



Northern Ireland  
Assembly

Public Accounts Committee

# Report on Excess Votes (Northern Ireland) 2014-15

Together with the Minutes of Proceedings of the Committee relating  
to the Report and the Minutes of Evidence

Ordered by the Public Accounts Committee to be printed on 3  
February 2016

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## PUBLIC ACCOUNTS COMMITTEE MEMBERSHIP AND POWERS

**The Public Accounts Committee is a Standing Committee established in accordance with** Standing Orders under Section 60(3) of the Northern Ireland Act 1998. It is the statutory function of the Public Accounts Committee to consider the accounts, and reports on accounts laid before the Assembly.

The Public Accounts Committee is appointed **under Assembly Standing Order** No. 56 of the Standing Orders for the Northern Ireland Assembly. It has the power to send for persons, papers and records and to report from time to time. Neither the Chairperson nor Deputy Chairperson of the Committee shall be a member of the same political party as the Minister of Finance and Personnel or of any junior minister appointed to the Department of Finance and Personnel.

The Committee has 11 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 23 May 2011 has been as follows:

Ms Michaela Boyle<sup>3</sup> (Chairperson)

Mr John Dallat<sup>5</sup> (Deputy Chairperson)

Mr Roy Beggs<sup>14</sup>

Mr Trevor Clarke<sup>8</sup>

Mr Phil Flanagan<sup>13</sup>

Mr Paul Girvan

Ms Claire Hanna<sup>16</sup>

Mr Ross Hussey

Mr Conor Murphy<sup>17</sup>

Mr Edwin Poots<sup>18</sup>

Mr Jim Wells<sup>15</sup>

<sup>1</sup> With effect from 24 October 2011 Mr Adrian McQuillan replaced Mr Paul Frew

<sup>2</sup> With effect from 23 January 2012 Mr Conor Murphy replaced Ms Jennifer McCann

<sup>3</sup> With effect from 02 July 2012 Ms Michaela Boyle replaced Mr Paul Maskey as Chairperson

<sup>4</sup> With effect from 02 July 2012 Mr Conor Murphy is no longer a Member and his replacement on this committee has not yet been announced

<sup>5</sup> With effect from 07 September 2012 Mr John Dallat replaced Mr Joe Byrne as Deputy Chairperson.

<sup>6</sup> With effect from 10 September 2012 Mr Sean Rogers was appointed as a Member

<sup>7</sup> With effect from 10 September 2012 Mr Daithi McKay was appointed as a Member

<sup>8</sup> With effect from 01 October 2012 Mr Trevor Clarke replaced Mr Alex Easton

<sup>9</sup> With effect from 11 February 2013 Mr Sammy Douglas replaced Mr Sydney Anderson

<sup>10</sup> With effect from 15 April 2013 Mr Chris Hazzard replaced Mr Mitchel McLaughlin

<sup>11</sup> With effect from 07 May 2013 Mr David McIlveen replaced Mr Sammy Douglas

<sup>12</sup> With effect from 16 September 2013 Mr Alex Easton replaced Mr David McIlveen

<sup>13</sup> With effect from 06 October 2014 Mr Phil Flanagan replaced Mr Chris Hazzard

<sup>14</sup> With effect from 06 October 2014 Mr Roy Beggs replaced Mr Michael Copeland

<sup>15</sup> With effect from 18 May 2015 Mr Jim Wells replaced Mr Alex Easton

<sup>16</sup> With effect from 7 September 2015 Ms Claire Hanna replaced Mr Sean Rodgers

<sup>17</sup> With effect from 14 September 2015 Mr Conor Murphy replaced Mr Daithi McKay

<sup>18</sup> With effect from 5 October 2015 Mr Edwin Poots replaced Mr Adrian McQuillan

## List of Abbreviations Used in the Report

the Committee	Public Accounts Committee (PAC)
The Assembly	Northern Ireland Assembly
RfR	Request for Resources

## Summary

This report by the Public Accounts Committee (PAC) on Excess Votes is part of the Northern Ireland Assembly's control framework over government spending. The Committee considers the reports by the Comptroller and Auditor General on resource accounts of departments that have exceeded the limits of expenditure authorised by the Northern Ireland Assembly (the Assembly).

The Committee recommends whether the Assembly should approve further resources to the bodies concerned in order to regularise the excess expenditure. Where the excesses are the results of failures in control within departments, the Committee may make recommendations to departments concerning the causes of these excesses.

The system of resource-based Supply requires departments to estimate and manage the resources they will need during a financial year on an accruals basis, as well as the cash they will need as commitments mature. The Assembly authorises both cash spending and the use of resources.

In 2014-15 two bodies incurred excess expenditure. The specific cases were:

- the Northern Ireland Assembly Commission incurred a resource excess of £0.95 million as it failed to include sufficient cover for its' payment obligations for pensions within the Spring Supplementary Estimates; and
- the Department of Finance and Personnel - Superannuation and Other Allowances Account incurred a resource excess of £68.33 million as a result of a misunderstanding in relation to the interest rate to be used when calculating the amount of expenditure for the Supply Estimates.

On the basis of our examination of the reasons why these bodies exceeded their voted provisions, the Committee recommends that the Assembly provides the necessary amounts by means of an Excess Vote.

