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**MEMORANDUM E (20) 209 (C)**

**FROM: CONOR MURPHY, MLA  
MINISTER OF FINANCE**

**TO: EXECUTIVE COLLEAGUES**

**DATE: 10 SEPTEMBER 2020**

**FINAL EXECUTIVE PAPER: PUBLIC EXPENDITURE: 2020-21 COVID-19  
ECONOMIC RECOVERY ASSESSMENT**

**INTRODUCTION**

This paper sets out the latest position on COVID-19 funding and departmental bids and seeks the Executive's agreement to a limited number of time sensitive allocations and a short deferral of more substantive allocations pending Executive discussion of its response to recovery.

**FUNDING AVAILABLE**

2. In August the Executive allocated a further £123 million towards urgent COVID-19 requirements that could not be deferred until September.
3. This left £128 million Resource DEL, £4 million Capital DEL and £180 million FTC available for allocation, with £69.4 million held centrally for PPE and £8.1 million for Transport. £600 million Resource DEL is also being held at the centre pending confirmation of expected health costs.

**OFFICIAL - EXECUTIVE**

## **OFFICIAL - EXECUTIVE**

4. This reflects all the funding currently available to the Executive for allocation and other than the centrally held amounts specified above does not attribute funding to specific purposes even though it may have been received as Barnett consequential on an England only allocation for a specific purpose or sector e.g. Arts, Local Authority or schools support.
5. As is normal, Barnett consequentials do not need to be allocated to the purpose for which they were provided and are available for the Executive to use in line with local needs and priorities.

### **Reduced Requirements**

6. A number of departments have indicated Capital reduced requirements totalling some £26.9 million. This brings the total available Capital for reallocation to £30.9 million.
7. While departments currently have the flexibility to reallocate funding internally I would ask that departments consider whether it may be more appropriate to surrender funding to enable it to be reallocated to higher priority areas across the Executive as a whole. Colleagues may also wish to consider whether there are any lower priority areas where spending could be stopped or reduced in order to divert funding to higher priority areas.

### **Health Costs**

8. With £600 million currently held pending an assessment of Health costs, a key factor which will influence the level of funding available for economic recovery is the quantum of this funding which will ultimately be required by Health.
9. The funding required by Health should be viewed in the context of the £374 million already provided for COVID19 related pressures and the general Health Resource DEL budget of £6.2 billion in 2020-21, which included £87 million for Transformation and reflected a 6.9% cash increase on the baseline.

## **OFFICIAL - EXECUTIVE**

## **OFFICIAL - EXECUTIVE**

10. I recognise that there are a number of issues that the Health Minister must take into account when assessing his department's funding requirement for the remainder of the year, including planning for a second wave and assessing the rebuilding of services. It is also vital that the capacity of the Health Service to utilise the funding in this financial year is taken into account.
11. However, I would urge the Health Minister to bring forward this assessment as soon as possible to allow the Executive to allocate any available funding to its response to recovery at an early stage. While the Executive is committed to providing the necessary support for the Health service, given the level of pressures identified by other departments it is imperative that the health assessment is realistic and takes account of the need to provide funding for other areas and do so as early as possible.

## **ECONOMIC RECOVERY BIDS**

12. Departments have submitted £323.3 million of Resource bids and £60.5 million of Capital Bids.
13. While all the bids could be considered as supporting economic recovery they fall into the broad categories of supporting public services (either through funding departmental pressures or supporting local government), education and skills, and support for social and economic wellbeing.
14. With the bids far outweighing the funding available I would welcome a discussion on the Executive's priorities for the allocation of this funding. While a large number of bids of varying amounts have been received, given the limited funding available it may be more appropriate to focus on the areas which will have the most significant impact.
15. As part of this it would be helpful to consider the approach to central government pressures arising as a result of COVID which I would suggest should only be funded if not doing so would be detrimental to public services. It may also be

## **OFFICIAL - EXECUTIVE**

## **OFFICIAL - EXECUTIVE**

opportune to consider the potential for reconfiguration of services to avoid having to continually provide additional Executive funding.

