



Northern Ireland
Assembly

Public Accounts Committee

Report on Excess Votes (Northern Ireland) 2016-17

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

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2020

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Table of Contents

Membership and Powers	3
List of abbreviations used in the Report	4
Summary	5
Conclusions and Recommendations	7
Excess Votes in 2016-17	11
Appendices	15

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 9 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 20 January 2020 has been as follows:

Mr William Humphrey (Chairperson)

Mr Roy Beggs (Deputy Chairperson)

Mr Cathal Boylan

Ms Órlaithí Flynn

Mr Harry Harvey¹

Mr David Hilditch

Mr Maolíosa McHugh

Mr Andrew Muir²

Mr Matthew O'Toole³

¹ With effect from 17 February 2020 Mr Harry Harvey replaced Mr Gary Middleton

²With effect from 31 March 2020 Mr Andrew Muir replaced Mr Trevor Lunn

³With effect from 19 May 2020 Mr Matthew O'Toole replaced Mr John Dallat

List of Abbreviations Used in the Report

the Assembly	the Northern Ireland Assembly
C&AG	Comptroller and Auditor General
the Committee	Public Accounts Committee (PAC)
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 departments 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.

On 26 January 2017, the Northern Ireland Assembly was dissolved. As a result, the process of considering and approving revised departmental resource and cash requirements via the 2016-17 Spring Supplementary Estimates and a subsequent Budget Bill, could not take place.

In 2016-17 nine departments incurred excess votes. Eight of these were technical in nature as the mechanism to regularise revised resource and cash requirements was not available to departments. If the Assembly had been sitting these excesses could have been regularised in-year through the Supplementary Estimate process. Nevertheless, the scale of some of the excesses suggest to us that there is room for greater precision in budget setting. We note that the Comptroller and Auditor General is currently conducting a separate investigation into the operation of the budgetary process in Northern Ireland and we look forward to the outcome of this work. The remaining case involved other budgetary issues which would have resulted in an excess vote even if the Assembly had approved the Spring Supplementary Estimate. The specific case was:

- the Department of Health, Health and Social Care Pension Scheme incurred a resource excess of £2.22 million because the Current Service Cost figure

used in the budgetary process had been underestimated as a result of actual payroll details not being available at the time.

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

Conclusions and Recommendations

1. In 2016-17 nine departments incurred excess votes, resource excesses totalled £183.12 million and cash excesses totalled £112.62 million. There were no excess votes in 2015-16.
2. **The Department for the Economy breached its net resource limit in Request for Resources A (RfR A)¹ by £81.61 million.** This excess arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. The excess was mainly due to an increase in the notional student loan subsidy (£51 million) and additional expenditure on the RHI scheme (£27 million). Had the Assembly approved these Estimates the excess would not have occurred. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**
3. **The Department of Education, Teachers' Pensions Scheme breached its net resource limit within RfR A by £3.91 million.** This excess arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**
4. **The Department of Health, Health and Social Care Pensions breached its net resource limit in RfR A by £18.25 million.** £16.03 million of this excess arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. The excess arose due to the information received from the Government Actuary's Department (GAD) being understated for the

¹ 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 2012.)

Supplementary Supply Estimate (SSE). At the time of the preparation of the SSE, the Cost of Service estimates were based upon 2012 membership data. However, at the year end the figures in the accounts were based upon 2015 membership data where pay bill figures had increased. The 2015 data was not available in time for the preparation of the SSEs. If the Assembly had approved these Estimates there would still have been an excess of £2.22 million because the Current Service Cost figures used in the budgetary process had been underestimated as a result of actual payroll figures not being available at the time. This meant that the figures given to the Department for preparing the Supplementary Estimate were understated. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**

- 5. The Department of Infrastructure breached its net resource limit in RfR A by £39.95 million however in RfR B it was within the limit authorised by the Assembly by £0.17 million resulting in an excess Net Resource Outturn of £39.78 million. The Department of Infrastructure also breached its net cash requirement by £63.27 million.** These excesses arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**

- 6. The Northern Ireland Authority for Utility Regulation breached its net resource limit in RfR A by £1.17 million. The Northern Ireland Authority for Utility Regulation also breached its net cash requirement by £0.76 million.** These excesses arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**

- 7. The Public Prosecution Service breached its net resource limit in RfR A by £2.86 million. The Public Prosecution Service also breached its net cash requirement by £1.39 million.** These excesses arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred. The variance against the main estimate can be categorised as: £831k due to a loss on disposal of IT equipment, furniture and fixtures and fittings, primarily on the closure of buildings. £1,629k was in respect of increased levels of expenditure on the fees of external counsel partly as a consequence of the 2015-16 withdrawal of services by the defence which have then been prosecuted in 2016-17; and £397k from receipts which are due to the consolidated fund in the absence of a Spring Supplementary Estimate. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**
- 8. The Executive Office breached its net resource limit in RfR A by £35.54 million. The Executive Office also breached its net cash requirement by £34.17 million.** These excesses arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred. An analysis of the estimates identified three main areas of increase, Social Investment Fund (17.6m); Strategic Investment Board Grant in Aid (11.8m); and Together Building a United Community (£5.4m). **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**
- 9. The Department of Finance breached its net cash requirement by £8.21 million.** This excess arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**

