Northern Ireland Assembly

Committee for Finance and Personnel

# OFFICIAL REPORT (Hansard)

## Main Estimates and Budget (No. 2) Bill: Department of Finance and Personnel

28 May 2014

# NORTHERN IRELAND ASSEMBLY

# Committee for Finance and Personnel

## Main Estimates and Budget (No. 2) Bill: Department of Finance and Personnel

28 May 2014

**Members present for all or part of the proceedings:**
Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Ms Michaela Boyle
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea
Mr Adrian McQuillan
Mr Peter Weir

**Witnesses:**

| | |
|---|---|
| Mr Peter Jakobsen | Department of Finance and Personnel |
| Ms Joanne McBurney | Department of Finance and Personnel |
| Mr Jeff McGuinness | Department of Finance and Personnel |
| Ms Brigitte Worth | Department of Finance and Personnel |

**The Chairperson:** I welcome Peter Jakobsen and his colleagues. Peter, to start, can we ask you to speak on the Department of Finance and Personnel position? We will then go to questions and widen the discussion to the cross-departmental element.

**Mr Peter Jakobsen (Department of Finance and Personnel):** Yes, Chair. Will you cover the DFP position, Brigitte?

**Ms Brigitte Worth (Department of Finance and Personnel):** Good morning. I have not prepared a specific opening statement on the DFP position. Effectively, the Main Estimates write DFP's most recent budget position into the Estimates format and the Department then seeks the Assembly's approval for that. The budget was originally set in 2010 and published as part of the main Budget for 2011-15. A number of technical exercises and adjustments have happened over the years until we arrive at the 2014-15 opening position. That position is reflected in the Main Estimates.

**The Chairperson:** The successful capital bids by the NISRA and NI Direct were back in November and amounted to £3·3 million. Have those projects been completed within the appropriate timescales?

**Ms Worth:** I believe that they are on track for completion in the 2014-15 financial year. We will be using that money in 2014-15 to take those projects forward. That funding is for a number of separate projects within NISRA, which are all around making sure that we have the IT capacity to continue to provide those statistical services. The NI Direct bid is about continuing to develop our online capability to provide a better experience for the public through an online channel.

**The Chairperson:** The graph on page 17 refers to a £10·1 million reduction in capital arising from the reprofiling exercise. What was the reason for that? When did that take place?

**Ms Worth:** I cannot remember exactly when the capital reprofiling exercise took place. When our capital budget was set across the four-year period, it was very heavily end-loaded towards 2014-15. We had a very high allocation in the final year of the budget. I believe that additional capital became available in 2013-14. We were asked whether there were projects that we could bring forward from 2014-15 to 2013-14. Effectively, the £10 million that you see going out of 2014-15 was reallocated to 2013-14 because we were able to spend it in that earlier financial year.

**The Chairperson:** Given that there does not appear to be any provision in the DFP estimate regarding equal pay, how will any settlement of both the PSNI/NIO and Civil Service retiree issues be funded in 2014-15 if they are agreed?

**Ms Worth:** The PSNI/NIO element will be a matter for the Department of Justice. Because of the way that the accounting in the Estimates works, we took provision for the retirees in the 2013-14 financial year. We do not need to seek Assembly approval for that money in the current financial year because we sought approval for it in 2013-14. It is one of the strange budgetary technicalities that we need departmental expenditure limit budget cover for it — it will appear in our departmental expenditure limit budget allocation — but we do not need Estimates cover for it because we are using a provision that we asked for in a previous financial year.

**Mr Cree:** How did you roll that amount forward?

**Ms Worth:** We did not roll it forward. In Estimates terms, we have to ask permission for it in the year when we provide for it. We ask permission from the Assembly in the year that we require the annually managed expenditure (AME). We do not need to re-ask the Assembly for permission to spend it once it moves into the departmental expenditure limit expenditure. Apologies; unfortunately neither I nor my colleagues make the rules around these issues. I will still need to seek and put aside departmental expenditure limit budget for it, but it will not appear in the Estimates because I have already sought Assembly permission to spend it when it was in AME.

**Mr Cree:** Roll on the day when we get the new system.

**The Chairperson:** Moving to the cross-departmental element, can you provide the Committee with explanations of the changes for each Department as set out at appendix A?

