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Resource funding 2022-25: Departmental Bids & Draft Budget Consultation Document

Finance & Economics Research Team

This Briefing Paper – commissioned by the Committee for Finance (the Committee) – aims to inform the Committee’s consideration of Resource budget planning for 2022-25.

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 Committee for Finance (the Committee) commissioned the Finance & Economics Research Team in the Assembly's Research and Information Service (RaISe), to examine whether any gap exists between: the Resource funding requirements identified by individual Ministers to meet departmental pressures in 2022-25; and, Resource funding identified in the 2022-25 Draft Budget consultation document to deliver departmental business throughout the noted period.¹

To do so, RaISe undertook a basic comparison – as far as possible – to examine the existence of any such gap. It did so relying on an examination of the following two sets of documentation:

1. A template completed by individual departments during October through November 2021, when bidding for their Resource Budgets above the baseline for 2022-25² during Stage 2 of the “Budget 2022-25 Process - Information Gathering” exercise – i.e. their RDEL (Resource Departmental Expenditure Limits) above baseline³
2. RDEL funding above baseline, as identified in the 2022-25 Draft Budget public consultation document issued by the Department of Finance (DoF) to inform Executive budget planning for the given period⁴

It was found, however, that such a comparison could not produce conclusive findings on the existence of any gap, due to a number of constraints relating to the completed templates and the consultation document. Nonetheless, at Section 1, this Briefing Paper provides background information to contextualise the comparison that was attempted. Thereafter, Section 2 outlines key findings arising from it, which are relevant to future work of this Committee's successor in the new mandate, in the area of budget planning in Northern Ireland (NI). In closing, Section 3 provides concluding remarks.

Section 1: Background – context-setting information

To date, Budget planning for 2022-25 at Executive and departmental levels comprised a two-step approach initiated by the DoF in summer 2021, given its role and responsibilities relative to the Executive Budget, which later was agreed by the Executive for consultation alone. The approach was adopted in anticipation of the autumn 2021 announcement of the outcome of the Chancellor's Spending Review 2021 (SR 2021)⁵ and subsequent notification by Treasury of the “Budget envelope” for NI in 2022-25.

Departmental information gathered during the two specified stages helped inform the contents of a public consultation document on the Draft Budget 2022-25; issued by the DoF in December 2021.⁶ That consultation, however, prematurely “paused”, subsequent to the Executive's collapse in February 2022. Budget uncertainties now follow.

¹ Department of Finance (DoF). “Draft Budget 2022-25”. 13 December 2021: <https://www.finance-ni.gov.uk/publications/2022-25-draft-budget>

² This is not equivalent to 2021-22 budget position. It is the previous year's budget (2021-22), with adjustments for certain factors, including time-bound allocations. DoF. “Draft Budget 2022-25”. 13 December 2021, at page 2, paragraph 5.4: <https://www.finance-ni.gov.uk/publications/2022-25-draft-budget>

³ Head of Central Expenditure Division commissioning note dated 19 October 2021 to departments' Finance Directors regarding “Budget 2022-25 Process – Resource Bids”.

⁴ DoF. “Draft Budget 2022-25”. 13 December 2021: <https://www.finance-ni.gov.uk/publications/2022-25-draft-budget>

⁵ Treasury. “Autumn Budget and Spending Review 2021: documents”. 27 October 2021: <https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>

⁶ DoF. “Draft Budget 2022-25”. 13 December 2021: <https://www.finance-ni.gov.uk/publications/2022-25-draft-budget>

