

Northern Ireland Office (NIO) 2017-18 Supplementary Estimates Memorandum

Introduction

The NIO Supplementary Estimate for 2017-18 seeks the necessary resources and cash to support the functions of the NIO. These are continuing functions with the exception of the Independent Reporting Commission which was formally constituted in August 2017 and which is an organisation that was agreed to be set up in the Fresh Start Agreement to report on progress towards ending paramilitary activity in Northern Ireland.

The main purpose of this Memorandum is to provide the NIAC with an overview of the NIO 2017-18 Supplementary Estimate, which is part of the supply procedure. It also gives information on the budgetary changes of the NIE and changes to the cash grant payable to the NICF by the NIO.

The Supplementary Estimate seeks approval to a net resource requirement of £15,313,800 and a net cash requirement of £15,308,408 and for 2017-18 the NIO Departmental Expenditure (DEL) limit, net of depreciation and impairments, will decrease from £20,180,000 to £24,000,000.

The Memorandum is split into sections covering:

- (1) Summary of the NIO plans for 2017-18;
- (2) An overview of the Office's Administration Costs;
- (3) An overview of DEL and AME totals;
- (4) Details of the grant paid to the Northern Ireland Consolidated Fund;
- (5) Details of Barnett consequentials for 2017-18;
- (6) Control Totals for the NIE including breakdown by main programme of AME spending;
- (7) Reconciliation of the SR 2015 settlement for NIE and Control Totals for 2017-18; and
- (8) Details of the NI Block 2016-17 to 2019-20.

This memorandum has been agreed with HM Treasury.

Section 1: Summary of Northern Ireland Office Plans for 2017-18

Spending plans for 2017-18 were set in the 2015 Spending Review. From the baseline set in the 2015 Spending Review, the NIO agreed a series of efficiency measures to contribute to the Government's deficit reduction. Additional funding was provided for other areas such as boundary review. This is in line with the settlements for the other Territorial Offices (SO/WO).

The Department's initial focus this year has been on seeking to ensure political stability in Northern Ireland in the wake of the fallout from the development and operation of the Northern Ireland Renewable Heat Initiative. Following the resignation of the deputy First Minister earlier this year, the Secretary of State had a statutory duty to call a Northern Ireland Assembly election which took place on 2 March. The subsequent failure of the parties returned by the election to form an Executive within 14 days of the Assembly's first meeting, means that Northern Ireland is currently without a devolved government. The Department is now focused on working closely with Northern Ireland political leaders to ensure that stable and effective government is returned to Northern Ireland as quickly as possible. The Secretary of State is committed to power-sharing devolved government as the best means of delivering the political stability which is the priority of the Government and the vast majority of people in Northern Ireland.

Another key focus over this period for the department has been ensuring that Northern Ireland's interests are effectively represented and taken account of in the UK's preparations for exiting the EU, both in the negotiations with the EU on the terms of Withdrawal and future UK:EU relationship and in domestic preparations for the post-Exit future. The delivery of this significant priority has been complicated by the lack of an Executive in Northern Ireland during this time. This work will continue to occupy the department throughout the year ahead, working closely with the rest of Whitehall and, when that becomes possible, the Northern Ireland Executive

Section 2: Overview of the Northern Ireland Office's Administration Costs

The key purpose of the NIO remains to support the Secretary of State for Northern Ireland in promoting the best interests of Northern Ireland within the United Kingdom.

This Estimate provides for the administration costs of the NIO, including the salaries of the Secretary of State and his Minister and payments to the Northern Ireland Consolidated Fund.

