

Point 10: AFP Bill Research Paper

The Committee would ask the Department of Finance for a formal response to the points raised in the enclosed research paper

Response:

What analysis was undertaken to inform the formulation of Clause 18 of the introduced Bill? Please detail.

- The proposed clause within the Bill reflects the Department of Finance's assessment of the risk that exists in relation to the time available to achieve Executive agreement for a Budget, gain passage for a Budget Bill in the Assembly and then obtain Royal Assent.
- That is, it has been clear to the Department of Finance for some time that it would only take a relatively short delay in the passing of a Budget Bill or in achieving Royal Assent (which the Department has no control over) for the current 2% limit to be reached.
- As outlined in GM-0813-2025, there have been occasions in recent years where departments have approached DoF seeking significant cash advances. These requests have highlighted to DoF the possibility of the 2% limit being reached, particularly if there is a short delay in a Budget being agreed, Budget Bill receiving Assembly approval and Royal Assent being achieved.
- The key risk is that the very constrained timetables that exist for the Department to secure legislative approval for Budget Bills in any given financial year (and to get subsequent Royal Assent) impacts on the ability of departments to have sufficient cash to meet their requirements.
- The Administrative and Financial Provisions Bill was viewed as a timely opportunity for the Department to take pro-active action and increase this limit in order to mitigate this key risk by providing what the Department believes is a necessary increased safety net.
- The Committee should note the severe consequences if the 2% limit were to be reached. That is, reaching the limit would mean that departments would be unable to draw cash from the Consolidated Fund. This would have an immediate real-world impact, with departments being unable to pay bills, wages or honour their financial commitments.
- The Committee should note that the 2% limit prohibits DoF providing cash funding that would be available in the Consolidated Fund to departments. Public

services would have to cease until such time as a new Budget Bill was agreed and Royal Assent secured, despite sufficient cash funding being available in the Consolidated Fund.

How did that analysis consider past and recent use of the current statutory power - a specified 2% limit – including when devolution was fully functioning and when it was not? Please detail.

- The Department has considered past experience of the cash advance requests received from departments. Crucially the Department has considered the time it takes to produce Main and Supplementary Estimates, bring a Budget Bill to the Assembly and secure Royal Assent.
- Given the constrained timeframe a risk was identified that the 2% limit may be insufficient to maintain public services, should a Budget Bill or Royal Assent be delayed.
- The Administrative and Financial Provisions Bill was seen as a timely legislative vehicle for the Department to bring forward this change in the limit. This is seen as a prudent measure to manage this risk and ensure the continuation of public services if requests for cash advances from departments exceeded the 2% limit.
- This risk exists regardless of the Budget Bill being brought through the Assembly or through Westminster, as would be the case if the local Administration was not functioning.

How was the decision taken to increase the current statutory limit by 2% - that is, increase from 2%, to 4%? For example, did such consideration include any engagement with His Majesty's Treasury?

- This is a devolved matter and as such there is no requirement to discuss the issue with Treasury.
- The Bill in its entirety was shared with the NIO and following consideration the Secretary of State on 18 June 2025, provided his consent that the Bill be introduced to the Assembly for consideration.
- Increasing the limit to 4% was viewed as a prudent measure based on officials' assessment of the potential cash requirements of departments.
- It is important to reiterate that cash advances from the Consolidated Fund are temporary and must be repaid. Once the Budget Bill for the relevant financial year is passed by the Assembly and receives Royal Assent, the advances are repaid to the Consolidated Fund. These are intended to be short-term advances to maintain cash flow until formal budgetary authority is secured.

When invoking Article 6 of the 1998 Order, how does that occur, including who are the key actors, when there is fully functioning devolved government in Northern Ireland, and when there is not?

- The process for applying for an advance from the Consolidated Fund under Section 6 of the 1998 Order is provided in “Supply Estimates in Northern Ireland: Guidance Manual” under chapter 4.
- For ease of reference this has been included in **Annex A**. For the purposes of this response a condensed version of this process is outlined below:

Applying for an Advance

- If a department requires an advance, it should submit its application to DoF, the application should:
 - Indicate the category into which the advance falls.
 - Clearly state the amount sought.
 - Indicate the date by which the advance is required.
 - Provide a full justification for the cash advance.
 - Explain the urgency of the expenditure.
 - Say when the advance is expected to be repaid.
 - Confirm that the department’s Minister supports the request.
- Following consideration, DoF will prepare a submission to the Minister or the DoF Accounting Officer. This submission is typically cleared with the Treasury Officer of Accounts in advance.
- If content, and subject to the approval of the DoF Minister and/or DoF Accounting Officer, DoF Supply confirms to Government Accounts Branch that the request for an advance complies with the requirements of Section 6 of the 1998 Order and that the advance is approved.
- The Assembly must, whenever practicable, be given advance notice of the intention to use an advance from the Consolidated Fund and, where appropriate, to consume additional resource/capital.
- DoF will normally only authorise an advance after the notification to the Assembly has been made, or at least arranged.

- Where noting an Estimate in advance is not possible, the intention to use an advance from the Consolidated Fund, under Section 6 of the Financial Provisions (Northern Ireland) Order 1998, and the use of any associated resource/capital, will be announced through a Ministerial Statement by the Finance Minister.
- No final charge is permitted to rest on the Consolidated Fund as a result of an advance under Section 6 of the Financial Provisions (Northern Ireland) Order 1998. Assembly authority is therefore needed to enable any sums advanced to be repaid to the Consolidated Fund.
- In such cases, the necessary provision should normally be sought in the Estimates round of the financial year. Repayment of advances for voted services must normally be provided for in Estimates in the same year as the advance. Only in cases where the enabling legislation has not been passed during that year can, and must, the necessary Estimates authority to repay the advance also wait until the following year.
- Where an advance remains outstanding at the end of the financial year it will normally impact on the department's net cash requirement for outturn purposes and could result in an Excess Vote.

