



Northern Ireland
Assembly

Research and Information Service Briefing Paper

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Financial Forecasting by the Department of Justice for 2012-13

This Briefing Paper provides the Committee for Justice with the most up-to-date data available on the Department of Justice's (DoJ) forecast outturn for the current financial year.

This Note should be read in conjunction with RalSe paper 190/12 *Financial forecasting performance data: scrutiny by committees*¹ which provides explanations of the source of the data and how it should be interpreted.

¹ http://www.niassembly.gov.uk/Documents/RalSe/Publications/2012/finance_personnel/19012.pdf

Introduction

This Briefing Paper updates the data provided in RaISe paper 190/12 to give the latest available position.² Attention is drawn specifically to the data in relation to DoJ.

The paper is structured in the following way:

- Information about the arrangements for in-year monitoring of DoJ's expenditure (section 1);
- The outcome of the January Monitoring Round (section 2);
- Changes in the Total Forecast Outturn over the 2012-13 financial year are charted to show patterns and to compare the forecasts provided by DoJ over time with the monitoring position (section 3); and,
- The Department of Finance and Personnel's (DFP) most recent analysis of forecasting performance is briefly presented (section 4).

It was noted in RaISe paper 190/12 that scrutiny of departments' financial performance is a fundamental accountability function of the Assembly.

The data presented should assist the Committee for Justice in fulfilling that scrutiny function by improving the level of information available to Members about the Department's spending figures.

Members are asked to note that the purpose of this paper is to provide information to support scrutiny of DoJ by the Committee. The paper does not seek to provide explanations for the reasons behind the data presented.

² The data is provided monthly to the Committee for Finance and Personnel and to RaISe by DFP.

1. In-year monitoring arrangements

DoJ is subject to somewhat different arrangements for public expenditure management from the other Northern Ireland Civil Service (NICS) departments.

The important points are that:

- DoJ received additional funding from the UK government “*to help protect the community and to tackle the threat from terrorism*”. This was treated separately from the DoJ baseline;³
- The DoJ has an End-Year-Flexibility (EYF) facility that “*any underspends by the Department of Justice may be carried over to future years*”. This is a separate arrangement from the Budget Exchange EYF scheme under which the other NICS departments must operate;⁴ and,
- The DoJ is permitted access to the UK Treasury Reserve “*for exceptional security pressures*”.⁵ Again, this arrangement is different from the expectation that other NICS departments will meet unforeseen pressures internally, or through the Northern Ireland Executive’s in-year monitoring process.⁶

2. January Monitoring Round outcome 2012-13

The Minister of Finance and Personnel announced the outcome of the January Monitoring Round to the Assembly on 22 January 2012. This adjusted the monitoring position against which DoJ’s expenditure is controlled.

Members are asked to note that the charts presented in Figures 1 to 3 below do not include the updated January Monitoring position. This is because the latest forecast return available is for November 2012 – and does not therefore include any allocations made in January Monitoring.

Having said this, Members may also wish to note that **the Executive has allocated DoJ £10m additional resource funding** in respect of a Prison Officer Exit Scheme. This additional funding will be reflected in future DoJ financial forecasts.

DoJ did not receive any other additional funding through January Monitoring.

³ NI Executive (2010) ‘Budget 2011-15’ available online at: http://www.northernireland.gov.uk/revised_budget_website_version.pdf

⁴ NIO statement 11 January 2011 ‘End-of-Year Funding’, available online at: <http://www.nio.gov.uk/Media-Centre/News/Article/END-YEAR-FUNDING> (accessed 23 January 2013)

