

Written Ministerial Statement

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Finance and Personnel

PUBLIC EXPENDITURE: 2014-15 PROVISIONAL OUT-TURN and 2015-16 JUNE MONITORING TECHNICAL ISSUES

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Mrs Foster (Minister of Finance and Personnel): The purpose of this Statement is to inform the Assembly of the outcome of 2014-15 Provisional Out-turn and the Executive's agreement to a range of technical issues relating to the 2015-16 June Monitoring Round.

In the context of the current impasse on Welfare Reform and the impact that is having on the Executive's Budget this year, I have deemed it prudent to separate the June Monitoring Round into two parts. The first part deals with a number of technical issues, the details of which are contained within this statement.

It is my intention to bring a second paper on the June Monitoring Round to the Executive in the near future addressing the very serious issues facing the Executive's Budget in 2015-16. I will report the outcome of this to the Assembly once Executive agreement has been secured.

2014-15 PROVISIONAL OUT-TURN

The Provisional Out-turn position is important since it provides a strong indication of departmental budget management performance during the last financial year and also determines the amount of resources that the Executive can plan to carry forward through the Devolved Administration's Budget Exchange Scheme (BES).

I am pleased to say that underspend in 2014-15 was below the levels permitted under the BES and therefore no funding for public services has been lost as a result of departmental underspend in 2014-15.

Before detailing the amounts that the Executive can now plan to carry forward into the 2015-16 financial year, it is necessary to highlight the individual departmental position.

Departmental Outcome

The departmental Provisional Out-turn returns resulted in total underspend of £33.6 million in terms of Resource DEL and £18.4 million in respect Capital DEL. The tables attached provide detail on the performance for individual departments. However, it is worth highlighting a few key issues.

Members will note that the Department for Regional Development has exceeded its non ring-fenced Resource DEL allocation by £11.7 million. It is extremely disappointing that the Minister was unable to live within his Resource DEL allocation for last year despite having been aware of the pressures facing his budget for some time. It would appear that the Minister managed his Budget on the

expectation of an in-year allocation from the Executive that did not materialise due to the constraints facing the Executive's Budget last year. Overspending against an Executive agreed allocation is an extremely serious matter that puts in jeopardy the Executive's ability to manage its Budget effectively and live within its HM Treasury control totals. Such a breach would normally warrant an equivalent reduction in the amount of Resource DEL allocated to DRD in the current financial year. However, given the significant pressures facing the department this year it has been decided that no penalty will be applied in this instance.

I am somewhat surprised by the quantum of Resource DEL underspend declared by some departments at Provisional Out-turn given the levels of pressures reported by departments throughout the in-year monitoring rounds conducted last year.

Whilst the performance across a number of departments has been disappointing, I wish to highlight the performance of DOJ where underspends of £18.3 million (1.7%) on Resource DEL and £4.9 million (7.8%) on Capital DEL are very significant in the context of the overall Budget Exchange Limits. Up until this year DOJ underspend was subject to a separate carry forward arrangement outside of the Budget Exchange Scheme. However this arrangement has now ended and DOJ underspend now counts towards the overall Budget Exchange thresholds. In order to ensure that no funding is lost to Northern Ireland it is critically important that levels of underspend are minimised across all departments.

The performance of a number of the minor bodies has also been disappointing in percentage terms with NIAO incurring an underspend of 4.6 per cent and PPS recording an underspend of 3.3 per cent on Resource DEL. It is crucial that all bodies, irrespective of size, adhere to the highest standards of financial management throughout the year and declare any reduced requirements to the Executive at the earliest available opportunity.

Finally it is worth noting the significant improvement in the financial management of DHSSPS over the course of the last year with the latest Provisional Out-turn data showing an underspend of only £1.6 million on Resource DEL compared to an overspend of £13.1 million in the preceding year.

Budget Exchange Scheme (BES)

The BES is an initiative that bestows significant financial flexibility to the Devolved Administrations. This initiative, formulated by DFP and accepted by HMT, allows for carry forward of year-end underspend from one financial year into another.

