

**Department of Finance  
Memorandum on the Twelfth  
Report from the  
Public Accounts Committee  
Mandate 2017-2022**

**Review of the Northern Ireland Budget Process**

**Presented to the Northern Ireland Assembly  
by the Minister of Finance**

**15 March 2024**



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# Glossary of Abbreviations

<b>DALO</b>	Departmental Assembly Liaison Officer
<b>DoF</b>	Department of Finance
<b>HMT</b>	HM Treasury
<b>ISNI</b>	Investment Strategy for Northern Ireland
<b>MoU</b>	Memorandum of Understanding
<b>NICS</b>	Northern Ireland Civil Service
<b>PfG</b>	Programme for Government
<b>PFSU</b>	Public Finance Scrutiny Unit
<b>TEO</b>	The Executive Office

## Twelfth Report

### Department of Finance

#### Review of the Northern Ireland Budget Process

##### *PAC Recommendation 1*

**The Committee recommends that the Department introduces a financial education programme to help and support Members and non-financial staff within the Civil Service to better understand and interrogate the budget.**

The Department of Finance (DoF) accepts this recommendation.

DoF has already implemented online Public Expenditure training and made it available to all Northern Ireland Civil Service (NICS) staff. In addition, thematic modules have been available to support Assembly Members via the “Public Finance Workshop Series”. This is delivered by the Public Finance Scrutiny Unit (PFSU) within the Assembly’s Research and Information Service through Members’ political parties, the Assembly Committee system and individual Member requests. Whilst the overall responsibility for delivery of any such training and learning lies with PFSU, DoF will continue to support and assist when and where it is appropriate.

It is accepted improvements and updates can always be made to any available training. It should be noted that DoF does not track uptake or monitor training achievements in this context as PFSU have lead responsibility. Any decision to introduce mandatory training would be dependent upon who is in receipt of the training and having sufficient resources to ensure delivery. Nonetheless going forward, DoF and Assembly PFSU officials will discuss their existing training and how it could be better aligned, in order to enhance existing knowledge and understanding of Northern Ireland’s devolved financial arrangements amongst Members and relevant staff, with the aim of further developing their financial advisory and scrutiny skills for application throughout the budgetary cycle and other financial processes.

##### *PAC Recommendation 2*

**The Committee recommends that:**

- **the Department issues clear guidance to departments on providing sufficiently detailed, timely information on funding bids to scrutiny committees to enable them to undertake their challenge function on spending decisions;**
- **the Memorandum of Understanding between departments and the Assembly on the provision of budget information to scrutiny committees should be finalised by the end of 2022; and**
- **the Department should also undertake an annual survey of committees to monitor whether these requirements are being met, and publish its outcome.**

DoF partially accepts this recommendation.

DoF accepts there is a role for issuing guidance and supporting departments on the budget process and spending decisions. DoF already issues detailed guidance to departments emphasising the need to engage with Departmental Committees in these matters and keeps its guidance under continuous review as there is always room for improvement. However, each department must accept and take responsibility for their own interactions and exchanges with Assembly Scrutiny Committees as DoF has no authority to insist such actions occur.

Regarding the Memorandum of Understanding (MoU) referred to above, DoF agrees this should be finalised as soon as possible. It is important to highlight however, that the draft MoU is between the Assembly and the Executive and therefore is outside the control of DoF. Nevertheless, DoF will continue to support the Committee on this work and will aim to facilitate agreement to the MoU as soon as practicably possible.

DoF also agrees that Committees requirements should be met by departments. However, DoF would highlight that it is not within its remit to determine the effectiveness of engagement between other departments and their respective Committees. Individual Departmental Assembly Liaison Officers (DALOs) are best placed to monitor Committee engagement and liaise as appropriate with their respective department. Should any Committee have an issue regarding its engagement with their respective department, they should engage with their DALO in the first instance to determine the best course of action to resolve any concerns.

*PAC Recommendation 3*

**The Committee recommends that the Department takes the lead in driving collaborative, cross-sectoral efforts to secure efficiencies through the multi-year budget process.**

DoF accepts this recommendation in principle.

