

Written Ministerial Statement

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Department of Finance

2021-22 PROVISIONAL OUTTURN

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Mr C Murphy (The Minister of Finance): I am writing to provide Members with an update on 2021-22 Provisional Outturn.

Provisional Outturn provides an indication of departmental budget management performance during the last financial year and also determines the amount of resources that the Executive can carry forward under the Budget Exchange Scheme (BES) into 2022-23.

Carry forward under the BES is limited to a percentage of the Executive's final budget for the year, with separate limits applying to each expenditure category. For 2021-22 these limits are:

- | | | |
|---------------------------------|-------|----------------|
| • Resource DEL | 0.75% | £104.3 million |
| • Ring-Fenced Resource DEL | 0.75% | £7.9 million |
| • Capital DEL | 1.5% | £25.4 million |
| • Financial Transaction Capital | 1.5% | £1.4 million |

Any underspends recorded above these amounts are returned to Treasury and not carried forward.

Tables showing the Provisional Outturn position for each department are provided in annexes attached to this statement. However, there are a number of aspects which are worth highlighting.

Resource DEL

As part of the January monitoring, the Executive agreed to maximise carry forward into 2022-23 by retaining a level of unallocated funding. At the time, Barnett consequentialia had yet to be confirmed by Treasury and, once these were confirmed, I made further ad-hoc allocations on 3 March in order to balance the desire to maximise carry forward with the risk of exceeding the BES limits. This set the final plan for 2021-22.

Departments have now identified £83.9 million Resource DEL underspends against their final allocation for the year. These have arisen for a variety of reasons with some detail of these provided below.

The £14.3 million underspend reported by the Department of Education relates primarily to spending by the Education Authority which has been impacted by the unpredictable schooling environment presented by the pandemic.

The Department for the Economy had the same level of underspend at £14.3 million. This was mainly due to a £5.0 million underspend on COVID-19 schemes including the High Street Voucher scheme and a £4.4 million revaluation of the expected shortfall in the Presbyterian Mutual Society Scheme due to close in November 2022.

The Department of Health reported an underspend of £11.8 million which resulted from lower than anticipated payments on use of provisions mainly in connection with Clinical Negligence cases and underspend in relation to the Domiciliary Funding Packages.

The £10.7 million underspend by the Department of Justice related to a number of factors including PSNI salary costs, delays in projects due to the impact of COVID-19, injury on duty payments and legacy matters.

The Executive Office reported a slightly smaller underspend of £10.0 million. Of this, £5.7 million related to the Victims of Troubles Permanent Disablement Payment Scheme and £2.0 million for salaries due to delays in recruitment.

With an underspend of £9.4 million by the Department of Finance, £5.8 million reflected lower than forecast demand for the COVID-19 Business Support Grants. Of the remainder, £1.7 million resulted from less than anticipated spend on the Census and consultancy costs and £1.4 million on the rate rebate programme.

The Department for Communities reported an underspend of £8.6 million split across the Housing Benefits Scheme (£3.0 million), Councils being unable to contract local employment provision as anticipated (£2.8 million) and lower than forecast demand for other mitigations (£2.7 million).

The remaining two departments – the Departments for Infrastructure and Agriculture, Environment and Rural Affairs – both had small further underspends of £1.0 million and £0.4 million respectively.

While departmental underspends are higher than would have been anticipated, this has been offset by changes to a number of centrally held items. As a result, the **Resource DEL underspend, which is eligible for carry forward, is within the BES limit and allows £101.6 million of funding to be carried forward into 2022-23.**

Alongside Resource DEL, there is a discrete spending category for ring-fenced Resource DEL which relates to the non cash cost of the depreciation and impairment of assets. On this, departments have reported an underspend of £746.6 million, comprising of £738.2 million relating to Student Loan impairments and £8.5 million for other ring-fenced Resource DEL.

The significant underspend relating to the Student Loan impairment has arisen because of the way our budget allocation for this ring-fenced area is determined by Treasury. While this was previously based on our assessment of the related costs, since 2020-21 Treasury has provided the Executive with a Barnett consequential on funding provided to the Department for Business, Energy and Industrial Strategy (BEIS) in England for this purpose. Differences in student loans provision here mean that this does not bear any correlation to our actual requirement and therefore has resulted in large underspends in 2020-21 and 2021-22.

While the actual level of underspend may seem concerning, this funding may only be used for the non cash costs relating to depreciation and impairments. As the funding cannot be used for any purpose other than this accounting treatment, the underspend has no impact on the level of funding available for public services.

Capital DEL Position

On Capital DEL, having met all Capital bids in full at January monitoring, the Executive concluded the financial year with there was a small over-commitment of £1.6 million. It was anticipated that this would be addressed through departmental underspends.

Departments have now reported year end underspends of £40.5 million. Some further detail on how these have arisen is set out below.

The largest underspend was by the Department of Health, with the £11.1 million mostly arising due to issues with ICT projects.

The Department for Communities also reported a large underspend – of £8.8 million – across a number of projects including New Build, Renovation Grants, Affordable Warmth and Housing Development Grants.

Delays in projects as a result of supply chain issues, COVID-19 and the war in Ukraine led to the Department of Justice reporting a £5.0 million underspend.

The £4.4 million underspend by the Department for the Economy mainly related to City Deals (£2.2 million) due to delays in the signing of the Letters of Offer and Invest NI capital projects (£1.5 million) that did not proceed as expected or were delayed.

