



Northern Ireland
Assembly

Research and Information Service Briefing Paper

Paper 54/20

20 March 2020

NIAR 94-20

Standardised Scrutiny Approach: Assembly Statutory Committees engaging on forthcoming Executive Budget 2020-21

Eileen Regan and Rachel Keyes

Introduction

Assembly statutory committees are to engage with departments on their budgets, throughout the budget cycle, i.e. when formulating (*ex ante*), when implementing (*concurrent*) and when reviewing (*ex post*). They are to act in accordance with Northern Ireland's Public Finance Framework ("the rules" – NI's PFF), as well as good practice budgeting principles, such as those identified by the Organisation for Economic Cooperation and Development (OECD).¹ Such scrutiny should be timely, open and transparent, amongst other things, to enable effective engagement between the Assembly and the Executive/departments; ultimately serving to increase accountability to the Northern Ireland (NI) people.

At this time, statutory committee scrutiny of the forthcoming Executive Budget for 2020-21 is constrained by a number of factors, including many which arise from NI's PFF and are beyond the Executive's control, as explained in an earlier paper prepared by the Assembly's Research and Information Service (RaISe) on 18 February 2020, entitled [Assembly Committee Engagement on 2020-21 Departmental Budget Planning](#) (NIAR 15-20).² In addition, factors continue to arise from the daily, mounting COVID-19 challenges in terms of public health, economics and finance. This serves to further constrain scrutiny given the NI PFF, as it requires the Executive to defer to the UK Government for decision-making relating to COVID-19 additional funding, which will continue to change as the situation evolves for the foreseeable future.

Within this unprecedented context, the Public Spending Directorate within the Department of Finance (DoF) advises:³

We would like, to present the Budget and subsequent Main Estimates in the most transparent way possible. We are currently considering the most appropriate process in light of the timescales and possible capacity issues due to COVID-19. At this stage we have not yet decided whether this will include a Post Budget exercise. We also need to be mindful of the need to ensure that departments have the flexibility to deal with any funding requirements emerging from the COVID-19 situation. We will advise the Committee when we have a more settled position.

Nonetheless – despite COVID-19 - statutory committee scrutiny of the forthcoming Executive Budget 2020-21 is required under the NI PFF. Moreover, in line with OECD good practice budgeting principles, such scrutiny should include openness and transparency, and it should be timely, albeit "timely" in the context within which NI currently finds itself. To be more effective, such scrutiny also should be proactive and coordinated. The need for such scrutiny is even more imperative given the findings and recommendations made in the Renewable Heat Incentive Inquiry Report, published on 13 March 2020, following the January 2020 return of fully functioning devolved governance in Northern Ireland after a three-year political hiatus.

Bearing in mind all the above, this Briefing Paper seeks to inform statutory committee scrutiny of the forthcoming draft Executive Budget 2020-21. It supplements the earlier RaISe briefing (NIAR 15-20), which sought to focus and coordinate committee engagement with departments on budget planning for 2020-21.⁴ It now seeks to inform committee scrutiny

¹ Organisation of Economic Cooperation and Development (OECD). Principles on Budgetary Governance, at: <http://www.oecd.org/gov/budgeting/principles-budgetary-governance.htm>

²Eileen Regan and Colin Pidgeon. [Assembly Committee Engagement on 2020-21 Departmental Budget Planning](#). Research and Information Service. NIAR 15-20. 18 February 2020.

³ Email correspondence dated 20 March 2020, from the Department of Finance Department Assembly Liaison Officer to the Senior Researcher responsible for RaISe's Public Finance Scrutiny Unit.