16. In regard to support for businesses and other sectors it would be helpful to have an understanding of the support being provided from with existing budgets. For example how the additional funding requested for Assistance to Business will complement the work already being undertaken by Invest NI
17. With this likely to be the last significant funding available for allocation this year, it is also important to consider those sectors which may have missed out on existing support such as the bus and coach industry, travel agents and the printed newspaper sector. Further support will also be required for airports for safety and security measures. I would encourage colleagues to consider the level of support needed by these areas and how best this support can be provided. Initial indications are that support for airports and bus and coach may require funding in the region of £15 million.
18. In light of the further consideration required I am proposing to defer allocation of the full amount available until the Executive has considered its Response to Recovery. However, I am also conscious of the need to allocate the funding available to provide support as soon as possible and to ensure it is spent in this financial year. Therefore I would suggest that the Executive aims to conclude these discussions with a view to agreeing allocations next week.
19. It would be helpful if an assessment of health costs could be provided in time to inform these allocations. I appreciate that that may be challenging for DoH and if that is not possible would be grateful for the assessment at the earliest possible opportunity and certainly no later than the October Monitoring round.

## **ALLOCATIONS**

20. As indicated above I am proposing a limited number of allocations at this point.

## **OFFICIAL - EXECUTIVE**

## OFFICIAL - EXECUTIVE

### Higher Education

21. Colleagues will be aware of the issue surrounding A level results and the impact on university places. Given the need for universities to confirm places to students this is not a matter that can be deferred and therefore I am proposing to allocate £3.2 million to DfE for this purpose now.
22. DoH has also identified a requirement for £530k in 2020-21 to fund additional student places for medical, nursing and midwifery and allied health professionals. This can be accommodated within the DoH assessment of its funding requirement against the £600 million held centrally and so no allocation is proposed at this stage.
23. Of course, funding for additional university places is not a single year issue, and therefore in providing this funding in 2020-21 the Executive is committing to funding these places for the duration of the course. Funding for future years will be provided on a ring-fenced basis as part of the upcoming Budget process. However, this does not imply a permanent increase in the number of places which should only be agreed through the normal processes, rather it is an acceptance of the difficulties caused by the handling of A level results and reflects funding for the durations of courses for those students affected.
24. The Department of Education has bid for £19.2 million for PPE and given that £69.4 million is held centrally for this purpose I am proposing to allocate this amount to DE from that centrally held funding. This will allow the schools to continue to provide safe learning environments, supporting the return to normal school routines for both children and parents.
25. This leaves £50.2 million of centrally held funding for PPE. Given that the £600 million held pending an assessment of health costs also contains funding received as a result of allocations for PPE to DHSC it would be helpful if DoH and other departments could assess their likely requirement for PPE for the remainder of the year in order to determine whether this £50.2 million is required for that purpose or can be reallocated to the response to recovery.

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### **SUMMARY**

26. In total I propose allocating £22.4 million now, which includes £19.2 million from the PPE funding held centrally.

27. This leaves £124.9 million Resource DEL, £30.9 million Capital DEL and £180 million FTC available for allocation. A further £50.2 million is held centrally for PPE and £8.1 million for Transport.

28. The £600 million Resource DEL is being held at the centre pending confirmation of expected health costs.

### **NEXT STEPS**

29. Following the Executives consideration of its response to recovery I will bring forward a further paper recommending the allocation of the remaining funding.

30. Departments should bring forward proposals for support to those sectors which have missed out on existing support in time to inform those allocations.

31. Ideally this would reflect the assessment of Health pressures. However, if this is not possible any funding available after the assessment of health costs will be considered at the earliest opportunity and no later than the the October Monitoring round.

### **SUMMARY OF RECOMMENDATIONS**

32. In light of the above, I recommend that the Executive:

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- a) notes the overall level of funding available;
- b) agrees the allocations of £19.2 million to DE for PPE and £3.2 million to DfE for additional teaching grant;
- c) agrees that funding in future years arising from the agreement to additional university places will be provided to DfE and DoH as part of the Budget process.
- d) agrees to defer further allocations pending Executive's consideration of its response to recovery; and
- e) agrees to bring forward proposals for sectors which have missed out on existing support.

**CONOR MURPHY, MLA  
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