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Your reference: 2021:432  
Our reference: GM-0803-2021

Date: 11 October 2021

Dear Peter

## **FINANCIAL REPORTING BILL: FURTHER QUERIES**

Thank you for your letter of 08 October 2021 regarding the Financial Reporting (Departments and Public Bodies) Bill.

I have read your letter which requested responses to further queries the Committee has following its oral briefing by the Assembly Research and Information Service (RaISe) on 6 October 2021.

- 1. Albeit not foreseen to be significant, would the DoF specify for the CfF what additional expenditure would be needed to fully implement the Bill's provisions, if enacted as introduced, e.g. additional costs relating to staffing, new IT (hardware, software, etc) or other? Please detail types of costs and estimated amounts for each.**

In terms of additional expenditure for departments as a result of the Bill, it is not envisioned that there will be any additional costs.

Departments will be preparing their estimates and accounts differently so there may be an additional pressure on staff resources initially, whilst new processes and skills are bedded in. However, this is no different to the introduction of any new process or methodology.

Departments will have to gather information from their ALBs in order to include this information in their estimates and accounts. This may require additional staff time, but it is expected that departments should manage this with existing resources by putting effective processes in place.

In terms of IT systems, departments are able to utilise existing software (Account NI and Excel) to meet their needs, and so no significant outlay should be required in this area.

**2. Would the DoF update the CfF on the current position regarding the noted Consequential Amendment to the Bill? Please detail.**

Details of the consequential amendment were sent to the Committee on 30 September (GM-0699-2021).

Section 2 (1)(c) of the Public Services Ombudsman Act (Northern Ireland) 2016 states that “The Ombudsman is not subject to the direction or control of a Northern Ireland department”, but section 2 (2)(c) then states that “this is subject to the power of the Department of Finance and Personnel to direct the form of accounts the Ombudsman must prepare, under paragraph 7 of Schedule 2, or sections 9 to 13 of the Government Resources and Accounts Act (Northern Ireland) 2001”.

An amendment to the Public Services Ombudsman Act (Northern Ireland) 2016 is therefore required to insert similar provision in relation to directions issued for Estimates.

**3. Has the DfE confirmed with the DoF which of its bodies would and would not be designated under the Bill, if enacted? Please detail.**

An updated table was provided to the Committee.

**4. What is the DoF’s view on NILGOSC’s response to the CfF summer 2021 Call for Evidence on the Bill? Please detail.**

Written response provided GM-0775-2021

The NILGOS Committee administers the Local Government Pension Scheme, and the Committee itself is classified as a NDPB of DfC, due to the fact that appointments to the Committee are approved at Ministerial level, which represents one of the primary indicators of control. As such, it is felt they should be included in the designation order. In practice, admin costs are offset by income for the NILGOS Committee in DfC’s Budget but, as there is no grant-in-aid paid by the department, nothing is currently reflected in Estimates or Accounts. Therefore, under RoFP, as an NDPB, the element of admin costs and income relating to the NILGOS Committee itself which is currently within DfC’s Budget should also be included in the consolidated Estimate and accounts of DfC. This will achieve consistency in what is reflected in Budgets, Estimates and Accounts.

There will be no impact on the treatment of the Local Government Pension Scheme, as it will remain outside of the departmental boundary.

**5. What is the DoF's view on Assembly Commission's response to the Cff summer 2021 Call for Evidence on the Bill? Please detail.**

Written response provided GM-0775-2021

The Department has sought clarification from OLC on the position of the Northern Ireland Audit Office (NIAO) and the Northern Ireland Assembly Commission (NIAC) and provided a response to NIAC on their comments.

The NIAO is exempted from the new power in the Bill for DoF to direct how estimates are prepared, not because of its independence from departmental control, but because there is already other legislation in place governing how it prepares estimates. The Audit (Northern Ireland) Order 1987 governs the preparation of an estimate, the preparation of accounts and the scrutiny of accounts in relation to NIAO. Hence, there is already a similar exemption in relation to accounts of NIAO in section 13 of the Government Resources and Accounts Act (NI) 2001 (GRAANI).

