



Northern Ireland
Fiscal Council

Bringing transparency to NI's public finances

The NI National Insurance Fund

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Introduction

In our earlier work on Northern Ireland's public finances, we found it impossible fully to reconcile the reported flows of money in and out of the Executive. The reason turned out to be the omission of the Northern Ireland National Insurance Fund (NI NIF) — the pot into which National Insurance Contributions (NICs) are paid, and from which pensions and other contributory benefits are financed. This paper explains how recognising those flows largely resolves the discrepancy and gives a fuller picture of how money moves into and out of the Executive.

When we prepared our first major publication – *The public finances in Northern Ireland: a comprehensive guide* – in November 2021, we estimated the overall flows of cash funding ('money in') and cash spending ('money out') for the NI Executive each year from 2016-17 to 2020-21 – broadening the coverage of its finances beyond the categories of funding and spending covered in conventional presentations of its Budget.¹ Most significantly, this included spending on (and UK Government funding of) state pensions and benefits in NI, and the fees and charges that NI Departments and public bodies collect to help finance spending on particular services.

Unfortunately, when undertaking this exercise we could not reconcile the 'UK Government funding' figure from the Treasury's *Public Expenditure Statistical Analyses* with the 'receipts from the UK Government' that appear in the audited accounts of the NI Consolidated Fund (which is, in effect, the Executive's current bank account).² The PESA-based figure for UK Government funding (£19.5 billion) was around £3.5 billion (£4.3 billion in 2023-24) higher in 2019-20 than the receipts recorded from the UK Government in the NI Consolidated Fund (£16.1 billion).

To ensure that 'money in' equalled 'money out' in the *Comprehensive Guide* presentation, we explained that we had allocated the £3.5 billion to the 'other UK Government funding' component of 'money in'. We speculated that the higher PESA-based estimate of UK Government funding might still include some non-cash elements that we had not been able to identify and remove. Or that there might be additional cash financing of which we (and everyone we asked) were unaware, on top of the Supply funding to Departments from the NI Consolidated Fund (i.e. the net cash requirement for Departments' spending authorised in the NI Estimates.)

Since releasing the *Comprehensive Guide*, we have undertaken a detailed analysis of all the information in the NI Estimates about sources of finance for Departments' spending. This has shown that there is indeed another sizable source of additional cash financing ('money in') that we had not included in our 2021 analysis – the NI National Insurance Fund (NI NIF) – into which NI employees, employers, and the self-employed pay contributions, and from which pensions and contributory benefits are paid. This is the source of two main cash inflows into NI Departments. The largest comes to the Department for Communities (DfC) and funds slightly less than half the benefit spending that is part of the Department's demand-led Annually Managed Expenditure (AME). The other inflow funds some of the Department of

¹ See Chapter 5 (The Executive: spending and financing) of *The public finances in Northern Ireland: a comprehensive guide*: <https://www.nifiscalcouncil.org/public-finances-northern-ireland-comprehensive-guide>

² The NI Executive current account is held at Danske Bank.

Health's spending on the NHS within its Departmental Expenditure Limit (DEL). HMRC transfers these NI NICs monies to the Department of Health (DoH) from the NI NICs tax income before the remainder are paid into the NI NIF.

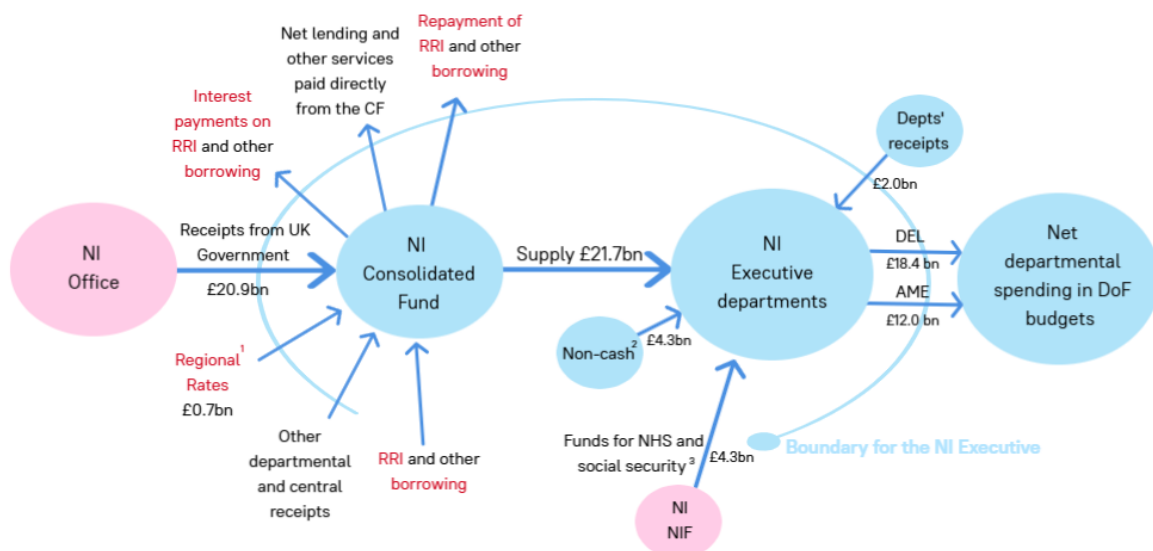
This paper reports on our work in this area. The paper is in three parts:

- **Chapter 1 sets out the funding flows from the NI NIF** and demonstrates that there is a simple relationship between Supply and NIF funding and departments' budgets (DEL and AME). It also explains more background about the NIF. We set out the NIF's income and spending and briefly explain the legislation and management that governs it. We also explain the arrangement that ensures that the NIF never runs out of money, so it can always fund the relevant DfC AME benefit spending;
- **Chapter 2 presents a fresh 'money in and money out' analysis**, which now runs from 2019-20 to 2023-24, explicitly includes the funding from the NIF, and includes a more accurate contribution to 'money in' from fees and charges by removing an estimate of those simply flowing from one part of the NI public sector to another. The chapter also **compares the latest results with the 'receipts from the UK Government' in the NI Consolidated Fund**. The results still don't match precisely, but Chapter 2 contains a full explanation of the remaining differences.
- **A final short chapter sets out some conclusions** from these analyses.

Chapter 2 includes the following drawing, which summarises the main flows of money in and out of NI Executive.

Figure 1 – Flows of money in and out of the NI Executive

Key: the NI CF transactions shown in red are included in NI Executive budgets (DEL and AME) in PESA



Note: Funding flows shown are for 2023-24, and for amounts greater than £0.5 billion only. PESA data reflect provisional outturns.

