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The Executive's Review of the Financial Process in Northern Ireland: a critical analysis of DFP's Discussion Paper

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This Research Paper presents a critical review and evaluation of DFP's Discussion Paper in relation to its ongoing Review of Financial Process on behalf of the Northern Ireland Executive. Particular attention is paid to the initial recommendations in the light of international best practice, recommendations made by the Committee for Finance and Personnel and previous research.

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Key Points

- DFP has made a number of initial recommendations that should result in considerable transparency and accountability benefits in the financial process for the Assembly;
- Many of the recommendations, if adopted, would improve the compliance of the Northern Ireland process with international good practice;
- It has proposed a timetable and early engagement phase which, with some possible amendment and enhancement, should help increase the Assembly's ownership of budgeting;
- DFP has rejected the concept of a strategic review phase of the budget during implementation; and,
- It has also rejected the ambition of linking budget allocations to performance objectives.

Executive Summary

The research presented in this paper demonstrates that there is much to be welcomed in the initial recommendations made by DFP's discussion paper on the Review of Financial Process in Northern Ireland.

A number of the recommendations will go some considerable distance in improving the compliance of the Northern Ireland process with international good practice on budgeting and transparency. In particular, the proposed reforms should make the process more comprehensible (Recommendations 1 and 2), increase the boundary of departmental accounts (Recommendation 2), and show more clearly the expenditure that is included in the Budget but not voted (Recommendation 4).

In addition, some of the recommendations will go some way to meeting and addressing the criticisms that have been levelled at current practice by the Northern Ireland Assembly's statutory committees. In particular there are proposals to increase the level of published detail (Recommendation 6), produce the Budget in the context of an agreed Programme for Government (Recommendation 9) and enhance the input of the Assembly to the preparation of spending proposals (Recommendation 10).

The research also highlights, however, that there are some areas where further information and evidence may be useful to the Committee for Finance and Personnel in coming to a view on the initial recommendations. Whilst seeking more evidence may put pressure on the timetable for the Review, it may be considered more important that the reforms are done right first time.

The current public expenditure control system and associated financial process have evolved over many years. Reforms will be time consuming and resource intensive. Given that a new process could be in place for a generation or more, it is contended that it is crucial that significant aspects are not rushed and – although appearing to be logical – might actually harm Assembly control or accountability in ways that cannot be foreseen without a more complete evidence base.

Specific areas for more evidence highlighted are outcome-focused budgeting and reform of departmental resource accounts.

In addition, the Committee has commissioned legal advice on the possibility of placing elements of the budget process on a statutory footing. When received, this should assist with completing the picture and enable the Committee to agree on the most appropriate way forward.

The paper also highlights some areas where DFP has recommended approaches that do not align with previous requests and recommendations – most notably in relation to a strategic budget review stage, and the linking of budget allocations to objectives. In relation to the former, this appears to be due to a misunderstanding of the conception of what the review stage intends. In the latter case, the DFP position is that firstly, linkage is very difficult to achieve, and secondly, the idea underpinning linkage (that

input will relate to output and outcome) is flawed. Some initial evidence from Scotland is presented, showing that in that jurisdiction progress on this objective is being made.

Further evidence from Scotland is also presented to illustrate that consultation on the draft budget may not be the necessarily complicating factor that DFP has previously asserted it is for the budget timetable. It is argued that by taking an alternative approach, consultation could be used as the enhancement to process that it should be rather than as a perceived barrier to an effective process.

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1. Introduction

On 10 October 2011, the Department of Finance and Personnel (DFP) issued a discussion paper on the Review of Financial Process. The paper included a number of initial recommendations for discussion. The purpose of this research paper is to support that discussion by considering the initial recommendations – and some of the arguments that underpin them – in the light of international best practice, the previous work of the Committee for Finance and Personnel, and some experience from other jurisdictions.

The first part of this research paper looks in turn at each of DFP's initial recommendations and presents a critical commentary. For ease of reference this commentary is provided in the order the recommendations are presented in the discussion paper.

The second part of this research paper highlights some gaps in the initial recommendations based upon the concerns that the Assembly's statutory committees have previously expressed.

2. DFP's initial recommendations

The discussion paper contains 15 initial recommendations for improving the financial process in Northern Ireland. These cover a wide range of issues and are presented as “an effort to focus minds on the key areas for improvement and to kindle debate”.¹ This section of the research paper aims to support that debate.

2.1. Recommendation 1: Assembly controls

Assembly controls should change to reflect the alignment of Budget, Estimates and Accounting boundaries. The concept of Requests for Resources (RfRs) should be abolished and the Assembly should instead vote, as applicable, each department's:

Resource DEL

Capital DEL

Resource AME

Capital AME

Net Cash Requirement.

This recommendation goes to the heart of the Review of Financial Process and is aimed at enhancing both transparency and accountability to the Assembly. It is proposed, therefore, that in future the Assembly should formally approve spending based upon the controls used in the Budget, rather than the current system of Requests for Resources (RfRs) and Net Cash Requirement.

This recommendation takes account of the complaint from MLAs that the current process of Votes on Account, Budget and Estimates is not transparent, repetitive and somewhat confusing.

The proposal has considerable merit in that when the Assembly is asked to give formal approval to for departments to spend (which it does currently through the Vote on Account and Estimates procedure) it will in future do so with figures that are presented and controlled in the same way as in the Northern Ireland Executive's expenditure plans – which the Assembly agrees in the Budget.

Administrative cost controls²

One possible question for discussion is whether there should also be an addition to the recommended control totals called ‘administrative cost limit.’ Prior to Budget 2011-15 the Executive had in place an administration cost control regime “to ensure that there

¹ DFP (2011) ‘Review of the financial process in Northern Ireland: discussion paper for key stakeholders’ (see page 4)

² More detail on the admin cost control regime can be found in RalSe Briefing Note 192/10 ‘Resource DEL: administrative cost controls’ available online at: <http://www.niassembly.gov.uk/researchandlibrary/2010/19210.pdf>

was an incentive on individual departments to eliminate needless bureaucracy and waste.”³ The administrative cost controls were abolished on the basis that, whilst successful thus far, “a point has now been reached when further attempts to centrally control administration costs risks being counterproductive.”⁴

In its *Report on the Executive's Draft Budget 2011-15* the previous Committee for Finance and Personnel included the following comments on the administrative cost control regime:

52. It has been highlighted that the draft Budget 2011-15 sets out the Executive's plans to abolish the programme of administrative cost controls. During evidence, DFP officials outlined the reasoning behind this decision by stating that:

"We feel that it has gone as far as it can. We have borne down on administrative costs, and the feedback that our Minister is getting from other Ministers is that it is taking up more ministerial and officials' time than any benefit gained merited."

