

## **BUDGET (No. 2) BILL**

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### **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 the debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum should be read in conjunction with the Bill. It is not, and is not meant to be, a comprehensive description of the Bill, and where a clause or part of a clause does not seem to require any explanation or comment, none is given.

#### **BACKGROUND**

3. Budget Bills are the legislative means by which Assembly approval will be sought for departments and certain other public bodies to incur expenditure and use resources as detailed in the corresponding Estimates volume and summarised in the Schedules to the Bills. Furthermore, the Budget Bills will enable the Assembly to hold departments accountable for managing and controlling those resources within the limits authorised.
4. The Budget Bill will not only authorise the use of resources but contains powers to authorise the issue of sums of cash from the Northern Ireland Consolidated Fund to departments and other public bodies and appropriate those sums to services. Budget Bills normally also set the relevant limits on the accruing resources that may be directed to be used for purposes specified in the Schedules to the Bill. Accruing resources are divided into two categories: a) operating accruing resources, which is resource income offset against the gross resource expenditure and b) non-operating accruing resources, which is capital income, mainly relating to the sale of assets, and offset against gross capital spend. However the Budget (No. 2) Bill will not authorise the use of accruing resources.
5. Estimates volumes and other relevant documents such as the Vote on Account document are published so as to be available when Budget Bills are introduced in the Assembly. In most years a separate Budget Bill will be introduced relating to the Main Estimates (voted provision for a full financial year) and subsequent Supplementary Estimates which revises that provision as a result of the in-year monitoring rounds. The Budget Bill relating to the Supplementary Estimates will also provide interim resources and funding (around 45%) for the first few months of the next financial year.
6. However in response to the COVID-19 emergency, the Budget (No. 2) Bill is to authorise a further Vote on Account in addition to that previously authorised in the Budget Act (Northern Ireland) 2020. This will allow the Northern Ireland Departments and other

bodies to continue to deliver services during the period of the COVID-19 response, pending the Main Estimates and associated Budget Bill being introduced later in the year.

## **PURPOSE**

7. The Bill will give effect to the 2020-21 Further Vote on Account and authorises the use of resources for 2020-21. For 2020-21 a Vote on Account of £9,050,940,000 is taken to provide departments and public bodies with provision for the first half of 2020-21, until the Main Estimates are voted in the autumn. The Bill will also authorise the issue of cash from the Consolidated Fund in support of services for 2020-21. For 2020-21 a further Vote on Account of £8,225,189,000 is taken. In addition, the Bill will authorise temporary borrowing up to £4,112,595,000 in 2020-21 by the Department of Finance.

8. The sums to be issued from the Consolidated Fund of Northern Ireland for the year ending 31 March 2021 are to be appropriated for services, as set out in Schedule 1 to the Bill.

9. The amount of resources authorised for use for the year ending 31 March 2021 are to be used for the purposes specified in Schedule 2 to the Bill.

## **COMMENCEMENT**

10. The legislation shall come into operation on Royal Assent.

## **COMMENTARY ON CLAUSES**

### **Clause 1: Issue of sum out of the Consolidated Fund for the year ending 31 March 2021 and appropriation of that sum**

This clause authorises the issue out of the Consolidated Fund of Northern Ireland of the sum of £8,225,189,000 for 2020-21 for the purposes specified in column 1 of Schedule 1.

### **Clause 2: Power of the Department of Finance to borrow**

This clause authorises the temporary borrowing by the Department of Finance of approximately half the sum covered by Clause 1 (1). This is a normal safeguard against the possibility of a temporary deficiency arising in the Northern Ireland Consolidated Fund.

### **Clause 3: Use of resources (other than accruing resources) in year ending 31 March 2021**

This clause authorises the use of resources amounting to £9,050,940,000 for 2020-21, for the purposes specified in column 1 of Schedule 2.

There is a distinction between the cash sum authorised for issue in clause 1, and the amount of resources authorised for use in clause 2. The cash sum in clause 1 includes cash used to finance capital investment, and also takes into account movement in working capital and payments based on provisions created in previous years. These do not constitute resource consumption. The resources authorised in clause 2 exclude those items, but include non-cash items, mainly the depreciation of assets and creation of new provisions.

#### **Clause 4: Short title**

This clause sets out the title of the Bill.

#### **FINANCIAL EFFECTS OF THE BILL**

11. As detailed above.

#### **HUMAN RIGHTS ISSUES**

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

#### **EQUALITY IMPACT ASSESSMENT**

13. No effect on this area.

#### **SUMMARY OF THE REGULATORY IMPACT ASSESSMENT**

14. No effect on this area.

#### **LEGISLATIVE COMPETENCE**

15. At Introduction, the Minister of Finance had made the following statement under section 9 of the Northern Ireland Act 1998:

*“In my view, the Budget (No. 2) Bill would be within the legislative competence of the Northern Ireland Assembly.”*

#### **RECOMMENDATION**

16. The Minister in charge of the Bill, Mr Conor Murphy, has made the following recommendation as required under Section 63 of the Northern Ireland Act 1998:

*“As Minister of Finance, I recommend the Budget (No. 2) Bill to the Assembly as is required by Section 63 of the Northern Ireland Act 1998.”*