

Written Ministerial Statement

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Finance and Personnel

Public Expenditure: 2014-15 October Monitoring Round

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Mr Hamilton (The Minister of Finance and Personnel): The purpose of this Statement is to detail the outcome of the Executive's October Monitoring allocations for 2014-15.

My Statement to the Assembly on 13th October addressed the non-ringfenced Resource expenditure elements of this monitoring round. Therefore, aside from some technical issues, the focus in this Statement is on the Capital DEL position. The non-cash ringfenced Resource DEL element is handled separately since this is strictly controlled by HM Treasury and cannot be used for any other purpose.

On Capital DEL, the Executive entered this monitoring round with an overcommitment of £38.6 million, whilst on Resource DEL, following Executive decisions on 9th October the overcommitment stands at £25.0 million.

There were a number of reduced requirements surrendered by departments in this monitoring round. These amounted to £0.3 million Resource expenditure and £56.4 million Capital investment. In addition £12.9 million Capital DEL has been surrendered by the Social Investment Fund. Full details are provided in the tables accompanying this Statement.

The Executive has agreed that departments can use Resource expenditure reduced requirements surrendered in this monitoring round to offset against agreed Resource DEL reductions. Of course AOCC are exempt from these reductions and as a consequence the £0.1 million they surrendered as a reduced requirement has been returned to the 'Centre'.

There are a number of technical issues that impacted on the 'Centre' position and these are detailed below.

It is good practice that departments seek to manage any emerging pressures within their existing allocations before bringing forward bids for additional allocations. The public expenditure control framework stipulates that internal departmental movements across Spending Areas in excess of the de minimis threshold require the Executive's approval. The movements agreed by the Executive in this round are also detailed in the tables.

Members will note the transaction between DE and DCAL. In agreeing the June Monitoring Round, the Education Minister agreed to provide DCAL with £1 million of Resource DEL from within the DE budget to address pressures relating to City of Culture Legacy programmes. This adjustment has been agreed as a reduction and reallocation.

Departments may also, for a number of reasons, seek to reclassify expenditure from Resource to Capital or vice versa. All such reclassifications need Executive approval and these are also shown in the tables provided with this Statement. Furthermore, departments may also, subject to DFP approval, seek to move budgets between the ringfenced and non-ringfenced Resource DEL categories. The impact of these moves is shown in the table detailing the ringfenced Resource DEL position.

All these issues impacted on the total amount of resources available to the Executive in this monitoring round. Once these were all taken into account, the Executive had £30.6 million of Capital

DEL available for allocation. On Resource DEL, the overcommitment is slightly reduced to £24.7 million.

Delivering Social Change/Social Investment Fund/Childcare Strategy

Before turning to the Capital DEL allocations, I will provide an update on the Executive Funds held at the 'Centre' that cover allocations under the Social Investment Fund, Delivering Social Change Programme and Childcare Strategy.

As part of Budget 2011-15 the Executive set aside £11 million Resource and £15 million Capital in respect of the Social Investment Fund in this financial year. The Executive also agreed, as part of the Budget Realignment exercise, that Delivering Social Change projects should be funded from this centrally held fund. In addition, the Executive also set aside £3 million Resource for this year to fund Childcare Strategy initiatives.

All of the Resource DEL funding available for the Social Investment Fund was allocated in the June Monitoring Round, whilst £12.9 million Capital DEL remained unallocated. On the Childcare Strategy, a total of £1.5 million Resource DEL remained unallocated. OFMDFM requested and the Executive has agreed that funding set aside for the Childcare Strategy can be used for the purpose of the Delivering Social Change Programme in this year.

OFMDFM has also advised that the £12.9 million Capital DEL funding relating to the Social Investment Fund is not required in this year and has been surrendered to the 'Centre' as a reduced requirement.

OFMDFM has now confirmed the following RDEL transfers totalling £1.5 million under the Delivering Social Change banner to be processed in this monitoring round:

- **£0.2 million to DHSSPS** for the Family Support Hubs;
- **£0.1 million to DEL** for Community Family Support;
- **£1.2 million to DSD** for Nurture Units (£0.3m) and Social Enterprise Hubs (£0.9m).

Since this funding is accessed from existing central funds set aside by the Executive for this purpose, these transactions are handled as technical transfers (rather than allocations). Following these transactions there is no further Resource DEL or Capital DEL funding held at the 'Centre' relating to the Social Investment Fund or Childcare Strategy.

Bids Submitted

Against the funding available, departments submitted bids totalling **£97.7 million** in respect of **Capital expenditure**. The individual bids are also included in the tables attached to this Statement. Following Executive agreement on the non-ringfenced Resource DEL elements of this monitoring round, no further Resource DEL bids were considered in this round.

Allocations

The level of allocations made by the Executive was informed by a judgment on the level of overcommitment that should be carried forward to the January Monitoring Round and the relative priority of bids submitted.

