

# **FINANCIAL REPORTING (DEPARTMENTS AND PUBLIC BODIES) BILL**

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## **EXPLANATORY AND FINANCIAL MEMORANDUM**

### **INTRODUCTION**

1. This Explanatory and Financial memorandum has been prepared by the Department of Finance in order to assist the reader of the Bill and to help inform debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum needs to be read in conjunction with the Bill. It is not, and is not meant to be, a comprehensive description of the Bill. So where a clause or part of a clause does not seem to require an explanation or comment, none is given.

### **BACKGROUND AND POLICY OBJECTIVES**

3. There are a number of different systems which have an impact on the control and presentation of government expenditure. These include budgetary controls and supply estimates presented to the Assembly for approval and resource accounts prepared by departments at the end of each financial year.
4. These different systems mean that there is significant misalignment between the different bases on which financial information is presented to the Assembly and the public. This makes it difficult to understand the links and inter-relationships between them.
5. In December 2016 the Executive agreed to the Review of Financial Process to simplify financial reporting to better align budgets, estimates and resource accounts.
6. This Bill deals with one aspect of that alignment and amends the Government Resources and Accounts Act (Northern Ireland) 2001 to allow the Department of Finance to issue directions on the way departments prepare Supply Estimates. The Bill allows the Department of Finance to require departmental estimates and accounts to include the spending of designated Non-Departmental Public Bodies and other central government bodies for which a department has responsibility, thereby aligning with the budgetary treatment.
7. The Bill also provides for consultation with HM Treasury prior to the designation of bodies. This consultation is to prevent the designation of a body as related to a Northern Ireland Executive department where the body is funded from a Consolidated Fund other than the Consolidated Fund of Northern Ireland.
8. The Bill provides that where an estimate is prepared by other non-departmental bodies or persons, e.g. Northern Ireland Public Services Ombudsman, that the same conditions

apply to that body or person as apply to departments. That is, the Department of Finance may direct how such a body or person prepares estimates and may direct that estimates and accounts prepared by that body or person include the spending of any bodies designated by the Department. This does not apply to the Northern Ireland Audit Office.

## **CONSULTATION**

9. HM Treasury was consulted on the section of the Bill which deals with the consultation that will occur with HM Treasury in advance of the designation of bodies in relation to Northern Ireland Executive departments (and public bodies or persons in relation to which an estimate is prepared). The Bill does not fundamentally change the financial processes but makes the output of each consistent to aid transparency and scrutiny. A public consultation exercise is not required.

## **OPTIONS CONSIDERED**

10. In December 2016 the Executive agreed to the Review of Financial Process to simplify financial reporting to better align budgets, estimates and resource accounts. The Government Resources and Accounts Act (Northern Ireland) 2001 directs on the production of Estimates and Accounts. Nothing apart from legislation would have had the desired effect of changing that legislation to implement the Review as the Executive directed.

## **OVERVIEW**

11. The Financial Reporting (Departments and Public Bodies) Bill amends the Government Resources and Accounts Act (Northern Ireland) 2001 in order to allow the Department of Finance to issue directions about the preparation of Supply Estimates and to direct that such Estimates are to include information relating to “designated bodies”.

## **COMMENTARY ON CLAUSES**

### **Clause 1: Estimates: Inclusion of resources used by designated bodies**

Subsection (1) provides that the section amends the Government Resources and Accounts Act (Northern Ireland) 2001 (“the GRAA(NI) 2001”).

Subsection (2) inserts new sections 8A and 8B into the GRAA(NI) 2001 after section 8. The provisions are as follows:

New section 8A(1) gives the Department of Finance powers to give directions regarding how a government department must prepare a Supply Estimate for approval by the Assembly in respect of a financial year.

New section 8A(2) gives the Department of Finance powers to direct that the departmental Supply Estimate include information relating to resources expected to be used by any body that is a designated body in relation to that department.

New section 8A(3) provides that a body is a designated body in relation to a government department either if it is designated by an order made by the Department of Finance or it falls within a description of a body designated in relation to the department by a Department of Finance order.

New section 8A(4) provides for a body to be designated either for a particular financial year or generally.