Section 3: Overview of Northern Ireland Office DEL and AME totals for 2017-18

Departmental Expenditure Limit (DEL)

The following adjustments have been made to the Control Totals for NIO since the 2017-18 Main Estimate:

Resource

- Reserve claim to fund the Independent Reporting Commission of £320k
- Reserve claim to fund EU Exit preparations of £216k
- Reserve claim for the funding of the 2017 General Election of £4,481k
- Budget reclassification from resource to capital of £1,125k to reflect the correct classification for improvements to Departmental IT systems and security arrangements
- Budget transfer to the Northern Ireland Executive Enterprise Shared Services Centre of £12k for transactional services
- Budget transfer from the NIE of £10k to fund commemorations
- Budget exchange carry-forward of £70K from 2017-18 in relation to publication costs that will now be incurred in 2018-19 due to delays in publication
- Surrender of £200k non-cash budget cover not required in 2017-18

Capital

- Budget reclassification from resource to capital of £1,125k to reflect the correct classification for improvements to Departmental IT systems and security arrangements

The Departmental Expenditure Limit current control totals for the NIO are set out in the table below:

£m nominal	Main Estimate	Changes	Supp Estimate
Resource DEL (RDEL)	22.280	3.620	25.900
<i>o/w RDEL excluding depreciation</i>	<i>20.180</i>	<i>3.820</i>	<i>24.000</i>
<i>o/w depreciation ring fence in RDEL</i>	<i>2.100</i>	<i>-0.200</i>	<i>1.900</i>
Administration Budget*	15.676	-1.109	14.567
<i>o/w non-ringfenced RDEL administration budget</i>	<i>13.980</i>	<i>-0.909</i>	<i>13.071</i>
<i>o/w depreciation ringfence administration budget</i>	<i>1.696</i>	<i>-0.200</i>	<i>1.496</i>
Capital DEL	0.530	1.125	1.655

* This is part of the RDEL control total and not an addition to it.

Annually Managed Expenditure (AME)

- In addition, the Estimate (Section E) contains £500,000 of AME for the NIO. This has been changed as a result of increases in provisions for legacy legal cases of £500k

Section 4: Cash grant payable to the Northern Ireland Consolidated Fund

The Estimate also allows for the payment of a cash grant to the Northern Ireland Consolidated Fund. All expenditure by the NIE is charged to the NICF. This expenditure is shown in Section F of the NIO Estimate. Since the Main Estimate, provision has decreased by £378,200,000. The table below reconciles the spending aggregates of the NIE with the cash grant payable to the NIE.

RECONCILIATION OF GRANT PAYABLE TO NORTHERN IRELAND CONSOLIDATED FUND 2017-18			
£million	Main Estimate	Changes in Supplementary	Current position
Departmental Expenditure Limit	11,809.7	254.8	12,064.5
Annually Managed Expenditure (inc Other AME & Reg Rates)	9,754.8	96.7	9,851.4
Expenditure Financed by Regional Rates	585.4	11.0	596.4
RRI Borrowing	300.0	-266.5	33.5
Total Managed Expenditure (DEL, AME & Other AME)	22,449.9	95.9	22,545.9
Less Non Cash charges	-3,935.7	-347.5	-4,283.1
Less Non Voted (DEL, AME & Other AME)	-11,343.0	-1,023.7	-12,366.6
Voted Other Expenditure outside DEL	8,004.9	508.4	8,513.3
Utilisation of Provisions	1,203.7	159.6	1,363.3
Movement in debtors/creditors	159.3	183.7	343.0
Supply Expenditure	16,539.1	-423.5	16,115.6
Interest Payable	73.4	-3.0	70.4
District Council Rates	594.7	-3.7	591.0
Repayment of principal RRI Loans	108.4	0.3	108.6
Other Services	9.8	-0.2	9.6
Total Expenditure	17,325.4	-430.2	16,895.2
Income			
Cash received in respect of RRI borrowing	300.0	-266.5	33.5
District Rates	594.7	-3.7	591.0
Regional Rates	693.8	11.2	705.1
Interest Receivable	51.5	-3.6	47.9
Miscellaneous receipts	19.8	210.6	230.4
<i>of which:</i>			
<i>NICF Balance</i>	<i>0.5</i>	<i>0.0</i>	<i>0.5</i>
<i>Continental Shelf</i>	<i>1.5</i>	<i>0.2</i>	<i>1.7</i>
<i>Misc - NIHE, Land Annuities etc</i>	<i>0.2</i>	<i>9.3</i>	<i>9.4</i>
<i>Excess Accruing Resources</i>	<i>0.8</i>	<i>141.7</i>	<i>142.5</i>
<i>CFERS</i>	<i>16.8</i>	<i>59.4</i>	<i>76.3</i>
<i>EU CFERS</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Total Income	1,659.9	-52.0	1,607.9
Block Grant	15,665.6	-378.2	15,287.4

Changes to DEL and AME totals for the NIE are detailed elsewhere in this Memorandum.

