



Northern Ireland  
Assembly

## Research and Information Service Bill Paper

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**Finance & Economics Team**

# Scrutinising the Financial Reporting (Departments and Public Bodies) Bill: key considerations

This Bill Paper is to help inform Assembly scrutiny of the “Financial Reporting (Departments and Public Bodies) Bill”, including that undertaken by the Committee for the Finance. The Bill was introduced by the Minister for Finance on 1 June 2021, and now is at Committee Stage.

Potential scrutiny points are provided throughout the Paper.

This information is provided in support of Assembly duties, and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as legal or professional advice, or as a substitute for it.

## Introduction

On 1 June 2021, the Minister for the Department of Finance (“DoF”) formally introduced the “Financial Reporting (Departments and Public Bodies) Bill”<sup>1</sup> into the Assembly. The Bill makes changes to Northern Ireland (“NI”) Supply Estimates<sup>2</sup> and Departmental Annual Accounts.<sup>3</sup> Those changes are in line with recommendations made by the Executive, as part of its “Review of the Financial Process” in NI (“RoFP”), which commenced in early 2011. The overall aim of that Review is “...to create a financial framework that is effective, efficient and transparent and enhances scrutiny by and accountability to the Assembly...”.<sup>4</sup> Currently, the Bill is at Committee Stage, before the Committee for Finance (“CfF”).<sup>5</sup>

This Bill Paper aims to support Assembly scrutiny of the Bill, including scrutiny undertaken by the CfF. Its contents are not offered as legal advice or opinion; nor as specialist accountancy advice or opinion. Rather, the Paper compiles essential Bill-related information, for Members’ ease of reference, with potential scrutiny points identified in blue boxes. Using headings, it is presented as follows:

1. Arrangements for NI Estimates and Resource Accounts
2. Timeline of Reform – central & devolved government
3. Bill – as introduced
4. Bill’s Key Impact
5. Continuing Issues – if Bill enacted as introduced
6. Concluding Remarks

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<sup>1</sup> Bill as introduced into the Assembly:

<http://www.niassembly.gov.uk/globalassets/documents/legislation/bills/executive-bills/session-2017-2022/financial-reporting-departments-and-public-bodies/financial-reporting-departments-and-public-bodies-bill--as-introduced---full-print-version.pdf>

<sup>2</sup> Supply Estimates are the means by which the Assembly approves Departmental spending for a specific financial year. “Northern Ireland Main Estimates 2021 – 22. Department of Finance. June 2021:

<https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Supply%20-%20NI%20Main%20Estimates%202021-22%20Composite%20Document%2018%20May%202021.PDF>

<sup>3</sup> Resource Accounts bring together information on the financial position and activity of a government body, or in the case of consolidated Departmental Accounts of a whole area of government, across several bodies.

They are central to government accountability in the public sector, along with an organisation’s Annual Report. “Financial Reporting: The Government Financial Reporting Manual: 2020-21”. December 2020, at p 6, para 2.3.1: [https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/2020-21\\_FReM%20Final.PDF](https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/2020-21_FReM%20Final.PDF)

<sup>4</sup> Written correspondence dated 28 July 2020, from Department of Finance Departmental Liaison Officer to the Assembly Committee for Finance, at para 7.

<sup>5</sup> [www.niassembly.gov.uk/assembly-business/legislation/2017-2022-mandate/primary-legislation---bills-2017---2022-mandate/financial-reporting-bill/](http://www.niassembly.gov.uk/assembly-business/legislation/2017-2022-mandate/primary-legislation---bills-2017---2022-mandate/financial-reporting-bill/)

## 1. Financial Framework for NI Estimates and Accounts

NI Estimates and Departmental Accounts are defined by a number of legislative and non-legislative bases, as explained in publications issued by Her Majesty's Treasury ("Treasury") and DoF. Key amongst those publications are: *Supply Estimates in NI: A Guidance Manual*; *Financial Reporting: The Government Financial Reporting Manual: 2020-21*; and, *Managing Public Money NI*. Key elements of each – for purposes of this Paper - is provided below; after a refresher on terminology relating to Estimates at Box 1:

### Box 1: Refresher on Terms relating to Estimates, as defined by DoF<sup>6</sup>

Source: DoF (July 2020)

**Estimates:** "set out in detail the amounts of cash and net resources required (taking account of planned accruing resources and related cash receipts) for public services for one financial year for each department. The Assembly approves the Estimates via the Supply Resolution."

**Supply Resolution:** "a motion put down in the Assembly by the Minister of Finance which seeks the approval of the amounts, of both cash and resources, in the relevant Estimates, for the Assembly to consider and approve. Supply resolutions are not legislation, but by convention are regarded as a necessary precursor to the introduction of the Budget Bill."

**Supply Procedure:** "a collective term for the processes in the Assembly that deal with the scrutiny and approval of Estimates."

**Supply process:** "the process whereby the Assembly approves the Supply Estimates and gives authority for both the consumption of resources and for cash to be drawn from the NI Consolidated Fund by departments."

**Budget Acts:** "gives formal approval to provision sought in departmental Supply Estimates. There are normally two Budget Acts a year, one in February and one in June."

**Vote on Account:** "presented to the Assembly by the Minister of Finance in February to provide net resource and net cash provision for each department to allow existing public services to continue in the early months of the following financial year -generally 45 per cent of the amounts, resource and cash, voted in the current year."

### 1.1 *Supply Estimates in NI: A Guidance Manual* ("Estimates Guidance Manual")

DoF published the existing Estimates Guidance Manual in July 2020. That Manual explains how:<sup>7</sup>

*Supply Estimates are at the heart of public spending control. It is through the Estimates that the Executive seeks the Assembly's authority for its spending plans*

<sup>6</sup> DoF. *Public Expenditure Glossary*. May 2016, at: <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Public%20Expenditure%20Terminology%20-%20May%202016.pdf> ; DoF. *Supply Estimates in NI: A Guidance Manual*. July 2020, at: <https://www.finance-ni.gov.uk/publications/estimates-publications>

<sup>7</sup> <https://www.finance-ni.gov.uk/publications/estimates-publications>

*and without such authority comparatively little public expenditure could take place. The Assembly has delegated many controls to the Department of Finance (DoF) and expects DoF to apply those controls effectively. It is nonetheless departments themselves, and the Accounting Officers in particular, that are ultimately responsible for the content of their Estimates. Both departments and DoF must therefore work together to ensure that all Supply Estimates meet the highest standards.*

The Manual's overarching aim is to help improve financial reporting standards in NI. It is to be read in conjunction with other sources, including, e.g., legislative requirements specified under the Northern Ireland Act 1998 and "Government Resources and Accounts Act (NI) 2001"<sup>8</sup> ("GRAANI 2001"), as well as guidance provided in *Managing Public Money NI* ("MPMNI").

