DOF - 41027

From:	Downie, Jill
To:	DoF AQS CSG; McNaught, Jonathan
Cc:	McBurney, Joanne; Morelli, Emer; Brennan, Mike; Simpson, Susan; Caldwell, Alison; Braniff, Joan; Cairns, Robyn
Subject:	PSD Co-ordinated Topical Questions and Headline Issues
Date:	02 November 2016 14:13:00
Attachments:	Public Spending Directorate - Co-ordinated Topical Questions - 2 Novembe....docx Public Spending Directorate - Co-ordinated Topical Questions - 2 Novembe....tr5 Public Spending Directorate (PSD) - Headline Issues Briefing.docx Public Spending Directorate (PSD) - Headline Issues Briefing.tr5 image003.jpg

Please find attached PSD Topical Questions briefing and Headline issues, cleared by Joanne McBurney.

Many thanks.

Jill

JILL DOWNIE

SPS to the Budget Director

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From: Simpson, Susan
Sent: 21 October 2016 08:48
To: Adair, Mervyn; Adams, Michelle; Alexander, Caron; Armstrong, Anne; Bailey, Mark; Baker, Anne; Breen, Anne (DoF); Brennan, Mike; Bronte, Alan; Cairns, Robyn; Caldwell, Alison; Carey, Siobhan; Clydesdale, Paul; Crosby, John; Crummy, Brenda; DG_DoF GRP_DB Members; DoF AQS CSG; DoF CPD Co-ordination Team; DoF PSRD Project Management Office; Downie, Jill; Duffy, Frank; ESS Co-ordination; Gillan, James; Goodfellow, Mark; Green, Brian; Kerr, Sean; MacRandal, Donal (DoF); Maher, Alison; Marshall, David; McBurney, Joanne; McClure, Brian; McDonnell, Desi; McMahon, Aidan; McNaught, Jonathan; McPolin, Laura; Morelli, Emer; Nesbitt, Grace; Simpson, Tony; Stuart, Bernie; Sweeney, Kevin; Wilson, Kelly; Worth, Brigitte
Cc: McAvoy, Andrew; McCullough, Dominic; McGuinness, Jeff; Ramsey, Alan; Dickson, William (DoF); McKeown, Patrick; McMahon, Aidan; Scott, Michelle; Smith, Maryann; Vickers, Bruce; Stevenson, Stuart; Jakobsen, Peter; Armstrong, Barry

Subject: URGENT Oral/Topical Questions

Please see attached list of DoF Oral questions which the Minister is due to answer on Tuesday 8th November 2016, with proposed business area allocation outlined below. Please could you let me know as soon as possible if any of these AQOs have been incorrectly allocated.

RPD 1, 2, 13
CPD 3, 14
EUD 4, 8, 12
CED 5, 9
SPD 6, 10, 11
LPS 7
Supply 15

Current guidance on Oral/Topical Questions and Headline Issues is attached, however please note the following:

-
Oral answers must be limited to 80-90 words and should be in the format of Annex B - draft responses and background notes must be returned to aqs.csg@finance-ni.gov.uk by 5:00pm on **Tuesday 25th October 2016.**

Pre Brief - will take place, at 2pm **on Wednesday 26 October 2016, in Room 2.6, Clare House.** Officials covering the first 10 Oral Questions should attend. **Please advise Assembly Section the name of the official who will be attending the pre-brief asap.**

Topical Questions should be in the format of Annex C – officials should ask themselves why the issue is topical rather than updating previous TQs, and provide lines to take on that basis. Briefing for TQs will be required no later than **3pm on Thursday 3rd November 2016** and should be sent to aqs.csg@finance-ni.gov.uk and Jonathan.McNaught@finance-ni.gov.uk. The list of MLAs selected to ask Topical Questions will be issued when it is received on Wednesday afternoon.

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Headline Issues – please see attached the Headline Issues provided to the Minister for his previous Question Time. Officials should note the format of this and provide, if appropriate, updated content.

Regards

Susan Simpson
Assembly Section
Ext: 76719

PUBLIC SPENDING DIRECTORATE

HEADLINE ISSUES

CED

2016-17 OCTOBER MONITORING

The Executive agreed to allocate an additional £8.9 million of Resource DEL and £22.7 million of Capital DEL to departments in the October Monitoring round.

As a result of these allocations the Executive is overcommitted by £27.4 million Resource DEL and £10.8 million Capital DEL.

The potential pressure in relation to the Renewable Heat Incentive and has been factored into deliberations and £20 million has been held at the Centre for this. This is included in the overcommitment position.

Capital DEL allocations under the 'First Step Stimulus package' totalled £30 million and it is envisaged these will be funded from RRI borrowing.

On Financial Transactions Capital, £77.5 million remains unallocated and discussions are ongoing with Treasury with a view to extending End Year Flexibility arrangements for Financial Transactions Capital.

BUDGET 2016

The outlook on Resource DEL remains challenging with the 2015 Spending Review outcome delivering a 4.1 per cent real terms reduction on Resource DEL over the period 2016-17 to 2019-20.

The Capital DEL budget will increase by 7.4% in real terms by 2020-21.

The Treasury has indicated that there will be 'fiscal adjustments' as part of the Chancellor's Statement on 23 November. Following that, it is my intention to publish a single year Resource DEL Budget for 2017-18 alongside a multi-year Capital DEL Budget. A single year Resource DEL Budget will give the Executive further time to consider the implications of both the EU Referendum and the Programme for Government priorities.