Table 1 below provides an overview of the above Budget planning activities:⁷

Table 1: Overview of Budget planning for 2022-25

<p>Stage 1: 6 – 25 August 2021</p>	<ul style="list-style-type: none"> • Required departments to complete four templates and return them to the Department of Finance (DoF) <ul style="list-style-type: none"> ▪ 1 – Strategic issues (departmental/cross-cutting) identified by the Minister for Resource funding ▪ 2 – Ring-fenced areas within existing departmental baseline identified by the Minister as exempt from reductions to be agreed by the Executive ▪ 3 – Revenue-raising and “super parity” items identified by the Minister to generate potential savings/income 2022-25; but ultimately Executive to agree those to be adopted⁸ ▪ 4 – Reductions in a potential scenario (as defined by departmental Permanent Secretaries after extensive discussion): 2% in 2022-23; 4% in 2023-24; and, 8% in 2024-25⁹ • Followed on from decision for same by the Executive at its summer 2021 meeting, in anticipation of the Chancellor’s Spending Review (SR) 2021 outcome and related Treasury determination of the NI “Budget envelope” • Intended to inform Executive meetings in September and October 2021¹⁰ • Broadly agreed at Executive 6 October 2021 meeting:¹¹ <ul style="list-style-type: none"> ▪ Budget priorities - i.e. the COVID Recovery Strategy pillars were its three Budget planning priorities – namely: Sustainable Economic Development; Green Growth and Sustainability Tackling Inequalities; and, Health of population¹² ▪ Need for greater granularity relating to the specified priorities¹³ ▪ Extent to which it was prepared to divert funding from departmental baselines to its agreed priorities, in light of the anticipated SR 2021 outcome and related 2022-25 Budget envelope decision¹⁴
<p>Stage 2: 19 October – 4 November 2021</p>	<ul style="list-style-type: none"> • Required departments to complete two templates for their Resource DEL bids and return them to the DoF¹⁵ <ul style="list-style-type: none"> ▪ 1 – Departmental Resource bids above the baseline, as identified by the Minister ▪ 2 – Summary of all the department’s Resource bids above the baseline¹⁶ • Followed on from decision for same by the Executive at its summer 2021 meeting, in anticipation of the Chancellor’s SR 2021 outcome and related Treasury determination of the NI “Budget envelope”
<p>Public Consultation:</p>	<ul style="list-style-type: none"> • Completed templates (at Stages 1-2) – as provided by departments to the DoF – helped to inform the DoF’s formulation of the 2022-25 Draft Budget consultation document,¹⁷ following on from Executive discussion and agreement at its 6 October 2021 meeting

⁷ Two DoF correspondence/commissioning note relied on:

- Head of Central Expenditure Division correspondence dated 6 August 2021 to departments’ Finance Directors regarding “Budget 2022-25 Process – Information Gathering”; and,
- Head of Central Expenditure Division commissioning note dated 19 October 2021 to departments’ Finance Directors regarding “Budget 2022-25 Process – Resource Bids”.

⁸ Head of Central Expenditure Division correspondence dated 6 August 2021 to departments’ Finance Directors regarding “Budget 2022-25 Process – Information Gathering”, paragraphs 14-15.

⁹ *Ibid*, paragraphs 17-33.

¹⁰ *Ibid*, paragraph 7.

¹¹ *Ibid*, paragraph 13; and, Head of Central Expenditure Division commissioning note dated 19 October 2021 to departments’ Finance Directors regarding “Budget 2022-25 Process – Resource Bids”, paragraph 15.

¹² *Id*.

¹³ *Ibid*, paragraph 16.

¹⁴ *Ibid*, paragraph 17.

¹⁵ *Ibid*, paragraph 20.

¹⁶ *Ibid*, paragraph 20.

¹⁷ DoF. “Draft Budget 2022-25”. 13 December 2021: <https://www.finance-ni.gov.uk/publications/2022-25-draft-budget>

<p>13 December – 7 March 2022</p>	<ul style="list-style-type: none"> • Aimed to secure public views on the document's contents (Executive did not give its agreement to the identified allocation proposals), in order to inform future decisions taken by the Executive on its Budget for 2022-23, 2023-24 and 2024-25, following on from the Chancellor's SR 2021 outcome¹⁸ • Proposed:¹⁹... <i>all Departments take a reduction in their baselines to divert resources to health and social care...</i> • Sought to honour the agreed Executive priorities:²⁰ <i>...The Executive therefore agreed that its top budget priority is health. This draft budget honour that commitment by providing funding for the Department of Health which is significantly above the relevant Barnett Consequential...</i> • Collapsed Executive in early February 2022, following the resignation of the First Minister and the automatic subsequent resignation of the deputy First Minister • "Pause" of the DoF's public consultation in mid-February 2022, as directed by the Minister of Finance (MoF), following his receipt of legal advice
<p>Current uncertainties: February – March 2022</p>	<ul style="list-style-type: none"> • Talks during March 2022 - in the Executive's absence of the five largest NI political parties - to address current uncertainties regarding Budget formation for the next financial year and rest of the SR 2021 period (2022-25)²¹ • End of current mandate awaited at end of March 2022 • Incoming Executive post-May 2022 elections or other, when Budget decision-making would be expected to resume

Source: RalSe's Public Finance Scrutiny Unit (March 2022), relying on DoF correspondence with departments

Section 2: Key findings of attempted basic comparison

A basic comparison was attempted to ascertain the existence of any Resource funding gap above baseline, between departmental bids and the consultation document, relying on:

- Copies received by RalSe of completed departmental Stage 2 Template 1 - Departmental Resource bids above the baseline, as identified by the Minister. Four departments did not provide completed Template 1s to RalSe requests for same – namely: The Executive Office (TEO); Department of Health (DoH); the Department for the Economy (DfE); and, Department for Agriculture, Environment and Rural Affairs (DAERA). Five departments did – namely: DoF; Department for Communities (DfC); Department of Education (DE); Department of Justice (DoJ); and, Department for Infrastructure (DfI)
- Total Resource bids above 2021-22 baseline, as specified in Stage 2 Template 1 by department
- Resource funding above the baseline, as identified in the 2022-25 Draft Budget public consultation document²² and the Minister of Finance (MoF) Draft Budget 2022-25 Written Statement²³

To do so, RalSe first sought to secure the completed templates from the departments, as highlighted in Table 2 below:²⁴

¹⁸ Head of Central Expenditure Division correspondence dated 6 August 2021 to departments' Finance Directors regarding "Budget 2022-25 Process – Information Gathering", paragraphs 5-33.

¹⁹ DoF. "Draft Budget 2022-25". 13 December 2021, at page 2: <https://www.finance-ni.gov.uk/publications/2022-25-draft-budget>

²⁰ *Id.*

²¹ BBC News. 11 March 2022: <https://www.bbc.co.uk/news/uk-northern-ireland-60702081>

²² DoF. "Draft Budget 2022-25". 13 December 2021, at pages 67-69, paragraphs 5.13-5.18 and Tables 5.1, 5.2 and 5.3: <https://www.finance-ni.gov.uk/publications/2022-25-draft-budget>

²³ Minister of Finance (MoF) Written Statement dated 10 December 2021, including, but not limited to, Annex A: <https://www.finance-ni.gov.uk/publications/written-ministerial-statement-executive-budget-2022-25>

²⁴ Listed below are The Executive Office (TEO) and departmental replies that RalSe relied on when compiling Table 2:

Department	Replies received to RalSe requests for copies of completed departmental Stage 2 Template 1 received by RalSe – Yes/No	Copy received by RalSe / not received
TEO	No	Not received, because not completed ²⁵
DfE	No	Completed, but copy not received by RalSe
DAERA	No	Completed, but copy not received by RalSe
DoH	No	Completed, but copy not received by RalSe
DoF	Yes	Copy received
DfC	Yes	Copy received
DE	Yes	Copy received
DoJ	Yes	Copy received
DfI	Yes	Copy received

Source: RalSe's Public Finance Scrutiny Unit (March 2022)

Examination of the completed template copies that were provided to RalSe revealed that there were a number of constraints to undertaking this exercise, including the following:

- TEO had not completed Stage 2 Template 1
- 3 departments (DAERA, DfE and DoH) had not provided RalSe with their completed Stage 2 Template1s

- **TEO** Departmental Assembly Liaison Officer's (DALO's) email dated 7 March 2022, replied to RalSe's Finance & Economics Research Team email dated 3 and 4 March 2022, confirming Stages 1-2 templates had not been completed and submitted by TEO.
- **Department for Communities** DALO's email dated 15 March 2022, replied to RalSe's Finance & Economics Research Team email requests dated 3, 4 and 14 March 2022 – i.e. copies of the Department's completed Stages 1-2 templates and other.
- **Department for Infrastructure** DALO's email dated 15 March 2022, replied to RalSe's Finance & Economics Research Team email requests dated 3, 4 and 14 March 2022 – i.e. copies of the Department's completed Stages 1-2 templates and other.
- **Department of Finance** DALO's emails dated 3, 4 and 7 March 2022, replied to RalSe's Finance & Economics Research Team email requests dated 3, 4, 7 and 17 March 2022 – i.e. copies of the Department's completed Stage 1-2 templates and the DoF correspondence/commissioning note with/to departmental Finance Officers – respectively dated 6 August 2021 and 19 October 2021.
- **Department of Justice** DALO's email dated 15 March 2022, replied to RalSe's Finance & Economics Research Team email requests dated 3 and 4 March 2022 – i.e. copies of the Department's completed Stages 1-2 templates and other.
- **Department of Education** DALO's email dated 15 March 2022, replied to RalSe's Finance & Economics Research Team emails dated 3, 4 and 14 March 2022 - i.e. copies of the Department's completed Stages 1-2 templates and other.
- **Department of Agriculture, Environment and Rural Affairs** DALO provided holding emails dated 3, 4, 15 and 16 March 2021 to email requests submitted by RalSe's Finance & Economics Research Team dated 3, 4, 14, 15 and 16 March 2022; no completed Stage 1 and 2 templates provided at time of writing.
- **Department for Economy** DALO provided holding emails dated 3 and 4 March 2021 to RalSe's Finance & Economics Research Team requests dated 3, 4 and 14 March 2022; no completed Stage 1 and 2 templates provided at time of writing.
- **Department of Health** never replied to email requests submitted by RalSe's Finance & Economics Research Team on 3, 4 and 14 March 2022.

