Department of Finance
www.finance-ni.gov.uk

Public Expenditure Terminology

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This publication is designed to be a quick reference guide for key Public Expenditure terminology.

An online version is available at **www.finance-ni.gov.uk**

Accountable Department (EU)

The relevant government department charged with responsibility for the financial delivery of all or part of a European Funding Programme.

Accounting Officer

A person appointed by DoF or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the Head of a department or other organisation or the Chief Executive of a non-departmental public body (NDPB).

Accounts Direction

A direction issued setting out the accounts which a body must prepare, and the form and content of those accounts.

Accruals Basis

The principle that income and expenditure should be recorded and dealt with in the accounting period in which they are earned or incurred (notwithstanding that the relevant cash flow may not occur until a later accounting period).

Accruing Resources

This is income received by a department which it is authorised to retain (rather than surrender to the NI Consolidated Fund) to offset related expenditure. The limits for such income are voted by the Assembly in the Estimates and Budget Bill, with actual transactions being accounted for in departmental resource accounts.

Accruing Superannuation Liability Charges (ASLCs)

The benefit expenditure of unfunded pension schemes, such as the Principal Civil Service Pension Scheme (PCSPS), is met as it falls due on a pay-as-you-go basis and there is no separate fund of assets to pay the retirement benefits. It was decided in the early 1990s that a system should be introduced to make employers accountable for the pension costs accruing in respect of their employees and to ensure that such costs were recognised when taking decisions on staffing matters. This led to the development of ASLCs, which in principle have reflected the level of contributions which might be paid by private sector employers to pension schemes for their employees.

The ASLC mechanism assesses the cost of pension rights being accrued by employees at the present time and translates these costs into a charge, expressed as a percentage of pensionable pay, which is then paid by departments and agencies to the bodies responsible for paying and accounting for unfunded public service occupational pensions. ASLCs are included within DEL.

Additionality

An impact arising from an intervention is additional if it would not have occurred in the absence of the intervention. A project is regarded as fully additional if, without intervention, it would not happen at all. However, additionality may be partial e.g. if an activity is undertaken on a larger scale, or earlier, or to a higher standard, or within a policy target area, as a result of public sector intervention. In cases of financial assistance, additionality should be assessed to establish that the proposed assistance is the minimum necessary.

Administration Costs

Administration costs are a subset of the total resource budget, and reflect the resources consumed directly by departments and agencies in providing central government services. Administration costs include pay, superannuation, travel and subsistence, current expenditure on back office accommodation etc. Administration Budgets are monitored to ensure that as many resources as possible (i.e. the balance of the overall resource budget) are available for front line services and programmes. However, it is important to recognise that some element of administration costs will always be required – e.g. in terms of governance and accountability structures, and supporting front line spend (i.e. back office support).

Affordability

An assessment of whether proposals can be paid for in terms of resources, cash-flows and funding. It involves setting out the Capital and Resource DEL impacts of proposals year by year over time; showing (separately) the corresponding year by year cash flows; and indicating the intended sources of funding.

Aggregate External Finance (AEF)

Mainstream Government support for expenditure on local authority services. It comprises of Revenue Support Grant (RSG) and certain specific and special grants.

Alignment (or 'Clear Line of Sight') project

The Clear Line of Sight project was set up to meet the objective, announced by the Prime Minister in the July 2007 Green Paper "The Governance of Britain", that the Government would simplify its financial reporting to Parliament by ensuring that it reports in a more consistent fashion, in line with the fiscal rules, at all three stages in the process – on plans, Estimates and expenditure outturns.

In order to simplify public spending reporting, the project aimed to align more closely the treatment of spending in departmental budgets, Estimates and Resource Accounts.

The GB project was implemented in two stages, with changes to budget policy being implemented in 2010-11 and Estimates and Resource accounts to be produced on alignment structures in 2011-12.

Only the changes to budget policy impacted on Northern Ireland as any changes to Estimates and accounts structures, such as the movement of NDPBs to within the accounting boundary, will be a matter for the Executive. (see **Review of the Financial Process**)

Ambit

A formal description of the services to be financed from an Estimate. All expenditure should be covered by an ambit, and is published in the Estimates.

Annually Managed Expenditure (AME)

A spending aggregate that covers programmes for which multi-year limits are not appropriate or possible, but which are taken into account in public expenditure planning. AME typically consists of programmes which are large, volatile and demand-led, and which therefore cannot reasonably be subject to firm multi-year limits. The biggest single element is social security spending. Other items include pensions and Student Loans. In Northern Ireland the non cash costs of some local authority analogous functions (such as local roads depreciation) are recorded in AME. (See also **Other AME**)

AME is reviewed regularly, and forecasts are commissioned by the Office for Budget Responsibility (OBR) to inform the yearly Budget and Autumn Statement processes reflecting the close integration of the tax and benefit system.

AME is not subject to the same multi-year expenditure limits as DEL, but is still part of the overall envelope for Public Expenditure. Affordability is taken into account when policy decisions affecting AME are made. The Government has committed itself not to take policy measures which are likely to have the effect of increasing social security or other elements of AME without taking steps to ensure that the effects of those decisions can be accommodated prudently within the Government's fiscal rules.

Given an overall UK envelope for public spending, forecasts of AME affect the level of resources available for DEL spending.

Following HM Treasury's Clear Line of Sight exercise, some non-cash costs were moved to AME. Currently approximately 44% of Northern Ireland's Total Managed Expenditure (TME) is AME. This is circa. £9 billion per annum.

Appraisal

The process of defining objectives, examining options and weighing up the relevant costs, benefits, risks and other factors to inform an investment decision. Also known as Economic Appraisal, Expenditure Appraisal or Investment Appraisal. (see **Economic Appraisal**)

Arm’s Length Bodies (ALBs)

There are occasions where bodies carrying out public functions should be further removed from Ministers, operating more at “arm’s length”. The greater degree of independence may be appropriate for a variety of reasons, for example the need for independent advice, expertise on technical or other complex issues, ethical issues regulation, adjudication etc

An “arm’s length body” will be sponsored by central government but will be a separate institutional unit. In order to lead that separate existence it will be able to:

- Make decisions in an autonomous way
- Enter into contracts
- Own assets and dispose of them
- Employ staff
- Make payments from it’s own bank account
- Draw up accounts

DoF approval is required to establish new ALBs. However, the sponsor department is responsible in the first instance for ensuring that the budgetary control and internal disciplines of ALBs are satisfactory.

In general “arm’s length bodies” are NDPBs, companies in which the department has a significant shareholding and other sponsored bodies.

Assets

An asset is defined as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow.

Assets can be either financial or non-financial:

- financial assets include cash, monetary gold, bank deposits, debtors, IMF Special Drawing Rights, loans granted, bonds, shares, accounts receivable, and the value of the government’s stake in public corporations; and
- non-financial assets consist of fixed capital (such as buildings and vehicles); stocks; land and valuables.

Assets can also be classified as current or fixed:

- Current assets are cash and other resources that are expected to turn to cash or to be used up within one year of the balance sheet date.
- Fixed assets are assets that are held for long-term use and are not likely to be converted quickly into cash, such as land, buildings, and equipment.

Barnett Formula

The Barnett formula determines changes to expenditure within the assigned budgets of the devolved administrations. Under the Formula the Scottish Government, Northern Ireland Executive and the Welsh Government receive a population-based proportion of changes in planned spending on comparable Government services in England, England and Wales or Great Britain as appropriate. It should be noted that the Formula determines the changes to each devolved administration's spending allocations; it does not determine the total allocation for each devolved administration.

There are three factors in determining changes to each devolved administration' spending allocation in a spending review;

1. the quantity of the change in planned spending in UK Government departments;
2. the extent to which the relevant UK departmental programme is comparable with the services carried out by each devolved administration; and
3. each country's population as a proportion of England, England and Wales or Great Britain as appropriate.

Barnett determined changes to the Northern Ireland Executive's budget are abated by 2.5% to reflect the fact that unlike other UK departments the Northern Ireland Executive does not require provision to meet Valued Added Tax (VAT) expenditure as this is refunded by HM Customs and Excise under Section 99 of the Value Added Tax Act 1994.

Using the factors above, the net change to the spending allocations for the Northern Ireland Executive is determined as follows:

Change to the UK Government department's programme	X	Comparability percentage	X	Appropriate population proportion	X	VAT abatement

Any additional funding provided to Northern Ireland is as a result of the Barnett formula is unhypothecated, i.e. the Executive has full discretion on its allocation to local services. This gives the NI Executive the opportunity to reallocate funds between services to suit the prevailing need.

The formula does not take into account either the amounts raised by taxation in each of the devolved nations, or the relevant 'fiscal need' (based on factors such as sparsity of population, deprivation, unemployment rates, and health factors) in each area.

Base Case

A term used in investment appraisals reflecting the best estimate for each option of how much it will cost in economic terms, including allowance for risk and optimism.

Baseline Option

A benchmark option included in economic appraisals so that the VFM of the alternative 'Do Something' options may be judged by reference to current or minimum service provision. Usually a 'Do Nothing' (i.e. status quo) option or 'Do Minimum' option. Sometimes called the 'base case' option, but see above definition of **base case**.

Benefits Management

A structured approach to ensure maximum benefits associated with a project are delivered, that involves identifying, planning, measuring and tracking benefits from the start of a project until all its benefits are realised. The term 'benefits management' is often used interchangeably with the term 'benefits realisation'.

Benefit Profile

A full description of a projected benefit including details on measures, ownership, responsibilities, dependencies and timing. Each anticipated benefit and dis-benefit should have a one page benefit profile. Defining benefit profiles is a fundamental step in benefits management as it is at this point that the practical considerations of benefit realisation are considered.

Benefits Realisation

See **Benefits Management**.

Benefits Realisation Plan

A management tool to monitor, track and manage the collective set of benefits associated with a project. The key activities (measurements, evaluations etc) from each benefit profile should be drawn together to form a consolidated plan to help keep track of what needs to be done, when and by whom, to manage the successful realisation of benefits.

Budget Act

Annual Acts of the Assembly, which give formal approval to departmental Supply Estimates and confer formal legal authority to departments for expenditure. A Budget Bill, on completion of its passage through the Assembly and in receipt of Royal Assent, becomes a Budget Act.

Budget Bill

See **Budget Act**.

Budget Exchange

Budget Exchange is the 2011 replacement for the former End Year Flexibility (EYF) scheme.

Budget Exchange provided a mechanism for Whitehall departments to surrender an underspend in advance of the end of the financial year in return for a corresponding increase in their budget in the following year, subject to a prudent limit.

Recognising their unique circumstances the Treasury agreed separate arrangements with the Devolved

Administrations that a modified version of the Budget Exchange system will apply to their underspends.

The Devolved Administrations are able to carry forward underspends up to an agreed cap of 0.6 per cent of their total eligible Resource DEL budget or 1.5 per cent of their eligible Capital DEL budget each year.

Unlike Whitehall departments, there will be no requirement to inform the Treasury in advance of the following year of the expected underspend in order to carry over the funding.

Building Sustainable Prosperity (BSP)

A European Structural Funds Programme which ran from 2000-2006, now closed.

Business Case

A business case provides the rationale for undertaking a programme or project, usually presented within a well-structured document such as a Strategic, Outline or Full Business Case.

Capital DEL

A sub-section of DEL which encompasses capital grants and Financial Transactions Capital (FTC). FTC is ring-fenced (see **Financial Transactions Capital**) and Capital DEL (CDEL) is therefore generally divided into conventional Capital and FTC.

In 2016-17 approximately 10% of the total DEL is Capital (CDEL). This equates to around £1.1 billion.