Sources: NI Public income and expenditure accounts, Main Estimates. DoF and data underlining PESA 2024 (HMT)

¹Net of district rates.

²Non-cash includes the difference between the final accrued spending of NI Water and the arms-length bodies included in departments' budgets versus their cash funding, plus the non-cash resource accounting and budgeting items in budgets.

³The funds for NHS are paid to the Department of Health from NI National Insurance Contributions (NI NICs) before the NI NICs are paid into the NI National Insurance Fund.

The right-hand side illustrates the relationship between Supply and budgets, which is explained in Chapter 1 of this paper. And the left-hand side shows the Consolidated Fund transactions that are included in the PESA Executive budgets data (shown in red), versus those that are not (shown in black). This distinction is helpful for the analyses that we set out in Chapter 2, which explain why our results for ‘UK Government funding’ from our ‘money in and money out’ analysis still do not match precisely the ‘receipts from the UK Government’ in the NI Consolidated Fund.³ But we are now able to paint a more accurate and comprehensive picture than we were back in 2021.

³ For brevity in the rest of this paper, we often simply refer to the NIF and the Consolidated Fund, rather than specifying that these are NI NIF and the NI Consolidated Fund. The exception to this is where we need to mention the GB NIF and the UK Consolidated Fund, where we clearly spell out whether we are referring to the NI NIF or the GB NIF, and the NI Consolidated Fund or the UK Consolidated Fund.

1 The NI NIF, Supply and budgets

Table 1 below shows our reconciliation between Supply and budgets (Departmental Expenditure Limits, DEL, and Annually Managed Expenditure, AME), based on our analysis of the Spring Supplementary Estimates for 2023-24. The table shows how this reconciliation works in an easy and transparent way. There are two sources of cash for Executive departments' DEL and AME spending:

- the main source is the **Supply payment from the NI Consolidated Fund**, which finances departments' voted spending; and
- there is also a large **payment from the NI NIF**, which finances the non-voted spending by the Departments for Communities (DfC) and Health (DoH).⁴

The final main step in the reconciliation introduces the various elements of non-cash spending (e.g. depreciation) that are included in departments' Estimates and budgets, as measured under Resource Accounting and Budgeting. The reconciliation also includes a relatively small amount of other non-voted net spending, including the salaries of independent office holders and departmental income in excess of the approved limits which is surrendered to the Consolidated Fund.

Table 1 – Reconciliation between Supply and budgets for NI Executive 2023-24 plans

£ million	2023-24 Final plans	Per cent of total
Supply (net cash requirement in Estimates)¹	23,938	72
Plus spending in budgets funded by NI National Insurance Fund ²	4,362	13
Plus adjustments for cash to accruals and non-cash items in Estimates and budgets	4,898	15
<i>Of which:</i>		
<i>Difference between cash grant and spending for arms-length bodies³</i>	1,959	6
<i>Other non-cash spending in resource accounts and budgets</i>	2,939	9
Plus other non-voted net spending	-20	0
Total departmental budgets (DEL plus AME)	33,177	100
<i>Of which:</i>		
Resource DEL ⁴	16,581	50
Capital DEL ⁴	2,279	7
Resource AME	13,789	42
Capital AME	527	2

Note¹: This is the cash grant from the NI Consolidated Fund to NI departments, as needed to meet departments' net cash requirements in Estimates, net of the receipts they are allowed to keep.

Note²: This includes spending by DfC that is financed from the NIF, plus spending by DoH that is financed from National Insurance Contributions (NICs). NI NICs are paid into the NI NIF net of money allocated to DoH for the NHS.

Note³: This also includes the difference between cash grant and spending for NI Water and Social Fund.

Note⁴: NI departmental DELs. These differ from the DELs shown in PESA for the NI Executive - see Databank User Guide (Technical Paper 02/25).

Source: NI Spring Supplementary Estimates 2023-24

⁴ The National Insurance Contributions (NICs) that finance NHS spending are deducted from the NI NICs and paid to DoH before the NI NICs are paid into the NI NIF.

In Table 1, budgets (DEL and AME) are shown net of the receipts that departments are allowed to keep,⁵ and the Supply payment finances departments' budgets measured on this net basis. These receipts are another important source of finance for departments, because they allow them to spend more within their net DEL limits. We explore these receipts further in Chapter 2 when we look at our analysis of 'money in and money out', which shows the full extent of spending and financing, taking account of these receipts. But these receipts are not relevant for the reconciliation in Table 1, since they are netted off budgets, and Supply is provided to fund budgets on that net basis.

The reconciliation between Supply and budgets shown in Table 1 became clearer with the simplifications in financial reporting that were introduced in the Main Estimates from 2022-23 onwards. These changes implemented the reforms recommended in the 2019 Review of Financial Process (RoFP). They improved the alignment of spending between Estimates, departmental budgets and accounts.

When the Main Estimates for 2022-23 were released in their new format (in March 2023), the 'Introduction' section included a paragraph on the main spending aggregates explaining that: 'the main elements of DEL and AME that are not funded through the Estimates are central government expenditure funded directly from other sources, e.g. the Northern Ireland National Insurance Fund.'

Before these reforms were introduced into the Estimates, this additional source of funds was not explained in this upfront way. However, the funding income from the NIF was shown in the individual Estimates for DfC and DoH. The Table in Annex A shows our initial results when we first did our detailed analysis of the 2021-22 Main Estimates, under their old format. These results showed that the flows from the NIF accounted for the missing £3.5 billion in our funding inflows for 2019-20 in our first edition of the *Comprehensive Guide*. However, the change in the format of the Estimates from RoFP that was looming at that stage meant that these first results had a short shelf life, and we knew that we would need to redo our analysis using the new format of the Estimates. That further work is shown in Table 1 above.

The relationship between Supply cash funding and budgets

Given that almost all the difference between Supply and budgets in Table 1 above and in Annex A is accounted for by the NIF funding and the non-cash items, this suggests that the reconciliation for the recent run of years is as shown in Table 2. This takes the known data for Supply and budgets and the funding from the NIF and assumes that the remaining difference is all non-cash items. This is a simplifying assumption, supported by the detailed analysis in Table 1 and Annex A, which showed that other items are very small.

The numbers shown for 2023-24 in Table 2 include final outturn data for Supply and payments from the NIF; and provisional outturns for departmental budgets, using data sourced from PESA 2024. The PESA budgets provisional outturns are much lower than the data for final plans shown in Table 1. The largest difference is on resource AME, which is £2.3 billion lower in PESA, a difference of 17 per cent.

⁵ Departments are allowed to keep all receipts except Consolidated Fund Extra Receipts, which they are required to surrender to the Consolidated Fund.

