

From: [Kelly, Nicole - HMT](#)
To: [Private Office DFP](#); [Sterling, David](#); Mike.Brennan@dfpni.gsi.gov.uk
Cc: [CST Action](#); [McKeever, Maryjo - HMT](#)
Subject: Spending Review and Autumn Statement 2015 - Northern Ireland Executive CST to Storey 15 January 2016
Date: 15 January 2016 17:21:25
Attachments: [DOC150116-15012016170609.pdf](#)

Please see attached letter from the Chief Secretary to the Treasury regarding the spending review settlement for the Northern Ireland Executive.

Kind Regards,

Nicole

[Nicole Kelly](#) | Locum in Chief Secretary's Office | 0207 270 5093

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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mervyn Storey MLA
Minister for Finance and Personnel
Clare House
303 Airport Road West
Belfast BT3 9ED

17th January 2016

Dear Mervyn,

SPENDING REVIEW AND AUTUMN STATEMENT 2015 – NORTHERN IRELAND EXECUTIVE

Congratulations on your appointment as Minister for Finance and Personnel. I look forward to working closely with you and continuing the open and constructive relationship that Arlene and I have enjoyed. I would be very happy to have an early meeting, and if you have any plans to be in London please do contact my office.

2. This letter records the settlement for the Northern Ireland Executive following the outcome of the combined Spending Review and Autumn Statement which the Chancellor delivered on 25 November 2015

3. I am also grateful for the constructive nature of the engagement with the Treasury by your predecessor and your officials in advance of the Chancellor's announcements.

Resource DEL, capital DEL and financial transactions capital DEL allocations

4. The Barnett Formula was applied to changes in UK Government departmental allocations in the usual way, reflecting the updated comparability factors, which were shared in advance, and the latest mid-year estimates of population. The outcomes of these calculations on the Northern Ireland Executive's allocations for Resource DEL, Capital DEL and within CDEL ring-fenced financial transactions are set out in Annex A.

5. You will have noted that RDEL allocations have been set for 4 years, through to 2019-20. In order to provide some additional security for longer-term planning for investment, CDEL allocations have been set for one additional year.

Block grant adjustment – Long-Haul Air Passenger Duty (APD)

6. As agreed between the previous Chief Secretary and the then-Minister for Finance and Personnel Sammy Wilson, it is necessary to adjust the Executive's block grant to adjust for the impact of the devolution of long-haul Air Passenger Duty (APD).

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7. The following table sets out the RDEL block grant adjustment over the SR period, based on forecast growth rates for UK long-haul passengers. The 2015-16 figure does not reflect the adjustment made for this financial year, but instead sets a new baseline for the Spending Review period.

£ million	2015-16	2016-17	2017-18	2018-19	2019-20
Standard rate adjustment	0.309	0.319	0.329	0.338	0.346
Reduced rate adjustment	1.830	1.847	1.896	1.945	1.997
Total adjustment	-	2.166	2.224	2.283	2.343

Corporation Tax

8. As set out in the 'Fresh Start' agreement, the UK Government remains committed to the devolution of corporation tax rate-setting powers if the Northern Ireland parties meet their commitments in the Stormont House Agreement. This includes demonstrating that the Executive's finances are on a sustainable footing for the long-term.

9. There are two further areas that we need to progress so that we are in a position to proceed if these commitments are met. I am pleased that on the first of these, a Memorandum of Understanding has been agreed that will allow HMRC to start work to update IT systems. I am content for officials to take forward further discussions on the second area on arrangements for a block grant adjustment to deal with the direct and behavioural effects of devolution, over coming months.

Temporary accommodation management fee

10. The existing fee paid to local authorities in Great Britain for the costs associated with managing temporary accommodation is due to end in April 2017. Currently an AME cost managed by the Department for Work and Pensions in Great Britain, the Executive has in the past received AME cover sufficient to cover the costs generated in Northern Ireland.

11. In England, from 2017-18 funding will be provided to the Department for Communities and Local Government through DEL. The Barnett formula has been applied to the overall DCLG settlement in the usual way. Decisions on the mechanisms and levels of funding to support the relevant bodies in Northern Ireland for their responsibilities in similar areas are now for the Executive to take from within available resources.

Coastal Communities Fund

12. The Coastal Communities Fund will continue to be funded annually from the Reserve. For allocations in 2017-18 and beyond, the annual allocation for Northern Ireland will be set at 33

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per cent of the gross marine revenues of the Crown Estate in Northern Ireland two years previously.