Capital Grant

Capital Grants are unrequited transfer payments, which the recipient has to use to:

- buy capital assets (land, buildings, machinery etc); or
- buy stocks; or
- repay debt (but not to pay early repayment debt interest premia)

In accounts capital grants score as resource spending but in budgetary terms they score as capital because an asset is created within the economy.

Capital Income or Expenditure

Related to the creation, purchase or sale of assets. The value must usually be above a certain capitalisation threshold and the asset must be expected to be used for a period of at least one year. It includes the purchase/construction of buildings, equipment and land. The threshold is set by each body: items valued below it are not counted as capital assets, even if they do have a productive life of more than one year. It also covers other items such as borrowing and principal repayments.

Cash Basis

An accounting convention in which transactions are recorded in the period in which payment is made or received as opposed to the period in which the transaction took place (**accruals basis**).

Central Government Body

Departments and their executive agencies and non-departmental public bodies. The Office for National Statistics determine which bodies are classified to central government.

Classification Changes

Changes in the way public expenditure is treated and recorded, rather than an actual change in the amount of cash spent or resources consumed. Classification changes can increase or decrease the recorded level of public expenditure. When there is a classification change the public expenditure data is normally restated for all years in order to provide a consistent series.

Classification Of the Functions Of Government (COFOG)

The Classification of the Functions of Government (COFOG), was developed in its current version in 1999 by the Organisation for Economic Co-operation and Development and published by the United Nations Statistical Division as a standard for classifying the purpose of government activities.

The classification has three levels of detail:

- divisions;
- groups;
- classes.

Divisions describe the broad objectives of government, groups and classes both define the means by which these broad objectives are achieved. For example

Division	**Sub-items**
Education	Pre-primary, primary, secondary and tertiary education, post secondary non-tertiary education, education non-definable by level, subsidiary services to education, R&D.

The analysis contained in the PESA document produced by HM Treasury is consistent with UN COFOG at level 2, with the exception of the health function, which continues to be presented against the HM Treasury's own sub-functional classification.

Clawback

The concept that where an asset financed by public money is sold, all or part of the proceeds of the sale should be returned to the NI Consolidated Fund.

Clear Line of Sight (CLOS) (or Alignment) Project

See **Alignment (or 'Clear Line of Sight') project**

Commensurate Effort (or Proportionate Effort)

The concept that the effort to be put into appraisal or evaluation should be in proportion to the scale or importance of the proposal.

Common Agricultural Policy (CAP)

The EU's Common Agricultural Policy (CAP) is the framework under which farmers operate. It sets out a range of farming, environmental and rural development activities as well as controlling EU agricultural markets. It is the single largest common policy across the EU.

Over the years, CAP has moved away from traditional subsidies of the past, like coupled payments and market price support, and the rural environment has had an increasing role.

Broadly speaking the CAP can be divided into 3 areas:

Direct payments to farmers (CAP Pillar 1)

Direct payments to farmers account for around three-quarters of the CAP Budget. They are a direct subsidy to farmers that replaced previous coupled payments and market measures that were phased out when levels of production became too high.

Market management measures (CAP Pillar 1)

The EU uses processes that control the market of agricultural goods in and out of the EU, such as export subsidies.

Rural Development (CAP Pillar 2)

Just under one-quarter of the CAP is spent on rural development measures under three broad categories:

- improving competitiveness;
- improving the environment and countryside e.g. through agri-environment schemes;
- improving quality of life and economic diversification for rural communities.

(EU) Community Strategic Guidelines

A document setting out the principles and priorities for EU Funding Programmes for the 2007-2013 period.

They may be found at:
http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:g24230

(EU) Common Strategic Framework (CSF)

A document setting out the principles and priorities for EU Funding Programmes for the 2014-2020 period.

(EU) Competitiveness and Employment (C&E)

The objective for which Structural Funds were provided to Northern Ireland for the 2007-2013 period. For the 2014-2020 period, replaced by Investment for Growth and Jobs.

Comprehensive Spending Review (CSR)

See **Spending Review (SR)**

Comptroller and Auditor General, C&AG

The head of the Northern Ireland Audit Office, appointed by the Crown, and an Officer of the Assembly. As Comptroller, the C&AG's duties are to authorise the issue by DoF of public funds from the NI Consolidated Fund to government departments and others; as Auditor General, the C&AG certifies the accounts of all government departments and most other public bodies, and carries out value-for-money examinations.

Concordat

A concordat is an official agreement that sets out the undertakings of the parties involved ensuring that all are aware of the requirements of the other and that all parties are consequently able to fulfill their responsibilities fully. Concordats are not made on a statutory basis, nor are they subject to Assembly/ Parliamentary approval.

There are concordats for various purposes including the long-standing agreement between the Treasury and the Public Accounts Committee that continuing functions of government should be defined in specific statute.

Consolidated Budgeting Guidance (CBG)

A HM Treasury document that provides guidance for government departments on the budgeting framework that applies for public expenditure control.

Consolidated Fund Extra Receipts (CFERs)

Refers to income which must be surrendered to the Consolidated Fund. The default position for departments is that all income should be paid over to the Consolidated Fund. Only by a Budget Act and related Accruing Resources Minute may a department retain the receipts realised or recovered in the process of conducting services and use it to offset related expenditure. Accruing resources in excess of the legislated limit, despite being of the same nature, must also be paid over to the consolidated fund. The term CFER is an Estimates term and as such it is possible to have CFERs which impact on both DEL and Non Budget funding depending on the nature of the income.

Consolidated Fund Standing Services

Payments for services which have been decided by statute should be met directly from the NI Consolidated Fund, rather than being voted annually by the Assembly. For example, the salaries of the Comptroller and Auditor General and pensions to former NI Ministers etc.

Consumer Price Index (CPI)

The Consumer Prices Index is the main United Kingdom (UK) domestic measure of inflation for macroeconomic purposes. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK, similar to the Retail Prices Index (RPI), but there are differences in coverage and methodology. Since December 2003, the inflation target for the UK is defined in terms of the CPI measure of inflation.

Contingency

An allowance of cash or resources to cover unforeseen circumstances.

Contingent Liabilities

Potential liabilities that are uncertain but recognise that future expenditure may arise if certain conditions are met or certain events happen.

Contingent Valuation

This involves asking people directly how much they would be willing to pay for a good or service, or how much they are willing to accept to give it up.

Conventional Procurement

Procuring services using traditional public sector procurement methods rather than by PFI or another form of PPP. (See **PFI** and **PPP**)

Corporate Governance

The system by which organisations are directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs including the process through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance.

Cost Benefit Analysis (CBA)

Analysis that seeks to quantify all of the costs and benefits of a proposal in monetary terms, including items for which the market does not provide a satisfactory measure of economic value.

Cost-Effective

Delivers a given level of service at least cost. More generally, delivers services at an optimal ratio of benefit to cost.

Cost-Effectiveness Analysis (CEA)

Analysis that compares the costs of alternative ways of producing the same or similar outputs.

Cost Utility Analysis (CUA)

A hybrid of CBA and CEA in which cost-benefit ratios are measured by comparing costs expressed in monetary terms with benefits expressed in other units e.g. cost per QALY (quality-adjusted life year).

Crowding Out

The extent to which an increase in demand occasioned by government policy is offset by a decrease in private sector demand.

Current Expenditure

See **Resource DEL**.

Deadweight

Expenditure to promote a desired activity that would in fact have occurred without the expenditure. In terms of financial assistance, deadweight is any excess over the minimum assistance required to secure a project.

Debtors

A person or entity owing money to the organisation. Debtors are assets on the balance sheet. They are recognised where a transaction has occurred, but cash is yet to be received.

Deficit (or budget deficit)

The amount by which government spending exceeds government income during a specified period of time (usually a year). The budget deficit can be split into two key elements:

- the cyclical deficit – this occurs as a result of a downturn in economic activity when tax receipts fall and spending on social security increases. It can be subsequently eliminated by a period of economic growth; and
- the structural deficit – this occurs when government spending exceeds tax receipts. A government can run a structural deficit even if the economy is growing strongly. Consequently, it can only be tackled by reducing government spending or raising taxes.

Deflation

A persistent fall in the general price level of goods and services.

Delegated Authority

A standing authorisation by DoF under which a body may commit resources or incur expenditure from money voted by the Assembly without specific prior approval from DoF. Delegated authorities may also authorise commitments to spend (including the acceptance of contingent liabilities) and to deal with special transactions (such as write-offs) without prior approval.

Departmental Expenditure Limit (DEL)

A spending aggregate that sets firm expenditure limits for a multi-year period. DEL includes that expenditure which is generally within the department's control and can be managed within multi-year limits. These limits are set at a Northern Ireland level by UK Spending Reviews. The NI Budget then sets out individual NI departments' DEL controls which have been determined through the local Budget process.

DEL is split into Resource DEL (RDEL) which reflects the ongoing cost of providing services and Capital DEL (CDEL) which reflects investment in assets which will provide, or underpin, services in the longer term.

Within the Resource DEL, HM Treasury impose separate controls (known as a ring-fence) on:

- Depreciation/Impairments; and
- Student Loan Impairment

The remainder of the Resource DEL is known as Non Ring-fenced Resource DEL.

Within the Capital DEL, HM Treasury impose separate controls (known as a ring-fence) on:

- Financial Transactions Capital

In 2016-17 approximately 56% of Northern Ireland's Total Managed Expenditure (TME) is DEL. This is equates to £11.6 billion.

Depreciation

This is the decline in the value of assets due to wear and tear, aging and use. The value of an asset is assumed for accounting purposes to decrease or 'depreciate' each year. The amount by which to write down an asset in a balance sheet to reflect depreciation can be estimated in a number of ways. The most common approaches are:

- **Straight line depreciation** assumes that the asset loses an equal amount of its value each year over its expected lifetime.
- **Decreasing balance depreciation** assumes that the asset loses a constant percentage of the value remaining each year after deducting previous write-downs, until it is finally scrapped and written off.

- **Accelerated depreciation** assumes that the amount of depreciation taken each year is higher during the earlier years of an asset's life – it is used when an asset is expected to be much more productive during its early years, so that the depreciation more accurately represents how much of an asset's usefulness is being used up each year.

The majority of depreciation costs score within Northern Ireland's Resource DEL. The element of the resource DEL relating to depreciation is ring fenced by the Treasury, meaning that funding may be moved into but not out of this area.

Devolution Acts

Scotland Act 1998, Government of Wales Acts 1998 and 2006 and Northern Ireland Act 1998. In the case of Northern Ireland, the 1998 Act has subsequently been amended by the Northern Ireland (St. Andrews Agreement) Act 2006 and the Northern Ireland Act 2009.

Devolved Administrations

The Scottish Government, the Welsh Government and the Northern Ireland Executive.

Diminishing Marginal Utility

The tendency as extra units of any commodity or service are used up or 'consumed', for the satisfaction provided by those extra units to decline.

Directorate General (DG)

The European Commission is divided into departments known as Directorates-General (DGs or the services), each headed by a director-general, and various other services. Each covers a specific policy area or service such as Agriculture and is under the responsibility of a European Commissioner. DGs prepare proposals for their Commissioners which can then be put forward for voting in the college of Commissioners.

The European commission website may be found at:
http://ec.europa.eu/index_en.htm

Discount Rate

The annual percentage rate at which the present value of a future pound, or other unit of account, is assumed to fall away through time. The standard public sector discount rate is set annually by HM Treasury.

Mathematically, a discount rate is the opposite of a compound interest rate. The discount rate defines how rapidly the value today of a future pound declines through time in real terms, just as a real rate of interest determines how fast the real value of a pound invested now will increase over time.

