# PUBLIC EXPENDITURE

# UPDATE ON BUDGETARY MATTERS

## STATEMENT TO THE ASSEMBLY

BY

CONOR MURPHY MLA

MINISTER OF FINANCE

15 FEBRUARY 2022

## Introduction

Ceann Comhairle, I would like to update Members on where we stand with a range of budgetary issues.

Funding allocations are normally decided by the Executive so the absence of an Executive following the resignation of the First Minister creates significant difficulties.

Having considered the options for progressing budgetary matters and taken legal advice from DSO and the Attorney General I can now set out the approach I intend to take.

## Multi-Year Budget

I will start with the multi-year budget. In December the Executive agreed to consult on a draft budget. This draft Budget provided Health with a 10% real terms uplift by 2024-25, in the process funding mental health, waiting list, and cancer strategies in full. It provided a solid

financial basis to transform the Health service and bring down waiting lists on a sustainable basis.

Since the resignation of the First Minister I have considered all possible avenues that might have allowed me to proceed with a Budget, including bringing it directly to the Assembly.

Unfortunately, the legal advice is clear that the budget must be agreed by the Executive. This means that on the 1st of April the Health service will not be able to plan on a 3 year basis, nor will it be equipped with additional resources to invest in waiting lists, cancer services, and mental health. In these circumstances, rather than improving, the health service will decline.

Last week the Health Minister apologised to people on waiting lists because without a multi-year budget, the opportunity to rebuild the Health service would be “cruelly taken away”. That analysis is sadly correct, although it should be the DUP apologising for the damage it is inflicting on the Health Service, not Minister Swann.

Ceann Comhairle, with no prospect of a Budget in this mandate it will be a new Executive with new Ministers which will have to agree a Budget. In this context the current consultation is of limited value. I have therefore decided to pause the public consultation for now. A new Executive will be best placed to take further decisions on how the Budget process will proceed.

## Additional 2022-23 Funding

Members will be aware of my intention to carry over a significant amount of money, in order to ease pressures faced by Departments next year.

£100 million of funding resulting from the recently announced Council Tax rebate in England can be carried forward to 2022-23.

We will also receive an additional £150 million in 2022-23 following the announcement of a discount on electricity bills for consumers in Britain.

The Executive can also carry over a limit of £104.3 million in unspent Resource. Currently, £95.0 million is unspent and I would recommend that at least £50 million is carried over.

This means that the Executive, if it were still in place, could allocate in the region of an extra £300 million to Departments for next year, on top of the published Draft Budget position.

This money could have been used for various purposes including skills, housing, and the police service. I am particularly conscious that a number of community groups need to match-fund money from the European Social Fund. These groups help around 17,000 people, including people with disabilities, back into work. At the moment they do not have funding in place from 1st April and the tremendous service they provide is at risk of collapse. The Economy Minister could prioritise this within his own budget, which under the proposed draft Budget increases each year. However I would happily

recommend that the Department for the Economy receive additional funds to meet this need.

Unfortunately the legal advice is that this cannot happen without an Executive. So Departments cannot plan to make use of this additional £300 million in funding. Instead the money will sit idle, until such times as an Executive is re-established.

**2021-22 In Year Position**

With regard to the in-year position. As I have already said, the Executive can carry over £104.3 million in unspent Resource. Currently, £95.0 million is unspent, leaving little headroom if further underspends emerge at the end of the financial year.

In normal circumstances I would bring a paper to the Executive, recommending that £45 million is allocated now. The Departments for Communities, Education and Infrastructure have come forward with proposals to utilise

the available resources, and sufficient headroom has been built into their Spring Supplementary Estimates.

Having considered this matter at some length, and taken legal advice, I intend to proceed to make allocations to these departments. I have written to Ministers to ask them for their views on this course of action and have made clear to them that the alternative is that funding that could be used to support local people and services might instead be lost to the Treasury.

I have also written to the Economy Minister on the issue of community groups needing match funding for the European Social Fund. As I said, the Economy Minister could prioritise this within his own budget. And if the DUP had not collapsed the Executive, additional resources from the £300 million being carried over could have been allocated for this specific purpose. In order to ensure the continuation of this vital service I have asked Minister Lyons to consider another possible solution. Therefore if the Economy Minister wishes to support these groups, there is no reason why it cannot happen.

## Rates

Finally, the draft budget consultation included a proposal to freeze both the domestic and non-domestic regional rates for the next three years. This freeze was intended to help with the rising costs being faced by families and businesses alike.

On the basis of legal advice, I can proceed with this freeze for one year only. That means that households and businesses will not have certainty on their rates for the subsequent two years.

The draft budget also proposed a £50 million rate relief package for businesses. A Barnett consequential of £50 million arises from the removal of businesses' right to appeal NAVs on the grounds of the pandemic. This £50 million provided a three-month rates holiday for retail, tourism, hospitality, leisure, childcare, newspapers and airports – the sectors hardest hit by the pandemic. It also

provided all other businesses, except utilities and larger food stores, with a one month rates holiday.

Having taken legal advice, I intend to press on with this rates package, despite the absence of an Executive.

## Conclusion

Ceann Comhairle, the Executive should be on the cusp of agreeing a multi-year budget which prioritises Health. And it should be deciding how to invest an additional £300 million next year for housing, for skills, for the police, and for ESF match-funding.

Due to the reckless actions of the DUP, this is not possible. Instead, public services will operate on an emergency basis, without the benefits of long-term planning or additional resources, until such times as the Executive is re-established.

However I do intend to proceed to make £45 million of allocations for this year. And I have set out another

approach to the Economy Minister which may provide a solution for the community groups seeking match funding for their vital services. I will also press on with next year's rates freeze and the £50 million rates package for businesses.

I will continue to do my best to support public services despite the damage being caused by the DUP.