**Mr Jakobsen:** Yes, Chair. Jeff is the man with the detail.

**Mr Jeff McGuinness (Department of Finance and Personnel):** Certainly. I will run through the allocations first, Chair.

**The Chairperson:** Members, for information, this is at page 30 of your packs.

**Mr J McGuinness:** I will restrict myself to the more significant allocations of £2 million and over. DARD has a £23·4 million capital allocation. Of that, £2 million is for the upgrading of caravan sites at forest parks; £3 million is related to the Northern Ireland rural development programme (NIRDP) axis 1 and axis 3; £2 million is related to the Agri-Food Strategy Board; a further £10 million is related to the NIRDP; and £2·2 million is related to the flood alleviation programme. For DCAL, the significant allocation is £16·1 million — of the £16·8 million — for regional stadia allocation. On the resource side, there was a small allocation related to sports and an additional creative learning centre.

There was £75 million allocated to DE to increase its budget. I understand that that was agreed by the Executive back in 2011. On the capital side, £6 million of the £6·8 million is in relation to a community bid.

The Department for Employment and Learning has had a significant number of allocations, mostly related to the economy and jobs initiative. Of that £55·8 million resource, £21 million is in relation to the top-up of student fees and £20 million relates to NEETs and youth unemployment allocation.

There is a range of further allocations for employment initiatives: £2·7 million for First Start; £2·1 million for Step Ahead 50+; £2·6 million for additional undergraduate STEM places; £2·4 million for 150 PhD places; and £2·5 million additional funding to support European Social Fund projects. Turning to DEL's capital allocation, there is £4·7 million in relation to the University of Ulster, Coleraine rationalisation phase 3; £3·3 million for Queen's University; £2·8 million for Stranmillis University College for asbestos removal and infrastructure; and £1 million for the Southern Regional College in Banbridge.

DETI's capital allocations are £3·4 million in relation to tourist development and £10 million in relation to Invest NI's agrifood loan scheme. That is a financial transactions capital (FTC) allocation.

For DFP, as you have heard, there is £1·3 million for NISRA IT projects, while NI Direct receives £2 million in capital.

There are a number of significant allocations to DHSSPS: £15·5 million for the children's hospital; £3 million for the Fire Service logistics support centre; £5 million for the addressing serious risks programme; £3·5 million for the endoscopy decontamination unit at Belfast City Hospital; and a further £5 million for dental and GP practices under FTC.

For DOE, a significant capital allocation is £3 million for heritage-led development.

DOJ had a new IT contract for delivery of Access NI, which will be implemented this year; that allocation is £2·3 million.

For DRD, there is a revised asset management unit capital receipts allocation of £17 million; £30 million for the A8 Belfast to Larne; £2 million for land and compensation costs; £13·6 million for the Magherafelt bypass; £11 million for road structural maintenance; £8·1 million for the Glarryford A26; £5 million for local transport safety measures and road improvements; and £2·5 million for bus procurement — the completion of the 2013-14 orders. On the resource side, there is £7·6 million in relation to the moratorium on increasing car-parking charges, which was a result of the economy and jobs initiative.

For DSD, there is £10 million for co-ownership, £7·5 million for affordable home loans, and £5·5 million for the empty homes scheme. On the resource side, there is an allocation of £13·7 million in relation to the social fund transfer from AME to departmental expenditure limit.

For the Assembly itself, the replacement of the Building's roof is the £4·1 million allocation on the capital side.

The significant reductions are a capital reprofile in DCAL of £3·9 million; £6·9 million capital in DE in relation to the recruitment of a united community bid; a budget realignment of £12·2 million where the Executive took money from DETI in acknowledgement that there was not just as much economic stimulus at that point; a further £7 million on the capital side for the same reason; £2·9 million in relation to asset management receipts in DFP; and £8·9 million capital reprofiling, which Brigitte mentioned. There was a £19·1 million reduction asset management receipts in DRD, which is putting in more receipts than originally anticipated. There is a reduction of £44·3 million in capital reprofiling. There is a budget realignment of £10 million in resource and an amended capital receipt for the A5 of £132 million.

The £16·7 million in DSD relates to increased asset management unit receipts on the capital side. On the resource side, there is a reduction of £4·9 million in relation to student fees and £5 million in relation to the Social Security Agency non-cash costs reduction.

In OFMDFM, there is a £2·1 million reduction in capital due to the capital reprofiling exercise, and £3·1 million in relation to the budget realignment exercise.