DoF recognises the need to ensure any identified efficiencies can and should be delivered across departments. DoF would wish to point out though that this will not be straightforward and that further work would be required to map out a process that could examine the potential for cross-sectoral efficiencies. DoF will however engage with departments on the delivery of efficiencies as part of the wider financial management of the budget process. It is envisaged that some of this work will overlap with the baseline review process set out under recommendation 7.

DoF would also wish to highlight that the nature and specifics of the budget process is a matter for the Finance Minister to determine. Additionally securing an overall approach to such efficiencies as mentioned in the recommendation would be a matter for consideration by the Executive.

*PAC Recommendation 4*

**The Committee recommends that, together with the Head of the Civil Service and The Executive Office, the Department considers what changes to powers or structures are necessary to ensure a stronger centre to government in Northern Ireland, which can compel departments to take actions when needed; break down the silo mentality; and enable a more joined-up and efficient public sector.**

DoF notes this recommendation.

DoF conducts the budget process within existing current political and governmental frameworks and departments are encouraged to engage in this process with a focus on delivering outcomes for citizens based on the implementation of the cross-cutting Programme for Government (PfG). The very nature of the PfG in itself requires strong collaboration across departments and a joined up approach across the public sector. It is also worth highlighting that decisions on the budget are taken collaboratively by Executive Ministers reflecting priorities and how such decisions impact departments.

In addition, as reflected in the response to the Committee's report on Capacity and Capability in the NICS, the Executive Office (TEO) has led work on strengthening the governance structure of the NICS Board with the appointment of Non-Executive Directors and a revised Terms of Reference which will help to strengthen and improve this core aspect of government. It is envisaged that these changes will help lead to opportunities for further joined up working and collaboration.

In the context of financial processes, whilst DoF encourage departments to consider how best to deliver PfG outcomes within existing parameters, DoF has a constrained freedom in these matters and must respect the current political and government frameworks and constructs. It is important to note the underlying aspect of the change being sought in this recommendation is not within the gift of the Head of the Civil Service or DoF colleagues (or any Accounting Officer) but would require fundamental policy and legislative change to the architecture of the Belfast Agreement.

*PAC Recommendation 5*

**The Committee recommends that, together with the Executive Office, the Department aligns the processes to produce the budget, Programme for Government and the Investment Strategy for Northern Ireland. The budget itself must be aligned to the planned outcomes in these documents.**

DoF accepts this recommendation in principle.

DoF accepts the ideal approach would see an agreed PfG and Investment Strategy with clear alignment to the budget. An agreed PfG will see an outcomes based approach that should be underpinned by a supporting budget. In addition, the draft Investment Strategy for Northern Ireland (ISNI) proposes governance and oversight arrangements that are designed to promote collaboration and a more joined up approach to investment planning and delivery.

Whilst such an aspiration to achieve this alignment across key strategic outcomes is to be welcomed, such efforts are not straightforward and would require careful planning and consideration. It should also be recognised that an aligned approach across PfG, ISNI and budget can be frustrated by delays outside the control of DoF, combined with the legislative requirement to deliver a budget in due time. It is also important to recognise the role of TEO and the Strategic Investment Board within the scope of this recommendation. DoF will however work with others to ensure that there is meaningful alignment between PfG, ISNI and the budget where possible.

#### *PAC Recommendation 6*

**The Committee recommends that, regardless of the period covered by a budget settlement, the Department improves the degree and detail of its longer-term fiscal planning, building on guidance from the Fiscal Council on budget sustainability.**

DoF accepts this recommendation.

DoF will continue to seek improvements in these aspects and provide additional detail on longer term fiscal planning where possible. The Fiscal Council established in 2021 will ensure an independent view is offered on all such aspects which will prove valuable to any such areas of improvement moving forward. However, it should be noted such efforts are constrained by the current UK Government Spending Reviews which set the Executive's medium term budget envelope. DoF will continue to work with the Fiscal Council on any recommendations they provide on improvements to the Executive's longer term fiscal planning.