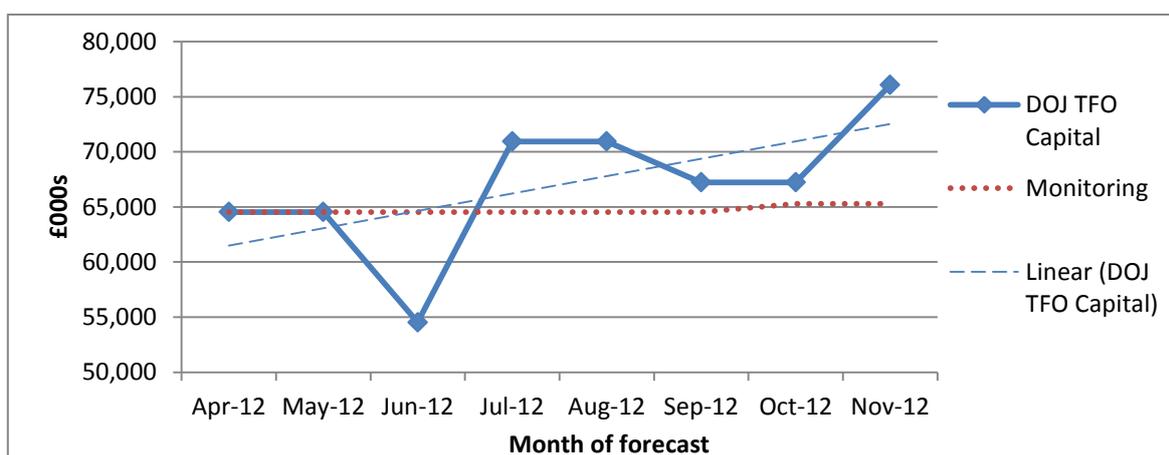
⁵ Letter from DFP to Committee for Finance and Personnel, 15 December 2010 (ref CFP112/10)

⁶ See DFP(2012) ‘In-Year Monitoring of Public Expenditure - 2012-2013 guidelines’ available online at: <http://www.dfpni.gov.uk/in-year-monitoring-of-public-expenditure-2012-2013> (accessed 23 January 2013)

3. Total Forecast Outturn

Figures 1 to 3 show how DoJ's forecasts for Total Forecast Outturn (TFO) at year end have changed month-by-month. Linear trend lines and the monitoring position (at the time of the latest forecast – December - and therefore not reflecting January Monitoring) are also shown.

Figure 1: DoJ Total Forecast Outturn 2012-13: Capital Expenditure⁷



The following observations may be made about Figure 1:

- The Capital TFO for November 2012 was £76,068,000. The October Monitoring position was £65,297,000. This suggests a capital funding pressure of £10,771,000 existed at that time. In other words, DoJ believed it would spend more than £10m **more** on capital than its allocation. As noted above, no additional capital funding was made available to DoJ in January Monitoring; and,
- The Capital TFO provided by DoJ has fluctuated between £54,537,000 in June 2012 (lowest in period) and £76,068,000 in November (highest in period) – this is a range of £21,531,000.

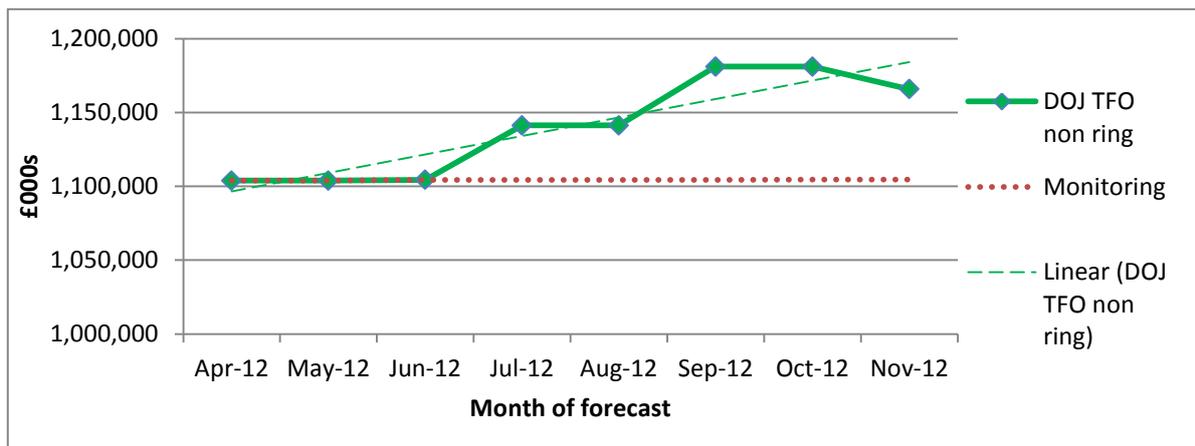
The Committee may wish to ask DoJ to explain:

○ whether the capital position has changed significantly since December 2012, or if the apparent pressure on capital DEL remains. If the latter, how does DoJ intend to address the issue?