The significant transfers between GB and the Republic of Ireland are the reclassification of FE colleges in DEL, which are £27·8 million and £28·1 million added to our Budget. I have to apologise for the DHSSPS figure, Chair. That £17·5 million is an allocation rather than a GB to ROI transfer. I am at fault for putting it in the wrong column.

**Mr Weir:** Will you explain that DEL reclassification? I understand how something can be reclassified, but I am not sure how it has a GB or a Republic of Ireland connection.

**Mr J McGuinness:** Absolutely. Previously, FE colleges were treated as outside the accounting boundary for the Departments. The Office for National Statistics (ONS) has decided that they are to be treated as non-departmental public bodies. That means that, instead of showing a grant that is paid to them, which is what we did previously, we have to show their full resource consumption. Therefore, we have to show things like depreciation, which is a non-cash cost. We have to show everything that they pay and how they produce grants, their income —

**Mr Weir:** How does that impact on the transfer with GB?

**Mr J McGuinness:** For instance, FE colleges will have significant capital assets, and those will attract a depreciation charge. Previously, we did not record that depreciation charge, but we now have to.

**Mr Weir:** Yes, sorry; you are answering a different question.

**Mr J McGuinness:** Sorry.

**Mr Jakobsen:** I think that what you asked was how it impacted on the transit from GB?

**Mr Weir:** Yes.

**Mr Jakobsen:** Classification by ONS has to be resource neutral to the Executive. Therefore, because of those additional costs to our Budget, we received additional money from the Treasury, which transferred across with the classification. It does not cost us more; there is no additional budgetary pressure on us.

**Mr Weir:** OK.

**Mr J McGuinness:** But it is not additional spend that we can —

**Mr Weir:** No, I understand that.

**Mr Jakobsen:** It is just funding for those ongoing services.

**Mr Weir:** I understand that, yes.

**Mr J McGuinness:** I will move on to the technical transfers. There were a number of those, most of which balanced to zero across Departments. Departments are always moving money to cover various costs. Among the significant ones is a technical transfer in DSD of £129·5 million, which reflects housing benefit moving from our annually managed expenditure to our departmental expenditure limit budget. There was a further £5·5 million in a similar AME to departmental expenditure limit budget transfer on the resource side, due to the Northern Ireland Housing Executive reclassification. A further £6·5 million, again an AME to departmental expenditure limit budget transfer, was made on the capital side for the Northern Ireland Housing Executive reclassification. The remainder are purely technical transfers across Departments, and the balance is zero.

**The Chairperson:** Thank you, Jeff. What provision, if any, has been made in the Main Estimates for the carry-forward of year-end underspends from 2013-14 through the Budget exchange scheme?

**Mr Jakobsen:** No provision has been made for that. That is money is to be allocated in June monitoring. Once that money is allocated, it will be reflected in the Supplementary Estimates in January. At the moment, it is not sitting in departmental budgets because it has not yet been allocated.

**The Chairperson:** OK. How will the 2014-15 cross-departmental position, as set out in the Estimates, be affected by any decisions or non-decisions on welfare reform?

**Mr Jakobsen:** Again, that will happen through the monitoring round. If there is a positive decision on welfare reform, you would expect there to be less need for budget reductions. If there is no decision, the Minister has been clear that he will need to put forward a reductions exercise in June monitoring, which will be reflected in departmental spring Supplementary Estimates. Essentially, it will be after the

Main Estimates have been agreed. Like all other monitoring changes, it is reflected in the spring Supplementary Estimates in January.

**The Chairperson:** We will probably return to that issue.

**Mr Cree:** How much money is currently at the centre?

**Mr Jakobsen:** Jeff, I think you have those numbers.

**Mr J McGuinness:** Certainly.

**Mr Cree:** Were they not included in the pack anywhere? It makes it more interesting when they are not.

**Mr Jakobsen:** The Estimates are all departmental spending plans.

**Mr J McGuinness:** There are a number of items sitting at the centre for 2014-15. There is £666 million, which reflects the income from regional rates. There is an overcommitment currently sitting at approximately £23·5 million of non-ring-fenced resource, and £17·9 million of ring-fenced resource. There is a reinvestment and reform initiative (RRI) interest element of £63·4 million sitting at the centre. There is EU match funding, which has not yet been allocated, of £3·2 million. There is also £11 million for the social investment fund; £3 million for the childcare strategy; £4 million in relation to the green new deal; £5 million that was set aside for air passenger duty; and a pressure of £4·6 million in relation to student fees for 2014-15. Those are the sorts of things that are currently sitting at the centre on the resource side. On the capital side, there is RRI borrowing at £250 million that we anticipate for this year. There is a further £50 million in relation to Together: Building a United Community (T:BUC) that we anticipate in borrowing. That takes the total borrowing that we anticipate for this year to almost £300 million.

