

**FROM:** DOF DALO

**DATE:** 21 MARCH 2025

**TO:** PETER HALL  
COMMITTEE CLERK

**REFERENCE NUMBER GM-0196-2025**

**DEPARTMENT OF FINANCE 2025-26 DRAFT BUDGET POSITION**

**Summary**

**Business Area:** Department of Finance

**Issue:** 2025-26 Draft Budget Position

**Restrictions:** N/A

**Action Required:** Briefing paper for Committee meeting on 26<sup>th</sup> March

**Officials Attending:** Written briefing

**BACKGROUND**

The 2025-26 Draft Budget provides the Department of Finance with a non-ringfenced budget of £158.7m, earmarked allocations of £79.9m and a capital allocation of £32.5m.

**KEY ISSUES**

A briefing paper has been attached at Annex A setting out the Departments draft 2025-26 budget position to be discussed at the Committee meeting on 26<sup>th</sup> March 2025

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**Annex A - DEPARTMENT OF FINANCE  
DEPARTMENTAL FINANCIAL PLANNING 2025-26 – DRAFT BUDGET POSITION**

## **Annex A**

### **DEPARTMENT OF FINANCE**

#### **DEPARTMENTAL FINANCIAL PLANNING 2025-26 – DRAFT BUDGET POSITION**

The 2025-26 Draft Budget provides the Department of Finance with a non-earmarked budget of £158.7m, earmarked allocations of £79.9m and a capital allocation of £32.5m.

#### **Non-earmarked Resource DEL baseline for 2025-26**

The Department has continued to review its forecast, considering where savings can be made by reducing or stopping non-essential work and delaying filling lower priority vacancies. The non-earmarked resource DEL forecast is now c£164.4m (net of savings). This forecast, including all requirements from Business Areas, when set against the opening baseline of £158.7m, results in a pressure of around £5.7m.

Included in the forecasts is a Departmental Change Fund scheme to drive efficiencies and best practice for future years. This fund would take a fresh look at initiatives from across Business Areas that will produce savings or drive more efficient working in the services we provide. The scheme would allocate from July, which allows bids to be developed and assessed and for the initial 2025-26 spend to be reviewed against profile. All spend would have to be within the 2025-26 financial year.

Forecasts do not include the changes to the National Insurance Employers Contributions rate estimated at £3.6m, or the proposed increased pay award announced on 20 January 2025, which is estimated to cost around £4.2m. It is anticipated that there will be some additional funding allocated by the Executive to cover these increased costs, but this will not be known for a number of weeks and may not cover the full cost.

The forecasts include around £7m for unfilled, non-income generating vacancies. Given the difficulties and delays in filling vacancies it is assumed that there will be slippage in the amount forecast, albeit NICS HR are taking forward recruitment competitions at pace. There will also be a level of attrition which is difficult to determine and has not been accounted for within the £5.7m pressure position. In

addition, given the potential for constrained budgets in the future the Department will focus on filling highest priority posts in the first instance.

We also anticipate further easements through increased income or slippage in projects. In addition, work is continuing to look at ways to utilise technology, to refine our charging models and to assess the criticality of activities to drive efficiencies and savings in the Department's Budget.

Therefore, the Resource position for the Department is challenging but through careful and considered budget management the Department will work to manage within the non-earmarked Resource DEL draft budget allocation. This will be monitored closely and action taken, if necessary, as the year progresses.

### **Executive Earmarked**

The draft budget allocation provided the following earmarked funding in 2025-26, which meets the forecasted requirements in these areas.

<b>Earmarked area</b>	<b>£k</b>
Rates Rebate	50,923
Integr8	25,370
EU Match Funding	2,400
Cyber Security	1,236
<b>Total</b>	<b>79,929</b>

It is anticipated that there will be an HMT Earmarked allocation for activities associated with Windsor Framework made at a later stage.

### **Capital DEL**

The draft budget has allocated the Department a capital budget of £32.5m. Forecasts are currently around £57.8m resulting in a pressure of £25.3m.

In 2025-26 the Department's main capital spend is in relation to the LPS NOVA programme, maintenance and refurbishment of existing properties and IT hardware and software. Work is well advanced on reviewing the NOVA programme and bringing forward a new strategy and delivery plan with revised capital profiles.

It is anticipated that there may be asset sales in year which is not currently included in the forecasts. This will provide additional spending power if the sales proceed in 2025-26.

Given the potential for project slippage, the Minister has agreed that the Department over plans by 10% of the capital budget which would equate to around £3.3m and also to include a further £2m at this stage, by profiling spend by Digital, Security, and Finance Shared Services (DSF) of computer replacements to the end of the 2025-26 year. This would enable decisions to be made at that point on whether IT purchases can move ahead or additional funding can be sought from the centre, given that the computer replacements are for all departments.

Based on this, the Department has planned on having around £42.7m capital available in 2025-26. Therefore, even taking into account the potential income and the overplanning, there remains a pressure of some £13.5m.

While this position will be challenging, significant work has been taken forward by the Department, since the draft budget was announced, and plans are being put in place to enable business areas to manage and reprofile their budgets in order to reduce their requirements to the proposed allocations. For comparison, the Department started the 2024-25 financial year with a forecast capital pressure of around £12m.

The position will obviously be monitored closely and actions taken where necessary.

In order to help manage and monitor capital spend and forecasts a Capital Oversight Group is being established within the Department, which will include the key capital leads from across business areas. This group will help develop and shape the Department's longer term capital planning.

### **Comparison of 2024-25 and 2025-26 Budget positions**

The following table provides a comparison of the net 2024-25 opening position, the 2024-25 final position and the 2025-26 draft opening position for non-earmarked, earmarked and capital budgets.

<b>£k net position</b>	<b>2024-25 opening position</b>	<b>2024-25 Final position</b>	<b>2025-26 draft opening</b>
<b>Non-earmarked</b>	150,092	145,193	158,692
<b>Earmarked</b>	58,025	51,464	79,929
<b>Capital</b>	38,876	6,190	32,507

The 2024-25 final net capital budget is significantly lower than both the 2024-25 opening and 2025-26 draft opening due to Asset Sales which amounted to around £22.5m. The gross capital budget therefore amounts to £28.7m.

## **Equality**

An Equality Screening exercise on the Departments draft budget allocation is being finalised and at this stage it is anticipated would be screened out, with no major negative impacts identified.