Section 5: Barnett Consequentials

From time to time, the Treasury will adjust the budgets of UK departments with the devolved administrations receiving Barnett consequentials of these adjustments. The majority of these budgetary adjustments take place at major fiscal events such as the Budget.

In December 2017, the Treasury published a breakdown of changes in the devolved administrations' block grant funding from the 2015 Spending Review until Autumn Budget 2017 for all years covered by the SR. This includes details of all Barnett Consequentials allocated to the devolved administrations since the conclusion of the 2015 SR.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>

The table below details the Barnett consequentials for the financial year 2017-18 received by the NIE since the announcement of the 2015 Spending Review in Autumn 2015. Additional Barnett consequentials for 2017-18 announced since the publication of the 2017-18 Main Estimate are shown at the foot of the table. This information is provided to assist the Committee to understand the composition of the block budgets of the NIE.

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Barnett Consequentials allocated in Fiscal Events for 2017-18 since 2015 Spending Review			
Fiscal Event	UK Government Measure	Resource/Capital	Barnet Consequential (£m)
Budget 2016	Business Rates - Permanently double SBRR from 2017-18 (reduced income)	Resource	20.691
	Business Rates - Increasing the Small Business Rate Relief thresholds from 2017-18	Resource	23.170
	Business Rates - Increasing the standard multiplier threshold from 2017-18	Resource	3.404
	Making all schools academies by 2022	Resource	5.619
	National Funding Formula	Resource	1.653
	Northern Powerhouse	Resource	0.664
	Mentoring for 25,000 disadvantaged students	Resource	0.099
	Longer school day	Resource	2.231
	Expanding breakfast clubs	Resource	0.198
	Doubling the primary school sports premium	Resource	3.074
	Flood package: maintenace funding	Resource	1.322
	Partnership Support Fund	Capital	0.165
	Six year programme top-up	Capital	0.397
	Royal College of Arts	Capital	0.364
	Drapers Hall - Coventry	Capital	0.033
	Hall for Cornwall	Capital	0.066
	S1 Artspace	Capital	0.017
	Cathedrals	Resource	0.165
	Hull City of Culture	Resource	0.083
	Shakespeare North	Capital	0.132
	Additional Flexible Support FUND: WRAW Bill	Resource	0.429
	Increase number of presenting officers at appeals in ESA & PIP	Resource	0.260
	New Enterprise Allowance for Self Employed	Resource	0.286
	Devolution Deals - resource	Resource	1.355
	Sub-total Budget 2016		65.876

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Autumn Statement 2016	Rural Rate Relief	Resource	0.198
	Fibre relief	Resource	0.099
	Northern Power House: Investment Fund	Capital (Financial Transactions)	0.132
	Midlands Engine: Investment Fund	Capital (Financial Transactions)	0.563
	Mayfield Review of Management	Resource	0.165
	Prison staffing and wider reforms to the justice system	Resource	3.526
	Wentworth Woodhouse	Resource	0.039
	Creative Media Centre Plymouth	Capital	0.033
	Studio 144 Southampton	Capital	0.053
	Royal Society of Arts School Pilots	Resource	0.015
	Rugby League World Cup 2021	Capital	0.033
	Rugby League World Cup 2021	Resource	0.066
	World Road Cycling	Capital	0.016
	World Road Cycling	Resource	0.038
	Right to Buy - extended pilot	Resource	4.943
	Midlands Rail Hub	Resource	0.066
	Invest in University Tech Transfers	Capital	0.824
	Grammar Schools	Capital	1.648
	Strategic roads – pinchpoints	Capital	3.131
	Local roads and local transport	Capital	6.921
	ULEVs - support for electric buses and taxis (E & W)	Capital	0.593
	Smart ticketing	Capital	0.824
	Development funding for Oxford-Cambridge + M25	Capital	0.165
	Accelerated build-out (Conference)	Capital	7.909
	Affordable housing grants	Capital	14.995
	“Help-to-Build”, including “Roads for Homes”	Capital	1.648
	QR funding	Capital	0.694
	Sub-total Autumn Statement 2016		49.337