## Conclusions and recommendations

1. Resource excesses in two departments in 2014-15 totalled £69.28 million. There were no cash excesses. There were three resource excesses in 2013-14, totalling £13.48 million.
2. **The Northern Ireland Assembly Commission breached its net resource limit in Request for Resources (RfR)<sup>1</sup> by £0.95 million.** This excess arose as the amount included in the Commission's Spring Supplementary Estimates did not include adequate cover for the increase in pension provision for Assembly Members. The Commission had obtained an approximate valuation as at 30 November 2014 from the Actuary for interim accounting and budgeting purposes, however there were significant changes to the principal financial assumptions which resulted in an increase in the pension liability. **The Committee recommends that the Commission engages further with the Government Actuary to reduce the risk of reoccurrence. The Committee also recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 5.**
3. **The Department of Finance and Personnel - Superannuation and Other Allowances Resource Account breached its net resource limit within RfR A by £68.33 million.** This excess was incurred in respect of the Principal Civil Service Pension Scheme (Northern Ireland), and was the consequence of a misunderstanding between the Department and the Government Actuary Department over the interest rate assumption resulting in a £79 million underestimate. This amount was partly offset by actual current service costs being

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<sup>1</sup> RfRs are the functional level into which departmental Estimates may be split. RfRs contain a number of functions being carried out by the department in pursuit of one or more of that department's objectives (Department of Finance and Personnel Supply Estimates in Northern Ireland: Guidance Manual, Autumn 2013.)

£10 million lower than estimated costs. The Department has put plans in place to mitigate any risk of repetition. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 5.**

- 4. The Committee recommends that the Department of Finance and Personnel disseminates lessons learnt from this Committee's Excess Vote reports to Accounting Officers and Finance Directors.**



## Excess Votes in 2014-15

5. This report is part of the framework of Assembly control over government spending. Resource-based Supply requires departments to estimate and manage the resources they will need in a financial year on an accruals basis<sup>2</sup>, as well as the cash they will need as commitments mature. The Assembly authorises spending on both a cash and accruals basis.
6. In 2014-15, the Assembly granted total net resources of £17.05 billion and total cash of £15.65 billion in Supply Estimates to 21 bodies including departments, pension schemes and other vote-funded bodies<sup>3</sup>. The difference in the provision of cash and resources is primarily due to including non-cash charges in resources for items such as depreciation of assets and changes in the value of assets or liabilities.
7. A breach of any of the budgetary control limits or the cash limit results in the need for expenditure to be regularised through the Assembly Excess Vote process. The Public Accounts Committee scrutinises the reasons behind each Departments' excess of allocated resources, and reports to the Assembly on whether it has any objections to making good the reported excesses. Once the Committee has reported, a Statement of Excesses will be presented to the Assembly, to be voted into the Budget Act. The passing of this Act authorises the additional grant by the Assembly to regularise the excesses incurred by Departments.
8. In 2014-15 two bodies incurred resource excesses totalling £69.28 million. Details of the excesses are summarised in Figure 1.

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<sup>2</sup>The accruals basis of accounting requires revenues and costs to be recognised as they are earned or incurred, not as money is received or paid.

<sup>3</sup>Northern Ireland Spring Supplementary Estimates, February 2015.

Figure 1: Summary of 2014-15 Excess Votes required

<u>Body</u>	<u>Resources</u>	
	<u>£</u>	<u>Amount to be voted</u> <u>£</u>
<u>Northern Ireland Assembly Commission</u> <u>(RfR A)</u> <u>Amount originally voted</u>	47,920,000.00	
<u>Department of Finance and Personnel - Superannuation and Other Allowances</u> <u>(RfR A)</u> <u>Amount originally voted</u>	421,249,000.00	
<u>Total</u>		<b>69,281,105.15</b>

### Northern Ireland Assembly Commission

9. The Committee has considered the Comptroller and Auditor General's report on the excess in the accounts of the Northern Ireland Assembly Commission for 2014-15.

**10.** The Northern Ireland Assembly Commission breached its net resource limit by £0.95 million as the amount included in its' Spring Supplementary Estimates did not provide sufficient cover for the increase in the Assembly Members' Pension provision. The unexpected increase was due to significant changes in the principal financial assumptions adopted by the Government Actuary Department for the assessment of the pension liability.

**11.** The Committee recommends that the Commission engages further with the Government Actuary to reduce the risk of reoccurrence of an excess.

### **Department of Finance and Personnel - Superannuation and Other Allowances**

**12.** The Committee has considered the Comptroller and Auditor General's report on the excess in Department of Finance and Personnel - Superannuation and Other Allowances Resource Account for 2014-15.

**13.** The variance arose from a misunderstanding between the Department and the Government Actuary's Department, which resulted in the interest cost being underestimated in the Spring Supplementary Estimates.

**14.** The Department has arranged with the Government Actuary Department that in future any actuarial calculations, including the financing interest cost, required for the preparation of the Spring Supplementary Estimates, will be reviewed by the Government Actuary Department before the Estimate is finalised.

## Links to Appendices

Minutes of Proceedings can be viewed [here](#)

Relevant meeting dates:

9 December 2015

3 February 2016

**The information contained in this document is available online at:**

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**ISBN** 978-1-78619-160-1

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