53. Concern has been expressed within the Committee that if administrative cost controls are abolished, there will be no central mechanism to ensure frontline services are protected. Other concerns have highlighted that a false economy could emerge if administration continued to be hollowed out of public services. To illustrate this point, a DFP official pointed to the work of the Public Accounts Committee (PAC), which has highlighted cases where insufficient administrative safeguards have resulted in a lower level of accountability on millions of pounds of public money.

54. As alluded to already, the Committee is concerned that neither the draft Budget nor individual departmental spending and savings plans provide sufficient detail regarding the assessment used to prioritise programme spending. Moreover, the Committee believes that the proposed abolition of the programme of administrative cost controls and the delegation of responsibility in this area from DFP centrally to individual departments would reduce the level of transparency and safeguards available for protecting expenditure on frontline services. As such, the Committee suggests that, if the proposed new approach is taken, each Assembly

³ NI Executive (2011) 'Budget 2011-15' available online at: http://www.northernireland.gov.uk/revised_budget_-_website_version.pdf (accessed 8 November 2011) (see page 30)

⁴ NI Executive (2011) 'Budget 2011-15' available online at: http://www.northernireland.gov.uk/revised_budget_-_website_version.pdf (accessed 8 November 2011) (see page 30)

statutory committee should place a focus on departmental administration expenditure during the budget period.⁵

Discussion point 1: Members of the Committee may wish to consider if they are satisfied with the monitoring of administrative costs by departments and DFP, or whether there is a case to be made for a more transparent and explicit regime for controlling administrative costs.

⁵ CFP (2011) 'Report on the Executive's Draft Budget 2011-15: volume 1' available online at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_44_09_10R_vol1.html#7 (accessed 8 November 2011)

2.2. Recommendation 2: Non-Departmental Public Bodies (NDPBs)

NDPBs are consolidated within the Estimates and Accounting boundaries in order to improve alignment and transparency.

As with Recommendation 1, this recommendation is concerned primarily with aligning the figures included in the Budget with those in the Estimates and resource accounts. At present, the Estimates include the cash grant to NDPBs, but not their full expenditure – for example, non-cash spending such as the depreciation of capital assets is *not* included. DFP has proposed consolidating Executive NDPBs within both the Estimates and Accounting boundaries of departments.

This recommendation has considerable merit in terms of transparency. Consolidation would make it easier to understand the flow of resources from departments to the NDPBs that they sponsor. It would also be in keeping with the good practice 'comprehensiveness principle' that the 'universe' (i.e. central government) is specified clearly in the Budget System Law.⁶

It would also mean that if an NDPB were to overspend, the sponsoring department could be held to account through the Assembly's Public Accounts Committee.

This latter point could be seen as an important benefit of consolidation. The fact that an NDPB's spending could trigger an Excess Vote (which happens when a department overspends its approved limit) should force ministers and their Accounting Officers to ensure that NDPBs keep rigorous control of their spending.

DFP also argues that "with consolidation, financial management in departments should be simplified somewhat."⁷ This point does, however, give rise to questions about the downsides.

Cost of consolidation

In the discussion paper, DFP states that:

*The groundwork required for consolidation would be an administrative burden on departments and impact on faster closing and laying of Resource Accounts, but the benefit of alignment in terms of transparency would outweigh these difficulties.*⁸

It is rather difficult for the Committee to assess whether or not the stated benefits outweigh the difficulties without an assessment of the costs to departments and NDPBs - and indeed to the Northern Ireland Audit Office (NIAO) - of the additional administrative burden. Whilst it is acknowledged that the discussion paper reflects the

⁶ See RaISe paper 101/10 'Budget System Laws: principles and good practice' available online at:

<http://www.niassembly.gov.uk/researchandlibrary/2011/10111.pdf> (accessed 8 November 2011) (see page 11)

⁷ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 22)

⁸ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see pages 4-5)

early findings of the Review of Financial Process, the Committee may find it helpful if some indicative costings could be provided.

Discussion point 2: what is the anticipated cost of consolidation, and is this likely to lead to departments requiring additional resources through monitoring rounds at a time when the Executive is already facing budgetary pressures?

Closing departmental accounts

It is noted in the discussion paper that at present none of the departments have all their NDPBs audited prior to the Assembly's summer recess (by when departmental resource accounts must be laid). The consequence of consolidation may therefore be that it takes longer for departmental accounts to be produced, which might have a negative impact on transparency and accountability.

The Committee may, however, wish to note that the International Monetary Fund's (IMF) *Code of good practices on fiscal transparency* requires only that:

*Audited final accounts and audit reports, including reconciliation with the approved budget, should be presented to the legislature and published **within a year**.*[emphasis added]⁹

In addition, the discussion paper notes some concerns expressed by the NIAO about departmental accounting systems, and their ability to facilitate consolidation. If systems have to be upgraded or harmonised, there is likely to have to be a capital investment by departments.

Another potential issue is that some bodies (particularly in the education sector) have a different financial reporting year from central government departments – they produce accounts to a year ending 31 July, rather than 31 March.

Discussion point 3: is the Committee prepared to accept later closing of departmental accounts?

Discussion point 4: what level of investment may be required by departments in financial systems during a time of particular pressure on capital budgets?

⁹ IMF (2007) 'Code of good practices on fiscal transparency' available online at: <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf> (accessed 8 November 2011) (see paragraph 2.2.4)

2.3. Recommendation 3: other misalignments

DFP should continue to work with departments to find solutions, where possible, to all other misalignments between Budgets, Estimates and Accounts.

The discussion paper notes that even after consolidation there would still be some “smaller areas of misalignment.”¹⁰ These include notional charges and capital grants to the private sector. The aim of the Review is to try to eliminate – or reduce as far as possible – such misalignments.

Without more detail on these technical misalignments, it is difficult for the Committee to assess the potential impacts of changing the way they are handled. Members may wish to note, however, that the IMF *Code of good practices on fiscal transparency* states that:

*Government relationships with the private sector should be conducted in an open manner, following clear rules and procedures.*¹¹

It appears to be in keeping with this transparency requirement therefore that capital grants to the private sector be treated in a clear and aligned way within the Northern Ireland financial process.

