

From the Minister of Finance

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Our reference: *SUB-0218-2021*

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Dear Steve

**FINANCIAL REPORTING (DEPARTMENTS AND PUBLIC BODIES) BILL
(NORTHERN IRELAND)**

As you are aware for many years it was recognised that the documents published and used in the financial processes brought before the Assembly were not consistent and did not facilitate easy scrutiny. The Executive in December 2016 agreed the Review of Financial Process with the aim of aligning more closely the financial information presented in Budgets, Estimates and Accounts.

The Committee has received briefing on the progress of the review and you will be aware that the implementation of the Review is planned for 2022-23. A small piece of technical legislation is required for that to happen and work has been ongoing with the Office of the Legislative Counsel to produce the draft Financial Reporting (Departments and Public Bodies) Bill (Northern Ireland) and Explanatory and Financial Memorandum.

The Bill and EFM are supplied on an “in confidence” basis and are subject to Executive agreement.

Should you require a pre-introduction meeting officials will be happy to attend to brief the Committee.

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CONOR MURPHY MLA
MINISTER OF FINANCE

ANNEX A –

Financial Reporting (Departments and Public Bodies) Bill.



Annex A - Financial
Reporting (Departm

ANNEX B –

Financial Reporting (Departments and Public Bodies) Bill Explanatory
and Financial Memorandum



Annex B - Financial
Reporting (Departm

Financial Reporting (Departments and Public Bodies)

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TO

Amend the law relating to the preparation of estimates and accounts of departments and certain non-departmental public bodies; and for connected purposes.

BE IT ENACTED by being passed by the Northern Ireland Assembly and assented to by Her Majesty as follows:

Estimates: inclusion of resources used by designated bodies

1.—(1) The Government Resources and Accounts Act (Northern Ireland) 2001 is amended as follows.

(2) After section 8 (use of accruing resources) insert—

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“Estimates

Departmental estimates: inclusion of resources used by designated bodies

8A.—(1) Any estimate for a Northern Ireland department for approval by the Assembly in respect of a financial year must be prepared in accordance with such directions as the Department may issue.

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(2) The Department may direct that the estimate is to include information relating to resources expected to be used by any body that is a designated body in relation to the department.

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(3) For the purposes of this section a body is a “designated” body in relation to a department if—

(a) it is designated in relation to the department by an order made by the Department, or

(b) it falls within a description of body designated in relation to the department by such an order.

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(4) A body, or a description of body, may be designated in relation to a department for a particular financial year or generally.

Financial Reporting (Departments and Public Bodies)

(5) The Department must, where it thinks it appropriate, consult the Treasury before designating a body or a description of body.

(6) In determining for any purpose whether a body has a particular relationship with a Northern Ireland department (for example, whether it is controlled by, or otherwise dependent on, the department), the following must be disregarded—

(a) the fact that an estimate for the department in respect of a financial year includes information relating to the body, and

(b) the fact that the department's resource accounts for a financial year prepared under section 9 include information relating to the body.

(7) An order under subsection (3) is subject to negative resolution.

Estimates: non-departmental bodies and other persons

8B.—(1) Subject to subsection (2), where an estimate is prepared for approval by the Assembly for any body or person in respect of any financial year, section 8A applies with appropriate modifications in relation to that body or person in respect of that financial year as it applies in relation to a Northern Ireland department.

(2) Subsection (1) does not apply to the Northern Ireland Audit Office.”.

(3) In section 9(1) (resource accounts: preparation), for paragraphs (a) and (b) substitute—

“(a) resources acquired, held or disposed of during the year by—

(i) the department, or

(ii) any body that is a designated body under section 8A in relation to the department for the year, and

(b) the use of resources during the year by the department or any such body.”.

(4) In section 10(1) (resource accounts: scrutiny by the Comptroller and Auditor General), for paragraph (d) substitute—

“(d) that—

(i) the financial transactions of the department, and

(ii) the financial transactions of any body that is a designated body under section 8A in relation to the department for the year in question, are in accordance with any relevant authority.”.

Definition of “the Department”

2. In section 26(2) (interpretation) of the Government Resources and Accounts Act (Northern Ireland) 2001, in the definition of “the Department”, omit “and Personnel”.

