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Assembly

## Research and Information Service Briefing Note

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# 2020-21 Spring Supplementary Estimates: Key Points

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This briefing note – commissioned by the Assembly’s Finance Committee (the Committee) – aims to support the Committee’s consideration of the 2020-21 Spring Supplementary Estimates (SSEs), the 2021-22 Vote on Account, and the corresponding Supply Resolutions; prior to the scheduled debate in the Assembly plenary on 1 March 2021. In particular, the briefing summarises and contextualises the 2020-21 SSEs highlighting key points meriting the Committee’s attention.

This information is provided to MLAs in support of their Assembly duties, and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as legal or professional advice, or as a substitute for it.

## Introduction

The Finance Minister is scheduled to introduce the Budget Bill (Northern Ireland) 2021 (the Budget Bill) in the Assembly on 1 March 2020. This is to immediately follow a debate on the Supply Resolutions approving the 2020-21 Spring Supplementary Estimates (SSEs) and the Vote on Account. These scheduled proceedings follow the Assembly's Committee for Finance (the Committee) meeting on 17 February 2021, when the Committee agreed that in the given exceptional circumstances, it was satisfied that it had been consulted appropriately on the public expenditure proposals contained in the Bill, and that it would grant accelerated passage for the Bill to proceed through the Assembly. The Committee decided this after hearing evidence from Department of Finance (DoF) officials explaining potential implications of not enacting the Budget Bill in line with statutory requirements. Simply stated, the officials maintained that no timely enactment of the Budget Bill would adversely impact public service delivery in Northern Ireland; the departments would not have the legal authority (the Budget Act) to draw down money and to spend that money. They also highlighted the potential need to return money to Treasury if unallocated.<sup>1</sup> In effect, the Committee's decision removed the need for a Committee Stage of the Bill, under the Assembly's Standing Orders.

Within the above context, this briefing note aims to support the Committee's consideration of the 2020-21 SSEs. First, however, it is important to highlight that a draft copy of them was provided to the Committee by the DoF on 12 February 2021, and subsequently shared with the Assembly's Research and Information Service (RaISe). The details of the DoF SSE document run to many hundreds of pages, and include hundreds of changes; many of which are routine changes driven by departmental forecasts or the movement of small amounts from one budget to another. Nonetheless, there still is a short time in which to consider and analyse the SSEs

Despite the short timeframe in which to consider the SSEs, this briefing note provides both a summary of the 2020-21 SSE contents and context, to highlight key points and aid understanding of them. The briefing is presented as follows:

- Section 1 provides a brief overview of the Estimates process to provide context.
- Section 2 then discusses the 2020-21 SSE draft document and highlights the overall change in provision.
- Section 3 presents the change in provision in terms of Capital DEL and Resource DEL, overall and at the department level.

## 1. Context - Estimates Process in Northern Ireland

The Northern Ireland (NI) Estimates, often referred to as the Main Estimates, set out the detailed spending plans of NI departments for the financial year. The Executive Budget, set by the Executive, does not itself confer authority for departments to spend or commit resources. That requires Assembly agreement through the Estimates Process and the Budget Acts.

Departmental estimates containing Requests for Resources (RfR) are put to the Assembly, covering one financial year at a time. Once agreed, the estimates become the expenditure limits voted by the Assembly, as set in the Budget Acts. These Acts provide the legal authority for public expenditure within the ambit of each RfR. The ambit describes the activities on which expenditure is permitted by the RfR.<sup>2</sup>

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<sup>1</sup> [Minutes Of Evidence Report \(niassembly.gov.uk\)](https://www.niassembly.gov.uk/minutes-of-evidence-report/)

<sup>2</sup> [Main and Supplementary Estimates | Department of Finance \(finance-ni.gov.uk\)](https://www.finance-ni.gov.uk/main-and-supplementary-estimates/)

The Spring Supplementary Estimates (SSEs) seek authority for additional resources and/or cash to that sought in the Main Estimates for the financial year. The SSEs may be presented:

- to seek authority, and additional resources and/or cash as necessary, for any new services;
- to increase the provision for existing services;
- to increase net resources because a shortfall is expected in accruing resources;
- to increase accruing resources; and/or,
- to draw attention to the diversion of funds already voted for one service to another service within the same RfR – this is done when the reallocation is substantial, likely to be controversial or involves a new service.