Legal advice indicates that the approach taken to the Budget process respects the intent of paragraph 20 to the Belfast Agreement and satisfies the requirements of Section 64 of the Northern Ireland Act.

SUPPLY

INVESTMENT FUND

DoF officials continue to progress work towards establishing the Investment Fund. This Fund is intended to help to boost investment and promote economic growth here. The Executive has agreed to allocate £100 million of Financial Transactions Capital to the Fund and this commitment stands despite the delay in establishing the Fund.

My department will make best endeavours to have the Fund in place by spring 2017. However, there is much uncertainty and greater reluctance on behalf of the European Investment Bank in playing an active role in delivery of, and co-investment into, the Fund in the post EU referendum context. My officials are therefore currently reassessing possible delivery models.

RENEWABLE HEAT INITIATIVE

The high level of uptake experienced within the Department for the Economy's Renewable Heat Incentive has resulted in significant budgetary pressures.

I understand that the Department for the Economy has projected a funding deficit of circa £30m for the Renewable Heat Incentive scheme in this financial year.

In response to this significantly increased demand, the then Minister for Enterprise, Trade and Investment decided to close the scheme to prevent further overspend. Regulations to facilitate the closure were approved by the Assembly on 15 February 2016 and the scheme closed to new applications at 11.59 pm on Monday, 29 February 2016.

It will be for the Economy Minister in the first instance to consider how the financial implications of the increased uptake of RHI can be addressed in the context of a challenging financial outlook.

IF PRESSED ON OCTOBER MONITORING

As part of my October Monitoring statement I confirmed that the Executive has set aside £20 million Resource DEL centrally to meet pressures anticipated in relation to the Renewable Heat Incentive scheme.

This pressure contributed to the Executive's overcommitment following the October Monitoring round. Members will be aware from my October Monitoring statement that we face significant constraints in our Resource DEL position in the current year. Therefore, aside from meeting a small number of prior commitments, no Resource DEL allocations were made.

PUBLIC SPENDING DIRECTORATE (PSD)

TOPICAL QUESTIONS BRIEFING – NOVEMBER 2016

CENTRAL EXPENDITURE DIVISION

<u>TOPIC</u>

SUPPLY DIVISION

<u>TOPIC</u>

14. APPRENTICESHIP LEVY

15. BUSINESS CASE PROCESS AND APPROVAL

16. FRESH START ACTION PLAN – TACKLING PARAMILITARY ACTIVITY - THREE PERSON PANEL REPORT

1. 2016-17 IN-YEAR MONITORING

LINES TO TAKE:

- The Executive has now concluded its October Monitoring round with a £27.4 million overcommitment in respect of Resource DEL and £11.8 million on Capital DEL. On Financial Transactions Capital £77.5 million remains unallocated following slippage in the timetable for establishing the Investment Fund.

- The constrained Resource DEL position meant that allocations in the October Monitoring round were limited to a small number of 'prior commitments'. On Capital DEL allocations amounted to £22.7 million with £13 million for Education, £8.7 million for Health and £1.0 million for Infrastructure.

- I also set out details of the Executive's 'First Step Stimulus package' that included £25 million Capital DEL to the Department for Infrastructure and £5 million for a Community Regeneration Fund.

- The Executive has recognised the potential Resource DEL pressure which exists in relation to commitments under the Renewable Heat Incentive and has set aside £20 million relating to this issue The Executive will revisit this issue in the January Monitoring round.

- I have had positive discussions with the Chief Secretary to the Treasury on putting in place arrangements to secure Financial Transactions Capital that cannot be spent this year. My officials are engaging with their Treasury counterparts on the detail of this.

- Given the need to live within our Control Totals I have written to Ministerial Colleagues requesting that departments cease all discretionary spend in the remaining months of this financial year and take necessary action to ensure they remain within their Executive agreed allocations.

Background

1. Allocations totalling £8.9 million Resource DEL and £22.7 million Capital DEL were agreed by the Executive in the October Monitoring round.

2. For Resource DEL these include:
   - £4.8 million to Health for Muscular Dystrophy Drugs;
   - £1 million to Education for Irish Medium Nurture Units and other pressures;
   - £2.5 million to DfE for City of Derry Airport;
   - £0.6 million to PPS for Legal Aid Cases and Prosecution Services;;

3. Capital DEL allocations include:
   - £13 million for Education for Minor Works and Furniture and Equipment;
   - £8.7 million to Health for Essential Maintenance and Ambulance Defibrillators; and
   - £1.0 million to Infrastructure for LED Street Lighting.

4. Allocations under the ‘First Step Stimulus package’ included £25 million to the Department for Infrastructure for Roads Structural Maintenance and new buses and £5.0 million for a Community Regeneration Fund.

5. As a result of these allocations the Executive is overcommitted by £27.4 million Resource DEL and £10.8 million Capital DEL.

6. The potential pressure in relation to the Renewable Heat Incentive and has been factored into deliberations on the prudent level of overcommitment and £20 million has been held at the Centre for this and is included within the stated overcommitment position.

7. In Financial Transactions Capital, £77.5 million remains unallocated, including £55.8 million set aside for the Investment Fund. Officials are engaging with Treasury with a view to securing improved End Year Flexibility arrangements for FTC.

2. BUDGET 2016

LINES TO TAKE:

- The outlook on Resource DEL remains challenging with the 2015 Spending Review outcome delivering a 4.1 per cent real terms reduction on Resource DEL over the period 2016-17 to 2019-20.