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Spring Budget 2017	Business Rates - Mitigating Impact of SBRR	Resource	0.593
	Business Rates - Discretionary Relief Fund	Resource	5.767
	Business Rates - Pubs	Resource	0.758
	LAs delivering Business Rates Reforms	Resource	0.138
	16-19 Education: Sainsbury Review	Resource	0.000
	110 Free Schools	Resource	0.527
	Social Care	Resource	33.297
	Health Capital A & E	Capital	3.296
	Social Transformation Programme Funding	Capital	3.607
	Work Coaches	Resource	0.181
	Midlands Skills Challenge (English Language Training)	Resource	0.033
	Returnships	Resource	0.069
	Suffragette Centenary	Resource	0.171
	Sub-total Spring Budget 2017		48.439
Autumn Budget 2017	Air Quality - Compliance Funding	Resource	0.394
	Air Quality - Compliance Funding	Capital	0.164
	Local Roads	Capital	1.511
	Midlands Connect: Motorway Hub	Resource	0.033
	Health - Resource	Resource	11.073
	Health Capital	Capital	16.626
	Help to Buy Equity Loan	Capital (Financial Transactions)	52.506
	Office for Data Analytics	Resource	0.003
	Disabled Facilities Grant	Capital	1.380
	Efficiency Review Savings	Resource	-8.674
	Sub total Autumn Budget 2017		75.016

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Totals	<i>Resource DEL</i>	<i>Resource</i>	118.223
	<i>Capital DEL</i>	<i>Capital</i>	67.244
	<i>Financial Transactions</i>	<i>Capital (Financial Transactions)</i>	53.201
	AII DEL		238.668
Totals may not sum due to roundings			

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Section 6: 2017-18 Control Totals for the Northern Ireland Executive including breakdown by main programme of AME spending

Resource and capital DEL for NIE

The following adjustments have been made to the Control Totals for NIE since the 2017-18 Main Estimate:

Northern Ireland Executive Control Totals 2017-18		
DEL changes since Main Estimates 2017-18	£ million	
Barnett Consequentials - Autumn Budget 2017	2.828	RDEL excl depreciation
Barnett Consequentials - Autumn Budget 2017	19.682	Capital DEL
Barnett Consequentials - Autumn Budget 2017	52.506	Financial Transactions
Barnett Consequentials - Reserve claim for Probate Fees	7.777	RDEL excl depreciation
Barnett Consequentials - Reserve claim for Rail Fares	1.971	RDEL excl depreciation
2016-17 Efficiency Review Savings	-2.080	RDEL excl depreciation
Air Passenger Duty adjustment	-2.224	RDEL excl depreciation
Apprenticeship Levy	9.801	RDEL excl depreciation
Budget Exchange	7.045	Capital DEL
Budget Exchange	48.149	RDEL excl depreciation
Budget Transfer from BEIS: R & D funding	0.478	Capital DEL
Budget Transfer from DCMS: Superfast Broadband	5.639	Capital DEL
Budget Transfer from DfT: Derry Airport	1.776	RDEL excl depreciation
Budget Transfer from DH: HIV infected blood	0.039	RDEL excl depreciation
Budget Transfer from DWP: non-UC tax credit debt funding	0.075	RDEL excl depreciation
Budget Transfer from HO: Immigration Health Surcharge	2.176	RDEL excl depreciation
Budget Transfer from NIO: AccountNI	0.012	RDEL excl depreciation
Budget Transfer to DCMS: Superfast Broadband	-0.261	Capital DEL
Budget Transfer to NIO: Messines Commemoration	-0.010	RDEL excl depreciation
Capital to Resource Switch	33.534	RDEL excl depreciation
Capital to Resource Switch	-33.534	Capital DEL
Cash Management Charge/Rebate	0.010	RDEL excl depreciation
Coastal Communities Fund	0.443	RDEL excl depreciation
Confidence & Supply	20.000	RDEL excl depreciation
EU exit Funding	1.850	RDEL excl depreciation
EU exit Funding	0.500	Capital DEL
Fresh Start Fraud & Error	25.000	RDEL excl depreciation
Fresh Start Paramilitary	3.187	RDEL excl depreciation
Fresh Start Shared Education	6.149	Capital DEL
Fresh Start Shared Future	10.557	RDEL excl depreciation
LIBOR funding: Air Ambulance	1.500	RDEL excl depreciation
Reprofile Efficiency Review savings from 2018-19 & 2019-20 into 2017-18	-8.707	RDEL excl depreciation
Reserve - Barnett Consequentials of Floods Claim	2.559	Capital DEL
Reserve Claim - Student Loan Impairment	91.854	RDEL: Student Loans
Return of Welfare Reform Penalty	20.000	RDEL excl depreciation
Tampon Tax	0.502	RDEL excl depreciation
Total	330.783	

