

**FROM: CLAIRE TAYLOR
DOF DALO**

DATE: 22 May 2024

**TO: PETER HALL
COMMITTEE CLERK**

REFERENCE NUMBER GM-1214-2024

UPDATE ON DOF DEPARTMENTAL BUDGET 2024-25

Summary

Business Area: DOF Finance Division

Issue: To provide the Committee with an update position on the DoF departmental budget 2024-25 following briefing on 10 April 2024.

Restrictions: None

Action Required: To note, with related oral briefing on 22 May 2024.

Officials Attending: Stewart Barnes DOF Finance Director
Gillian Blair DoF Finance Division

BACKGROUND

Officials attended the Committee on 10 April 2024 to provide briefing on the Department's draft Budget 2024-25 position but given the uncertainties an updated briefing was requested following the outcome of the final Budget.

KEY ISSUES

DoF has now been allocated £150.1m Non Ring-Fenced Resource DEL and £38.0m Capital DEL. Specific or “earmarked” allocations are also provided to include: £1.1m for EU Peace Plus Match Funding, £40.0m for Housing Benefit, £12.9m for Integr8 and £4.0m Nova.

A total pressure of around £18.7m has now been assessed across the Department’s Business Areas and actions have been identified to enable the Department to operate within its budget allocation. These actions are currently being considered by the Minister.

NEXT STEPS

Once the Minister is content with the actions to be taken, budgets will be allocated across DoF business areas and close monitoring will operate to ensure the planned actions are effective and that the Department remains in Budget.

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ENC. [where attachments are relevant please include word and PDF attachments]

**Annex A - DOF – FINAL BUDGET 2024-25 BRIEFING FOR FINANCE
COMMITTEE 22 MAY 2024**

DOF – FINAL BUDGET 2024-25 BRIEFING FOR FINANCE COMMITTEE 22 MAY 2024

Draft Budget Position Reported on 10 April

1. At the meeting of 10 April 2024, the Committee were provided with details of the pressures faced by the Department in relation to the 2024-25 draft budget position. The tables below summarised those pressures and the high-level plans with which the Department had identified to address those pressures.

Table 1. Pressures Identified at Draft Budget Stage

Cost	£m
5% Pay from August 2023	6.7
Pension increases (approx. 4.2%)	3.7
3% Pay from August 2024 (Illustrative)	4.1
Increase in Contract costs	4.5
Progression of key functions	2.4
Vacancies	4.4
Total	25.8

*Excludes Integr8 additional requirements of £12.9m

Table 2. Proposals to Address Budget Pressures

Type of saving measure	Amounts
Consistent application of accounting treatment across projects contingent on capital availability	2,633
Increased Income	7,314
Estate rationalisation	1,042
GAE reduction	144
Not Filling vacancies	1,179
Maintenance reduction	1,645
Stopping projects	6,239
Stopping projects - NOVA	2,633
Stopping projects - Integr8	2,670
Total	25,499

2. During the briefing it was stressed to the Committee that the proposals identified were “still being tested, and indeed there was still some doubt over how achievable many of the savings will be, or achievable with severe impact, and further examination is ongoing “. Additionally, some of the actions proposed were dependent on the success of Capital bids.

Final Budget 2024-25 Outcome for the Department

3. The Executive agreed the individual departmental allocations on 25 April 2024, with the Minister for Finance announcing by Written Ministerial Statement in the Assembly on the same day. A formal debate and vote in the Assembly is due on 28 May.
4. The total Departmental Expenditure Limit (DEL) for DoF is set out in the table below.

Table 3. DoF Final Budget 2024-25 Allocations

DoF £000s	Non Ring- Fenced	Ring- Fenced	Capital
2024-25 Budget Baseline Position	160,292	51,817	0
Reinstatement of Technical adjustment	1,083		
IFRS 16	-12,783		
EU Match Funding Peace Plus	1,125		
Housing Benefit	40,000		
Intergr8	12,900		
Nova	4,000		
Allocation	1,500		38,876
Adjustment		-2,838	
2024-25 Budget Position	208,117	48,979	38,876

5. This in effect provides DoF with £150.1m Non Ring-Fenced Resource DEL and £38.0m Capital DEL. Specific or “earmarked” allocations are also provided to include: £1.1m for EU Peace Plus Match Funding, £40.0m for Housing Benefit, £12.9m for Integr8 and £4.0m Nova. The Ring-Fenced amount of £49m is depreciation.
6. This would enable the Department to take forward the key transformation projects of Integr8 (Finance and HR) and NOVA (LPS wide project) with earmarked Resource funding of £12.9m and £4.0m respectively. NOVA will also be funded through a Capital allocation of £13m.
7. The additional non ringfenced allocation will support the work on the Fiscal Framework and the commitment to develop a Sustainability Plan. The outcome of this work will have significant implications on the level of funding and fiscal powers that the Executive will have at its disposal in the years ahead.
8. However, even with those welcome allocations, the Department still faces an extremely challenging budget position. Since the draft Budget stage, the Department has been refining its approach to the determination of the likely pressures in the 2024-25 and proposals to meet those pressures. We have been working closely with business areas to more accurately forecast the potential pressures, taking into account pay and employer pension contribution increases, inflationary impacts on service provision and future work programmes.
9. A total pressure of around £18.7m has now been assessed across the Department’s Business Areas and table 4 below sets out the nature of these pressures.

Table 4. Summary of Departmental Pressures May 2024

	May 2024
Cost	£m
5% Pay	6.7
Pension increases (approx. 4.2%)	3.7
3% Pay Increase (planning Assumption)	3.2
Contractual pay	0.9

Increase in Contract costs	3.3
Progression of key functions	2.4
Additional Allocation	(1.5)
Total	18.7

10. A more informed position was also able to be taken on proposed actions to live within budget. This was possible as many of the business areas have adjusted their charging figures to allow for increased costs, including pay and prices, and more accurate information on future costs. In addition, our capital bids have in the main been met, allowing proposed capitalisation of former resource funded costs to be reclassified as capital.

11. The outcome of the exercise is summarised in the table below highlighting the nature and amount of the actions being taken by DoF business areas to enable them to remain within their budget allocations. It is proposed that these will be taken forward in conjunction with a programme of workforce planning to ensure that priority posts will be filled to minimise the impact on DoF services.

Table 5. Actions to Live within Budget May 2024

Actions to Live within Budget	£m
Increased Income	4.7
Reducing service / stopping projects	4.6
Consistent application of accounting treatment across projects	2.3
Estate rationalisation	2.0
Vacancy Management	1.7
Additional Identified Savings	0.6
Anticipated Additional Income / future savings	1.6
Overcommitment	1.0
Sustainability	0.2
Total	18.7

12. The proposals have been put to the DoF Minister for consideration.