

# Department of Finance Briefing Paper

## Memorandum of Understanding on the Budget Process

September 2020

### Background

1. The Executive is responsible for drawing up a Programme for Government and an agreed Budget for approval by the Assembly. In respect of the latter, the Department of Finance (DoF) has a key role in the budget process, including securing and recommending the allocation of available resources to meet the priorities of the Executive and ensuring that spending proposals by government departments are affordable and represent value for money.
2. The Northern Ireland Assembly is responsible for making laws on transferred matters, for holding Executive Ministers to account and for scrutinising the work of government departments. This is done through plenary and committees. The statutory committees, in particular, have a role both in assisting and advising their respective Ministers on spending plans and on the draft Budget, which is ultimately agreed by the Assembly, and in an on-going process of financial scrutiny.

### Memorandum of Understanding Rationale

3. The MoU process arises from a three-stage *Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure* by the then Committee for Finance and Personnel. From experience of previous budget processes and in response to the Committee's inquiry, MLAs and Committees had raised a series of concerns about the opportunity for the Assembly to contribute and exercise influence in the budget process. There was a strong degree of support for the option of a Memorandum of Understanding (MoU) based on genuine commitment from both parties to the agreement.

4. An MoU would establish a framework for improved co-operation between the Executive and the Assembly in respect of budgetary matters. It would facilitate Assembly Members and Committees in fulfilling their scrutiny and advice functions which, in turn, will assist in overseeing the effective and efficient delivery of the Executive's strategic priorities. In addition, the MoU would support the Executive in its role in managing public expenditure and would help maintain good working relationships between departments and their committees, as well as departments and Members.
5. Where appropriate, any MoU would draw on existing agreements in respect of the budget process and protocols regarding information provision, together with the Codes of Conduct for Assembly Members and for Executive Ministers.
6. An MoU would aid the Assembly's desire to increase transparency and streamline the financial process to address the needs of both the Executive and the Assembly.

## **MoU Principles**

7. In the development of an MOU, the following principles would be considered helpful in guiding the relationship between the Executive and the Assembly.
  - Recognition of the Executive's lead role in Budget setting
  - Recognition of the value of Assembly engagement in the Budget process
  - Regularity and flexibility in the Budget process timetable
  - Appropriate consultation with the Assembly and its Committees
  - Proportionality of Assembly demands on Departments
  - Maintaining constructive and effective working relationships
  - Good communication
  - Respecting the role and maintaining the independence of oversight bodies

## **Potential Obstacles**

8. There are a number of areas where further work is required to understand the relationship between the Assembly and the Executive, including issues that might arise outside of a "normal" budget process. Potential obstacles may include:
  - Requires agreement of all departments
  - Interaction with other yet to be agreed protocols – e.g. Information Sharing Protocol
  - Arbitration
  - Potential administrative burden for departments
  - MoU flexibility

## **Summary**

9. Work on developing the Memorandum of Understanding is underway with Committee officials and the Finance Minister and Committee will be notified of progress.