The Executive agreed Capital DEL allocations totalling £43.5 million. The individual allocations are detailed in the tables and include:-

- **£4.7 million to DCAL** for City of Culture Legacy projects and Museums maintenance;
- **£13.5 million to DSD** for Co-Ownership Housing;
- **£19.0 million to DRD** for Roads Structural Maintenance (£15.0m), Bus and Rail Infrastructure (£1.0m) and Local Transport Safety Measures (£3.0m);

- **£2.3 million to DARD** for CAP Reform ICT costs;
- **£4.0 million to DHSSPS** for Medical Equipment, ICT and Health and Safety.

In the June Monitoring Round, the Executive agreed that £20.0 million should be held at the 'Centre' to be allocated to DHSSPS subject to the department demonstrating that it is taking the necessary actions to ensure it remains within its Budget Control total. My officials have been working closely with their DHSSPS counterparts and have confirmed that DHSSPS have considered the position and are taking the necessary actions to address the budgetary pressures faced, this year. In line with my recommendation, the Executive agreed this allocation to DHSSPS in the October Monitoring Round. It is also expected that DHSSPS will not breach their 2014-15 Budgetary Controls Totals.

Ring-fenced Financial Transactions Capital Funding

Members will recall that we exited the June Monitoring Round with £30.2 million of ring-fenced Financial Transactions Capital unallocated in the 2014-15 year. In the June Monitoring Round, I encouraged Ministers to continue with their efforts to identify suitable projects that could avail of this form of funding that can only be used for loans or equity investments in the private sector. It is disappointing that no bids for this funding have been received in either the June or October Monitoring Rounds. Under the terms of the scheme negotiated with HM Treasury, there is scope to carry forward up to 10% of our allocation in 2014-15 into next year, this equates to £6.3 million. Any underspend exceeding this threshold will be lost to Northern Ireland.

DETI has advised that it will be unable to spend all of the ring-fenced Financial Transactions Capital previously allocated to them in this year, declaring a reduced requirement of £5.0 million due to slippage on the Agri-food loan scheme. As a consequence, the Executive will exit the October Monitoring Round with unallocated ring-fenced Financial Transactions funding of £35.2 million. There is now a risk that some of this funding could be lost to Northern Ireland. I once again encouraged Ministers to come forward with proposals as soon as possible that can avail of this form of funding.

Together Building a United Community - Capital Programmes

Under the terms of the Economic Pact, the UK Government agreed the Executive could access an additional £100 million of RRI borrowing for shared education and housing schemes, with an initial profile of £50.0 million in each of the 2014-15 and 2015-16 years. A number of schemes totalling £99.5 million over three years have now been notified to the UK Government. The revised profile is £14.9 million (2014-15), £26.8 million (2015-16) and £57.8 million (2016-17). In 2014-15, DE will receive a total of £8.4 million for a range of shared education schemes, although £6 million of this has already been allocated for the Lisanelly project. DEL will receive £0.5 million for the Craigavon Further Education project and DSD will receive £6.0 million for a number of schemes related to shared housing.

Pay and Workforce Restructuring

Given the significant challenges facing the Executive's budget both this year and in the years ahead, I reminded Ministers of the need to exercise restraint in agreeing public sector pay awards and highlighted the need for the Executive to consider further measures, including the need for workforce restructuring.

October Monitoring Outcome

October Monitoring concluded with an overcommitment of £12.8 million on Capital DEL and £24.7 million on Resource DEL.

CONCLUSION

I am extremely pleased to report that the local economy is continuing to recover and that confidence levels and employment are increasing. I believe that the work of the Executive in attracting investment and jobs has been an important catalyst for this recovery across many sectors of our economy.

I also welcome the £43.5 million of Capital DEL allocations agreed in this monitoring round. This will benefit a number of departments, however the funding for our transport infrastructure and social housing in particular will provide a welcome boost to our construction sector.

I do however remain concerned about the public expenditure outlook, particularly on the Resource side. However, I believe that if the Executive can work in a strategic manner to address the key issues upfront we can deal with these challenges in a way that will minimise the impact on our most valuable public services.

I commend this Statement to the Assembly.

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2014-15 October Monitoring:

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Table A

OCTOBER MONITORING REDUCED REQUIREMENTS (£ millions)

DEPARTMENT	DESCRIPTION	Non Ring Fenced Resource	Capital
CENTRE	Social Investment Fund		-12.9
AOCC	Northern Ireland Public Sector Ombudsman	-0.1	
DCAL	Regional Stadia		-21.6
DETI	Energy Gas Extension		-0.5
	NI Science Park Extension		-0.1
	NITB Tourism Development Scheme		-1.5
TOTAL DETI			-2.0
DOJ	Northern Ireland Community Safety College		-7.2
DRD	CFER Income	-0.1	
	A2 Greenisland		-9.3
	A26 Glarryford		-3.0
	A8 Belfast to Larne		-1.4
	EU CFER Income		-3.3
TOTAL DRD		-0.1	-16.9
DSD	Crisis Loans		-2.0
	Northern Ireland Co-Ownership Housing Association Income		-3.5
TOTAL DSD			-5.5
FSA	Nutrition Projects	-0.2	
OFMDFM	Crumlin Road Gaol		-0.8
	Maze/Long Kesh Development Corporation		-1.2
	Social Investment Fund		-1.2
TOTAL OFMDFM			-3.2
TOTAL REDUCED REQUIREMENTS		-0.3	-69.3

