

PAPER TWO

Main Estimates memorandum (2020-21): Northern Ireland Office

1 Overview

1.1 Objectives

The Northern Ireland Office supports the Secretary of State for Northern Ireland in promoting the best interests of Northern Ireland within a stronger United Kingdom. It ensures Northern Ireland interests are fully and effectively represented at Westminster and the heart of Government, and the Government's responsibilities are fully and effectively represented in Northern Ireland.

Our key purpose is to make politics work by working alongside a restored Northern Ireland Executive to:

- Secure, sustain and support effective, inclusive devolved government in Northern Ireland.
- Ensure a more secure Northern Ireland.
- Deliver a growing and strengthening economy.
- Ensure a stronger society by supporting initiatives designed to build better community relations and a genuinely shared future.
- Support the United Kingdom's effective exit from the European Union and ensure that Northern Ireland's interests are represented in the post-Exit settlement.

In 2020-21, the Northern Ireland Office will continue to work with the political parties and the Irish Government, consistent with the three-stranded approach, to support the devolved institutions and ensure political stability in Northern Ireland. We will continue to deliver the UK Government's responsibilities under the previous political agreements, including New Decade New Approach, Fresh Start and Stormont House Agreement to enable devolution to function more effectively and deal with the challenging issue of the legacy of the past. And, the Department will work with the Executive to manage and recover from the impacts of the Covid-19 crisis

The Northern Ireland Office will work with the recently restored Executive to implement the New Decade New Approach agreement and working with cross-government partners we will continue to develop a comprehensive and ambitious set of City Deals, and ensure that proposals are brought forward, and as appropriate implemented, to rebalance the Northern Ireland economy.

In addition to supporting the government's commitments to making politics work in Northern Ireland and developing a growing economy the Department will work with key partners, including the Police Service for Northern Ireland, other Government Departments and devolved government, to drive down the threat from Northern Ireland related terrorism and ensure appropriate protection for those at risk.

Another key focus for the Northern Ireland Office for 2020-21 remains to ensure that Northern Ireland's interests are effectively represented and taken account of as the Transition Period with the EU ends. The Department continues to play a key role in implementing the Northern Ireland Protocol and in shaping approach to UK-EU Free Trade Agreement negotiations.

The Estimate provides for the administration costs of the Northern Ireland Office, including the salaries of the Secretary of State and his ministers and payments to the Northern Ireland Consolidated Fund.

1.2 Spending controls

The Northern Ireland Office's Estimate is broken down into several components, for which Parliament's approval is sought separately.

The spending totals which Parliament votes are:

For Northern Ireland Office itself:

- Resource Departmental Expenditure Limit ("**Resource DEL**") - day to day running costs of the Office
- Capital Departmental Expenditure Limit ("**Capital DEL**") - investment in infrastructure of the office

For the Northern Ireland Executive:

- **Non-budget** expenditure-cash payments to the Northern Ireland Consolidated Fund.

In addition, Parliament votes a net cash requirement, designed to cover both the cash required to cover Northern Ireland Office's own DEL spending, and the cash grant to the Northern Ireland Consolidated Fund.

2 Spending Detail: Northern Ireland Office

2.1 Comparison of spending totals sought

The table and graphic below show how the totals sought for the Northern Ireland Office only compares with last year:

Spending Total: amounts sought this year		Comparison: Supplementary Estimate 2019-20		Comparison: Main Estimate 2019-20	
Budget Type	Main Estimate 20-21 (£m)	Change (£m)	% change	Change (£m)	% change
NIO RDEL	24.2	-16.4	-40%	-4.5	-16%
NIO CDEL	0.3	-0.5	-63%	0.1	17%

2.2 Key drivers of spending changes since last year

The main causes of the changes in Northern Ireland Office's Resource DEL are:

