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Public Finance Scrutiny Unit

2021-22 Spring Supplementary Estimates: Key Points

This Briefing Paper – commissioned by the Assembly's Finance Committee (the Committee) – aims to support the Committee's consideration of the 2021-22 Spring Supplementary Estimates (SSEs) and the 2022-23 Vote on Account, along with the corresponding Supply Resolutions; prior to the scheduled debate in the Assembly plenary on 21 February 2022. In particular, the Briefing contextualises and summarises 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 professional legal advice or as a substitute for it.

Introduction

The Finance Minister is scheduled to introduce the Budget Bill (Northern Ireland) 2022 (the Budget Bill) in the Assembly on 21 February 2022. This is to immediately follow a debate on the Supply Resolutions approving the 2021-22 Spring Supplementary Estimates (SSEs) and the Vote on Account (VOA).

Within this context, this Briefing Paper aims to support the Finance Committee's (the Committee) consideration of the 2021-22 SSEs. First, however, it is important to highlight that a draft copy of the SSEs was provided to the Committee by the Department of Finance (DoF) on 4 February 2022, and subsequently shared with the Assembly's Research and Information Service (RaISe). That created a short timeframe in which RaISe's Public Finance Scrutiny Unit (PFSU) could consider and analyse DoF "Northern Ireland Spring Supplementary Estimates 2021-22" (2021-22 SSE document);¹ a document which runs to many hundreds of pages and includes hundreds of changes; albeit many of which are routine changes driven by departmental forecasts or the movement of small amounts from one budget to another. Nonetheless, this Briefing Paper provides both a summary of the 2021-22 SSE context and contents, along with scrutiny points, to facilitate the Committee's consideration of the SSEs.

The Briefing is presented as follows:

- Section 1 - Brief overview of the Estimates process, to provide context;
- Section 2 – Explanation of the 2021-22 SSE document, to highlight the overall change in provision;
- Section 3 – Identification of changed provision in terms of Capital DEL and Resource DEL – both overall and at the department level;
- Section 4 – Short outline of the 2022-23 Vote on Account; and,
- Section 5 – Concluding remarks.

¹ Department of Finance. [Northern Ireland Spring Supplementary Estimates 2021-2022](#). February 2022.

1. Context: Estimates process in NI

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 does not itself confer authority for departments to spend or commit resources.** That requires Assembly agreement through the Estimates Process and the Budget Acts.

The Budget Act is not normally passed until early summer, well into the fiscal year. So departments have to be given pre-emptive authority to spend (typically 45 per cent of what they spent in the previous year) through a Vote on Account² (see Section 4). The United Kingdom (UK) Parliament does the same, which ensures that there is money available the NI Consolidated Fund for departments to draw upon.

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.

The Spring Supplementary Estimates (SSEs) seek authority for additional resources and/or cash, i.e. in addition to that sought in the Main Estimates for the given 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 and/or involves a new service.

2. 2021-2022 SSEs

Section 1 of the 2021-22 SSE document – at Table 1 – provides a summary of the net changes for each department; as routinely included each year.

² Department of Finance. [Northern Ireland Estimates: Vote on Account 2022-2023](#). February 2022.

However, this year there is additional information included in the SSE document, following on from recommendations made by the Committee when considering the recently enacted Financial Reporting Bill. Specifically:

- Table 2,³ which details expenditure resting on the sole authority of the Budget Act; and,
- Table 3,⁴ which details the “headroom” included in the Estimates for a number of departments, which will allow for additional allocations of funding post-January Monitoring (see potential scrutiny points 2-3 below).

Following the above Tables, 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, at departmental levels; 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.

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

³ Department of Finance. [Northern Ireland Spring Supplementary Estimates 2021-2022](#). February 2022. Table 2, page xiii.

⁴ Ibid, Table 3, page xv

The above was reflected in written correspondence from the DoF to the Committee on 4 February 2022 for the current financial year⁵ i.e. the 2021-22 Main Estimates⁶ were approved by the Assembly in June 2021; and the 2021-22 Budget position to which those Main Estimates were written, have since been revised through the In-year Monitoring Rounds, arising from revised departmental spending plans; and now those are reflected in detail in the 2021-22 SSEs.

