Research and Information Service
Briefing Note

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In-year Audit Committee scrutiny: A comparative perspective

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This briefing note, commissioned by the Assembly's Audit Committee (the Committee), provides comparative research on the Committee and its counterparts located in the UK, Wales, Scotland and the Republic of Ireland. The note offers a comparison of practices concerning committee scrutiny of underspend and overspend in legislatures with operational similarities to the Assembly. This note aims to help inform the Committee in its discharge of duties associated with the Northern Ireland Assembly Commission's (NIAC) budget.

Introduction

The Assembly's Audit Committee (the Committee) has a role in scrutinising the draft budget of the Northern Ireland Assembly Commission (NIAC). The NIAC proposed that the Committee should be consulted for additional scrutiny in-year only in the event of an underspend or overspend falling outside an agreed threshold. The NIAC has further proposed that the threshold be set at 10 per cent of its agreed budget.

The Committee commissioned the Research and Information Service (RaISe), to compile research on common practices across comparative legislatures in this area. More specifically, the Committee noted its interest in in-year budget scrutiny practices of equivalent non-ministerial bodies by comparative legislative committees. The Committee is particularly interested in any existing thresholds in comparative legislatures, and if the proposed threshold of 10 per cent is appropriate.

At the outset of this briefing paper, it is important to note that research undertaken by RaISe for purposes of compiling this briefing did not uncover any thresholds concerning in-year committee engagement. However, such research found an apparent high level of variation of budgeting processes between legislatures in this area. That included differing approaches to underspend and overspend within budgets, with varied levels of committee scrutiny, as well as thresholds concerning reporting and explanation of overspends. Specific findings are recorded in this paper at section 2.3. Further findings are presented in section 2.4 using two examples of current underspend practice in Wales and in Scotland, given their relevance to the Committee's interests in this area. Thereafter, section 3 provides concluding remarks, drawing on the paper's earlier sections.

1 NIAC – an overview

The following section explores the contextual background of the NIAC, then presents its budgeting process, which includes scrutiny of the NIAC budget by the Assembly's Audit Committee.

1.1 Legislative context in brief

The NIAC is the body corporate for the Assembly. Section 40(4) of the Northern Ireland Act 1998 (the 1998 Act) [1] specifies that the NIAC:

> *Shall provide the Assembly, or ensure that the Assembly is provided, with the property, staff and services required for the Assembly's purposes*

Sections 47 and 48 of the 1998 Act[2] make provision for the Assembly to determine the salaries, allowances and pensions payable to Members of the Legislative Assembly (MLAs) (and former MLAs). The Independent Financial Review Panel (the Panel) was established under section 1 of the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011 (the 2011 Act)[3]. Section 2 of the 2011 Act[4] specifies that the functions of the Panel are the make determinations as to the salaries and allowances payable to MLAs under section 47 of the 1998 Act and the pensions, gratuities and allowances payable under section 48 of that Act.

The NIAC is not represented by a Minister, and is therefore a non-ministerial department, and is referred to in the 2020-21 budget statement as a *minor* department. The budget for minor departments, although relatively small, still must be found from

[1] https://www.legislation.gov.uk/ukpga/1998/47/section/40
[2] https://www.legislation.gov.uk/ukpga/1998/47/section/47 and https://www.legislation.gov.uk/ukpga/1998/47/section/48
[3] https://www.legislation.gov.uk/nia/2011/17/section/1
[4] https://www.legislation.gov.uk/nia/2011/17/section/2

within the NI Executive's Departmental Expenditure Limits (DEL).[5] It is worth noting that the NIAC was allocated of £41.1 million of non-ring fenced resource DEL for 2020-21, and £1.1 million of capital DEL for 2020-21 – both stated in the Finance Minister's March Budget statement.[6] For illustrative purposes, this allocation compares to £6158.4 million of non-ring fenced resource DEL and £295 million of capital DEL allocated to the Department of Health (DoH) for the same period.