- Election expenses of **£4.47m** were budgeted for in 2019/20 at the Main Estimate, to fund local and European elections, with an additional provision of **£4.57m in RDEL** funding (non-voted) from the Reserve to fund the cost of delivering the 2019 General Election at Supplementary Estimates. There is no equivalent funding in the 2020/21 Main Estimate as no elections are expected.
- Additional provision of **£0.42m** RDEL in relation to the running costs of the Independent Reporting Commission (IRC) set up under the Fresh Start Agreement was agreed from the Reserve for 2019/20 at Supplementary Estimates. There is no equivalent funding in the 2020/21 Main Estimate.
- Additional provision of **£3.65m** in RDEL funding from the Reserve for the additional pressures arising from preparations for EU Exit and the lack of an Executive, provided at

supplementary estimates in 2019/20. There is no equivalent funding in the 2020/21 Main Estimate, though any sustaining pressures will be considered through the Supplementary Estimates process.

- Additional provision of **£3.54m in RDEL** funding from the Reserve, agreed at 2019/20 Supplementary Estimates, for arising pressures faced by the Department due to a substantial change in the circumstances and environment in which the Department was operating compared to the situation when baselines were set in SR2015. There is no equivalent funding in the 2020/21 Main Estimate, though any sustaining pressures will be considered through the Supplementary Estimates process.
- Re-classification of **£0.13m of RDEL** funding to CDEL (this reduces RDEL and increases CDEL) to fund building alterations in the Electoral Office and additional IT costs in the Department, agreed at 2019/20 Supplementary Estimates. There is no equivalent funding in the 2020/21 Main Estimate.

2.3 Spending trends

The table and graphic below show overall spending trends for the last five financial year and the plans presented at Estimates 2020-21.

£m	2016-17 Outturn	2017-18 Outturn	2018-19 Outturn	2019-20 Plans	2020-21 Plans
Total Resource DEL	25.1	25.0	25.4	40.6	24.2
o/w admin	12.9	14.2	17.9	23.8	16.7
o/w other costs	12.2	10.7	7.5	16.9	7.5
Total Capital DEL	0.4	1.5	0.5	0.8	0.3
o/w depreciation/impairments*	-2.3	-1.9	-1.9	-2.1	-2.1
Total DEL	23.3	24.6	24.0	39.3	22.4

*less than 1dp

2.4 Administration costs

Administration costs are set to £16.7m.

Spending Total: amounts sought this year		Comparison: Supplementary Estimate 2019-20		Comparison: Main Estimate 2019-20	
Budget Type	Main Estimate 20-21 (£m)	Change (£m)	% change	Change (£m)	% change
Administration costs	16.7	-7.1	-43%	0	0%

The Northern Ireland Office has carried out a series of actions over the last 10 years to deliver efficiencies e.g. restructuring staff, utilising shared services for transactional processing, optimising use of accommodation, etc. The Northern Ireland Office, together with the Office of the Secretary of State for Wales and the Office of the Secretary of State for Scotland Wales Office and the Scotland Office, continue to assess where services can be shared across the three territorial offices and with other government bodies. The three offices have a single parliamentary clerk and

the Northern Ireland Office and the Office of the Secretary of State for Wales operate a shared Freedom of Information team. Other services are provided by the Ministry of Justice under Service Level Agreements.

3 Payments to Northern Ireland Consolidated Fund (detailed tables available in accompanying workbook)

3.1 Comparison of cash grant payable to Northern Ireland Consolidated Fund

The table below shows how the cash funding provided for the Northern Ireland Consolidated Fund compares with last year:

Spending Total: amounts sought this year		Comparison: Supplementary Estimate 2019-20		Comparison: Main Estimate 2019-20	
Budget Type	Main Estimate 20-21 (£m)	Change (£m)	% change	Change (£m)	% change
Northern Ireland Consolidated Fund: Non-budget expenditure	22,602.9	5,714.64	25%	6,404.8	29%

3.2 Key drivers in change of cash provision since last year

Additional funding to the Northern Ireland Consolidated Fund in 2020-21 is a result of:

- Spending decisions taken by the UK Government have resulted in additional funding being directed to the Northern Ireland Budget. This funding has been added to the Northern Ireland Block budget at past Fiscal Events and also as part of the 2020-21 Main Estimates round. The level of UK funding was determined at Spending Review 2015 (SR15) and Spending Round 2019 (SR19). Since the outcome of SR15 and SR19, funding has increased following Barnett consequentials and non-Barnett allocations from UK Government budgets and estimates rounds. The increases are shown in the accompanying excel tables, 3.4a, 3.4b and 3.4c.
- The UK Government's funding for the response to Covid-19 and the subsequent Barnett consequentials for the Northern Ireland Executive (£1.4bn) have driven a large proportion of this increase. This includes over £400m Barnett consequentials in relation to small business grants, and over £350m for business rates relief. Some of the key drivers of Barnett consequentials from the UK Government Budget 2020 include £32.8m in relation to the Building Safety Fund and £22.4m for DHSC capital funding.
- Other additions include funding from the New Decade, New Approach agreement (£523m) and funding as a result of the UK Government's commitment to maintain farm support for the duration of the parliament (£279m).

3.3 Trends: Northern Ireland Executive's funding 2016-17 to 2020-21

	2016-17	2017-18	2018-19	2019-20	2020-21
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£m ^{1,2}	plans	plans	plans	plans	plans
Northern Ireland Executive Resource	10,475.3	10,624.9	11,006.3	11,812.2	13,613.0
Northern Ireland Executive Capital	1,005.4	1,148.0	1,297.1	1,575.6	1,736.8
Northern Ireland Executive DEL³	11,480.7	11,772.9	12,303.4	13,387.9	15,349.8
<i>less depreciation & impairments</i>	-590.3	-546.6	-525.3	-640.9	-587.2
Northern Ireland Executive DEL⁴⁵	10,890.4	11,226.4	11,778.1	12,746.9	14,762.5

3.4 Cash grant payable to Northern Ireland Consolidated Fund, Control Tables and Barnett consequentials (tables available in accompanying Excel workbook)

3.4 (a) Cash grant payable to the Northern Ireland Consolidated Fund

The Northern Ireland Office's Estimate allows for the payment of a cash grant to the Northern Ireland Consolidated Fund. This expenditure is shown in Section C of the Northern Ireland Office Estimate under the heading "non-budget expenditure". All expenditure by the Northern Ireland Government is charged to the Northern Ireland Consolidated Fund.

The amount of cash which the Northern Ireland Government receives via this route, and which is sought under this Estimate, is a result of a calculation. The starting point to that calculation is the amount of DEL budget (block grant) and Annually Managed Expenditure which the UK government is prepared to provide.

3.4 (b) Control Totals for the Northern Ireland Executive

A breakdown of the Northern Ireland Executive's control total for 2020-21, including the breakdown by main programme of AME spending, is set out in the accompanying Excel workbook.

3.4 (c) Funding changes: Barnett consequentials, non-Barnett changes and current control totals compared against SR settlements

At fiscal events and Spending Reviews, devolved administrations receive additional funding through the Barnett formula to reflect changes in UK Government spending on devolved policy areas. These adjustments are known as Barnett consequentials, and are applied to devolved administrations' funding at Estimates Rounds. In addition, sometimes devolved administrations receive additional funding outside the Barnett arrangements – for example City Deals.

HM Treasury's Block Grant Transparency publication provides a detailed breakdown of all changes applied to the devolved administrations budgets since Spending Review 2015. A summary of changes affecting the Northern Ireland Executive's block grant funding in 2020-21 is set out in the accompanying Excel workbook, this includes changes since the last Block Grant Transparency publication.

¹ Totals may not sum due to rounding

² Includes Budgetary Changes as a result of Clear Line of Sight

³ Including depreciation and impairments

⁴ Resource + capital – (depreciation & impairments)

⁵ DEL budgets are expressed as resource and capital less depreciation & impairments. Total resource and capital do not sum to total DEL, the difference being depreciation & impairments