#### *PAC Recommendation 7*

**The Committee recommends that within the next two years the Department completes a strategic evaluation of all major policies and programmes within departmental baselines, to assess how they support the PfG and enable policy and programme prioritisation for future budgets. This exercise should include a strong independent challenge.**

DoF accepts this recommendation in principle.

DoF will examine potential options for carrying out baseline reviews with departments. Baseline reviews and evaluations though would be best served through Executive agreement. Further, the precise nature of any baseline reviews will require engagement on scope, timing and planning, and will be dependent on the availability of resources both within DoF and other departments. In addition, it will be important for an agreed PfG to be in place to allow relevant assessment.

DoF believes it is important to state that departments themselves should, as part of well-established good practice, be assessing the effectiveness of existing programmes on an ongoing basis and as part of their governance arrangements. Departments are separate entities and have Accounting Officers that are responsible for the efficient and effective delivery of public services in line with Executive priorities. It is also important to stress there are established processes in place to provide assurances around the appropriate use of public funding including the business case process along with Post Project Evaluations and, where applicable, in line with current guidance, the independent Gateway Review process.

#### *PAC Recommendation 8*

**The Committee recommends that the Department continues to press HM Treasury on:**

- **the importance of co-ordination and good communication to ensure that funding issued directly to local recipients matches the Executive's agreed strategic priorities, and that suitable accountability mechanisms are in place; and**

- **the risk to value for money and encouraging negative behaviours which comes with having tight limits on budget carry, exploring whether there are opportunities to amend the current arrangements in the Budget Exchange Scheme.**

DoF accepts this recommendation.

DoF continues to engage with and press HM Treasury (HMT) on a regular basis on these issues.

In terms of funding flowing directly to local recipients from Whitehall departments, there has been limited success in engaging with Whitehall departments on the alignment of strategic priorities, however, DoF is continuing to make the point in the development of the Shared Prosperity Fund which is the long-term replacement scheme for certain EU funding. The financial package which accompanied the restoration of the Executive included £708 million from new/existing British Government funds. DoF are awaiting a formal breakdown from HMT but DoF's understanding is that this will include some funding from New Deal, Levelling Up and Shared Prosperity Fund.

On the issue of carry forward of funding, to date HMT has acknowledged the concerns DoF has raised but has continued to emphasise the need to adhere to the Public Expenditure rules in place which do not permit unrestricted limits on the carry forward of unspent funding at financial year end.

Going forward DoF will continue to press the HMT on such areas. However, it should be noted DoF has a very limited sphere of influence to persuade HMT to allocate funding in ways which align with Executive priorities.

#### *PAC Recommendation 9*

**The Committee recommends that the Department ensures that sufficient time and skilled resource are available to the Central Expenditure Division (CED) to implement the recommendations within this report, particularly when legislative change is required.**

DoF notes this recommendation.

DoF would highlight that additional time and resources will be required to implement the recommendations within this report and would advise that securing such resources are constrained by budget availability and competing priorities. It is also important to note that the allocation of resource is a matter for the DoF Accounting Officer and whilst the Accounting Officer is supportive of the Committee's recommendations, any commitments are made in the context of their duty to deliver the functions across the whole department, according to the Minister's priorities.

#### *PAC Recommendation 10*

**The Committee recommends that the Department produces a project plan by the end of 2022, detailing each of the changes required for the budget process reform programme, along with a timetable.**

DoF accepts this recommendation in principle.

DoF will consider the reforms needed to the budget process including those agreed as part of this response to the PAC report on the NI budget process. DoF will then engage with key stakeholders, including the new Finance Committee and Executive, and subsequently produce a project plan that details the appropriate changes required for reform of the budget process. The timing of the finalisation of this plan though will depend on the completion of the engagement with stakeholders. The proposed timescale of end of 2022 was not possible in the absence of an Executive. Other commitments, such as the development of a Sustainability Plan, are also likely to take precedence over this work.