Table 2 – Illustrative reconciliation between Supply and budgets for NI Executive

£ billion	2019-20	2020-21	2021-22	2022-23	2023-24
Supply - total departments' net cash requirements (outturns in Estimates)	16.8	20.0	20.5	20.5	21.7
Payments from the NIF ¹	3.4	3.5	3.6	4.0	4.3
Non-cash (by residual) ²	3.5	4.7	3.6	4.3	4.3
Total departmental budgets	23.7	28.3	27.7	28.8	30.3
<i>Of which:</i>					
Departmental RDEL ³	12.5	15.8	14.8	14.9	16.1
Departmental CDEL ³	1.4	1.7	1.9	2.1	2.3
RAME	9.5	10.5	10.8	11.5	11.5
CAME	0.3	0.3	0.3	0.3	0.5

Note¹: This includes spending by DfC that is financed from the NIF, plus spending by DoH that is financed from National Insurance Contributions, and from the NIF.

Note²: These numbers have been derived by residual, as the remaining difference between budgets, versus Supply and NIF funding. For 2023-24 this residual will include revisions between provisional outturn and final outturn, because the data shown for departments' budgets are provisional outturn (from data underlying PESA 2024) whereas the data shown for Supply and the NIF are final outturn (from Main Estimates for 2025-26 and the NIF accounts).

Note³: Departmental DELs include spending funded from net Regional Rates and RRI borrowing, and exclude debt interest on RRI borrowing, which is paid directly from the NI Consolidated Fund.

Source: Main Estimates, Department of Finance, data underlying PESA 2024

NI NIF income and spending

The NI NIF was set up alongside the GB NIF under the National Insurance Act 1946 and National Assistance Act 1948 building on earlier National Insurance legislation. The NI NIF holds NI National Insurance Contributions (NICs), paid by employees, employers and the self-employed, and the funds held in the NI NIF are used to pay social security benefits such as contributory benefits and the State Pension. Under the legislation, a portion of NI NICs is transferred directly to the Department of Health to help fund the NHS before the remaining contributions are paid into the NI NIF. The funds held in the NI NIF are also affected by other transfers that are explained below, so that the welfare funding paid out of the NI NIF may reflect a mixture of NI NICs and monies sourced from other GB or UK taxes.

In the 1990s, further legislation moved the management of the NI NIF from the Department of Health and Social Services for Northern Ireland to the Inland Revenue (now HMRC). Under this legislation, NI NICs received by HMRC are paid into the NI NIF after deducting the appropriate NHS allocation, which HMRC transfers to DoH. This non-voted funding is applied specifically to finance spending on the health service within DoH's Resource DEL. HMRC is required to consult with the Government Actuary's Department (GAD) to determine the appropriate apportionment of NICs to DoH, which is approved by HM Treasury.

Table 3 shows the NI NIF's income and spending, and the closing balance at the end of each financial year over the last five years. It shows that the income of the NI NIF rose from just under £3 billion in 2019-20 to more than £3.8 billion in 2023-24. This

consistently exceeded payments out of the NI NIF, allowing the closing balance to rise from around £1.1 billion in 2019-20 to almost £2.5 billion in 2023-24.

As allowed for under the 1990s legislation, UK and NI Ministers have agreed that as far as possible the balances in the NI and GB NIFs should reflect the relative size of their populations aged 16 and over as shown in the latest Office for National Statistics (ONS) population estimates. This means that, as at the end of 2023-24, the NI balance is intended to be maintained at 2.77 per cent of the joint balances of the two NIFs. Higher employment rates and pay levels in GB mean that NICs raised per head are consistently higher in GB than in NI, requiring an ongoing transfer each year from the GB NIF to the NI NIF for this to be the case. These transfers accounted for 20 per cent of the NI NIF's income over the five years to 2023-24.

On the spending side, the benefit payments shown in Table 3 are administered by DfC on behalf of the NI NIF, and the NI NIF transfers cash to DfC to finance those benefit payments. In the Estimates, the benefit payments are shown as part of DfC's non-voted AME spending. (They are described as non-voted because their financing does not need to be voted from the NI Consolidated Fund). The NI NIF also funds DfC's costs in administering the NI NIF benefit payments. In the Estimates, these are shown as DfC non-voted Resource DEL spending. The administration costs shown in Table 3 include those of both DfC and HMRC, because the NI NIF pays HMRC for the costs of administering all the arrangements for NI NICs.

Table 3 - NI NIF income and spending

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance	954	1,077	1,236	1,516	2,182
Income					
NI NICs	2,259	2,284	2,603	2,761	2,938
Transfers from GB NIF	564	664	549	907	673
Compensation for statutory recoveries ¹	114	86	87	89	98
Interest from fund balances	9	1	2	34	115
Other income ²	1	1	1	1	0
Total income	2,946	3,036	3,242	3,792	3,825
Spending					
Benefit payments	2,784	2,850	2,937	3,101	3,516
Administration costs	20	19	20	19	18
Other payments ²	19	8	5	6	5
Total spending	2,823	2,877	2,962	3,126	3,539
Change in balance	124	159	280	666	286
Closing balance	1,077	1,236	1,516	2,182	2,468

¹ NI NICs are collected net of employers' statutory payments, and DfC make payments to the NIF to compensate for the loss of NICs. Therefore DfC effectively funds employers' statutory payments.

² Other income and payments mainly relate to redundancy receipts and payments, where employers have failed to meet their statutory responsibilities. DfE administers the Redundancy Payment Scheme, including these payments financed from the NIF.

Source: Northern Ireland National Insurance Fund Accounts

Spending in DEL and AME financed by the NI NIF

Table 4 disaggregates the spending financed by the NIF shown in Table 2, where:

- the **Resource AME (RAME) spending consists of DfC's spending on social security** benefits on behalf of the NIF; and
- the **Resource DEL (RDEL) spending consists of DoH's RDEL NHS spending** that is funded from NICs, **plus DfC's RDEL spending in administering the NIF benefit payments**, where these DfC administration costs are also funded by the NIF.

Table 4 – Spending in DfC and DoH budgets financed from the NIF

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Spending in Resource AME (RAME) financed by the NIF¹					
DfC RAME benefit spending on behalf of the NIF	2,780	2,896	3,018	3,107	3,541
Spending in Resource DEL (RDEL) financed by the NIF¹					
DoH RDEL NHS spending financed by NICs	564	580	569	917	741
DfC RDEL administration costs for NIF benefits	15	15	14	13	13
Total NIF funding (including DoH NHS financed by NICs)¹	3,359	3,491	3,601	4,037	4,295

Note¹: All the data in this table are final outturns. The data for 2023-24 differ from the data in Table 1 because the figures in Table 1 were final plans, and these data are final outturns.