Potential scrutiny points:

1. The DoF provided the Committee with Memoranda detailing the individual SSE positions for Ministerial and non-Ministerial Departments appearing in the Main and Supplementary Estimates:
 - a. Would the DoF undertake a review of the Memoranda, to identify lessons that could be learned from the process of compiling them, along with lessons relating to their actual content; and then share those findings with the Committee?
 - b. Would the DoF find it helpful to receive all Assembly statutory committees' views on the Memoranda - in particular, how the Memoranda could be enhanced from a committee perspective, i.e. to aid committees in their advisory and scrutiny roles?

Table 1 of the 2021-22 SSE document⁷ shows that there has been an increase in the **total net cash requirement of £1.4 billion** and in the **net resource requirement of £1.61 billion**, when comparing with the Main Estimates provisions.

The above-referenced February 2022 correspondence between the DoF and the Committee also notes a significant level of unallocated funding at the conclusion of the January In-year Monitoring Round. While the Executive indicated that it wished to maximise the amount carried forward into the next financial year, it is important to highlight that those total underspends cannot exceed the level of carry forward permitted under Her Majesty Treasury's (HMT) "Budget Exchange Scheme" – i.e. £104 million, unless Treasury otherwise agrees.⁸

To mitigate against any excess, departments were asked to bring forward proposals to utilise the unallocated funding in an appropriate manner. To do that, and avoid the possibility of returning the unallocated funding to HMT, the DoF included "headroom" in its 2021-22 SSE calculations. In particular, the DoF provided over £180 million of Resource DEL headroom - to allow for additional allocation of that unallocated funding at departmental level and enable spending so that those monies are not surrendered to Treasury and lost to Northern Ireland. The DoF did so as follows:

⁵ Written correspondence from DoF to CfF, dated 4 February 2022.

⁶ Department of Finance. [Northern Ireland Main Estimates 2021-2022](#). June 2021.

⁷ Department of Finance. [Northern Ireland Spring Supplementary Estimates 2021-2022](#). February 2022.

⁸ DoF Official at 9 February 2022 Finance Committee meeting.

- **Department for Communities (DfC):** £124 million of headroom – £77 million is for thermal insulation for NIHE properties, and £47 million is for the NIHE Tower Blocks Programme;
- **Department of Finance (DoF):** £5.5 million of headroom for extension of the Omicron Hospitality Payment;
- **Department for Infrastructure (DfI):** £30 million of headroom – £9 million is for the Driver and Vehicle Agency, and £21 million is for Transport; and,
- **Department of Education (DoH):** £22 million of headroom for energy costs and teachers pay.

Potential scrutiny points:

2. The “headroom” that the DoF included in the 2021-22 SSEs was based on the Executive agreed January Monitoring position: on what authority did the DoF act to determine that headroom, given the prevailing arrangements under current devolution agreements? Please explain in detail.
3. Since the DoF officials advised the Committee at its 9 February 2022 meeting that the noted “...*headroom is not normal*...”, what advice has the DoF since received to enable future decision-making if an incoming Executive following Assembly elections in May, or in the absence of a new Executive at that time?