Discussion point 4: the Committee may wish to seek further information on the nature of these other misalignments in order to satisfy itself that there is merit in this recommendation.

¹⁰ DFP (2011) ‘Review of the financial process in Northern Ireland: discussion paper for key stakeholders’ (see page 26)

¹¹ IMF (2007) ‘Code of good practices on fiscal transparency’ available online at: <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf> (accessed 8 November 2011) (see paragraph 1.1.5)

2.4. Recommendation 4: non-voted expenditure

All non-voted expenditure and income within Budgets (e.g. Consolidated Fund Standing Services) is brought within the coverage of Estimates in the Part II Subhead Detail.

DFP has identified that “not all expenditure that appears in Budgets or Resource Accounts is voted annually in Estimates.”¹² This recommendation is aimed at improving transparency by including non-voted expenditure in the Estimates document.

This would support better alignment with good practice principles. The IMF *Code of good practices on fiscal transparency* states that:

*The budget documentation, including the final accounts, and other published fiscal reports should cover all budgetary and extra-budgetary activities of the central government.*¹³

It would also enhance compatibility with good practice identified by the IMF in relation to documentation that should be provided with the annual Budget:

*In countries with extra-budgetary funds that are not included in annual appropriations, the [Budget System Law] should specify that the fiscal aggregates include the projected revenues and expenditures of all off-budget activities and that separate reports on specific funds be included in documents accompanying the annual budget.*¹⁴

It appears that DFP's suggested approach means that these non-voted (or extra-budgetary) expenditures would indeed be covered in the revised Estimates and therefore from a good practice perspective the proposal is to be welcomed. In the proposed Main Estimate structure that accompanied the discussion paper, a line is included for 'non-voted expenditure' where such expenditure would be recorded.

This is similar to the approach taken by the Treasury in its alignment project, about which the House of Commons Liaison Committee made the following comment:

The proposals for distinguishing in each Estimate between those elements which require fresh legislative authority by being voted, and those which do not, would add some extra complexity to the Estimate. But we consider this to be the correct approach, because it achieves alignment without disrupting existing arrangements for the approval of those areas of funding

¹² DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 26)

¹³ IMF (2007) 'Code of good practices on fiscal transparency' available online at:

<http://www.imf.org/external/np/pp/2007/eng/051507c.pdf> (accessed 8 November 2011) (see paragraph 3.1.1)

¹⁴ IMF (2010) 'Reforming Budget Systems Laws' available online at: <http://www.imf.org/external/pubs/ft/tnm/2010/tnm1001.pdf> (accessed 8 November 2011) (see page 12)

*governed by separate legislation, and Estimates will present a complete picture of a Department's expenditure.*¹⁵

One of the aims of the Review of Financial Process is to ensure that financial publications meet the needs of the Assembly. Members may wish to satisfy themselves, therefore, that the proposed structure of the Main Estimates is not over-complicated by the inclusion of non-voted expenditure for information purposes.

Discussion point 5: is the proposed Main Estimates structure sufficiently clear, or would the transparency objectives be better served by disclosing non-voted expenditure in another way?

¹⁵ Liaison Committee (2009) Second Report, 'Financial Scrutiny: Parliamentary Control over Government Budgets' available online at: <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmliaisn/804/80402.htm> (accessed 8 November 2011) (see paragraph 35)

2.5. Recommendation 5: net expenditure controls

The Assembly votes 'Net' controls in the Estimate and Budget Act in line with budgetary controls, with details of income shown in the Estimates and appropriate safeguards in place so that firm control is maintained over the use of income by departments.

In the discussion paper DFP has noted that:

Currently Budgets are approved by the Assembly net of any departmental income that is classified as being within Budgets. However, departments can only retain the income (and related cash) if the Assembly has approved, through the Estimates process and the related Budget Act, the use of the income on related services – the Assembly, therefore, places limits on both net resources and on income (accruing resources) – thereby, voting 'Gross' spend.¹⁶

This recommendation would change the current practice and move voting from a gross to a *net* basis.

International best practice is clear that fiscal data should be reported on a *gross* basis. Section 1.1. of the Organisation for Economic Cooperation and Development (OECD) *Best Practices for Budget Transparency* states:

Expenditures should be presented in gross terms. Ear-marked revenue and user charges should be clearly accounted for separately. This should be done regardless of whether particular incentive and control systems provide for the retention of some or all of the receipts by the collecting agency.¹⁷

Section 3.2.2. of the IMF *Code of Good Practices on Fiscal Transparency* states:

Fiscal data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category.¹⁸

The same point is made again in good practice guidance developed by experts in the IMF fiscal affairs department. The third of eleven *Sound Principles for a Budget System Law* states:

All revenues and expenditures are included in the budget on a gross basis. Expenditures are not offset by revenues: the [Budget System Law] specifies any exceptions.¹⁹

¹⁶ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 27)

¹⁷ OECD (2002) 'Best Practices for Budget Transparency' available online at: <http://www.oecd.org/dataoecd/33/13/1905258.pdf> (accessed 9 November 2011) (see page 8)

¹⁸ IMF (2007) 'Code of Good Practices on Fiscal Transparency' available online at: <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf> (accessed 10 November 2011) (see page 3)

There is a distinction to be made between *reporting* and *control*. The proposal is that both net and gross data will be presented for reporting purposes.

But the change will mean that expenditure is controlled on a net basis. This may increase the incentive for departments to maximise income from fees and charges (distinct from revenue from taxation measures which must be paid to the Consolidated Fund) for services such as planning approvals or MOT tests, for example.

The revised Estimates will show the incomes that departments expect to receive, and also what they will be returning to the centre. So it should be fairly clear where a department has increased its income. In addition, fees and charges are controlled through stand-alone legislation. So the Assembly would retain oversight of departmental income.

A disadvantage of the change, however, may be that – because the Assembly would be considering fees and charges on piecemeal fee-by-fee basis – the Assembly might lose sight of the bigger picture. Also there may be a perverse incentive for departments to increase charging rather than to attempt to increase efficiency in their service delivery.

Discussion point 7: is the Committee content with this proposal? Members may feel that additional evidence or advice should be sought (perhaps from the NIAO) on the implications of this issue.

¹⁹ IMF (2010) 'Reforming Budget System Laws' available online at <http://www.imf.org/external/pubs/ft/tnm/2010/tnm1001.pdf> (accessed 10 November 2011) (see page 9)

2.6. Recommendation 6: level of detail in documentation

Spending Areas in Departmental Expenditure Plans should be re-structured in such a way as to be meaningful and informative to the reader and indicative of the range of services delivered by the Department. Spending Areas should be used in all publications.

