

Statement to Parliament: Secretary of State's Oral Statement on the NI Budget Bill

Thank you very much, Mr Speaker, and I beg to move that the Bill be now read a second time.

Before I respond to the detail of this legislation, I do want to make some brief comments in relation to events yesterday. Yesterday people who are intent on killing and harming others left a small but lethal bomb in Omagh prior to Remembrance Sunday Commemorations. Their actions stand in stark contrast to those brave men and women that the community was gathering to honour. The men and women from all backgrounds who paid the ultimate sacrifice to all us all to live in a democracy.

I want to pay tribute to the work of the PSNI and others who dealt with that incident. And I think it underlines the continuing level of threat that we face, but, equally, what a repugnant, what an appalling act to take place on Remembrance Sunday when people were gathering to pay their respects in the traditional way. And I am sure that all members on all sides of the House will condemn it utterly and if there is information that people may have about this incident then I would strongly urge them to do what they can and bring that to the attention of the Police Service of Northern Ireland so that it can be pursued with all rigour.

Madame Deputy Speaker, turning to the bill before the House this afternoon, as I set out to the House a fortnight ago, it is now nine months since there has been a properly functioning Executive and Assembly. Yet despite the tireless efforts over the last 11 weeks, the most recent phase of the Talks, the parties have not yet reached an agreement that would enable a sustainable Executive to be formed.

In bringing the parties together for this most recent phase of the political talks, I have sought to help both the DUP and Sinn Fein to bridge the gap on a small number of outstanding matters including on language and culture as well as on issues in relation to the continuing sustainability of the Executive.

In doing so, I have worked closely with the Irish Government in accordance with the well-established three-stranded approach.

I remain prepared to bring forth legislation that would allow for an Executive to be formed should the parties reach an agreement.

My strong preference would be for a restored Executive in Northern Ireland to take forward its own Budget. So this measure is one that I am taking with the utmost reluctance and only because there is no other choice available. Let me be clear, the passage of legislation to set a budget should not be a barrier

to negotiations continuing. But the ongoing lack of agreement has had tangible consequences for people and public services in Northern Ireland.

For without an Executive there has been no Budget. And without a Budget civil servants have been without political direction to take decisions on spending and public services in Northern Ireland. And, Madame Deputy Speaker, I would pay particular tribute to all those who have been engaged, in the Civil Service, in seeking to manage the current events. I would just finish this point: the Northern Ireland Civil Service have demonstrated, I believe, the utmost professionalism in protecting and preserving public services throughout these difficult times and I would certainly like to put on record my recognition of the work that they have been doing.

But the powers, as I have indicated, that they have been exercising have their limits. Under section 59 of the Northern Ireland Act, and section 7 of the Government Resources and Accounts (Northern Ireland) Act 2001, the Northern Ireland Civil Service may only issue cash and resources equal to 95% of the totals authorised in the last financial year.

These powers do not allow departments to use accruing resources, meaning that the resources available to departments are in reality significantly less than 95% of the previous year's provision.

Honourable and right honourable members will recall that I set out in written statements in April and July an indicative Budget position and set of departmental allocations based on the advice of the Northern Ireland Civil Service. In my statement on the 17th of July, I said that "The exercise of section 59 powers cannot be sustained indefinitely" and warned that although we had not then reached that critical point, it was approaching.

Well, Madame Deputy Speaker, the resource limits in the absence of a Budget are now fast approaching. Without further action, by the end of November there are manifest risks that the NICS would simply begin to run out of resources.

That would mean no funding available for public services, with all of the negative impacts that would accompany such a cliff edge.

No Government could simply stand by and allow that to happen.

And that is why we need to take forward the Bill before the House today.

Necessity – good governance not Direct Rule

To be clear, Madame Deputy Speaker, this is a measure we have deferred for as long as was possible in relation to the Bill. We wanted the parties to reach an agreement and take a Budget through themselves.

In the absence of agreement, though, this Bill is necessary to keep public services running in Northern Ireland.

And while it is a Government Bill, it is not a UK Government Budget. It does not reflect the priorities or spending decisions of me or any other Minister.

Rather it sets out the departmental allocations and ambits that have been recommended by the Northern Ireland Civil Service.