○ the reasons behind the relatively large fluctuation in Capital TFO compared to the overall level of forecast expenditure.

⁷ Charts compiled by RaSe from data supplied by DFP

Figure 2: DoJ Total Forecast Outturn 2012-13: Non-Ringfenced Resource Expenditure⁸



The following observations may be made about Figure 2:

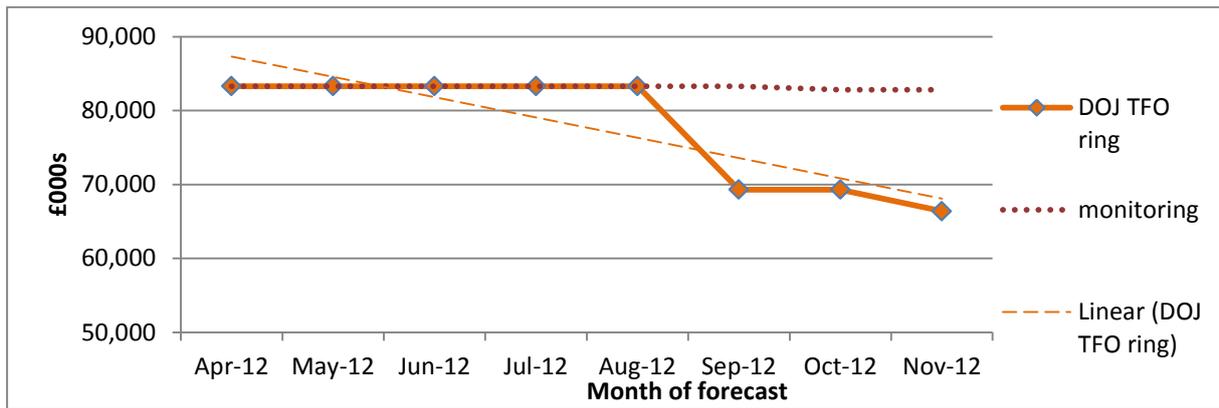
- The Non-Ringfenced Resource TFO for November 2012 was £1,165,778,000. The October Monitoring position was £1,104,569,000. This suggests a non-ringfenced resource funding pressure of £61,209,000 existed at that time. In other words, DoJ believed it would spend more than £61m **more** on non-ringfenced resource than its allocation. As noted above, £10m additional non-ringfenced resource funding was made available to DoJ in January Monitoring;
- The November 2012 forecast showed a drop on the previous two months. Prior to that point, TFO was rising and the linear trend remains upward; and,
- The TFO has fluctuated to a much lesser degree than shown in Figure 1 for capital.

The Committee may wish to ask DoJ to explain:

○ whether the non-ringfenced resource position has changed significantly since December 2012, or if the apparent pressure on non-ringfenced resource DEL remains. If the latter, how does DoJ intend to address the issue?

⁸ Charts compiled by RaISe from data supplied by DFP

Figure 3: DoJ Total Forecast Outturn 2012-13: Ringfenced Resource Expenditure⁹



The following observations may be made about Figure 3:

- The Ringfenced Resource TFO for November 2012 was £66,390,000. The October Monitoring position was £82,797,000. This suggests a ringfenced resource reduced requirement of £16,407,000 existed at that time. In other words, DoJ believed it would consume over £16m of resources **less** than its allocation.