1.2 NIAC Budgeting Process

The composition of the NIAC budget, when compared with other Executive funded budgets, is unique. This uniqueness stems from its budget being made up - in part - by both a controllable spend and an uncontrollable spend. That is, a significant portion of the NIAC budget is made up of MLAs' costs, with the remaining portion attributed to NIAC-incurred running costs. Since the costs for MLAs are established under legislation (i.e. a determination issued by the Panel), they cannot be controlled.

Within the controllable portion of the NIAC budget, the NIAC has discretion to vary allocations between sections through virement, subject to certain controls. "Virement" is clearly defined in Her Majesty's (HM) Treasury's "Supply Estimates: a guidance manual",[7] as:

> *Virement relates to the reallocation of provision in the Estimates without the need for a Supplementary Estimate to obtain parliamentary authority. Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate.*

It should be noted, however, that virement does not entail any movement in budgetary position.

Some of the costs associated with MLAs are variable, which can result in an underspend or overspend in the uncontrolled portion of the NIAC budget. Variable costs include:

- Statutory redundancy payments for MLAs' staff;
- Costs associated with MLAs retiring through ill-health;
- Costs that are claimed by MLAs as a result of disability adjustments; or,
- Not every MLA utilising the full amount of funding available to them in any given year.

In theory, an overspend of this portion of the NIAC budget, or even an overall reduction to the NIAC budget, would result in the need for a reduction in the controllable elements of the NIAC budget, i.e. NIAC running costs.

To counteract these budgetary complexities, the NIAC has an informal arrangement with the Department of Finance[8] (DoF) that MLAs' costs are estimated in full, but any

[5] https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Budget%202020-21%20-%20Ministerial%20Statement.pdf page 50

[6] https://www.finance-ni.gov.uk/publications/northern-ireland-budget-2020-21

[7] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220744/estimates_manual_july2011.pdf

[8] more details on this arrangement and how it came about is outlined in a letter from the Clerk to the Assembly and Chief Executive of NIAC to the Chair of the Finance Committee in the Welsh Senedd in response to their *Inquiry on the Remuneration Board's Determination Underspend* available at: https://business.senedd.wales/documents/s72206/RBU%2013%20Northern%20Ireland%20Assembly.pdf

excess budget provision identified during the financial year is to be returned to the DoF and not vired to other headings.

In essence, funding associated with MLAs' costs are informally treated as ring-fenced. Similarly, should the costs associated with an MLA's increase for any reason (for example, through a revised determination issued by the Panel), that increase in costs over and above the initial estimate is to be met in full from additional resources provided by the DoF. Moreover, in such circumstances, the NIAC is not required to fund that increase from its remaining budget.

1.3 NIAC Budget Scrutiny

The Assembly's Audit Committee (the Committee) has a role in scrutinising the draft budget of the NIAC. In October 2016, a Memorandum of Understanding (MoU) on the Budget Setting Process was agreed with the Executive (see Annex A). That MoU is summarised in Table 1 below:

Table 1: Summary of MoU

Heading	Context	Key Milestones
Preparation of Draft Budget	The NIAC prepares a draft budget for the period of the Executive's Budget, as notified by the DoF. That draft budget is established in advance of the timetable established by the DoF for Executive Departments.	a. As part of the development of the draft budget, the NIAC actively obtains data and projections from the DoF relating to the wider outlook for the NI Block Grant, for the entirety of the budget period; and, b. The NIAC, taking account of the DoF projections, proposes its draft budget and presents it to the Audit Committee. The NIAC also provides the draft budget figures to the DoF.
Interaction with Audit Committee	Via an agreed mechanism (e.g. Standing Orders), and in keeping with the Executive budgetary timetable, the Audit Committee lays a report on the NIAC's draft budget.	a. In advance of laying that report, the NIAC attends Audit Committee meeting(s) to give evidence on its draft budget; b. In advance of laying that report, the Audit Committee receives written evidence from the DoF (cleared in advance by Finance Minister), on the wider outlook for the NI Block Grant and the DoF view of the NIAC draft budget. In considering the NIAC draft budget, the Audit Committee should have due regard to the evidence provided by the DoF; c. Evidence to the Audit Committee from the DoF shall be included in the Committee's report to the Assembly; and, d. The Committee prepares and lays its report.
Finalisation of Budget	The NIAC prepares its final budget, taking on board recommendations of the Audit Committee, and thereafter submits a motion to the Assembly's Business Committee.	a. The Assembly debates the final budget in plenary, before voting on the motion (without amendment), that it be "agreed and incorporated into the Executive's Budget and subsequent Main Estimates"; and, b. The vote of the Assembly in respect of the NIAC budget is reflected, without amendment, in the budget prepared by the Executive.

