

Statement to the Northern Ireland Assembly

by

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Minister for Finance and Personnel**

3 March 2008

February Monitoring

Mr Speaker, with permission I would like to make a statement about the Executive's decisions on the February Monitoring Round.

This is the fourth and final Monitoring Round of the 2007-08 financial year and Members will be aware that the role and purpose of the in-year process is to help the Executive make the most of the resources at its disposal.

At its meeting on 28 February the Executive decided on some reallocations of expenditure for the short time remaining in the current financial year.

It is also important to note that this Monitoring Round follows the departmental Spring Supplementary Estimates, debated in the Assembly on 12 February 2008. Departments are constrained by the SSE and associated Budget Bill position, as no allocation can be made in the February Monitoring Round above the position for which legislative authority has been sought.

The first stage in each Monitoring Round is the identification, by departments, of resources allocated in previous budget processes which, for a variety of reasons, will not be spent in this financial year.

In overview terms, Mr Speaker, reduced requirements declared by departments in this Monitoring Round amount to £51.7 million in respect of current expenditure, and £61.7 million in respect of capital investment.

The level of reduced requirements declared in this round is much greater than the levels identified at the corresponding time in previous years. This continues the trend from the previous Monitoring Round with the result that the amount declared for this financial year is some 41% greater than the reduced requirements declared last year.

Although I commended Departments for the significant level of reduced requirements identified as part of the December Monitoring Round, the context for

the February Monitoring Round is quite different as there is significantly less scope to utilise the resources that become available in February than in earlier Monitoring Rounds.

I would therefore urge Departments to redouble their efforts as we move into 2008-09 to declare reduced requirements as early as possible in the financial year so that the opportunity to redeploy the funds into priority areas is not missed.

Statutory Committees will have a key role to play by regularly monitoring the financial performance of their respective departments and identifying as early as possible in each year, those areas where less spending is expected to take place than had been planned for.

I recognise that a primary focus of Departments is to spend as much of the monies that have been allocated in the Budget process as possible as the first stage in delivering the associated improvements in public services. However, where this is not possible, there is an equal responsibility to ensure that any resources not needed by a particular business area can be redeployed.

Although there is an issue that significant levels of reduced requirements reflect poor planning at the Budget stage, it is much better that Departments and Committees identify reduced requirements earlier rather than later in the financial year or indeed rather than allowing them to fall as end of year underspend. Details of all the reduced requirements declared by departments are set out in Table 1 of my Statement.

The largest reduced requirement in terms of current expenditure has been declared by DHSSPS of £8.7 million following on from the delay in the announcement of the decision on the Review of Public Administration. In terms of capital expenditure DSD has declared a £22million reduced requirement from additional land sales whilst DRD have identified a £10 million slippage in the funding required to NI Water for this financial year.

The December monitoring round concluded with some £57 million unallocated capital resources, which included anticipated access to our EYF stock in 2007-08 Block. In the context of such significant sums being available for allocation, but with no corresponding pressures expected, a prudent approach was adopted to minimise underspend and hence facilitate future discussions with Treasury regarding access to EYF stock.

In overall terms therefore £69 million was available for allocation in this Monitoring Round in terms of capital expenditure whilst £39 million could reasonably have been allocated in terms of resource spend.

Against this level of resources available for allocation, departments have submitted current expenditure bids in the amount of £1.6 million and capital investment bids amounting to £63.4 million.

Mr Speaker, turning firstly to the position as regards current expenditure, in light of the late stage of the financial year, only two bids were put forward, both by DCAL.

The Executive has agreed that £0.9 million should be allocated for the purchase of additional book stock to assist Library Boards in meeting published targets whilst a further £0.7 million has been allocated to provide for the winding up of the Northern Ireland Events Company.

In terms of capital investment, the Executive has agreed to allocate £58.9 million to departments. This includes £6.9 million to the Department for Regional Development to meet a pressure resulting from delay in planned receipts from asset sales as well as additional cost from a change in accounting treatment for insurance costs associated with the first DBFO roads capital programme.

However, the most significant capital pressure has arisen with respect to DSD due to lower than expected capital receipts from house sales, as a result of the more constrained credit environment, whilst the sale of land at Ballee in Ballymena is not now expected to be finalised until 2008-09. Although the Department has taken measures to ameliorate the revenue shortfall the Executive has agreed to meet the net capital pressure of £52.0 million.

This follows on from the £50 million allocated in the December Monitoring Round to the Department for Social Development for a range of social housing initiatives, including Co-ownership, the Warm Homes scheme and the Social Housing Development Programme.

Mr Speaker, the consequence of the level of reduced requirements and bids met is that, for current expenditure, the level of planned over-commitment is now £13.3 million. This is significantly below our target of £50 million, at the conclusion of the February Monitoring round, and highlights once again the need for Departments to declare all reduced requirements as early in the year as possible.

In terms of capital investment, we now have unallocated resources of some £10 million. However, all unspent resources will continue to be available for carry forward, for use by the Executive in the future.

Going forward Mr Speaker, 2008-09 will be the first time, in a stable political environment, that NI Departments will be implementing the spending plans that have been developed by local politicians as opposed to Direct Rule Ministers.

Although the main indicator of success will be improved services, a key milestone will be that resources are used for the purpose intended and within the timescales envisaged.

In conclusion Mr Speaker, I recognise the progress that has been made during 2007-08 to improve financial management and hence ensure a more effective allocation of resources. This work will need to accelerate next year, in light of the more challenging fiscal environment faced by the NI Executive.

I commend the February Monitoring position to the Assembly.