Source: Department of Finance

2 Comparing the PESA-based and the NI CF receipts from the UK Government

This chapter presents our latest estimate of UK Government funding, derived from the data underlying PESA 2024, where we have updated our analysis to take account of the NIF funding flows described in Chapter 1. This analysis splits the PESA net budgets data for DEL and AME into gross spending and receipts, or ‘money out’ and ‘money in’, where the ‘money in’ includes our estimate of UK Government funding.

This PESA-based estimate of UK Government funding was intended to emulate the main cash funding flow that comes from the Northern Ireland Office (NIO), which finances the NI Executive. Our PESA-based estimate consists of block grant and the remaining cash grant that finances AME, excluding all non-cash⁶ items and now also excluding the funding that comes from the NIF.

We then compare this latest PESA-based estimate of UK Government funding with the actual data for the receipts from the UK Government recorded in the NI Consolidated Fund (NI CF) accounts and explain the remaining difference.

Gross spending and financing in updated PESA data

Chart 1 below updates the picture that we presented in Chart 1.4 of the *Comprehensive Guide*, which summarises our analysis of the ‘money in’, which finances the ‘money out’ (gross spending) and which shows how the various sources of funds finance the gross spending of NI departments.

The left-hand side of Chart 1 shows the funding from the NIF inside a dotted boundary, with the NIF funding split into:

- **Block Grant funded by NI NIF**, which contains DoH’s RDEL NHS spending that is funded from NICs, plus DfC’s RDEL spending in administering the NIF benefit payments; and
- **other funding from NI NIF**, which contains DfC’s RAME spending on social security benefits on behalf of the NIF.

This is the same view of spending funded by the NIF as shown in Table 4.

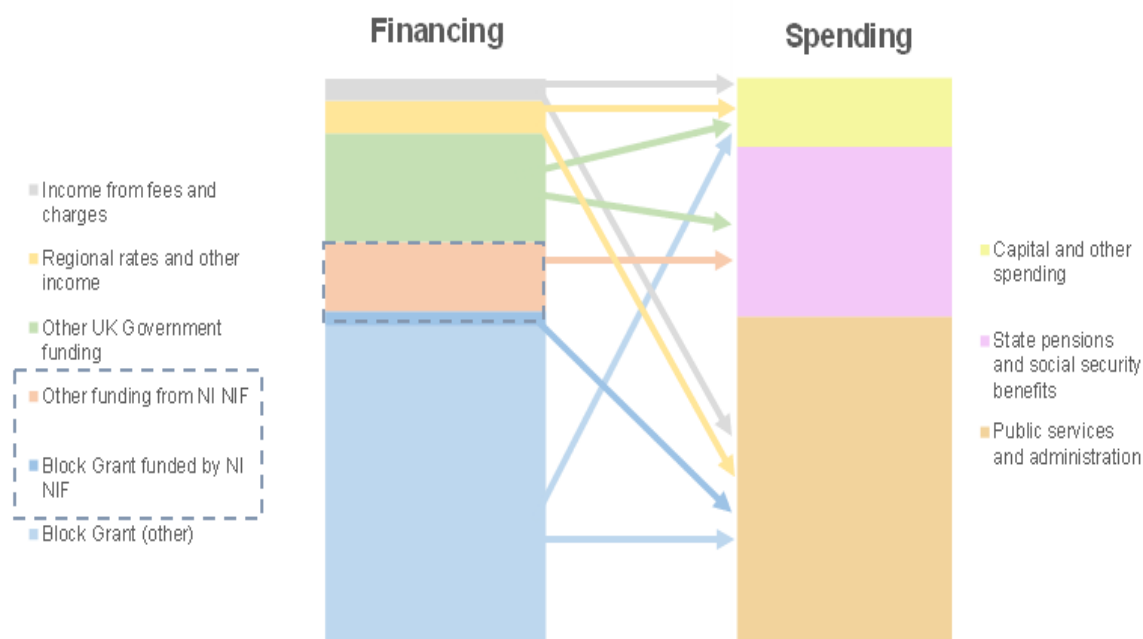
In Chart 1 and in our ‘money in and money out’ analysis, this split of the NIF funding has also led us to show Block Grant split into:

- **Block Grant funded by the NIF**, as above; and
- **other Block Grant**, which is the remaining Block Grant.

This shows that there is an overlap between Block Grant and funding from the NIF, which we discuss in the next section.

⁶ Non-cash items are accounting charges that do not require cash payments in-year (such as depreciation or changes in provisions) but are included in budgets under resource accounting rules.

Chart 1 – Gross spending by the Executive and its financing in 2023-24



Source: data underlying PESA 2024

Block Grant is a control for DELs, not a flow of funds

As we have seen, some DfC and DoH spending within their resource DELs is funded from the NIF, and there is in effect an overlap between this NIF funding and Block Grant. In practice, Treasury treats the total DEL as a single control total (the Block Grant), regardless of whether parts of that DEL are actually financed by the NIF.

The term 'Block Grant' refers to the total funding of DELs, as set out in the Treasury's *Block Grant Transparency* document. It is a set limit on the total DEL funding, rather than necessarily being an actual flow of funds. After the amount of Block Grant (i.e. total DEL) has been set (the process for this is described in our *Comprehensive Guide*) then as we have seen in Tables 1 and 2 above, the funding of both DEL and AME comes from Supply, plus funding from the NIF.

Latest 'money in and money out' results from PESA 2024

Table 5 below shows the overall figures for our updated analysis of gross spending and financing, or 'money in and money out' based on the 2024 PESA Executive DEL and AME data. The full methodology for this 'money in and money out' analysis is described in our *Comprehensive Guide*. But essentially this analysis:

- starts with **the PESA budgets** (DEL and departmental AME) for the Executive;
- **removes the receipts** that are netted off within these PESA budgets. Because departments' DEL limits are measured net of receipts, this allows departments to increase their spending to match the additional funding available from the receipts. We remove the receipts to show the higher amounts that departments are spending ('money out'). The receipts are then taken across and included within the financing items ('money in'); and

- **removes non-cash spending**, because our analysis is trying to estimate the flows of money, i.e. cash, in and out of the Executive.

This produces the estimate of gross spending, or ‘money out’, as shown in the top half of Table 5.

