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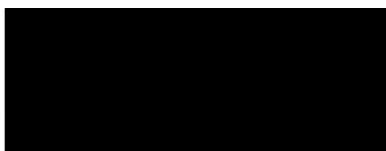
Dear Jim

Review of Financial Process

I am writing to you to update the Committee on the Review of Financial Process.
Please see attached paper. Officials are willing to provide oral evidence to the
Committee.

I trust you find this helpful.

Yours sincerely



RP

DEPARTMENTAL ASSEMBLY LIAISON OFFICER

REVIEW OF FINANCIAL PROCESS

Introduction

- 1.The aim of this paper is to provide the Finance Committee with an update on the Review of Financial Process.
- 2.Following the Executive's agreement, in December 2016, to the Review being taken forward, there was unfortunately no opportunity for the Assembly to be advised of that decision. This paper will provide you with an update on the progress made and the next steps towards implementation.

Background

- 3.For many years Assembly Members have expressed their frustration with trying to understand sets of information calculated on different basis and / or different boundaries, making it difficult to track spend from plans to outturn. The previous Executive agreed that the ongoing Executive's reform programme, and particular the restructure of the NICS, provided the ideal opportunity to take forward the measures to provide the increased scrutiny and transparency Assembly Members and Committees sought.
- 4.The Executive agreed that the main recommendations of the original Review of Financial Process to align Budgets Estimates and Accounts should be taken forward. This planned for the 2020-21 Main Estimates to be presented on the new basis. It was not possible to progress the legislation necessary to enable implementation for the 2020-21 year as originally planned. As a result, the implementation date was put back to 2021-22, with it being proposed that the Main Estimate for that year is presented on the new basis.
- 5.Since the restoration of the Executive plans had been progressing to meet this new timetable however the current situation with Coronavirus has made this increasingly difficult. The added challenges of providing the critical services necessary for our citizens in this environment have rightly taken priority.

6. In this context the Executive has now agreed that the implementation date should be postponed by a year and is now planned for 2022-23.

7. The overall aim of the Executive's Review is to create a financial framework that is effective, efficient and transparent and enhances scrutiny by and accountability to the Assembly. To that end the recommendations being taken forward at this time include:

- i. Assembly controls will change to align Budgets, Estimates and Accounting boundaries. The concept of Requests for Resources (RfRs) will no longer be necessary and the Assembly will instead vote the Budget Controls in the Estimates/Budget Act. Each department's Resource DEL, Capital DEL, Resource AME, Capital AME and Non Budget (if necessary) will be presented in the Estimates document in a format that is easily reconcilable to the Budget document.
- ii. All non-voted expenditure and income within budgets will be brought within the coverage of the Estimates. When the Assembly votes budgetary controls it will, by default, be voting elements within that budget boundary which are non-voted (e.g. Consolidated Fund Standing Services).
- iii. NDPBs will be consolidated within the Estimates and Accounting boundaries, thereby providing alignment with the Budget boundary. This proposal will increase transparency and address the criticism and frustration of Assembly members and others when trying to understand the different sets of financial information.
- iv. The Assembly will vote 'net' controls in the Estimate and Budget Act. This reflects the presentation in the Budget document. The level of income will be shown in the Estimate under each budgetary boundary and appropriate safeguards put in place to ensure that control over the use of income by departments is maintained.

- v. The structure of the estimates will be redesigned to provide a more user friendly document with a suitable level of transparency agreed with each department.
- vi. As far as possible all misalignments between budgets, estimates and accounts would be removed.

Progress So Far

8. Following the decision by the previous Executive, Public Spending Directorate set up a Project Team to take forward the work necessary to implement the Review with other departments. There has been constant engagement with all departments on the process both in terms of agreeing solutions to misalignments and agreeing a suitable structure for future published documents.

9. A departmental working group has been set up where progress towards achieving the aims of the review are discussed. This has also proved a useful forum for information sharing and reviewing proposed solutions.

10. Engagement with the Northern Ireland Audit Office has been in place throughout this process and a representative also attends the departmental working group.

