Grant to Northern Ireland Government, and Northern Ireland Office funding
Day-to-day Spending (Resource DEL)
Northern Ireland Govt 3% of total

Resource DEL

Increase in budget from last year: £24 million (0.2%)

£210 million of the Confidence and Supply Agreement was drawn down in this Main Estimate but only £20 million in last year’s revised budget. Other changes make up the overall net increase to £24 million from last year.

Long-term spending trends
(£m, nominal)

Spending Review 2015
The 2015 Spending Review planned modest nominal increases (but real terms decreases) to the Northern Ireland Government’s Resource DEL over four years, driven by budget changes for UK departments such as Health, where equivalent functions in Northern Ireland are devolved and Northern Ireland receives “Barnett consequentials”.

Changes since the 2015 Spending Review Settlement
Since the original Spending Review settlement for 2018-19 was determined in 2015, the following changes have been made:

• £170 million resource of “Barnett Consequentials” – additional funding for NI, given because the UK Government has decided to allocate additional money for other parts of the UK, and needs to give NI an equivalent amount; and

• £210 million arising from the Confidence and Supply Agreement. The Confidence and Supply Agreement is an agreement between the Conservative Government and the Democratic Unionist Party (DUP) whereby the DUP agrees to support the Government in votes on supply, confidence motions and certain other finance related matters. In return, the UK Government has agreed to allocate the Northern Ireland Government specified additional funds over a five-year period. A breakdown is shown in the slide.

There has been a 6% nominal increase (which is a real terms increase of 1%) in the Northern Ireland Government’s Resource DEL since 2015-16. The further Barnett Consequentials and the Confidence and Supply funds set out above have meant that the grant has not reduced in real terms as expected in the 2015 Spending Review.

However in real terms, there has been a 4% real terms reduction since 2010/11.

1 Final budget at Supplementary Estimates 2016-17 (Feb 2017)
2 Initial budget as at Main Estimates 2017-18 (April 2017)
**Investment Spending (Capital DEL)**

Increase in budget from last year: **£297 million (23%)**

This year’s budget includes £200 million arising from the Confidence and Supply Agreement.

**Long-term spending trends (£m, nominal)**

**Spending Review 2015**

The Spending Review planned modest nominal increases to the Northern Ireland Government's Capital DEL over four years, driven by increases for UK departments such as Transport, where equivalent functions in Northern Ireland are devolved and Northern Ireland receives “Barnett consequentials”.

**Changes since the 2015 Spending Review Settlement**

Since the 2015 Spending Review settlement, the following changes have been made to the Northern Ireland Government’s 2018-19 investment budget:

**Increases of**

- £191 million resource of “Barnett Consequentials” – additional funding for NI, given because the UK Government has decided to allocate additional money for other parts of the UK, and needs to give NI an equivalent amount; and

- £200 million arising from the Confidence and Supply Agreement. The Confidence and Supply Agreement is an agreement between the Conservative Government and the Democratic Unionist Party (DUP) whereby the DUP agrees to support the Government in votes on supply, confidence motions and certain other finance related matters. In return, the UK Government has agreed to allocate the Northern Ireland Government specified additional funds over a five-year period. A breakdown is shown in the slide.

**Overall, there has been a real terms increase of 94% in the Northern Ireland’s capital DEL budget since 2015-16, This is partly due to the actual NI capital spend baseline in 2015-16 being lower than anticipated in the 2015 Spending Review (£766m against a budget of £1,100m)**

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1 Final budget at Supplementary Estimates 2016-17 (Feb 2017)
2 Initial budget as at Main Estimates 2017-18 (April 2017)
What shows up in the Estimate:

The Northern Ireland Office Estimate includes:

✓ **Cash grant to Northern Ireland** - this is derived from Northern Ireland Government's budget \([\text{Resource DEL} + \text{Capital DEL} + \text{Annually Managed Expenditure}]\) *with adjustments taking out non-cash items such as depreciation and for timing differences*

Cash grant is **£15,602 million** (2% over last year’s revised budget)

✓ **Funding for the Northern Ireland Office**

UK ministerial department responsible for the smooth working of the devolution settlement and relations between the UK and Northern Ireland Government

Resource (day to day spending) DEL budget: **£22.3 million** (£3.6 million less than last year’s budget which included expenditure for the General Election)

Capital (investment) DEL budget small at **£0.3 million** (£1.4m less than last year’s budget which included funds for improving the department’s IT and security systems)
The 2015 Spending Review sought to protect the spending of Territorial Offices in real terms. However, the administration budget shows a real terms reduction of around 10% from 2015/16 to 2018/19. This suggests that there could be cost pressures in the Northern Ireland Office, especially since they are likely to have additional workload due to there being no Northern Ireland Executive.

Spending for elections is in “other” expenditure.
Additional £1,000 million funds going to Northern Ireland as part of the agreement between the Conservative Party and DUP in June 2017

The Confidence and Supply Agreement is an agreement between the Conservative Government and the Democratic Unionist Party (DUP) whereby the DUP agrees to support the Government in votes on supply, confidence motions and certain other finance related matters. In return, the UK Government has agreed to allocate the Northern Ireland Government specified additional funds over a five-year period.