MPMNI outlines key features of existing NI Estimates arrangements, including:

1. In 2001-02, (like the rest of the United Kingdom ("UK")) NI moved from cash to resource-based controls in government, marking significant change in financial processes at that time, including Estimates. This was done through the Assembly enacted GRAANI 2001. GRAANI provided the legislative basis to move to resource Estimates, enabling the full introduction of resource and accruals accounting in NI planning, budgeting and expenditure control processes. It did so by replacing and or amending sections of the Exchequer and Audit Act (NI) 1921.
2. Existing differences between Estimates, Budgets and Accounts necessitate a high level of technical knowledge, making it difficult to understand the links and interrelationships between them. That adversely impacts their transparency and reduces accountability across all three.
3. The NI Estimates system is based on the Westminster model; and requires the Minister of Finance to present Estimates to the Assembly for approval.
4. However, there is a significant distinction between the NI and the Westminster Estimates systems. In NI, Departments are statutory corporations (unlike Ministers of the Crown in Westminster). That means NI Departmental powers (their authority) extend only to what is specified in legislation: the Departments must have specified legislative power (authority) to take action in a specific area/manner; AND, they must have specified legislative power (authority) to spend in that area/manner – i.e. to finance taking that action.

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<sup>8</sup> <https://www.legislation.gov.uk/nia/2001/6/contents>

5. Given above, NI Departmental spending authority is largely provided through the Assembly “Supply” process (“Supply Resolution” - Section 63 of the Northern Ireland Act 1998) and Royal Assent of Assembly enacted “Budget Acts”. Simply stated, Departments have authority to use or spend their cash requirements, as identified in their Estimates, but only when the relevant Budget Bill is enacted by the Assembly and subsequently receives Royal Assent. (See also MPMNI, Chapter 2)
6. There are some noted exceptions to this, as explained by DoF, such as (non-exhaustive list of examples):
  - Some direct charges on the NI Consolidated Fund pursuant to individual statutes and benefits are financed from the NI National Insurance Fund pursuant to legislation.
  - Moreover, in certain exceptional circumstances, some expenditure categories may rest on the sole authority of the Budget Act, which provides formal authority for expenditure plans stated in Departmental Supply Estimates. For example, Departmental administration costs often can be authorised by a Budget Act alone. Whereas expenditure on services, with no other legislative authority, then the Budget Act can be used as the sole authority, if such expenditure:
    - Is no more than £1.5m a year; or,
    - Is expected to last for no more than two years;and,
    - Respects any existing explicit statutory limits; and,
    - Does not concern specific legislation on the matter in question is before the Assembly.
    - Is noted in the “Notes to the Estimate”.
7. Where “significant changes” to NI Supply Estimates arise (including those relating to process, format or content), the DoF - with the Executive - must be clear regarding all such changes, in consultation with the Assembly. That normally is done *via* the Public Accounts Committee (“PAC”) and the CfF.
8. Currently, Non-Departmental Public Bodies (“NDPBs”) normally fall outside the accounting boundary and are therefore not consolidated. While resource accounts include any grant in-aid from a Department to its NDPBs, but not the expenditure of the NDPBs themselves. Moreover, capital grants are treated as resource expenditure since those grants do not create an asset for the Department.<sup>9</sup> (Note:

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<sup>9</sup> <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/fddof0721.pdf>

they are within the Estimates boundary under the *Draft Estimates Guidance for the 2020-21 Dry Run for the Review of Financial Process* (“**Draft** Estimates Guidance”).<sup>10</sup>

### 1.2 *Financial Reporting: The Government Financial Reporting Manual: 2020-21* (“FReM”)

FReM - issued by Treasury - guides the compilation of Annual Accounts across central and devolved government in the UK (including NI), specifying requirements, amongst other things. It states:<sup>11</sup>

*1.2.1 The FReM applies directly to all entities (‘reporting entities’) other than those listed in 1.2.2, and to funds, flows of income and expenditure and any other accounts (referred to collectively as ‘reportable activities’) that are prepared on an accruals basis and consolidated within Whole of Government Accounts [WGA] (with the exception of the accounts of any reportable activities that are not covered by an Accounts Direction). Relevant authorities and sponsor departments may also require other entities not consolidated in the WGA, through an accounts direction or a framework agreement, to apply the FReM...*

*1.2.4 In addition, ... the Department of Health in Northern Ireland will apply the principles outlined in the FReM in the accounting guidance that they issue in respect of ... Health and Social Care Trusts in Northern Ireland.*

In sum, FReM is the statutory guidance for government bodies preparing annual reports and accounts, which:

- Sets out principles for financial reporting;
- Gives guidance on performance reporting and the accountability disclosures for government bodies;
- Adopts and interprets International Financial Reporting Standards for use in the UK public sector; and,
- Gives further guidance as necessary, for example relating to the preparation and publication of the UK Whole of Government Accounts (WoA).<sup>12</sup>

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<sup>10</sup> <http://www.niassembly.gov.uk/globalassets/documents/committees/2017-2022/finance/primary-legislation/financial-reporting-bill/departamental-correspondence/20210614-dof-response-follow-up-26-may-briefing.pdf>

<sup>11</sup> Treasury. “Financial Reporting The Government Financial Reporting Manual: 2020-21” December 2020, at p 2: <https://www.finance-ni.gov.uk/publications/202021-government-financial-reporting-manual-frem-and-accounts-proformas>

<sup>12</sup> <https://www.gov.uk/government/collections/whole-of-government-accounts>

FReM specifies **four overarching purposes of financial reporting in government**, as follows:<sup>13</sup>

*2.4.1 The four main purposes of government financial reporting, as outlined by the Public Accounts and Constitutional Affairs Committee and considered as part of the Government Financial Reporting Review, are:*

- to maintain and ensure Parliamentary control of government spending, enabling, in particular, Parliament to hold the Government accountable for its spending.*
- to enable the public and researchers (both in civil society and Parliament) to understand and consider the value for money offered by public spending, so that they can make decisions about the effectiveness, efficiency and economy of particular policies or programmes.*
- to provide a credible and accurate record which can be relied upon.*
- to provide managers inside departments (including both ministers and civil servants) with the information they require to run the departments and their agencies efficiently and effectively.*

*2.4.2 All government financial reports should meet one or more of these purposes. Public sector annual reports and accounts should meet all of them. Enabling Parliament to hold the government to account (Parliamentary accountability) is, however, the key purpose of government annual reports and accounts. If there is any conflict between meeting different purposes, then the needs of Parliament take precedence.*

*2.4.3 Parliament in the context of the FReM is defined as:*

- the UK Parliament;*
- the Scottish Parliament;*
- the Senedd; and*
- the Northern Ireland Assembly.*

To summarise, the four overarching purposes of government financial reports - as stated in FReM for Government Annual Reports and Resource Accounts - are:

1. Maintain and ensure Parliamentary control in order to hold Government accountable;

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<sup>13</sup> Treasury. "Financial Reporting The Government Financial Reporting Manual: 2020-21" December 2020, at pp 7-8: <https://www.finance-ni.gov.uk/publications/202021-government-financial-reporting-manual-frem-and-accounts-proformas>

2. Enable public/researchers to understand and consider value for money in public spending;
3. Provide credible and accurate record; and,
4. Provide government officials with information required to run departments and agencies efficiently and effectively.