Note that the standard discount rate is defined in real terms, and should therefore be applied to values which are also expressed in real terms, as opposed to nominal or cash values. This means that the anticipated effects of general inflation should be removed from all the figures before discounting.

Discounted Cash Flow (DCF)

A way of estimating the value of an investment in today's money by adjusting future returns to get their present value. A technique for appraising investments, involving calculation of a Net Present Value (NPV) by discounting a stream of cash-flows over time. It reflects the principle that the value of costs and benefits in present day terms declines over time.

Discounting

The conversion of future costs or benefits to present values using a discount rate. It is often necessary to compare options that will impact over a period of years into the future, which raises the question of how future cost and benefits should be valued in today's terms. Normally people prefer to receive cash sooner rather than later and pay bills later rather than sooner. This is true even after allowing for inflation. For an individual this time preference may be indicated by the real interest rate on money lent or borrowed. In the public sector, likewise, we reflect social time preference by giving more weight to earlier than to later costs and benefits. This process of "discounting" is usually given effect by applying a "discount rate" to future costs and benefits.

Discretionary Services

Services that are not required by statute but are provided, often into competitive markets.

Displacement

The degree to which an increase in productive capacity promoted by government policy is offset by reductions in productive capacity elsewhere.

District Rates

Set by each District Council in Northern Ireland to finance their own net expenditure on the local service they provide including leisure, economic development and environmental matters.

Do Minimum Option

An option where government takes the minimum amount of action necessary. Used as a benchmark option in some appraisals.

Do Nothing Option

The status quo option i.e. the option of carrying on with the current arrangements. Does not mean literally doing nothing. Used as a benchmark option in many appraisals.

Do Something Option

An option that provides enhanced services by comparison to the benchmark 'do nothing' or 'do minimum' baseline option.

Economic Appraisal

A decision-making tool for assessing alternatives in order to identify those offering the best value for money from a national or regional perspective. Economic Appraisal :-

- is a systematic process for examining alternative uses of resources, including assessment of needs, objectives, options, costs, benefits, risks, funding, affordability and any other factors relevant to expenditure decisions.

- is a way of thinking expenditure proposals through, right from the emergence of a need through to the implementation of a response.
- is an established vehicle for assessment and approval of public expenditure policies, programmes and projects.
- is not restricted to the narrow perspective of a particular public body, rather it is about putting the nation's resources to the best use.

Key features of economic appraisal:

- Common elements include assessment of need, objectives, options, costs, benefits, risks, funding and affordability, but the precise techniques used will vary with area of expenditure.
- All NI/UK impacts are taken into account, including not only "economic" factors like income and employment, but also any other relevant factors such as social, health and environmental impacts.
- Costs and benefits are valued according to their economic cost or "opportunity cost", which is usually measured by market prices.
- Costs and benefits are included whether they fall to the public or private sector and whether they are quantifiable in money terms or not.
- Where displacement of competing activity is anticipated, benefits are adjusted to account for it, so as to calculate a proposal's net impact.

The principles of appraisal should be applied with proportionate effort to all spending decisions. Large scale decisions require substantial appraisal, small scale decisions require limited appraisal.

There is a role for narrower appraisals e.g. of the commercial or financial impact upon a particular public body, but these should generally supplement an economic appraisal from a national or regional perspective, they should not be conducted instead of it.

Extensive guidance on expenditure appraisal and evaluation is located in the Finance section of the DoF website: www.finance-ni.gov.uk

Economic Categories

The economic significance of public spending depends on its nature; firstly whether it is resource or capital, but also whether it is, for example, a transfer payment or expenditure on goods and services. Economic categories provide a broad classification of the economic impact of transactions. For example, pay, procurement, current grants, capital grants, subsidies etc.

Economic Cost

See **Opportunity Cost**

Economic Efficiency

A term that refers to the optimal production and consumption of goods and services. An investment may be considered economically efficient if it offers net benefits to the economy.

Economic Inactivity

Economic inactivity measures those people not in employment and not unemployed, i.e. out of the labour market. This group can be split into three sections:

- Those seeking work but aren't available to start in the next 2 weeks;
- Those who want to work but aren't actively seeking it; and
- Those who don't want to work.

The main economically inactive groups are students, people looking after family and home, long term sick, temporarily sick or injured, retired people and discouraged workers.

Education Maintenance Allowance (EMA)

EMA is a fortnightly payment of up to £60 for students who are age 16, 17, 18 or 19 years. It is paid directly to young people from households with an income of £22,500 or less who stay on in education after they reach statutory leaving age (i.e. after the end of their compulsory schooling).

Efficiency Delivery Plans (EDPs)

As part of the Budget 2008-11 process the Executive agreed that departments would be set a target of achieving 3% per annum efficiency savings over the period 2008-09 to 2010-11. To ensure transparency on the delivery of these savings departments were required to produce an Efficiency Delivery Plan (EDP) for each of the measures they were intending to implement in order to achieve the 3% per annum efficiency savings target.

End Year Flexibility (EYF)

Scheme originally introduced by HM Treasury to encourage departments to plan over the medium term by permitting carry forward of unspent resources from one year into the next. EYF was also intended to remove any incentive for departments to use up their provision as the year end approaches with less regard to value for money.

However, as a consequence of the fiscal environment HM Treasury increasingly restricted access to EYF, culminating in its abolition in the 2010 Spending Review (and replacement with "Budget Exchange").

Estimates

Departmental budgets do not of themselves confer authority to spend or commit resources. That requires Assembly agreement through the Estimates process and Budget Acts. Departmental Estimates containing one or more Requests for Resources (RfRs) are put to the Assembly covering one financial year at a time. The Estimates set out in detail the amounts of cash and net resources required (taking account of planned receipts).

Once agreed, the Estimates become the expenditure limits voted by the Assembly, set in the Budget Acts. These provide the legal authority for public expenditure within the ambit of each RfR. The ambit describes the activities on which expenditure is permitted by the RfR.

In Northern Ireland there are generally two sets of Estimates published during the financial year. The **Main Estimates**, based on the previously announced Budget, are published around June each year. The **Spring Supplementary Estimates** published around

February each year which take into account the in year changes made in the monitoring rounds and allow departments access to finance at the beginning of the next financial year – see **Vote on Account**.

There are some limited exceptions to the need for Estimates the main on being the various Northern Ireland Consolidated Fund Standing Services (see **Consolidated Fund Standing Services**)

Equality Impact Assessment (EQIA)

Equality Impact Assessments are concerned with anticipating and identifying the discriminatory or negative consequences for a particular group or sector of the community on the grounds of race, disability, gender, age, religion or belief, political opinion, marital status, having dependents and sexual orientation. Information gathered may show that there is over or under representation by certain groups. Either way this would need to be looked into unless the service is targeted at a specific group. The outcome of an EQIA is to make sure that, as far as possible, any negative consequences are eliminated or minimised and opportunities for promoting equality are maximised.

EU Receipts

Amounts of European Structural and Investment Funds drawn down from the European Commission in respect of EU Funding Programmes.

Anticipated EU Receipts, assuming they meet the relevant recognition criteria, are recorded in the accounts of the relevant departments as debtors.

EU receipts represent additional income to the NI Budget (‘negative DEL’).

European Agricultural Fund for Rural Development (EAFRD)

The fund contributes to improving the competitiveness of agriculture and forestry, the environment and the countryside, the quality of life and the management of economic activity in rural areas. This is delivered in Northern Ireland through the NI Rural Development Programme.

European Agricultural Guidance and Guarantee Fund (EAGGF)

The predecessor to the European Agricultural Fund for Rural Development (EAFRD), which replaced it in 2007.

For further details, see:
http://en.euabc.com/word/392

European Maritime and Fisheries Fund (EMFF)

The European Maritime and Fisheries Fund shall contribute to realising the Common Fisheries Policy (CFP) objectives, which specifically consist of ensuring the conservation and sustainable use of marine resources.

European Fund for Strategic Investments (EFSI)

EFSI is an initiative launched jointly by the EIB Group and the European Commission to help overcome the current investment gap in the EU by mobilising private financing for strategic investments.

European Regional Development Fund (ERDF)

One of the two European structural funds, the ERDF is used to support productive investment, infrastructure and small and medium sized enterprises and sustainable urban development.

For more information see:
http://ec.europa.eu/regional_policy/en/funding/erdf/

European Social Fund (ESF)

One of the two European structural funds, the ESF is used to improve employment opportunities through training and guidance, to assist in job creation and combat social exclusion.

For more information see:
http://ec.europa.eu/regional_policy/en/funding/social-fund/

European Structural and Investment Funds

A Framework term covering:

The Structural Funds (European Regional Development Fund (ERDF) and European Social Fund (ESF))

The Cohesion Fund (Does not operate in Northern Ireland)

The European Agricultural Fund for rural Development (EAFRD)

The European Maritime and Fisheries Fund (EMFF)

These funds operate in synergy in support of EU cohesion and growth goals.

European Sustainable Competiveness Programme

A European Funding (ERDF) Programme from 2007-2013, managed by DETI.

For details see the Managing Authority website at: http://www.eucompni.gov.uk/

European System of Accounts 2010 (ESA 2010)

The European rules that dictate how member states should prepare their national accounts to ensure consistency of preparation across the EU.

Evaluation

Retrospective analysis of a project, programme, or policy to assess how successful or otherwise it has been, and what lessons can be learnt for the future.

Excess Vote

The means by which excess expenditure, or otherwise unauthorised expenditure, of cash, capital or resources, is regularised through an additional vote by the Assembly.

An excess vote is required when spending is not within the ambit of each RfR, is irregular or exceeds the amount of the Estimates provision. Accounting Officers are responsible for ensuring this does not happen.

DoF presents the Assembly each year with a Statement of Excesses to request retrospective authority for unauthorised resources (or cash or income) consumed above the relevant limits.

This statement identifies two kinds of excess expenditure:

- expenditure outside the ambit (EOTA); and
- spending above the amount provided in an RfR

The Statement of Excesses is usually presented by DoF at the time of the Spring Supplementary Estimates in the following financial year.

The Comptroller and Auditor General (C&AG) reports both kinds of excess vote to the Assembly. The Public Accounts Committee may examine the responsible accounting Offices to see whether there is evidence of some underlying weakness of control.

Executive Agency

A body established to undertake the executive functions of government, as distinct from policy advice. They are within central government and can be departments in their own right or part of a department.

Existence Value

The value placed by people on the continued existence of an asset for the benefit of present or future generations. The latter is sometimes referred to as bequest value.

Expected Value

The weighted average of all possible values of a variable, where the weights are the probabilities.

Expenditure Appraisal

A very broad umbrella term for assessments including appraisals, evaluations, affordability analyses, viability assessments and so on.

External Costs or Benefits

The non-market impacts of an intervention or activity which are not borne by those who generate them.

Final Outturn

Final Outturn refers to the actual accrued expenditure for each financial year. It is reported in the Autumn, after Departmental Resource Accounts have been audited. It is compared to the Provisional Outturn reported in May/June and the Final Plan agreed in the final monitoring round with explanations for significant variance being sought. Robust in-year monitoring should result in final outturn data being very similar to final plan and provisional outturn data.

Finance Director (FD)

Finance Directors are members of the Senior Civil Service and operate at departmental board level. They advise Ministers and the respective departmental boards on the planning and management of the department's finances, as well as leading and managing the departmental finance divisions.

Financial Memorandum

A document setting out the key principles of strategic control framework accountability for an arms-length body.

Financial Reporting Manual (FReM)

The Government Financial Reporting Manual (FReM) is the technical accounting guide to the preparation of financial statements.