And in turn they have sought as far as is possible to reflect the priorities of the previous Executive – albeit updated to reflect the changed circumstances as far as has been required.

In short, it is the Budget that a returning Executive – had one been formed – would have been presented with.

Taken as a whole, it represents a necessary measure, taken at the latest possible point, to secure public finances in Northern Ireland.

So Mr Speaker, we should be absolutely clear: passing this Budget in Westminster does not mean a move to direct rule, any more than did this Parliament legislating to set a Regional Rate in April.

Once the Budget is passed, the detailed decisions on how it is spent will be made by the Northern Ireland Civil Service.

And if – as I hope will be the case – the parties come together to form an Executive in the weeks ahead, those decisions would fall to them.

So there is nothing we are doing today that precludes talks from continuing, and an agreement being reached.

Contents of Bill

I therefore propose to turn briefly to the contents of this rather technical Bill.

In short, it authorises Northern Ireland departments and certain other bodies to incur expenditure and use resources for the financial year ending 31 March 2018.

Clause 1 authorises the issue of £16.17 billion out of the Consolidated Fund of Northern Ireland. The allocation levels for each Northern Ireland Department and the other bodies in receipt of these funds are set out in Schedule 1, which also states the purposes for which these funds are to be used.

Clause 2 permits some temporary borrowing powers for cash management purposes.

Clause 3 authorises the use of resources amounting to £18 billion in the year ending 31 March 2018 by the Northern Ireland departments and other bodies listed in clause 3(2).

These figures and those in Clause 1 supersede the allocations of cash and resources made by the permanent secretary of the Department of Finance up to the end of this month, under the powers I have already mentioned.

Similarly to Clause 1, the breakdown between these departments and bodies and

the purposes for the authorised use of resources under Clause 3 is set out in the Bill – in the first two columns of Schedule 2.

Clause 4 sets limits on the accruing resources, including both operating and non-operating accruing resources in the current financial year.

These sums relate to those which have already been voted on by Parliament via Main Estimates, together with revenue generated locally within Northern Ireland.

There is no new money contained within this Bill: there is simply the explicit authority to spend in full the monies that have already been allocated.

This Bill would ordinarily have been taken through the Assembly and I recognise perhaps the imperfections and the nature in which we are having to do this in this House in a way that does not reflect the way in which the Assembly itself would have been able to consider this and take this forward. And that's for example why, in clause 5, there are a series of adaptations that ensure that – once approved by both Houses in Westminster – the Bill will effectively be treated as if it had been taken through the Assembly, enabling Northern Ireland's public finances to continue to function notwithstanding the absence of an Executive.

And Clause 6 repeals previous Assembly Budget Acts, relating to the financial years 2013-14 and 2014-15 respectively, which are no longer operative. Such repeals are regularly included in Assembly Budget Bills.

Scrutiny/accountability

But Perhaps I might add to the House at this point that, as the debate this evening has demonstrated, this is clearly an unusual Bill to be taken through this House, marking as it does an approval by Parliament of spending in the devolved sphere.

And while being proportionate, I want to ensure that in the absence of an Assembly there can be appropriate scrutiny by Parliament of how the money it has voted is subsequently spent.

In addition to the provision in the Bill for scrutiny by the Northern Ireland Audit Office of the Northern Ireland Departments, I will be writing to the Comptroller and Auditor General for Northern Ireland asking him to send to me a copy of all of the NIAO audit and value for money reports that he produces after the Bill gains Royal Assent, which will contain his view on any shortcomings and his recommendations for improvement.

I will be asking the Northern Ireland Civil Service to make their responses to those reports available to me and copies of these reports and correspondence will be placed in the libraries of both Houses to allow scrutiny by all interested members and committees.

Estimates document

Alongside the Bill itself, Mr Speaker, I have also laid before the House as a Command Paper a set of Estimates for the departments and bodies covered by the Budget Bill.

These Estimates, which have been prepared by the Northern Ireland Department of Finance, set out the breakdown of their resource allocation in greater detail.

As Honourable and Right Honourable Members may note, this is a different process to that which we might ordinarily be seen for Estimates at Westminster, where the Estimates document precedes the formal Budget legislation, and is separately approved.