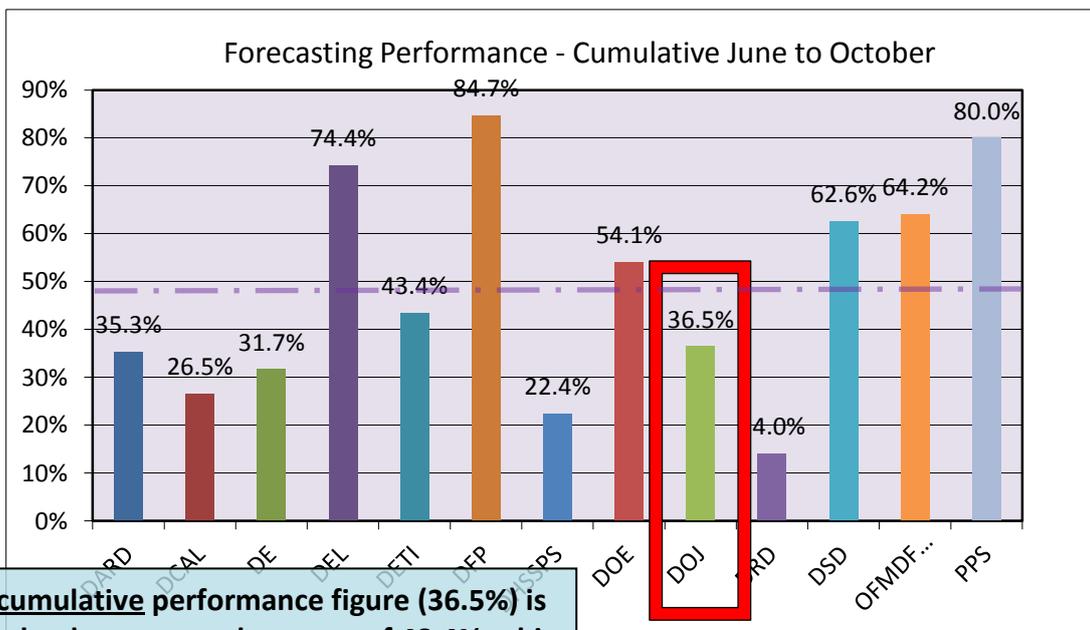
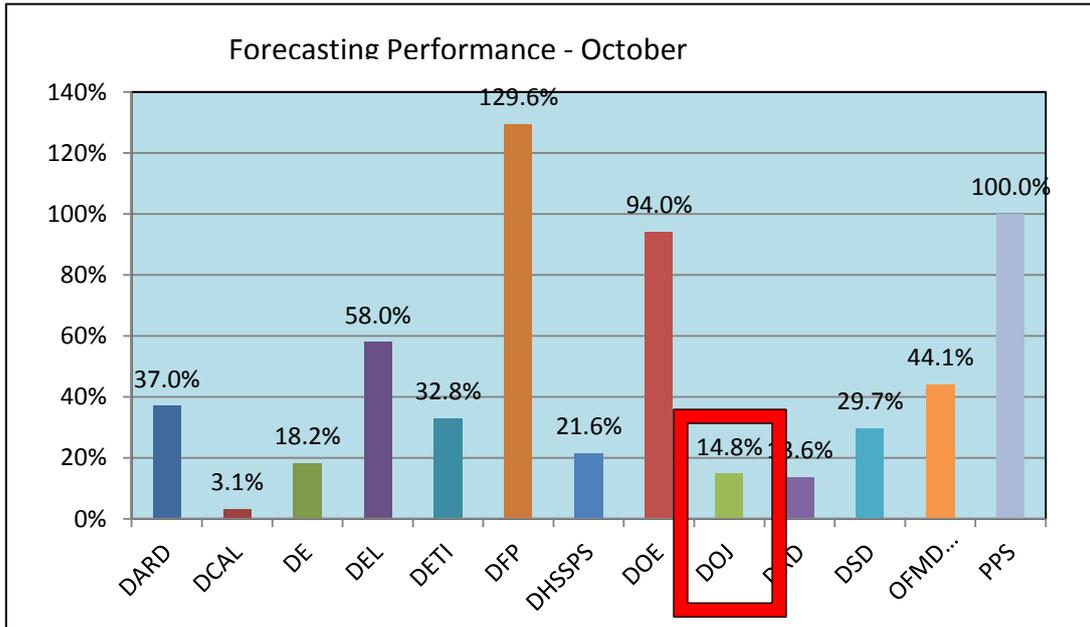
Members may wish to note that ringfenced resource funding cannot be reallocated to other departments through the in-year monitoring process. **The Committee should therefore consider whether it is necessary to seek an explanation.**