However, note that the overarching purposes are **not** equally weighted if they conflict in a given scenario. Instead, the first purpose - maintaining and ensuring Parliamentary control to hold Government accountable - is supreme.

### 1.3 *Managing Public Money in Northern Ireland* (“MPM/NI”)

MPMNI is issued by the DoF.<sup>14</sup> It is similar to Treasury’s MPM.<sup>15</sup> Both set out the main principles for dealing with resources in public sector organisations. Some of the specifics in the MPM, such as in its annexes, relate to England rather than the devolved administrations, such as NI. Instead, MPMNI provides NI’s detailed rulebook.

Nonetheless, the same basic principles generally apply in all parts of UK public sector, including NI, with adjustments for context.

In sum, MPM/NI provides guidance on general principles of propriety and accountability in public finance.

## **2. Timeline of Reform – central & devolved government**

In NI, there has been long-standing criticism that the present arrangements for reporting and controlling public expenditure are confusing and unhelpful. Different publications use different measures, etc. Key developments that have sought to reform those arrangements - including the formulation of the Bill - date back as far as 2008. They encompass efforts/initiatives at both central and devolved UK government levels. Recording some of them here highlights the long journey informing the contents of this Bill:

Central:

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<sup>14</sup> <https://www.finance-ni.gov.uk/articles/managing-public-money-ni-mpmni> ; <https://www.finance-ni.gov.uk/publications/2021-financial-reporting-guidance>

<sup>15</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1000670/MPM\\_Spring\\_21\\_with\\_annexes\\_080721.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000670/MPM_Spring_21_with_annexes_080721.pdf)



- **2007:** There had been protracted criticism that financial arrangements were confusing and unhelpful because different publications used different measures and UK Parliament approved expenditure controls bearing limited relation to those used internally within the UK Central Government, (e.g. Hansard Society and House of Commons Treasury Committee).
- **June 2007:** The UK Government issued a Green Paper entitled *Governance in Britain*, dated June 2007, wherein it announced Treasury's *Clear Line of Sight Project*, (also known as the "Alignment Project"). When undertaken, the Project was undertaken to simplify the way in which government public expenditure information is presented and published. It sought to better align government spending measures used for various purposes, including those used and voted upon by Parliament - in particular Departmental Budgets set by Government, Estimates approved by Parliament, and the Accounts prepared by the National Audit Office. The Project followed on from its announcement included in the Green Paper.
- **November 2009 – 2012:** Consolidation of Non-Departmental Public Bodies ("NDPBs") within Departmental Resource Accounts - was included within the Constitutional Reform and Governance Act enacted. The main implementation took place from 2011-12 as planned.<sup>16</sup>

Devolved:

- **22 October 2008:** The then Assembly Committee for Finance and Personnel ("CFP") – "First Report on its Inquiry into the Role of the Assembly in scrutinising the Executive Budget and Expenditure - Stage 1: Submission to the Review of the Northern Ireland Executive's Budget Process"<sup>17</sup>
- **30 June 2010:** CFP – "Second Report on its Inquiry into the Role of the Assembly in scrutinising the Executive Budget and Expenditure"<sup>18</sup>

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<sup>16</sup> <https://researchbriefings.files.parliament.uk/documents/SN05617/SN05617.pdf>

<sup>17</sup> <http://www.niassembly.gov.uk/globalassets/documents/committees/2007-2011/finance-and-personnel/reports/scrutiny-of-executives-budget/report-on-scrutiny-of-executives-budget.pdf>

<sup>18</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2007-2011/finance-and-personnel2/reports/second-report-on-the-inquiry-into-the-role-of-the-northern-ireland-assembly-in-scrutinising-the-executives-budget-and-expenditure/>

- **13 September 2010:** Department of Finance and Personnel (“DFP”) – “Response to the Committee’s Second Report”.<sup>19 20</sup>

*(xiv) CFP conclusion in relation to DFP Review Recommendation 14 (‘The Committee is, in principle, supportive of the DFP recommendation that “the Final Budget Statement and debate should be combined with the Main Estimates process” as this should make for a more streamlined and harmonised approach. That said, the Committee looks forward to being consulted on the detail of this proposal and firmly believes that such change should only be made in the context of a settled future budget process, which will require to be agreed between the Executive and the Assembly.’)*

DFP comment:

*DFP welcomes the support of the Committee for Budget Review Recommendation 14. The Finance Minister will shortly be putting a proposal and terms of reference to the Executive to take forward a Review of the NI Financial Process. It is envisaged that such a Review would encompass this recommendation and investigate further: aligning the Budgets, Estimates and Accounts, as far as practicable, to improve transparency, and, synchronising the presentation of the Budget, the Estimates/departmental expenditure plans, the Budget Bills, the Rates legislation and the Accounts in order to create a single co-ordinated public revenue and expenditure process.*

*The strategic aim of such a Review would be a simplified and streamlined financial process designed to suit the needs of the Assembly. Such a Review would involve close consultation with the Assembly via the Committee for Finance and Personnel and the Public Accounts Committee.*

- **February 2011:** Executive agreed to undertake the “Review of the Financial Process” (“RoFP”) in NI, announcing its aim is:

*...to bring forward a streamlined financial framework, which is more efficient, transparent, open to scrutiny by and accountability to the Assembly...;*

In particular:

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<sup>19</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2007-2011/finance-and-personnel2/reports/budget-and-expenditure-departmental-response-to-the-report/>

<sup>20</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2007-2011/finance-and-personnel2/reports/budget-and-expenditure-departmental-response-to-the-report/>

*...[A]lign the Budget, the Estimates and the Accounts as far as practicable to improve transparency*

*...[S]ynchronise the presentation of the Budget, the Estimates/departmental expenditure plans, the Budget Bills, the Rates legislation and the Accounts in order to create a single co-ordinated public revenue and expenditure process...*

- **21 March 2011:** CFP – “Third Report on the Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive’s Budget and Expenditure”<sup>21</sup>
- **June 2011:** DFP briefed the Committee on difficulties with existing financial process and related publications, including issues to be considered within the RoFP
- **10 September 2011:** DFP updated the CFP on RoFP progress
- **10 October 2011:** DFP issued Discussion Paper on the Executive’s RoFP in NI - 15 Initial Review Recommendations<sup>22</sup>
- **8 January 2012:** CFP published “Report on the Response to the Executive’s Review of the Financial Process in Northern Ireland” (coordinated amongst Assembly committees)<sup>23</sup>
- **December 2016:** Executive agreed that the DFP (renamed Department of Finance (“DoF”)) was to take forward the RoFP
- **January 2017:** Assembly no longer fully functioning
- **2017:** DoF engaged across departments about taking the RoFP forward for the dual purposes: to agree misalignment solutions and suitable structure for future Executive/department published documents; and, to advance through Departmental Working Group, led by Public Spending Directorate in the DoF; and attended by the Northern Ireland Audit Office (“NIAO”)
- **2018 – 19:** Departmental templates for estimates and accounts “dry run”; completed for Spring Supplementary Estimates; submitted to NIAO; subsequent workshop provided
- **2019 – 20:** Above dropped to allow focus to remain on key service delivery
- **2019:** Budget Builder tool developed through DoF Public Spending Directorate, with Working Group: tool part of public engagement process; updates followed regarding its development and use; and, stakeholders’ responses to gain insight into public’s general priorities (instead of Budget scenarios)