It complements guidance on the handling of public funds published separately by the relevant authorities in England and Wales, Scotland and Northern Ireland. The Manual is prepared following consultation with the Financial Reporting Advisory Board (FRAB) and is issued by the relevant authorities.

The Government FReM applies directly to:

- all entities ('reporting entities'), and to funds, flows of income and expenditure and any other accounts (referred to collectively as 'reportable activities') that are prepared on an accruals basis and consolidated within Whole of Government Accounts (with the exception of the accounts of any reportable activities that are not covered by an Accounts Direction);

but not to

- Local Government, those Public Corporations that are not Trading Funds, and NHS Trusts and NHS Foundation Trusts. (The NHS Manuals, the NHSFT FReM and the IFRS based Code of Practice on Local Authority Accounting are compliant with this Manual other than for specifically agreed divergences.)

In addition, the Welsh Government and the Department of Health in Northern Ireland will apply the principles outlined in this Manual in the accounting guidance that they issue in respect of Local Health Boards in Wales, and Health and Social Services Trusts in Northern Ireland.

Financial Transactions Capital (FTC)

Capital that can only be used to provide loans to or equity investment in the private sector. FTC is provided by HM Treasury and its budget is ring-fenced for this purpose.

Fiscal Deficit

The 'fiscal deficit' or 'net borrowing' refers to the difference between public revenues generated and public expenditure allocated within a country or region.

For Northern Ireland the 'fiscal deficit', often referred to as 'subvention', is the shortfall between public expenditure allocations and taxes raised in the region.

Forecast Outturn

The Northern Ireland Executive has an obligation to provide HM Treasury with monthly outturn and forecast outturn information to facilitate the compilation of overall national statistics on public expenditure and to allow HM Treasury to fulfil its role in monitoring the performance of Whitehall departments and devolved administrations against their agreed expenditure limits. The information is also used to inform the Chancellor's Budget and Autumn Statement, and thus it is imperative that it is as reliable as possible at the time of supply. Forecast Outturn information is also used locally to monitor the spending patterns of NI departments and as a forecasting tool to estimate over and underspends.

Full Business Case

A business case containing a final review of value for money, affordability and achievability usually developed following procurement and documented prior to financial closure. See also **Strategic Outline Case** and **Outline Business Case**.

Full Cost

The total cost of all resources used in providing a good or service in any accounting period (usually one year). This will include all direct and indirect costs of producing the output (both cash and non cash costs), including a full proportional share of overhead costs and any selling and distribution costs, insurance, depreciation and the cost of capital including any appropriate adjustment for expected cost increases.

G7

A group of seven major industrialized countries: Canada, France, Germany, Italy, Japan, the UK and the U.S.A. The Finance Ministers of each of these countries attend regular G7 meetings to discuss economic policy issues.

G20

A group of finance ministers and central bank governors from 20 economies. The G20 is a forum for cooperation on key issues in the global economy.

Generally Accepted Accounting Practice (GAAP)

GAAP is a term used to refer to the standard framework of guidelines for financial accounting used in any given jurisdiction. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements

UK GAAP refers to the accounting and disclosure requirements, of the Companies Act and pronouncements by the Financial Reporting Council (principally accounting standards and Urgent Issues Task Force abstracts), supplemented by accumulated professional judgement.

International GAAP in the context of use in the public sector refers to international accounting standards, that have been adopted by the European Commission (principally accounting standards and International Financial Reporting Interpretations Committee interpretations), supplemented by accumulated professional judgement. The Chancellor announced in March 2008 that public bodies would move to preparing their accounts under International GAAP for the financial year 2009-10.

Governance Statement

An annual statement that Accounting Officers are required to make as part of the Annual Report and Accounts on a range of risk and control issues.

Grant

An unrequited payment to an individual or body, in the private or public sector to reimburse expenditure on agreed items or functions.

Grant in Aid

Regular payments made by departments from voted provision to sponsored bodies to finance their ongoing operating expenditure within agreed parameters. Any unexpended balances of the sums issued during the financial year will not be liable for surrender to the NI Consolidated Fund, although grant in aid must not be paid in advance of need.

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is one way to measure the size of the economy. The GDP of a country is defined as the market value of all final goods and services produced within a country in a given period of time. It is also considered the sum of value added at every stage of production of all final goods and services produced within a country in a given period of time. The most common approach to measuring and understanding GDP is the expenditure method:

> *GDP = consumption + investment + (government spending) + (exports – imports)*

"Gross" means depreciation of capital stock is not included. Consumption and investment in this equation are the expenditure on final goods and services. The exports minus imports part of the equation (often called cumulative exports) then adjusts this by subtracting the part of this expenditure not produced domestically (the imports), and adding back in domestic area (the exports).

GDP per capita is often used as an indicator of standard of living in an economy. While this approach has advantages, many criticisms of GDP focus on its use as a sole indicator of standard of living.

Gross Domestic Product (GDP) Deflator

The Gross Domestic Product (GDP) deflator can be viewed as a measure of general inflation in the domestic economy. The deflator is usually expressed in terms of an index, i.e. a time series of index numbers.

The GDP deflator reflects movements of hundreds of separate deflators for the individual expenditure components of GDP. These components include expenditure on such items as bread, investment in computers, imports of aircraft, and exports of consultancy services.

The use of the GDP deflator series allows for the effects of changes in price (inflation) to be removed from a time series, i.e. it allows the change in the volume of goods and services to be measured. The resultant series can be used to express a given time series or data set in real terms, i.e. by removing price changes.

Gross Value Added (GVA)

The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.

Impact Assessment

A form of multi-criteria analysis that involves description, quantified where possible, of all the significant impacts of a proposal (e.g. in terms of health, equality and environmental impact), and of how they are distributed between those affected.

Impairments

Impairments are recorded where there is the permanent loss or write-off of the recoverable value of a fixed or current asset below the value recorded on the balance sheet in accounts. Impairments are a charge on the resource budget and may be treated as AME or DEL depending on the nature of the impairment. Where they fall as DEL they form part of the ring-fenced Resource DEL budget alongside depreciation.

Implementation

The activities required during the period after appraisal to put in place a policy, or complete a programme or project, at which point 'normal' service is achieved.

In Year Monitoring

The in-year monitoring process provides a formal mechanism for reviewing spending plans and priorities for each financial year in light of the most up to date information. It aids good financial management and ensures that resources are directed towards the highest priority areas. There are usually three in-year monitoring rounds each year; the first is usually in June. However, the number and timing of monitoring rounds are subject to review depending on the circumstances relating to that particular year. During a monitoring round departments identify reduced requirements and/or bid for additional resources. Where no additional resources are available to Northern Ireland, these monitoring rounds enable the Executive to recycle existing surplus resources in order to meet pressures.

The scope of the Executive's ability to allocate additional resources will depend on level of reduced requirements identified by Departments.

Internal Rate of Return (IRR)

The discount rate that would give a project a present value of zero.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are principles-based Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB)

International Financial Reporting Standards were adopted for public sector resource accounting in 2009-10. The Financial Reporting Manual (FReM) provides guidance on the application of IFRS, adapted and interpreted for the public sector context.

International Fund for Ireland (IFI)

The International Fund for Ireland is an independent international organisation which was established by the British and Irish Governments in 1986. Financed by contributions from the United States of America, the European Union, Canada, Australia and New Zealand; the Fund promotes economic and social advance, and encourages contact, dialogue and reconciliation between nationalists and unionists throughout Ireland.

At its core, the Fund's mission is to tackle the underlying causes of sectarianism and violence and to build reconciliation between people and within and between communities throughout the island of Ireland.

INTERREG

INTERREG is the popular name for the European Territorial Cooperation Programmes.

INTERREG IVA, B and C programmes ran from 2007-2013.

INTERREG VA, B and C programmes run from 2014-2020.

For more information see:
http://www.seupb.eu/2014-2020Programmes/INTERREGV_Programme/INTERREGV_Overview.aspx
http://www.seupb.eu/2014-2020Programmes/INTERREGVBC_Programme/INTERREGV.aspx

Invest to Save

The provision of funding for certain projects on the basis that they will ultimately generate savings.

Investment for Growth and Jobs

The objective for which Structural Funds were provided to Northern Ireland for the 2014-2020 period.

Investment Plan for Europe

A European infrastructure investment programme which aims at unlocking public and private investments of at least €315 billion over a three year fiscal period.

Investment Strategy for Northern Ireland (ISNI)

The ISNI sets out the framework with which the Executive will create a sustainable 21st century infrastructure. It identifies priority areas for investment and is intended to assist government and private sector partners to effectively plan for the challenge of delivering the largest ever investment programme in Northern Ireland. The Strategic Investment Board (SIB) supports the public and private sectors to enhance delivery on these goals.

The Investment Strategy 2011-21 was published in 2011. For more information see:
http://isni.gov.uk

Irregular Expenditure outside the ambit of a vote (IEOTA)

Irregular expenditure outside the ambit of a vote, i.e. resources spent on matters which were not included in the relevant ambit in the departmental Estimate and therefore the Assembly has not authorised.

IEOTA is one cause of an excess vote. The Assembly would regard IEOTA as particularly unsatisfactory because it means that the department concerned has flouted the intentions that the Assembly has set in statute.

Irreversibility

May be an issue when an option would rule out later investment opportunities, or would use resources now that might subsequently be preferred for a more important use later.

Lifetime Opportunities

This is the Government's Anti-Poverty and Social Inclusion Strategy for Northern Ireland. It builds on previous policies of Targeting Social Need and New Targeting Social Need.

Local Authority Self-Financed Expenditure (LASFE)

LASFE is additional local government spending above that scored against departmental programmes e.g. in Northern Ireland the expenditure of District Councils that is not funded by grants from central government departments.

Locally Financed Expenditure (LFE)

Local Authority Self Financed Expenditure plus non domestic rates payments in Scotland and Wales, the yield from exercising the tax varying power in Scotland and Regional Rates in Northern Ireland.

Management Statement / Financial Memorandum

A document setting out the strategic control framework within which an Arms Length Body (ALB) is required to operate, including the conditions under which any government funds are provided to the ALB.

Managing Authority (EU)

Managing Authorities are responsible for the efficiency and correctness of management and implementation of ESI Funding Programmes as laid down in EU Regulations.

For the regulations see:
http://ec.europa.eu/regional_policy/en/information/legislation/regulations/

Managing Public Money NI (MPMNI)

A publication produced by DoF which sets out the main principles for dealing with resources used by public sector bodies.

Manual for Government Deficit and Debt (MGDD)

The document that further clarifies the European system of accounts 2010 guidance.

Marginal Utility

The increase in satisfaction gained by a consumer from a small increase in the consumption of a good or service.

Market Failure

An imperfection in the market mechanism that prevents the achievement of economic efficiency.

Market Value

The price at which a commodity can be bought or sold, determined through the interaction of buyers and sellers in a market.

(EU) Match Funding

The share of the costs of EU Funding Programmes provided from public or private funds to complement the contribution of EU funds.

Mezzanine Finance

Mezzanine financing is debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to debt provided by senior lenders such as banks and venture capital companies.

Monetary Policy Committee (MPC)

A committee of nine experts which meets each month to set the official Bank of England interest rate (known as Bank Rate). The MPC is independent of Government.

(EU) Monitoring Committees

A Monitoring Committee oversees each EU Programme. Membership is made up of political representatives, business, trade unions, the agriculture/rural development/fisheries section, the community and voluntary sector, district councils and those representing environment and equal opportunities interests.

