

**PUBLIC EXPENDITURE 2009-10
SEPTEMBER MONITORING ROUND**

STATEMENT TO THE ASSEMBLY

BY

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Mr Speaker, with permission, I would like to make a Statement regarding the outcome of the September Monitoring round, following the Executive meeting this morning.

This is the second monitoring round of 2009-10, with the role and purpose of the in-year monitoring process being to allow the Executive to make optimal use of the resources at our disposal by reviewing departmental expenditure plans in light of the most recent information available.

In my Statement to the Assembly in July, on the outcome of the June Monitoring round, I informed Members of the record levels of investment in public services delivered by the Executive in 2008-09 and the fact that this was due, at least in part, to the considerable reduction in levels of underspending compared to previous years.

However, as also indicated in my Statement at the time, the improved spending performance demonstrated by departments last year has implications for the management of the public expenditure position going forward. In particular, I highlighted that we need to reduce our use of overcommitment as a tool for managing public expenditure.

Mr Speaker, the simple reality is that if, unlike the position under the previous Direct Rule administration, departments now spend the vast majority of the money available to them, we cannot anticipate significant funds being returned to the Executive during the year, or anticipate large year end underspends.

This key point set the important context for the September Monitoring round, where the key challenge for the Executive was to manage the overall financial position to protect the integrity of both the Executive and the NI block by ensuring we do not overspend against the amounts available to us, while at the same time supporting those priority areas which need additional resources.

Mr Speaker, let me anticipate those Members who might try to portray such a position as some sort of self inflicted wound. The contrary is true – this is a consequence of an Executive which delivers – in terms of levels of spend and sound financial management, and in terms of responsive public services for the people of Northern Ireland.

Turning to the detail of September Monitoring, the level of reduced requirements declared by departments in this round was £26.8 million current expenditure and £21.1 million capital investment – further details are set out in the tables attached to this Statement.

To underpin my point about better financial performance, I would highlight that, in total, reduced requirements this year represent only 57.7% of the amount declared to the same stage last year.

Mr Speaker, let me emphasise the significance of this position. It means that the amounts allocated to departments in the last Budget process are being used by departments for the purposes intended, rather than being returned for redistribution. That is the purpose proposed by the Executive, and endorsed by the Assembly following an extensive public consultation process. Yet more evidence of successful delivery against the considered needs of the people of Northern Ireland.

However, the consequence of this, alongside the level of overcommitment in place at the end of the June Monitoring round, means that no funds are freely available for allocation to departments at this time. I know that some in this House may seek to paint this as being unduly problematic, but the reality is that this position highlights the progress we are making in terms of delivery of the commitments set out in the Programme for Government.

To further facilitate sound financial management within departments, the Executive has also allowed departments to move resources across spending areas where the movement is reflective of a proactive management decision taken in order to enable the department to manage emerging pressures within

their existing baselines. These departments are to be commended for the actions they have taken to address their pressures in this way.

It has also been necessary, due largely to technical issues, to reclassify some amounts between different categories of expenditure. Details of the changes are also provided in the tables attached to this Statement.

While no amounts were available for allocation to address departmental pressures, the Executive has agreed small allocations of £0.1 million current expenditure to both the NI Assembly and the NI Audit Office. This reflects the unique circumstances of these bodies, and the fact that these costs are agreed by their respective Assembly Committees, as opposed to being subject to the normal scrutiny and challenge that applies to other departments. Having said that, and while acknowledging the amounts involved are small, I would urge both this House and NIAO to recognise the financial constraints and do all in their powers to minimise their call on the wider public expenditure position. These institutions – more than any others – must lead by example.

These changes have resulted in a reduction in the total overcommitment to a prudent level for this stage of the financial year, when viewed in light of the lower level of reduced requirements and the amount of end year underspend in 2008-09. However, the balance between the current and capital overcommitment is slightly skewed with the current expenditure position being ahead of target while the capital investment is behind target. Therefore the Executive has agreed to reclassify £22.5 million of current expenditure to capital investment in order to redress this imbalance.

This brings the overcommitment position to £45.8 million in respect of current expenditure and £20 million for capital investment. Based on departmental spending performance in 2008-09 this represents the maximum level of overcommitment for this stage in the financial year, with no scope to increase this amount to meet any pressures at this time.