Renewable Heat Incentive (RHI)

13. As in the previous Spending Review period, AME cover based on a population-proportionate share of the budget which has been set for the Renewable Heat Incentive in Great Britain will continue to be made available to the Northern Ireland Executive. The level of cover available is therefore £18.3, £22.3, £25.7 and £28.9 million from 2016-17 to 2019-20. Any spending on RHI above this level will need to be funded from the Executive's DEL budgets or other sources of income.

Ring-fenced PSNI Additional Security Funding

14. The PSNI bid for Additional Security Funding for this Spending Review period has been met in full. Ring-fenced sums of £32.24, £34.26, £33.71 and £31.14 million will be added to the NI Executive block grant from 2016-17 to 2019-20, to be used specifically for the purposes set out in the PSNI bid. This funding is made available on the understanding that the commitments entered into in relation to police funding to be provided from the Executive's overall block grant in both the Stormont House and the Fresh Start agreements are honoured.

National Cyber Security Programme

15. The National Cyber Security Programme will support cyber security across the UK, according to the objectives set out in the National Cyber Security Strategy, to be revised in 2016. Where the devolved administrations are responsible for the delivery of specific cyber objectives, they will be able to bid to the Cabinet Office for programme funding for transformational projects to effect significant improvements to the UK's cyber security. The National Cyber Security Programme will not fund routine or 'business as usual' cyber security activity which would otherwise be funded from within existing devolved administration budgets. Further details will be set out by the Cabinet Office in due course.

Apprenticeship Levy

16. I am pleased that our officials are engaging on the Apprenticeship Levy, as they work to ensure that Northern Ireland, Scotland and Wales all receive their fair share of the levy. As I have previously highlighted, we have no intention to undermine your flexibility over skills and apprenticeship policy within your responsibilities, and we aim to develop a system which as far as possible complements your policies. It remains a priority to ensure the Levy will have transparent and fair funding flows for employers right across the UK.

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Changes to Housing Benefit and interactions with rents in the Social Rented Sector

17. Following the Summer Budget, I set out that the devolved administrations would be expected to identify proportionate savings in relation to Housing Benefit to those which will be delivered from the down-rating in rents in the Social Rented Sector in England. The Spending Review and Autumn Statement introduced further reforms to Housing Benefit. It is clear from the discussions officials have had to date that there are complex interactions between the AME costs of Housing Benefit, and the role of the devolved administrations in relation to general housing policy. I cannot accept that it is fair to taxpayers across the UK to permit costs generated by Housing Benefit in Northern Ireland to continue to rise, as a direct result of policy decisions on rents in the social rented sector taken by Northern Ireland Executive Ministers, a position I trust you will understand. Officials should continue to explore these issues in order to provide further advice on the options available to move forward.

Donations to women's charities

18. Your predecessor wrote to me on 27 November regarding the Chancellor's Spending Review announcement of a fund for women's health and support charities. Details of the bidding process will be set out in due course, and we will follow this up with you in the New Year.

Spectrum charges

19. The Northern Ireland Executive is the holder of electromagnetic spectrum, for which it has to pay an annual charge. This is to ensure that publically held spectrum is used efficiently. The RDEL charge on the Executive will be £188,632. This fee should be paid to Ofcom. Where the Executive clears spectrum for full release or enters into sharing arrangements that have the effect of freeing up high-value bandwidth for productive civil use, charges for that spectrum will be abated accordingly.

Finance Ministers' Quadrilateral meeting

20. I recognise the value of the Finance Ministers' Quadrilateral (FMQ) meeting to discuss financial issues of mutual interest, alongside the bilateral conversations that I have recently been prioritising. I therefore suggest that an FMQ meeting takes place alongside the forthcoming Joint Ministerial Committee (Plenary) meeting.

Setting the Executive's 2016-17 Budget – accessing ring-fenced funding and borrowing.

21. Our officials have had useful initial discussions on the process for constructing the Executive's 2016-17 budget. However, I was disappointed that the Executive decided to agree a budget for next year and put the substance of this budget into the public domain without clear agreement from the Treasury. As the Secretary of State set out in her letter of 17 December,

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22. Whilst I understand the compressed timescales within which you are working, I trust that engagement will continue at each stage of the budgetary process. I expect to be provided the opportunity to give consent to the proposed budgetary treatment of each element of Stormont House or Fresh Start agreement support before it is presented to the Assembly, to ensure that the capacity for misunderstanding is minimised.