- The Capital DEL budget will increase by 7.4% in real terms by 2020-21.

- Following my meeting with the Chief Secretary to the Treasury I anticipate that further Capital DEL will be made available in the Chancellor's Autumn Statement.

- It is my intention to announce a significant Capital economic stimulus in Budget 2016 – Stage Two of the plan I announced as part of October Monitoring.

- I continue to seek clarity on the implications of the EU referendum on our allocations over the coming years. This is key to allowing the Executive to agree its Budget for 2017-18 and beyond.

- I welcome news that the British Government plans to abandon its fiscal rules, however I remain concerned this will only lengthen the period over which the austerity agenda is implemented.

- It is imperative that the British government reign back on the austerity agenda and provide an economic stimulus package for the years ahead.

MECHANICS

- It is my intention to publish a single year Resource DEL Budget for 2017-18 alongside a multi-year Capital DEL Budget.

- We must await the outcome of the Chancellor's Autumn Statement on 23 November, before the overall envelope for future years is known.

- A single year Resource DEL Budget will give the Executive further time to consider the implications of both the EU referendum and the Programme for Government priorities.

LEGAL IMPLICATIONS

- I have sought legal advice and am satisfied that the approach I will take to the Budget process respects the intent of paragraph 20 to the Belfast Agreement and satisfies the requirements of Section 64 of the Northern Ireland Act.

PRE-CONSULTATION

- In the past pre-consultation stakeholders have included:
  - NIC/ICTU- Umbrella organisation for NI unions
  - UNISON- Public sector union
  - NIPSA- Civil Service union
  - NICVA- Community and Voluntary Groups
  - CBI- Business Federation of Small Businesses
  - Equality Commission
  - Women's Policy Group
  - Institute of Directors
  - Construction Employer's Federation

However, the offer is available to any organisation that wishes to avail of it.

BACKGROUND:

1. The following table sets out our Resource and Capital DEL allocations for the Spending Review period.

Non Ring-fenced Resource DEL

£million	2016-17	2017-18	2018-19	2019-20	Growth Rate
Spending Review 2015	**9,745.0**	**9,821.0**	**9,827.5**	**9,853.8**	
PSNI Security Funding	32.2	34.3	33.7	31.1	
Open University & Immigration Health Surcharge	3.3	2.5	2.5	2.5	
Assembly Election Costs	-5.3				
Tampon Tax Allocation	0.1				
UK Budget - Barnett	5.8	64.9	69.3	70.2	
UK Budget - NI Air Ambulance	2.0	1.5	1.0	0.0	
Agreed Outcome after UK Budget	**9,783.2**	**9,924.2**	**9,934.0**	**9,957.6**	
					2016-17 to 2019-20
Not Yet Agreed/Finalised					
R&D Reclassification	-11.7	-11.7	-11.7	-11.7	**1.6% (Cash)**
Fresh Start					**-4.1% (Real)**
Fraud and Error	25.0	25.0	25.0	25.0	
Return of Welfare Reductions	20.0	20.0			
Dealing with the Past	30.0	30.0	30.0	30.0	
Dealing with Paramilitary Activity	5.0	5.0	5.0	5.0	
Dealing with Paramilitary Activity - Monitoring	0.8	0.8	0.8	0.8	
Shared Future	12.0	12.0	12.0	12.0	
Total	**9,864.3**	**10,005.3**	**9,995.1**	**10,018.7**	

Capital DEL

£ million	2016-17	2017-18	2018-19	2019-20	2020-21	Growth Rate
Spending Review 2016	**1,009.6**	**1,036.0**	**1,073.2**	**1,126.3**	**1,184.7**	
UK Budget	3.0	1.2	3.8	5.1	0.0	
Agreed Outcome after UK Budget	**1,012.6**	**1,037.2**	**1,077.0**	**1,131.4**	**1,184.7**	**2016-17 to 2020-21**
Not Yet Agreed/Finalised						**16.0% (Cash)**
R&D Reclassification	11.7	11.7	11.7	11.7	11.7	**7.4% (Real)**
Shared Housing and Education	50.0	50.0	50.0	50.0	50.0	
Total	**1,074.3**	**1,098.9**	**1,138.6**	**1,193.1**	**1,246.4**	

2. The former Chancellor advised in his March 2016 Budget that his Government would be seeking to reduce Resource DEL spending by £3.5 billion in 2019-20 and the then Chief Secretary advised in writing that the Barnett formula would apply in the normal way once the review of Westminster departmental budgets was complete.

3. The outcome of the referendum on EU membership has created economic uncertainty that has the potential to detrimentally impact on public expenditure. In the wake of the referendum result the Westminster Government has abandoned its target to deliver a budget surplus by 2020. Some commentators believe this will only delay

achievement of this target, lengthening the time over which austerity is implemented.

4. It is anticipated that the Chancellor's Autumn Statement will provide more clarity on future Public Expenditure allocations.

Committee Scrutiny

5. The DoF Committee recently raised the issue of legislation around the Committees' scrutiny of the Draft Budget.

6. The Northern Ireland Act 1998 states:-

   "The Minister of Finance and Personnel shall, before the beginning of each financial year, lay before the Assembly a draft budget, that is to say a programme of expenditure proposals for that year which have been agreed by the Executive Committee in accordance with paragraph 20 of Strand One to the Belfast Agreement."