In-Year Amendments to Budget	On an in-year basis, financial controls are established that are aligned to the arrangements for setting the initial budget.	a. The NIAC prepares and submits its contribution to Monitoring Rounds and the Spring Supplementary Estimate. The submission of the Commission's contribution to Monitoring Rounds and the Spring Supplementary Estimate are subject to agreed thresholds between the NIAC and the Audit Committee. If these thresholds are not exceeded, the NIAC does not seek the Audit Committee's view on the NIAC's in-year position.
Review	This methodology is to be reviewed within one year of its first use and at the conclusion of every Executive budget setting period.	

The above methodology refers to the Committee's input to in-year adjustments made to the NIAC budget. It notes:

> *The submission of the Commission's contribution to Monitoring Rounds and the Spring Supplementary Estimate will be subject to agreed thresholds between NIAC and the Committee. If these thresholds are not exceeded, NIAC will not seek the Audit Committee's view on its in-year position.*

In the Committee meeting on 16 September 2020, the above quoted text was at issue and discussion took place with the NIAC, which proposed that the threshold be set at 10 per cent. That is, the NIAC proposed that the Committee be consulted for additional scrutiny in-year only in the event of an in-year adjustment of plus or minus 10 per cent of the NIAC agreed budget for a given year.

Consequently, the Committee is considering that NIAC proposal and this paper is to inform those deliberations, i.e. the comparative perspective outlined in section 2 below.

2 Budgeting Processes: a comparative perspective

This section first explores general departmental in-year scrutiny according to Organisation of Economic Cooperation and Development (OECD) principles framework (subsection 2.1). Thereafter, it discusses departmental in-year scrutiny in the Assembly (subsection 2.2). And given that context, it presents departmental in-year scrutiny practices in other legislatures (subsection 2.3), for comparative purposes.

Given the narrow scope of this paper, and the uniqueness of the NIAC budget composition, it is pertinent to consider legislatures with operational similarities to the Assembly. That is, legislatures which have corporate organisations functioning alongside independent remuneration arrangements. This is the case in Wales and in Scotland, generally speaking. However, the approach to budget scrutiny in these two legislatures varies widely, as highlighted in the following subsections, and with the Assembly, which has been outlined in subsection 1.2 (above). Examples from Wales and Scotland, to illustrate a varied approach to underspend are presented in subsection 2.4.

2.1 Departmental Budgeting Scrutiny – OECD principles framework

The OECD is an international organisation working to address public policy challenges. In 2015, it published a list of good practice principles relating to budgeting and public expenditure, which provide a framework. Those principles include the OECD Recommendation on Budgetary Governance,[9] which states that:

> *Parliament has a fundamental role in authorising budget decisions and holding government to account*

It further states that governments should:[10]

> *Provide for an inclusive, participative and realistic debate on budgetary choices, by, offering opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post as appropriate.*

2.2 Departmental Budgeting Scrutiny – Assembly

Committee scrutiny occurs during both draft budget formulation and in-year monitoring (IYM), albeit to varying degrees. The IYM rounds provide a formal system for reviewing spending plans and priorities during the financial year in question, in the light of more up to date information becoming available. The IYM process is designed to both aid good financial management and ensure that resources are directed towards the Executive's highest priority areas.

