



Northern Ireland  
Fiscal Council

Bringing transparency to NI's public finances

# Improving transparency of In-Year Monitoring

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## Executive Summary

The NI Budget process sets departmental budget allocations for the year ahead. The in-year monitoring process then provides a formal system for reviewing spending plans and priorities during the financial year in light of the most up-to-date position. The purpose of in-year monitoring is to support financial management and redirect resources where necessary in line with the NI Executive's priorities. When an Executive is in place, the Department of Finance (DoF) and Finance Minister are responsible for bringing the in-year changes to the NI Executive and seeking agreement.<sup>1</sup> The Assembly is then informed via Ministerial In Year Monitoring (IYM) Statements announcing the decisions taken by the NI Executive and updating the previously published total funding for NI departments and the allocations between them. These IYM Statements can either be in written or oral form.

The Ministerial Statement is usually provided at rapid pace, confirming the reallocation of resources to departments quickly to enable them to work within their 'new' Budget. This paper suggests possible improvements to or additional information that could be provided either within the IYM Statements or shortly afterwards, reflecting comments made by stakeholders and our own experience in reconciling the numbers published in previous IYM Statements. Our proposals reflect our Terms of Reference and are designed to improve the transparency of these Statements and to make them more accessible for analysts, Assembly members and other interested parties. The proposed new tables therefore aim to:

- 1) give a complete overview of the whole financing and spending picture in terms of what is spent, how it is financed, if finance and spending is balanced and what changes have taken place; and
- 2) show the sources of funds available for allocation including the implications for earmarked and non-earmarked funds.

In 2022-23 there were no In Year Monitoring exercises due to the absence of an agreed Budget and the transfer of responsibility to caretaker Ministers and then Permanent Secretaries. The tables shown in this paper are therefore based on the most recent IYM Statement, which was published in January 2022 and covered the financial year 2021-22.

Our recommended changes focus on the tables published in the IYM Statements, where we suggest some changes to the existing tables as well as some additions that could further increase transparency. We have also included some further explanatory reference material that explains how the proposed new tables work in greater depth, and how the IYM data works and links together.

<sup>1</sup> In the absence of the NI Executive, the Secretary of State for Northern Ireland issues the Statement.

We are grateful to officials in DoF for working closely with us to aid our understanding on the IYM process, the information contained within the IYM Statements and in reconciling the numbers. Our proposals are intended to point towards a way forward, rather than being final formats as DoF have to work within practical constraints and capacity of the systems and staff, carry out the IYM exercise, produce the IYM Statements and consider the presentation of the additional information suggested within tables contained within this paper. The proposed additional tables are intended to expand on the current information provided. There may be scope to provide further detail for example some tables only show summaries of the main components of the data, such as additional Block Grant received. Any further underpinning detail would aid improved transparency. In practical terms and to allow the IYM exercises to proceed at pace, it may be more appropriate for some of our proposed tables to be published after the IYM Statement as a Supplementary Paper.

## The purpose of the In-Year Monitoring Statements

When in-year monitoring is functioning normally,<sup>1</sup> the purpose of the Ministerial Statement is to provide details of the Executive's decisions. They provide the latest in-year position on:

- **the total funding available to departments.** Additional resources can become available during the financial year, for example because of increases in the Block Grant that arise through the Barnett formula when the UK Government increases planned spending in England. Additional funding can also be released within existing resources, notably when funds held centrally by the Executive become available for allocation; and
- **allocations and net changes to individual departments' (Departmental Expenditure Limits (DELs)).** In advance of each monitoring round, departments must surrender funding they no longer need or expect to be able to utilise and may be invited to bid for additional funds in specific areas where their existing DEL allocation is under pressure. The IYM Statements record reduced requirements surrendered, bids made by departments, the resulting policy decisions by the Executive on allocations, and the latest plans for departments' DELs.

When the devolved institutions are operating, decisions around changes in funding and allocations are reported to the Assembly (and to the public) by the Finance Minister in IYM Statements usually in June, October and January.<sup>2</sup> The June Statement reports on provisional outturn for the previous year, as well as any initial changes for the current year since the Final Budget. The final Statement of the financial year in January reports on final plans for the current year, which are used to inform the Spring Supplementary Estimates (and associated Budget Bill).

The scope of the IYM exercises is limited in that:

- **they only cover spending within departments' DELs,** and not that which is classified as Annually Managed Expenditure (AME). AME is managed and funded under a completely different process, reflecting its demand-led nature and its links to economic determinants. DoF co-ordinates forecasts for departments' AME spending alongside the Chancellor's Spring Statement and Autumn Budget, usually in March and November;<sup>3</sup>
- **they only cover the planned limits on departmental spending** and not departments' forecasts of what they will actually spend. Departments submit forecast outturns for the current year to DoF monthly through an Outturn and Forecast Outturn (OFO) exercise, and in turn DoF reports on this to the Assembly's Finance Committee (when sitting). These differ from

<sup>1</sup> The in-year monitoring publications are available here: <https://www.finance-ni.gov.uk/topics/finance/year-monitoring>. These in-year publications have been reduced during 2022-23 and 2023-24 (so far), reflecting the absence of the NI Executive. This paper covers proposed improvements to the publications for 2021-22, which reflected how in-year monitoring normally operated when the NI Executive was in place.