<sup>21</sup> [http://archive.niassembly.gov.uk/finance/2007mandate/reports/report\\_61\\_10\\_11R.htm](http://archive.niassembly.gov.uk/finance/2007mandate/reports/report_61_10_11R.htm)

<sup>22</sup> <http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2011/finance-and-personnel/15611.pdf>

<sup>23</sup> [http://www.niassembly.gov.uk/globalassets/Documents/Reports/Finance/nia28\\_11-15.pdf](http://www.niassembly.gov.uk/globalassets/Documents/Reports/Finance/nia28_11-15.pdf)

- **January 2020:** Fully functioning Assembly resumed, following signing of “New Decade, New Approach”, which included provisions relating to Executive Programme for Government and miscellaneous finance-related matters
- **13 March 2020:** “Renewable Heat Incentive Inquiry Report” published, with recommendations relating to public finance transparency and accountability
- **23 March 2020:** National lockdown called by the UK Government due to the COVID-19 pandemic; Chancellor announced funding allocations on central and devolved bases, and cancelled UK Autumn Budget
- **24 March 2020 to date:** Executive and Assembly individually and collectively addressed health/economic crisis arising from COVID-19, including funding allocation decision-making and reprioritisation, causing delays impacting, e.g., full implementation of RoFP’s 15 Initial Recommendations
- **28 July 2020:** DoF provided CfF (formerly “Committee for Finance and Personnel”), with a written update on the current position regarding the Review; to be implemented 2022-23 given: Restated Aim - Initial Recommendations to be/taken forward (paragraph 7i-vi); Revised timetable – misalignments addressed *via* Main Estimates 2022-23 (not earlier dates); Ongoing future Department engagement in specified areas with Committee; Committee engage with other committees (paragraphs 17-18)<sup>24</sup>
- **August - October 2020:** DoF 2021-24 Budget planning, including information gathering from departments, using relevant templates to inform Restructuring baselines and Bidding for Budget allocations<sup>25</sup>
- **October 2020 to date:** Developments included throughout the remainder of this Paper.

### 3. Bill – as introduced

On 1 June 2021, the Bill was formally introduced into the Assembly by the Minister of Finance.<sup>26</sup> It now is at Committee Stage before the CfF, after its Second Stage reading on 14 June.<sup>27</sup>

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<sup>24</sup> Written correspondence dated 28 July 2020, from Department of Finance Departmental Liaison Officer to the Assembly Committee for Finance, at paras noted above.

<sup>25</sup> Written memo dated 12 August 2020 from the DoF to the CfF.

<sup>26</sup> <http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2021/06/01&docID=339497#3477433>

<sup>27</sup> [www.niassembly.gov.uk/assembly-business/legislation/2017-2022-mandate/primary-legislation---bills-2017---2022-mandate/financial-reporting-bill/](http://www.niassembly.gov.uk/assembly-business/legislation/2017-2022-mandate/primary-legislation---bills-2017---2022-mandate/financial-reporting-bill/)

As explained by the Minister at Second Stage, the Bill's underlying purpose is to improve transparency and public understanding regarding Departmental Estimates and Resource Accounts. That aim is in line the DoF RoFP, helping to enable simplified financial reporting and better budget alignment.<sup>28</sup>

### 3.1 What the Bill seeks to do

When appearing before the CfF on 26 May 2021, a DoF Official explained that:<sup>29</sup>

*Although the Bill is short, it deals with the full aspects of the misalignment that exists by amending the Government Resources and Accounts Act (Northern Ireland) 2001 to allow the Department of Finance to issue directions on the way that Departments prepare Supply Estimates. It provides for departmental Estimates and accounts to include the spending of non-departmental public bodies (NDPBs) and other central government bodies for which the Department has responsibility, thereby aligning with the budgetary treatment.*

*The Bill also provides for consultation with the Treasury in order to prevent the designation of a body that is funded solely from a Consolidated Fund other than the Consolidated Fund of Northern Ireland. That is in line with current practice for each Westminster Estimates process, where the Treasury consults the Executive and other devolved Administrations on each of their designation orders.*

The "Delegated Powers Memorandum" issued by the Office of the Examiner of Statutory Rules advised why delegated power will be used as the means to designate bodies. It stated:<sup>30</sup>

*...The choice of delegated power is based on: the primary purpose of subordinate legislation is to reflect detail which would not be appropriate for the face of a Bill; the need to permit flexibility in relation to the bodies to be designated in relation to each department, which may be subject to change over a period of time; precedent in*

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<sup>28</sup> <http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2021/06/14&docID=341073#352078>

<sup>29</sup> <http://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=26575&eveID=13242>

<sup>30</sup> The Office of the Examiner of Statutory Rules issued the Financial Reporting (Departments and Public Bodies) Bill (NI) 2021: Delegated Powers Memorandum.

*England and Wales, for example, delegated power was the choice used in England and Wales under Sections 43 and 44 of the Constitutional Reform and Governance Act 2010 (which makes similar amendments to the Government Resources and Accounts Act 2000).*

That Memorandum further explained why negative resolution is to be used for Assembly control in relation to the “Delegation of Bodies Order” (“Designation Order”) under the Bill, stating:<sup>31</sup>

*Assembly control of negative resolution was selected using: the generality that affirmative procedure is reserved for either matters with direct financial import or which bring about radical substantive change; that it provides both flexibility and speed to allow for updates where necessary, for example to add newly established bodies or to remove bodies which no longer exist, rather than require Assembly involvement in matters of this nature...*

Further to the Designation Order, the Bill’s accompanying Explanatory and Financial Memorandum (“EFM”) states:<sup>32</sup>

*5. This Bill deals with one aspect of that alignment and amends the Government Resources and Accounts Act (Northern Ireland) 2001 to allow the Department of Finance to issue directions on the way departments prepare Supply Estimates. The Bill allows the Department of Finance to require departmental estimates and accounts to include the spending of designated Non-Departmental Public Bodies and other central government bodies for which a department has responsibility, thereby aligning with the budgetary treatment.*

*7. The Bill also provides for consultation with HM Treasury prior to the designation of bodies. This consultation is to prevent the designation of a body as related to a Northern Ireland Executive department where the body is funded from a Consolidated Fund other than the Consolidated Fund of Northern Ireland.*

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<sup>31</sup> The Office of the Examiner of Statutory Rules issued the Financial Reporting (Departments and Public Bodies) Bill (NI) 2021: Delegated Powers Memorandum.