⁴Eileen Regan and Colin Pidgeon. [Assembly Committee Engagement on 2020-21 Departmental Budget Planning](#). Research and Information Service. NIAR 15-20. 18 February 2020.

deliberations, by securing timely, relevant and consistent departmental information and data for both the current year's Budget and the next year's (2020-21). It aims to do this through the use of a committee-agreed template, which is to be disseminated by individual committees *via* their Clerks; and then completed and returned by appropriate officials working in individual departments. Information and data from both years are required for the following reasons:

- The recent return after a three-year hiatus, creating the need to fill a three-year memory gap for committees regarding the budget and public finance more generally;
- The UK Chancellor's late Barnett Consequentials for 2019-20 at the end of February 2020;
- The Chancellor's 11 March 2020 United Kingdom (UK) Budget Statement⁵ for 2020-21, occurring much later than usual, amidst the rapid, ever-changing COVID-19 developments; and,
- Subsequent Chancellor statements regarding funding and other provisions due to COVID-19.

Upon receipt of the departments' completed templates, it is anticipated that the committees will be better informed, enabling them to consider and draw on departmental responses. Thereafter, committees will be supported with a Briefing Paper compiled and provided by the Public Finance Scrutiny Unit (PFSU) within RaISe's Finance and Economics Research Team. That Paper will analyse the departmental replies: please note that its analysis will be restricted by the quality of departmental replies, as well as the timeframe in which the PFSU analysis is to be produced and staffing challenges arising from COVID-19.

1. Indicative Timetable

The following section outlines an indicative timetable, explaining when and how to undertake the coordinated scrutiny approach highlighted above. **The timeline is accurate at the time of writing this Paper, and is subject to change given ongoing developments.**

- **11 March**
 - The UK Chancellor made a statement in Westminster on his Budget for 2020-21, which (amongst other things) informs the NI Block Grant and non-Block funding for the Executive Budget 2020-21.
 - That statement mentioned initial COVID-19 provisions, but those provisions were not included in the noted Barnett Consequentials.⁶
- **14 March**
 - The NI Secretary of State notified the Finance Minister of the UK funding available for Executive Budget 2020-21.
- **16 March**
 - The Minister of the Department of Finance (DoF) issued a written statement to the Assembly, outlining:
 - Further **2019-20** funding allocations made by the UK Chancellor to NI. (The Executive agreed to delay this statement until after the UK Chancellor's Budget on 11 March.)

⁵ Colin Pidgeon. UK Chancellor's Budget 2020: Implications for Northern Ireland, *Research Matters*. 13 March 2020, at: <https://www.assemblyresearchmatters.org/2020/03/13/uk-chancellors-budget-2020-implications-for-northern-ireland/>

⁶ Letter dated 11 March 2020, from the Department of Finance Departmental Assembly Liaison Officer to the Assembly Committee for Finance Clerk, at paragraph 3.

- 2020-21 funding available for the Executive Budget **2020-21**, following on from the UK Chancellor's Budget. (This funding does not include remaining Confidence and Supply Agreement monies; the DoF is awaiting Chancellor's guidance in that regard.)⁷
- **18/19 March**
 - **The Assembly Committee for Finance (CfF) wrote to other Assembly statutory committees to agree a standardised scrutiny approach for Executive Budget 2020-21, which is to include:**
 - **This Briefing Paper: It explains the approach and is to be considered by the statutory committees on 25/26 March, along with the accompanying template.**
 - **The template – if standardised approach agreed by statutory committees on 25/26 March - then the committee Clerks are to disseminate the templates (only) to the Departmental Assembly Liaison Officers, who will direct within their departments for completion.**
 - **The committee Clerks are to indicate that the template is to be fully completed by individual departments, and then returned to committees by 15 April.**
 - **Upon receipt, the committee Clerks are to email the completed templates to the CfF Clerk, who on receipt is to forward all of them to RaSe's Senior Research Officer responsible for the PFSU.**
 - **Committee Clerks are to include a copy of the completed departmental template in the committee meeting pack for 22/23 April.**
 - **Thereafter – at their individual committee meetings the week of 22/23 April, when committees are to engage with departments on their budgets - a further Briefing Paper will be tabled by RaSe-PFSU. It will provide an analysis of the departmental template replies. It will be tabled due to compressed timeline and ongoing COVID-19 developments impacting RaSe staff.**
 - **Following this, on 29/30 April, each committee is to agree a report outlining its position and forward it to the CfF, which will compile a compendium report.**
- **20/23 March**
 - Assembly statutory committees *via* their Clerks are to receive this Briefing Paper and the related template, outlining the standardised approach.
- **25-26 March**
 - Assembly statutory committees are to consider this Briefing Paper and the related template at their weekly meetings, and agree to then forward the template onto departments for completion.
- **25 March**
 - DoF officials are to engage with the CfF on Executive Budget 2020-21.