The purpose of this recommendation is to break areas of departmental expenditure down to levels which will give a clearer indication of how the money is to be used: “the reader should readily understand, at an acceptable level of detail, how much public funding is being spent on each main service in a department.”²⁰

The biggest criticism of lack of detail under the current publications could probably be levelled at the Department of Health, Social Services and Public Safety which in Budget 2011-15 was allocated around £3bn to ‘Hospital, Community Health (inc discretionary FHS)’. As a starting point, it may well not be clear to a reader what FHS is, still less what proportion of the £3bn it is to receive.

On this basis then, the recommendation is to be welcomed. To continue to use DHSSPS as an example, the proposed breakdown for future publications will have expenditure lines such as:

- General Medical Services;
- General Pharmaceutical Services;
- Dental Services;
- Ophthalmic Services;
- Hospital Services;
- Paramedical Services;
- Public Health Services;
- Social Care – Disability;
- Social Care – Old Age;
- Social Care – Family and Children;
- Health Support Services; and
- Fire & Rescue Services.

The important issue for the wider Assembly is to come to a collective view on what level of detail is both meaningful and appropriate.

Discussion point 8: does the Committee feel that the level of breakdown in Annex F to the discussion paper provides the appropriate level of detail? It may be helpful for the Committee to ask the Department to provide examples of the next level of detail down, so Members can get a feel for whether that would provide too much or too little information.

²⁰ DFP (2011) ‘Review of the financial process in Northern Ireland: discussion paper for key stakeholders’ (see page 30)

2.7. Recommendation 7: linking funding to objectives

Performance outcomes and the delivery of the Programme for Government should not be directly attributable to allocations in budgets but should be monitored and delivered regardless of budget inputs.

This recommendation responds directly to previous calls from the Committee for linkages between funding allocations and objectives. This was also a recommendation made in a previous research paper, and is underpinned by international best practice on fiscal transparency. In addition, the idea of linking funding and objectives was put forward by DFP in its *Review of Northern Ireland Executive Budget 2008-11 Process*:

(1) An exercise should be conducted at the start of the next Budget process to seek to determine the level of public expenditure underpinning actions to deliver each Public Service Agreement in the Programme for Government (PfG). One of the constraints identified in scrutinising the draft Budget proposals and PfG was the absence of a link between the two documents. This information would provide a baseline position against which spending proposals could be compared. Ideally this should go further in terms of the funding allocated for the objectives within each PSA.

In the discussion paper, however, DFP's position on this appears to have changed somewhat – seemingly on the basis of past experience. It argues:

It is often stated that there should be linkages between expenditure plans and outcomes, including to PSA targets. However, it has proved, in the past, impractical to map spending areas to PSA targets in any meaningful way. Budgets would need to be disaggregated to a level that would produce a web of confusing information. The driver of PSA targets should be performance and the efficient delivery of the target, not the amount of funding allocated to it. It is concluded performance should not be considered to have any direct link to funding inputs.²¹

It is not hard to imagine that the business of linking spending plans to the outcomes they are intended to achieve is difficult. Nevertheless, it evidently can be done because many nations do employ forms of outcome budgeting.

It may be of particular interest to the Committee that the Scottish Government has undertaken a project which developed a methodology for aligning resources to outcomes. The result is funding maps which show the links between spend and activity and outcome performance. While this has highlighted some difficulties (such as

²¹ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 6)

properly understanding the relationship between activities and outcomes, for example) it does seem that considerable progress has been made.²²

Discussion point 9: does the Committee accept the position that allocations should not be linked to performance and outcomes? Members may wish to seek more evidence on the experience of outcome-based budgeting from Scotland to satisfy themselves that the difficulties involved in the process do indeed outweigh the benefits.

²² Source: presentations made at CIPFA conference: Outcome Budgeting: Scotland's Public Sector Challenge, held on 24 October 2011, provided to RaiSe by e-mail.

2.8. Recommendation 8: revised Estimates and Resource Accounts

The Estimates and Resource Accounts should be revised as shown in Annexes D and E [of the discussion paper].

The purpose of this recommendation is to make the Estimates and Resource Accounts publications more transparent and easier to read.

Proposed Main Estimate Structure

The table at paragraph 4 on the first page of Annex D to the discussion paper shows the budget position when approved and reconciles this to the current position at the time of preparing the estimate. The total figures are carried through to Part I on page two, which then adds in non-voted expenditure, non-budget voted expenditure and provides an explanation of the purpose (the ambit) of the expenditure.

The second table then removes any sums previously approved by the Assembly through the Vote on Account. The Committee should note that later in the discussion paper (see paragraph 111) it is suggested that the Vote on Account procedure could be dispensed with if the Estimates and Budget Bill were presented along with the final stage (revised) Budget in January. For further discussion see the section below in relation to Recommendation 13.

The next table presented, on page three, is *Part II: subhead detail*. This table carries forward the resource and capital DEL totals from the first table on page one. It is this table that shows the level of income that departments will be retain, and therefore shows the gross total expenditure as well as the net figures contained in the other tables. *Part II: subhead detail* also provides the breakdown of expenditure by unit of service.

Part II: resource to cash reconciliation on page four takes the total resource requirements (DEL + AME + non-budget requirement) and adjusts these to a cash figure by removing items that are part of departments' consumption of resources (such as capital depreciation) but do not require cash payments. This is also where the adjustment for cash payments to sponsored NDPBs is shown.

The table on page five, *Part III: extra receipts payable to the Consolidated Fund*, shows any income received by the department which it does not retain (and therefore net off from its expenditure) but passes back to the centre. *Part III: NDPBs* provides detail of the cash grant-in-aid payments to those bodies and relates to the figures in *Part II: resource to cash reconciliation*.

Finally, *Part III: accounting policy changes* will show any adjustments to the figure work as a result of changes in accounting policy, to allow previous years' figures to be reconciled.

Discussion point 10: is the Committee satisfied that the proposed Main Estimates structure provides a sufficiently clear and transparent presentation of the resources required by departments?

Proposed Resource Accounts

Annex E to the discussion paper presents an illustrative example of how the resource accounts of a department would look once the revised terminology and alignment are achieved under the earlier recommendations.

The most notable change to the format of the resource accounts is as a result of Recommendation 2, the consolidation of NDPBs within the departmental accounting boundary. This means that in addition to the accounts of the core department being presented, there are an additional two columns presented: core department + agencies and then 'departmental group'.