However, there is no additional primary legislation other than GRAANI that governs the preparation of estimates or resource accounts by NIAC. Section 13 of GRAANI applies sections 9, 10 and 11 of that Act to NIAC just as they apply to NI departments (where an estimate is approved by the Assembly for NIAC). No exception is made in relation to NIAC, only in relation to NIAO. That means that currently, NIAC has to prepare resource accounts in accordance with directions issued by DoF (by virtue of section 9 of GRAANI), the Comptroller and Auditor General then examines and reports on those accounts (by virtue of section 10 of GRANNI) and DoF may direct that NIAC prepare financial year accounts in relation to any specified matter (by virtue of section 11 of GRAANI). Such powers to direct haven't been taken to affect the independence of NIAC. As such, it would seem reasonable that estimates should be similar.

In our view, a power for DoF to direct the content or form of accounts and estimates of a body is not in relation to controlling the functions of the body and so doesn't affect the independence of that body. As such, we do not think an exclusion from the new power to direct how estimates are prepared is necessary in relation to NIAC. In addition, such an exemption could be misleading in that it could give the impression that independence would be affected if no such exemption was specified, which is not the case.

**6. What engagement has DoF undertaken in relation to the North/South Bodies? Please detail.**

Written response provided GM-0775-2021

The Bill will have no impact whatsoever on governance arrangements for North South Bodies. They will continue to be treated as analogous to NDPBs in the north and to Semi-State Bodies in the south, and there will be no impact on their governance or control structures whatsoever. Other than providing some fairly routine information to their sponsor department it shouldn't create any additional work for the North South Bodies themselves.

The core aim of the Bill is to allow for changes in Estimates and Accounts, to bring these publications into alignment with the Budget presentation. Under the current structure, the Budget shows the Northern proportion of the spend of North South Bodies, whilst the Estimates and Accounts show the cash grant paid to the body by the Northern department. Following the changes introduced by the Bill, the spend will be allocated proportionally and Estimates and Accounts will show the Northern share of the spend of the bodies rather than the cash grant. This will have no impact on the operation of the body or how they are currently jointly funded and the associated approval process. The change will be within the sponsor department and how they present the spend of the Body.

In terms of engagement, the Department of Public Expenditure and Reform (DPER) were consulted during the early stages of the project, to advise them of the forthcoming changes to the presentation within the NI publications. DPER did not raise any concerns or queries.

The NSMC have also been updated on the project, and the impact on North South Bodies.

Directions issued by the Department will be issued to the sponsor departments in Northern Ireland, and will only pertain to the Estimates and Accounts of those sponsor departments. There will be no impact on the Estimates or Accounts of the southern sponsor departments or the individual North South Bodies. As such, DPER sign off on directions provided under the Bill would not be necessary or appropriate.

**7. Has it included discussion of the North/South Bodies' Memorandum? Please detail.**

As above, other than providing some fairly routine information to their sponsor department there should be minimal impact on the North South Bodies themselves. As such, it is not expected to cause or create any conflict with their Memorandum.

**8. What engagement has the DoF undertaken to date, or does it intend to undertake in relation to its issuance of the Directions, if the Bill is enacted as introduced? Please detail with who, when and what the main points were made and agreements reached, if any.**

The Bill will give DoF the authority to issue directions to departments, for the purpose of directing how their Estimates must be prepared.

This will allow DoF to direct that the Estimate of a department must include information relating to the expenditure and income of the bodies which have been designated in relation to the department.

By including the expenditure and income of designated bodies in Estimates, this will align with the information already included in Budgets.

In terms of consultation and engagement, departmental engagement is ongoing in respect of Estimate structure, and each department is also

engaging with their own Committee on this. We also intend to share the 2021-22 Main Estimate Dry Run Estimates along with a draft version of the RoFP Estimates manual with the Committee in November.