⁷ Finance Minister's written statement dated 16 March 2020. This statement complies with the Finance Minister's legal obligation under Section 64 of the NI Act 1998 – i.e. detail amount of UK funding available to the Executive for the upcoming financial year, at least 14 days prior to laying a draft Budget for that financial year.

- **30 March**
 - The Finance Minister intends to announce the NI Budget 2020-21 (as of 18 March 2020).⁸
- **31 March – 3 May**
 - Assembly statutory committees are to engage with their departments on Executive Budget 2020-21.
 - **15 April**
 - Departments' deadline to return completed templates to Assembly statutory committees.
 - Committee Clerks to forward replies to the CfF Clerk, who is to forward them to RaISe.
 - **17 and 19 April**
 - Departments' returned templates are to be included in Assembly statutory committee packs for their upcoming meetings.
 - **22-23 April**
 - At their individual meetings, Assembly statutory committees are to engage with their departmental finance officials on departments' returned templates, while relying on returned templates and RaISe-PFSU Briefing Paper, which is to be tabled at individual committee meetings.
 - **29-30 April**
 - Assembly statutory committees: (1) are to have engaged with their departments; (2) are to have agreed their reports; and, (3) are to send to the CfF their individual reports. All this aims to help inform the CfF compendium report.
- **Week commencing 4 May**
 - The Finance Minister intends to bring a motion on the Budget (as advised 18 March 2020).
 - Amongst other things, a DoF official explains that the Minister recognises the:⁹

...importance of the role of departmental Committees and the need for appropriate scrutiny and, in the interests of accountability, it is intended to delay the debate and vote on the Budget to [this day]...

...Officials are of course aware that timings in this budget process are not ideal and indeed would have like to have more time for the Committee to engage...
- **6 May**
 - DoF officials are to provide an overview to the CfF (as advised 10 March).

⁸ Letter dated 18 March 2020, from the Department of Finance Departmental Assembly Liaison Officer to the Assembly Committee for Finance Clerk.

⁹ Letter dated 18 March 2020, from the Department of Finance Departmental Assembly Liaison Officer to the Assembly Committee for Finance Clerk.

- **25 May**
 - The Finance Minister is to lay the Main Estimates in the Assembly (as advised 10 March).
- **3 June**
 - Departments are to provide evidence on their 2020-21 budget positions to Assembly statutory committees (as advised 10 March).
 - The Finance Minister is to seek Accelerated Passage for the Budget Bill (as advised 10 March).
- **10 June**
 - The Budget Bill is to go by Accelerated Passage in the Assembly, if agreed to the week before.
- **15 June**
 - Supply Resolution (as advised 10 March).
- **22/23 June**
 - Assembly is to consider the Budget Bill (as advised 10 March).
- **29/30 June**
 - Final week of Assembly plenaries prior to summer recess.
 - Finance Minister's speech at final stage of Budget Bill in the Assembly.

Standardised Committee Scrutiny: Assembly Statutory Committees engaging on forthcoming Executive Budget 2020-21 - Departmental Template

This template aims to secure Departmental information and data relating to the Draft/Executive Budget 2020-21, to inform Assembly statutory committees' ongoing budget scrutiny. It seeks to increase committees' knowledge and understanding of:

- Departmental Budget Adjustments 2019-20 (Part A of this template); and,
- Departmental Budgetary Requirements and Revenue Estimates 2020-21 (Part B of this template).