7. Paragraph 20 of Strand One to the Belfast Agreement in turn states:-

   "The Executive Committee will seek to agree each year, and review as necessary, a programme incorporating an agreed budget linked to policies and programmes, subject to approval by the Assembly, after scrutiny in Assembly Committees, on a cross community basis."

8. DSO have provided legal advice that states that so long as the Assembly Committees get a reasonable opportunity to scrutinise the Budget before the Assembly votes on it the intent of paragraph 20 to the Belfast Agreement is respected and the requirements of Section 64 of the Northern Ireland Act are satisfied.

9. If, therefore, between the date of the presentation of the Budget to the Assembly and the vote on that Budget by the full Assembly, the relevant Committees have an opportunity to carry out a scrutiny exercise, the requirements of Section 64 will be satisfied.

10. The table below sets out a comparison of last year's timetable for Budget publication against the proposed timetable this year, factoring in time for Committee scrutiny.

Comparison of current Budget process to 2016-17

Key Steps	2016-17 Budget	2017-18 Budget (Indicative)
Written Assembly Statement	17 December 2015	19 December 2016
Budget document laid	13 January 2016	9 January 2016
Assembly debate and vote	19 January 2016	31 January 2016

3. EU REFERENDUM – PUBLIC EXPENDITURE IMPLICATIONS

LINES TO TAKE:

- DoF Officials have engaged fully with their counterparts in Treasury since the outcome of the 23 June referendum was announced, highlighting the uncertainty the decision to leave the EU will have for public expenditure here.

- Going forward the Executive will wish to consider the implications for public expenditure and EU programmes of the guarantee provided for ESIF projects signed before the date of Britain's exit from the EU.

- Whilst I welcome the extension of the guarantee I remain concerned it does not cover all our EU funding – an issue recently highlighted by the Infrastructure Minister in relation to the York Street Interchange project;

- Liaison with the Treasury at both Ministerial and official level will continue to ensure we get a fair deal in respect of any settlement beyond the date of Britain's departure from the EU.

Background:

1. Following the vote to leave the EU, Treasury commissioned an exercise at short notice to assess the potential impact on public expenditure as a consequence of the decision to leave the EU. The request sought to identify the extent of funding already committed and the timing of future commitments relating to EU funding.

2. Following this exercise, the Chief Secretary to the Treasury wrote to confirm that in respect of European Structural and Investment Funds (ESIF) the Treasury would provide an assurance that all ESIF projects

with signed contracts or funding agreements in place, or where there are projects and contracts which are due to be signed in the ordinary course of business before the Autumn Statement, will be fully funded, even when specific projects continue beyond the UK's departure from the EU. The letter from the Chief Secretary guaranteed that the North would receive the same level of funding that it would have received under Pillar 1 of CAP until the end of the Multiannual Financial Framework in 2020.

3. The Chancellor has since announced and this has been confirmed in a further letter from the Chief Secretary to the Treasury that funding for ESIF programmes will be guaranteed for projects signed up to the date that Britain leaves the EU. The date of departure from the EU has not been confirmed, however the Prime Minister has said Article 50 will be triggered before the end of March 2017 and assuming a 2 year period of negotiation, then Britain's exit from the EU should take place before 31 March 2019.

4. The Infrastructure Minister has recently indicated that the York St Interchange project could be at risk due to insufficient funding, due in part to the decision to leave the EU and the uncertainty that has created around future EU funding.

5. Treasury officials have indicated that a further exercise will be undertaken to map and monitor the impact of an EU exit on the fiscal position and DoF will provide input to this.

6. The Chief Secretary's letter of 12 August indicated and Treasury officials have confirmed that discussions will soon commence on the nature of any funding arrangements beyond the date of exit from the EU.

4. ONS CLASSIFICATION OF HOUSING ASSOCIATIONS

LINES TO TAKE:

- The Office for National Statistics (ONS) published the decision on the classification of Housing Associations (HAs) in each of the devolved regions on 29 September. ONS concluded that Housing Associations in the North of Ireland were subject to public sector control and as such would be classified to the public sector.

- The main budgetary impact of this decision is that the external borrowing of the HAs will require Capital DEL budget cover.

- The Chief Secretary to the Treasury has already confirmed they will not expect external borrowing of the Housing Associations to be reflected in 2016-17 budgets.

- We have already taken the first step to securing agreement from the Chief Secretary to extend that derogation. The Executive met on 29 September and agreed that changes to legislation should be progressed that will allow the ONS classification to be reversed.

- I have written to the Chief Secretary to the Treasury to formally request that the implementation of the budgetary changes, arising as a result of the housing association reclassification, be delayed to allow the necessary legislative and regulatory changes to be progressed. My officials continue to work with their Department for Communities colleagues to ensure all necessary actions are taken.

Background

1. The Chief Secretary to the Treasury wrote to the Minister on 9 September clarifying that the Executive will not be treated less favourably than UK Government departments dealing with this issue.

2. The Chief Secretary provides an assurance that there is no expectation of external borrowing by NI Housing Associations impacting upon 2016-17 budgets.

3. This arrangement will be revisited for future years with much depending upon the Executive demonstrating that plans are in place to implement the necessary changes to enable a review and ultimately a reversal of this classification decision by ONS. The Executive met on 29 September and agreed that steps should be taken to ensure that the ONS classification could be reversed.

4. Department for Communities (DfC) are taking forward the work on the legislative and regulatory changes necessary to return the case to ONS.