Multi Criteria Analysis

Term for techniques (such as impact assessment and the weighted scoring method) for making a comparative assessment of options, taking account of several criteria simultaneously. Mainly used to assess impacts that can not be readily quantified in money terms.

N+2, N+3

The financial discipline in the 2014-2020 European Structural and Investment Funds Programmes where an amount of EU funding allocated to a particular year must be claimed at the latest by 31st December two (or three) years later or it will be de-committed and lost to the programme.

National Accounts

Accounts produced by the Office for National Statistics in accordance with the European System of Accounts 2010, which promotes standardisation in the way in which public sector income and expenditure is measured.

National Loans Fund (NLF)

The National Loans Fund (NLF) was established on 1 April 1968 by the National Loans Act 1968 to account for government borrowing and lending. The NLF was setup in order to separate government revenue and expenditure, which is accounted for in the Consolidated Fund (CF), from government borrowing and lending, which is accounted for in the NLF.

Most of the NLF's borrowing needs are now met indirectly through borrowing on its behalf by the Debt Management Office (DMO) and National Savings and Investments (NS&I).

The DMO was established as an executive agency of the Treasury on 1 April 1998. Its aim is ‘to carry out the Government’s debt management policy of minimising financing costs over the longer term, taking account of risk, and to manage the aggregate cash needs of the Exchequer in the most cost-effective way’. Its operations are managed through the Debt Management Account (DMA).

The Exchange Equalisation Account (EEA) was established in 1932 to provide a fund that could be used, when necessary, to regulate the exchange value of sterling.

The NLF’s main role is to meet the finance needs of the Consolidated Fund to the extent that taxation and other receipts are insufficient to meet the CF’s outgoings. To this end the NLF undertakes borrowing and uses the proceeds to meet any deficits on the CF; conversely, any net surpluses on the CF are passed to the NLF to reduce the latter’s need to borrow or to increase the amount that it can lend.

The NLF’s borrowing operations include the temporary borrowing of balances in various government bank accounts that are surplus to immediate requirements. Such borrowing minimises the amount that the NLF needs to borrow from other sources. Where the money borrowed in this way already counts as Exchequer money, interest is not paid. For the rest of its borrowing, however, the NLF normally has to pay interest and finance repayments when required. However, if the NLF’s interest income is less than the interest it pays on its borrowings (which it generally is), the shortfall is met by a transfer from the CF.

The NLF provides finance for both the DMA and the EEA as required. It also makes loans to various statutory public sector bodies and provides the finance needed by the Public Works Loan Board (PWLB) for its loans to prescribed bodies, mainly Local Authorities.

National Reserve

For the entire UK, there is a small centrally held DEL Reserve controlled by HM Treasury. Support from the Reserve is available only for genuinely unforeseeable contingencies which the Executive cannot be expected to manage within the NI DEL.

Near Cash

Resource expenditure that has a related cash implication, even though the timing of the cash payment may be slightly different.

For example, expenditure on gas or electricity supply is incurred as the fuel is used, though the cash payment might be made in arrears on a quarterly basis. Other examples of near-cash expenditure are: pay and rent.

Net Cash Requirement (NCR)

This is the amount of cash required from the NI Consolidated Fund for a department to carry out the functions specified in the Estimate ambit. It represents the sum of net resources and net capital, from which non-cash items, depreciation, etc. are removed and in which working capital, increases/ decreases in stocks, debtors and creditors, and use of provisions are taken into account.

Net Present Cost (NPC)

A negative Net Present Value. (see **Net Present Value** below)

Net Present Value (NPV)

The sum of the discounted benefits of a proposal less the sum of its discounted costs, all discounted to the same base date. Economic appraisals generally include, for each option, a calculation of its Net Present Value (NPV). Where the sum of discounted costs exceeds that of the discounted benefits, the net figure is usually called the Net Present Cost (NPC).

The NPV is the key summary indicator of the comparative value of an option. It not only takes account of social time preference through discounting, but also, by combining capital and recurrent cost and benefits in a single present day value indicator, enables direct comparison of options with very different patterns of costs and benefits over time. For instance, it solves the problem of how to compare a low capital cost / high running cost option with that of a high capital cost / low running cost alternative.

The decision rule is to select the option that offers to maximise NPV, or minimise NPC. This is subject to account being taken of those impacts which can not be valued in money terms. Conceptually, these also have an NPV or NPC, but inability to express them in money terms means that they must be judged by other means and weighed alongside the monetary values in coming to a decision.

The time horizon for NPV calculations should reflect the economic life of the services being appraised, or the useful life of relevant key assets, and should be sufficiently distant to cover all the important cost and benefit differences between options.

Net Resources Requirement (NRR)

This is the total amount of resources required by a department to carry out the functions specified in the Estimate ambit. Resources comprise cash and non-cash elements.

Non Budget

Refers to income and expenditure that pass through a government department's books and that are not included in DEL or AME. For example, the grant-in-aid paid to NDPBs is normally a non-budget transfer – it is the NDPB's income and expenditure that scores in budgets.

Non Cash Costs

Costs where there is no cash transaction but which are included in a body's accounts (or taken into account in charging for a service) to establish the true cost of all the resources used. For example, depreciation, impairments.

Non-Departmental Public Body (NDPB)

Public bodies that have a role in the process of central government (and are classified as central government) but which are not departments, or part of one, and which operate to a greater or lesser extent at arm's length from the department. Ministers are ultimately responsible to the Assembly for the activities of the bodies sponsored by their department. Departments are responsible for funding and ensuring good governance of their public bodies.

There are four types of NDPB. These denote different funding arrangements, functions and kinds of activity. They are:

- Executive NDPBs - established in statute and carrying out administrative, regulatory and commercial functions, they employ their own staff and are allocated their own budgets.
- Advisory NDPBs - provide independent and expert advice to ministers on particular topics of interest. They do not usually have staff but are supported by staff from their sponsoring department. They do not usually have their own budget, as costs incurred come within the department's expenditure.
- Tribunal NDPBs - have jurisdiction in a specialised field of law. They are usually supported by staff from their sponsoring department and do not have their own budgets.
- Independent Monitoring Boards - formerly known as 'Boards of Visitors' - 'watchdogs' of the prison system. Their duty is to satisfy themselves as to the state of the prison premises, their administration and the treatment of prisoners. The sponsoring department meets the costs.

Non-voted Expenditure

Expenditure which is included in Budgets and Accounts but is not voted by the Assembly through the Estimates process. It includes spending funded from various funds, such as the National Insurance Fund, as well as spending by Non-Departmental Public Bodies (NDPBs) (the Assembly votes the payment of grant funding to these bodies which is a non-budget item).

Northern Ireland Consolidated Fund (NICF)

The main bank account of the Northern Ireland Executive. It is operated by DoF. The NICF is the account into which payments and receipts (not specifically directed elsewhere) to the Northern Ireland Assembly flow. These include Northern Ireland's Cash Grant, local revenues and other non-tax receipts. The cash requirements of departments, as approved by the Assembly, will be met from the

Consolidated Fund. Statutory Standing Services are also paid from the Consolidated Fund.

Where there is a need to finance urgent expenditure in anticipation of Assembly approval, application must be made to the Consolidated Fund.

The detailed accounts of the Consolidated Fund for Northern Ireland are presented to the Assembly each year by DoF in the Public Income and Expenditure (PI&E) Account.

Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE)

NIGEAE is the primary guide for Northern Ireland Departments on the appraisal, evaluation, approval and management of policies, programmes and projects. Its principles are broadly similar to those applied elsewhere in the UK, but it is tailored more specifically to suit the needs of Northern Ireland Departments, taking account of local policies and institutional arrangements. NIGEAE is web-based guidance which is located in the Finance section of the DoF website: www.finance-ni.gov.uk

Northern Ireland National Insurance Fund (NINIF)

A government fund used to meet the cost of contribution-based benefits, financed mainly by contributions paid by employers and individuals.

HMRC is responsible for collecting contributions and recording them against individuals' contribution records (which determine entitlement to social security benefits payable from the Fund). As Principal Accounting Officer for the NI NIF, the Chief Executive of HMRC is responsible for the control and management of the Fund.

The Northern Ireland Social Security Agency (SSA) has overall responsibility for the award and payment of most benefits payable from the NINIF, including those relating to retirement, sickness and contribution based Jobseeker's Allowance. Entitlement to benefit is determined by the claimant satisfying qualifying conditions.

Northern Ireland Rural Development Programme (NIRDP)

An EU Funding Programme established to help rural communities meet the needs of a changing economic environment.

Managed by DAERA. More information can be found on the DAERA website.

Objective

An intra-departmental classification that sets out high level areas of spend. Objectives are then classified into a number of Spending Areas.

Office for Budget Responsibility (OBR)

The Office for Budget Responsibility (OBR) was formed in May 2010 to make an independent assessment of the public finances and the economy, the public sector balance sheet and the long term sustainability of the public finances. The establishment of the OBR marks a step change in the transparency and openness of economic and fiscal policy making.

Office for National Statistics (ONS)

The independent body responsible for compiling, analysing and disseminating many of the United Kingdom's economic, social and demographic statistics including the Retail Price Index, trade figures and labour market data as well as the periodic census of the population and health statistics. The ONS assesses bodies and transactions against international rules to decide how they should be treated in National Accounts.

Online System for Central Accounting and Reporting (OSCAR)

The Online System for Central Accounting and Reporting (OSCAR) is a UK cross government public spending database that provides HM Treasury with key management information and data for public reporting.

It is a web based multi-dimensional database used by HM Treasury to collect financial information relating to Whole of Government Accounts and Resource

Budgeting. The OSCAR database holds outturn plans and forecast outturn information for Whitehall departments and the devolved administrations.

DoF updates OSCAR with budgetary information and monthly forecast outturn in respect of all Northern Ireland departments. Each department is responsible for submitting its own Whole of Government Accounts (WGA) data to OSCAR.

The OSCAR system replaced the Combined Online Information System (COINS) in 2012.

Opportunity Cost

The cost to the economy of using a resource in one investment is the benefit foregone by keeping it from use in the next best investment opportunity. This idea of opportunities foregone is central to the way of thinking behind all the costings in an economic appraisal. All costs are valued on an opportunity cost (or economic cost) basis.

Current market prices should generally be used to measure opportunity costs, because they reflect what firms, households or other entities are willing to pay to draw resources into the next best alternative use. Households and firms generally know their own costs and preferences best and have strong incentives to respond to market signals by putting their resources to their best possible use.

It is important to cost all the resources used in each option, not just those for which cash will change hands, or which fall to a particular Government Department or budget. For instance, resources should be costed even if they are already owned by the public sector. They have an opportunity cost because they could be sold or put to another use.

Optimism Bias

The demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters, including capital costs, operating costs, works duration and benefits delivery.

Organisation for Economic Co-Operation and Development (OECD)

The Organisation for Economic Co-operation and Development is an international economic organisation of 34 countries founded in 1961 to stimulate economic progress and world trade. It is a forum of countries committed to democracy and the market economy, providing a platform to compare policy experiences, seek answers to common problems, identify good practices, and co-ordinate domestic and international policies of its members.

Its predecessor, the Organisation for European Economic Co-operation (OEEC), was established in 1948 to help administer the Marshall Plan for the reconstruction of Europe after World War II. Later, its membership was extended to non-European states. In 1961, it was reformed into the Organisation for Economic Co-operation and Development by the Convention on the Organisation for Economic Co-operation and Development.

Most OECD members are high-income economies with a high Human Development Index (HDI) and are regarded as developed countries.

Other AME

Includes items which are treated as Annually Managed Expenditure, as multi-year plans are not appropriate, but which are often not a close part of the departmental programme. It includes RRI borrowing, Regional Rates and the capital expenditure of public corporations.