In essence, the 2020-21 SSEs set out the changes to both the resources the Executive is proposing to use in 2020-21 and the cash it is seeking authority to draw from the NI Consolidated Fund. **It should be noted that the DoF uses resource accounting when formulating the Estimates (i.e. Main Estimates and SSEs), and so the figures in the SSEs are presented differently to those in the Budget. Further, Capital expenditure is not voted in the Budget Bill; rather, the Assembly votes the net resource requirement and the net cash requirement in that regard.**<sup>3</sup>

## 2. 2020-21 SSEs

As previously mentioned, the details of the SSE document run to many hundreds of pages, and includes hundreds of changes. However, section 1 of the SSE document provides a summary of the net changes for each department; in Table 1 of the document.

The document then provides detailed information about each department, with each department's section comprising:

- An introduction, which provides an overview of the main changes that the Department must put in place;
- Part 1, which gives an overview of the changing resource position, together with changes to the overall cash requirement;
- Part 2, which provides more detailed line-by-line changes, and importantly, recasts the original Main Estimates with new figures;
- Finally, supplementary tables containing the new figures, which replace those in the Main Estimates; and,
- In addition, the supplementary tables provide information concerning the reconciliation of expenditure between Estimates, Accounts and Budgets, and present figures relating to Resource Departmental Expenditure Limits (DEL) and Capital DEL.

<sup>3</sup> A detailed explanation of the reconciliation between the net resource total and the net cash requirement is shown in Section 2 of Part II of the NI Main Estimates 2020-21: [Northern Ireland Main Estimates 2020-21 \(finance-ni.gov.uk\)](https://www.finance-ni.gov.uk/northern-ireland-main-estimates-2020-21)

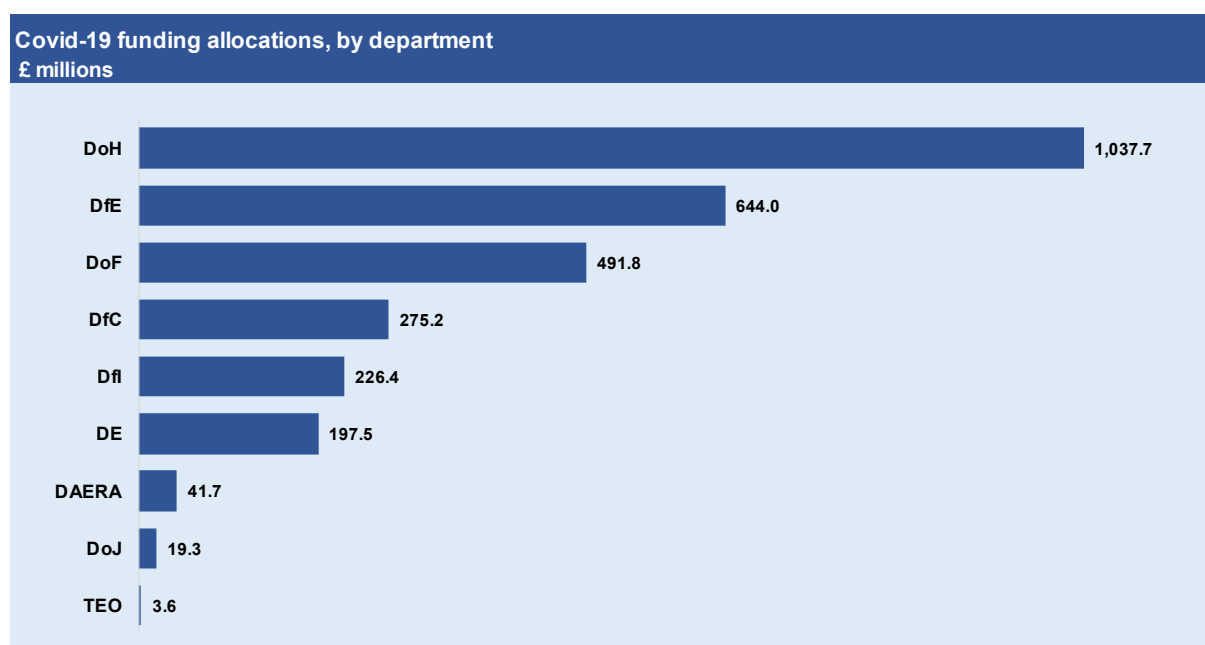
**Net Cash Requirement:** Capital expenditure is outside the Resource Budget, but the cash required to finance capital expenditure has to be provided. This therefore forms part of the cash requirement, which means that capital expenditure is added to the net resource total. Non-cash items (e.g. depreciation), which were included in the Resource Budget, are then removed and the cash effects of various adjustments relating to movements in working capital (stock, debtors and creditors) and changes in provisions are shown. The net effect of these changes results in the identification of the department's Net Cash Requirement, which is the amount of cash required from the Consolidated Fund for Northern Ireland in the year in question for the department to carry out its business as specified in the Ambit.