New section 8A(5) refers to consultation with the Treasury, where necessary, before designating a body or description of a body. This consultation reflects current practice when a designation order is being made by the Treasury. The intention is to designate a body that is wholly funded from the Consolidated Fund of Northern Ireland and the consultation referred to will occur if, exceptionally, the potential exists for a body to receive payment directly from another Consolidated Fund.

New section 8A(6) provides that in determining for any purpose whether a body has a particular relationship with a government department, the fact that a departmental Supply Estimate includes information relating to that body, or departmental resource accounts include information relating to the body, is to be disregarded. This provision is intended to make it clear that designating a body does not of itself alter the existing relationship between that body and the government department.

New section 8A(7) provides that an order under subsection (3) will be subject to the negative resolution procedure.

New section 8B(1) provides that section 8A also applies to any other body or person (subject to subsection (2)) for which an estimate is prepared for approval by the Assembly, with appropriate modifications, in the same way as it applies to a Northern Ireland department.

New section 8B(2) notes that subsection (1) does not apply to the Northern Ireland Audit Office.

Subsection (3) amends section 9(1) of the GRAA(NI) 2001. Section 9(1), as amended, will require a government department to include the resources used or acquired, held or disposed of by any designated body when preparing resource accounts.

Subsection (4) amends section 10(1) of the GRAA(NI) 2001. That section requires the Comptroller and Auditor General to examine resource accounts received from a department with a view to satisfaction on certain matters. Section 10(1), as amended, will require the Comptroller and Auditor General to examine resource accounts received from a department with a view to being satisfied that, amongst other things, the financial transactions of the department and the financial transactions of any body designated under section 8A are in accordance with any relevant authority.

Subsection (5) amends section 2(2) of the Public Services Ombudsman Act (Northern Ireland) 2016. Section 2 of the Public Services Ombudsman Act (Northern Ireland) 2016 states that the Ombudsman is not subject to the direction or control of a Minister, the Secretary of State, a Northern Ireland department, the Assembly, or the Assembly Commission. Section 2(2)(d), inserted by clause 1(5) of the Bill, will note that this is subject to the power of the Department to issue directions in relation to estimates for the Ombudsman.

#### **Clause 2: Definition of “the Department”**

Clause 2 updates the definition of “the Department” in the GRAA(NI) 2001 to read “the Department of Finance”.

#### **Clause 3: Commencement**

Clause 3 states that the provisions of the Bill come into force on the day after it receives Royal Assent.

#### **Clause 4: Short title**

Clause 4 sets out the short title of the Act.

### **FINANCIAL EFFECTS OF THE BILL**

12. It is not anticipated that the Bill will give rise to any significant additional expenditure.

### **HUMAN RIGHTS ISSUES**

13. The Bill is compatible with the European Convention on Human Rights.

### **EQUALITY IMPACT ASSESSMENT**

*This Memorandum refers to the Financial Reporting (Departments and Public Bodies) Bill as amended at Consideration Stage in the Northern Ireland Assembly on 7 December 2021 (Bill 21/17-22)*

14. Under the terms of section 75 of the Northern Ireland Act 1998, the Department carried out screening for the equality impact and is satisfied that the provisions of the Bill will not lead to discriminatory or negative differential impact on any of the section 75 groups.

#### **SUMMARY OF THE REGULATORY IMPACT ASSESSMENT**

15. The effects of this Bill have been assessed and it is concluded that the provisions will not result in savings for, or costs to, businesses, charities, social economy exercises or voluntary bodies.

#### **DATA PROTECTION IMPACT ASSESSMENT/DATA PROTECTION BY DESIGN**

16. A Data Protection Impact Assessment has been carried out. This noted that the Department of Finance will not collect, use, store or share any personal data arising from the provisions of the Bill.

#### **RURAL NEEDS IMPACT ASSESSMENT**

17. A Rural Needs Impact Assessment has been carried out. It noted that there would be no difference in the impact between people living in urban or rural areas.

#### **LEGISLATIVE COMPETENCE**

18. The Minister of Finance had made the following statement under section 9 of the Northern Ireland Act 1998:

*“In my view, the Financial Reporting (Departments and Public Bodies) Bill would be within the legislative competence of the Northern Ireland Assembly.”*