The Key Actors Involved:

- In taking forward a cash advance under Article 6 of the 1998 Order DoF will typically seek the approval of the Finance Minister. If the Finance Minister approves the request for the cash advance, the Minister will make a Written Ministerial Statement and inform:
 - First Minister and deputy First Minister
 - The Speaker
 - The Finance Committee
 - Executive Members
- If the devolved government was not functioning, under the Executive Formations (etc) Act, the approval duty would rest with the DoF Accounting Officer.
- On restoration of the devolved administration a submission would be made to the Finance Minister following their appointment, and the Minister would be asked to make a statement to the Assembly advising of the cash advance.

- Likewise, the cash advance would be repaid to the Consolidated Fund in the next Budget Bill that the Finance Minister would bring to the Assembly, following restoration.

In relation to advances for civil contingencies paid out of the Northern Ireland Consolidated Fund for the Utility Regulator during the period 2023-24 and 2024-25, how was that done?

- DoF would typically seek the Finance Minister's agreement before providing a cash advance from the Consolidated Fund under the contingency powers in the 1998 Order, with the Finance Minister subsequently informing the Assembly.
- One exception to this is when the request for a cash advance is required solely to provide a working cash balance for a department or public body that is awaiting receipts.
- Article 6 of the 1998 Order permits the Department to make advances from the Consolidated Fund in anticipation of the realisation of receipts in connection with any services for which provision is so made or to be made.
- In Chapter 4 of the "Supply Estimates in Northern Ireland: Guidance Manual" it is required that all cash advances be notified to the Assembly, with the exception of category 4.12e.
- The cash advances sought by the Utility Regulator in 2023-24 and 2024-25 fell under 4.12e, in that this expenditure was to be financed from receipts.
- When this is the case, Ministerial approval is not required and there is no requirement to inform the Assembly. Such cash advances are an administrative cash management issue and as such are instead authorised by the Department.

Please confirm all advances for civil contingencies that were sought on the Northern Ireland Consolidated Fund under Article 6 of the 1998 Order, prior to 3 February 2024, and dating back to when the 1998 Order became effective?

- Under the Department’s Retention and Disposals Schedule, Consolidated Fund records are retained for 6 years plus the current financial year after this time the record is closed. The Department therefore is unable to provide details of every cash advance provided since 1998.
- As a cash advance in 2016-17 was carried forward and not repaid until the restoration of the Assembly in 2020, DoF has records dating back to 2016-17. The details of the cash advances in these years has been provided in the table below.

		£
Financial Year	Aggregated total of the cash advances authorised for issue	
2023-24	64,100,000*	
2022-23	2,800,000	
2021-22	445,500,000	
2020-21	359,800,000	
2019-20	212,243,000	
2018-19	No advances made	
2017-18	No advances made	
2016-17	56,144,000	

*As per the request, this table reflects cash advances approved before 3 February 2024. The aggregated total for cash advances in 2023-24 was £76,490,000. The difference between these figures being a further cash advance sought by DoF for £12,390,000 that was approved after 3 February 2024.

Following on from the above, for each advance under Article 6 of the 1998 Order during said period, please confirm: what amount was sought, when and how; and, what amount later was issued, when and how? Please ensure to be clear about whether devolution in Northern Ireland was fully functioning, or not.

- The response for this request is attached separately in **Annex B**.

It appears Northern Ireland’s experience of using its current statutory power for advances from its Consolidated Fund is different to the experiences of Scotland and Wales using their comparable powers; what are the reasons for this apparent difference?

- As highlighted previously, there is an important difference in terms of the approach taken in Northern Ireland compared to Scotland and Wales. That is, locally cash utilisation for NI departments is controlled at the departmental level. This in effect means that should one department forecast that it is approaching the limits of its authorised cash, it must seek a cash advance from DoF or reduce/cease expenditure. If a cash advance request is received by DoF this will be considered and typically the approval of the Finance Minister will be sought and the Assembly informed.
- By comparison, in Scotland and Wales, cash utilisation is controlled *centrally* at the Block level. This means that should one Scottish or Welsh department face a forecasted cash shortfall, a cash advance would not typically be required. Instead this would be managed centrally and offset by the forecasted cash utilisation by the other Scottish or Welsh departments.
- Due to this difference it would only be when the overall Scottish or Welsh authorised cash limit was forecast to have a cash shortfall would an advance be sought. This centralised approach to cash management enables the Scottish and Welsh administrations to have a much lower cash advance limit compared to that of the Executive.
- For information, the table shows below the cash issued from the Consolidated Fund from authorised cash advances. If the limit locally was the same as that in Scotland and Wales (i.e. 0.5%) in 2 of the last 5 years the 0.5% cash limit would have been reached and DoF would have been unable to advance cash to departments to maintain services.

Financial Year	Aggregated total of the cash advances issued	% of the 2% total authorised	% of a 0.5% authorised limit
2024-25	39,797,028	8.3%	33.3%
2023-24	27,217,000	6.3%	25.3%
2022-23	2,800,000	0.6%	2.6%
2021-22	350,943,000	79.0%	315.9%
2020-21	210,295,843	60.0%	240.1%

- To move to a position similar to that in Scotland and Wales would be a significant change to the cash management procedures that are currently in place. It is the opinion of DoF that such a change would reduce individual departmental accountability and responsibility for the financial resources and cash utilisation that has been provided to them by the Assembly.
- Instead of moving to a centralised cash management position as in Scotland and Wales it is proposed that the 2% cash advance limit be increased to 4%.