to be allocated, which you will see in the table for 2012-13. In addition, the Executive plan to carry across £50 million of resource and £13 million of capital from this year into next year. That is over £100 million that has to be allocated next year over and above the set budget positions for each of the Departments. So, there is an additional £30 million pressure, but set against that is over £100 million of public expenditure to be allocated. As you will see, the Barnett consequentials in the autumn statement alone go to the further years. When you factor that in and that we can use the Budget exchange scheme money, you will see that that will address those new pressures that are emerging on the education side.

The Chairperson:

Thank you very much for that.