Other Resource

The component of the Resource (or current expenditure) budget that does not relate to administration costs. In general it is the cost of delivering front-line services.

Outline Business Case (OBC)

A detailed assessment of value for money, affordability and achievability including a full economic appraisal and other key management information. Designed to inform an investment decision and (for procurement projects) completed prior to proceeding to procurement. See also **Strategic Outline Case** and **Full Business Case**.

Outside the Vote (OTV)

Expenditure which may be in Budgets but which is not included in the Estimates voted by the Assembly

Outturn and Forecast Outturn (OFO)

See **Forecast Outturn**

Overcommitment

The decision to introduce a planned level of overcommitment may be taken by the Executive in order to maximise spend across the Block.

This approach involves making a prudent estimation of likely in-year easements and year-end underspend and effectively over-allocating resources to departments by that amount.

The overcommitment concept minimises the level of underspend at the end of the financial year and ensures a strategic approach is taken to allocation of resources including the expected level of underspend.

An overcommitment may be introduced as part of the Budget process. The overcommitment position for any given year is then managed through the in-year monitoring process for that year.

Peace Programmes

The PEACE Programmes are a series of special EU funded programmes to reinforce progress towards a peaceful and stable society and to promote reconciliation in Northern Ireland and the border region of Ireland, by supporting projects that bring communities together.

The original PEACE programme ran from 1996-1999.

PEACE II ran from 2000-2006

PEACE III ran from 2007-2013.

PEACE IV will run from 2014-2020.

For more details on the PEACE programmes, visit the website of the Special EU Programmes Body: www.seupb.eu

Post Project Evaluation

A post-implementation review of a project's success.

Precautionary Principle

The concept that precautionary action can be taken to mitigate a perceived risk. Action may be justified even if the probability of that risk occurring is small, because the outcome might be very adverse.

Prepayments

Prepayments are amounts that have been paid for goods and services that have not yet been received.

Prepayments are shown as current assets on the Statement of Financial Position (previously balance sheet) They are not shown as costs in the Statement of Comprehensive Net Expenditure (previously Operating Cost Statement), and do not impact on budgets.

When the goods or services are received the amounts will be passed through the Statement of Comprehensive Net Expenditure and deducted from the prepayments on the Statement of Financial Position. It is at this point that the cost is included in budgets.

This is necessary in order to accrue the costs involved to the correct accounting period.

Present Value

The present day value of a future stream of costs or benefits. Calculated by discounting a stream of future costs or benefits. (See also **Net Present Value, Discount Rate**).

Price Index

A measure of the amount by which prices change over time. General price indices cover a wide range of prices and include the GDP deflator and the Consumer Price Index (CPI). Special price indices apply to one commodity or type of commodity.

Primary legislation

Acts which have been passed by the Westminster Parliament and, where they have appropriate powers, the Scottish Parliament and the Northern Ireland Assembly. Acts begin as Bills until they have received Royal Assent. (Also see **Secondary Legislation**).

Private Finance Initiative / Public-Private Partnerships (PFI/PPP/PF2)

PPP is defined as joint working between the public and private sectors, which may be by contract or through a joint-venture, to deliver infrastructure assets and services.

The PFI is a long term contractual arrangement for the design, build, financing and operation of the services and the form of PPP most often used in the UK. It is a means of procuring services with a significant asset content. In some cases a PFI deal may be called a PPP. However, not all PPPs are PFI deals.

DoF only considers procurement by private finance to be suitable for projects with a capital value of £50 million or above, because less capital intensive projects seldom justify the relatively high procurement and management costs involved. Furthermore, in any case, PFI is to be used only where it can demonstrate value for money.

In a typical PFI deal:

- the private sector will construct and maintain infrastructure in order to deliver the services required, hence there will be a construction phase followed by an operational phase;
- the private sector party contracting with the public sector will usually be a special purpose company - which will use private finance, usually a mix of equity and limited recourse debt, to fund the up-front construction works;
- the special purpose company will be paid a fee, often referred to as the unitary payment, that normally commences post-completion of the construction work once services start being delivered and continues over the rest of the contract life;
- the unitary payment will be at risk to the contractor's performance during the life of the contract so that payment will be reduced if performance falls below the required standard, thus harnessing private sector management skills and incentivising the private sector to deliver services on time, on budget and to the required standard; and
- the risk allocation between the public and private sector is well understood and involves the private

sector bearing cost overrun, delay and service standard risks.

Other forms of PPP include strategic partnerships, project delivery organisations, joint ventures, partnership companies, assets sales, and sales of businesses.

HM Treasury published “A New Approach to Public Private Partnerships” on 5th December 2012, setting out a new approach known as ‘PF2’. Under PF2, the nature of a PFI arrangement remains essentially unchanged. However, PF2 introduced several reform measures in England, including new arrangements for equity finance, greater transparency, more efficient delivery, more centralised procurement and more flexible provision. Note that PF2 only applies in England. The PF2 document states: “Capital spending on public infrastructure is a devolved matter so PF2 will apply in England only.”

Programme Spend

Expenditure in the Resource Budget that does not relate to administration costs is termed programme spending.

Programme for Government (PfG)

The Executive’s Programme for Government sets out their plans and priorities for the period as well as some of the longer term aspirations and intentions.

Propriety

See **Regularity and Propriety**

Provision

A provision is a liability of uncertain timing or amount. A cost is recognised in the departmental resource account when a department has a present obligation (legal or constructive) as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle this obligation, and when a reliable estimate can be made of the amount of the obligation (e.g. early retirement costs).

When recording provisions in the resource budget there are 3 key stages:

- The initial take-up, and any revaluation (such as the unwinding of the discount, or writing back down of the liability), score in the AME budget;
- The actual payment of cash to extinguish the liability (or recognition of bad debt) scores in the Resource DEL; and
- The release of the provision scores as an equal and opposite (negative) amount in the AME budget. These last two items net to zero in the TME budget to prevent both the initial take up (and any revaluations) and the subsequent draw down counting in overall terms.

Provisions in respect of DEL spending score as above, provisions in respect of AME spending score in AME, and in provisions in respect of non-budget spending do not score in budgets.

Provisional Outturn

Provisional Outturn is a department's best estimate of actual expenditure for a financial year reported shortly after the end of the financial year, usually in May/June, before departmental accounts are finalised. The outturn data is compared with the final plan which is determined at the final monitoring round. The difference between final plan and provisional outturn reflects the departments over or underspend for the year. Explanations are sought for any significant variance. Robust in-year monitoring should result in final plan and provisional outturn data being very similar.

Public Accounts Committee (PAC)

A committee of the Assembly which examines the accounting for, and the regularity and propriety, of the Executive expenditure. It also examines the economy, efficiency and effectiveness of expenditure.

Public Corporations

Publicly controlled trading bodies with substantial financial and operational independence from central and local government – they are legally separate institutional units responsible for their own day-to-day operations and producing their own accounts. To be classed as trading they must receive the majority of their income from sales into a market, rather than grant funding from government. Public corporations in Northern Ireland include Driver and Vehicle Agency NI and the Northern Ireland Transport Holding Company.

Public Dividend Capital (PDC)

Finance provided by the Executive to public sector bodies as an equity stake; an alternative to loan finance.

Public Expenditure (PE)

Public spending, or public expenditure, is expenditure incurred by the "public sector" in the course of its activities. The public sector, in organisational and economic terms, is the sum of those parts of the economy formally under the control of or responsible to the state, including both central and local government.

The term "public spending" is most commonly used to refer to the aggregate sum of all public sector expenditures. As with most economic terms, there are many different ways of measuring public spending so conceived.

The Government's preferred measure is Total Managed Expenditure (TME), which describes all forms of expenditure made by central government, local authorities and public enterprises. This includes in particular spending on social services and benefits, health provision, transport, education, defence, debt interest, housing, judicial and protective services and employment.

In terms of budget planning and control, TME is the sum of Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) set by the Treasury.

Public Expenditure Outturn White Paper (PEOWP)

Although no longer produced, PEOWP reported provisional outturn figures for public spending in the previous financial year, alongside the corresponding plans. It provided information on spending against the Treasury budgeting framework.

Public Expenditure Statistical Analysis (PESA)

PESA is document published by HM Treasury. It brings together recent outturn spending data, estimated outturns for the latest year and spending plans over the whole range of UK public expenditure and provides comparable figures across the regions of the UK. It is published around July of each year.

Public Income and Expenditure Account (PI&E)

The PI&E account is the account of the Northern Ireland Consolidated Fund.

It provides an account of the public income and expenditure of Northern Ireland for the financial year, together with the balance in the Consolidated Fund on the start of the year, the receipts and payments (not being public income and expenditure) in that year, and the balance in the Consolidated Fund at the year end.

Public Sector Transformation Fund

The Public Sector Transformation Fund (PSTF) comprising £700m over 4 years, financed from the Reinvestment and Reform Initiative (RRI), is designed to enable NICS departments and arm's length bodies (ALBs) to reduce pay bills through Voluntary Exit Schemes that reduce headcount or deploy other suitable approaches across the public sector.

Public Works Loans Board (PWLB)

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.

PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Pure Time Preference

Pure time preference is the preference for consumption now, rather than later.

Quantitative Easing (QE)

A process whereby the central bank injects money directly into the economy in order to stimulate bank lending and control inflation.

Real Prices

Prices expressed in real terms, that is after removing the effect of inflation. The nominal (i.e. cash) prices deflated by a general price index, e.g. CPI or GDP deflator, relative to a specified base year or base date.

Real Terms

Similar to real prices. The value of expenditure at a specified general price level: that is a cash price or expenditure divided by a general price index.

Recession

The commonly accepted definition of a recession in the UK is two or more consecutive quarters (a period of three months) of contraction in national GDP.

Record Line

The lowest level of detail on the Resource Budget Management System.

Regional Rates

The element of household and business rates that is used by the Executive to finance spend on public services. The other element of household and business rates is known as the District Rate. The Executive set the Regional Rate with Councils setting the District Rate.

Regularity and Propriety

Accounting officers must ensure that their organisations activities achieve high and reliable standards of regularity and propriety.

Regularity is the principle that resource consumption should accord with the relevant legislation, the relevant delegated authority and with the principles in Managing Public Money Northern Ireland (MPMNI).

Propriety is the principle that patterns of resource consumption should respect the Assembly's intentions, conventions and control procedures, including any laid down by the PAC.

The concept of regularity and propriety is powerful. The Assembly has consistently interpreted it as delivering public sector values in the round.

Reinvestment and Reform Initiative (RRI)

In May 2002, in an attempt to build on the progress of the devolved administration in Northern Ireland, the Prime Minister and Chancellor of the Exchequer, along with the First Minister and Deputy First Minister of Northern Ireland, established the Reinvestment and Reform Initiative ("RRI") to address the deficit in public sector infrastructure investment in Northern Ireland.

The RRI announcement heralded a wide-ranging package that included additional public spending and new borrowing powers for the Northern Ireland Executive, the transfer to local ownership of a number of high profile sites and also a long-term plan for a programme of widespread public service reform.

The new borrowing power included in the RRI provided for access to additional expenditure funded by borrowing from the National Loans Fund (NLF), and counting as AME (and hence being over and above the Northern Ireland Executive's DEL). This borrowing was set at £125 million in 2003-04 and with the amount for subsequent years agreed at Spending Reviews thereafter.

The borrowing power and arrangements are broadly, although not exactly, equivalent to the prudential borrowing regime in GB. Borrowing must be to finance capital investment, not for recurrent spending. The purpose of the programme is to increase capital investment over and above increases in DEL agreed in spending reviews.

