Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

January Monitoring Round: DFP Officials

22 January 2014

NORTHERN IRELAND ASSEMBLY

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

Witnesses:

Mr Stephen Barrett	Department of Finance and Personnel
Mr Peter Jakobsen	Department of Finance and Personnel
Ms Brigitte Worth	Department of Finance and Personnel

The Chairperson: Brigitte, Peter and Stephen, you are very welcome back to the Committee. Do you wish to make some opening comments, or should we go straight to questions?

Mr Peter Jakobsen (Department of Finance and Personnel): I can make a short opening statement, if that is helpful.

The Minister's statement started off with a bit about the outcome of the autumn statement. As you can see from what the Minister said, there is fairly good news in the short term, with some extra allocations for next year and for 2015-16. However, in the longer term — for the rest of this decade essentially — we will be heavily constrained on the resource side in particular. That will be very difficult, and it is in that context that the Minister expressed concern about the lack of progress on welfare reform. He has set aside £15 million this year, potentially £60 million next year and up to or even more than £200 million going forward.

The key concept in the January monitoring round is the Budget exchange scheme and the ability of the Executive to carry forward £51 million of resource into next year and around £12 million of capital. On reduced requirements, £33 million of resource and £35 million of capital came back from Departments. When those were taken into account with the overcommitment carried forward from October and the centre items, the Executive had £13 million resource departmental expenditure limit (RDEL) and £27 million capital departmental expenditure limit (CDEL) to hand out. They had only £13 million of RDEL partly because they set aside £15 million for welfare reform, as I said. The Executive then allocated £38 million in RDEL and £27 million in CDEL. On the resource side, £30 million was allocated to the Department of Health, Social Services and Public Safety (DHSSPS). Most of the capital — £24 million — went to the Department for Regional Development (DRD), mainly for roads. There was £6·3 million to the Department of Agriculture and Rural Development (DARD), split between capital and resource, for CAP disallowance and the rural development programme.

Another big announcement was on the financial transactions side — the University of Ulster (UU) deal. The University of Ulster is getting £35 million, made up of £25 million this year and £10 million next year. Against that, the Executive are getting £7 million back from UU reserves in 2015-16 and 2016-17. That will benefit the Executive in those years.

The overall outcome is a £25 million overcommitment on the resource side and just a little bit — around £300,000 — left over on the capital side. There is also £5·9 million left of the financial transactions CDEL, which will carry forward to next year. The intention is to try to maximise the amount that is carried forward under the Budget exchange scheme to next year at the year end.

The Chairperson: I wish to ask about the allocations to DHSSPS. Health got £30 million in resource in January monitoring and £14 million in October. In the 2011-15 Budget, special terms were agreed for the Department, as the Committee knows. Therefore, what monitoring arrangements apply to the Department of Health in its budget requirements, and how do they differ from other Departments, given the exceptional status that the Department has?

Mr Jakobsen: Usually, DHSSPS should not bid for resource in in-year monitoring, and it gets to keep its reduced requirements for internal reallocation. Essentially, that is the arrangement. That does not stop it bidding, mind you, when it has pressures, as it has done. If the Executive have the funding available, as you can see, they are happy to allocate it to what they deem a high-priority area.

The Chairperson: The guidance refers to the fact that the Department of Health should not bid except:

> *"in the event of major and unforeseeable circumstances".*

Does the Department of Finance and Personnel (DFP) accept the bids as having been made in major and unforeseeable circumstances?

Mr Jakobsen: We accept that some of them were, such as the winter pressures and some of the other pressures that built up over the past year.

The Chairperson: Some were and some were not.

Mr Jakobsen: The Agenda for Change bid, for example, is for a planned reform programme and should not have been unforeseen. DFP did not accept that bid, but the winter pressures bid was accepted.

The Chairperson: You are saying that the Health Department has not kept to the guidance.

Mr Jakobsen: It is guidance, and, as I say, it does not prevent it from bidding when it thinks that it might get a slice of the cake.

Mr Cree: For the benefit of knowledge, I want to go over with you the end-year flexibility (EYF) scheme. We were told yesterday that the Department of Education (DE) had not drawn down any of its existing £46·7 million of EYF stock, so it is hoping to carry that forward to next year. I know that there is a formula for how much is in fact allowed to be carried forward. Is that part of the Budget exchange scheme?

Mr Jakobsen: It is not. That is a separate, internal Northern Ireland scheme just for schools. The Education Department has £46·7 million of stock that it can draw down from at the moment, but it is about the net effect. Out of the hundreds and hundreds of schools that we have, some will build up reserves and others will draw down reserves in the year. If there are more schools drawing down reserves than are saving, DE will come to us and say, "The net effect is around £5 million this year, so we will look to draw down £5 million". However, this year it is saying, "The drawdown and the savings are equal".

Mr Cree: OK. It is the Department of Education only. It does not block other Departments at year end.

Mr Jakobsen: Nothing else. It has no impact on the year end at all. That is locked as cash forward. The Department will come to us in June next year and say, "Our estimate this year is that we need £3 million or £4 million to cover that net effect", and then it will give a final declaration in January monitoring. It does not impact at all on the Budget.

Mr Cree: I am glad. That clears that up.

My other question concerns the capital transactions situation. Obviously, that relates to loans that can really be used only in the private sector. We were lucky enough in managing to get the University of Ulster situation sorted. What ongoing plans, if any, are there to ensure that we use up that money?