<sup>32</sup> <http://www.niassembly.gov.uk/globalassets/documents/legislation/bills/executive-bills/session-2017-2022/financial-reporting-departments-and-public-bodies/financial-reporting-departments-and-public-bodies-bill---efm-as-introduced---full-print-version.pdf>

*8. The Bill provides that where an estimate is prepared by other non-departmental bodies or persons, e.g. Northern Ireland Public Services Ombudsman, that the same conditions apply to that body or person as apply to departments. That is, the Department of Finance may direct how such a body or person prepares estimates and may direct that estimates and accounts prepared by that body or person include the spending of any bodies designated by the Department. This does not apply to the Northern Ireland Audit Office.*

### 3.1.1 Implications of Bill for human rights/equality & public finance/other

In relation to the Bill, the DoF states that there appear to be no human rights and equality issues arising from the Bill.<sup>33</sup>

In addition, the EFM accompanying the Bill states:

*...it is not anticipated that the Bill will give rise to any significant additional expenditure.*<sup>34</sup>

#### **Potential Scrutiny Point:**

1. Albeit not foreseen to be significant, would the DoF specify for the CfF what additional expenditure would be needed to fully implement the Bill's provisions, if enacted as introduced, e.g. additional costs relating to staffing, new IT (hardware, software, etc) or other? Please detail types of costs and estimated amounts for each.

And finally, in relation to the Regulatory Impact Assessment undertaken for the Bill, the EFM states:<sup>35</sup>

<sup>33</sup> <http://www.niassembly.gov.uk/globalassets/documents/legislation/bills/executive-bills/session-2017-2022/financial-reporting-departments-and-public-bodies/financial-reporting-departments-and-public-bodies-bill---efm-as-introduced---full-print-version.pdf> ; also DoF written correspondence date 14 June 2021 to the CfF.

<sup>34</sup> <http://www.niassembly.gov.uk/globalassets/documents/legislation/bills/executive-bills/session-2017-2022/financial-reporting-departments-and-public-bodies/financial-reporting-departments-and-public-bodies-bill---efm-as-introduced---full-print-version.pdf>

<sup>35</sup> <http://www.niassembly.gov.uk/globalassets/documents/legislation/bills/executive-bills/session-2017-2022/financial-reporting-departments-and-public-bodies/financial-reporting-departments-and-public-bodies-bill---efm-as-introduced---full-print-version.pdf>

*The effects of this Bill have been assessed and it is concluded that the provisions will not result in savings for, or costs to, businesses, charities, social economy exercises or voluntary bodies.*

### 3.1.2 Specific Bill clauses

The Bill has four clauses, which collectively:

- Introduce new statutory powers for the DoF - exercised in consultation with departments and Treasury – to:
  - Make a “Designation of Bodies Order” each financial year *via* subordinate legislation, which include designated NDPBs or other bodies and exclude Public Corporations outside the departmental budgeting boundary and bodies which continue to misalign estimate, accounting and budgeting boundaries;<sup>36</sup>
  
  - and,
  
  - Issue directions outlining requirements for departmental Supply Estimates and Annual Accounts, including designated NDPBs or other bodies funded from the NI Consolidated Fund, to avoid the designated bodies being jointly funded by another UK Consolidated Fund;
  
- and,
  
- Amend the Government Resources and Accounts Act (Northern Ireland) 2001 (“GRAA(NI) 2001”), as appropriate.

### 3.1.3 DoF’s interpretation of long title of the Bill & admissibility of amendments

In a letter dated 14 June 2021, the DoF replied to a CfF query about the Department’s interpretation of the long title of the Bill and its views on the admissibility of amendments, as follows:<sup>37</sup>

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<sup>36</sup> The Office of the Examiner of Statutory Rules issued the Financial Reporting (Departments and Public Bodies) Bill (NI) 2021: Delegated Powers Memorandum.

<sup>37</sup> <http://www.niassembly.gov.uk/globalassets/documents/committees/2017-2022/finance/primary-legislation/financial-reporting-bill/departmental-correspondence/20210614-dof-response-follow-up-26-may-briefing.pdf>



*The long title of the Bill is “A Bill to amend the law relating to the preparation of estimates and accounts of departments and certain non-departmental public bodies; and for connected purposes”. The long title indicates, at a high level, the main themes of the Bill, and assists in determining the scope of the Bill. Amendments to the long title can be made if the bill has been so altered during amending stage as to necessitate such amendment.*

*Although the Department may advise the Committee on what they believe may be the scope of the Bill, as the Committee has noted decisions on the admissibility of amendments are a matter for the Speaker.*

### 3.1.4 Consequential amendment to Bill in relation to designated bodies

It is noteworthy that a May 2021 DoF evidence session with CfF on the Bill's contents (pre-introduction of the Bill) addressed the issue of a possible consequential amendment to the Bill. There, a DoF Official explained:<sup>38</sup>

*I want to make the Committee aware of a possible consequential amendment to the Bill in relation to the legislation for the Public Services Ombudsman. That legislation makes reference to DOF's role in directing accounts under the 2001 Act. We are considering looking at a change to references to the resource accounts and the Estimates so that they will properly align with the changes that we now propose to the 2001 Act. We are seeking advice on that issue but not considering introducing anything else in the Bill.*

Further to the above, at Second Stage of the Bill in June 2021, the Minister of Finance addressed that issue, stating:<sup>39</sup>

*I notify Members — Finance Committee members will be aware of this — that my Department is looking into a consequential amendment to ensure that the changes made as part of the Bill fully align with the legislation for the establishment of independent bodies such as the Public Services Ombudsman. It is important that their Estimates align with the process while safeguarding their independence, and we will look to ensure that that is the case over the coming months.*

<sup>38</sup><http://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=26575&eveID=13242>

<sup>39</sup> <http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2021/06/14&docID=341073#3520783>

In relation to the noted Consequential Amendment, the response to the CfF's summer 2021 Call for Evidence on the Bill is noteworthy:<sup>40</sup>

*In reviewing the Bill and the accompanying Explanatory and Financial Memorandum I have also noted the Finance Minister's assurance, recorded in the Official Report - 14 June 2021 on the Bill's second stage debate: "that my Department is looking into a consequential amendment to ensure that the changes made as part of the Bill fully align with the legislation for the establishment of independent bodies such as the Public Services Ombudsman. It is important that their Estimates align with the process while safeguarding their independence, and we will look to ensure that that is the case over the coming months". As you are aware, the independence of my Office from those who are within my jurisdiction is vital in maintaining the trust and confidence of members of the public. The now established principle of scrutiny and approval of my budget by the Northern Ireland Assembly Audit Committee is an essential element of ensuring independence. In order to continue to deliver redress for individuals and contribute to improvement in public services my office requires sufficient resources and the role of the NI Assembly Audit Committee must not be interfered with in that regard. I welcome the clarity provided in the Minister's statement and my officials have explored with Department of Finance counterparts the implications of this Ministerial undertaking. Following this I am satisfied that the current proposals contained in the Bill combined with the Minister's assurance present no issues regarding the independence of my Office but instead are designed to contribute to a simplification and alignment of budgets, estimates and resource accounts.*

#### **Potential Scrutiny Point:**

2. Would the DoF update the CfF on the current position regarding the noted Consequential Amendment to the Bill? Please detail.

## **4. Bill's Key Impact**

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<sup>40</sup> Written communication from Northern Ireland Independent Public Services Ombudsman to the CfF, dated September 2021.