<sup>2</sup> These timings are not necessarily fixed and have changed in the past. The Executive can have as many or as few monitoring rounds as the situation warrants and the timing can be flexible.

<sup>3</sup> These AME forecasts are input to the Office for Budget Responsibility (OBR) so that they feed into the OBR's economic and fiscal forecasts for the March Budget and Autumn Statement. They are based on the economic determinants in the OBR forecast. DoF have recently published some of these AME forecasts here: <https://www.finance-ni.gov.uk/publications/annually-managed-expenditure-ame-draft-budget-2022-25-and-spring-statement-2022>

DEL plans in that they reflect latest outturns and forecasts of actual monthly spending for the year. They help DoF monitor spending pressures against plans, and any emerging underspends.

Without an Executive in place, DoF were unable to carry out any IYM exercises during 2022-23 (although formal monitoring of the level of departmental spending against budget does take place monthly through the OFO exercise). In the absence of an Executive, the lack of monitoring rounds has contributed to other weaknesses in spending control and management.<sup>4</sup> In 2023-24 the Secretary of State for NI will determine any reallocation of departmental budgets until the NI Executive(NIE) is restored.

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<sup>4</sup> These weaknesses are discussed further in our NI Fiscal Council response to NI Affairs Committee <https://www.nifiscalcouncil.org/publications/ni-fiscal-council-response-ni-affairs-committee-call-evidence>

## Improving the transparency of In-Year Monitoring

Our recommendations for additional detail cover five themes:

- The tables **should cover financing as well as spending**. To date the tables in IYM Statements have only covered changes to departmental DELs, with changes to the revenue items that finance spending only being described in the text. A table that shows an overview of the latest plans for **both** financing and spending would aid transparency by clearly showing whether the latest budgetary position is balanced, with the amount of spending equalling the amount of financing. Any changes identified in tables providing specific detail should be linked back to the overview table.
- The tables **need to show and explain changes since the previous IYM Statement** – or since the Final Budget in the case of the first IYM Statement that follows it. Some of the previous IYM Statements have already done this for movements between one IYM exercise and the next, however it would also be beneficial in the first IYM Statement to include tables to explain changes since the Final Budget.
- **Any changes or detail discussed in the IYM Statement should be fully set out in a table** to facilitate accountability and transparency. An example of this would be to provide a table on the sources of funds for additional allocations to departments' DELs.
- **Any items in tables that are not self-evident need to be explained** in the text (or in further tables if necessary). For example, in January 2022 'technical adjustments'<sup>5</sup> increased Resource DEL (RDEL) spending by £82 million, but it was not clear if RDEL financing would have increased by a similar amount. We explain this further in the section on earmarked funds below.
- Information needs to be **provided separately for the four different DEL control totals**<sup>6</sup>, namely:
  - *Non-ringfenced Resource DEL (RDEL)*, used for the day-to-day costs of public services, grants and administration<sup>7</sup> (some of which may be earmarked by the UK Government for particular purposes funds, for example as part of political agreements like New Decade New Approach); and
  - *Ringfenced RDEL*, where the finance can only be applied to cover non-cash spending on depreciation and impairment on student loans; and
  - *Conventional Capital DEL (CDEL)*, funding used for longer-term investment spending (other than net lending below) – although here again specific funds within conventional CDEL can be earmarked; and
  - *Financial Transactions Capital DEL (FTC DEL)*, where the finance can only be applied to cover spending on financial transactions, i.e. equity

<sup>5</sup> An example of where 'Technical adjustments' are included is Annex G of the January 2022 monitoring statement showing Departmental Outcome by Spending Area <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Written%20Ministerial%20Statement%20-%202021-22%20January%20Monitoring.pdf>

<sup>6</sup> We provide further detail on these four separately controlled components of DEL in our comprehensive guide <https://www.nifiscalcouncil.org/public-finances-northern-ireland-comprehensive-guide>

<sup>7</sup> Should it wish to do so, the Executive can also decide to transfer non-ringfenced RDEL to CDEL or ringfenced RDEL

investment in, or net lending to, the private sector. This comprises capital injection or loans to private entities (which include universities).

To date, the latest figures shown for departments' capital DELs combined their conventional and financial transactions CDEL, so that the split between these different types of spending and their control totals were obscured. It would be more transparent to show separate figures for the different capital DEL departmental allocations.



## New core tables that cover the whole financing and spending picture

To increase the transparency of the latest financial plans we suggest that two types of additional summary core tables be published. Some of these (for example Tables 1-4) could form part of the Ministerial IYM Statement, with others released as a Supplementary Paper following the Statement if it is more practical to do so.

- Tables 1 to 4 show the latest position on **overall financing and spending**, which would show if the budgets for each type of DEL are balanced.
- Tables 5 and 6 show the **sources of funds** that finance the additional allocations announced in the IYM Statement. These tables bring together all the information about the various changes in funds that are discussed in the text of the Statement and show where these changes come from.

Further supplementary tables show how the information presented in Tables 5 and 6 fits in with the overall changes in financing and spending shown in Tables 1 and 2 above.