The list of bodies to be included in the Designation Order, and so in the estimates directions, will be agreed with each department as part of the process of making the Order. The Finance Committee will also have sight of the Designation Order, and hence the bodies included for each department, as part of the legislative process.

The Government Resources and Accounts Act (Northern Ireland) 2001 section 9(2) already gives DoF the authority to issue directions in respect of departments' accounts. These accounts directions will also be updated to include designated bodies, and in this way, accounts will also be aligned to what is currently in Budgets and what will be in Estimates.

- 9. 9a. Going forward, to ensure Assembly information and data needs – as well as the public's - are well understood and appropriately factored into ongoing and future work in DoF in relation to this Bill and other aspects of RoFP, would the DoF commit to regularly and actively engaging with the CfF in a more detailed manner on the design, compilation and implementation of guidance, templates and other relating to both – beyond what has been done to date?**
- 9b. If so, how would the DoF envision doing that?**

DoF is fully committed to regularly and actively engaging with the Committee in relation to all aspects of RoFP.

It is DoF's intention to share the 2021-22 Dry Run Main Estimates and the draft RoFP Estimates manual with the Committee in November, by which stage it is hoped that all departments will have sought the views of their own Committees. DoF looks forward to receiving the Committee for Finance's views on these documents which will help inform the design of the 2022-23 Main Estimate template and revised Estimates Manual. The Committee will then be given the opportunity to review these documents before RoFP goes live with the 2022-23 Main Estimates in April/May 2022.

- 10. What is the DoF's view on the Fiscal Council's response to the CfF summer 2021 Call for Evidence on the Bill? Please detail.**

**Written response provided GM-0775-2021**

In the formulation of a budget there is often limited time between the finalisation of overall budgets for departments and the presentation of those budgets to the Assembly. This limited time period does not allow Ministers to make final decisions around income, based on their budget allocation and therefore the budgets are presented on a net basis.

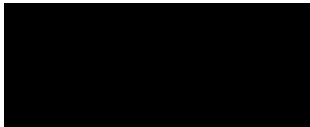
Departmental Estimates are provided slightly later in the financial process and do allow for decisions to have been made on income levels and therefore allow departments to present financial data which includes income.

The Fiscal Council make an important point about transparency of income, and the Estimate documentation does set out accruing resources for each area within a department. The Department of Finance will engage with the Fiscal Council to investigate what additional transparency it feels may be required to address the Commission's concerns and is of the view that this can be achieved without recourse to amending the financial reporting Bill.

**In addition the Committee requested clarity in respect of the treatment of Translink and in particular why it is not to be a designated NDPB.**

As a Public Corporation, Translink is outside the scope of RoFP however this does not mean it will be misaligned. The Budget, Estimate and Accounts of DfI in respect of Translink will be aligned as it is the transactions between the Department and the Public Corporation, and not the spend of the Public Corporation, that score in budgets, estimates and accounts.

Yours sincerely



**DEPARTMENTAL ASSEMBLY LIAISON OFFICER**



Northern Ireland  
Assembly

**Committee for Finance**

[REDACTED]  
Departmental Assembly Liaison Officer  
Department of Finance  
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Our Ref: 2021:432

8 October 2021

Dear Andy,

**Financial Reporting Bill: Further Queries**

At its meeting of 6 October 2021, the Committee received an oral briefing from the Assembly Research and Information Service on the Financial Reporting (Departments and Public Bodies) Bill. The relevant paper is appended.

The Committee agreed to write to the Department to seeking clarity on the Department for the Economy NDPBs which are (or are not) to be designated. This was received recently with thanks.

The Committee also agreed to seek clarity in respect of the treatment of Translink and in particular why it is not to be a designated NDPB.

The Committee also agreed to ask the Department to respond to any of the outstanding scrutiny questions include in the Assembly Research paper.

If you require further information or clarification, please do not hesitate to contact me.

A response at or before the briefing on 13 October 2021 would be greatly appreciated

Yours sincerely,

*Peter McCallion*

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**Peter McCallion**  
Clerk to the Committee for Finance

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