The Bill's key impact is the inclusion of designated NDPBs within departmental estimates and accounting boundaries. If enacted, that would go some way to increase transparency of NDPB spending – an area of significant public spending. At present, NDPB monies are captured within departmental budgeting boundaries, not their estimates and accounting boundaries.<sup>41</sup> In relation to designations, it should be noted that a DoF Official advised the CfF at its 26 May 2021 meeting of the following:<sup>42</sup>

*The intention is that most arm's-length bodies within the departmental boundary will be included in the process. Some will be excluded. Northern Ireland Water, for example, will be excluded because it will remain as what is called a "misalignment". The intention is that the majority of all arm's-length bodies within the departmental boundaries will be included.*

In a letter to the CfF on 14 June 2021, the DoF provided a list of bodies that would and would not be designated for each Department and reasons why. Excluded from that list was the Department for the Economy (DfE), which had not confirmed its position with the DoF. The letter stated:<sup>43</sup>

*...whilst DfE have not confirmed the position, our understanding is all of its bodies will be within the boundary following the implementation of the Bill.*

**Potential Scrutiny Point:**

3. Has the DfE confirmed with the DoF which of its bodies would and would not be designated under the Bill, if enacted? Please detail.

<sup>41</sup> Non-Departmental Public Bodies ("NDPBs") do annually publish their own individual accounts.

<sup>42</sup> <http://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=26575&evidID=13242>

<sup>43</sup> Written correspondence dated 14 June 2021, from Department of Finance Departmental Liaison Officer to the Assembly Committee for Finance, at Annex A:  
<http://www.niassembly.gov.uk/globalassets/documents/committees/2017-2022/finance/primary-legislation/financial-reporting-bill/departmental-correspondence/20210614-dof-response-follow-up-26-may-briefing.pdf>

In relation to the DoF list of bodies that would be designated, the Northern Ireland Local Government Officers Superannuation Committee (“NILGOSC”) response to the CfF’s summer 2021 Call for Evidence on the Bill is noteworthy:<sup>44</sup>

*Our reading of the draft Bill and accompanying explanatory memorandum is that it will introduce new powers for the Department of Finance to direct how designated bodies prepare estimates and accounts. NILGOSC is listed as a designated body in the Annex, which would bring it within scope of the new legislation.*

*NILGOSC is the public body responsible for administering the Local Government Pension Scheme for Northern Ireland and sits outside of the central government boundary. NILGOSC is self-funded and receives no money from Department of Finance or Department for Communities and does not participate in the Supply Estimates process. On this basis, we do not consider it appropriate that NILGOSC is within the scope of the proposed legislation.*

*We have previously queried NILGOSC’s classification as an NDPB and inclusion within the central government financial reporting process. This is on the basis that no central government funding is received and that the assets and liabilities of the Local Government Pension Scheme belong to the pension fund itself (on behalf of pension scheme members and beneficiaries), with any expenditure being met directly from the fund. We have previously been advised by our sponsoring department, the Department for Communities, that NILGOSC is classified as an NDPB solely because the appointment of its oversight Board falls under the public appointments process. We do not consider that this alone should bring the Local Government Pension Scheme under the direction of Department of Finance with respect to how its budget or accounts are prepared. We therefore propose that NILGOSC is removed from the list of designated bodies for the purpose of the Financial Reporting (Departments and Public Bodies) Bill.*

*I should be grateful if you would arrange for NILGOSC’s response to be submitted to the Committee for Finance for consideration. If you have any queries in respect of this response, do not hesitate to contact me.*

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<sup>44</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2017-2022/finance/bills---committee-stage/financial-reporting--departments-and-public-bodies-bill-northern-ireland/responses-to-the-committees-call-for-evidence/northern-ireland-local-government-officers-superannuation/>

**Potential Scrutiny Point:**

4. What is the DoF's view on NILGOSC's response to the CfF summer 2021 Call for Evidence on the Bill? Please detail.

In this context, it further should be noted that the Assembly Commission provided the following reply to the CfF's Call for Evidence:

*In the context of the separation of functions between the Assembly and the Executive, and specifically the Assembly's role to scrutinise the Executive and hold Ministers to account, the Committee for Finance will be aware of the aware of the common parliamentary principle that the legislature should be independent from the influence of the government. It is in that context that the Assembly Commission would draw attention to some aspects of the Bill.*

*In particular, the Assembly Commission wishes to highlight to the Committee that section 40 (5) of the Northern Ireland Act 1998 ('the 1998 Act') provides that "The Assembly may give special or general directions to the Commission for the purpose of or in connection with the exercise of the Commission's functions." While it is unlikely that the Assembly would seek to direct the Assembly Commission in the matter of estimates preparation, the legal ability of the Assembly itself, not the Executive, to give directions to the Assembly Commission is established in the 1998 Act.*

*Without rehearsing the detail of the Bill, the distinction made at line 18 on page 2 of the Bill as it relates to the Northern Ireland Audit Office (NIAO) perhaps should also apply to the Assembly Commission. It is assumed that the independence of the NIAO from the Executive informs this wording and the Assembly Commission would take the view that the designation process set out in new section 8A should also be a matter for the Assembly Commission, indeed for the Assembly, to determine.*

*The Assembly Commission notes that the Minister, when replying to a Member during the Second Stage of the Bill advised that "There is an ongoing convention of excluding the Audit Office from the directing of Estimates and accounts preparation*

*by the Department of Finance, because there is a sense that that would be a risk to the independence of the Audit Office. It does its budgeting Estimates through a parallel process with the Audit Committee...". The Assembly Commission does not conduct its Estimates process through the Audit Committee but the Assembly Commission's budget is scrutinised by the Audit Committee and then approved by the Assembly so the approach adopted in the Bill for the Audit Office may also be appropriate for the Assembly Commission.*

### **Potential Scrutiny Point:**

5. What is the DoF's view on Assembly Commission's response to the CfF summer 2021 Call for Evidence on the Bill? Please detail.

## **5. Continuing issues – if Bill enacted as introduced**

This section aims to highlight issues that would continue to arise, following the Bill's enactment as introduced. It draws on a range of sources, including: DoF correspondence with the CfF; CfF evidence sessions that relevant to the Bill; Assembly plenary debates; and, responses received to the CfF's Call for Evidence on the Bill<sup>45</sup> during summer 2021. Those issues concern:

- 5.1 Misaligned bodies
- 5.2 North/South Bodies' Memorandum – queries arising?
- 5.3 DoF Directions
- 5.4 DoF "Dry Runs"
- 5.5 Data

### 5.1 Misaligned bodies

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<sup>45</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2017-2022/finance/bills---committee-stage/financial-reporting--departments-and-public-bodies-bill-northern-ireland/responses-to-the-committees-call-for-evidence/>

At Second Stage of the Bill (14 June 2021), a MLA commented on designated bodies' data:<sup>46</sup>