However the main results that we want to focus on for this paper are in the lower half of this table, which shows the financing, or ‘money in’. Table 5 shows the financing split into:

- the **funding from the NIF**, which finances specific spending in DEL and AME, as shown in Table 4 and described above;
- **UK Government funding**, which is our estimate of the inflow that we want to compare with what we might expect to be the comparable inflow into the NI Consolidated Fund. Now that we have excluded the funding from the NIF, our estimate of UK Government funding includes:
 - **Other block grant**, which matches the rest of net DELs, after allowing for the amounts funded by the NIF; and
 - The remaining funding for AME, again after allowing for the amounts funded by the NIF. We refer to this other AME funding as ‘**Other UK Government funding**’. We have estimated this funding flow by assuming that it matches net AME spending, excluding the spending financed by the NIF, and excluding the non-cash items.
- the remaining financing items are then the **receipts** that have been removed from net spending and included on the financing side – revealing the size of the gross spending described above.

Table 5 shows the size of the departmental receipts that directly finance departments’ additional spending. In 2023-24, these departmental receipts were just under £2 billion, which was much larger than gross Regional Rates, which were £0.8 billion. The largest departmental receipts come from fees and charges, which were £1.1 billion in 2023-24. These estimates of fees and charges include some ‘internal’ receipts, where one part of the Executive pays another for services provided. This means this analysis overstates ‘money in’ and ‘money out’. We recently published a technical paper on these fees and charges,⁷ which showed that the internal receipts could be around £0.2 billion in 2023-24, or a little less than 20 per cent of the total fees and charges.

⁷ NIFC Technical paper 03/25 *Fees and Charges*: <https://www.nifiscalcouncil.org/publications/technical-paper-0325-fees-and-charges#:~:text=Fees%20and%20charges%20are%20the,finance%20from%20the%20UK%20Government.>

Table 5 – Gross spending and financing by the NI Executive ('money in and money out')

£ million					2023-24
	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	Provisional outturn
'Money out'¹:					
Public services and administration	13,183	15,921	15,636	15,381	16,585
State pensions and social security benefits	6,389	6,921	7,100	7,578	8,648
Public service pensions	151	65	57	108	254
Other current spending	54	67	37	50	58
Capital spending on assets and grants	1,583	1,797	2,073	2,235	2,473
Student loans	443	403	407	464	645
Other loans	106	212	138	187	91
Total gross spending¹	21,910	25,386	25,447	26,002	28,755
Financed by 'money in':					
Funding from the NI NIF²	-3,359	-3,491	-3,601	-4,037	-4,295
UK Government funding	-16,129	-20,349	-19,695	-19,481	-21,684
<i>of which:</i>					
<i>Other Block Grant³</i>	<i>-12,128</i>	<i>-16,006</i>	<i>-15,357</i>	<i>-14,691</i>	<i>-16,158</i>
<i>Other UK Government funding⁴</i>	<i>-4,001</i>	<i>-4,343</i>	<i>-4,338</i>	<i>-4,790</i>	<i>-5,526</i>
NI Consolidated Fund receipts:					
Regional Rates, gross ⁵	-776	-436	-497	-716	-778
RRI borrowing	-10	0	-80	-200	-150
Repayment of RRI borrowing ⁶	120	124	127	116	116
Departmental receipts (normally netted off each department's DEL and AME spending):					
Income from fees and charges ⁷	-770	-681	-1,061	-1,018	-1,110
EU funding	-444	-88	-136	-109	-102
Income from repayments of departments' loans	-262	-244	-287	-296	-307
Grants, interest receipts, asset sales, and other departmental income	-280	-221	-218	-261	-446
Total income	-21,910	-25,386	-25,447	-26,002	-28,755

Note¹: 'Money out' (i.e. gross spending) is defined as 'near-cash' spending in PESA DELs and departmental AME for the Executive, gross of NI CF receipts and departmental receipts, where 'near-cash' spending excludes non-cash in PESA budgets as set out in Table B2 in Annex B.

Note²: This includes DoH NHS RDEL financed by NI NICs, plus DfC RDEL costs of administering the NIF benefit payments.

Note³: Block Grant excluding ringfenced RDEL (depreciation) and excluding DoH and DfC RDEL financed by NI NIF.

Note⁴: UK Government funding for spending from departmental AME, excluding non-cash items as defined above and excluding social security spending financed by NI NIF.

Note⁵: Gross of repayment of Reinvestment and Reform Initiative (RRI) borrowing.

Note⁶: Repayment of RRI borrowing is shown as a capital financing item in the Consolidated Fund accounts and in the NIFC tables that show DEL financing and spending. Historically this has been paid from Regional Rates income.

Note⁷: The large increase in the fees and charges in 2021-22 is a discontinuity that reflects the implementation of the Review of Financial Process. These figures also include some 'internal' receipts, which means that this analysis overstates 'money in' and 'money out'. See our recent Technical Paper 25/03 (Fees and Charges) for more details.

Source: Data underlying PESA 2024, DoF (NIF funding), NI Consolidated Fund accounts (repayment of RRI borrowing).

Now that we have this updated PESA-based estimate of UK Government funding in Table 5, the next step is to compare these latest results with the actual data for the receipts from the UK Government recorded in the NI Consolidated Fund accounts.

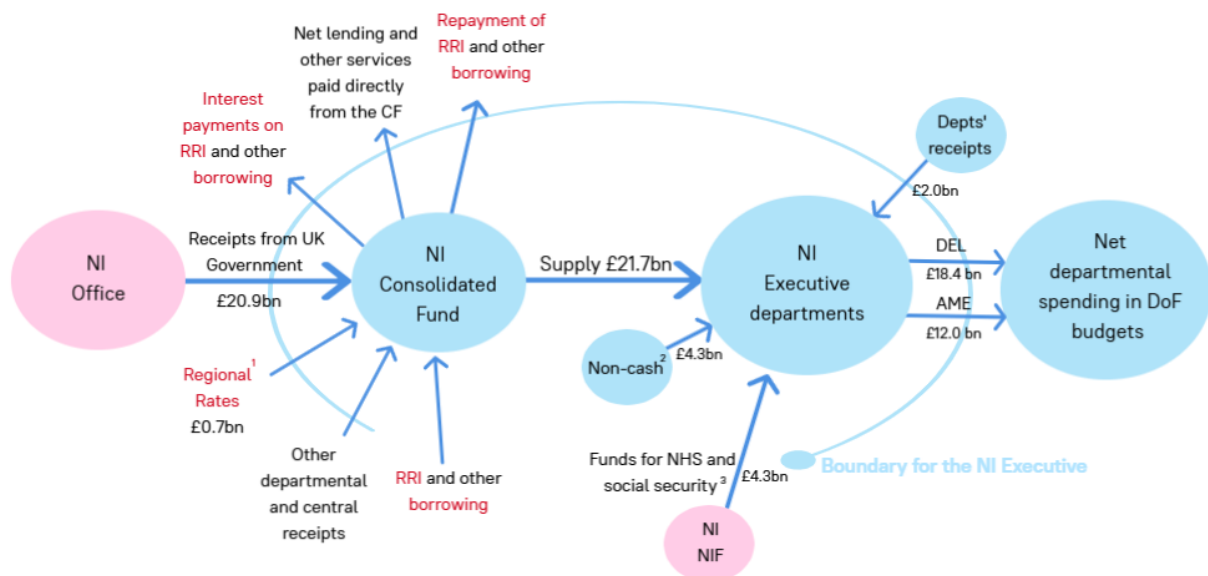
Overview of flows of funds in and out of the NI Executive