Commencement

3. This Act comes into operation on the day after this Act receives Royal Assent.

Financial Reporting (Departments and Public Bodies)

Short title

4. This Act may be cited as the Financial Reporting (Departments and Public Bodies) Act (Northern Ireland) 2021.

FINANCIAL REPORTING (DEPARTMENTS AND PUBLIC BODIES) BILL

EXPLANATORY AND FINANCIAL MEMORANDUM

INTRODUCTION

1. This Explanatory and Financial memorandum has been prepared by the Department of Finance in order to assist the reader of the Bill and to help inform debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum needs to be read in conjunction with the Bill. It is not, and is not meant to be, a comprehensive description of the Bill. So where a clause or part of a clause does not seem to require an explanation or comment, none is given.

BACKGROUND AND POLICY OBJECTIVES

3. There are a number of different systems which have an impact on the control and presentation of government expenditure. These include budgetary controls and supply estimates presented to the Assembly for approval and resource accounts prepared by departments at the end of each financial year.
4. These different systems mean that there is significant misalignment between the different bases on which financial information is presented to the Assembly and the public. This makes it difficult to understand the links and inter-relationships between them.
5. In December 2016 the Executive agreed to the Review of Financial Process to simplify financial reporting to better align budgets, estimates and resource accounts.
6. This Bill deals with one aspect of that alignment and amends the Government Resources and Accounts Act (Northern Ireland) 2001 to allow the Department of Finance to issue directions on the way departments prepare Supply Estimates. The Bill allows the Department of Finance to require departmental estimates and accounts to include the spending of designated Non-Departmental Public Bodies and other central government bodies for which a department has responsibility, thereby aligning with the budgetary treatment.
7. The Bill also provides for consultation with HM Treasury prior to the designation of bodies. This consultation is to prevent the designation of a body as related to a Northern Ireland Executive department where the body is funded from a Consolidated Fund other than the Consolidated Fund of Northern Ireland.
8. The Bill provides that where an estimate is prepared by other non-departmental bodies or persons, e.g. Northern Ireland Public Services Ombudsman, that the same conditions

This Memorandum refers to the Financial Reporting (Departments and Public Bodies) Bill as introduced in the Northern Ireland Assembly on [Bill Office will insert date], (Bill [Bill Office will insert No.] 2000)

apply to that body or person as apply to departments. That is, the Department of Finance may direct how such a body or person prepares estimates and may direct that estimates and accounts prepared by that body or person include the spending of any bodies designated by the Department. This does not apply to the Northern Ireland Audit Office.

CONSULTATION

9. HM Treasury was consulted on the section of the Bill which deals with the consultation that will occur with HM Treasury in advance of the designation of bodies in relation to Northern Ireland Executive departments (and public bodies or persons in relation to which an estimate is prepared). The Bill does not fundamentally change the financial processes but makes the output of each consistent to aid transparency and scrutiny. A public consultation exercise is not required.

OPTIONS CONSIDERED

10. In December 2016 the Executive agreed to the Review of Financial Process to simplify financial reporting to better align budgets, estimates and resource accounts. The Government Resources and Accounts Act (Northern Ireland) 2001 directs on the production of Estimates and Accounts. Nothing apart from legislation would have had the desired effect of changing that legislation to implement the Review as the Executive directed.

OVERVIEW

11. The Financial Reporting (Departments and Public Bodies) Bill amends the Government Resources and Accounts Act (Northern Ireland) 2001 in order to allow the Department of Finance to issue directions about the preparation of Supply Estimates and to direct that such Estimates are to include information relating to “designated bodies”.

COMMENTARY ON CLAUSES

Clause 1: Estimates: Inclusion of resources used by designated bodies

Subsection (1) provides that the section amends the Government Resources and Accounts Act (Northern Ireland) 2001 (“the GRAA(NI) 2001”).

Subsection (2) inserts new sections 8A and 8B into the GRAA(NI) 2001 after section 8. The provisions are as follows:

New section 8A(1) gives the Department of Finance powers to give directions regarding how a government department must prepare a Supply Estimate for approval by the Assembly in respect of a financial year.