*One area that is not clear is which of the arm's-length bodies will not be affected by the legislation and the reasons for their exclusion. The Department's officials discussed that with the Finance Committee and cited NI Water as one example of an ALB that was not within the scope of the Bill. That was for historical reasons relating to the type of body that NI Water is. There may be further work required to see how we can bring in the ALBs that remain outside the boundaries.*

The Minister of Finance replied:<sup>47</sup>

*...The figures have to be provided, and people need to be able to access them. However, we also have a responsibility to make sure that the information is accessible, as in it is presented in a way that people can easily access, scrutinise and join the dots from one piece to another. That is all essential. While there will be an ongoing requirement to give all the detail, there is a better way of doing this. I look forward to engagement with the Committee and other MLAs in the Chamber, and I am sure that there will be consultation with the public to see how the figures can be better presented.*

The Minister's statement acknowledges that going forward, bodies continuing to misalign despite the Bill continues to raise issues. As noted in the May 2021 CfF session, a DoF Official remarked on those continuing misalignments, noting that they would require a wider piece of work than that relating to the Bill:<sup>48</sup>

*The key thing is that the review of financial process will not be a panacea for all ills. We are seeking to create more transparency by aligning the Budget, Estimates and the Vote on Account processes. What we cannot do as part of the process is change how some of the bodies are set up. That would be a wider piece of work than the review. It should be looked at, but it is not part of the review.*

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<sup>46</sup> <http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2021/06/14&docID=341073#3520783>

<sup>47</sup> <http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2021/06/14&docID=341073#3520783>

<sup>48</sup> <http://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=26575&eveID=13242>

...[for example], *Translink is designated by the Office for National Statistics as a public corporation. That means that the only transactions that score in the Department's budget are funding that the Department gives to or receives from Translink. Due to Translink's nature, we cannot bring its full expenditure inside the Estimates process, as that would create, rather than remove, a misalignment.*

*It is not within the gift of the review to change the way that a body has been designated for budget treatment by the ONS. That would require something much wider than we can do.*

*...A broader piece of work probably needs to be done. I am just highlighting that it is not part of this review.*

*The money that went from the Executive to Translink is in Budgets and will be in the current Estimates. There is transparency on the funding that goes from the Executive to Translink. What you do not get in either Budgets or Estimates is the breakdown of what Translink spends that money on.*

## 5.2 North/South Bodies' Memorandum – queries arising?

In the context of designation and related guidance, the North/South Bodies' Memorandum has been noted in a response that the Committee received to its summer 2021 Call for Evidence. Safefood stated:<sup>49</sup>

*...You will note that any guidance must be agreed by the finance departments, North and South, before being issued to N/S Bodies and that N/S bodies are not NDPBs but are treated as being analogous to NDPBs. We have not received a communication from the Committee which you refer to, but in any case can only implement any guidance issued jointly by both Departments of Finance.*

It appears that the guidance noted here concerns the Directions that would be forthcoming from the DoF, as discussed below.

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<sup>49</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2017-2022/finance/bills---committee-stage/financial-reporting--departments-and-public-bodies-bill-northern-ireland/responses-to-the-committees-call-for-evidence/safefood-response>



Another North/South Body – Special European Union Programmes Body (“SEUPB”) – responded to the CfF’s Call, stating:<sup>50</sup>

*This Bill applies to Non-Departmental Public Bodies. SEUPB is a N/S Body and therefore, our Financial Memorandum is our key governance document in addition to the Corporate and Business Plan Guidance issued each year by the Finance Departments.*

### **Potential Scrutiny Points:**

6. What engagement has DoF undertaken in relation to the North/South Bodies? Please detail.

7. Has it included discussion of the North/South Bodies’ Memorandum? Please detail.

### 5.3 DoF Directions

The Bill empowers the DoF to issue directions about the preparation of Supply Estimates and to direct that such Estimates are to include information relating to "designated bodies".

In its response to the CfF’s Call for Evidence on the Bill, the NIAO noted it would be monitoring the DoF Directions that would be forthcoming, if the Bill is enacted as introduced. Notable excerpts from the NIAO response include:<sup>51</sup>

*The Bill should facilitate the financial process alignments that are sought by incorporating the income and expenditure of designated non departmental public bodies and other bodies within the estimates and resource accounts of the relevant Northern Ireland departments. This brings Northern Ireland into line with other UK jurisdictions in this regard...*

<sup>50</sup> <http://www.niassembly.gov.uk/globalassets/documents/committees/2017-2022/finance/20210831-special-eu-programmes-body.pdf>

<sup>51</sup> <http://www.niassembly.gov.uk/globalassets/documents/committees/2017-2022/finance/20210901-northern-ireland-audit-office.pdf>

*...The draft Bill is in line with my understanding and I am not aware of any further measures to be included in order to improve transparency and public understanding in respect of estimates and resource accounts...*

*...[the NIAO] will monitor directions made by the Department of Finance under the Bill during the course of my audits of departmental resource accounts.*

### **Potential Scrutiny Point:**

8. What engagement has the DoF undertaken to date, or does it intend to undertake in relation to its issuance of the Directions, if the Bill is enacted as introduced? Please detail with who, when and what main points were made and agreements reached, if any.

#### 5.4 DoF “Dry Runs”

At the noted May 2021 CfF session, a DoF Official also spoke about ongoing “Dry Runs” under the new system that would be introduced by the Bill, if enacted. When responding to questions from the CfF Chairperson about the Dry Runs, the Official replied:<sup>52</sup>

*We have had some good engagement on dry runs. They have brought out issues on which we have been working and which Departments will look to address in a further dry run process that we are planning in the coming months. We are learning lessons from that so that we can make sure that, when we introduce this in real time, the process is as smooth as possible...*

*...I am confident, Chair, that the Departments will successfully roll this out. I do not know the percentage offhand or the degree of those with arm's-length bodies. Certainly, for those Departments that have been engaging in the process, we were able to identify the issues. All Departments have done that to some degree or other.*

In that regard, it is worth noting that the Department of Justice stated in its response to the CfF Call for Evidence on the Bill that:<sup>53</sup>

<sup>52</sup><http://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=26575&evidID=13242>

<sup>53</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2017-2022/finance/bills---committee-stage/financial-reporting--departments-and-public-bodies-bill-northern-ireland/responses-to-the-committees-call-for-evidence/>

15. *The Department has been working with DoF on a phased implementation plan. This has focussed on the processes for the consolidation of NDPB accounts into a new Departmental set of Accounts, and in the preparation of a new format for Departmental Estimates. It is important to say that NDPBs will continue to publish their own individual accounts on an annual basis, in parallel with the new consolidated Departmental Accounts.*

16. *A number of key activities have already been completed by the Department including a dry-run set of consolidated DoJ Accounts for 2018-19 which includes NDPBS. These Accounts were audited by the NI Audit Office and no significant issues were found. Dry-run Supplementary Estimates for 2020-21 have also recently been completed with no major issues. Further dry-run activities for Estimates and Accounts are ongoing during 2021-22.*

17. *The Department of Finance will be engaging with departments over coming weeks to reach final agreement on each Department's Estimate structure, ahead of the Finance Minister bringing the overall structure of the Estimates to the Executive for final agreement.*

