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Dr Andrew Murrison
Chair
Northern Ireland Affairs Committee
House of Commons
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Thank you for your letter of 28 February in which you sought further information regarding the NIO Supplementary Estimate and accompanying Memorandum. Each of the points you raised are addressed below.

1. Confidence and Supply Financial Annex Funding

Upon request from the Northern Ireland Civil Service (NICS), I committed to making available £50m of the Confidence and Supply (C&S) financial annex funding alongside the 2017-18 Budget Bill. The NICS requested to draw down £20m of C&S funding in 2017-18. The C&S financial annex funding is allocated for particular purposes; the £20 million will be used to address immediate pressures in Health and Education.

In my Written Ministerial Statement on 8 March, I committed to deliver a further £410m of support arising as a result of the C&S financial annex in 2018-19. This will be released with Parliament's full authorisation, in line with the long-established Estimates process.

2. Welfare Penalties

As part of the Fresh Start Agreement, it was agreed that deductions in respect of the Northern Ireland Assembly's delay to implement welfare reform would cease and the UK Government would refund the proportion of deduction due for the remainder of 2015-16, making an equivalent sum available to the NI Executive spread equally over 2016-17 and 2017-18. This amounted to £40m or £20m for each of 2016-17 and 2017-18.

3. Efficiency Savings

Autumn Budget 2017 announced the conclusion of the Efficiency Review. The Barnett Formula was applied to the savings secured from the Efficiency Review which amounted to £8.674m in 2017-18, £4.961m in 2018-19 and £3.746m in 2019-20. The Northern Ireland Administration exercised the option to score all of their savings arising from the Efficiency Review in 2017-18 and budgets for all three years were adjusted to reflect this as part of the 2017-18 Supplementary round. There is therefore no need for the Northern Ireland Administration to make any further savings in 2018-19 and 2019-20 to meet the formal requirements of the Efficiency Review - however, a continuing focus on securing efficiency improvements remains essential to deliver value for money across the NI budget.

4. Repercussions from the Lack of an Executive

In the continued absence of a Northern Ireland Executive, clarity and certainty was required to enable the NICS to be in a position to plan and prepare to take decisions in the next financial year. That is why I set out departmental resource and capital allocations for Northern Ireland departments in my Written Ministerial Statement on 8 March. This provides a balanced and fair settlement that will protect key public services. These allocations will be formalised in legislation in due course, though we hope that will be taken forward by a restored Executive.

5. Devolution of Corporation Tax

In the Fresh Start Agreement, the previous Northern Ireland Executive set out its ambition of setting a 12.5% rate of Northern Ireland Corporation Tax from April 2018. While the UK Government remains fully committed to commencing this power, there must be an Executive in place for powers to be devolved; and, as set out in the Stormont House Agreement, for it to demonstrate its finances are on a sustainable footing. Subject to this, the UK Government will work with a restored Executive to consider a commencement timetable.

6. Inconsistency between Cash Grant and Departmental Expenditure Limits (DEL) at Main Estimate

The discrepancy at Main Estimates arose from the Northern Ireland Administration incorporating planned additions amounting to £76 million into the DEL figures used for the calculation of the cash grant that had not been formally incorporated into Northern Ireland's Departmental Expenditure Limit. These planned additions related to pre-agreed budget additions principally arising from the Stormont House and Fresh Start Agreements. Details are set out in the table below:


Difference	£ million
Air Ambulance funding	1.5
Shared Future funding	12.0
Paramilitary Funding	5.0
Fraud and Error funding	25.0
Apprenticeship levy	9.8
Welfare Penalty – return	20.0
Floods Barnett Consequentials	2.6
Total	75.9

It was necessary in light of the prevailing political climate - namely the lack of an Executive and no immediate prospect of it being restored - to give the Northern Ireland administration certainty over the amount of cash available for the year 2018-19 with the inclusion of pre-agreed amounts not yet formally part of the NIE DEL.

The Committee will wish to note that the position was regularised at Supplementary Estimates. In this, the overall increase in Northern Ireland DEL amounted to £330 million (section 6 of the Supplementary Estimates Memorandum) while the increased cash requirement arising from changes to DEL spending only increased by £254 million (section 4 of the Supplementary Estimates Memorandum).

I hope this letter provides the clarity sought by the Committee.

Karen Bradley



**RT HON KAREN BRADLEY MP
SECRETARY OF STATE FOR NORTHERN IRELAND**