Relative Price Effect

The movement over time of a specific price index (such as construction prices) relative to a general price index (such as the GDP deflator).

Relevant Cost or Benefit

All costs and benefits that can be affected by decisions and that are therefore related to the objectives and scope of the proposal in hand.

Request for Resources, RfR

The functional level into which departmental Estimates may be split. RfRs contain a number of functions being carried out by the department in pursuit of one or more of that department's objectives.

Required Rate of Return

A target average rate of return for a public sector trading body, usually expressed, for central government bodies, as a return on the current cost value of total capital employed.

Resource Accounts

An end of year account of a government department's resource consumption and spending of monies voted by the Assembly which compares the estimate with actual resources consumed, payments made and receipts brought to account, and explains any substantial differences. A resource account is prepared for each Estimate in line with the Financial Reporting Manual (FReM).

The resource accounts of a government department will contain the following:

- Statement of Assembly Supply;
- Consolidated Statement of Comprehensive Net Expenditure;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Cash Flows;
- Consolidated Statement of Changes in Taxpayers' Equity; and
- Notes to the accounts.

Resource Accounting and Budgeting (RAB)

Resource Accounting and Budgeting (RAB) is a system of planning, controlling and reporting on public spending for government.

RAB was launched in 1993, with a commitment to introduce resource accounting. This was followed by a White Paper in 1995 (Cm2929), which gave a commitment to use resource accounting as the basis of public expenditure planning and control.

Resource Accounting is the application of accruals accounting for reporting on the expenditure of central government and a framework for analysing expenditure by departmental aim and objectives, relating these to outputs where possible.

Resource Budget

A department's Resource budget is the sum of its Resource DEL Budget and Resource AME Budget.

The Resource budget is recorded on an accruals basis. The Resource budget includes expenditure on pay, current procurement, current grants and subsidies, depreciation and the take-up, revaluation and release of provisions (as well as the cash payments associated with the release of provisions).

Resource Budgeting Management System (RBM)

The Northern Ireland Public Expenditure database that records the budget and outturn of Northern Ireland public sector organisations.

Resource DEL

Resource DEL (RDEL) includes most direct expenditure on providing services, e.g. health or education, reflecting continuing programmes financed each year. It includes public sector pay, operating costs and current grants to other bodies. It does not include expenditure on fixed assets. Also referred to as resource expenditure.

In 2016-17 approximately 90% of the total DEL is Resource in nature. This equates to around £10.4 billion.

Retail Price Index (RPI)

The RPI is a measure of inflation. The RPI measures the average changes month-to-month in prices of consumer goods and services purchased in the UK. The RPI is similar in nature to the Consumer Price Index

(CPI) however there are differences in calculation and in the basket of goods covered. In particular the RPI includes mortgage interest payments and housing depreciation where as CPI does not.

Revealed Preference

The inference of willingness to pay for something which is non-marketed by examining consumer behaviour in a similar or related market.

Revenue Financed Investment (RFI)

The use of private finance – on an off balance sheet basis – to fund additional capital investment. This will then be funded through future revenue budgets. Similar to PFI.

Revenue Support Grant (RSG)

The Revenue Support Grant (RSG) is an amount of money given by central government to local authorities each year.

Review of the Financial Process

A review which seeks to address the misalignments between Budgets, Estimates and Accounts.

Review of Public Administration (RPA)

The Review of Public Administration was launched by the Northern Ireland Executive in June 2002 with the remit of reviewing the arrangements for the accountability, development, administration and delivery of public services in Northern Ireland.

Ring-Fenced

Expenditure that is specific to a particular policy or programme and cannot be used for any other purpose without the prior agreement. A ring-fence may be imposed by HM Treasury or locally by the Executive.

Risk

The likelihood, measured by its probability that a particular event will occur.

Risk Register / Risk log

A useful tool to identify, quantify and value the risks and uncertainties relating to a proposal.

Savings Delivery Plan (SDP)

Departmental plans that identify the level of savings required and measures to achieve those savings in order to enable departments to achieve their objectives within their Budget allocation.

Second Stage

The second time a Bill enters the Assembly. Debate on the Bill is held and the whole principle on which it is based is either affirmed or denied by the Assembly.

Secondary Legislation

Laws, including orders and regulations, which are made using powers in primary legislation. Normally used to set out technical and administrative provision in greater detail than primary legislation. They are subject to a less intense level of scrutiny. (Also see **Primary Legislation**)

Senior Responsible Officer (SRO)

The Senior Responsible Officer (SRO) is normally the relevant director or representative from the business unit hosting a project. They have the appropriate delegated authority to be ultimately accountable for the project.

Sensitivity Analysis

Analysis of the effects on an appraisal outcome of varying the projected values of important variables.

Service Level Agreement (SLA)

Agreement between parties, setting out in detail the level of service to be performed. Where agreements are between central government bodies, they are not legally a contract but have a similar function.

Shadow Bid Model

A model that provides a benchmark to confirm VFM and affordability by estimating what it will cost the private sector to bid for a particular project or service. Usually developed by financial advisers appointed to the project based on their knowledge and experience of what the private sector is likely to deliver.

Shadow Price

The opportunity cost to society of participating in some form of economic activity. It is applied in circumstances where actual prices cannot be charged, or where prices do not reflect the true scarcity value of a good.

Small and Medium Sized Enterprises (SME)

For UK statistics the definition of SME used is that under the European Commission Recommendation (96/280/EC) of 3 April 1996, in which SMEs are defined as being enterprises with less than 250 employees. A criterion of independence is also used to exclude enterprises that are part of a larger enterprise group.

In general small enterprises are those with 0 to 49 employees, medium with 50 to 249 employees and large with 250 or more employees.

Social Benefit

The total increase in the welfare of society from an activity - the sum of the benefit to the agent performing the action plus the benefit accruing to society as a result of the action.

Social Cost

The total cost to society of an activity - the sum of the opportunity costs of the resources used by the agent carrying out the activity, plus any additional costs imposed on society from the activity.

Spending Area

A Budget classification that identifies major areas of spend within a department. The Executive agree budget allocations at this level. Also known as a Unit of Service

Spending Review (SR)

The Spending Review is a Treasury-led process to allocate resources across all government departments, according to the Government's priorities. Spending Reviews set firm and fixed spending budgets over several years for each department. It is then up to departments to decide how best to manage and distribute this spending within their areas of responsibility.

For the Northern Ireland Executive, and other devolved administrations, UK Spending Reviews set firm and fixed multi-year Departmental Expenditure Limits via the implementation of the Barnett Formula. This formula calculates the additional funding that the NI Executive receives, based on the increases or decreases of the comparable service in England. It is a population based formula.

A Comprehensive Spending Review (CSR) is one where HM Treasury adopt a zero-based approach to the allocation of funding to services and each Whitehall Department must justify and bid for the entirety of its funding.

Spending Review 2015 set plans for 2016-17 to 2019-20 for Resource DEL and 2016-17 to 2020-21 for Capital DEL

Spring Supplementary Estimate (SSE)

See **Estimates**

Stated Preference

Willingness to pay for something that is non-marketed, as derived from people's responses to questions about preferences for various combinations of situations and/ or controlled discussion groups.

Statement of Excess

A formal statement detailing departments' overspends prepared by the Comptroller and Auditor General as a result of undertaking annual audits.

Strategic Outline Case (SOC) (or Strategic Business Case)

A brief and very preliminary business case that introduces the project concept, identifies key issues and contains initial broad considerations of potential value for money, affordability and achievability. Used as a basis for deciding whether to develop a more detailed business case. See also **Outline Business Case** and **Full Business Case**.

Subhead

A sub-head is provision on an Estimate line, which is separately identified in the resource accounts. Subheads within the Estimate are identified by the line and column (in that order).

Subsidies

A grant (i.e. an unrequited payment) to a producer or trader which is deemed to benefit the consumer by reducing the selling price of the products. Subsidies may be paid to public corporations as well as to private sector firms.

Supply Estimates

See **Estimates**

Substitution

The situation in which a firm substitutes one activity for a similar activity (such as recruiting a different job applicant) to take advantage of government assistance.

Switching Point (or Switching Value)

The value of an uncertain cost or benefit at which the ranking of options switches from one option in favour of another.

Systematic Risk

Risk that is correlated with movements in the economic cycle and cannot therefore be diversified away.

Targeting Social Need (TSN)

See **Lifetime Opportunities**

Time Preference Rate

Preference for consumption (or other costs or benefits) sooner rather than later, expressed as an annual percentage rate.

Token Estimate

Where a department's expenditure within the Estimate (or section) is wholly offset by income, so that a token amount of £1,000 is voted. Since estimates may include negative limits (where income is greater than expenditure) a token £1,000 is only required where income and expenditure completely offset.

Total Economic Value

The sum of the use, option and existence value of a good: a term used primarily in environmental economics.

Total Expenditure on Services (TES)

TES broadly represents the current and capital expenditure of the public sector on a similar basis to Total Managed Expenditure (TME), which is derived from the sum of public sector current expenditure, public sector net investment and depreciation in the National Accounts. It is a consolidated measure of public spending and therefore excludes (most) intra-public sector transfers.

TES comprises approximately 95 per cent of TME. The remainder is accounted for by the following differences:

- TES does not include depreciation (capital consumption) but TME does. There is no satisfactory method of allocating depreciation to function and region, hence the exclusion from TES;
- Certain VAT refunds, which are scored as revenue in the National Accounts, reduce expenditure as scored in TES; and

- TES includes a number of items that are recorded in budgets but not in TME. These include the grant equivalent element of student loans.

Expenditure on services is seen as a more stable measure of public spending than department's budgets, as it is not affected by the creation or amalgamation of departments or by programmes of work moving between departments. It is therefore used by HM Treasury as the basis for the reporting of functional, economic category and country and regional spending.

Total Managed Expenditure (TME)

Total Managed Expenditure (TME) is the Government's preferred measure of total public expenditure. It is derived from measures in the National Accounts. TME includes the current and capital expenditure of the public sector but not financial transactions such as government lending or buying of shares.

TME covers expenditure by the whole public sector; central government, local government, and public corporations.

TME is a consolidated measure in the sense that most transactions between parts of the public sector do not add to TME. So, for example, total local authority expenditure excludes capital grants paid to public corporations and interest paid to central government. Similarly central government own expenditure excludes grants to local authorities and public corporations since the expenditure financed by those grants is included in the "own expenditure" of those sectors. Government purchases from and subsidies to public corporations do however score in TME.

TME can also be presented in terms of the way the Government sets budgets for spending by the public sector. TME is the sum of Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

Trading Fund

An organisation (either within a government department, or forming one) which is largely or wholly financed from commercial revenue generated by its activities. Its Estimate shows its net impact, allowing its income from receipts to be devoted entirely to its business.

Transfer Payment

A transfer payment is one for which no good or service is obtained in return.

Treasury Officer of Accounts (TOA)

The Treasury Officer of Accounts (TOA) is responsible for promoting high standards of regularity, propriety and accountability In Northern Ireland this role lays within DoF.

In particular, the TOA has responsibility for providing advice on:

- the principles underlying the resource accounting system;
- the responsibilities and appointment of Accounting Officers;
- the responsibilities of Finance Directors;
- policy on internal audit and the prevention of fraud;
- propriety, in terms consistent with the Assembly's requirements for the conduct of financial business and whether, and in what form, specific authority for expenditure is required;
- financial provisions in Assembly Bills affecting public funds, accounting and audit arrangements, and acceptance of contingent liabilities;
- contingent liabilities generally and on the use of commercial insurance;
- fees and charges issues; and
- the departmental use of banks

Treasury Reserve

See **National Reserve**

Uncertainty

The condition in which there is a range of possible outcomes and it is impossible to attach probabilities to each of them.