### Tables 1 to 4: Latest plans for financing and spending in 2021-22

Tables 1 to 4 below show an overview of the latest position on financing and spending for each of the four DEL control totals listed above. The format of the tables reflects the format of the financing and spending tables that were included, for instance, as Tables 1 to 3 in DoF's publication of the Draft Budget for 2022-25.<sup>8</sup>

Table 1 - Financing and spending in 2021-22: resource (non-ringfenced)

£ million	October 2021 Monitoring Statement	January 2022 Monitoring Statement	Change
<b>FINANCING</b>			
<b>Resource (non-ringfenced)</b>			
Block Grant	14,052	14,228	176
Regional Rates (net of debt repayment)	386	396	10
<b>Total resource financing</b>	<b>14,438</b>	<b>14,624</b>	<b>186</b>
<i>pays for:</i>			
<b>SPENDING</b>			
<b>Resource (non-ringfenced)</b>			
Departmental spending	14,301	14,480	179
Unallocated	91	70	-21
<i>Of which:</i>			
<i>Earmarked funds</i>	91	-	-91
<i>Non-earmarked funds</i>	0	70	70
Debt interest (RRI)	46	45	-1
Transfer to ringfenced RDEL	-	29	29
<b>Total resource spending</b>	<b>14,438</b>	<b>14,624</b>	<b>186</b>

Source: Department of Finance

<sup>8</sup> [https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Northern%20Ireland%20Draft%20Budget%202022-25\\_0.pdf](https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Northern%20Ireland%20Draft%20Budget%202022-25_0.pdf)

Table 2 - Financing and spending in 2021-22: capital (conventional)

£ million	October 2021 Monitoring Statement	January 2022 Monitoring Statement	Change
<b>FINANCING</b>			
<b>Capital (conventional)</b>			
Block Grant	1,812	1,855	43
Capital borrowing (RRI)	140	80	-60
Irish Government funding for A5	6	0	-6
<b>Total capital financing</b>	<b>1,958</b>	<b>1,935</b>	<b>-23</b>
<i>pays for:</i>			
<b>SPENDING</b>			
<b>Capital (conventional)</b>			
Departmental spending	1,928	1,899	-29
Unallocated	30	36	6
<i>Of which:</i>			
<i>Earmarked funds</i>	27	-	-27
<i>Non-earmarked funds</i>	3	36	33
<b>Total capital spending</b>	<b>1,958</b>	<b>1,935</b>	<b>-23</b>

Source: Department of Finance

Table 3 - Financing and spending in 2021-22: capital (FTC)

£ million	October 2021 Monitoring Statement	January 2022 Monitoring Statement	Change
<b>FINANCING</b>			
<b>Financial transactions (FTC)</b>			
Block Grant	135	135	0
<b>Total FTC financing</b>	<b>135</b>	<b>135</b>	<b>0</b>
<i>pays for:</i>			
<b>SPENDING</b>			
<b>Financial transactions (FTC)</b>			
Departmental spending	61	42	-19
Repayment in advance of schedule	-	91	91
Unallocated	74	2	-72
<i>Of which:</i>			
<i>Earmarked funds</i>	7	-	-7
<i>Non-earmarked funds</i>	67	2	-65
<b>Total FTC spending</b>	<b>135</b>	<b>135</b>	<b>0</b>

Source: Department of Finance

Table 4 - Financing and spending in 2021-22: resource (ringfenced)

£ million	October 2021 Monitoring Statement	January 2022 Monitoring Statement	Change
<b>FINANCING</b>			
<b>UK Government control totals for ringfenced RDEL</b>			
UK Government RDEL (student loan impairment)	575	575	0
UK Government RDEL (depreciation and other impairment)	460	463	3
Transfer from non-ringfenced RDEL	-	29	29
<b>Total resource financing</b>	<b>1,035</b>	<b>1,066</b>	<b>32</b>
<i>pays for:</i>			
<b>SPENDING</b>			
<b>Resource (ringfenced RDEL)</b>			
Departmental spending	594	1,066	472
Held centrally for later allocation (student loan impairment)	444	0	-444
Held centrally - anticipated funding	-3	-	3
<b>Total resource spending</b>	<b>1,035</b>	<b>1,066</b>	<b>32</b>

Source: Department of Finance

The tables above all show examples where the spending matches the financing. If the total planned spending was higher than the total financing then we would expect the excess to be shown in a further section at the table, clearly highlighting any planned overcommitment.

These proposed new Tables 1 to 4 give a complete overview of the whole financing and spending picture. They show:

- how the latest departmental spending plans, as presented in the January IYM Statement, are set within **the wider spending picture**, including debt interest payments and any spending that is held centrally because it has not been allocated yet;
- how this **wider spending is financed**, in terms of the latest plans for Block Grant, regional rates (resource financing only) and RRI borrowing (capital financing only);
- that the overall level of spending under the latest plans is **balanced** against the overall level of financing, so that it is fully funded and there is no planned overspend; and
- the total **changes** in the financing and spending plans since the previous Statement.

The finance and spending for ringfenced RDEL in Table 4 is different from the other DEL control totals in Tables 1 to 3 because ringfenced RDEL covers the costs of depreciation and impairment of each department's assets and also impairment on student loans, all of which are non-cash spending items under the Government's Resource Accounting and Budgeting. Ringfenced RDEL is a fixed limit in the same way as the other DEL control totals, and the spending is ringfenced in that the finance cannot be switched to any wider spending. However, finance from non-ringfenced RDEL can be transferred into ringfenced RDEL spending, as happened in the January 2022 IYM Round. This transfer is shown in Tables 1 and 4 above.