This Memorandum refers to the Financial Reporting (Departments and Public Bodies) Bill as introduced in the Northern Ireland Assembly on [Bill Office will insert date], (Bill [Bill Office will insert No.] 2000)

New section 8A(2) gives the Department of Finance powers to direct that the departmental Supply Estimate include information relating to resources expected to be used by any body that is a designated body in relation to that department.

New section 8A(3) provides that a body is a designated body in relation to a government department either if it is designated by an order made by the Department of Finance or it falls within a description of a body designated in relation to the department by a Department of Finance order.

New section 8A(4) provides for a body to be designated either for a particular financial year or generally.

New section 8A(5) refers to consultation with the Treasury, where necessary, before designating a body or description of a body. This consultation reflects current practice when a designation order is being made by the Treasury. The intention is to designate a body that is wholly funded from the Consolidated Fund of Northern Ireland and the consultation referred to will occur if, exceptionally, the potential exists for a body to receive payment directly from another Consolidated Fund.

New section 8A(6) provides that in determining for any purpose whether a body has a particular relationship with a government department, the fact that a departmental Supply Estimate includes information relating to that body, or departmental resource accounts include information relating to the body, is to be disregarded. This provision is intended to make it clear that designating a body does not of itself alter the existing relationship between that body and the government department.

New section 8A(7) provides that an order under subsection (3) will be subject to the negative resolution procedure.

New section 8B(1) provides that section 8A also applies to any other body or person (subject to subsection (2)) for which an estimate is prepared for approval by the Assembly, with appropriate modifications, in the same way as it applies to a Northern Ireland department.

New section 8B(2) notes that subsection (1) does not apply to the Northern Ireland Audit Office.

This Memorandum refers to the Financial Reporting (Departments and Public Bodies) Bill as introduced in the Northern Ireland Assembly on [Bill Office will insert date], (Bill [Bill Office will insert No.] 2000)

Subsection (3) amends section 9(1) of the GRAA(NI) 2001. Section 9(1), as amended, will require a government department to include the resources used or acquired, held or disposed of by any designated body when preparing resource accounts.

Subsection (4) amends section 10(1) of the GRAA(NI) 2001. That section requires the Comptroller and Auditor General to examine resource accounts received from a department with a view to satisfaction on certain matters. Section 10(1), as amended, will require the Comptroller and Auditor General to examine resource accounts received from a department with a view to being satisfied that, amongst other things, the financial transactions of the department and the financial transactions of any body designated under section 8A are in accordance with any relevant authority.

Clause 2: Definition of “the Department”

Clause 2 updates the definition of “the Department” in the GRAA(NI) 2001 to read “the Department of Finance”.

Clause 3: Commencement

Clause 3 states that the provisions of the Bill come into force on the day after it receives Royal Assent.

Clause 4: Short title

Clause 4 sets out the short title of the Act.

FINANCIAL EFFECTS OF THE BILL

12. It is not anticipated that the Bill will give rise to any significant additional expenditure.

HUMAN RIGHTS ISSUES

13. The Bill is compatible with the European Convention on Human Rights.

EQUALITY IMPACT ASSESSMENT

14. Under the terms of section 75 of the Northern Ireland Act 1998, the Department carried out screening for the equality impact and is satisfied that the provisions of the Bill will not lead to discriminatory or negative differential impact on any of the section 75 groups.

SUMMARY OF THE REGULATORY IMPACT ASSESSMENT

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

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DATA PROTECTION IMPACT ASSESSMENT/DATA PROTECTION BY DESIGN

16. A Data Protection Impact Assessment has been carried out. This noted that the Department of Finance will not collect, use, store or share any personal data arising from the provisions of the Bill.

RURAL NEEDS IMPACT ASSESSMENT

17. A Rural Needs Impact Assessment has been carried out. It noted that there would be no difference in the impact between people living in urban or rural areas.

LEGISLATIVE COMPETENCE

18. The Minister of Finance has made the following statement under section 9 of the Northern Ireland Act 1998:

“In my opinion the Financial Reporting (Departments and Public Bodies) Bill would be within the legislative competence of the Northern Ireland Assembly.”