⁹ Charts compiled by RaISe from data supplied by DFP

4. Forecasting performance analysis

This section presents the analysis provided by DFP of departments' forecasting performance over the 2012-13 financial year to date. As noted in RaISe paper 190/12, a smaller percentage figure represents a more accurate forecast. A larger percentage represents a less accurate forecast. Observations from RaISe are presented in the text boxes.

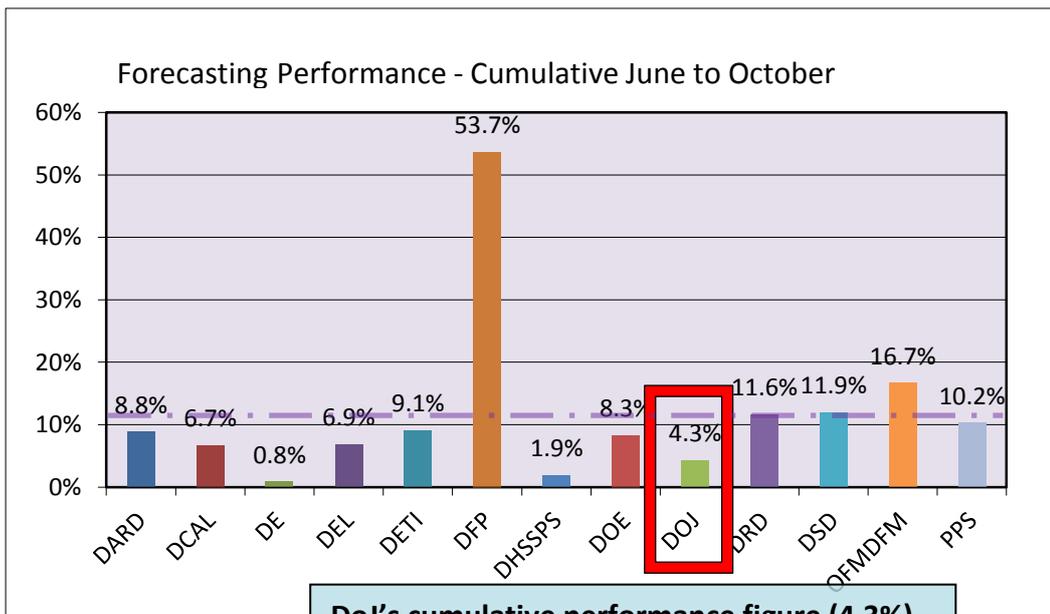
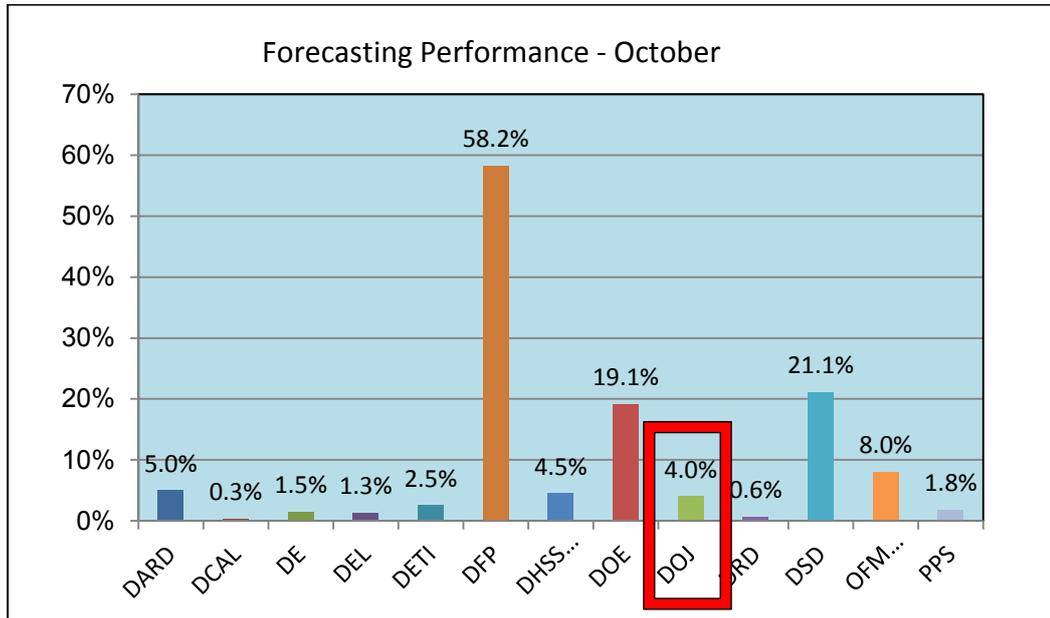
4.1. Capital¹⁰