### Tables 5 and 6: Sources of funds available for allocation

Tables 5 and 6 that follow below show the sources of funds available for allocation. As noted above, some funding for DEL spending is earmarked by the Treasury for specific purposes or programmes and the Executive cannot (re)allocate them for any other purpose in IYM Rounds. When the levels of these earmarked funds change during the year (as part of the changes shown in the financing figures in the top half of Tables 1 and 2 above), these affect the IYM Statements as 'technical adjustments' (in contrast to the reallocation of non-earmarked funds through 'policy decisions'). This distinction between what happens with changes in the sources of earmarked versus non-earmarked funds in IYM is explained further in Box 1. Earmarked funds and technical adjustments are explained further in Box 2 and in our *Comprehensive Guide*.<sup>9</sup>

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<sup>9</sup> <https://www.nifiscouncil.org/public-finances-northern-ireland-comprehensive-guide>

## Box 1 - Different treatment of earmarked and non-earmarked funds in IYM

When the level of Block Grant increases, as reported in the financing figures in the top half of Tables 1 and 2 above, this affects the figures reported in the IYM Statement differently, depending on whether the Block Grant is earmarked or non-earmarked:

- **Treasury earmarked funds** are funds that are earmarked for spending on specific programmes or purposes. This means that, for the purposes of the IYM Statements, they are effectively pre-allocated, and not subject to any further Executive decisions on their allocation, Instead, **the allocations of any available earmarked funds to departments are reported as ‘technical adjustments’**. The background to the earmarked funds and technical adjustments is explained further in Box 2 and in our *Comprehensive Guide*.
- **non-earmarked funds** are all the other funds that have not been earmarked in this way. These funds are therefore subject to Executive decisions for allocations to departments in the IYM Statements.

Figure 1 below summarises the basis of the figures reported in the in-year monitoring Statements.

Figure 1 - basis of figures reported in the IYM Statements

Main items reported in the IYM Statements	Funds covered:	
	Non-earmarked funds	Earmarked funds
Sources of additional funds available for allocation	} Only includes these funds	Not included
Policy decisions on allocation of available funds		
Latest plans for departments DELs	Includes any available additional funds, <b>allocated as policy decisions</b>	Includes any available additional funds, <b>allocated as technical adjustments</b>

Therefore the figures that are reported in the IYM Statement as funds available for allocation and the allocation of those funds to departments **only cover the non-earmarked funds** as these are subject to Executive decisions in the monitoring round.

Whereas the figures that are reported for the latest plans for departmental DELs include both:

- the allocations of the non-earmarked funds, where the allocations are announced as policy decisions; **and**
- the transfer of the earmarked funding to individual departments as technical adjustments

Tables 5 and 6 below only cover financing and spending items **for non-earmarked funds**. Table 5 shows the available funds for non-ringfenced RDEL. Table 6 shows the available funds for conventional CDEL. We would also recommend a similar new core table showing the funds available for allocation for financial transactions CDEL.

**Table 5 - Sources of non-earmarked funds available for allocation for non-ringfenced RDEL**

£ million	Non-earmarked funds
<b>Unallocated funds at end October Monitoring Statement</b>	<b>0</b>
<b>Plus net changes in financing<sup>1</sup></b>	<b>199</b>
<i>Of which:</i>	
Non-earmarked Block Grant Barnett consequentials	189
Additional Regional Rates income (net of RRI repayment)	10
<b>Plus net reductions in spending<sup>1</sup></b>	<b>47</b>
<i>Of which:</i>	
Transfers from NIE earmarked to non-earmarked	5
Reduction in RRI Interest	1
Reduced requirements surrendered by departments	141
Allocations announced ahead of January monitoring	-99
<b>Gives:</b>	
<b>Funds available for allocation in January Monitoring Statement</b>	<b>246</b>
<i>Which is then used as follows in the January Monitoring Statement:</i>	
Allocations to departments	147
Transfer to ringfenced RDEL	29
<i>Which leaves:</i>	
<b>Unallocated funds at end January Monitoring Statement</b>	<b>70</b>

Note:

<sup>1</sup> Changes in non-earmarked funds between the October 2021 Monitoring Statement and the January 2022 Monitoring Statement. Net reductions in spending create additional funds available for allocation.

Source: Department of Finance

Table 6 - Sources of non-earmarked funds available for allocation for conventional CDEL

£ million	Non-earmarked funds
<b>Unallocated funds at end October Monitoring Statement</b>	<b>3</b>
<b>Plus net changes in financing<sup>1</sup></b>	<b>36</b>
<i>Of which:</i>	
Non-earmarked Block Grant	42
Irish Government funding for A5	-6
<b>Plus net reductions in spending<sup>1</sup></b>	<b>61</b>
<i>Of which:</i>	
Transfers from NIE earmarked to non-earmarked	7
Reduced requirements surrendered by departments	57
Allocations to City Deals	-2
<b>Gives:</b>	
<b>Total funds available for allocation in January Monitoring Statement</b>	<b>101</b>
<i>Which is then used as follows in the January Monitoring Statement:</i>	
Allocations to departments	5
Reduction in RRI borrowing	60
<i>Which leaves:</i>	
Unallocated funds at end January Monitoring Statement	36

Note:

<sup>1</sup> Changes in non-earmarked funds between the October 2021 Monitoring Statement and the January 2022 Monitoring Statement. Net reductions in spending create additional funds available for allocation.