5. Information provided by DfC formed the basis of the letter to the Chief Secretary to the Treasury sent on 19 October 2016. In detailing the steps being taken by the Executive and the proposed timetable for those changes we have sought CST agreement to further delaying the implementation of the budgetary changes pending the reversal of the ONS determination.

5. COMMUNITY REGENERATION FUND

LINES TO TAKE:

- As part of its 'First Step Stimulus package', the Executive has agreed in the October Monitoring Round to provide £5 million Capital DEL in 2016-17 for a Community Regeneration Fund.

- The Community Regeneration Fund is aimed at funding infrastructure projects in our most deprived and marginalised communities, seeking to maintain momentum on peace building and enhance our diverse heritages.

- I plan to engage with Ministers over the coming weeks to identify suitable projects. Details of allocations under the Community Regeneration Fund will be outlined to the January Monitoring round.

<u>Background</u>

1. The Executive agreed in the October Monitoring round to set aside £5 million Capital DEL in 2016-17 for a Community Regeneration Fund aimed at targeting infrastructure projects in our most deprived and marginalised communities. The funding is expected to be made available from utilising RRI Borrowing not required by the Public Sector Transformation Fund in this year and as such projects identified should be suitable for borrowing.

2. It is planned that projects will be identified through engagement with departments over the coming weeks and funding allocated subject to Executive agreement in the January Monitoring round.

3. It will be for individual departments to determine how projects are identified, however given the short timeframe and the limited funding

available, it is likely departments will not seek applications to the fund. Instead it is likely allocations will go to infrastructure projects in deprived and marginalised communities already identified by departments but not currently funded.

6. IN-YEAR MONITORING ROUND PROCESS

LINES TO TAKE:

- The Executive has adopted a more efficient and effective approach to the monitoring round process.

- This process no longer requires the submission of bids by departments. The submission of a wish list of bids did not give a good indication of real pressures and it led to a slow and cumbersome negotiation.

- Instead key pressures are now identified through ongoing engagement between DoF and departments. The new process will allow the Executive to focus on, and react quickly to, the key emerging pressures.

- The new approach is consistent with the position adopted in Scotland, Wales and the South where Parliamentary scrutiny takes place through the Estimates process and focuses upon in-year changes to budgets with no reference to bids.

- In keeping with the practice in those jurisdictions, the Executive does not disclose its deliberations in reaching an agreed Monitoring round outcome. The focus of scrutiny is on the outcomes.

- The swift conclusion of the June and October Monitoring Rounds demonstrates the efficiency on the new approach.

- It is for individual departments to determine the information presented to their Committees.

Background

1. The new Executive has introduced a more streamline and time-efficient monitoring process that allows the Executive to make earlier decisions on allocating in-year resources to key Block-level strategic pressures. This new simplified process also means that there is no 'wishlist' of unrealistic funding expectations built up within each department at the time of Monitoring Rounds.

2. The previous monitoring system invited all departments to submit a list of all their pressures to the Finance Department for consideration. This wishlist of 'bids submitted' reflected everything that a department would like to do in an ideal world. There was no acknowledgement of the actual financial reality confronting the Executive. This system of 'bid invitations' regularly saw the Executive having to consider a list of costs amounting to several hundreds of millions – almost all on the Resource DEL side.

3. The new system doesn't invite 'bids' from departments. Instead key pressures within each department are now identified through intensive engagement between DoF (Supply Officers) and all departments. The new process allows Finance to identify pressures that Finance believe merit consideration as a 'Block level' strategic pressure. These Block level strategic pressures are then considered and factored into the Finance Minister deliberations that are then reflected into an Executive Monitoring Paper. This approach allows the Executive to focus on, and react quickly to, the key emerging strategic pressures.

4. This new approach is consistent with the position adopted in Scotland, Wales and the South where Parliamentary scrutiny takes place through the Estimates process and focuses upon in-year changes to budgets with no reference to bids. In keeping with the practice in those jurisdictions, the Executive does not disclose its deliberations in reaching an agreed Monitoring round outcome. The focus of scrutiny is on the outcomes.

5. Assembly Committees can however still ask for the full range of pressures etc that might exist within each department. It is for individual departments to consider how transparent they want to be with their Committees. There is no inconsistency in terms of the Executive's

approach to considering Block strategic pressures and the Assembly Committees desire to know more about the various pressures within individual departments.

6. The swift conclusion of the June and October Monitoring Round demonstrates the efficiency on the new approach.

7. INVESTMENT FUND

LINES TO TAKE:

- The Executive has agreed to establish a £100 million Investment Fund. This funding commitment stands despite the delay in setting up the Fund.

- The overall aim of the proposed Fund is to promote investment, economic growth and jobs in the North of Ireland. DoF officials continue to progress work towards establishing the Fund, working alongside the European Investment Bank.

- The Fund will be using public money (Financial Transactions Capital) and will seek to address access to finance market failure. The intention is that the Fund will provide loan, equity or mezzanine finance to viable local private sector projects that cannot obtain funding from commercial banks. Funding is expected to be provided at commercial terms to avoid falling foul of State Aid rules.

- The focus of the Fund is expected to be urban regeneration projects, including Grade A property, energy efficiency and low carbon projects.

- My officials will make best endeavours to ensure that the Fund is in place by Spring 2017. However, there is much uncertainty and greater reluctance on behalf of the European Investment Bank in playing an active role in delivery of, and co-investment into, the Fund in the post

EU referendum context. My officials are therefore currently reassessing possible delivery models.