This carry forward is determined at the NI block level meaning there are a number of other issues that must be taken account of in addition to departmental underspend. In terms of Capital DEL the £4.0 million overcommitment following the 2014-15 January Monitoring Round will reduce the amount available for carry forward. Also £3.4 million of the Capital DEL underspend reported by DETI relates to the Super Connected Cities programme which is subject to separate carry forward arrangements, and so will not form part of the amount available to the Executive in 2015-16. The £0.3 million underspend relating to ring-fenced Financial Transactions Capital (FTC) is also subject to separate carry forward arrangements, however, this will be available for the Executive to allocate to suitable FTC projects in 2015-16. This means that we can now plan to carry forward £10.7 million of conventional Capital DEL into 2015-16.

With respect to Resource DEL we must take into account the £13.9 million that the Executive agreed not to allocate in January Monitoring. In addition, RRI interest payments in 2014-15 were £0.4 million lower than forecast. As a result the Executive can now plan to carry forward £47.9 million of Resource DEL into 2015-16.

The BES carry-forward mean that we are now able to use **£47.9 million Resource DEL** and **£10.7 million Capital DEL** and **£0.3 million FTC** to address pressures existing in this year.

It should be noted that the amount of resources carried forward under the BES will be subject to adjustment at Final Out-turn later this autumn. Under the BES arrangements, I will write to the Chief

Secretary at the time of the Westminster Supplementary Estimates (usually December) to formally agree the amounts to be drawn down.

2015-16 JUNE MONITORING

Background

The starting point for this monitoring round must be the Budget 2015-16, agreed earlier this year, which concluded with an over commitment on Resource DEL of £58.4 million and £2.3 million on Capital DEL.

The focus continues to be on non ring-fenced Resource items (hereafter simply referred to as Resource expenditure, or Resource DEL, for simplicity).

The ring-fenced Resource DEL is strictly controlled by HM Treasury and funding cannot be moved out of this area. Therefore this is handled separately with changes to this area shown in the tables attached. My officials will continue to monitor the position over the course of this financial year.

As Members will be aware, there are significant challenges facing the Executive's Budget in 2015-16 and I propose to bring a separate paper to the Executive in the near future setting out in detail the full range of pressures facing the Executive.

There are, however, a number of important technical issues relating to the June Monitoring Round which the Executive has now agreed. These include a number of adjustments that impact on the overall level of resources available to the Executive as well as the allocation of centrally held funding to departments. These technical issues are detailed below.

2015 UK Budget and Chancellor's 2015-16 In-Year Reductions

The Chancellor's 2015 March UK Budget had implications for our budget position in this financial year in the form of additions from Barnett consequentials amounting to £10.9 million Resource DEL and £0.5 million Capital DEL.

Thereafter, on the 4th June, the Chancellor outlined details of in-year reductions to Whitehall Departments. The Chief Secretary to the Treasury advised that the impact for Northern Ireland through the Barnett formula is reductions of £32.9 million Resource DEL and £5.5 million Capital DEL. The Chief Secretary has advised that the Executive can choose to defer the reductions to 2016-17 and the Executive has subsequently agreed to this deferment.

Budget Exchange Scheme – Carry Forward from 2014-15

As set out in the Provisional Out-turn section above the Executive can now plan to carry forward £47.9 million Resource DEL and £10.7 million Capital DEL. The actual level of resources to be carried forward will not be confirmed until later in the year after Final Out-turn information is received from departments, however the funding detailed will be made available in this monitoring round.

Public Sector Pensions

Budget 2015-16 set aside £122.5 million Resource DEL to meet pressures arising as a result of revaluations to a number of public sector pension schemes. As a result of work over recent months to determine the split of this overall pressure across individual schemes and departments, the pressures identified by departments total £124.2 million which is slightly more than the level of funding set aside. The Executive has therefore agreed to increase the funding set aside for this pressure by £1.7 million allowing departmental pressures related to the revaluation of public sector pension schemes to be met in full. Details of the allocations to departments are detailed in the tables accompanying this statement.