Source: Department of Finance

The above tables summarise the available funds from additional grants and existing spending that are discussed in the main text of the January 2022 IYM Statement. Setting the main figures out in these tables shows the sources of the additional funds in a much clearer way, showing where all the available funds come from, and how all the detailed changes add up to the total additional funds that have become available. Table A3 in Annex A also shows changes in both the earmarked and non-earmarked funds and how these relate to the total changes in financing and spending shown in Table 2.

### Supplementary tables that show how the changes in Tables 1 to 3 are split between earmarked and non-earmarked funds

To help us produce Table 5 above, DoF provided the following supplementary tables that show how the main changes in Table 1 above are split between earmarked and non-earmarked funds.

Table 1a - Non-ringfenced Resource DEL: changes in Block Grant

£ million	Changes in funds <sup>1</sup>
<b>Non-earmarked Block Grant</b>	
Additional non-earmarked Block Grant Barnett consequentials	189
<b>Changes in non-earmarked Block Grant</b>	<b>189</b>
<b>Earmarked block grant</b>	
Additional earmarked (non-Barnett) Block Grant received from HMT	82
Unallocated earmarked (non Barnett) Block Grant returned to HMT	-86
Departmental earmarked reduced requirements returned to HMT	-8
<b>Changes in earmarked Block Grant</b>	<b>-12</b>
<b>Total changes in non-ringfenced RDEL Block Grant</b>	<b>176</b>

Note:

<sup>1</sup> Changes in funds between the October 2021 Monitoring Statement and the January 2022 Monitoring Statement

Source: Department of Finance

Table 1b - Non-ringfenced Resource DEL: changes to departmental spending

£ million	Changes in funds <sup>1</sup>
<b>Non-earmarked departmental spending</b>	
Reduced requirements surrendered from departments	-141
Allocations announced ahead of January Monitoring	99
January Monitoring allocations to departments	147
<b>Changes in non-earmarked departmental spending</b>	<b>105</b>
<b>Earmarked departmental spending</b>	
Reduced requirements surrendered from departments	-8
Technical adjustments (transfer of additional earmarked Block Grant to departments)	82
<b>Changes in earmarked departmental spending</b>	<b>74</b>
<b>Total changes to departmental spending</b>	<b>179</b>

Note:

<sup>1</sup> Changes in funds between the October 2021 Monitoring Statement and the January 2022 Monitoring Statement

Source: Department of Finance



Table 1c - Non-ringfenced Resource DEL: changes to unallocated spending

£ million	Changes in funds <sup>1</sup>
<b>Non-earmarked unallocated spending</b>	
Additional Barnett Block Grant consequentials received from HMT	189
Reduced requirements surrendered from departments	141
Additional Regional Rates income	10
Reduction in RRI Interest	1
Transfers from NIE earmarked to non-earmarked	5
Allocations announced ahead of January Monitoring	-99
January Monitoring allocations to departments	-147
Transfer to ringfenced RDEL	-29
<b>Changes to non-earmarked unallocated spending</b>	<b>70</b>
<b>Earmarked unallocated spending</b>	
Additional earmarked (non-Barnett) Block Grant received from HMT	82
Unallocated funding returned to HMT	-86
Departmental reduced requirements returned to HMT	-8
Reduced requirements surrendered from departments	8
Technical adjustments (transfer of additional earmarked block grant to departments)	-82
Transfers from NIE earmarked to non-earmarked	-5
<b>Changes to earmarked unallocated spending</b>	<b>-91</b>
<b>Total changes to unallocated spending</b>	<b>-21</b>

Note:

<sup>1</sup> Changes in funds between the October 2021 Monitoring Statement and the January 2022 Monitoring Statement

Source: Department of Finance

These supplementary tables for Table 1 are helpful because they:

- provide the summary data for Table 5, which is all contained within Table 1c;
- show the background changes in the earmarked funds. These changes all balance out, with no effect on the overall funds available for the monitoring round. But it is still useful to see these background changes for full transparency; and
- the supplementary tables also show how the changes for the non-earmarked funds in Table 5 combine with changes in the earmarked funds to produce the overall changes in financing and spending shown in Table 1. This reconciliation shows where the data in Table 5 come from, and that they are correct and complete.

### Further work on the data underlying Tables 5 and 6

As part of our work to understand the basis of the data underlying Tables 5 and 6, we produced further tables that completely split the data between earmarked and non-earmarked funds. These are included in Annexes A and B. These further tables demonstrate how the changes in financing and spending balance out for each of these types of funds (Annex A), and how the changes in the earmarked funds have zero effect on the total funds available for allocation in the IYM Statement (Annex B).

The tables in Annexes A and B have much greater scope than the supplementary tables shown above. We are not suggesting that these Annex tables should be

produced as part of the new transparency material because it would not be practicable for DoF to produce them alongside all the operational work required for the IYM exercises, but we have included them because we hope they may be useful for further reference.

## Box 2 - Further background on earmarked funds and technical adjustments

As we explained in our *Comprehensive Guide*, the Executive's DEL spending is largely financed through the Block Grant from the UK Government, including both additional (or reduced) funding allocated to NI via the Barnett formula, and also non-Barnett additions.<sup>1</sup> The non-Barnett additions are typically provided as one-off or time-limited specific funding schemes and are usually earmarked for specific purposes. Some are specific to the NI Executive, for example additional grants agreed as part of the New Decade New Approach and Fresh Start political agreements, and funding to meet the direct costs of the NI protocol under EU exit, and some are common to all the Devolved Administrations.