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Yours ever,

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GREG HANDS

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Annex A

Table 1 sets out the Northern Ireland Executive's Barnett-formula determined DEL outcomes from Spending Review 2015, covering the years 2016-17 to 2020-21.

All figures are in £million and include VAT. These control totals are set inclusive of all tax liabilities arising from your department's activities.

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From: [Brennan, Mike](#)
To: [Scott, Michelle](#)
Cc: [Morelli, Emer](#)
Subject: FW: Budget 2016-17
Date: 18 January 2016 09:38:49
Attachments: [Letter to Minister Storey.pdf](#)

Michelle – formal confirmation of the HMT position on RHI. DETI now need to appreciate that the DEL excess is their primary responsibility as the Executive has not agreed to fund this through DEL

M

From: Aiken, Glynis
Sent: 15 January 2016 19:18
To: Brennan, Mike; McBurney, Joanne; McGuinness, Jeff
Cc: Private Office DFP
Subject: Fw: Budget 2016-17

Folks

To note attached from DSD Minister. This will be set up formally for response on Monday

G

From: Private Office DFP <Private.Office@dfpni.gov.uk>
Sent: Friday, 15 January 2016 18:10
To: Aiken, Glynis
Subject: FW: Budget 2016-17

From: Wilson, Sarah
Sent: 15 January 2016 18:10:10 (UTC) Dublin, Edinburgh, Lisbon, London
To: Private Office DFP
Cc: Private Office DSD
Subject: Budget 2016-17

Please see attached for your Minister's attention.

Sarah Wilson | Private Secretary to Lord Morrow MLA, Minister for Social Development |

5th Floor | Lighthouse Building | Gasworks Business Park | Belfast | BT7 2JB

Contact: ✉ sarah.wilson@dndni.gov.uk ☎ **Tel:** (028) 9082 9034 | ☎ **DD:** 38034



From: The Minister

5th Floor
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB

e-mail: private.office@dsdni.gov.uk

Tel: (028) 9082 9034

Mr Mervyn Storey
Minister of Finance
Parliament Buildings
Ballymiscaw
Stormont
Belfast
BT4 3XX

Our ref: SUB/0052/2016

15 January 2016

Dear Mervyn,

2016-17 BUDGET

First of all, congratulations on your appointment as Finance Minister.

As I am sure you are aware, the issue facing all Executive Ministers at this time is the budget for 2016-17. In your previous role you will also have been very focused on the challenges facing the new Department for Communities.

DSD tabled a number of inescapable bids as part of the 2016-17 budget process, including £20m for the implementation of Welfare Reforms. It is a major concern for the provisional DfC budget that this bid was not met as the funding is required for the introduction of Personal Independence Payments starting in April 2016. As you know, this issue was raised with your predecessor at the time. I am aware that officials from our respective departments are corresponding on the detail of this. Nevertheless, I would request a guarantee that this will be addressed in the June monitoring round. In simple terms, my Department cannot wait the outcome of the June monitoring round before taking on operational commitments, as this would lead to further delays in implementation of the welfare changes.

Two smaller, but still important, issues are the future funding of the commitments in Fresh Start for independent advice centres and women's participation in community development. Paragraph 3.1 of Section C of Fresh Start states: 'The Executive, in



preparing its budget for next year, will provide additional funding for independent advice services in recognition of the complexity of welfare and tax credit changes.' At paragraph 3.9 of Section A, there is an Executive commitment to, amongst other things, 'development of a programme to increase the participation and influence of women in community development'. While the Department was allocated £100m for Fresh Start in the budget paper, these elements of work were not included within that allocation. Indeed, a bid for £1.3m for measures to tackle disadvantage through the Women's Centres Childcare Fund was not met. As there are Executive commitments in the Fresh Start document, the Department has not made provision from its significantly reduced baseline to fund these areas of work. Therefore, I would welcome a commitment that funding for these areas will be provided in June Monitoring also.

I would like to take this opportunity to welcome the flexibility that will be provided in June Monitoring. However, I am concerned that the timeline on June Monitoring will not allow sufficient time for the incoming Ministers to properly assess their priorities against allocations. June Monitoring returns will have to be with your Department at the beginning of June and the new Minister will only have been in post for a couple of weeks at this point. In order for new Ministers to properly establish their priorities and allocate sufficient budget against these, another opportunity to align budgets is required.

I should be grateful therefore for your consideration of these important matters and would seek confirmation that the necessary funding will be made available.

Yours sincerely



LORD MORROW
Minister for Social Development