Social Investment Fund

OFMDFM has advised that £5.0 million of Capital DEL set aside for the Social Investment Fund is no longer required in this year. The Executive has agreed that £3.2 million of this can be used for the Together: Building a United Community programme with the remaining £1.8 million being returned to the Executive for reallocation

In addition to these substantial changes a number of smaller adjustments have also impacted on the overcommitment position. These include the return of £0.3 million Resource DEL to DOE in respect of receipts in 2014-15 from the Carrier Bag Levy as they can only be used to fund environmental programmes, £0.4 million Capital DEL to fund costs associated with the establishment of a Chinese Consulate in Belfast and £0.1 million Resource DEL for the Executive's cash management charge.

Asset Management Unit Receipts

Members will recall that the Executive set a capital receipts target of £50 million in this year. The Asset Management Unit in SIB has been working closely with DFP and departments in recent months to identify opportunities to realise this target. The work has resulted in adjustments totalling £21.8 million now being factored into departmental budgets in this monitoring round. This includes a number of asset disposals across departments, including; £2.5 million in DE, £1.8 million in DFP and £2.5 million in DHSSPS. Also £15.0 million will be removed from DSD related to Co-ownership refinancing.

Members should note that the £15.0 million easement relating to Co-ownership housing is dependent upon Executive agreement to an allocation of £25.0 million ring-fenced Financial Transactions Capital. Details of my proposals on ring-fenced Financial Transactions Capital are set out below. The adjustments detailed leave AMU with a target of £28.2 million to be realised by the end of 2015-16. Work on this is ongoing and a further update will be provided in the October Monitoring Round.

Ring-fenced Financial Transactions Capital Funding

The Executive's Budget for 2015-16 included ring-fenced Financial Transactions Capital allocations of £129.0 million this year, including £40.9 million set aside for the Northern Ireland Investment Fund.

Departments have submitted bids in this Monitoring Round for ring-fenced Financial Transactions Capital of £104.5 million, including £100.0 million from DSD for Co-ownership Housing and £4.5 million from the Department of Employment and Learning for Computer Science facilities at Queen's University. The DSD proposal is to cover a four year period. The Executive has therefore agreed allocations of £25.0 million to DSD for Co-ownership Housing and £4.5 million to the Department of Employment and Learning for Queen's University Computer Science facilities.

Members will be aware from previous monitoring rounds that the Department of Employment and Learning does not have the legislative authority to issue loans to private sector entities. The allocation to Queen's University will therefore be processed through SIB.

The Executive agreed these allocations will be met from the £40.9 million set aside for the NI Investment Fund. Taking account of the £0.3 million carried forward from 2014-15, this leaves a balance of £11.7 million for that purpose. Whilst no reduced requirements in relation to ring-fenced Financial Transactions Capital have been declared in this round, there remains some uncertainty around a number of projects and as such it is prudent that we allocate funding to viable projects at this stage of the year.

Delivering Social Change/Social Investment Fund / Childcare Strategy

As part of Budget 2015-16 the Executive set aside £11 million Resource and £15 million Capital in respect of the Social Investment Fund in this financial year. In addition, the Executive also set aside £3 million Resource for this year to fund childcare strategy initiatives.

In line with the intentions of Budget 2015-16, the Executive has agreed that allocations under the Delivering Social Change banner can be financed from the Social Investment Fund.

The Executive has agreed the following allocations under the Delivering Social Change banner to be processed in this monitoring round:

£1.2 million Resource to DHSSPS for the Parenting Support Programme, Family Support Programme and Children's Hospice;

£3.1 million Resource to DE for the Literacy and Numeracy Programme and the Nurture Unit Programme

£1.2 million Resource to DSD for the Social Enterprise Hub Programme;

£0.6 million Resource to OFMDFM for Support costs.

The Executive has also confirmed a number of allocations under the Social Investment Fund to be processed in this round:

£3.9 million Resource to OFMDFM;

£2.0 million Capital to OFMDFM.

Furthermore OFMDFM has advised of a number allocations from the Childcare Fund to be processed in this round. The proposed allocations include £0.5 million on Capital DEL. Since no Capital funding has been set aside for the Childcare Strategy, the Executive has agreed that Capital set aside for the Social Investment Fund could be used for the Childcare Strategy. Allocations agreed include:-

£1.2 million Resource to DHSSPS for the Brightstart School Age Children Scheme;

£0.2 million Resource to OFMDFM for Staff Costs;

£0.5 million Capital to DHSSPS for the Brightstart School Age Children Scheme.