The RaISe article publication entitled *What is in-year monitoring and how does it work?,*[11] provides a comprehensive overview of the IYM process. Key aspects of IYM for departments are:

- Must give up any reduced requirements;
- May bid for additional funding;
- May propose proactive reallocations of their own budgets to meet higher priority pressures; and,
- May propose reclassifications of budget from one expenditure category to another, subject to restrictions.

At this time in the Assembly, committees can expect to receive briefings on bids, reduced requirements and internal reallocations from their respective departments. Reallocations that fall below the *de minimis* threshold of £1 million do not require approval. Details of the in-year monitoring process are outlined in annually updated guidance issued by the DoF.[12]

In relation to engagement with Assembly statutory committees, the guidance states:[13]

> *Assembly Committees have an important role to play in the scrutiny of departmental spending plans. For that reason departments must ensure that they engage fully with their Assembly Committees in respect of the In-year Monitoring process.*

The guidance further states[14]:

> *The extent and timing of this engagement is obviously a matter for individual Committees and there should be early engagement with Committees in order to establish their*

[9] https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf
[10] https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf
[11] https://www.assemblyresearchmatters.org/2016/06/13/what-is-in-year-monitoring-and-how-does-it-work/
[12] https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/2020-21%20In-Year%20Monitoring%20Guidelines.pdf
[13] https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/2020-21%20In-Year%20Monitoring%20Guidelines.pdf page 34
[14] https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/2020-21%20In-Year%20Monitoring%20Guidelines.pdf page 34

> *requirements….the DoF recommends that Committees should be kept informed of financial matters on an ongoing basis.*

2.2.1 Renewable Heat Incentive Inquiry Recommendation relating to Assembly statutory committees

The March 2017 Report of the Independent Public Inquiry into the Non-domestic Renewable Heat Incentive (RHI) Scheme. Therein, a number of general recommendations were outlined relating to committee scrutiny in the Assembly. In particular, the report stated:

> *The Northern Ireland Assembly should consider what steps are needed to strengthen its scrutiny role, particularly as conducted by Assembly Committees, in the light of lessons from the RHI. While it will be for the Assembly itself to decide, the Inquiry recommends that such a consideration might include significantly increasing the resources available to statutory committees and, generally, identifying what steps are needed to improve the effective scrutiny of Departments and their initiatives, whether in Assembly Committees or in the Assembly Chamber itself.*[15]

This RHI recommendation specifically referred to improvements in relation to the scrutiny of government departments in Northern Ireland (NI); and thereafter, the general consensus is geared towards increased committee scrutiny.

2.3 Budgeting Scrutiny in other Legislatures: a comparative perspective

RaISe undertook research, contacting dedicated research services and scrutiny units in other legislatures, including: Westminster; the Scottish Parliament; the Welsh Senedd; and, the RoI Houses of the Oireachtas. This was to ascertain common practices regarding in-year committee scrutiny and any applicable variance thresholds that may be in effect.

2.3.1 UK - House of Commons

Whitehall departments are responsible for producing Main Estimates, to set out initial plans at the start of a given financial year and Supplementary Estimates to set out any proposed changes to those plans, later in that year. Each Estimate must be accompanied by an explanatory Estimates Memorandum. The House of Commons Scrutiny Unit has published detailed guidance on the production of the required Estimates Memoranda.[16] That Memorandum must be approved by the Accounting Officer of the organisation to which the Estimate relates, and then sent to the relevant Select Committee of the House of Commons and the House of Commons Scrutiny Unit, no later than the day of publication of the Estimate. House of Commons Select Committees, in turn, publish that Estimate and the related Memorandum on its webpages.

Departments are asked by their corresponding select committee, to explain in detail any variances falling into the following categories, as set out in the requirements and guidance set out by the House of Commons Scrutiny Unit[17]:

- Where a variation is greater than both 10% and £10 million;

[15] https://www.rhiinquiry.org/sites/rhi/files/media-files/RHI-Inquiry-Report-Volume3-Chapter56-Summary-and-Recommendations.pdf

[16] https://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/reports-and-publications/guidance-on-producing-estimates-memoranda/

[17] https://www.parliament.uk/globalassets/documents/commons/scrutiny/guidance-on-producing-estimates-memoranda/guidance-large-depts-rev-2020-.pdf page 5 paragraph 1

- Where a variation is greater than both 5% and £200 million;
- For benefits and pensions, where the change is more than one percentage point above or below inflation; and,
- Changes to discount rates affecting provisions.