There is an overcommitment that sits at approximately £36·6 million. There is £15 million for the social investment fund, which is ready to allocate. There is an unallocated amount of £34·8 million in relation to financial transactions capital. There is £132·8 million negative sitting at the centre in anticipation of reduced requirements from Departments as a result of an agreed Executive position last year. You will see the adjustments for those in each of the departmental reconciliations in the Estimates. There is a further £10 million pressure because we anticipate some Budget exchange moving from 2013-14 into 2014-15, and there is £44 million of unallocated borrowing from T:BUC, but that may be adjusted by Treasury. It is there at the minute, but it might change before the spring Supplementary Estimates. A further £8 million of EU capital funding is sitting unallocated at the centre.

**Mr Cree:** There is a fair bit of money there, Jeff.

**Mr J McGuinness:** There is.

**Mr Cree:** There was a ceiling for flexibility, looking towards the year end, and there was also an overcommitment. How did that pan out in the end?

**Mr J McGuinness:** The numbers for provisional out-turn are not exactly finalised yet, but we anticipate that we will not breach the Budget exchange scheme numbers at the moment. Should further information come in, it might be a different story.

**Mr Cree:** No money is going back to the Treasury?

**Mr Jakobsen:** The Minister will announce the provisional out-turn at the time of the June monitoring announcement. When he does that, we will get the full picture. We are still working with the Departments and finalising all the numbers.

**Mr Cree:** There is still a bit of flexibility?

**Mr Jakobsen:** Yes. We anticipate carrying some money forward into 2014-15.

**The Chairperson:** We have received correspondence from the Committee for Agriculture and Rural Development relating to its scrutiny of the Reservoirs Bill. It has asked us to table a number of questions at this meeting. It would be useful if you could respond orally and in writing. The Agriculture Committee wants you, if possible, to ascertain what provision for financial assistance there will be for reservoir managers and owners. Has that been allowed for in the Budget Bill, and are there any conditions attached? How much is that provision for? The Agriculture Committee understands that the figure is £200,000. It also wants to know when the proposed financial assistance should be spent and of any other conditions, such as the need for a business case, for the funding and a timeline for approvals.

**Mr Jakobsen:** We will come back to you in writing with details, but I understand that a provision of £100,000 has been made for that on page 36, note 2, of the Estimates. We will come back with details of the business case requirements, but there is permission in the end-year Estimates for that.

**The Chairperson:** Are Members happy enough?

**Mr Cree:** As happy as we can be, I guess.

**The Chairperson:** On what basis does DFP consider that there has been appropriate consultation with the Committee as required under Standing Order 42(2)?

**Mr Jakobsen:** That is a key issue for accelerated passage. Most of the figures in the Estimates and the Budget (No. 2) Bill reflect back to the 2011-15 Budget, which was made a long time ago — three years — but there was extensive consultation at the time. Jeff mentioned a number of the exercises that have been going on since then, such as the capital reprofiling and Budget realignment exercises. At the time, there was consultation with Committees on those proposals, and, indeed, we have been before this Committee explaining all the changes over the past couple of years. In that regard, I think that there has been full consultation on all the public spending proposals.

**The Chairperson:** Thank you very much.

*Question, That the Committee for Finance and Personnel is satisfied that there has been appropriate consultation with it on the public expenditure proposals contained in the Budget (No. 2) Bill (NI) 2014 and is content to grant accelerated passage to the Bill in accordance with Standing Order 42(2), put and agreed to.*

**The Chairperson:** I refer members to the draft letter to the Speaker, which advises on the Committee's decision to grant accelerated passage. Are members content?

*Members indicated assent.*

**The Chairperson:** Are members content to copy the DFP briefing paper and annex A to the other Statutory Committees to inform their contributions to the forthcoming Supply resolution debate.

*Members indicated assent.*