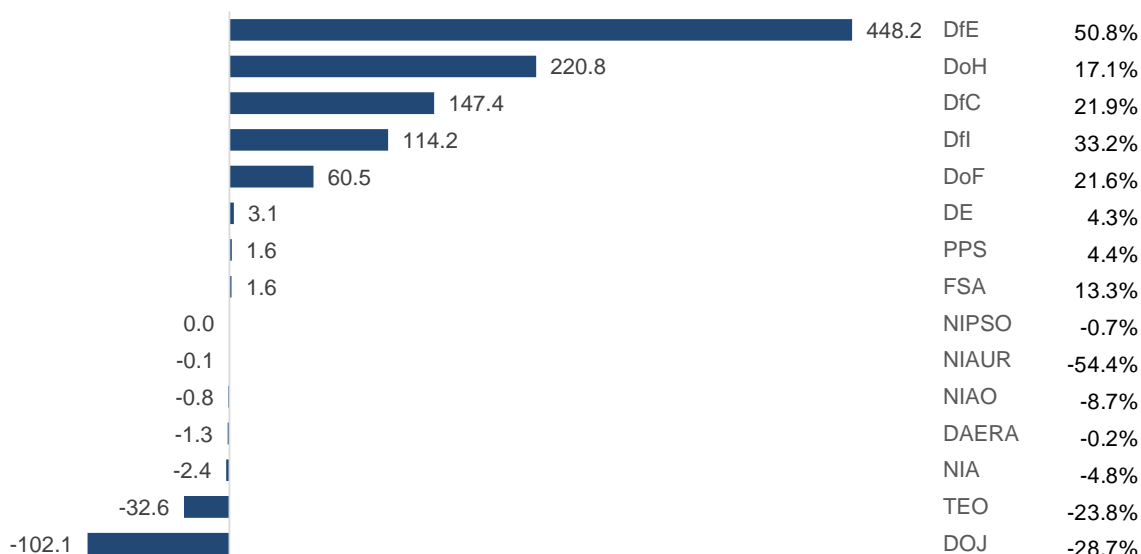
3. Resource and Capital DEL

Overall, in this year’s SSEs, the DoF proposes an increase in Resource DEL of £858 million (+18.1%) and a decrease in Capital DEL of £23.9 million (-3.4%), when compared to the Main Estimates for this financial year.

Figures 2 and 3 below show the overall impact of the departmental changes, 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, it may be a small change in percentage terms; and *vice versa*. For that reason, while changes are shown in order of descending value, the percentage change to the Main Estimates is shown alongside.

Figure 1 shows that the largest monetary increase in Resource DEL was for the Department for Economy (DfE) (£448.2 million), followed by the DoH (£220.8 million), then the DfC (£147.4 million). The largest percentage change was the 54.4% decrease experienced by the NI Authority for Utility Regulation (NIAUR). However, that change represents a very small monetary decrease. In addition, the Department of Justice (DoJ) experienced a £102.1 million reduced resource DEL requirement, which equates to a 28.7% reduction.

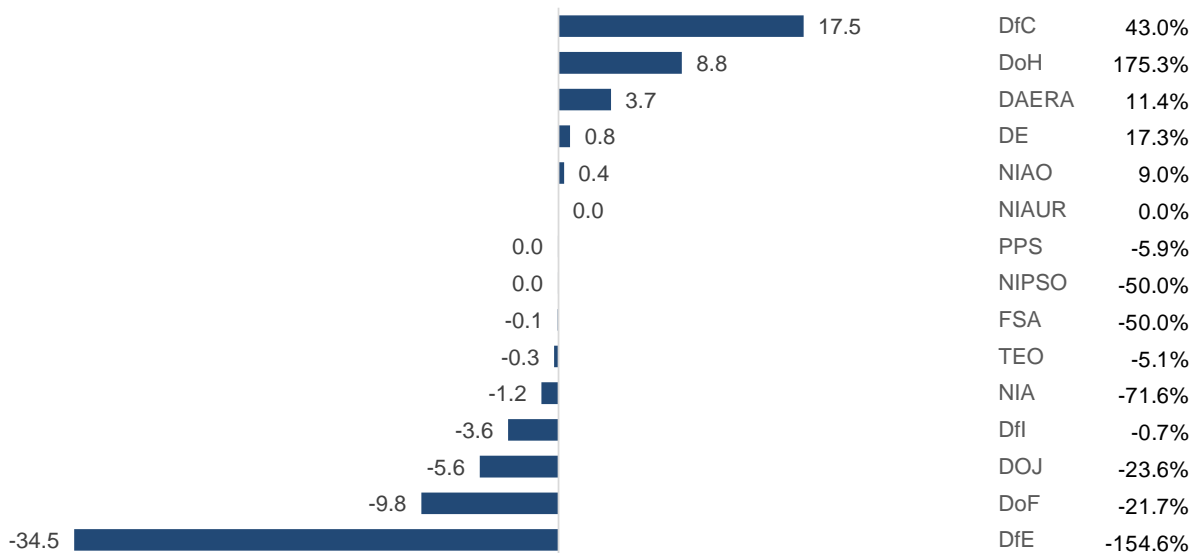
Figure 1: Changes in Resource DEL since Main Estimates 2021-22 (£ million)



Source: Department of Finance, February 2022

Figure 2 shows that the two largest monetary increases in Capital DEL were in: DfC, at £17.5 million; and, the DoH, at £8.8 million. However, the DfE experienced the largest monetary reduction in Capital DEL of £34.5 million.