It should be noted that separate guidance is given for both large departments and small departments but these thresholds are the same for both.

The guidance further states that[18]:

> *Explanations of variances should genuinely describe the causes or drivers of variations and their likely impacts. It is not acceptable to state what has happened without explanation or to describe solely how changes have been funded.*

The Estimates Memoranda are used to inform House of Commons' scrutiny of the department, mainly through select committee enquiries or Estimates Day Debates in the Commons.

2.3.2 Wales – The Senedd

In 2017, the Senedd's Finance Committee and the Welsh Government agreed a budget protocol for the principles underpinning the current budget process.[19] The protocol highlights the need for *transparency of in-year movements*, stating[20]:

> *The Welsh Government will continue to lay two supplementary budgets a year.*

It further explains that if a supplementary budget is not required, the Finance Committee is to be notified in writing, with an explanation of why it is not required. If no supplementary budget is published toward the end of the financial year, the Finance Committee is to be provided with a written report on any variation between spending plans set out in the latest approved budget for that respective financial year and the latest available budget plans. The report is to provide an explanation of any *significant* budget transfers, including: transfers between main expenditure groups; major transfers within main expenditure groups; or, changes to financing plans.

In addition, it outlines potential impacts on Directly Funded Bodies (DFB):

> *Any change to the required resources of these direct funded bodies is dependent on the Welsh Government moving a supplementary budget motion….*
>
> *…The Welsh Government undertakes therefore to continue to liaise regularly with the direct funded bodies and seek to accommodate their in-year financial requirements through the supplementary budget process.*

An official from Senedd Research[21] has confirmed the requirements of DFB as:

> *If DFBs are going to submit a supplementary budget, we ask them to notify the committee, so it can be considered before it is wrapped up in a Welsh Government supplementary budget. The Committee will generally discuss the request in private and then write to the relevant body.*

[18] https://www.parliament.uk/globalassets/documents/commons/scrutiny/guidance-on-producing-estimates-memoranda/guidance-large-depts-rev-2020-.pdf page 5 paragraph 3

[19] https://senedd.wales/laid%20documents/gen-ld11075/gen-ld11075-e.pdf

[20] https://senedd.wales/laid%20documents/gen-ld11075/gen-ld11075-e.pdf page 5 paragraph 2

[21] Information received via email from Sennedd Commission Staff

It was noted, however, that a DFB would be expected to lay a supplementary budget, only if the overall spending requirement was to be increased. The Committee would not be informed of an underspend.

2.3.3 Scotland - Scottish Parliament

The annual Budget process commences with the publication of the Scottish Budget. This is followed by the annual Budget Bill and the parliamentary approval of the Scottish Government's spending plans. Once the Budget Act has been approved by the Scottish Parliament, there are usually two opportunities to amend the budget as the financial year progresses – the Autumn Budget Revision and a Spring Budget Revision. However, this year there was an additional Summer Budget Revision to provide clarity over the application of funding in response to the COVID-19 pandemic.

The Autumn Budget Revision is routine parliamentary business that proposes amendments to better align the Government's budget with its planned spending profile. The Financial Scrutiny Unit within the Scottish Parliament Information Centre (SPICe) provided a briefing to the Finance and Constitution Committee on the proposed changes detailed in the Autumn Budget Revision, to aid the Committees' scrutiny. The briefing highlighted movements that exceed £5 million[22]. However, it appears that Members typically are interested in movements of funds which "catch their eye".[23]

Outside of the Finance and Constitution Committee sessions on in-year Budget Revisions, subject committees are encouraged to "take a more year-round approach to Budget scrutiny". This, however, is generally limited, due to limited publicly available information.