Since this is funding accessed from existing central funds set aside by the Executive for this purpose, these transactions are handled as technical transfers (rather than allocations). These transfers mean that there is now £1.0 million Resource DEL and £7.5 million Capital DEL remaining in the Social Investment Fund for 2015-16 and £1.6 million Resource DEL in regard to the Childcare Strategy.

Together: Building a United Community (T:BUC)

Budget 2015-16 set aside £10.0 million Resource DEL for the Together: Building a United Community Programme (T:BUC). The Executive has agreed as part of this monitoring round that this will be supplemented by £3.2 million Capital DEL funding transferred from the Social Investment Fund. The Executive has agreed the following allocations should be processed in this monitoring round:

£5.3 million Resource to OFMDFM for Summer Interventions, Good Relations, Urban Villages and staffing and promotion costs;

£1.2 million Resource to DE for Shared Education and Summer Schools;

£0.3 million Resource to DSD for Shared Housing Schemes;

£0.5 million Resource to DCAL for Cross Community Sport;

£0.7 million Resource to DOJ for Removal of Interface Barriers;

£0.04 million Resource to DEL for the United Youth Programme.

£1.0 million Capital to DE for Shared Education;

£0.1 million Capital to DOJ for Removal of Interface Structures;

£2.1 million Capital to DSD for Urban Villages;

Since this is funding accessed from existing central funds set aside by the Executive for this purpose, these transactions are once again handled as technical transfers (rather than allocations). These transfers mean that there is now £1.9 million Resource DEL and no Capital DEL remaining in the T:BUC fund.

Departmental Restructuring

Members will recall that the Stormont House Agreement included a commitment to reduce the number of NICS departments from twelve to nine in time for the 2016 Assembly elections. The

Executive subsequently agreed the number and functions of the NICS departments, with some refinement required as work on the Transfer of Functions Order progresses. While a Bill has not yet been introduced in the Assembly it is important that work is progressed to ensure the restructuring can be implemented within the required timescales.

This change will have a significant impact on the Budget process for 2016-17 due to commence in the coming months. With the change to a nine department structure planned for a few weeks into the 2016-17 financial year, the Executive has now agreed that the Budget should be conducted on the new departmental structure. The Executive has also agreed that preparatory work in relation to this can commence over the summer months.

Position after June Technical Exercise

Following the June Monitoring technical exercise there is an overcommitment of **£1.7 million** in respect of **Resource DEL** with **£10.3 million** of **Capital DEL remaining unallocated**.

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2015-16 June Monitoring:

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Table A

2014-15 Provisional Out-turn – Non Ringfenced Resource

	Final Plan £ million	Provisional Out-turn £ million	Underspend (-) / Overspend (+) £ million	Underspend (-) / Overspend (+) %
DARD	194.7	194.6	-0.2	-0.1%
DCAL	100.3	98.9	-1.4	-1.4%
DE	1,957.7	1,950.9	-6.8	-0.3%
DEL	751.5	750.1	-1.4	-0.2%
DETI	202.2	199.6	-2.6	-1.3%
DFP	155.5	154.4	-1.0	-0.7%
DHSSPS	4,637.1	4,635.5	-1.6	0.0%
DOE	127.5	126.5	-1.0	-0.8%
DOJ	1,101.1	1,082.8	-18.3	-1.7%
DRD	344.5	356.3	11.7	3.4%
DSD	591.0	582.7	-8.4	-1.4%
OFMDFM	81.2	80.8	-0.4	-0.5%
AOCC	2.1	2.1	0.0	-0.6%
FSA	8.1	7.9	-0.2	-2.4%
NIA	40.4	40.0	-0.3	-0.9%
NIAO	8.1	7.8	-0.4	-4.6%
NIAUR	0.1	0.1	0.0	-0.9%
PPS	40.3	39.0	-1.3	-3.3%
Total Departments	10,343.4	10,309.8	-33.6	-0.3%