Before we look at the data from the NI Consolidated Fund, it may help to look at a complete picture that shows all the flows of funds into and out of the Executive. This overview is shown in Figure 1 below. Going from left to right, this picture joins together the two main parts of the flows of money, where:

- the left-hand side of Figure 1 shows the **flows in and out of the NI Consolidated Fund (NI CF)**. The receipts from the UK Government are the largest inflow, and these are delivered via the cash grant to the Executive from the Northern Ireland Office. And moving from left to right in the centre of the chart, the main outflow from the CF is the payment of Supply to departments; which leads to
- the right-hand side of Figure 1, which shows **the relationship between Supply, the NIF and departments' budgets (DEL and AME)**, as set out in Table 2 above.

Figure 1 – Main flows of money in and out of the NI Executive

Key: the NI CF transactions shown in red are included in NI Executive budgets (DEL and AME) in PESA



Note: Funding flows shown are for 2023-24, and for amounts greater than £0.5 billion only. PESA data reflect provisional outturns.

¹ Net of district rates.

² Non-cash includes the difference between cash funding and the final accrued spending of arms-length bodies included in departments' budgets and of NI Water and the Social Fund, plus all the non-cash resource accounting and budgeting elements included in budgets.

³ The funds for NHS are paid to the Department of Health from NI National Insurance Contributions (NI NICs) before the NI NICs are paid into the NI National Insurance Fund.

Sources: NI Public income and expenditure accounts, Main Estimates. DoF and data underlino PESA 2024 (HMT)

The right-hand side of Figure 1 also shows the inflow of receipts to departments, which departments are largely allowed to retain, and which are netted off within their budgets (DEL and AME).

Flows of money in and out of the NI Consolidated Fund

Table 6 below shows the composition of the flows of money in and out of the NI Consolidated Fund (NI CF), as shown in the left-hand side of Figure 1 above. This table summarises the results presented in the NI CF accounts each year for both the current and capital transactions of the NI CF.

Table 6 – Income and spending of the NI Consolidated Fund

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Income and financing transactions					
Receipts from the UK Government	16,117	19,627	19,972	19,755	20,899
Regional Rates (net of District Rates and repayment of RRI borrowing)	606	268	354	528	617
<i>Of which:</i>					
<i>Regional and District Rates received</i>	1,373	1,057	1,171	1,359	1,509
<i>Less transfer of District Rates to local councils</i>	-647	-665	-689	-715	-775
<i>Repayment of RRI borrowing</i>	-120	-124	-127	-116	-116
RRI borrowing	10	-	80	200	150
Interest received	40	37	34	31	29
Other central receipts	5	9	8	10	23
Other departmental receipts	95	250	307	266	245
Other borrowing (Internal departmental funds)	28	39	33	28	9
Repayment of other borrowing (Other NLF and internal depts funds)	-48	-50	-40	-40	-23
Net lending	6	51	59	49	32
Net advances from Consolidated Fund	-	42	-	-	-
Drawdown from (+) / addition to (-)					
Consolidated Fund balance	0	1	0	0	0
Total income and financing transactions	16,858	20,274	20,807	20,827	21,981
Spending					
Payments of Supply to departments	16,790	20,211	20,747	20,769	21,915
Interest paid on RRI and other borrowing	59	54	49	47	54
Other services paid directly from the NI CF	9	9	10	11	11
Total spending	16,858	20,274	20,807	20,827	21,981

Source: NI Public income and expenditure accounts

Comparing our PESA-based 'UK Government funding' with the Consolidated Fund 'Receipts from the UK Government'

Now that we have figures for both of our updated PESA-based estimate of 'UK Government funding' in Table 5 (from our 'money in' and 'money out' analysis), and the definitive Consolidated Fund figures for 'Receipts from the UK Government' in Table 6, we can now calculate the difference between these two sets of figures.

Table 7 compares these two sets of figures, and shows the remaining difference between them, and then accounts for the difference. The components that account for the difference have been calculated by merging the analyses shown in Table 6 (which specifies the relationship between the Consolidated Fund figures for 'Receipts from the UK Government' and Supply) and Table 2 (which specifies the

relationship between Supply and Budgets) and Table 5 (which specifies the relationship between budgets and the PESA-based estimate of 'UK Government funding').

Table 7 – Difference between the PESA-based and the NI CF receipts from the UK Government

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
PESA-based estimate of 'UK Government funding' in Table 5 above	16,129	20,349	19,695	19,481	21,684
Consolidated Fund figures for 'Receipts from UK Government' in Table 6 above	16,117	19,627	19,972	19,755	20,899
Difference	12	722	-277	-274	785
<i>Of which:</i>					
Income included in Consolidated Fund accounts, but not in PESA budgets:					
Other departmental and central receipts	101	258	315	276	268
CF interest receipts	40	37	34	31	29
Other net borrowing (other than RRI)	-20	-11	-6	-12	-15
Net lending	6	51	59	49	32
Net advances from Consolidated Fund	-	42	-	-	-
Spending included in Consolidated Fund accounts, but not in PESA budgets:					
Debt interest payments on other borrowing (other than RRI)	-8	-6	-4	-4	-4
Spending paid directly from the CF	-9	-9	-10	-11	-11
Differences in measurements of same items included, but recorded differently:					
Difference in Supply ¹	20	-189	-276	-301	-185
Differences in figures for non-cash ²	-67	591	-372	-230	714
Difference in net Regional Rate receipts ³	-50	-44	-16	-72	-45

Note¹: This is the difference between the figures for Supply paid out of the Consolidated Fund, which is recorded on a cash paid basis, and the figures for the net cash requirement (i.e. Supply) in the Estimates, which records the Supply due to be received from the Consolidated Fund in that year.

Note²: This is the difference between the figures for non-cash calculated by residual in Table 2 above, based on Estimates data, and the figures for non-cash recorded in PESA budgets. See Annex B for further details.