2.3.4 RoI – Houses of the Oireachtas

In general, in-year financial scrutiny is relatively ad-hoc in the RoI Houses of the Oireachtas. There are no formal rules surrounding in-year financial scrutiny. However, Dáil Sectoral Committees under Standing Orders have the power to examine such issues in the departments and agencies under their remit. The Committee Secretariat encourage committees to examine the position at least once mid-year but this guidance is not strictly adhered to.

Committees, however, must consider any excess in spending through the Supplementary Estimates process. This process usually happens in late November/early December.

In effect, the threshold is set at 1000 Euro. There are two types of Supplementary Estimates: (a) Substantive Supplementary Estimates where additional funds are allocated; and, (b) Technical Supplementary Estimates where an increase of 1000 Euro is proposed and money is moved from different programmes within a Department/agency, but in effect overall net spending remains at the previously approved level.

In addition, the Houses of the Oireachtas have a Parliamentary Budget Office (PBO), i.e. an independent and impartial body linked directly to parliament and provides technical and objective analysis of budgets and public finance to the Houses and its committees. The PBO has begun to write to a number of departments, asking them to detail budget lines of any areas which are over or under profile by 5% and/or 10 million Euro and an explanation why and if they will be back on profile by year-end. This process gives the PBO a better idea of what is driving differences between

[22] https://www.parliament.scot/S5_Finance/Meeting%20Papers/Wed_-_public_papers(1).pdf

[23] Information received via email from Financial Scrutiny Unit SPICe

actual spending and profiled spending and if issues warrant further investigation or mention in publications.

2.4 Underspends – Relevant examples for NI

Similar to NI, the legislatures in Wales and Scotland have corporate organisations functioning alongside independent remuneration arrangements. However, the approach to underspend varies between these two legislatures.

2.4.1 Senedd Commission

In Wales, the Senedd Commission is the corporate body responsible for the provision of property, staff and services to support the Senedd Members. The Senedd Commission has an independent body known as the Remuneration Board which is responsible for setting the pay, pensions and allowances of Assembly Members and their staff. The Budget for Members' salaries and related costs is calculated in line with the Independent Remuneration Board determination.

To allow for this, the practice of the Senedd Commission, and similar to the practice of the NIAC, has been to budget for the maximum possible spend for each Member/party. Historically, the Commission has then utilised any underspend to fund its investment priorities. There has been no requirement to seek approval from the Finance Committee or the Senedd to permit this. This has effectively given the Commission maximum discretion over the use of any underspend related to the Determination. The flexibility afforded to the Commission is not available to other directly funded bodies in Wales. Instead, those bodies are required to identify project work during budget planning, which then is scrutinised by the Finance Committee, providing transparency for the public.[24]

The Finance Committee is responsible for scrutiny of the Senedd Commission's budget. In 2018, the Finance Committee undertook an inquiry to establish the Senedd Commission's use of the Remuneration Board's Determination underspend.[25] During that inquiry, the Finance Committee considered how other parliaments, within the UK and more widely, budget for expenditure related to Members' pay and allowances and how any applicable underspends are utilised.

Following that inquiry, the Commission agreed to review its strategy for the 2019-20 draft budget. The Commission's aim in presenting a revised model was to address the concerns raised by the Finance Committee, whilst maintaining flexibility and minimising risk to the Commission budget.

The revised budget consists of[26]:

- A ring-fenced budget for the Remuneration Board's determination - to include amounts to cover "temporary staffing allowances" and a contingency for e.g. death-in-service. Any underspend would not be relied upon by the Commission to fund its investment priorities; and,
- The Commission's investment fund - no longer to be supplemented by an underspend from the Remuneration Board's determination. However, a

[24] https://business.senedd.wales/documents/s76380/Assembly%20Commission%20response%20to%20the%20Finance%20Committee%20report%20-%208%20June%202018.pdf

[25] https://senedd.wales/laid%20documents/cr-ld11528/cr-ld11528-e.pdf

[26] http://www.senedd.assembly.wales/documents/s76380/Assembly%20Commission%20response%20to%20the%20Finance%20Committee%20report%20-%208%20June%202018.pdf page 10 paragraph 3

corresponding increase is required to offset this shortfall within the Commission's operational budget.