Data from both years are required given the January 2020 return of devolved government after a three-year political hiatus in Northern Ireland, followed by the UK Chancellor's late 2019-20 Barnett Consequentials and his 11 March 2020 Budget Statement 2020-21, occurring much later than usual. These factors¹, alongside rapid ever-changing developments due to COVID-19, have resulted in a compressed indicative timeline for Executive Budget 2020-21.

Departmental responses provided on this template will serve to inform Assembly committee scrutiny going forward, for the forthcoming budget year and thereafter.

Please complete this template and return to the relevant Assembly Committee Clerk by **15 April 2020**. If you require any further information regarding this exercise, please contact that Clerk.

Fully complete Part A and Part B of this template. Inadequate responses may result in follow up questions from the relevant committee.

DEPARTMENT:

OFFICIAL NAME AND TITLE:

DATE:

¹ These factors are expanded upon in RalSe Briefing Paper [NIAR 15-20](#), dated 18 February 2020

PART A: RETURN OF FULLY FUNCTIONING ASSEMBLY: CATCHING UP

Part A focuses on the timeframe 2019-20. It seeks to gather information regarding Departmental Budget Adjustments that occurred in 2019-20. In the first instance, Question 1.1 seeks to quantify those budget adjustments. Questions 1.2 (a) to (c) then focuses on unpicking funding allocations and surrenders, which occurred during 2019-20, at the spending area level.

1. DEPARTMENTAL BUDGET ADJUSTMENTS 2019-20

1.1. Departmental Budget Baseline Overview of: Net Resource Requirement; Net Cash Requirement and Accruing Resources for the Main Estimate 2019-20; Spring Supplementary Estimates 2019-20; and, any subsequent Adjustments:

The purpose of the below table is to provide an overview of the Adjustments between the Main Estimate 2019-20 and the Spring Supplementary Estimates 2019-20. This is to enable the Assembly to track such information.

Further analysis of Adjustments to Resource Requirements and Capital Requirements will follow in questions 1.2 (a-c).

	Main Estimate 2019-20 £m	Spring Supplementary Estimates 2019-20 £m	2019-20 Adjustments £m
Net Resource Requirement			
Net Cash Requirement			
Accruing Resources			

1.2. Breakdown of Expenditure Reallocations and Surrenders in 2019-20

Questions 1.2 (a-c) aim to glean an understanding of funds - meaning funding and borrowing - that was estimated in the Main Estimate 2019-20, and then later reallocated or surrendered.

These questions aim to encapsulate funding at the spending area level, and should specify, for example: Block vs. Non-Block; Ring Fenced vs. Non-Ring Fenced; and or, EU Match Funded.

1.2.a. ***Additional funding allocations*** received as part of the 2019-20 in-year monitoring round process in each of the following funding categories, including a brief underpinning rationale.

Fictional examples have been given below to provide assistance.

No conclusory statements please, as such responses inevitably will yield clarification questions from the committee.

Indicate non-applicable where necessary.

Extend box if required.

(i) Resource Departmental Expenditure Limits (RDEL) 2019-20
(Block Grant, including Barnett Consequentials)

Example: Pension Contributions - £70m was secured towards the increased costs of employers' pension contributions due to an increase in employers' contribution rate of some 6% with effect from April 2019

(ii) Capital Departmental Expenditure Limits (CDEL) 2019-20
(excluding FTC)

Example: ICT - £20m was secured towards replacement and modernisation of critical ICT systems across the region.

(iii) Annually Managed Expenditure (AME) 2019-20

Example: Financial Assistance Scheme (FAS) - £20m secured to cover FAS provision increase in 2019/20 due to Bauer judgement. The Court of Justice of the European Union is currently considering a case which could potentially require individual pension scheme members to receive full value of their accrued old age benefits in the event of employer insolvency ("Bauer judgement").