Amounts drawn-down and remaining

<table>
<thead>
<tr>
<th>Departmental Spend</th>
<th>Amounts drawn down in 2017-18</th>
<th>Amounts drawn down in 2018-19</th>
<th>Amounts remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure development (£200 million over 2 years)</td>
<td>200 (£200 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
</tr>
<tr>
<td>Health service transformation (£100 million over 2 years)</td>
<td>100 (£100 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
</tr>
<tr>
<td>Broadband development (£75 million over 2 years)</td>
<td>150 (£75 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
</tr>
<tr>
<td>Severe deprivation (£20 million over 5 years)</td>
<td>80 (£20 million over 5 years)</td>
<td>0 (£0 million over 5 years)</td>
<td>0 (£0 million over 5 years)</td>
</tr>
<tr>
<td>Mental health (£10 million over 5 years)</td>
<td>40 (£10 million over 5 years)</td>
<td>0 (£0 million over 5 years)</td>
<td>0 (£0 million over 5 years)</td>
</tr>
<tr>
<td>Pressures in health and education (£50 million over 2 years)</td>
<td>80 (£50 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
<td>0 (£0 million over 2 years)</td>
</tr>
</tbody>
</table>

In 2018-19 Estimate, £410 million is being drawn down (£210 million resource and £200 million capital):

- £80 million immediate health and education (resource)
- £30 million to address mental health and severe deprivation (resource)
- £100 million health transformation (resource)
- £200 million infrastructure development (capital)

This leaves £570 million remaining in total pot.

Context: Supply and Confidence Agreement
Additional budget legislation passed by Westminster because the NI Assembly is dissolved

There has been no Executive in Belfast since 9 January 2017, when the then Deputy First Minister of Northern Ireland resigned, which also resulted in the First Minister ceasing to hold office. The Northern Ireland Assembly has not met since its first post-election meeting in March 2017.

- **1 April 2017**
  - Section 59, Northern Ireland Act 1998 applies
  - In the absence of the NI Assembly, this legislation enabled civil servants in Northern Ireland (NI) Govt to spend 75% and then 95% (in July) of previous year (2016-17) budget in financial year 2017-18 without requiring legislation from Westminster parliament. It was very much an emergency measure.

- **November 2017**
  - Northern Ireland Budget Act 2017
  - This was legislation passed by Westminster which formally approved the spending plans for the NI Govt for the year 2017-18. It meant that NI govt departments were not restricted to just spending 95% of the previous year’s budget as per Section 59, This would normally have been passed by the NI Assembly.

- **March 2018**
  - Northern Ireland Budget (Anticipation and Adjustments) Act 2018
  - Revises spending plans for the NI Govt for the year 2017-18 set out in the Northern Ireland Budget Act 2017 (effectively approval of Supplementary Estimates for NI Govt)

- **April 2018**
  - MAIN ESTIMATES
  - Formal spending plans for 2018-19 for UK govt departmental budgets published, For Northern Ireland Office (NIO) Main Estimate, this includes cash grant to NI Govt. However note these are spending plans of UK Govt not NI Govt.

  These spending plans will be given legal effect through the Supply and Appropriations Act, which will be passed in July 2018.

  The Secretary of State for NI has set out several points on budget allocations for the NI Govt for the financial year 2018-19 in a Written Statement of March 2018. This included money on transformation and £410m from the Confidence and Supply agreement. Unless the Assembly is formed, it is likely that Westminster will have to pass legislation similar to the Northern Ireland Budget Act 2017 to give formal approval of spending plans of the NI Govt departments in 2018-19.

  NOTE: corporation tax was due to be devolved in 2018-19. However no Assembly means this can not currently happen.

**Context:**

Implications of no Assembly
The Barnett Formula

Change (rise or fall) in Resource DEL budget determined by UK government

Share of change related to functions RESERVED TO UK GOVERNMENT (e.g., defence)

Share of change related to DEVOLVED FUNCTIONS (e.g., health)

Population share (compared to England or England and Wales or Great Britain)

Extra funding available to the governments of Scotland, Wales and Northern Ireland (may also be a spending cut)

Northern Ireland compared to England:
2010 Spending Review: 3.45%
2015 Spending Review: 3.39%

This reduction in population share will mean slightly smaller increases and decreases in funding for Northern Ireland from the Barnett Formula than would have resulted if the share had remained as before.

NO CHANGE TO THE BLOCK GRANT provided to Scotland, Wales and Northern Ireland

These funds can be spent on ANY DEVOLVED FUNCTION

Example:
Increase of £100m in UK Departments’ Resource DEL budget. 75% relates to functions which are devolved; 25% are UK reserved functions. 3.39% (Northern Ireland’s population compared to England) = £2.543m to Northern Irish government

Context: The Barnett Formula