Three issues were identified as being of sufficient strategic importance to warrant action by the Executive at this time.

These are – the £20 million first call on available money for DHSSPS, agreed by the Executive as part of the last Budget process; the costs of addressing emerging pressures linked to Swine Flu – again in DHSSPS; and the Bombardier C Series Project in DETI.

Turning firstly to the £20 million first call on available resources for DHSSPS, as Members will recognise, the constrained financial position we face means that there are no “available resources” at this time to allocate against this commitment. However, the Minister for Health, Social Services and Public safety has helpfully offered to release £10 million capital investment, through proactive management of his significant investment programme, which – through some flexibility available to the Executive – can be reclassified as current expenditure and returned to his department as a first instalment against the £20 million. As regards the balance, the Executive has agreed that making good on this commitment will be a priority for the remaining two Monitoring Rounds in this year, where all reasonable efforts will be made to find the remaining £10 million.

In terms of Swine Flu, where the costs are still estimates at this stage, the Health Minister has identified his likely minimum requirements as being £42.6 million current expenditure and £22 million capital investment. Clearly these amounts may be subject to change, however the Executive has agreed to move forward, at this stage, on this basis. After taking account of amounts available within the existing DHSSPS budget, a net pressure of £27.9 million current and £11.5 million capital remains to be addressed.

Finally, as regards the Bombardier C Series Project, DETI has identified a net capital investment pressure of £22.3 million. By way of background, I would explain that, overall, this half a billion pound investment, which is the largest ever inward investment project secured for Northern Ireland, is expected to

create over 800 new jobs over its production cycle with many more indirect jobs forecast to be created at peak employment. The supply chain benefits for both the UK and, in particular, Northern Ireland are substantial. The investment will help to safeguard and further develop high quality manufacturing skills within Northern Ireland for many years to come. This highlights the importance of the issue, both as a project in its own right, and as evidence of the Executive's ongoing commitment to make economic growth its number one priority.

In terms of dealing with these two strategic issues, the Executive has agreed that, despite the constrained financial position, they are of such significance that support must be made available to the two departments concerned. This support comes from two sources.

Firstly, the Executive has agreed that Barnett consequentials received in the Chancellor's 2009 Budget, amounting to £23.8 million, will be used firstly to cover the C Series project, with the balance being set against the residual Swine Flu capital costs. Prior to this, the Executive had intended to use this funding to offset the additional efficiency reduction, of £122.8 million, which will apply next year. However, in the context of the current financial position, and the fundamental importance of the two issues highlighted, the consequences of the efficiencies will instead be addressed as part of our wider work on the 2010-11 position. The Executive will be considering this at the next meeting, and I will make a Statement to the Assembly in due course.

As regards the balance of the Swine Flu pressure, £27.9 million current expenditure and £10 million capital investment, the Executive has unanimously agreed that this will be funded by way of a pro rata contribution from all other departments. A table showing the total contribution by departments is attached to this Statement.

However, I will continue to press the case with HM Treasury, that the UK government should make a contribution to these costs. While robust

monitoring systems will be put in place so that any funding not required for swine flu will be returned to departments.

Mr Speaker, we should not underestimate the significance of this. At a time when all departmental budgets are under significant pressure, the Executive has acted decisively and in the broader strategic interests of Northern Ireland – setting narrow departmental interests to one side.

It is important to recognise that these adjustments do not mean that there is a reduction in overall expenditure levels. They simply represent a reprioritisation of the funds available to the Executive, as others have been suggesting, but without the need for a formal – and time consuming and bureaucratic - budget process.

The corporate approach taken by the Executive has enabled these strategic pressures to be addressed whilst still ensuring that the overcommitment remains at a prudent level for this stage in the financial year.

Conclusion

In conclusion, Mr Speaker, while the overall financial position means that it was not possible to address all the pressures identified in the September Monitoring round, the prudent and responsible approach adopted means that the pressures of strategic significance have been addressed whilst still maintaining the integrity of the NI Block.

Again this emphasises the importance of a local and fully functioning Executive – delivery by the people of Northern Ireland for the people of Northern Ireland.

Mr Speaker, I commend the September Monitoring position to the Assembly.