1.2.b. ***Funding surrendered*** as part of the 2019-20 in-year monitoring round process in each of the following funding categories, including a brief underpinning rationale.

No conclusory statements please, as such responses inevitably will yield clarification questions from the committee.

Indicate non-applicable where necessary.

Extend box if required.

**(i) Resource Departmental Expenditure Limits (RDEL) 2019-20
(Block Grant, including Barnett Consequentials)**

**(ii) Capital Departmental Expenditure Limits (CDEL) 2019-20
(excluding FTC)**

(iii) Annually Managed Expenditure (AME) 2019-20

1.2.c. **Non-Block Allocations**

Provide a breakdown of Non-Block Allocations received and Surrendered as part of the 2019-20 in-year monitoring round process. Indicate the funding source (including name and type), the timeframe associated with the funding, the amount of the funding (both amount available and amount used), and then an explanation of any monies not used.

Use extra boxes if required (additional rows can be added to table by right click – insert – insert below).

Indicate non-applicable where necessary.

Funding Source (Name and Type)	Timeframe	Amount		If amount used is <u>less</u> than amount available provide an explanation below: (indicate if funds were surrendered or reallocated within department)
		£m available	£m used	
<p>Name:</p> <p>Type: (delete as appropriate)</p> <p><input type="checkbox"/> Ring-Fenced</p> <p><input type="checkbox"/> Non Ring-Fenced</p> <p><input type="checkbox"/> EU Match Funded</p> <p><input type="checkbox"/> Borrowed</p> <p><input type="checkbox"/> Other:</p>				
<p>Name:</p> <p>Type: (delete as appropriate)</p> <p><input type="checkbox"/> Ring-Fenced</p> <p><input type="checkbox"/> Non Ring-Fenced</p> <p><input type="checkbox"/> EU Matched Funded</p> <p><input type="checkbox"/> Borrowed</p> <p><input type="checkbox"/> Other:</p>				

<p>Name:</p> <p>Type: (delete as appropriate)</p> <p><input type="checkbox"/> <i>Ring-Fenced</i></p> <p><input type="checkbox"/> <i>Non Ring-Fenced</i></p> <p><input type="checkbox"/> <i>EU Match Funded</i></p> <p><input type="checkbox"/> <i>Borrowed</i></p> <p><input type="checkbox"/> <i>Other:</i></p>				
<p>Name:</p> <p>Type: (delete as appropriate)</p> <p><input type="checkbox"/> <i>Ring-Fenced</i></p> <p><input type="checkbox"/> <i>Non Ring-Fenced</i></p> <p><input type="checkbox"/> <i>EU Match Funded</i></p> <p><input type="checkbox"/> <i>Borrowed</i></p> <p><input type="checkbox"/> <i>Other:</i></p>				

PART B: DEPARTMENTAL BUDGETARY REQUIREMENTS AND REVENUE ESTIMATES 2020-21

Part B focuses on the timeframe 2020-21 and seeks to gather information regarding upcoming Departmental Budgetary Requirements. Question 2.1 gleans information regarding Resource budgetary requirements, while Question 2.2 focuses on Capital budgetary requirements. Question 3.1 then asks for information on estimated department revenue; and Question 4 allows respondents to leave additional commentary.

2.1. RESOURCE DEPARTMENTAL BUDGETARY REQUIREMENTS 2020-21

2.1.a. Please provide a breakdown of Departmental Resource Pressures at the spending area level, in terms of Inescapable Pressures, Pre-Committed Pressures, High Priority Pressures, and Desirable Pressures for the year 2020-21.

Responses to this section include those Pressures relating to, for example: RDEL, EU Exit, New Decade New Approach, or COVID-19. In each instance, specify, for example: Type of Funding (e.g. RDEL); Block vs. Non-Block; Ring-fenced vs. Non-Ring-Fenced.

Fictional examples and definitions² have been given to provide assistance.