## 5.5 Data

In a letter dated 14 June 2020, the DoF advised the CfF as follows:<sup>54</sup>

*Level of additional detail which will be included in the Estimates and the changes to the resource accounts*

*RoFP aims to improve transparency on financial matters to the Assembly and members of the Public by aligning, as far as possible, the recording of expenditure in the Estimates, Budgets and Resource Accounts. The proposed reforms will also provide additional detail/clarity in the Estimates and corresponding Budget Bills including:*

- *The provision sought will be split by budgetary controls, with separate limits being voted for Resource DEL, Capital DEL, Resource AME, Capital AME, Non-Budget expenditure, rather than the current situation whereby a single net resource requirement figure is voted;*
- *Separate income and expenditure ambits will be provided detailing services funded by each of: DEL, AME and Non Budget. This will contrast to the current situation whereby a single ambit is voted combining services funded across all budget categories;*
- *Non-voted budgetary spend will be included in the Part II Subhead of the Estimate e.g. utilisation and release of provisions, Consolidated Fund Excess Receipts*

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<sup>54</sup> <http://www.niassembly.gov.uk/globalassets/documents/committees/2017-2022/finance/primary-legislation/financial-reporting-bill/departamental-correspondence/20210614-dof-response-follow-up-26-may-briefing.pdf>

*(CFERs). Currently non-voted expenditure is not shown in the Estimate itself, although it is shown in the supporting tables; and*

- *In addition to the additional detail which will be provided in Parts I and II of the Estimate itself, additional notes will also be included to show additional detail on: Expenditure by Non-Departmental Public Bodies; Accounting Policy Changes; Expenditure resting on sole authority of the Budget Act; Gifts; and Contingent Liabilities.*

*In terms of the resource accounts, the main change will be the inclusion of NDPBs within the accounting boundary, and as a consequence of this, the departmental accounts will include the full income and spend of their NDPBs. Currently, departmental accounts reflect the cash grant paid to the NDPB. Other changes to the resource accounts include presentational changes to the Statement of Assembly Supply and its related notes, to align with the changes made to Estimates.*

Nonetheless, it appears that an issue of data would remain, even if the Bill is enacted as introduced. This was apparent when the CfF Chairperson raised the issue of data and the inadequacy of the Bill in increasing transparency in that area, while responding to the Minister of Finance's statement at Second Stage of the Bill on 14 June 2021. The Chairperson stated:<sup>55</sup>

*The Committee asked officials whether that would lead to more information, more detail and more understandable explanations, particularly those that are provided in the Estimates. Members even cited the example of the Department of Education, where over £2.5 billion of spending currently seems to appear in a single-line request for resources in the 300-odd-page Estimates document.*

*We had hoped that we would get some more public granularity for that kind of spending, as that would help us all understand what we are voting for each year. I am disappointed to tell you, Mr Principal Deputy Speaker, that the Department of Finance advised that, no, it could not guarantee that the Bill would provide more information but that the level of detail currently afforded to the Committee in the Estimates process will, at a minimum, be retained. That current level of detail, however, is massively inadequate. That is not an endorsement of the Department's Bill but neither will it tax the ingenuity of Members overmuch to devise amendments to the Bill to deal with the issue of the provision of information. It is just surprising that the*

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<sup>55</sup> <http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2021/06/14&docID=341073#3520783>

*Department has not already thought some of that through and brought more robust and comprehensive legislation before us.*

### Potential Scrutiny Points:

9a. Going forward, to ensure Assembly information and data needs – as well as the public’s – are well understood and appropriately factored into ongoing and future work in DoF in relation to this Bill and other aspects of RoFP, would the DoF commit to regularly and actively engaging with the CfF in a more detailed manner on the design, compilation and implementation of guidance, templates and other relating to both – beyond what has been done to date?

9b. If so, how would the DoF envision doing that?

In this context, it is interesting to note what the Fiscal Council for NI (“Fiscal Council”) stated in its response to the CfF Call for Evidence on the Bill:<sup>56</sup>

*The Council has also received briefing from DoF in relation to the Bill, and we discussed the Bill and the wider Review of Financial Processes (RoFP) at our meeting of 4 August 2021. The Council agrees with the principles of both the Bill and the RoFP programme. The proposed improvements in transparency and consistency are worthwhile and **should assist to some degree the stakeholders we have spoken to who are frustrated by the lack of clear line of sight from the Budgets agreed by the Executive to the Estimates presented to the Assembly.** It would not be appropriate for us to determine which policy or legislative changes represent the best course to deliver better alignment, but we are keen to see greater consistency between Budgets and Estimates across departments and bodies in NI, and as well with the UK. As a result, we support the Bill and are in favour of greater alignment in order to increase transparency and to help people better understand the budget processes. In our work to date, we have **in particular found a lack of transparency with regards to EU funding in both the Budget and Estimates. We have encountered similar opacity in the use of net spending (i.e. negative DEL).** It would be worth ensuring that the Bill can address this.*

*The Council also agreed that NI Water requires a separate solution, either as part of this Bill or the next phase of RoFP, given the complexities with its accounting and budgetary treatments, and the significant level of funding it receives.*

### Potential Scrutiny Point:

10. What is the DoF’s view on the Fiscal Council’s response to the CfF summer 2021 Call for Evidence on the Bill? Please detail.

<sup>56</sup> <http://www.niassembly.gov.uk/assembly-business/committees/2017-2022/finance/bills---committee-stage/financial-reporting--departments-and-public-bodies-bill-northern-ireland/responses-to-the-committees-call-for-evidence/>

## 6. Concluding Remarks

Now and in future, the Executive and the Assembly face many challenges and must work to ensure public finance use fully adheres to FReM/NI and other relevant requirements and guidance relating to Estimates and Annual Reports. To enable that, the Bill, as the DoF describes, is a measure to provide greater transparency and understanding of the budget process by improving alignment between the Supply Estimates and departmental resource accounts; part of the phased plan to implement the recommendations made by the Executive in its RoFP. If enacted and implemented, the Bill would achieve that at the levels of the Executive, departments and relevant bodies, which collectively would serve to increase public expenditure accountability across devolved governance in NI; helping to “...create a financial framework that is effective, efficient and transparent and enhances scrutiny by and accountability to the Assembly...”.<sup>57</sup>

And while the Bill does start to address long-standing criticism that the present arrangements for reporting and controlling public expenditure are confusing and unhelpful - as a DoF Official stated - the Bill “...is not a panacea...”. Much work remains to reduce the complicated reporting that is laden with technical language and jargon and other, making reporting inaccessible and difficult to get a “handle” on public finance matters, especially for those not routinely working in the area.

Moreover, in the context of the Bill, as highlighted earlier in the Paper, a number of areas will require attention when implementing, including those relating to: Designation Orders; Misaligned bodies; North/South Bodies’ Memorandum; DoF Directions; DoF “Dry Runs”; and, Data transparency.

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<sup>57</sup> Written correspondence dated 28 July 2020, from Department of Finance Departmental Liaison Officer to the Assembly Committee for Finance, at para 7.