Note³: This is the difference between net Regional Rates receipts (net of repayment of RRI borrowing) recorded in the Consolidated Fund, which records the net cash received, and the figures for net Regional Rates receipts recorded in PESA Budgets, which records the transactions accrued to each year.

Source: NI Consolidated Fund accounts, Main Estimates, Department of Finance and data underlying PESA 2024.

Table 7 shows that the PESA-based estimate of 'UK Government funding' (from our 'money in' and 'money out' analysis) differs from the Consolidated Fund figures for 'Receipts from the UK Government'. The difference between these two measures is relatively small – the Consolidated Fund figure is lower on average by just under 1 per cent over these five years and the average absolute difference is around 2 per cent. There are two main reasons for the difference:

Firstly, the PESA Executive budgets data does not include the income and spending items in the Consolidated Fund that are listed in Table 7 above, and which are shown in black on the left-hand side of drawing in Chart 2. This means that, when

we derive our PESA-based estimate of UK Government funding in our ‘money in and out’ analysis in Table 5 above, this:

- takes account of those **NI CF income and spending items that are included in the PESA Executive budgets** data. (Specifically the PESA Executive DEL includes the Consolidated Fund receipts of net Regional Rates and RRI borrowing and includes the Consolidated Fund interest payments on RRI borrowing),
- but the PESA Executive budgets data does not include any of the **other NI CF income and spending items that are shown in black** on the left-hand side of Chart 2 and listed in Table 7;
- and this means that what we derive as our PESA-based estimate of ‘UK Government funding’ implicitly **also includes these remaining items** in the NI CF that are not included in the PESA Executive budgets data;

Secondly, the following items are measured differently in the PESA budgets data and the Estimates and the NI CF accounts:

- **Supply:** The figures for Supply in the NI CF accounts (Table 6) differ from the outturn figures for the net cash requirement in the Estimates (Table 2). The reason is a combination of timing and the accounting basis. The NI CF accounts are prepared on a cash basis, showing the actual cash received and paid in a given year, even if the payment relates to other years. The Estimates show the net cash required to finance spending in the current year only, regardless of when the cash is actually received or paid.
- **Non-cash items:** Table 7 shows the difference between the non-cash amounts included in the Main Estimates, as derived by residual in Table 2, and the non-cash amounts included in the PESA Budgets, which are used to derive the results shown in the ‘money in and out’ analysis shown in Table 5. These differences are discussed further below.
- **Net Regional Rates:** as with Supply above, this difference happens because the net Regional Rates receipts are measured as cash received in the NI CF accounts (where the cash received might include funds amounts owing from other years), whereas these receipts are recorded on an accruals basis in Budgets, i.e. the amount of income that is owed in that year.

We have not fully investigated the causes of the differences in the figures that we have used for non-cash in the Estimates versus non-cash in the PESA Budgets. However, reasons for these differences could include:

- Our **different approaches** in deriving these two sets of data for non-cash. Our methodology for deriving each data set is explained in Annex B. Both methodologies use simplifications, which affect the results, but Annex B demonstrates that these don’t account for the main difference between the results. This remains unexplained.
- The **changes made from 2022-23**, which implemented the changes recommended by the review of financial process. These may have changed the measurement of non-cash in both the Estimates and budgets data.

- **For 2023-24 only**, the figure we have derived for non-cash in the Estimates in Table 2 will also include revisions between provisional outturn and final outturn. (See note 2 to Table 2.)
- **Timing differences.** The non-cash data in the Estimates includes movements in working balances, which are taken into account in calculating the net cash requirement (Supply). These can reflect differences in the timing of spending cash-flows between different financial years. However it's not clear whether these movements in working balances are included in the PESA data.

Conclusions

The analyses presented in this paper have shown how funding from the NI NIF accounted for the £3.5 billion difference gap between ‘money in’ and ‘money out’ for 2019-20 that we wrestled with in our 2021 *Comprehensive Guide*. Table 5 in this paper has shown how we have fixed this problem in presenting new (and more up-to-date) ‘money in and money out’ analysis by including the funding from the NIF.

Table 7 in this paper has also presented a complete account of the remaining differences between our latest estimate of ‘UK Government funding’ in Table 5, which uses data from PESA Executive budgets, and the ‘Receipts from the UK Government’ in Table 6, which uses data from the NI Consolidated Fund accounts. The reconciliation shows that the two measures are not identical, as the Consolidated Fund includes some items not in PESA budgets and there are differences in the treatment of Supply and non-cash. However, these differences are relatively modest and are now fully explained.

This reconciliation has helped us to validate the latest results from our ‘money in’ and ‘money out’ analysis, in that we can now fully explain why the results differ from the UK Government receipts in the Consolidated Fund. And we can refer to this technical paper for a complete explanation of the limitations of our analysis.

Taken together, this analysis gives greater confidence in our revised “money in and money out” results. It shows that a full picture of the Executive’s finances requires recognising both the voted Supply from the Consolidated Fund and the non-voted funding from the NI NIF. This provides a more comprehensive benchmark for understanding how public spending in NI is financed.

Annex A – Reconciliation of Supply to departmental budgets (2019-20 outturn)

The following table shows our initial results when we first did our detailed analysis of the 2021-22 Main Estimates, under their old format. These results showed that the flows from the NIF accounted for the missing £3.5 billion in our funding inflows for 2019-20 in our first edition of the *Comprehensive Guide*.

Table A1 – The reconciliation between Supply and budgets for 2019-20 outturn

£ million	2019-20 Outturn	Per cent of total
Supply (net cash requirement in Estimates)¹	16,811	71
Plus spending in budgets funded by NI National Insurance Fund ²	3,473	15
Plus adjustments for cash to accruals and non-cash items in Estimates and budgets	3,491	15
<i>Of which:</i>		
<i>Difference between cash grant and spending for arms-length bodies</i>	979	4
<i>Other non-cash spending in resource accounts and budgets</i>	2,512	11
Plus other net spending	26	0
Total departmental budgets (DEL plus AME)	23,800	100
<i>Of which:</i>		
Resource DEL ³	12,554	53
Capital DEL ³	1,356	6
Resource AME	9,561	40
Capital AME	330	1

Note¹: This is the cash grant from the NI Consolidated Fund to NI departments, as needed to meet departments' net cash requirements in Estimates, net of the receipts they are allowed to keep.

Note²: This includes spending by DfC that is financed from the NIF, plus spending by DoH that is financed from NICs.

Note³: NI departmental DELs. These differ from the DELs shown in PESA for the NI Executive - see Databank User Guide (Technical Paper 02/25).