It is important to be mindful of the different figures presented in the Budget and Estimates. Estimates include all aspects of departmental expenditure which means that they include Annually Managed Expenditure (AME), as well as that which falls within the DEL. While budgets also include the AME and the DEL, it is the DEL that the Budget and subsequent In-year Monitoring Rounds focus upon, and which the Committee may be more familiar with.

Table 1 of the 2020-21 SSE document shows that this year, there has been an **increase in the total net cash requirement of £1.27 billion** and in the **net resource requirement of £2.23 billion** from the Main Estimates provisions that were set out in the Budget (No.3) Bill.

This is undoubtedly due to the unprecedented level of funding required for Covid-19 support. This year, an additional £3 billion funding was guaranteed from Treasury to respond to the ongoing Covid-19 pandemic. Figure 1 below shows how this funding was allocated to NI departments:

**Figure 1: Covid-19 funding allocations by department**



Source: [Covid-19 funding allocations table \(finance-ni.gov.uk\)](https://finance-ni.gov.uk/covid-19-funding-allocations-table)

Figure 1 shows that the Department of Health (DoH) received more than £1 billion of Covid-19 funding, which was the highest allocation of any of the departments. The Department for the Economy (DfE) received an allocation of £644 million, while the DoF received an allocation of £491.8 million. Due to the need to provide a rapid and flexible Covid-19 response, Covid-19 funding is allocated to departments on an ongoing basis, and so it was not possible for all allocations to be included in the SSE figures this year. In order to avoid the possibility of returning funding to Treasury, the DoF have built “headroom” into the SSE calculations.

Over **£1 billion of headroom** has been built into the SSEs by the DoF, to give the Executive the ability to spend the funding that is not yet allocated. The headroom is dispersed amongst the departments as follows:

- **Department for Agriculture, Environment and Rural Affairs (DAERA):** £9.0 million of headroom - £9.0 million is for the Forest Service (announced on 10 February 2021).

- **Department for Communities (DfC):** £205.0 million of headroom - no information available
- **Department for Economy (DfE):** £316.1 million of headroom – this includes £27.3 million for student support (announced on 10 February 2020)
- **Department of Finance (DoF):** £300 million of headroom - no information available
- **Department of Health (DoH):** £190.2 million of headroom - £175 million is for Personal Protection Equipment (PPE) and £15.2 million is for trust capital (announced on 10 February 2021)
- **Department for Infrastructure (DfI):** £72.5 million of headroom -no information available

### 3. Resource and Capital DEL

Overall, in this year's SSEs, the DoF proposes an **increase in Resource DEL of £2,591 million (+18.6%)**, and an **increase in Capital DEL of £180 million (+11.2%)**, compared to the Main Estimates.

Figures 2 and 3, below show the overall impact of the changes for the departments, to both Resource DEL and Capital DEL. It should be noted that what may appear to be a large change in monetary terms; in fact may be a small change in percentage terms; and *vice versa*. For this reason, while changes are shown in order of descending value, the percentage change to the original budget is also shown alongside. For example, the £166 million increase in expenditure by the Department of Education (DE) amounts to a modest 7.1% rise, whereas the £490 million rise in DoF's budget is a 227.5% increase.