Discussion point 11: is the Committee satisfied with the revised format of resource accounts? The Committee may wish to seek technical advice from the NIAO on the proposed changes.

2.9. Recommendation 9: Programme for Government

That the Budget should be developed in the context of a Programme for Government agreed by the Executive.

The discussion paper notes that:

...the need for the formulation of a Programme for Government prior to or at least, in tandem, with the development of a Budget is an opinion that has been expressed repeatedly in many forums.²³

This is in recognition of the principle that the Executive's spending plans as set out in the Budget should give support the priorities expressed in a Programme for Government (PfG) rather than being presented in what could perhaps be described as a 'policy vacuum'. The result of this position – as occurred with Budget 2011-15 – is the perception that PfG priorities will be *driven by the budgetary decisions that have already been made*, rather than the budgetary allocations being made in support of previously agreed political priorities.

This recommendation would result in better alignment between the Northern Ireland budget process and international good practice. For example, a Technical Guidance Note published by experts at the IMF states that:

The expected and recent past results (outputs and/or outcomes) of budget programs are reported in the budget document.²⁴

This underpins section 2.1.3. of the IMF *Code of Good Practices on Fiscal Transparency*:

A description of major expenditure and revenue measures, and their contribution to policy objectives, should be provided.²⁵

Indeed, it is in fact also a requirement of Northern Ireland legislation. Section 64(1) of the Northern Ireland Act 1998 requires that:

The Minister of Finance and Personnel shall, before the beginning of each financial year, lay before the Assembly a draft budget, that is to say, a programme of expenditure proposals for that year which has been agreed by the Executive Committee in accordance with paragraph 20 of Strand One of the Belfast Agreement.²⁶

Paragraph 20 of Strand One of the Belfast/Good Friday Agreement in turn provides that:

²³ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 39)

²⁴ IMF (2010) 'Reforming Budget System Laws' available online at <http://www.imf.org/external/pubs/ft/tnm/2010/tnm1001.pdf> (accessed 10 November 2011) (see page 9)

²⁵ IMF (2007) 'Code of Good Practices on Fiscal Transparency' available online at: <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf> (accessed 10 November 2011) (see page 2)

²⁶ <http://www.legislation.gov.uk/ukpga/1998/47/section/64>

*The Executive Committee will seek to agree each year, and review as necessary, a programme incorporating **an agreed budget linked to policies and programmes**, subject to approval by the Assembly, after scrutiny in Assembly Committees, on a cross-community basis.²⁷[emphasis added]*

The recommendation is, therefore, only restating the *de jure* position as it exists already – that the PfG and Budget are to be inextricably linked documents. That the Budget 2010 process took place in the absence of an agreed PfG was picked up in RalSe Briefing Paper *Options for strategic budget stages* (discussed in Committee on 5 October 2011). This paper raised the possibility that a form of duty might be placed on the Executive to bring forward a PfG at a particular time, linked to the timing of the budget process.²⁸

On this basis, and because of the requirements of international good practice, the recommendation is to be welcomed, perhaps with the caveat that the wording used in the discussion paper be amended. It reads:

*The Committee for Finance and Personnel and Assembly Members have expressed concern regarding the development of a Budget in the absence of a Programme for Government. It is concluded that the formulation of a Programme for Government prior to or, at least, in tandem with the development of a Budget is **desirable**.²⁹ [emphasis added]*

It may be argued that the final sentence should read 'essential' in place of 'desirable'.

Discussion point 12: the Committee may wish to consider recommending to DFP that the wording relating to this recommendation is strengthened.

²⁷ Northern Ireland Office (1998) 'The Belfast Agreement' available online at <http://www.nio.gov.uk/agreement.pdf> (accessed 26 Sept 2011)

²⁸ RalSe (2011) 'Options for strategic budget stages' available online at: <http://www.niassembly.gov.uk/researchandlibrary/2011/10311.pdf> (accessed 10 November 2011)

²⁹ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 7)

2.10. Recommendation 10: early strategic budget phase

That, if circumstances and time permits, the Budget timetable should include an early strategic phase, allow sufficient time for consultation by Committees and with the public and be strictly adhered to by all concerned.

This recommendation is aimed at addressing the concerns that have been frequently articulated (both by the Committee and other statutory committees of the Assembly) that there has historically been insufficient engagement between Executive departments and those committees on budget proposals prior to the draft Budget being presented. The discussion paper notes the arguments previously advanced by the Committee:

The Committee for Finance and Personnel strongly argue for an early strategic phase in the Budget process to enable the Assembly to engage with departments and external stakeholders at the outset and then thoroughly debate the issues and influence the development of the Budget, which, in turn, could pay dividends at the later stages of the process.³⁰

Further, the discussion paper also makes proposals about what statutory committees could be expected to do during this phase:

The terms of reference for each Committee at this stage should be to identify and challenge the pressures facing departments going forward, to rank in order the priorities for expenditure against the PfG and to identify the plans to meet any pressures within the current or a reduced funding envelope.³¹

This suggestion seems to fit with what the committees have said they feel they should be doing in the early part of the budget process.

Discussion point 13: the Committee may wish to consider DFP's proposed terms of reference for the early strategic phase in the light of views received from other committees.

Taken at face value this recommendation is to be warmly welcomed – with one significant caveat. The phrase “if circumstances and time permits” could be viewed as a ‘get-out clause’ for the Executive. Although the remainder of the recommendation talks of strict adherence to the Budget timetable, this is of questionable value coming after that preceding sub-clause; the recommendation as worded would allow the Executive to cite either time or circumstances, meaning that the early strategic phase should be cancelled. This could undermine the value of having a timetable agreed between the Assembly and Executive.

³⁰ DFP (2011) ‘Review of the financial process in Northern Ireland: discussion paper for key stakeholders’ (see page 7)

³¹ DFP (2011) ‘Review of the financial process in Northern Ireland: discussion paper for key stakeholders’ (see page 41)

There are perhaps options for handling this issue; the Executive could be required to seek Assembly agreement to 'exceptional circumstances'. Or alternatively, the Committee may wish to suggest different ways of increasing certainty in the financial process; the Committee has already considered options for an early pre-draft budget strategic phase and that legal advice is pending on the potential for giving it a statutory footing.³² Substantive discussion of this point may be best postponed until legal advice has been received.