Unit of Business

A Budget classification that identifies specific areas of spend within a department below Spending Areas.

Unit of Service

See **Spending Area**

Unhypothecated

Funding received from HM Treasury that does not have to be used for a specific purpose but can be allocated at the discretion of the Executive.

Use Value

Value of something which is non-marketed, determined by observing people's actual use of it.

Value For Money (VfM)

VfM means getting a good deal. It occurs when the ratio of benefit to cost is optimal for any given activity. VfM requires both that the outcome from an activity is judged to be worth the investment required to deliver it; and also that the selected investment option offers a better ratio of benefit to cost than any other available alternative.

Treasury has defined VfM in procurement as "*the optimum combination of whole-of-life cost and quality (or fitness for purpose) of the good or service to meet the user's requirement*". Thus VfM does not mean choosing the lowest cost option, but rather the option that offers the best combination of benefits and costs over the whole life of a procurement.

In April 2011, in order to give greater recognition to the importance of sustainability, the NI Procurement Board adopted the following amended version of the Treasury definition of VFM in procurement: *"the most advantageous combination of cost, quality and sustainability to meet customer requirements."*

Judgment of VfM takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness, and convenience, in order to judge whether or not, together, they constitute good value.

VfM is often described and assessed in terms of "the three Es" of economy, efficiency and effectiveness; and sometimes a fourth E (for equity) is included:

- Economy - careful use of resources to minimise expense, time or effort.

- Efficiency - delivering the same level of service for minimum input of cost, time or effort; or obtaining maximum benefit from a given level of input.
- Effectiveness – delivering a successful outcome and meeting objectives as fully as possible.
- Equity – delivering services and using resources in a way that is fair to all.

VfM studies range from economic appraisals which assess costs, benefits and VfM from a national or regional perspective; to smaller scale measurements of economy, effectiveness or efficiency for particular activities.

Viability

A key criterion in cases of financial assistance to the non-government sectors. Project viability should be assessed to help ensure that public money is not wasted on projects that will fail prematurely e.g. there should be evidence of sound business planning in terms of reasonable cash flow projections and suitable arrangements for project planning, finance, marketing and management.

Virement

The use of savings on one or more function lines or subheads to meet excesses on another function line or subhead within the same Request for Resources (RfR) of an Estimate. This is only allowed in very limited circumstances and should not breach the Assembly or the Executive's control over expenditure.

Vote on Account

Because Main Estimates are not approved until after the financial year has begun, it is necessary for some provision to be approved in advance to allow existing public services to continue for the early months of a new financial year. This is the purpose of the Vote on Account, which is taken alongside the Spring Supplementary Estimates in February. Each department generally seeks 45 per cent of the resources and cash voted in February for the current year.

Voted Expenditure

Provision for expenditure that has been authorised by the Assembly. The Assembly 'votes' authority for public expenditure through the Supply Estimates process. Most expenditure by central government departments is authorised in this way.

Weighted Scoring Method

A form of multi-criteria analysis that involves assigning weights to project objectives or more detailed performance criteria, and then scoring options in terms of how well they perform against those objectives/criteria. Weighted scores are then summed and used to rank options.

Welfare Cap

The welfare cap is a limit on the amount that UK Government is forecasting to spend on certain social security benefits in a five year rolling period. The Office for Budget Responsibility will assess performance against this cap at each Autumn Statement and monitor progress in Budget forecasts. There is no NI specific welfare cap, rather NI expenditure on benefits feeds into the overall UK welfare cap.

Whole of Government Accounts (WGA)

The Whole of Government Accounts (WGA) is a consolidated set of financial statements for the UK public sector. It consolidates around 1,500 bodies, including central government departments, local authorities, devolved administrations, the health service, and public corporations. It is prepared using accounting standards (International Financial Reporting Standards), as adapted and interpreted for the public sector, and is similar in presentation to private sector accounts.

The aim of WGA is to enable Parliament and the public better to understand and scrutinise how taxpayers' money is spent. By presenting the public finances in a framework familiar to the commercial and accountancy professions, WGA increases transparency and accessibility of information about public finances.

ACRONYMS

AEF	Aggregate External Finance
AFMD	Accountability and Financial Management Division, DoF
ALB	Arm's Length Body
AME	Annually Managed Expenditure
AO/CC	Assembly Ombudsman / Commissioner for Complaints
AR	Accruing Resource
BIS	Department for Business, Innovation and Skills (GB)
C & AG	Comptroller & Auditor General
CAL	Centre for Applied Learning
CBG	Consolidated Budgeting Guidance
CBI	Confederation of British Industry
CDEL	Capital DEL
CED	Central Expenditure Division, DoF
CFER	Consolidated Fund Extra Receipt
CGV	Central Government Voted
CLOS	Clear Line of Sight (Alignment) Project
COFOG	Classification of Functions of Government
CPD	Central Procurement Directorate, DoF
CPI	Consumer Price Index
CPO	Conventional Procurement Option
CSCiTE	Consolidated Statement of Changes in Taxpayers Equity (Resource Accounts)
CSG	Corporate Services Group, DoF
CSG	Community Strategic Guidelines (EU)
CSoCNE	Consolidated Statement of Comprehensive Net Expenditure (Resource Accounts)
CSoCF	Consolidated Statement of Cash Flows (Resource Accounts)

CSoFP	Consolidated Statement of Financial Provision (Resource Accounts)
CSR	Comprehensive Spending Review
DAO	Dear Accounting Officer
DAERA	Department of Agricutlure, Environment and Rural Affairs (NI)
DARD	Department of Agriculture and Rural Development (NI) – No longer exists
DCAL	Department of Culture, Arts and Leisure (NI) – No longer exists
DCF	Discounted Cash Flow
DCLG	Department for Communities and Local Government (GB)
DCMS	Department of Culture, Media and Sport (GB)
DE	Department of Education (NI)
DECC	Department of Energy and Climate Change (GB)
DEFRA	Department of Environment and Rural Affairs (GB)
DEL	Department for Employment and Learning (NI) – No longer exists
DEL	Departmental Expenditure Limit
DETI	Department of Enterprise, Trade and Investment (NI) – No longer exists
DfC	Department for Communities (NI)
DfE	Department for the Economy (NI)
DfI	Department for Infrastructure (NI)
DFID	Department for International Development (GB)
DFP	Department of Finance and Personnel (NI) – No longer exists
DfT	Department for Transport (GB)
DG	Directorate General
DHSSPS	Department of Health, Social Services and Public Safety (NI) – No longer exists
DID	Delivery and Innovation Division, DoF

DoF	Department of Finance (NI)
DOF	Department of Finance, Dublin
DOE	Department of the Environment (NI) – No longer exists
DoH	Department of Health (NI)
DoJ	Department of Justice (NI)
DRD	Department for Regional Development (NI) – No longer exists
DSD	Department for Social Development (NI) – No longer exists
DVA	Driver Vehicle Agency (NI)
DWP	Department for Work and Pensions (GB)
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EDP	Efficiency Delivery Plan
EFSI	European Fund for Strategic Investments
EMA	Education Maintenance Allowance
EMFF	European Maritime and Fisheries Fund
EQIA	Equality Impact Assessment
ERDF	European Regional Development Fund
ESA 95	European System of Accounts 1995
ESA 2010	European System of Accounts 2010
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EUD	European (Union) Division DoF
EUPRP	EU Peace and Reconciliation Programme (also referred to as Peace Programme)
EYF	End Year Flexibility
FBC	Full or Final Business Case
FD	Finance Director
FRAB	Financial Reporting Advisory Board

FReM	Financial Reporting Manual
FSA	Food Standards Agency
FTC	Financial Transactions Capital
GAAP	Generally Accepted Accounting Practice
GDP	Gross Domestic Product
GVA	Gross Value added
HMT	Her Majesty's Treasury
HSENI	Health & Safety Executive for Northern Ireland
IDF	Integrated Development Fund
IFI	International Fund for Ireland
IFRS	International Financial Reporting Standards
ISNI	Investment Strategy for Northern Ireland
LASFE	Local Authority Self Financed Expenditure
LFE	Locally Financed Expenditure
LPS	Land and Property Services, DoF
MFF	Multiannual Financial Framework (EU Budget)
MGDD	The Manual for Government Deficit and Debt
MPMNI	Managing Public Money Northern Ireland
MS/FM	Management Statement / Financial Memorandum
NAO	National Audit Office
NCR	Net Cash Requirement
NDPB	Non-Departmental Public Bodies
NI	Northern Ireland
NIA	Northern Ireland Assembly
NIAO	Northern Ireland Audit Office
NIAUR	Northern Ireland Authority for Utility Regulation
NICF	Northern Ireland Consolidated Fund

NIC/ICTU	Northern Ireland Committee of the Irish Congress of Trade Unions
NICVA	Northern Ireland Council for Voluntary Action
NIE	Northern Ireland Executive
NIGEAE	Northern Ireland Guide to Expenditure Appraisal and Evaluation
NIHE	Northern Ireland Housing Executive
NINIF	Northern Ireland National Insurance Fund
NIO	Northern Ireland Office (GB)
NIPSO	Northern Ireland Public Sector Ombudsman
NIRDP	Northern Ireland Rural Development Programme
NISRA	Northern Ireland Statistics and Research Agency
NITHCo	Northern Ireland Transport Holding Company
NIW	Northern Ireland Water
NLF	National Loans Fund
NPC	Net Present Cost
NPV	Net Present Value
NWRCBG	North West Region Cross Border Group – INTERREG IVA Cross Border Partnership
OB	Optimism Bias
OBC	Outline Business Case
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
OFMDFM	Office of First Minister and Deputy First Minister (NI) – No longer exists
OFO	Outturn and Forecast Outturn
OGC	Office of Government Commerce
ONS	Office of National Statistics
OTV	Outside the Vote

PAC	Public Accounts Committee
PC	Public Corporation
PDC	Public Dividend Capital
PE	Public Expenditure
PEOWP	Public Expenditure Outturn White Paper
PESA	Public Expenditure Statistical Analysis
PfG	Programme for Government
PF2	Private Finance 2
PFI	Private Finance Initiative
PI & E	Public income and Expenditure Account
PO	Provisional Outturn
PPE	Post Project Evaluation
PPP	Public Private Partnerships (incl. Private Finance Initiative)
PPS	Public Prosecution Service
PSD	Public Spending Directorate
PWLB	Public Works Loan Board
R & D	Research and Development
RAB	Resource Accounting and Budgeting
RDEL	Resource DEL
RFI	Revenue Financed Investment
RfR	Request for Resources
RPA	Review of Public Administration
RPI	Retail Price Index
RRI	Reinvestment and Reform Initiative
RSG	Revenue Support Grant
SDP	Savings Delivery Plan
SEUPB	Special EU Programmes Body
SIB	Strategic Investment Board
SLA	Service Level Agreement
SME	Small and Medium Enterprises
SoAS	Statement of Assembly Supply (Resource Accounts)

SOC	Strategic Outline Case
SPAR	Strategic Policy and Reform, DoF
SPD	Strategic Policy Division, DoF
SR	Spending Review
SRO	Senior Responsible Officer
SSE	Spring Supplementary Estimate
TEO	The Executive Office (NI)
TES	Total Expenditure on Services
TME	Total Managed Expenditure
TOA	Treasury Officer of Accounts
TSN	Targeting Social Need
VFM	Value for Money
WGA	Whole of Government Accounts

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