Figure 2: Changes in Capital DEL since Main Estimates 2021-22 (£ million)



Source: Department of Finance, February 2022

4. 2022-23 Vote on Account

The Budget Bill, when enacted, also provides interim resources and funding for the first few months of the 2022-23 financial year, in the form of a Vote on Account (VOA).

Those resources and funding amount to around 45% of 2021-22 provision, **prior to the**

Assembly's consideration and successful passage of the 2022-23 Main Estimates and the corresponding Budget (No. 2) Bill in June 2022.

Because the Main Estimates are not approved until after the new financial year begins, the VOA in the Assembly is to empower departments to continue spending up to the time that the Main Estimates are passed (usually in June). In other words, the VOA is an "interim" measure – a "bridging mechanism" - ensuring money is available for ongoing public service delivery throughout April and May – the first months in the new financial year. The VOA normally amounts to 45% of the authorised limit from the previous year. For the purposes of this Briefing, that amounts to the departmental totals provided in Part 2 of the 2021-22 SSEs (as described earlier in this Paper, at page 2).

Generally speaking, the above-explained arrangement is sufficient to ensure that the provision made for each service is not exhausted before the Main Estimates and corresponding Budget (No. 2) Bill can be approved in the summer. The previously referenced February 2022 correspondence from the DoF to the CfF notes that **this VOA does not in any way reflect, or depend on, the 2022-23 Budget position.** Rather, it is a simple safeguard that aims to ensure departmental business can continue before the Assembly considers the 2022-23 Budget at the Main Estimates stage.

For the Committee's ease of reference, Figure 3 below outlines the services covered by the VOA, drawing on the contents of Table 1 in the 2022-23 VOA document. **These figures show a total resource requirement of £11.1 billion; and a cash requirement of £9.8 billion.**

Figure 3: Services covered by 2022-23 Vote on Account (£000s)

	Resources required on account (£000s)	Cash required on account (£000s)
DAERA	309,739	310,272
DfC	2,539,023	2,529,221
DfE	758,795	750,501
DE	1,277,537	1,286,011
DoF	159,042	217,421
DoH	3,198,303	3,221,542
DfI	499,040	643,844
DOJ	722,841	651,532
TEO	252,489	79,014
FSA	6,159	6,070
NIA	22,010	19,862
NIAO	3,528	5,652
NIAUR	148	462
NIPSO	1,595	1,561
PPS	18,197	17,612
Total	11,090,573	9,822,408

Source: Department of Finance, February 2022

5. Concluding remarks

The NI Estimates, often referred to as the Main Estimates, set out the detailed spending plans of NI departments for the financial year. The SSEs seek authority for additional resources and/or cash, in addition to that sought in the Main Estimates for the given financial year. The 2021-22 Main Estimates were approved by the Assembly in June 2021. The Budget position to which the Main Estimates were written has since been revised through the In-year Monitoring Rounds – the January Monitoring Rounds most recently and its outcome was agreed by the Executive, to establish the revised departmental spending plans – and these are now reflected in detail in the 2021-22 SSEs.

There has been an increase in the **total net cash requirement of £1.4 billion** and in the **net resource requirement of £1.61 billion**, when comparing with the Main Estimates provisions.

Overall, in this year's SSEs, the DoF proposes an **increase in Resource DEL of £858 million (+18.1%)** and a **decrease in Capital DEL of £23.9 million (-3.4%)**, when compared to the Main Estimates for this financial year.

The Budget Bill will also provide interim resources and funding for the first few months of the 2022-23 financial year, in the form of a Vote on Account (VOA). **This is equivalent to a total resource requirement of £11.1 billion; and a cash requirement of £9.8 billion.**

Finally, it should be noted that the SSEs' two new features – i.e. Tables 2 and 3 in Part 1 – are a helpful addition. Nonetheless, those Tables, and the Memoranda associated with them, potentially merit review in terms of the process to compile them, along with the actual contents contained in them. Going forward to further improve openness and transparency of the Estimates, and in turn further improve departmental and Assembly statutory committee engagement in that area, further work could be undertaken.