The Department of Education reported a £3.8 million underspend, which related to post primary voluntary maintained schools capital projects and Education Authority youth services capital projects.

The Department for Finance underspend of £2.9 million was due to a range of factors including £1.4 million relating to delays in the James House project.

Further underspends were reported by the Audit Office (£1.7 million), Department for Infrastructure (£1.4 million), The Executive Office (£0.8 million), Public Prosecution Service (£0.2 million), the Department for Agriculture, Environment and Rural Affairs (£0.1 million) and the Assembly (£0.1 million).

It is disappointing that underspends of this magnitude were reported at the end of the financial year. Adjustments for underspends in ring-fenced areas have reduced the eligible underspend to carry forward down to £35.9 million. However, this still exceeds the BES limit meaning that, **while £25.3 million Capital DEL will be carried forward in 2022-23, the remaining £10.5 million will be returned to Treasury.**

With regards to Financial Transactions Capital, the January Monitoring round concluded with a significant level of unallocated funding which was to be used to fund repayments of FTC to Treasury. Provisional Outturn has resulted in a small additional underspend of £0.1 million. This means that £1.4 million will be carried forward into 2022-23, with the £81.2 million not drawn down during 2021-22 being used towards repayments of previous loans.

Conclusion

As a result of the Provisional Outturn provided by departments, £101.6 million Resource DEL, £25.3 million Capital DEL and £1.4 million Financial Transactions Capital will be carried forward into 2022-23 to supplement available funding.

These amounts will be adjusted to reflect Final Outturn information provided by departments later this year. However, it is hoped that such changes will be minimal.

Members will note the challenges that the restrictive approach to budget carry forward put in place by Treasury presents to us. Indeed, both the Fiscal Council and Fiscal Commission have commented on the lack of end-year budget flexibility here even compared with Scotland and Wales. This issue is something that I have raised with Treasury along with other Finance Ministers from Devolved Administrations.

2021-22 Provisional Outturn Returns by Departments – Resource DEL

	Final Plan £ million	Provisional Outturn £ million	Underspend (-) / Overspend (+) £ million	Underspend (-) / Overspend (+) %
DAERA	574.1	573.7	-0.4	-0.1%
DfC	966.1	957.5	-8.6	-0.9%
DfE	1,112.1	1,097.8	-14.3	-1.3%
DE	2,514.7	2,500.3	-14.3	-0.6%
DoF	297.8	288.3	-9.4	-3.2%
DoH	7,063.7	7,051.8	-11.8	-0.2%
Dfi	573.2	572.3	-1.0	-0.2%
DOJ	1,190.8	1,180.1	-10.7	-0.9%
TEO	132.8	122.8	-10.0	-7.6%
FSA	13.3	12.6	-0.8	-5.7%
NIA	43.7	41.7	-1.9	-4.4%
NIAO	7.7	7.4	-0.4	-4.8%
NIAUR	0.1	0.1	0.0	-4.7%
NIPSO	3.6	3.5	-0.1	-2.4%
PPS	36.9	36.7	-0.2	-0.6%
Total Departments	14,530.5	14,446.6	-83.9	-0.6%

2021-22 Provisional Outturn by Department – Ring-fenced Resource DEL

	Final Plan £ million	Provisional Outturn £ million	Underspend (-) / Overspend (+) £ million	Underspend (-) / Overspend (+) %
DAERA	24.4	24.2	-0.2	-0.8%
DfC	12.4	9.4	-3.0	-24.1%
DfE	608.9	-129.3	-738.2	-121.2%
DE	1.2	1.2	0.0	-3.7%
DoF	34.9	34.0	-0.9	-2.6%
DoH	171.9	171.4	-0.5	-0.3%
Dfi	119.0	117.3	-1.7	-1.4%
DOJ	82.9	80.6	-2.3	-2.8%
TEO	5.5	5.8	0.3	4.5%
FSA	0.1	0.0	0.0	-10.9%
NIA	3.2	3.2	0.0	-0.2%
NIAO	0.1	0.1	0.0	-6.9%
NIAUR	0.0	0.0	0.0	-14.3%
NIPSO	0.1	0.1	0.0	0.0%
PPS	1.8	1.7	-0.1	-3.5%
Total Departments	1,066.3	319.7	-746.6	-70.0%

2021-22 Provisional Outturn by Department – Capital DEL including FT Capital DEL

	Final Plan £ million	Provisional Outturn £ million	Underspend (-) / Overspend (+) £ million	Underspend (-) / Overspend (+) %
DAERA	87.4	87.3	-0.1	-0.2%
DfC	274.5	265.7	-8.8	-3.2%
DfE	116.4	112.0	-4.4	-3.8%
DE	213.0	209.2	-3.8	-1.8%
DoF	35.5	32.5	-2.9	-8.2%
DoH	340.2	329.1	-11.1	-3.2%
Dfi	754.7	753.3	-1.4	-0.2%
DOJ	77.5	72.5	-5.0	-6.5%
TEO	35.9	35.0	-0.9	-2.5%
FSA	0.1	0.0	0.0	-86.0%
NIA	0.5	0.4	-0.1	-17.2%
NIAO	5.1	3.4	-1.7	-34.2%
NIAUR	0.0	0.0	0.0	0.0%
NIPSO	0.0	0.0	0.0	-94.3%
PPS	0.6	0.3	-0.2	-37.0%
Total Departments	1,941.3	1,900.7	-40.6	-2.1%