Source: Main Estimates 2021-22

Annex B – Our simplifications in measuring ‘non-cash’

This Annex sets out our approaches for deriving the two separate sets of data for non-cash in Estimates (as shown in Table 2 in Chapter 1) and non-cash in PESA budgets (underlying Table 5 in Chapter 2).

Both approaches use simplifications, as we will explain below. Our main reason for looking at our approaches in this Annex is to explore whether these simplifications could account for the large differences between these two different measures for non-cash, as set out in Table 7. We conclude that they do not. But at least they have not had a significant effect on our reconciliation between the different measures of UK Government funding presented in Table 7.

The overall difference between the two measures of non-cash, and more accurate measures of non-cash in Estimates.

The two separate data sets for non-cash are shown in Table B1. The difference between them is the difference in the figures for non-cash shown in Table 7.

Table B1 also sets out some more accurate data for non-cash in Estimates, for 2019-20 and 2022-23

Table B1. Data for non-cash in the Estimates versus non-cash in PESA budgets

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Non-cash in Estimates (from Table 2, where these non-cash data are derived by residual)	3,543	4,742	3,598	4,339	4,307
Non-cash in PESA budgets (from data underlying Table 5)	3,610	4,151	3,970	4,569	3,593
Difference (as shown in Table 7)	-67	591	-372	-230	714
Other more accurate data for outturn for non-cash in Estimates:					
Non-cash in Estimates in Table A1	3,491	-	-	-	-
Outturn for non-cash for 2022-23 in the 2024-25 Main Estimates	-	-	-	4,302	-
<i>Of which:</i>					
<i>Adjustments for arms-length bodies (ALBs):</i>					
<i>Difference between the ALBs' accrued spending and the cash grant required to fund their spending ¹</i>	-	-	-	924	-
<i>Non-cash resource accounting items included in departments' non-ALB spending, including movements in working balances</i>	-	-	-	3,378	-

Note¹: This includes the difference between accrued spending and cash funding for NI Water and Social Fund.

Source: Main Estimates, Department of Finance, data underlying PESA 2024

The measure of non-cash in Estimates in Table 2 – and how it compares with more accurate measures in Table B1

The non-cash in Estimates data in Table 2 is derived by residual. As we explain in the paper, Table 2 is simplified in that it ignores a small amount of other non-voted net spending, which is therefore included within 'non-cash items' (since that is calculated by residual). Table B1 above compares the figures in Table 2 with actual outturn data for non-cash in the Estimates for two years. The data for 2019-20 comes from Annex A. The data for 2022-23 comes from the 2024-25 Main Estimates. (We chose to use the 2022-23 outturn year as another test year because the data are all final outturns; and the data were easier to access because of the improvements introduced by the Review of Financial Process.)

These examples show that:

- **Using these more accurate outturn data for non-cash** in Estimates in 2019-20 or 2022-23 would widen the gap between the two series for non-cash data in Table 7. (The actual outturn data are lower than the non-cash numbers for those years in Table 2, and the PESA numbers are higher.)
- **And the wider gap** would then need to be offset by the other non-voted net spending that would need to be additionally included as part of the difference in Table 7 - where this other non-voted net spending is currently rolled into the non-cash spending in Table 2 by default. (Both Table 1 and the Table in Annex A show this other non-voted net spending that is additionally included in Budgets.)

Because of these results from looking at these examples, we concluded that, although the figures for non-cash in the Estimates in Table 2 were derived by residual, the limitations of this approach do not account for the differences for non-cash in the Estimates versus non-cash in the PESA Budgets

The table above also illustrates the construction of the non-cash data in the Estimates, for instance in the example given for the 2022-23 outturn. Part II of the Estimates includes the 'resource to cash' reconciliation that shows accruals to cash adjustments (i.e. adjustments for non-cash data), which are broken down into:

- **adjustments for Arms Length Bodies (ALBs).**⁸ These adjustments are the difference between the accrued spending in budgets, as measured under resource accounting and budgeting, versus the cash funding of the ALBs. So these adjustments are effectively the ALBs' non-cash spending (with no breakdown of the non-cash elements);
- **adjustments to remove non-cash items** (which are sub-divided into depreciation and impairments, and changes in provisions). Since the adjustments for ALBs are shown separately, this implies that these non-cash items are only in respect of the remaining non-ALB spending; and
- **movements** in working balances.

⁸ The Arms Length Bodies will include Non Departmental Public Bodies and Hospital Trusts, for instance.

The measure of non-cash in PESA budgets in Table 5

The data for the non-cash components in PESA budgets does not distinguish between the non-cash adjustments for ALBs and non-ALBS in the same way as the non-cash in Estimates data above. And the PESA data does not identify movements in working balances, so it's not clear if these are included in the PESA data. These differences in approach make it difficult to compare the underlying non-cash items in both series.

Non-cash spending in the PESA budgets is defined for our 'money in and money out' analysis in Table 5 as:

- **ringfenced RDEL** spending on depreciation and impairments; and
- **spending in AME** that is not included in TME, where the AME spending that is excluded as non-cash does not include financial transactions. (Financial transactions are not included in TME but are included as spending for the 'money in and money out' analysis.)

Table B2 shows the items that are excluded under this definition of non-cash spending.

Table B2. Non-cash in PESA budgets

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation and impairments in ringfenced RDEL	584	641	319	597	704
AME spending that is not in TME:					
Depreciation and impairments	231	390	169	288	228
Changes in provisions	2,775	3,107	3,459	3,662	2,639
Bad debts	19	13	22	22	21
Total non-cash in PESA budgets	3,610	4,151	3,970	4,569	3,593

Source: Data underlying PESA 2024

This definition of non-cash spending is simplified, because there is also a relatively small amount of non-cash spending in non-ringfenced RDEL (mainly provisions) that we have chosen not to include as non-cash for our 'money in and money out' analysis. This is around £5 million in most years but is recorded in the PESA data as £41 million in 2020-21. These additional non-cash amounts would *widen* the difference (marginally) between non-cash in the Estimates and non-cash in PESA budgets in 3 of the 5 years of data in Table B1, but would reduce the large difference marginally in 2020-21. However we have chosen not to include these additional amounts in our definition of non-cash spending for the purposes of our 'money in and money out' analysis because we wanted to use a methodology that was relatively simple and which used familiar RDEL aggregate numbers, as published in PESA. Therefore we treat all the data for non-ringfenced RDEL spending as if it were accrued (or 'near-cash') spending, and we only exclude the data for ringfenced RDEL as 'non-cash' spending.

As with the simplification of the non-cash for Estimates result above, this simplification of the non-cash in PESA budgets data affects the results when

comparing the two series, but it does not help account for the main difference between the two series.