Mr Jakobsen: We are looking at a lot of schemes at the moment. We will have slightly more available next year than we did this year. Obviously, as you saw, £10 million came back from the agrifood scheme because of the timing. It simply could not be got out the door this year. There is already £10 million in the Department of Enterprise, Trade and Investment (DETI) budget, but I expect it to spend £20 million or £30 million on that scheme alone next year.

Mr Cree: Is there any government body working with the private sector to ensure that those projects are developed, bearing in mind the long lead-in time?

Mr Jakobsen: It is very much DFP-driven at the moment. The Strategic Investment Board (SIB) is working with us on that.

Mr Cree: So it is all your fault. Is that what you are saying?

Mr Jakobsen: It is all my fault with that scheme so far.

SIB is working with us on that. We are working on a number of schemes that will spend quite a significant amount of money from 2015-16 onwards.

Mr Cree: You do not have the direct involvement of any private sector groups.

Mr Jakobsen: No. We have been talking to the likes of the Confederation of British Industry (CBI) and —

Mr Cree: Is it not important to get that message out there? It has to come from the private sector.

Mr Jakobsen: It has to come in part from it. The problem that we have is that there has to be some sort of government scheme to roll it out. For example, you cannot just give a private company a loan or work directly with it, so you need to work out a scheme. I think that the way in which to do it is to try to work with the private agency to see where its need for funding is. It has to be a need that the Executive play a role in.

Mr Cree: I do not want to labour the point, but surely you must need the private sector to engage with you in the formation stages.

Mr Jakobsen: Yes, we do.

Mr Cree: Do you have a body to do that?

Mr Jakobsen: SIB is taking up that lead role. It has a role anyway in working with the private sector on private finance initiatives (PFIs) and that sort of thing. It is working, where necessary, with the Departments and the private sector.

Mr Cree: Thanks, Peter.

Mr D Bradley: I asked the Minister yesterday about the reduced requirement of, I think, £2·1 million for legal cases, but he did not have an answer for me. What lies behind that?

Ms Brigitte Worth (Department of Finance and Personnel): When I came to the Committee in December to talk about our reduced requirements, I know that we had a figure of £1·9 million at that stage. To get down to the thousands, it was £1,930,000. Immediately prior to submission, we always review our reduced requirements. When we came to submit in early January, there was another legal case for which we had kept aside £125,000. However, it became apparent that that case would not be settled in the current financial year, so we also surrendered that extra £125,000. That brought our total to £2,055,000, which rounds up to £2·1 million.

Mr D Bradley: You will be seeking that money again in the future.

Ms Worth: I imagine that we will be able to contain that within our budget allocation for 2014-15.

The Chairperson: A couple of members of the public raised the issue of equal pay with me and wanted to know when some of the reallocations are going to be dealt with. Is that something that you foresee being dealt with in the next financial year?

Mr Jakobsen: Sorry, which equal pay?

The Chairperson: The equal pay for civil servants. The Minister said in September that it was an issue that he was going to deal with.

Mr Weir: The Northern Ireland Office (NIO).

Ms Worth: I cannot comment on the NIO issue so much, but I know that the Minister still has that under consideration. It does not impact on the DFP budget directly.

The Chairperson: Do we know when he will finish considering it?

Ms Worth: No, not at this time.

Mr I McCrea: He answered that in topical questions yesterday.

The Chairperson: What did he say yesterday?

Mr I McCrea: That he had had conversations with the Minister of Justice and that they are working together to come to a resolution. I think that he said that he was trying to move away from the "equal pay" label, because, obviously, the equal pay issue has been resolved in court. That is where the confusion sometimes arises.

Mr Mitchel McLaughlin: It is not confusion; it is flexibility. Give him enough room, I suggest.

Mr I McCrea: The work is ongoing, but he has now included the Justice Minister in it, so hopefully that will move things forward.

Ms Worth: There are certainly concerns about creating wider liabilities as a result of making the payments. I know that that is one reason why it is still under consideration, but I do not know the detail.

The Chairperson: We will check Hansard.

Mr Jakobsen: It is not a pressure that has come across our desk yet, but I am sure it will in due course.

The Chairperson: Another question that comes to mind is this: how confident is the Department that the Executive will not return moneys in April, at the end of the financial year?

Mr Jakobsen: We are very confident. The biggest risk is on the capital side, I think, because there is only £12 million carried forward.

The Chairperson: There was a lot of capital.

Mr Jakobsen: It came in, but we managed to get it out again. There is always a risk. All it takes is for one large capital project to be delayed at this stage of the year for you to be sailing close to the wind. We have managed the capital side so far in the past few years, and we hope it will be the same again, but it is a hope that nothing major is going to happen in the last few months of the year. Capital is difficult to spend at the year end.

The Chairperson: Do you have any concerns about any particular major projects?

Mr Jakobsen: No, we have nothing on our radar, but that does not mean that something unforeseen could not happen.

Mr Cree: I raised a point with the Minister yesterday about working up reserve projects to an advanced stage. It makes a lot of sense to have those.

Mr Jakobsen: We are looking at working with the SIB to identify a few projects that we can action in March — things such as buying out some debt or buying a building that might be needed for the estate anyway. We are looking at things that could make sense.

Mr Cree: It makes sense.

Mr Jakobsen: We have those, which we hope to be able to action at the last minute.

Mr Mitchel McLaughlin: Or the Maze centre.

Mr Jakobsen: No comment on that. *[Laughter.]*

Mr Weir: Nice try.

The Chairperson: OK. Thank you.