DoJ's cumulative performance figure (36.5%) is below the departmental average of 48.4% - this indicates a better-than-average performance in the first six months of the financial year

¹⁰ Charts adapted by RaISe from DFP 'Forecast Outturns (November position)' submission to the Committee for Finance and Personnel and RaISe, 10 January 2012

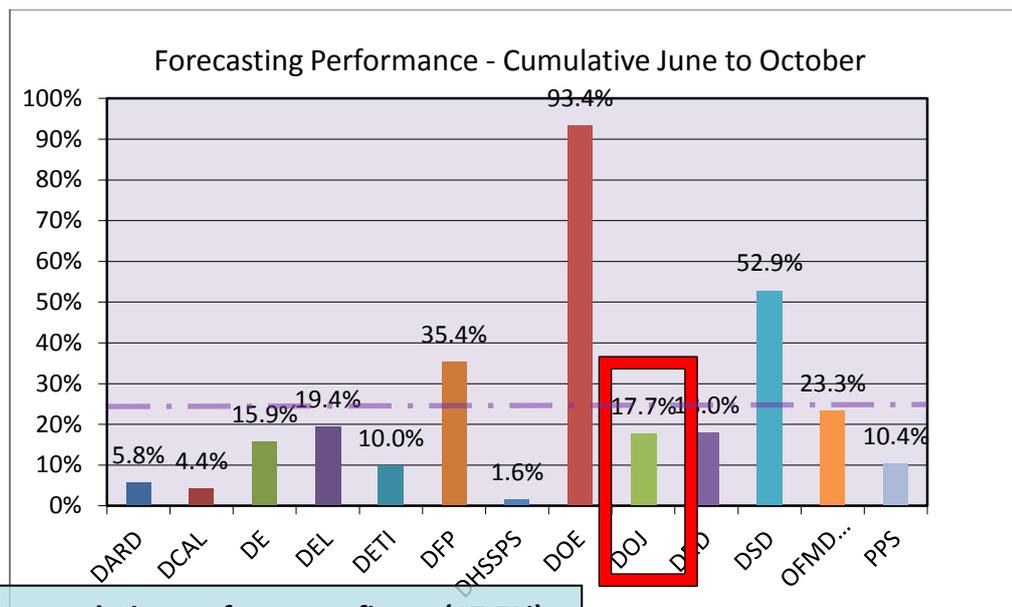
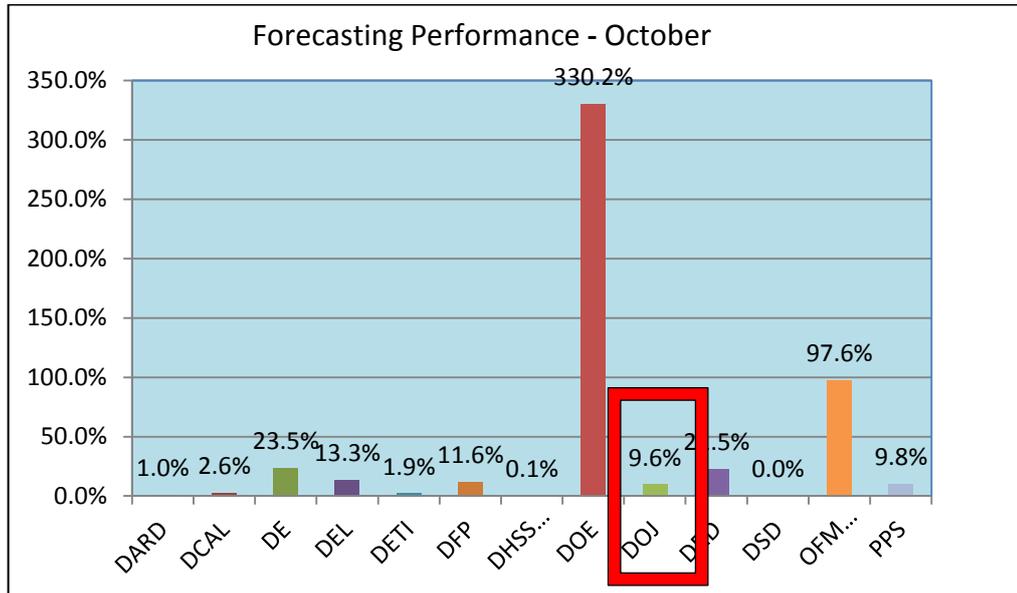
4.2. Non Ringfenced Resource¹¹