Background:

1. Consultants Deloitte was appointed to progress the feasibility study and this work has now concluded. The objective of the study was to inform the scope, scale, design and investment strategy of the proposed Fund. In terms of managing this complex and cross-cutting project, a cross-departmental Project Board was established (involving the then DFP, DETI, Invest NI, DSD and SIB). This Project Board was engaged as the feasibility study progressed and Members commented on draft reports.

2. Subsequently, the Department appointed the European Investment Bank (EIB) to provide advisory services in setting up the Fund. This ensures that best international practice is incorporated into the Fund design. Strategic Investment Board (SIB) officials - Scott Wilson (Head of AMU) and Gregor Hamilton (SIB Legal Director) - have also been fully engaged on the Investment Fund work.

3. The delivery team consisting of DoF, SIB and EIB officials have now finalised the draft Investment Strategy. This was based on additional market testing consisting of structured meetings with the local banks, commercial property agents, Invest NI, DSD and specialist fund managers. The proposed draft Investment Strategy has also now been tested through a formal Market Engagement exercise, which was conducted through the Central Procurement Directorate.

4. The EIB, in liaison with DoF and SIB officials, is currently preparing the procurement documents for the fund manager procurement process. However, before we can launch the procurement, clarity on the classification of the Fund is required. DoF currently has a paper with the Office for National Statistics on classification issues and is currently awaiting the ONS response. This is a complex issue, especially given the novel nature of the Fund. The latest indication is that ONS will not be able to provide a view until November.

5. The EIB indicated at the meeting in Luxembourg on 30 August 2016 that they would be unlikely to take on the "Fund of Funds" manager role, or indeed co-invest into the Fund. This is because this activity would be outside of EIB core business and is more difficult to justify in the post EU referendum context.

6. Given the outstanding work required to establish the Fund, it is not expected to be in place until Spring 2017 at the earliest.

8. COMMUNITY SAFETY COLLEGE (DESERTCREAT)

LINES TO TAKE:

- In agreeing Budget 2016-17, the Executive has identified Desertcreat as a key flagship project. In addition a funding profile has been agreed for future years.

- Funding requirements have been further refined through the business case process. The official Community Safety College Steering Group has undertaken a review of the future viability of the training college. The findings of this review have informed an outline business case setting the overall strategic direction has now been approved by the Executive.

- The Programme Board can now develop the preferred option which would see the Northern Ireland Fire and Rescue Service (NIFRS) relocate its training facilities to Desertcreat, and the PSNI and NI Prison Service (NIPS) refurbish or extend their existing training estates.

BACKGROUND:

1. A revised training needs assessment last year identified a significant reduction in the projected number of training days, brought about primarily by budget reductions across the three Services and the resulting impact on recruitment.

2. OBC1 was approved by the Executive in March 2016. OBC 2, if approved, will form the basis for DoF approval to proceed to formal procurement stage.

3. Since the OBC1 was approved, a preference has emerged that the NICSC be taken forward as three projects with each Service accountable

to, and receiving funding direct from, the appropriate sponsor Department. The potential implications of this, and any subsequent changes in terms in governance arrangements, will be considered by the Steering Group and may result in a paper to the new Executive.

9. DORMANT ACCOUNTS

LINES TO TAKE:

- Some £7.15m is available for the North of Ireland expenditure under the "Dormant Accounts and Building Society Accounts Act 2008". As part of Budget 2015-16, the Executive agreed that these monies should be made available here through the establishment of a new Fund.

- Following announcement of the Fund in February 2016, my Department, as required under the Dormant Bank and Building Society Accounts Act 2008, will direct the Big Lottery to develop a Strategic Plan for the utilisation of the fund in the North of Ireland. This Strategic Plan will be laid before the Assembly and will include details of how the Fund will operate including criteria for accessing the Fund.

BACKGROUND:

1. The funds released by the Reclaim Fund are apportioned according to the Barnett Formula, as set out in "The Distribution of Dormant Account Money (Apportionment) Order". To date £7.15m is available to meet expenditure here, with £1.3m being received in 2011-12, £1.4m in 2012-13, £2.3m in 2013-14, £1.4m in 2014-15and £0.75m in 2015-16.

10. A5 WESTERN TRANSPORT CORRIDOR

LINES TO TAKE:

- On 14 April 2016, the former Department for Regional Development appointed the Planning Appeals Commission to administer a Public Inquiry into the Scheme.

- The Inquiry opened on 4 October 2016 and will allow views on the scheme to be heard. It is envisaged that the Infrastructure Minister will receive the Inspector's Report in May/June 2017.

- It wouldn't be appropriate for me to comment on these proceedings as it is very much a matter for the Planning Appeals Commission.

- This significant project has been designated as a Flagship project by the Executive in its Budget 2016-17 and proposes the ultimate construction of 53 miles (85km) of new dual carriageway between Newbuildings and Aughnacloy.

- The A5 scheme is a significant project, funded in part by the government in the South to improve access to the North West, including Derry, and improve safety and journey times on this strategically important route.

- The Executive had committed £13.2m towards the project in the 2016-17 financial year, however the Fresh Start Agreement acknowledged that the timescale for the construction of the A5 would be dependent on planning issues.

BACKGROUND

1. The A5WTC project will provide 85km of new dual carriageway between New Buildings and Aughnacloy. The scheme will improve road links between Derry, Strabane, Omagh and the South of Ireland.

2. The initial draft statutory orders (Vesting Order and Direction Order) for the scheme were published in September 2012. However, as a result of a legal challenge on behalf of the Alternative A5 Alliance, these Orders were quashed in April 2013.