- Within the non-Barnett additions to the Block Grant, **UK Government earmarked grants** are defined as 'Block Grant funding that has been hypothecated by the UK Government for spending on specific purposes.'<sup>2</sup>

If this funding is not spent on its intended specific purpose, then it has to be returned to Treasury, and cannot be spent on anything else.

These UK Government earmarked funds exist within non-ringfenced RDEL and conventional CDEL. All of the UK Government earmarked grants are contained within the non-Barnett additions within the Block Grant.

- In addition to the UK Government earmarked grants inside the non-Barnett Block Grant, the NI Executive (NIE) does also sometimes set aside some of the funding from the main Block Grant, which it then holds centrally as **NIE earmarked funds** for spending on specific purposes.

If these NIE earmarked funds are not required by departments then the Executive can decide to switch them back again to become non-earmarked funds, which would then become available for wider allocation.

When any of these earmarked grants are allocated to departments, the allocations are carried out as '**technical adjustments**' within each monitoring round. Also included within the overall 'technical adjustments' numbers are reclassifications between RDEL and CDEL and transfers between non-ringfenced RDEL and ringfenced RDEL that must be offset by an equal and opposite transaction at control total level. These transactions require formal Executive approval.

The totals of the technical adjustments that are shown to affect the **overall departmental DEL** position can only be earmarked funds.

<sup>1</sup> See the section on non-Barnett additions and earmarked grants on pages 50-53 of *The public finances in Northern Ireland: a comprehensive guide*.

<sup>2</sup> UK Government earmarked grants are effectively 'ring-fenced' spending. This is referred to as 'earmarked' to distinguish it from the separate ringfenced RDEL control total which includes non-cash allocations including costs of depreciation of each department's assets and impairment on student loans.

## Next steps for additional transparency for In-Year Monitoring

The additional tables that are proposed in this paper are intended to point the way forward, rather than being final formats. In particular Tables 5 and 6 only show summaries of the main components of the data, such as additional Block Grant received, and it would be helpful for transparency if these tables contained as much detail as practicable, and as a minimum show the level of detail previously included in the text of the IYM Statements. It should also be noted that the data in our proposed tables are rounded to whole £ millions, but in line with the text and tables in previous IYM Statements DoF should continue to show the data to the nearest £0.1 million.

To summarise, the additional tables that are proposed in this paper are:

- Tables 1-4, which show the **overall position for both financing and spending** at the end of each monitoring round, and the changes since the last IYM Statement;
- Tables 5 and 6, which set out the **detailed sources of the non-earmarked funds** that have become available for allocation following the end of the previous monitoring round. There is also a similar need for a further table that would set out the same information for financial transactions CDEL; and
- Supplementary Tables 1a, 1b and 1c, which show how the **changes in the main items of financing and spending** since the previous IYM Statement in Table 1 **are broken down into changes in non-earmarked and earmarked funds**. The changes in the non-earmarked funds either equate to the sources of funds that have become available for allocation or they reflect the policy decisions reported in the latest IYM Statement that decide on how those available funds are used. These explain how the whole picture of changes in financing and spending fits together, and how Table 1 aligns with Table 5. Supplementary tables that would set out the same information separately for conventional CDEL (linking Tables 2 and 6), and financial transactions CDEL (linking Table 3 with the further table setting out the sources of funds) would complete this picture.

The IYM Statements include some helpful tables that show the detailed changes to departments' spending. But more detail on the changes in Block Grant, for instance, would provide additional transparency. In particular we would recommend that DoF publish tables that show the main sources of the earmarked funds that affect *the totals* of the technical adjustments that are included in the revised departmental DELs announced in the IYM Statements. For instance such a table might show the extent to which the changes allocated as technical adjustments are funded by:

- UK Government earmarked Block Grant (and the specific programme of spending that the Block Grant is earmarked to finance); and
- changes in other existing spending that affects the total of departments' earmarked spending (with a brief description of the change in the earmarked spending)

## Annex A – Earmarked and non-earmarked funds

The following table shows how the changes in Table 1 in the paper are split between non-earmarked and earmarked funds. The left-hand side of this table shows Table 1, which gives an overview of the main financing and spending items for non-ringfenced RDEL in the October 2021 and January 2022 IYM Statements, and the changes that happened between these two Statements. The right-hand side of the table shows the further breakdown of those same changes, to show how the changes are split between non-earmarked and earmarked funds. The changes in the non-earmarked funds are the same changes that are shown in Table 5 in the paper. The changes in both types of funds are the same changes that are shown in Table B1 in Annex B.

This table demonstrates how the changes in financing and spending balance out for each of these types of funds:

- The **changes for the non-earmarked funds include the policy changes that were announced in the January IYM Statement**, which included the allocations of £147 million additional spending to departments, plus the transfer of £29 million to ringfenced RDEL, plus the decision to leave £70 million unallocated.
- The **changes for the earmarked funds all balance out**, outside of the IYM round. The additional £82 million UK Government earmarked funds are distributed to departments as technical adjustments, without any need for Executive policy decisions on their distribution, because they are already earmarked for specific spending programmes.