10. The Department of Health breached its net cash requirement by £4.84 million.

This excess arose because the Assembly dissolved on 26 January 2017 and the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred. **The Committee recommends that the Assembly provides additional resources by means of an Excess Vote, as set out in Figure 1 on page 12.**

Excess Votes in 2016-17

- 11.** 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 basis², as well as the cash they will need as commitments mature. The Assembly authorises spending on both a cash and accruals basis.
- 12.** In 2016-17, the Assembly granted total net resources of £17.06 billion and total cash of £15.49 billion in Supply Estimates to 19 bodies including departments, pension schemes and other vote-funded bodies³. 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.
- 13.** In January 2017 the Assembly dissolved and therefore the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. As a direct consequence a number of Departments incurred resource excesses and cash excesses. In the majority of cases, if the Assembly had been sitting, these excesses could have been regularised in-year through the Supplementary Estimate process. Nevertheless, the scale of some of the excesses suggest to us that there is room for greater precision in budget setting. We note that the Comptroller and Auditor General is currently conducting a separate investigation into the operation of the budgetary process in Northern Ireland and we look forward to the outcome of this work.
- 14.** In 2016-17 nine departments incurred excess votes. Seven departments incurred resource excesses totalling £183.12 million and six departments incurred cash excesses totalling £112.62 million. Details of the excesses are summarised in Figure 1 on page 12.

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

³Northern Ireland Estimates, May 2016.

15. 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 Committee of Public Accounts 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.

Figure 1: Summary of 2016-17 Excess Votes required

<u>Department</u>	<u>Resources</u>		<u>Cash</u>	
	<u>£'000</u>	<u>Amount to be voted</u> <u>£'000</u>	<u>£'000</u>	<u>Amount to be voted</u> <u>£'000</u>
<u>Department for the Economy</u> <u>(RfR A)</u>			<u>No Excess</u>	
<u>Amount originally voted</u>	995,529			
<u>Amount expended</u>	<u>1,077,137</u>	<u>81,608</u>		
<u>Department of Education,</u> <u>Teachers' Pensions Scheme</u> <u>(RfR A)</u>			No Excess	
<u>Amount originally voted</u>	<u>471,970</u>			
<u>Amount expended</u>	<u>475,875</u>	3,905		
<u>Department of Finance</u> <u>(RfR A)</u>	No Excess		192,217	
<u>Amount originally voted</u>			<u>200,425</u>	8,208
<u>Amount expended</u>				
<u>Department of Health</u>				
<u>Amount originally voted</u>	No Excess		4,708,091	
<u>Amount expended</u>			<u>4,712,926</u>	4,835

<u>Department of Health, Health and Social Care Pensions</u> (RfR A)			No Excess	
<u>Amount originally voted</u>	833,655			
<u>Amount expended</u>	<u>851,907</u>	18,252		
<u>Department of Infrastructure</u> (RfR A)				
<u>Amount originally voted</u>	567,911		783,698	
<u>Amount expended</u>	607,863		<u>846,965</u>	63,267
(RfR B)				
<u>Amount within limit</u>	<u>169</u>	39,783		
<u>Northern Ireland Authority for Utility Regulation</u> (RfR A)				
<u>Amount originally voted</u>	372		1,901	
<u>Amount expended</u>	<u>1,545</u>	1,173	<u>2,656</u>	755
<u>Public Prosecution Service</u> (RfR A)				
<u>Amount originally voted</u>	32,631		33,887	
<u>Amount expended</u>	<u>35,488</u>	2,857	<u>35,273</u>	1,386
<u>The Executive Office</u> (RfR A)				
<u>Amount originally voted</u>	65,083		63,964	
<u>Amount expended</u>	<u>100,626</u>	35,543	<u>98,131</u>	34,167
<u>Total</u>		183,121		112,617

16. In 2016-17 nine departments incurred excess votes. However eight of these were technical in nature since the mechanism to regularise revised resource and cash requirements was not available to departments in 2016-17. The remaining case

involved other budgetary issues which would have resulted in an excess vote even if the Assembly had approved the Spring Supplementary Estimate.

Department of Health, Health and Social Care Pensions

- 17.** The Committee has considered the Comptroller and Auditor General's report on the excess in the accounts of the Department of Health, Health and Social Care Pensions for 2016-17.

- 18.** The Department of Health, Health and Social Care Pensions breached its net resource limit by £18.25 million. If the Assembly had approved the Spring Supplementary Estimates, the Scheme would still have had an excess vote of £2.22 million because the Current Service Cost figure used in the budgetary process had been underestimated as a result of actual payroll details not being available at the time.

- 19.** The Department advised the Comptroller and Auditor General that they will continue to liaise with the Government Actuaries Department to determine what further reviews can be carried out when the Spring Supplementary Estimate forecast is being prepared and they will continue to work closely together to scrutinise forecasts to ensure they are as robust as possible.

Links to Appendices

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

Relevant meetings dates:

2 July 2020

8 July 2020

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