

Sir Robert Chote
Chairman

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Peter McCallion
Clerk to the Committee for Finance

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Dear Peter,

Estimates: Transparency and Understandability

Thank you very much for your letter of 20 October regarding potential amendments the Committee is considering to the Financial Reporting Bill.

I mentioned in my last letter that the Council is not best placed to determine which policy or legislative changes represent the best course to deliver better alignment. But we are happy to share our views on the objective of the proposed amendments, and an update on our conversations with DoF where we also are seeking greater transparency on many of the same issues. I hope this will assist the Committee in its consideration of the Bill.

The first two amendments covered in your letter deal, among other things, with: receipts; EU funding; the accruing resources minute; budget forecasts; and expenditure under the Sole Authority of the Budget Act (aka 'black boxing'). We very much agree with the need for greater transparency and have had constructive meetings with DoF on these points as we prepare our introductory publication. As a result we have a number of recommendations that the Committee may wish to consider:

1. All expenditure under the Sole Authority of the Budget Act could be set out in a single table within the Estimates (as well as being separately identified by a 'black box') to make it clear how much expenditure of this type is featured in the Estimates every year.
2. The Committee could suggest that the Department of Finance publish its Minute on Accruing Resources on its website alongside its other budget publications (draft budget,

etc). This would help the Council and other stakeholders consider the Minute in the context of the budget, and would improve the transparency of this process generally.

3. Within the Estimates, it would improve transparency if EU funding, in particular, were to be highlighted, say with a separate symbol. It is not always clear from the name of a line in the Estimates that the funding is a receipt from the EU, and this makes analysis of this category of funding more difficult.
4. The Fiscal Council should be furnished with information on the use of Sole Authority, and any Headroom in the Estimates, before the publication of the Estimates, in order that it may provide informed comment on the Estimates, if required.

Some of these suggestions have similar goals to the legislative amendments the Committee is considering. One advantage of non-legislative solutions is that they can be more easily revisited, and added to. This leaves future scope for the Committee and Council to improve the Estimates document and Budget processes without requiring changes to primary legislation.

The Council is also very interested in the subject of receipts and how this source of Executive funding can be made more transparent. In our introductory publication, we will explore this issue at high level, including looking at some examples in more detail. And we will wish to come back to this subject in future publications.

However, in advance of the Council interrogating this issue further, we would not wish to make legislative changes to the Estimates to include this level of detail simply for our benefit (although of course the Committee may wish to do so for other reasons). This is because: (a) the Bill is broad, empowering legislation and the Council believes changes to the Estimates can be made without including a high degree of specificity in the legislation; and (b) the Estimates document is currently already large and complex. Many stakeholders, that we have spoken to, including MLAs, find the document hard to interpret in the often short period of time available to scrutinise it. An unintended consequence of requiring a much greater level of detail on receipts within the Estimates might be that the document becomes even more voluminous and that departments take even longer to produce their Estimates than they already do – leading to less time for the Assembly (and Committee) to examine them.

The final two amendments suggested by the Committee relate to the production of Estimates Memoranda. The Committee's suggestion that all statutory Committees receive a more formal briefing (and a Memorandum from the relevant department) might well improve the current process. If the Council was provided with these Memoranda it would also provide a formal basis for commentary and comparisons across all departments, i.e. at NICS-wide level.

We think this could therefore be of benefit to statutory Committees, and more broadly to external stakeholders interested in the Budget. Again it might be wise to avoid too much specificity in the legislation regarding the format of these Memoranda, so that the Committee and the Council might work with DoF to improve them as and when required.

With best regards,

Sir Robert Chote

Chair of the NI Fiscal Council