DoJ's cumulative performance figure (4.3%) is below the departmental average of 11.6% - this indicates a better-than-average performance in the first six months of the financial year. Note: if DFP's large variance is excluded, the average is 8.3% - still significantly greater than DoJ's figure.

¹¹ Charts adapted by RaISe from DFP 'Forecast Outturns (November position)' submission to the Committee for Finance and Personnel and RaISe, 10 January 2012

4.3. Ringfenced Resource ¹²



DoJ's cumulative performance figure (17.7%) is below the departmental average of 19.4% - this indicates a better-than-average performance in the first six months of the financial year. Note: if DoE's large variance is excluded, the average is 17.9% - still greater than DoJ's figure.

¹² Charts adapted by RaISe from DFP 'Forecast Outturns (November position)' submission to the Committee for Finance and Personnel and RaISe, 10 January 2012

5. Concluding remarks

The analysis of forecasting performance presented in section 4 above suggests that DoJ's forecasts were more accurate than the average NICS department.

There are some caveats that should be borne in mind in relation to this analysis:

- The time period analysed is relatively short. Comparisons over a longer period are likely to be a more reliable indicator of performance because the average will be less affected by large, one-off events. As time passes, RaISe will be able to provide analysis over longer periods;
- There is an absence of comparable benchmarks. RaISe has been unable to obtain comparable data from the other devolved administrations or from the Treasury.¹³ This makes it hard to reliably separate good from average, or average from poor, performance;
- The size of NICS departments varies considerably, as do their budgets. A £10m inaccuracy in forecast for a small department is more significant than the same £10m inaccuracy for a large department. In other words, for the large department, it would be less material; and,
- The forecasts represent a 'snapshot in time' and therefore do not immediately respond to changes in events. In addition, there is a time lag between the forecast being prepared, and the data being provided to RaISe.

On this basis, it may be difficult to draw the firm conclusion that DoJ's forecasts of apparent expenditure pressures in November 2012 will – all other things being equal - necessarily come about by year end on 31 March 2013. Nevertheless, it is intended that the analysis provided gives the Committee an evidence base for scrutiny of the DoJ's financial position and management.

¹³ RaISe will continue to seek comparative information from other jurisdictions.

Appendix 1: Worked example of forecasting accuracy analysis

DoJ Capital forecast for October 2012

(£000s)

Forecast Outturn for October (provided September)	4,929
Outturn for October (reported December)	4,200
Difference = $4,929 - 4,200$	729
Difference as percentage = $729 / 4929$	14.8%