Discussion point 14: is the Committee satisfied that this recommendation is sufficiently robust to avoid the historic problems with lack of engagement with the Assembly from being repeated? The Committee may wish to consider recommending that DFP strengthens the recommendation by omitting "if circumstances and time permits". The Committee may wish to defer its final position until it has considered the feasibility of statutory provision.

³² RalSe (2011) 'Options for strategic budget stages' available online at: <http://www.niassembly.gov.uk/researchandlibrary/2011/10311.pdf> (accessed 10 November 2011). This paper was presented to the Committee on 5 October 2011 when it agreed that legal advice would be sought on the options considered. See Minutes of Proceedings at: <http://www.niassembly.gov.uk/finance/2011mandate/minutes/2011/111005.htm>

2.11. Recommendation 11: budget timetable

An 'Ideal' Budget timetable would be (presuming the development of a Programme for Government prior to or slightly in advance of the Budget):

1 February	Detailed Budget Guidance and Timetable issued to key stakeholders
February-April	Engagement by Committees with Departments and other key stakeholders on spending priorities and availability of resources
May	Committee for Finance & Personnel (CFP) collate Committee reports and prepare a Report to the Assembly on proposals for living within the expected funding envelope.
By 31 May	CFP's 'Take Note' debate in the Assembly on spending priorities and proposals for the funding of those priorities
1 June	Submissions of spending proposals, etc. from departments to DFP
June to August	Consideration of spending proposals, etc. by DFP from a central strategic perspective and advice provided to the Finance Minister on a range of scenarios for presentation to the Executive
By mid-September	Draft Budget agreed by Executive and launched for public consultation
September to December	Public Consultation
By 31 December	Final Budget agreed by Executive and approved by the Assembly

The Committee has previously called for an established and agreed budget timetable which is adhered to.³³ The timetable proposed in the discussion paper is discussed here, bearing in mind the comments raised above in relation to the early strategic phase and the delivery of the PfG alongside or prior to the Budget.

The discussion paper notes that:

The recommendations from the Committee... appear to arise from the frustration expressed on many occasions by Members with the last two Budget processes and the delays experienced in agreeing a Budget. The recommendations represent the desire for the formalisation of the Budget process through primary legislation or in Standing Orders of the Assembly or a Memorandum of Understanding between the Assembly and the Executive or a combination of such. The formalisation of a Budget process in such a manner would provide certainty regarding the key stages of Draft and Final Budget to all concerned – something that would enable departments, DFP and the Assembly Committees to plan ahead with confidence in terms of the Budget process.³⁴

It continues by arguing that:

³³ For a full discussion of the issues see RalSe (2011) 'DFP's Review of Financial Process: considerations for improving the budget process' available online at: <http://www.niassembly.gov.uk/researchandlibrary/2011/6211.pdf>

³⁴ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 44)

While agreeing with the Committee that a Budget framework should be enshrined in primary legislation, it is considered that this already exists at an appropriate level.³⁵

The discussion paper then proposes that instead of primary legislation, a twofold approach should be considered: a 'Budget Process Agreement' between the Executive and the Assembly, and; the amendment of the Assembly's Standing Orders.

It has already been noted in this paper that the Committee has agreed to seek legal advice on the options for giving a statutory footing to certain aspects of the budget process. When received, the legal advice should allow a full discussion of whether there are appropriate changes that could be made to primary legislation (by either the Executive or through a Committee Bill) to strengthen the extant framework.

It is suggested that substantive discussion of this issue should be postponed until the legal opinion has been received – having said that, there are some points that are worth making at this stage.

Pre-draft budget stage

Under the proposed timetable the pre-draft budget stage would take place in February-May in y-1 (i.e. in early 2014 for the budget to be agreed for the fiscal year beginning 1 April 2015). This would greatly improve the alignment of Northern Ireland's budget process with international good practice. For example:

A budget calendar should be specified and adhered to. Adequate time should be allowed for the draft budget to be considered by the legislature.³⁶

Take Note debate

The proposed timetable suggests that the Committee should sponsor a Take Note debate in the Assembly by the end of May. Holding a debate at this stage – before the draft budget is produced – would enable the Assembly to articulate to the Executive what it feels the priorities and main orientations in the spending plans should be. This in turn should help increase the Assembly's sense of ownership of the process and may help reduce the potential for disputes at a later stage, in line with the arguments previously advanced by the Committee.

The overall approach would also help facilitate an element of good practice as identified by the IMF *Manual on fiscal transparency* which states:

The legislative and judicial branches [of the state] should play an active role in ensuring the availability and integrity of fiscal information. This would include having an active committee of the legislature to oversee the

³⁵ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 44)

³⁶ IMF (2007) 'Code of Good Practices on Fiscal Transparency' available online at: <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf> (accessed 10 November 2011) (see page

conduct of fiscal policy and to facilitate civil society input into budget deliberations (e.g., through receiving public submissions).³⁷

In the proposed timetable, the Committee would coordinate the reports of other statutory committees which would be taking input from civil society during their respective part of the pre-draft budget stage.

Presentation of draft budget

Under the proposed timetable the final budget would be agreed before the end of the calendar year. This would also enhance compliance with international good practice. For example:

The government's draft budget should be submitted to Parliament far enough in advance to allow Parliament to review it properly. In no case should this be less than three months prior to the start of the fiscal year. The budget should be approved by Parliament prior to the start of the fiscal year.³⁸

Budget 2011-15 was not agreed until March 2011.

Public consultation period

It has been raised by DFP that the requirement for public consultation on the draft Budget is a barrier to reform of the process and the setting of a timetable to which the Executive could adhere.³⁹ It is to be welcomed therefore that the proposed timetable does retain a period for public consultation.

The Committee may wish to note that in apparent contradiction of DFP's previous comments, the Scottish Government *did* consult on its budget plans. In the Foreword to *Scotland's Spending Plans and Draft Budget 2011-12* John Swinney wrote:

In this document, I present Scotland's Spending Plans and the Draft Scottish Budget 2011-12 for consultation with the Parliament and the people of Scotland.⁴⁰

The approach that the Scottish Government in fact took was to consult with the public *in advance* of publication of the draft Budget. In *Public Spending in Scotland: engaging*

³⁷IMF (2007) 'Manual on Fiscal Transparency' available online at: <http://www.imf.org/external/np/pp/2007/eng/101907m.pdf> (accessed 10 November 2011) (see paragraph 41)

³⁸ OECD (2002) 'Best Practices for Budget Transparency' available online at: <http://www.oecd.org/dataoecd/33/13/1905258.pdf> (accessed 9 November 2011) (see page 8)

³⁹ Official Report, 21 Sept 2011 available online at: http://www.niassembly.gov.uk/record/committees2011/FinancePersonnel/110921_ReviewFinancialProcess.pdf (accessed 10 November 2011) (see page 14)

⁴⁰ Scottish Government (2010) 'Scotland's Spending Plans and Draft Budget 2011-12' available online at: <http://scotland.gov.uk/Publications/2010/11/17091127/1> (accessed 10 November 2011)

with the people of Scotland it set out some of the results of consultation on a report by the Independent Budget Review (IBR):

Since the publication of the IBR report, the Scottish Government has engaged in a comprehensive debate to hear first-hand from the people of Scotland their views on the challenges and choices as a result of the unprecedented budget cuts, the priorities for their communities and the services which matter most; and for the people of Scotland to have an opportunity to contribute to the shape of spending proposals.