3. 'A Fresh Start: the Stormont Agreement and Implementation Plan' contains a commitment by both the Executive and the Irish Government to commence construction of the first phase of the A5WTC in 2017 with a view to completion in 2019.

4. In order to provide the flexibility required to deliver the scheme in line with the 'Fresh Start' commitments, TransportNI officials have made a number of adjustments to the statutory orders.

5. On 16 February 2016 the Department published, for consultation, the draft Vesting Orders for the following phases of the scheme:

   - Phase 1A - New Buildings to north of Strabane;
   - Phase 1B - south of Omagh to Ballygawley; and
   - Phase 2 - north of Strabane to south of Omagh.

6. The Department also published the draft Direction Order for the length between New Buildings and Ballygawley and a new Environmental Statement covering the full extent of the scheme between New Buildings and the border at Aughnacloy.

7. New draft Vesting and Direction Orders for the section between Ballygawley and the border at Aughnacloy (Phase 3) are not being taken forward until details of the link with the N2 in the Republic of Ireland have been clearly identified. This section was however included in the new Environmental Statement which must take account of the full extent of an overall project.

8. The consultation period extended to 2 June 2016. During this time the DfI received 991 representations on the proposal. These predominately relate to loss of land or accommodation works, increased noise and air pollution, the strategic need for the scheme and value for money.

9. The Planning Appeals Commission opened the public enquiry on the new proposals for the A5 on 4th October 2016 and it is expected to last between 4 and 6 weeks.

11. NARROW WATER BRIDGE

LINES TO TAKE:

- The bridge is primarily an infrastructure project and responsibility would sit between the Department for Infrastructure (DfI) in the North and Department for Transport, Tourism and Sport (DTTAS) in the South.

- I have met with Narrow Water Bridge Community Network, Catriona Ruane, Minister Hazzard and Michael Noonan T.D earlier this year to discuss this project.

- The 'Fresh Start' agreement, 17 November 2015, noted the Irish Government remained committed to the concept of the Narrow Water Bridge and the Northern Ireland Executive and the Irish Government agreed to undertake a review of the project with a view to identifying options for its future development. That initial review has now been completed and a paper on options to progress the Narrow Water project was considered by Ministers at the NSMC Plenary in Dublin on 4th July.

- The review has confirmed the potential for the Narrow Water Bridge to deliver significant economic and social benefits for the lower Mournes and Cooley Peninsula. I welcome this and the recognition within the review that if we are to deliver the maximum benefits for local people and businesses, the Narrow Water Bridge needs to be progressed as part of an integrated programme to unlock the significant tourism potential of the area.

BACKGROUND

- The Narrow Water Bridge project was approved to the value of £15 million (€17.4m) under the INTERREG IVA Programme. The tenders received to deliver the project were substantially in excess of the INTERREG IVA funding approved - tenders ranged from £22.6 million to £34.8 million (excluding VAT).

- The Letter of Offer was subsequently withdrawn in order to protect the financial resources of the programme.

- There are no plans for the 2014-20 INTERREG VA programme to facilitate a renewed application for support to build a bridge at Narrow Water.

- This will not preclude consideration of such a project should a viable proposal be presented.

12. A6 BELFAST TO DERRY

LINES TO TAKE:

- In August the Infrastructure Minister announced the go ahead for the A6 Randalstown to Castledawson section, with construction set to commence in October.

- One of my key priorities is to redressing the infrastructure deficit west of the Bann, and the Executive's Budget 2016-17 allocated £258m from 2016-17 to 2020-21 to improve this key transport corridor

- Work is also currently underway to determine the extent of the dualling of the A6 Derry to Dungiven section, including a bypass of Dungiven, which can be delivered within the funding allocations for the 2016 to 2021 period set out in the Executive's Budget.

BACKGROUND:

A6 Randalstown to Castledawson dualling scheme

1. This scheme comprises two distinct sections of dual carriageway located either side of the A6 Toome Bypass. A 4.5 miles (7.3 km) section from the end of the M22 to the eastern end of the Toome Bypass and a 4.2 miles (6.7 km) section from the western end of the Toome Bypass to the existing Castledawson Roundabout.

2. On 17th August 2016 the Infrastructure Minister announced the decision to proceed with the construction of the Randalsdtown to Castledawson scheme with construction expected to commence in the.

3. The allocations for the A6 set out in the December 2015 Budget Statement enables the construction of this scheme to commence in the 2016-17 financial year subject to DoF approval of the business case.

A6 Derry to Dungiven dualling scheme

1. The 19 miles (30km) scheme is well advanced in terms of development having been through Public Inquiry in September 2012.

2. Subject to making the statutory orders, approval of the final business case and successful procurement, it is possible that the first phase of the scheme could commence in the latter part of 2018-19.

13. RENEWABLE HEAT INCENTIVE

LINES TO TAKE:

- I am deeply concerned by the significant overspend which has emerged within the Department for the Economy budget as a result of the Renewable Heat Incentive scheme.

- Anyone who has read the recent Audit Office report will agree there have been shortcomings in both the design and management of this scheme.

- I understand that the Department for the Economy has projected a funding deficit of circa £30million for the Renewable Heat Incentive scheme in this financial year.

- It is for the Economy Minister to respond to these concerns and to consider how this financial pressure should be addressed in the context of a challenging financial outlook.