11. Templates for both future estimates and accounts have been provided to departments so that a dry-run of 2018-19 could be completed. Departments have completed a dry-run of 2018-19 Spring Supplementary Estimates which has been provided to Supply Division and 2018-19 dry-run accounts which have been submitted to the Northern Ireland Audit Office. A workshop on the dry-run estimates process has been held with all departments.

12. The additional year's delay to implementation means that dry-run processes for 2019-20 can be dropped to allow focus to remain on key service delivery.

Next Steps

13. In terms of the Estimates, departmental feedback from the 2018-19 dry-run will be incorporated into revised templates for the next dry run estimates. The draft Estimates manual will also be updated to reflect feedback and lessons learned. This new template and manual will be issued to departments to facilitate the completion of the 2020-21 dry-run Spring Supplementary Estimate by 1 April 2021 and the 2021-22 dry-run Main Estimate by 1 September 2021. A further Spring Supplementary Estimate dry –run process will occur for 2021-22. Dry-run accounts will be produced for both 2020-21 and 2021-22. All of these steps will provide the reassurance needed for full implementation in 2022-23.
14. Following the NIAO review of departments 2018-19 dry-run accounts feedback on the process will also be provided to departments.
15. A technical piece of legislation is required to enable the consolidation of NDPBs into departmental Estimates, and by extension the accounts. Work is progressing with the Office for Legislative Counsel to finalise the draft Bill that will be brought forward in the Assembly.
16. In terms of Executive engagement a paper will be brought forward to the Executive to agree the future estimate format and departmental structure. Work on the future departmental structure will be taken forward alongside the process to set the Budget for 2021-22. It is anticipated that the Budget for 2021-22 will be presented on that agreed future structure. The future estimate format will be refined through the 2020-21 Supplementary Estimate and 2021-22 Main Estimate dry-run processes and will be brought to the Executive for agreement afterwards, and in advance of the 2021-22 Spring Supplementary Estimate dry-run process.
17. The previous Committee for Finance and Personnel played a proactive role liaising with other statutory committees and coordinated a detailed response on behalf of the Assembly at the time of the initial review. We therefore hope to engage with the Finance Committee on a number of key areas. While each Statutory Committee is responsible for considering the Estimates structure for its

own department and functions, it is hoped that again the Finance Committee will take the opportunity to liaise with other Committees on the Review, progress made and the revised key outputs from the various financial processes.

18. This engagement will include, but is not limited to:

- i. The new format of the Estimates Document;
- ii. The level of transparency afforded by the new departmental structures;
- iii. The legislation required to implement the review; and
- iv. Ongoing updates provided to the Committee on progress as we near the implementation date.

19. This briefing paper, setting out the progress made and next steps, is the first step in the engagement Public Spending Directorate hope to continue with the Committee.

20. While the Assembly would, in normal circumstances, have been advised of such decisions taken by the Executive this did not happen following the Executive meeting in December 2016. As a significant amount of time has passed and work has progressed the Finance Minister intends to update the Assembly when introducing the legislation necessary to implement the Review.

Timing

21. While good progress has been made by all departments there is still a lot to be done if the Review is to be implemented for 2022-23.

22. Revised project timetables have been drawn up to meet that implementation date in light of the COVID 19 pandemic. The key activities and associated deadlines are shown in the table below. While this does not include the engagement with the Committee we envisage this to be ongoing as budget structures are agreed and in advance of Executive agreement to the Estimate format.

Key Deadlines

Key Activity/ Deliverable	Date
Issue revised estimates manual and template	01/12/2020
2020-21 SSE Dry run	01/04/2021
2021-22 ME Dry run	01/09/2021
Agree Estimate Format with Executive	30/11/2021
2020-21 Dry Run Accounts	30/11/2021
Issue Final draft estimates manual and template	31/12/2021
2021-22 SSE Dry run	01/04/2022
Issue new agreed Manual and Template	14/04/2022
2022-23 Real Main Estimates on new basis	15/05/2022
2021-22 Dry Run Accounts	30/11/2022

DEPARTMENT OF FINANCE

JULY 2020