The debate commenced with the launch of the Scottish Government's online consultation website, which offered the general public an opportunity to contribute to the public spending debate and give their views on the country's next budget, as the Government considered the IBR report and developed its spending plans.⁴¹

The approach of consulting prior to producing a draft budget could either remove or reduce the time required for public consultation once the draft budget has been approved. This might perhaps be scheduled alongside committees' engagement with departments so that the outcome of the public consultation is available to inform the Committee's report and the Take Note debate.

Discussion point 15: the Committee may wish to consider if it feels that the approach to consultation taken by the Scottish Government may be appropriate for Northern Ireland. The Committee may wish to draw DFP's attention to that approach of early (pre-draft) engagement with the public, as it appears to offer a way of saving time in the latter part of the process.

⁴¹ Scottish Government (2010) 'Public Spending in Scotland: engaging with the people of Scotland' available online at: <http://www.scotland.gov.uk/Resource/Doc/918/0107970.pdf> (accessed 10 November 2011) (see page 1)

2.12. Recommendation 12: Budget Process Agreement

A Budget Process Agreement should be made between the Assembly and the Executive and the Assembly's Standing Orders should be amended to reflect this Agreement and specify Budget Procedures.

The aim of this recommendation is to ensure that there is a robust underpinning to the timetable proposed in Recommendation 11. The discussion above in relation to Recommendation 10 is relevant to this. The key issue is whether the Committee is satisfied that a Budget Process Agreement is a sufficiently strong means of ensuring that the timetable is adhered to.

Firstly it should be noted that the recommendation does have some merit. A formal agreement might have the effect of ensuring that future budget processes proceed to the agreed timescale. It would be clear to the public and all other stakeholders what is intended and presumably, in the event of the agreement being broken, there would be an element of 'shame' attached to having been the guilty party – whether that be on the part of the Executive, a statutory committee or the Assembly as a whole.

Secondly, as noted by DFP, the proposal for combined agreement and amendments to Standing Orders would have the advantage of being capable of being amended "to accommodate any accepted unavoidable slippage" in the timetable.⁴²

On the other hand, that apparent advantage may also be the fundamental flaw in the proposal. Given the imbalance in power (particularly in relation to access to information) between the Executive and the Assembly there may be a risk in the Assembly accepting such an approach – although it would presumably have to agree any amendment to Standing Orders in plenary.

This issue was discussed in Briefing Paper *DFP's Review of Financial Process: considerations for improving the budget process*.⁴³ On the basis of the good practice advice, a balance is needed between including rules and timetables in laws and regulations, and between overloading Standing Orders with frameworks that would be more appropriately included in statute.

Given that legal advice on legislative options is pending, it is again suggested that substantive discussion of this issue should be postponed until the legal opinion on legislative options has been received.

⁴² DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 46)

⁴³ RalSe (2011) 'DFP's Review of Financial Process: considerations for improving the budget process' available online at: <http://www.niassembly.gov.uk/researchandlibrary/2011/6211.pdf> (see page 13)

2.13. Recommendation 13: Main Estimates as final stage of the budget process

In due course, consideration should be given to streamlining the end stage of the Budget process by introducing the Main Estimates as the final stage of the Budget process in December/January.

In the discussion paper DFP states that:

Currently the Budget process followed by the Estimates and legislative stage is convoluted and repetitive. Final Budget is normally presented, debated and approved by the Assembly in December/January, a Vote on Account is taken in February to allow services to continue into the new financial year and then the Main Estimates are presented in June. At the same time, in June, the first in-year monitoring round is presented to the Assembly amending the very plans that have not yet completed formal Assembly approval through the Estimates and Budget Bill.⁴⁴

The purpose of this recommendation is to reduce that repetition and make the process more logical. On the face of it, it is hard to argue against reducing unnecessarily repetitive debates which tie up the Assembly and the Minister without adding considerable value.

The previous Committee argued in its *Third Report on the Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure* that:

... the provision of formal opportunities for the Assembly to influence budgetary matters early in the process would help facilitate the potential streamlining of the latter stages in the budget and estimates process, including the associated plenary debates.⁴⁵

On the whole, the proposals in the discussion paper do seek to provide more opportunity for the Assembly to engage with the budget earlier in the process - albeit with some caveats as discussed in this paper.

As this recommendation is not intended to be implemented straight away, the Committee would probably be justified in taking a 'wait and see' approach to it. If the Committee is successful in shaping a budget process with which it and the Assembly generally is content, then once it has been demonstrated to produce effective early engagement and input this aspect could be reconsidered.

Discussion point 16: the Committee may wish to consider if it is content to support this recommendation on the basis that decisions can be taken at a later date once a reformed process has been developed and trialled.

⁴⁴ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 47)

⁴⁵ http://archive.niassembly.gov.uk/finance/2007mandate/reports/report_61_10_11R.htm#3

2.14. Recommendation 14: passage of Budget Bills

In due course, in light of involvement of the Assembly in the early strategic stage of the Budget and throughout its development, an amendment of Standing Orders to facilitate a truncated passage of Budget Bills through the Assembly should be considered.

As with Recommendation 14, this recommendation appears to be aimed at reducing the amount of plenary time that is taken up with debating the Budget Bill, which simply gives legislative effect to the Budget that the Assembly has already agreed. The issues are similar to those presented above and so are not repeated here.

Discussion point 17: the Committee may wish to consider if it is content to support this recommendation on the basis that decisions can be taken at a later date once a reformed process has been developed and trialled.

2.15. Recommendation 15: rates income

The Rates Order should be debated alongside the expenditure plans for the next financial year, as set out in the Budget Bill.