The current control totals for the NIE are set out in the table below:

£m nominal	2017-18 Main Estimate	Changes	Supplementary Estimate
Resource DEL (RDEL)	10,524	270	10,794
<i>of which:</i>			
<i>RDEL excluding depreciation</i>	9,966	178	10,144
<i>depreciation ring fence in RDEL</i>	443	0	443
<i>student loans ring fence in RDEL</i>	115	92	207
Capital DEL	1,210	61	1,270
<i>of which:</i>			
<i>General CDEL</i>	1,095	8	1,104
<i>Financial Transactions</i>	114	53	167

Annually Managed Expenditure (AME)

The following changes have been agreed since the publication of the 2017-18 Main Estimates:-

The NIE are now forecasting Annually Managed Expenditure of £9.851.4 million in the following areas:

Programme	Main Estimate £m	Changes £m	Supplementary Estimate £m
Benefits	5,918.5	-24.9	5,893.6
Social Fund	61.7	-0.3	61.4
Capital Spend of Public Corporations	186.7	-33.5	153.2
Student Loans	239.8	-28.1	211.8
Pensions	2,533.8	219.6	2,753.4
Provisions	418.7	-199.9	218.8
Depreciation	315.7	75.1	390.8
Impairments	56.4	87.8	144.2
Notional Cost of Audit	0.0	0.0	0.0
Bad Debt	0.0	0.0	0.0
Renewable Heat Incentive	22.3	0.0	22.3
Corporation Tax	1.2	0.2	1.5
Profit and Loss	0.0	0.5	0.5
TOTAL	9,754.8	96.7	9,851.4
<u>Note</u>			
Excludes expenditure funded by Regional Rates income and borrowing under the Reinvestment & Reform Initiative (Both of these items are treated as AME)			

Section 7: 2017-18: Reconciliation of the SR 2015 settlement for NIE and Control Totals

In December 2017, the Treasury published a breakdown of changes in the devolved administrations' block grant funding from the 2015 Spending Review until Autumn Budget 2017 for all years covered by the SR. This includes details of included to the budgets of the devolved administrations since the conclusion of the 2015 SR.

<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>

The table below details the changes to the NIE budget for the financial year 2017-18 received by the NIE since the announcement of the 2015 Spending Review in Autumn 2015. We have provided this information to assist the Committee in their understanding of the composition of the block budgets of the NIE for the financial year 2017-18 which form part of the NIO Supplementary Estimate.

Changes to Northern Ireland Executive Control Totals for 2017-18 since 2015 Spending Review					
	RDEL	Ring-fenced depreciation	Ring-fenced student loans	Capital DEL	Finacial Transactions Capital
	£m	£m	£m	£m	£m
2015 Spending Review: settlement	9,855.260	442.943	115.142	1,036.038	100.742
Barnett Consequentials: Budget 2016	64.934			1.173	
Barnett Consequentials: Autumn Statement 2016	9.154			39.476	0.695
Barnett Consequentials: Spring Budget 2017	41.536			6.903	
Barnett Consequentials: Autumn Budget 2017	2.828			19.682	52.506
Barnett Consequentials: Reserve claim for Probate Fees	7.777				
Barnett Consequentials: Reserve claim for Rail Fares	1.971				
Barnett Consequentials: Reserve claim for Floods				2.559	