**Figure 2: Changes in Resource DEL since Main Estimates by department**

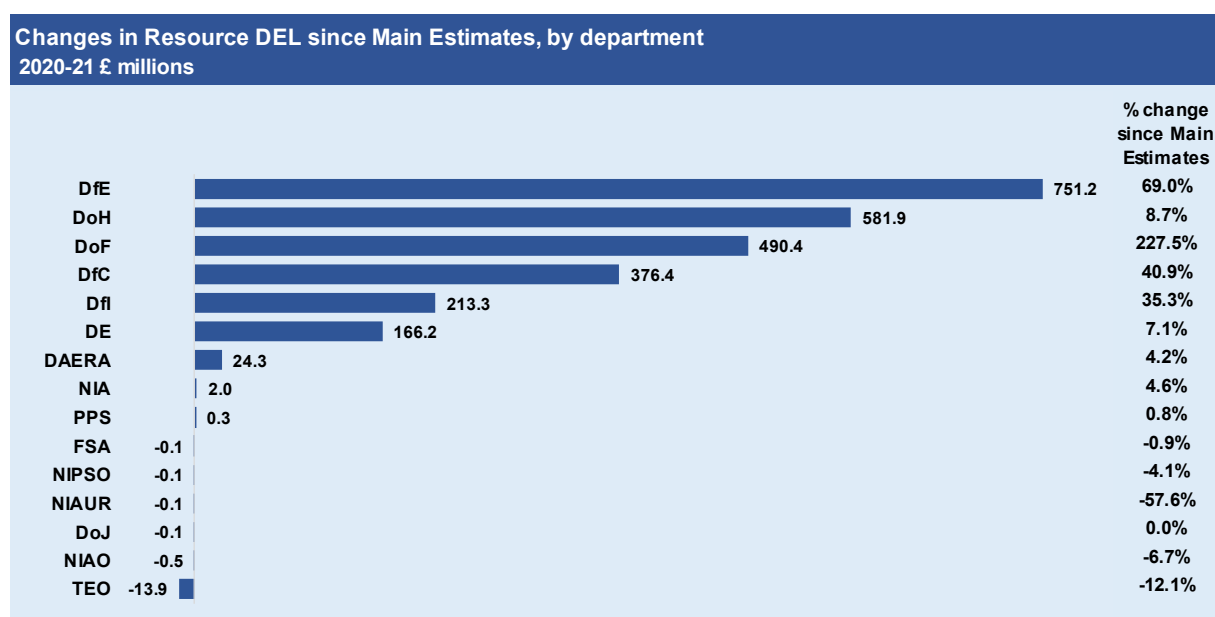


Figure 2 shows that the largest monetary increase in Resource DEL was for the DfE (£751.2 million), followed by the DoH (£581.9 million), then the DoF (£490.4 million). The largest percentage change was the 227.5% increase experienced by the DoF. The Executive Office

(TEO) experienced a £13.9 million reduced resource DEL requirement, which equates to a 12.1% reduction.

**Figure 3: Changes in Capital DEL since Main Estimates by department**

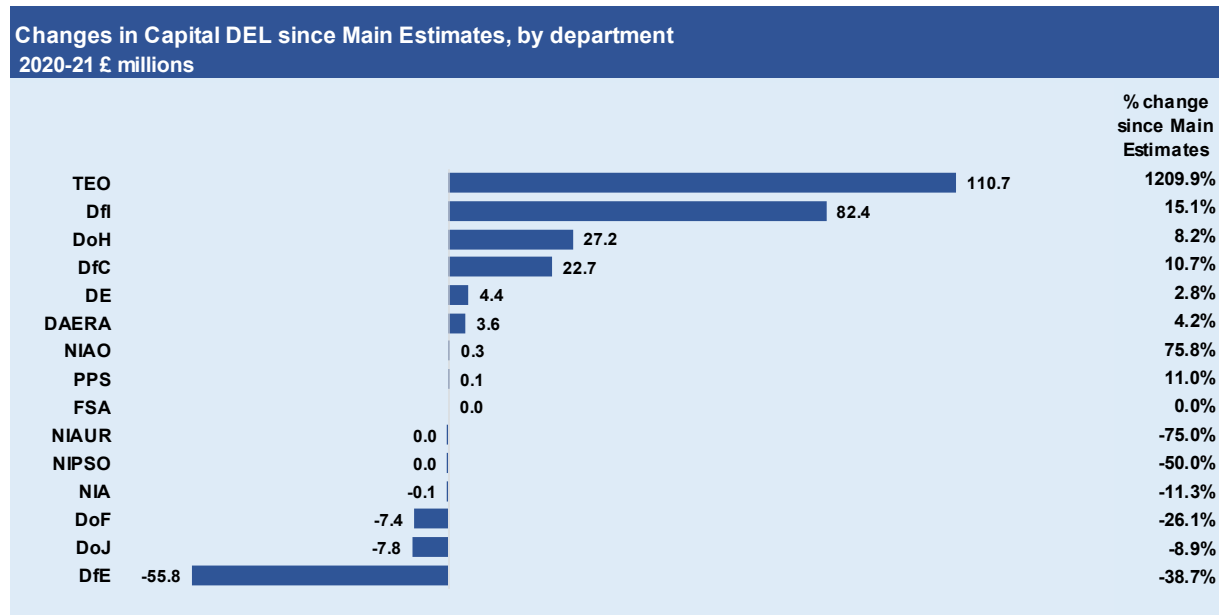


Figure 3 shows that the two largest monetary increases in Capital DEL were: TEO (£110.7 million); and, the DfI (£82.4 million); while the DfE experienced the largest monetary reduction in Capital DEL of £55.8 million. It should be noted that the £110.7 million TEO increase equates to a 1209.9% change since the Main Estimates.