The discussion paper states that the:

... public income strand of the rates should, arguably, be part of the entire financial process in order to minimize any risk that it may be treated as a separate emotive issue by the Assembly, divorced from expenditure plans.⁴⁶

The eleven guiding principles established by experts in the IMF's Fiscal Affairs department for reforming budget systems laws state that:

Short-term policy stability: anchoring commitments to achieve targets for revenues, total expenditures, fiscal balance or public debt, specified in the context of a regularly updated medium-term budget framework. Medium-term fiscal sustainability is also another important aspect of stability.⁴⁷

The relevance of this principle is that – as has been noted in previous research papers – the current Northern Ireland budget process focuses almost exclusively on the expenditure side:

At present, the predominant focus is: how is the cake going to be cut? There are potential developments however that will mean the Executive and the Assembly will have to focus more on the revenue side. In particular, the devolution of corporation tax powers and Air Passenger Duty to Northern Ireland will require attention to be paid to forecast revenue from these sources, and the impacts of decisions taken.

Previous research papers⁴⁸ have highlighted the good practice requirement for the Executive to prepare and present information to the legislature relating to *all* government revenue and expenditure *alongside* the draft budget, so that the necessary trade-offs between policy options can be assessed.⁴⁹

On this basis, the proposal has considerable merit. It would also help mitigate the risk to the Executive that the Budget could be passed but the rates legislation which provides some of the means to fund the agreed expenditure could fall.

Discussion point 18: is the proposal that corporation tax, Air Passenger Duty and any other revenue-raising powers be handled in a similar manner, should they be devolved?

⁴⁶ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 50)

⁴⁷ IMF (2010) 'Reforming Budget Systems Laws' available online at: <http://www.imf.org/external/pubs/ft/tnm/2010/tnm1001.pdf> (accessed 10 November 2011) (see page 9)

⁴⁸ RaISe (2011) 'Budget System Laws: principles and good practice' available online at: <http://www.niassembly.gov.uk/researchandlibrary/2011/10111.pdf>

⁴⁹ OECD (2002) 'OECD Best Practices for Budget Transparency' available online at: <http://www.oecd.org/dataoecd/33/13/1905258.pdf> (accessed 26 September 2011) (see page 8)

3. Gaps in the recommendations

The majority of this research paper has focussed on the initial recommendations presented by DFP in its discussion paper. This section looks at issues that have been raised previously that have not been addressed.

3.1. Strategic review during budget execution

The most obvious gap relates to the strategic budget review phase proposed in Briefing paper 62/11⁵⁰ which is intended to satisfy a number of issues:

- International good practice states that a mid-year report on budget developments should be presented to the legislature;
- It should help avoid ad-hoc re-opening of the settled multi-year budget by the Executive in the manner of the 'strategic stocktake' and 'review of spending plans 2010-11' by formalising strategic reconsideration in the light of developments; and,
- It would meet the previous Committee's repeated recommendation that an annual review mechanism be built into the process.

The proposal was further developed in Briefing paper 103/11 *Options for strategic budget stages*⁵¹ which presented a number of ways the strategic review phase could be incorporated with the existing monitoring round process.

In the discussion paper, DFP has dismissed this concept on the basis that:

*To provide for unnecessary reviews of the Budget would be an inefficient use of resources in a time of financial constraint. On balance, it would not be prudent to build in to the Budget process provision for a regular review of the Budget on an annual or biennial basis.*⁵²

The key question here is whether a strategic review phase can fairly be classified as an "unnecessary review" or not. It appears on the face of it that there is some confusion about what is intended by the strategic review phase. As conceived in *Options for strategic budget stages* the strategic review phase is supposed to meet the IMF *Code of good practices on fiscal transparency* which states that:

*A timely mid-year report on budget developments should be presented to the legislature.*⁵³

The strategic review stage is not necessarily conceived of as a regular reopening of the budget, but rather that the Executive would be required to report to the Assembly on

⁵⁰ RaiSe (2011) 'DFP's Review of Financial Process: considerations for improving the budget process' available online at: <http://www.niassembly.gov.uk/researchandlibrary/2011/6211.pdf> (see pages 8 to 11)

⁵¹ RaiSe (2011) 'Options for strategic budget stages' available online at: <http://www.niassembly.gov.uk/researchandlibrary/2011/10311.pdf> (accessed 10 November 2011)

⁵² DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see page 47)

⁵³ IMF (2007) 'Code of good practices on fiscal transparency' available online at: <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf> (accessed 8 November 2011) (see paragraph 2.2.2)

spending against plans, revenue generated against projections, and other circumstances that could be described as 'budget developments' - such as significant changes to the block grant as a result of changes to spending in England triggering (positive or negative) Barnett consequentials, for example. From this perspective, it is more about empowering the Assembly to assess whether or not a full review of the multi-annual allocations is required.

The discussion paper states:

Such pressures would rarely be of the magnitude as to require a re-opening of the agreed Budget and an entirely new Budget process – for example, the recent student loan adjustments.

However, if such an occasion arose, and it is possible, the Executive would recognise the need for a review of the Budget and proceed accordingly.⁵⁴

In essence, the purpose of the strategic review would be to look across years. It is conceived of, to some degree, as a rebalancing of power between the Executive and the Assembly so that the latter has more of an input into whether the spending plans it has approved are to be re-opened or not.

Discussion point 19: the Committee may wish to consider whether it is satisfied with DFP's position on a strategic budget review stage or if it would like to recommend that this issue is thought about again.

⁵⁴ DFP (2011) 'Review of the financial process in Northern Ireland: discussion paper for key stakeholders' (see pages 46-47)

3.2. Provision of information

It is acknowledged that the alignment proposals contained in the discussion paper will go some way to helping the Assembly gain a better understanding of how the money it approves is used. A major criticism in past processes, however, has been of the level of information that has been provided to statutory committees by departments, and the timing of the release of information – if it is released at all.

Whilst it is properly for committees to assert what information they require from departments, it is notable that the discussion paper does not specifically address the issue of information provision. This is, perhaps, surprising because the success or otherwise of the proposed changes – and particularly the functioning of the early budget process – is reliant to a great extent on the Assembly getting the information to enable it to make an effective contribution.

It is possibly intended that these kinds of detail would be contained within the proposed Budget Process Agreement – this is hinted at but is not fully explicit in the discussion document.

Discussion point 20: although it is primarily for the Assembly to progress the Committee may wish to ask DFP to consider the issue of information provision given its central important to making the financial process work.