Totals may not add due to roundings

Note this table excludes Financial Transactions Capital

Table B
Reduction and Reallocation (£ millions)

DEPARTMENT	DESCRIPTION	Non Ring Fenced	Capital
DCAL	City of Culture Legacy	1.0	
DE	City of Culture Legacy	-1.0	
DEL	Further Education Colleges		-7.0
	Higher Education Institutions		7.0
DRD	Transfer of Transport Projects from Transport Policy		-3.9
	Transfer of Transport Projects to Road Service		3.9
DSD	Charities Commission NI	1.0	
	Child Maintenance	0.5	
	Childcare and National Citizen's Fund	1.0	
	Neighbourhood Renewal	1.0	
	Physical Development Projects	1.0	
	Vacancy and Staff Cost Management	-4.5	

Totals may not add due to roundings

Table C

October Monitoring Reclassification (£ millions)

DEPARTMENT	DESCRIPTION	Non Ring Fenced Resource	Capital
PPS	Victim Information Portal Phase 2 Victims of Crime Funding	-0.0	0.0
TOTAL RECLASSIFICATIONS		-0.0	0.0

Totals may not add due to roundings

Table D

October Monitoring Bids Submitted (£ Millions)

DEPARTMENT	DESCRIPTION	Capital
DARD	CAP Reform ICT	2.3
DCAL	City of Culture Legacy	2.8
	Museums - Preventative and Essential Maintenance	1.9
TOTAL DCAL		4.7
DHSSPS	Medical Equipment, ICT and Health and Safety	12.0
DRD	Bridge Strengthening	1.0
	Bus and Rail Infrastructure	1.0
	Cycling Infrastructure	1.0
	Local Transport Safety Measures	3.0
	Roads Plant & Equipment	4.0
	Roads Structural Maintenance	45.0
	Sewer and Reservoir Improvements	7.5
	Traffic Control Centre	1.7
	Vehicle Restraint Systems	1.0
TOTAL DRD		65.2
DSD	Co-Ownership Scheme	13.5
TOTAL BIDS SUBMITTED		97.7

Totals may not add due to roundings

Table E

October Monitoring Proposed Allocations (£ millions)

DEPARTMENT	DESCRIPTION	Capital
DARD	CAP Reform ICT	2.3
DCAL	City of Culture Legacy	2.8
	Museums - Preventative and Essential Maintenance	1.9
TOTAL DCAL		4.7
DHSSPS	Medical Equipment, ICT and Health and Safety	4.0
DRD	Bus and Rail Infrastructure	1.0
	Local Transport Safety Measures	3.0
	Roads Structural Maintenance	15.0
TOTAL DRD		19.0
DSD	Co-Ownership Scheme	13.5
TOTAL PROPOSED ALLOCATIONS		43.5

Totals may not add due to roundings

Table F

2014-15 Administration Costs (£ millions)

DEPARTMENT	OPENING POSITION	OCTOBER MONITORING POSITION	% CHANGE
DARD	42.7	42.2	-1.2%
DCAL	7.1	7.3	3.3%
DE	18.5	18.5	-0.3%
DEL	27.1	27.1	-0.1%
DETI	15.0	14.9	-0.5%
DFP	151.6	156.1	3.0%
DHSSPS	31.0	30.6	-1.5%
DOE	19.8	18.9	-4.8%
DOJ	51.0	41.0	-19.7%
DRD	84.1	81.7	-2.9%
DSD	31.9	41.1	28.7%
OFMDFM	14.2	14.6	2.9%
PPS	2.3	2.3	-0.1%
TOTAL	496.6	496.4	-0.0%

Totals may not add due to roundings

Table G

Ringfenced Position (£ millions)

	Ring Fenced Resource
JUNE MONITORING OVER-COMMITMENT	-14.6
Reduced Requirements	
DEL FEC Depreciation	1.0
HEC Depreciation	0.5
DRD Roads Depreciation	14.2
NIA Depreciation	0.1
TOTAL REDUCED REQUIREMENT	15.8
Allocation	
DARD Depreciation	-1.3
DCAL Revaluation of Assets Inland Fisheries Group	-0.6
DFP Depreciation	-2.3
DRD NI Water Depreciation	-1.0
OFMDFM Depreciation	-0.4
TOTAL ALLOCATIONS	-5.6
Reclassifications between Ringfenced/Non Ringfenced	-0.2
OCTOBER MONITORING OVER-COMMITMENT	-4.6

Totals may not add due to roundings