No conclusory statements please, as such responses inevitably will yield clarification questions from the committee.

Indicate non-applicable where necessary.

Use extra boxes if required (additional rows can be added to table by right click – insert – insert below)

Inescapable: This category covers Pressures resulting in additional firm legal or contractual obligations, whose costs were not previously anticipated and if not met, may lead to proceedings being taken against the Department.

Inescapable Pressure	Explanation of Pressure	2020-21 £m	Funding Source
<i>Example: Pay</i>	<i>Relates to increased pay costs associated with anticipated 2020-21 pay uplifts and inflationary increases</i>	<i>£15m</i>	<i>RDEL Block Non-ringfenced</i>
Total Pressures			

² Definitions used throughout Part B taken from Department for Finance and Personnel “2012-13 Monitoring Bids”, unpublished template.

Pre-committed: This category covers those Pressures relating to a situation where the Executive has already taken prior decisions, through an alternative decision making process.

Pre-committed Pressure	Explanation of Pressure	2020-21 £m	Funding Source
Total Pressures			

High-Priority: This category covers those Pressures in areas which are deemed to be important proposed developments in either delivering the key areas covered in the Programme for Government or dealing with other emerging issues of comparable importance.

High Priority Pressure	Explanation of Pressure	2020-21 £m	Funding Source
Total Pressures			

Desirable: This category covers those Pressures which are considered value for money projects but have a less direct impact on key departmental objectives and targets.

Desirable Pressure	Explanation of Pressure	2020-21 £m	Funding Source
Total Pressures			

2.2. CAPITAL DEPARTMENTAL BUDGETARY REQUIREMENTS 2020-21

2.2.a. Please provide a breakdown of Departmental Capital Pressures, at the spending area level, in terms of Inescapable Pressures, Pre-Committed Pressures, High Priority Pressures, and Desirable Pressures for the year 2020-21.

Responses to this section include those Pressures relating to for example: RDEL, EU Exit, New Decade New Approach, or COVID-19. In each instance, specify, for example: Funding type (e.g. CDEL); Block vs. Non-Block; Ring-fenced vs. Non-Ring-Fenced.

Fictional examples and definitions have been given to provide assistance.

No conclusory statements please, as such responses inevitably will yield clarification questions from the committee.

Indicate non-applicable where necessary.

Use extra boxes if required (additional rows can be added to table by right click – insert – insert below)

Inescapable: This category covers Pressures resulting in additional firm legal or contractual obligations, whose costs were not previously anticipated and if not met, may lead to proceedings being taken against the Department.

Inescapable Pressure	Explanation of Pressure	2020-21 £m	Funding Source
Total Pressures			

Pre-committed: This category covers those Pressures relating to a situation where the Executive has already taken prior decisions, through an alternative decision making process.

Pre-committed Pressure	Explanation of Pressure	2020-21 £m	Funding Source
Total Pressures			

High-Priority: This category covers those Pressures in areas which are deemed to be important proposed developments in either delivering the key areas covered in the Programme for Government or dealing with other emerging issues of comparable importance.

High Priority Pressure	Explanation of Pressure	2020-21 £m	Funding Source
Total Pressures			

Desirable: This category covers those Pressures which are considered value for money projects but have a less direct impact on key departmental objectives and targets.

Desirable Pressure	Explanation of Pressure	2020-21 £m	Funding Source
Total Pressures			

3. DEPARTMENTAL REVENUE ESTIMATES

3.1. Outline any Departmental Fees, Charges and Levies, where appropriate, and an estimation of subsequent Revenue expected in 2020-21.

Fictional examples and definitions have been given to provide assistance.

Extend box if required.

Indicate non-applicable where necessary.

Example: Carrier Bag Levy, expected revenue 2020-21 £1m

4. FINAL COMMENTS

4.1. Please use the box below to provide any additional comments you think may assist Assembly committees in their on-going scrutiny of the Draft/Executive Budget 2020-21.

Extend box if required.