²⁵ TEO DALO's email dated 7 March 2022, replied to RalSe's Finance & Economics Research Team email dated 7 March 2022, confirming Stages 1-2 templates had not been completed and submitted by TEO.

- So incomplete picture of completed Stage 2 Template 1
- Amongst the 5 departments (DoF, DfC, DE, DoJ and DfI) that had provided their completed Stage 2 Template 1s:
 - There were inconsistencies in how they completed them, e.g. inclusion of the following in some departmental bids, but not in others: inescapable and high priority pressures; and, ring-fenced depreciation.
 - Also, there sometimes was a lack of clarity in the information provided in the Template, leaving ambiguities.
 - Moreover, there was variance in the level of detail provided by individual departments.
 - Some of the above could arise from, e.g., departments needing more detailed guidance regarding completion of the Template, along with a Template that requires fewer free-text responses.

Further constraint was the need for greater explanation of the identified Resource funding in the consultation document and the MoF's Written Statement, to make the rationale underpinning the specific allocations even more accessible – i.e. the allocations for ring-fenced for specific purposes, general allocations and baseline funding. That would increase their transparency. In turn, understanding of what they entail then could be related back to the departments' bidding documentation by committees and comparisons made between what is bid for and allocations made. That, however, would assume that going forward above points would be factored into future design of Template 1.

Section 3: Concluding Remarks

Despite the limitations of this Paper's findings – i.e. non-conclusive finding of the Resource funding gap - the findings that can be made contribute to the Committee's ongoing effort both to improve openness and transparency relating to current Budget uncertainties in NI and more generally in the context of budget planning, monitoring and review; with the ultimate aim of increasing government accountability. That is in line with the February 2015 "Ten Best Practice Budgeting Principles" issued by the Organisation for Economic Cooperation and Development (OECD)²⁶ and recommendations to be implemented following on from the Renewable Heat Incentive (RHI) Inquiry.²⁷

This Paper helps to further increase the Committee's knowledge and understanding of what informed the 2022-25 Draft Budget consultation document. It provided background information and some idea – albeit with limitations - of what departments believe will be needed for the given period to deliver their business. However, the noted limitations in section 2 prevented conclusive findings to be drawn from those completed templates received, when compared to the consultation document. It is unfortunate that RalSe received completed templates from only 5 departments.

It, however, was good to see the detail provided within those templates that were received. It also would good to see greater explanation generally in the DoF consultation document; albeit more would enhance further in future, especially in relation to underpinning rationales explaining the working out of specific allocations, such as Resource allocations for ring-fenced for specific purposes, general allocations and baseline funding. That then could be related back to the departments' bidding documentation by committees and comparisons made between what is bid for and allocations made.

²⁶ OECD. "Recommendation of the Council on Budgetary Governance". February 2015, at pp 6-11:
<https://www.oecd.org/gov/budgeting/principles-budgetary-governance.htm>

²⁷ Northern Ireland Audit Office. "Northern Ireland budget process". 29 June 2021, at p 8, paras 3-4:
https://www.niauditoffice.gov.uk/files/niauditoffice/NIAO_Report_NI%20Budget%20Process%20Report_Combos_4_WEB.pdf

The attempted comparison highlighted the heightened need for proactive, robust Committee engagement on 2022-25 Budget planning in NI. It also importantly highlighted that the Committee's reflection of ongoing efforts in its legacy report for the incoming Committee could serve to guide the new Committee to continue ongoing work seeking greater public finance accountability in NI – i.e. for greater openness and transparency in terms of: increased availability of departmental information and data, with increased granularity; and, more timely, accessible and consistent formats.

Lessons continually learned – e.g. from Stage 2 Template 1 here - and reflected in future work undertaken in this area could serve to constructively refine thinking and development of future templates and related decision-making. In turn, that hopefully could serve in future to reduce the potential need to go back and forth between Assembly committees and departments – both directly and indirectly – with clarification requests. If so, in practice, that could: save time for all – efficiency and effectiveness; increase the quality and the consistency of replies received across departments; improve the evidence base; manage expectations for all; increase openness and transparency; allow for more considered analysis; enable more informed deliberations and related decision-making; support improved scrutiny; and, lead to better, evidence-informed outcomes for NI society.