Also, because the Commission's budget is split into the Corporate and Member support budgets, this can result in underspends, which cannot be spent by the Commission, and are returned to the Welsh Consolidated Fund.

2.4.2 Scottish Parliamentary Corporate Body (SPCB)

The Scottish Parliamentary Corporate Body is responsible for ensuring that the Parliament is provided with the property, services and staff it requires.

In Scotland, there is a set basis for the calculation of Members' annual pay budget. This is calculated on the basis that Members' pay will be uprated annually on 1 April by a mechanism linking Members' salaries to levels of public sector pay rises in Scotland. The annual budget for Members' expenses and support costs - such as office costs, staffing and accommodation - reflect the limits set by the Reimbursement of Members' Expenses Scheme, as set up by the Resolution of the Parliament[27]. It is assumed that not all Members will claim the full entitlement every year, with estimates based on the experience of the Scheme to date and trends from previous years. The SPCB budgets for expenditure related to Members' pay and allowances. The SPCB cannot exceed the level of income and expenditure approved by the Budget Act.

The Auditor General for Scotland stated:[28]

> *The SPCB can apply budget underspends to fund other SPCB projects without the formal approval of the Scottish Parliament's Finance and Constitution Committee. The reallocation of budgets across expenditure lines is approved by the SPCB's Strategic Resources Board, made up from members of the senior management team. This approach also applies to budget underspends against members costs. Any budget underspends remaining at year end cannot be carried forward.*

The Finance and Constitution Committee has a written agreement on the budget process with the Scottish Parliamentary Corporate Body (SPCB).[29] The document sets out an understanding between the Finance and Constitution Committee and the SPCB on the administrative arrangements relating to the scrutiny of its annual draft budget. The agreement states[30]:

> *…It is [therefore] important that, wherever possible, accurate information about the spending plans of the SPCB is made available to the Finance and Constitution Committee and the Scottish Government at an early stage.*

The SCPB has agreed the following provisions[31]:

> *That it will provide a budget to the Committee and to the Scottish Government, normally no later than the end of the first week in December; and*

[27] https://www.parliament.scot/SPCB/2015/SPCB(2015)Paper_083.pdf#:~:text=The%20Reimbursement%20of%20Members%E2%80%99%20Expenses%20Scheme%20was%20established,the%20proposed%20changes%20to%20the%20Scheme%20require%20Parliamentary

[28] https://business.senedd.wales/documents/s72198/RBU%205%20Audit%20Scotland.pdf

[29] https://www.parliament.scot/S5_Finance/General%20Documents/Written_Agreement_between_FC_and_SPCB_final.pdf

[30] https://www.parliament.scot/S5_Finance/General%20Documents/Written_Agreement_between_FC_and_SPCB_final.pdf point 2

[31] https://www.parliament.scot/S5_Finance/General%20Documents/Written_Agreement_between_FC_and_SPCB_final.pdf points 3 & 5

> *That, in order to assist the Committee's understanding of the expenditure plans, Members of the SPCB, the Clerk and parliamentary staff will provide information and give evidence to the Committee when requested.*

In addition, the SCPB has agreed[32]:

> *To keep both the Committee and the Scottish Government informed of any substantive changes to the Scottish Parliament's budget…*

The Finance and Constitution Committee have agreed to consider and report on the SPCB's budget as part of its wider budget scrutiny, before which the SPCB's final expenditure proposals appear in the annual Budget Bill, which is to be voted upon by the Parliament[33].

3 Concluding remarks

OECD good practice guidelines and DoF guidelines both emphasise the importance of committee engagement throughout the budget cycle. However, research concerning in-year committee engagement in other legislatures showed a varied and ad-hoc approach to in-year scrutiny.