Totals may not add due to roundings

Table B

2014-15 Provisional Out-turn – Capital

	Final Plan £ million	Provisional Out-turn £ million	Underspend (-) / Overspend (+) £ million	Underspend (-) / Overspend (+) %
DARD	49.1	49.0	-0.1	-0.1%
DCAL	36.7	36.6	-0.1	-0.4%
DE	182.8	181.0	-1.8	-1.0%
DEL	55.7	55.3	-0.4	-0.7%
DETI*	33.1	29.4	-3.7	-11.3%
DFP	55.2	54.6	-0.5	-1.0%
DHSSPS	220.3	220.1	-0.2	-0.1%
DOE	12.3	11.9	-0.3	-2.8%
DOJ	62.4	57.5	-4.9	-7.8%
DRD	398.3	397.8	-0.5	-0.1%
DSD	182.7	178.9	-3.8	-2.1%
OFMDFM	54.0	52.9	-1.1	-2.0%
AOCC	0.0	0.0	0.0	-11.8%
FSA	0.1	0.0	-0.1	-95.0%
NIA	3.9	3.1	-0.7	-19.1%
NIAO	0.0	0.0	0.0	-7.5%
NIAUR	0.0	0.0	0.0	-65.4%
PPS	0.4	0.2	-0.1	-32.6%
Total Departments	1,346.9	1,328.5	-18.4	-1.4%

Totals may not add due to roundings

* £3.4m of the DETI underspend relates to the Super Connected Cities programme. This programme is subject to a separate agreement with HM Treasury that will allow this underspend to be accessed in 2015-16.

Table C

2014-15 Provisional Out-turn - Ringfenced Resource

	Final Plan £ million	Provisional Out-turn £ million	Underspend (-) / Overspend (+) £ million	Underspend (-) / Overspend (+) %
DARD	12.8	12.7	-0.1	-0.7%
DCAL	6.0	5.6	-0.4	-6.1%
DE	0.6	0.5	-0.1	-13.5%
DEL	168.6	166.3	-2.3	-1.4%
DETI	2.7	3.5	0.7	26.8%
DFP	33.2	33.2	0.0	0.0%
DHSSPS	117.5	118.5	1.1	0.9%
DOE	4.4	4.5	0.0	0.3%
DOJ	78.8	69.1	-9.7	-12.3%
DRD	81.0	79.5	-1.5	-1.9%
DSD	5.3	3.3	-2.0	-37.5%
OFMDFM	1.0	1.0	0.0	0.0%
AOCC	0.0	0.0	0.0	-18.6%
FSA	0.0	0.0	0.0	-12.5%
NIA	3.3	3.3	0.0	0.0%
NIAO	0.2	0.2	0.0	-12.3%
NIAUR	0.0	0.0	0.0	0.0%
PPS	1.7	1.4	-0.3	-17.8%
Total Departments	517.3	502.7	-14.6	-2.8%

Totals may not add due to roundings

Table D

June Monitoring Ringfenced Position (£ millions)

	Ring Fenced Resource
OPENING MONITORING RESOURCES AVAILABLE	2.5
Reduced Requirements	
DEL Stranmillis College Depreciation	0.7
DSD Reduced Impairment and Depreciation SSA	1.5
TOTAL REDUCED REQUIREMENTS	2.2
Allocation	
DCAL Depreciation	-0.6
DOE IT Depreciation Costs	-1.4
PPS Depreciation	-0.0
TOTAL ALLOCATION	-2.0
Reclassifications between Ringfenced/Non-Ringfenced	0.1
JUNE MONITORING RESOURCES AVAILABLE	2.8

Totals may not add due to roundings

Table E

Public Sector Pension Allocations (£ millions)

DEPARTMENT	RESOURCE DEL
DARD	3.1
DCAL	0.5
DE	34.7
DEL	5.2
DETI	1.1
DFP	3.1
DHSSPS	58.3
DOE	1.5
DOJ	7.5
DRD	1.6
DSD	5.6
OFMDFM	0.9
PPS	0.5
AOCC	0.0
NIAO	0.2
NIAUR	0.0
NIA	0.3
FSA	0.2
TOTAL	124.2

Totals may not add due to roundings