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Air Passenger Duty adjustment	-2.224				
Apprenticeship Levy	9.801				
Budget Exchange	48.149			7.045	
Budget Transfer from BEIS: R & D funding				0.478	
Budget transfer from BIS: Open University	2.500				
Budget Transfer from DCMS: Superfast Broadband				5.639	
Budget Transfer from DfT: Derry Airport	1.776				
Budget Transfer from DH: HIV infected blood	0.039				
Budget Transfer from DWP: non-UC tax credit debt funding	0.075				
Budget Transfer from HO: Immigration Health Surcharge	2.176				
Budget transfer from Home Office: Health migrant levy	4.169				
Budget Transfer from Home Office: Marriage/civil partnership	0.025				
Budget Transfer from NIO: AccountNI	0.012				
Budget Transfer to DCMS: Superfast Broadband				-0.261	
Budget Transfer to NIO: Messines Commemoration	-0.010				
Capital to Resource Switch	33.534			-33.534	
Cash Management Charge/Rebate	0.010				
Coastal Communities Fund	0.443				
Confidence & Supply	20.000				
Efficiency Review - 2016-17 Savings	-2.080				
Efficiency Review - Reprofile savings from 2018-19 & 2019-20 into 2017-18	-8.707				
EU exit Funding	1.850			0.500	
Fresh Start Fraud & Error	25.000				
Fresh Start Paramilitary	3.187				
Fresh Start Shared Education				6.149	
Fresh Start Shared Future	10.557				
LIBOR funding: Air Ambulance	1.500				

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Reprofile Financial Transactions from 2016-17 into 2017-18 & subsequent years					13.000
Reserve Claim - Student Loan Impairment			91.854		
Return of Welfare Reform Penalty	20.000				
Switch of R & D expenditure from resource to capital	-11.663			11.663	
Tampon Tax	0.502				
Current Control Totals (Supplementary Estimate 2017-18)	10,144.081	442.943	206.996	1,103.510	166.943

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Section 8: Spending by Northern Ireland Office & Northern Ireland Executive 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20					
	outturn	plans	plans	plans					
	£'000	£'000	£'000	£'000					
Northern Ireland Office Resource(3)									
Northern Ireland Office Administration Costs	12,907	14,567	22,330	22,680					
Northern Ireland Office - other(3)	12,221	11,333							
Northern Ireland Office Resource(3)	25,128	25,900	22,330	22,680					
Northern Ireland Office Capital									
Northern Ireland Office	445	1,655	270	250					
Northern Ireland Office Resource + Capital DEL(3)	25,573	27,555	22,600	22,930					
<i>less depreciation & impairments</i>	<i>-2,266</i>	<i>-1,900</i>	<i>-2,100</i>	<i>-2,100</i>					
Northern Ireland Office DEL (4)	23,307	25,655	20,500	20,830					
Northern Ireland Executive									
Northern Ireland Executive Resource	10,480,277	10,794,020	10,601,401	10,612,818					
Northern Ireland Executive Capital	1,005,419	1,270,453	1,365,906	1,479,570					
Northern Ireland Executive DEL(3)	11,485,696	12,064,473	11,967,307	12,092,388					
<i>less depreciation & impairments</i>	<i>-590,316</i>	<i>-649,939</i>	<i>-573,980</i>	<i>-587,212</i>					
Northern Ireland Executive DEL(4)	10,895,380	11,414,534	11,393,327	11,505,176					
<u>Notes</u>									
(1) Totals may not sum due to roundings.									
(2) Includes Budgetary Changes as a result of Clear Line of Sight									
(3) Including depreciation & impairments									
(4) Resource + capital - depreciation & impairments									
(5) By convention Departmental Expenditure Limit budgets are expressed as resource and capital less depreciation & impairments. Therefore the resource and capital numbers in this table will not sum to the Departmental Expenditure Limit: the difference being depreciation & impairments.									