A number of examples of thresholds concerning reporting and explanation of variance emerged, including:

- UK – House of Commons – an Estimates Memorandum must accompany Main Estimates and Supplementary Estimates, within the memorandum, detailed explanations must be provided for variances **greater than 10% and £10 million** or **greater than 5% and £200 million**.
- Wales – The Senedd - if a supplementary budget is required then the supplementary budget will be considered by the committee, if no supplementary budget is required then a written report providing explanation of any **significant budget transfers** is required.
- Scotland - Financial Scrutiny Unit – provide a briefing to the Finance and Constitution Committee on proposed changes during each budget revision (typically Autumn and Spring, and this year Summer). The Financial Scrutiny Unit briefing highlights movements that **exceed £5 million.**
- **Scotland -** Scottish Parliamentary Corporate Body – has a written agreement with the Finance and Constitution Committee to keep both the Committee and the Scottish Government informed of any **substantive changes to their budget.**
- RoI – Houses of the Oireachtas – committees must consider any excess in spending through the Supplementary Estimates process. In effect, the threshold is set at **1000 Euro**.
- RoI – Parliamentary Budget Office – departments are asked to detail budget lines of any areas which are **over or under profile by 5% and/or 10 million Euro** in-year and to provide an explanation.

[32] https://www.parliament.scot/S5_Finance/General%20Documents/Written_Agreement_between_FC_and_SPCB_final.pdf point 4

[33] https://www.parliament.scot/S5_Finance/General%20Documents/Written_Agreement_between_FC_and_SPCB_final.pdf points 6 & 7

NORTHERN IRELAND ASSEMBLY COMMISSION BUDGET SETTING PROCESS

Preparation of Draft Budget:

Context

The Assembly Commission (the "Commission") prepares a draft budget for the period of the Executive's Budget as notified by the Department of Finance (DoF). This budget is established in advance of the timetable established by DoF for Executive Departments;

Key Milestones

a. As part of the development of the Commission's draft budget, the Commission actively obtains data and projections from the DoF relating to the wider outlook for the Northern Ireland Block for the entirety of the budget period;

b. The Commission, taking account of the DoF projections, proposes its draft budget and presents it to the Audit Committee. At the same time, the Commission also provides the draft budget figures to the DoF;

Interaction with Audit Committee:

Context

Via an agreed mechanism (e.g. Standing Orders) and in keeping with the Executive budgetary timetable, the Audit Committee lays a report on the Commission's draft budget;

Key Milestones

a. In advance of laying that report, the Commission attends an Audit Committee meeting(s) to give evidence on its draft budget;

b. In advance of laying that report, the Audit Committee receives written evidence from DoF (cleared in advance by the Finance Minister) on the wider outlook for the Northern Ireland Block and the DoF view of the Commission's draft budget. In considering the Commission's draft budget, the Committee should have due regard to the evidence provided by the DoF.

c. Evidence to the Committee from the DoF shall be included in the Committee's report to the Assembly;

d. The Committee prepares and lays its report;

NORTHERN IRELAND ASSEMBLY COMMISSION BUDGET SETTING PROCESS

Finalisation of Budget:

Context
The Commission prepares its final budget, taking on board the recommendations of the Audit Committee and submits a motion to the Business Committee;

Key Milestones

a. The Assembly as a whole debates the final budget in Plenary before voting on the motion (without amendment) that it be "agreed and incorporated into the Executive's Budget and the subsequent Main Estimates.″

b. The vote of the Assembly in respect of the Commission's budget is reflected, without amendment, in the budget prepared by the Executive;

In-Year Amendments to Budget:

Context
On an in-year basis, financial controls are established that are aligned to the arrangements for setting the initial budget.

Key Milestones

a. The Commission prepares and submits its contribution to Monitoring Rounds and the Spring Supplementary Estimate. The submission of the Commission's contribution to Monitoring Rounds and the Spring Supplementary Estimate will be subject to agreed thresholds between the Commission and the Committee. If these thresholds are not exceeded, the Commission will not seek the Audit Committee's view on its in-year position.

Review:

This methodology will be reviewed within one year of its first use and at the conclusion of every Executive budget setting period.