IF PRESSED ON OCTOBER MONITORING

- As part of my October Monitoring statement I confirmed that the Executive has set aside £20 million Resource DEL centrally to meet pressures anticipated in relation to the Renewable Heat Incentive scheme.

- This pressure contributed to the Executive's overcommitment following the October Monitoring round. Members will be aware from my October Monitoring statement that we face significant constraints in our Resource DEL position in the current year. Therefore, aside from meeting a small number of prior commitments, no Resource DEL allocations were made.

BACKGROUND:

1. The high level of uptake experienced within the Department for the Economy's Renewable Heat Incentive has resulted in significant budgetary pressures. The Department's management of this scheme was the subject of a NI Audit Office report, published 5 July 2016, which concluded the scheme had serious systemic weaknesses from the start and was potentially vulnerable to abuse.

2. The Department for the Economy (DfE) has projected a funding deficit of circa £30 million for the Renewable Heat Incentive scheme in this financial year. The department registered an inescapable pressure of £20 million as part of the 2016-17 June Monitoring exercise.

3. No allocation was made to DfE for RHI against this pressure, reflecting the Executive's position that every effort should be made to reduce this pressure.

4. As part of October Monitoring, DfE reallocated £5.6 million of departmental funds towards the RHI pressure.

5. Taking account of the £20 million set aside for RHI, the Executive concluded the October Monitoring round with an overcommitment on Resource DEL of £27.4 million. It is anticipated the Executive will revisit the RHI pressure in the January Monitoring round.

6. The table below sets out the AME funding which is available to DfE for the RHI scheme. Any expenditure above this profile must be funded from the Executive's DEL budget.

	2016-17	**2017-18**	**2018-19**	**2019-20**
RHI AME Allocation	£18.3m	£22.3m	£25.7m	£28.9m

14. **APPRENTICESHIP LEVY**

LINES TO TAKE:

- I have listened carefully to concerns expressed by the business community regarding the introduction of an Apprenticeship Levy.

- While Tax policy remains largely a Reserved Matter, the introduction of this levy will have clear implications for skills policy in the North of Ireland which is fully devolved.

- While my colleague Minister Hamilton will be considering the policy implications of the introduction of this new Levy, I am focused on the Public Expenditure implications.

- It is clear from the information provided by Treasury that the additional expenditure on apprenticeships in England resulting from the introduction of this levy will be largely offset by reductions elsewhere in apprenticeships budgets. As members will be aware, the Barnett Formula provides us with a population share of both increases *and* reductions in spend in England – therefore Treasury are giving with one hand but taking away with the other.

BACKGROUND:

1. There has been engagement at official level with Treasury on the Public Expenditure implications of the UK-wide Apprenticeship Levy.

2. In his letter dated 12 August, David Gauke has confirmed that an additional £8.2 million will be made available in 2017-18 followed by £3.7 million in 2018-19. This additional funding is being allocated in

response to a higher level of funds being raised through the Levy than will be spent in the early years.

3. It is the Treasury position that the proposed allocations now fulfill their commitment to ensure the devolved administrations receive a fair share of the Apprenticeship levy during the Spending Review period.

4. While the NI Executive will benefit from the additional Barnett consequentials arising from Apprenticeship Levy funded expenditure, these will be partially offset by the negative consequentials resulting from the cessation of expenditure on apprenticeships elsewhere within BIS and DfE departments in Whitehall. The table below shows the net allocation to the North of Ireland arising from the introduction of the Apprenticeship Levy, including the additional allocations notified by the CST.

	2017-18	**2018-19**	**2019-20**
Apprenticeships funded by Levy	+66	+74	+80
Additional funding notified by CST on 12 August	+8	+4	-
Other apprenticeships	-52	-52	-52
Net impact on NI RDEL	+22	+26	+28

15. BUSINESS CASE PROCESS AND APPROVAL

LINES TO TAKE:

- Business Cases belong to the department or organisation taking the spending decision and it is for the owner of each document to consider whether the information can be published.

- The Freedom of Information Act already provides a mechanism by which interested parties can access information including information contained with Business Cases.

- The DoF Supply approval process represents a second round of scrutiny, challenge and quality assurance.

- In reviewing a business case Supply will seek to make a judgement as to whether a project is in line with strategic objectives, is affordable and demonstrates the potential to deliver value for money.

- In forming this judgement, Supply considers the costs, benefits and balance of risks associated with the project.

- It is the responsibility of departments to ensure that they adhere to all Supply approval conditions.

16. FRESH START ACTION PLAN – TACKLING PARAMILITARY ACTIVITY - THREE PERSON PANEL REPORT

LINES TO TAKE:

- Money to be made available from the UK Government has not been requested for draw down in the 2016/17 financial year, and will be drawn down at the appropriate time. There is no risk that this funding will be lost as the commitment in the Fresh Start Agreement was for an additional £25 million over 5 years. As such £25 million remains available over the coming 4 years.

- The Department of Justice is taking this work forward in order to draw down funding from April 2017. In the meantime, £4m of the £5m provided by the Executive in 2016/17 in support of early work to support communities and enhance law enforcement has been allocated.

- The Executive action plan was published on 19 July 2016 and sets out the Executive's response to the Three Person Panel report and intended next steps for implementation. The NIO is engaged at official level with DoJ as the policy and implementation plans are further developed.

- The Executive is focused on getting this important strategy right and will work with communities and statutory organisations to ensure effective implementation plans are developed.

- Further implementation plans referenced in the foreword to the Executive action plan will be submitted to the Executive for consideration before being shared more widely.