Table A – Non-ringfenced RDEL changes in earmarked and non-earmarked funds

£ million				Breakdown of changes between October and January Monitoring Statements			
	October 2021 Monitoring Statement	January 2022 Monitoring Statement	Change		Change in non-earmarked funds	Change in earmarked funds	Total change
<b>FINANCING</b>				<b>FINANCING</b>			
Resource (non-ringfenced)				Resource (non-ringfenced)			
Block Grant	14,052	14,228	176	Total change in Block Grant	189	-12	176
				<i>Of which:</i>			
				Additional Block Grant received from HMT	189	82	270
				UK Government earmarked non-Barnett Block Grant returned to HMT	-	-94	-94
				<i>Of which:</i>			
				Previously allocated to departments (from departments reduced requirements)	-	-8	-8
				Previously received but not allocated to departments	-	-86	-86
Regional Rates (net)	386	396	10	Change in Regional Rates (net of repayments of borrowing)	10	-	10
<b>Total resource financing</b>	<b>14,438</b>	<b>14,624</b>	<b>186</b>	<b>Total resource financing</b>	<b>199</b>	<b>-12</b>	<b>186</b>
<i>pays for:</i>				<i>pays for:</i>			
<b>SPENDING</b>				<b>SPENDING</b>			
Resource (non-ringfenced)				Resource (non-ringfenced)			
Departmental spending	14,301	14,480	179	Change in departmental spending	105	74	179
				<i>Of which:</i>			
				Departments reduced requirements	-141	-8	-149
				Allocations announced ahead of January Monitoring	99	-	99
				Allocations in January Monitoring Statement	147	-	147
				Technical adjustments (earmarked only)	-	82	82
				<i>Of which:</i>			
				Financed by additional Block Grant received	-	82	82
				Financed by draw down from unallocated	-	0	0
Unallocated	91	70	-21	Transfer to NIE earmarked at Budget, reversed below <sup>1</sup>	-5	5	-
<i>Of which:</i>				Change in unallocated	70	-91	-21
Earmarked funds	91	-	-91	<i>Of which:</i>			
Non-earmarked funds	0	70	70	Transfer from NIE earmarked to non-earmarked	5	-5	-5
				Drawn down for allocation to departments	-5	0	0
				Returned to HMT (earmarked funds)	-	-86	-86
				Not allocated in January Monitoring Statement	70	-	70
Debt interest (RRI)	46	45	-1	Change in debt interest (RRI)	-1	-	-1
Transfer to ringfenced RDEL	-	29	29	Transfer to ringfenced RDEL	29	-	29
<b>Total resource spending</b>	<b>14,438</b>	<b>14,624</b>	<b>186</b>	<b>Total resource spending</b>	<b>199</b>	<b>-12</b>	<b>186</b>

Note:

<sup>1</sup> At the start of 2021-22, the NI Executive (NIE) set aside funds from non-earmarked funding and earmarked them for specific spending. £5 million of these NIE earmarked funds were then transferred back to non-earmarked in the January Monitoring Statement. When the changes in Table 1 are shown split between non-earmarked and earmarked funds, the initial transfer of this £5 million also needs to be included, as the offsetting source of funds.

Source: Department of Finance

## Annex B – Sources of available funds

Tables B1 and B2 below expand on Tables 5 and 6 in the main paper to show the sources of available funds for the January 2022 IYM Statement. Tables B1 and B2 go further than Tables 5 and 6 in that they show the changes in finance and existing spending that act as sources of funds for the changes in both the non-earmarked funds and the earmarked funds.

In both Tables B1 and B2:

- **the left-hand column shows the sources** of available non-earmarked funds, which are exactly the same as Tables 5 and 6 in the main paper;
- **the middle column shows the equivalent changes** in the earmarked funds. These show that the changes in the earmarked funds balance out exactly and have no effect on the amount of funds available for allocation in the IYM Statement. This means that the only funds that are relevant as sources of funds for allocation are the non-earmarked funds in the first column – as shown in Tables 5 and 6; and
- **the totals of the two sets of funds in the right-hand column produce the total changes** as shown in Tables 1 and 2 in the main paper. These reconciliations with Tables 1 and 2 are also set out in footnotes at the bottom of Tables B1 and B2.

The middle column also shows how all the changes to the earmarked funds balance out, with no effect on the total available for allocation. Nevertheless, it is helpful for full transparency to see how the total of the changes for both the non-earmarked and earmarked funds combine to produce the total changes in funds, as shown in the third column, which then matches the changes shown in Table 1.

Table B1 - Changes in sources of funds available for allocation for non-ringfenced RDEL

£ million	Non-earmarked funds	Earmarked funds	Total funds
<b>Unallocated funds at end October Monitoring Statement</b>	<b>0</b>	<b>91</b>	<b>91</b>
<b>Plus net changes in financing<sup>1</sup></b>	<b>199</b>	<b>-12</b>	<b>186</b>
<i>Of which:</i>			
Additional non-earmarked Block Grant Barnett consequentials	189	-	189
Additional earmarked Block Grant	-	82	82
Earmarked Block Grant returned to HMT	-	-94	-94
<i>Of which:</i>			
Previously received but not allocated to departments		-86	
Previously allocated (departments reduced requirements)		-8	
Regional Rates (net of RRI repayment)	10	-	10
<b>Plus net reductions in spending<sup>1</sup></b>	<b>47</b>	<b>-79</b>	<b>-30</b>
<i>Of which:</i>			
Transfers from NIE earmarked to non-earmarked	5	-5	-
Reduction in RRI Interest	1	-	1
Reduced requirements surrendered by departments	141	8	149
Allocations announced ahead of January Monitoring	-99	-	-99
Technical adjustments (earmarked funds only)	-	-82	-82
<i>Of which:</i>			
Financed by additional Block Grant received		-82	
Financed by draw down from unallocated		0	
<b>Gives:</b>			
<b>Total available for allocation in January Monitoring Statement</b>	<b>246</b>	<b>-</b>	<b>246</b>
<i>Which is then used as follows in the January Monitoring Statement:</i>			
Allocations to departments	147	-	147
Transfer to ringfenced RDEL	29	-	29
<i>Which leaves:</i>			
Unallocated funds at end January Monitoring Statement	70	0	70