That would also be the case at the Assembly. But in these unusual circumstances, the Bill provides that the laying of the Command Paper takes the place of an Estimates document laid and approved before the Assembly, again to enable public finances to flow smoothly.

To aid the understanding of these Main Estimates and how the spending will breakdown, the Northern Ireland Civil Service has published a Budget Briefing paper, which was published on the Department of Finance website earlier today.

And it is also important to note, Madame Deputy Speaker, that the Northern Ireland political parties have also been briefed on this budget detail.

£50m allocation

So that is everything the Bill, Madame Deputy Speaker, dealing with monies already voted for by Parliament, or raised within Northern Ireland.

These figures do not, though, deal with any other items. As the figures contained in the bill do not secure the financial position for the long-term, challenges remain.

There is a health service in significant need of transformation

There are further steps to take to build the truly connected infrastructure that can boost growth and prosperity throughout Northern Ireland.

And there are other steps too.

And it was in recognition of those unique circumstances that the UK Government was prepared to make available additional financial support earlier this year, following the Confidence and Supply Agreement between the Conservative Party and the Democratic Unionist Party.

That Agreement made clear that we wanted to see that money made available to a restored Executive, which would decide on a cross-community basis how best to use the funding for the benefit of all in Northern Ireland.

But Northern Ireland's unique circumstances cannot simply be ignored in the meantime, especially given the pressure that we have seen in the continued absence of an Executive.

So separate from the Bill, Madame Deputy Speaker, this Government will commit to making available the £50m for addressing immediate health and education pressures in the Agreement in this financial year.

Those sums are not contained within this Bill, because they have not been voted on by Parliament.

If the Northern Ireland Administration confirm they wish to access them, they will be subject to the full authorisation of this House, as with all sums discharged from the UK Consolidated Fund, via the Estimates process in the new year.

From there they will be transferred, along with other sums forming part of the Northern Ireland block grant, into the Northern Ireland Consolidated Fund.

In the absence of an Executive, it would be for the Northern Ireland Civil Service – bound by a range of equality and propriety duties – to make the decisions as to whether and how to take account of this funding for the benefit of the whole community.

But I say to the House: we want to see a restored Executive back in place and deciding on how the additional financial support can best be used for the benefit of the whole community.

That remains the case now as much as ever. We believe as a party in devolution. We want to see locally elected politicians taking the strategic decisions about the future direction of their local areas.

MLA pay

In this context I know the disappointment that so many feel that despite the election more than eight months ago, there remains no functioning Assembly in which all those elected may serve.

And I know too that in turn many in Northern Ireland are concerned that full salaries continue to be paid to Assembly members despite the impasse.

I understand that concern. But I recognise too that in fact many of those elected have been desperate to serve since March, and have continued to provide valuable constituency functions in the meantime.

That is why I have been keen to seek independent advice on the subject in determining what actions may be appropriate.

I can say to the House this evening that Mr Trevor Reaney, a former Clerk of the Northern Ireland Assembly, has agreed to take on that task.

He will provide an independent assessment of the case for action and the

steps he would consider to be appropriate, and will report back to me by 15 December.

This will not pre-judge any particular course of action, not least as further steps would require primary legislation.

But his advice will help inform the best way in which to proceed.

Conclusion

I very much hope that the points that I have outlined in relation to the recommendations or review that I will be receiving in relation to MLA pay will not be needed.

And that is because I still hope that the parties can resolve their differences and an Executive can be formed. An Executive that will come together and take the strategic decisions needed on health transformation, educational reform, building world class infrastructure – to deliver a better future in Northern Ireland.

That is what the people of Northern Ireland voted for and want to see. And we will continue to work with the parties and support them in their efforts to reach a resolution.

For together with the Irish Government, we remain steadfast in our commitment to the 1998 Belfast agreement and its successors and to the institutions they established.

It remains firmly in the interests of Northern Ireland to see devolved government restored—to see locally elected politicians making decisions for the people of Northern Ireland on key local matters.

And Northern Ireland and its people need a properly functioning and inclusive devolved Government, along with effective structures for co-operation north-south and east-west.

But at the same time ultimately the Government are responsible for good governance in Northern Ireland and will do whatever is necessary to provide that.

This Bill is a reminder of that underlying obligation that we will continue to uphold. And I beg to move that it be read a second time.