Note:

<sup>1</sup> Changes in non-earmarked funds between the October 2021 Monitoring Statement and the January 2022 Monitoring Statement. Net reductions in spending create additional funds available for allocation.

Source: Department of Finance

The changes in spending requirements in the table above link with the changes in total resource spending in Table 1 as follows:

£ million	Non-earmarked funds	Earmarked funds	Total funds
Reduced requirements surrendered by departments	-141	-8	-149
Technical adjustments	-	82	82
Allocations announced ahead of January Monitoring	99	-	99
Allocations announced in January Monitoring	147	-	147
<b>Total change in departmental spending</b>	<b>105</b>	<b>74</b>	<b>179</b>
Change in unallocated between end January and end October	70	-91	-21
Transfer to NIE earmarked at Budget, reversed in January Monitoring <sup>1</sup>	-5	5	-
Transfer to ringfenced RDEL	29	-	29
Change in debt interest (RRI)	-1	-	-1
<b>Total change in resource spending in Table 1</b>	<b>198</b>	<b>-12</b>	<b>186</b>

Note:

<sup>1</sup>At the start of 2021-22, the NI Executive (NIE) set aside funds from non-earmarked funding and earmarked them for specific spending. £5 million of these NIE earmarked funds were then transferred back to non-earmarked in the January Monitoring Statement. When the changes in Table 1 are shown split between non-earmarked and earmarked funds, the initial transfer of this £5 million also needs to be included, as the offsetting source of funds.



Table B2 - Changes in sources of funds available for allocation for conventional CDEL

£ million	Non-earmarked funds	Earmarked funds	Total funds
<b>Unallocated funds at end October Monitoring Statement</b>	<b>3</b>	<b>27</b>	<b>29</b>
<b>Plus net changes in financing<sup>1</sup></b>	<b>36</b>	<b>1</b>	<b>38</b>
<i>Of which:</i>			
Additional non-earmarked Block Grant Barnett consequentials	42	-	42
Additional earmarked Block Grant	-	5	5
Earmarked block grant returned to HMT	-	-4	-4
<i>Of which:</i>			
Previously received but not allocated to departments		-4	
Irish Government funding for A5	-6	-	-6
<b>Plus net reductions in spending<sup>1</sup></b>	<b>61</b>	<b>-28</b>	<b>34</b>
<i>Of which:</i>			
Transfers from NIE earmarked to non-earmarked	7	-7	-
Reduced requirements surrendered by departments	57	-	57
Allocations to City Deals	-2	-	-2
Technical adjustments (earmarked funds only)	-	-21	-21
Financed by additional Block Grant received		-5	
Financed by draw down from unallocated		-16	
<b>Gives:</b>			
<b>Total available for allocation in January Monitoring Statement</b>	<b>101</b>	<b>-</b>	<b>101</b>
<i>Which is then used as follows in the January Monitoring Statement:</i>			
Allocations to departments	5	-	5
Reduction in RRI borrowing	60	-	60
<i>Which leaves:</i>			
Unallocated funds at end January Monitoring statement	36	0	36

Note:

<sup>1</sup> Changes in non-earmarked funds between the October 2021 Monitoring Statement and the January 2022 Monitoring Statement. Net reductions in spending create additional funds available for allocation.

Source: Department of Finance

The changes in net financing link in with the changes in total capital financing in Table 2 as follows:

£ million	Non-earmarked funds	Earmarked funds	Total funds
Total change in net financing in table above	36	1	38
Plus the reduction in RRI borrowing	-60	-	-60
Total change in capital financing in Table 2	-24	1	-23

The changes in spending link in with the changes in total capital spending in Table 2 as follows:

£ million	Non-earmarked funds	Earmarked funds	Total funds
Change in departmental spending			
Reduced requirements surrendered by departments	-57	-	-57
Technical adjustments	-	21	21
Allocations of City Deals	2	-	2
Allocations announced in January Monitoring	5	-	5
Total change in departmental spending	-50	21	-29
Transfer to NIE earmarked at Budget reversed in January Monitoring <sup>1</sup>	-7	7	-
Change in unallocated between end January and end October	33	-27	6
Total change in capital spending in Table 2	-24	1	-23

Note:

<sup>1</sup> At the start of 2021-22, the NI Executive (NIE) set aside funds from non-earmarked funding and earmarked them for specific spending. £7 million of these NIE earmarked funds were then transferred back to non-earmarked in the January Monitoring Statement. When the changes in Table 2 are shown split between non-earmarked and earmarked funds, the initial transfer of this £7 million also needs to be included, as the offsetting source of funds.