Department of Finance
An Roinn Airgeadais
www.finance-ni.gov.uk

SUPPLY ESTIMATES IN NORTHERN IRELAND:

GUIDANCE MANUAL

July 2020

CONTENTS

FOREWORD: SUPPLY ESTIMATES

This manual is intended to serve as a practical reference guide for anyone with direct or indirect responsibility for the Supply Estimates process in Northern Ireland. It is aimed directly at officials in Northern Ireland departments with responsibility for the stewardship and reporting of public expenditure but should also be of use to those in arms-length public bodies (ALBs), to the Assembly, to the Northern Ireland Audit Office (NIAO), or indeed to anyone with an interest in the process by which the Assembly authorises the Executive's expenditure plans.

As this manual will endeavour to explain, the Supply Estimates are at the heart of public spending control. It is through the Estimates that the Executive seeks the Assembly's authority for its spending plans and without such authority comparatively little public expenditure could take place. The Assembly has delegated many controls to the Department of Finance (DoF) and expects DoF to apply those controls effectively. It is nonetheless departments themselves, and the Accounting Officers in particular, that are ultimately responsible for the content of their Estimates. Both departments and DoF must therefore work together to ensure that all Supply Estimates meet the highest standards.

We hope and trust that you will find this a useful document that plays its part in improving standards. Although a stand-alone guidance manual on Supply Estimates, readers should ensure that they are appraised of other relevant documents (e.g. The Northern Ireland Act 1998 and the Government Resources and Accounts Act (NI) 2001 (in relation to the legislative requirements), *Managing Public Money Northern Ireland* (guidance on general principles of propriety and accountability) or the Treasury's Consolidated Budgeting Guidance) for detail on related issues.

If you require any further information, or wish to report any errors or omissions, please contact the Public Spending Directorate (PSD) within DOF on 028 91 858213 (GTN 68213).

1 INTRODUCTION

1.A. THE ROLE AND PURPOSE OF SUPPLY ESTIMATES

The History of Supply at Westminster

1.1 Until the late 17th century grants of Supply were viewed as ‘extraordinary’ and originated as a response to the need to raise money for a war. Parliament asserted its monopoly on fiscal authorisation in Article IV of the Bill of Rights of 1689 (see Box 1.1 below).

> **Box 1.1: Article IV of the Bill of Rights 1689**
>
> “That the levying Money for or to the use of the Crowne by pretence of Prerogotive without Grant of Parlyment for longer time or in other manner then the same is or shall be granted is illegall”

1.2 The statutory basis for parliamentary control of Crown (that is Government) expenditure itself derives from 1689 when the standing army was legalised but its expenses were only granted for a year ahead by an annual vote. Gradually the principle that expenses be granted for a year ahead and for clearly defined purposes was extended to other areas of Crown expenditure until, by 1830, the expenses of all civil expenditure were so provided. The Consolidated Fund (effectively, the name of the public bank account at the Bank of England) was created in 1787 as the fund into which all revenue was to be paid and from which all payments for public services were to be made.

1.3 Parliament cannot though initiate such processes and the House cannot consider a ‘charge upon the public revenue’ unless it is first sought by the Crown[1]. Such charges are divided into two groups, those that are voted by Parliament on an annual basis (the Supply Estimates process on which this guidance concentrates) and those that Parliament has authorised through statute without the need for further, annual, parliamentary authority (e.g. Consolidated Fund Standing Services).

1.4 The Crown is charged with the management of all the revenue of the State, and with all payments for the public service. So, acting with the advice of its ministers, it presents to the House of Commons its requirements for the financing of public services. In return, the Commons authorises expenditure (through granting Supply) and provides the ways and means to meet that expenditure, through taxes and other sources of public revenue. The role of the House of Lords is confined to assenting to those financial provisions of the Commons which require statutory authorisation. Since the withholding of the Lords' assent to a money bill is effective only for a month and would in any event be treated by the Commons as a serious breach of its privileges, it is, in effect, the lower House which exercises Parliament's financial control.

Supply in Northern Ireland

1.5 The Supply process in Northern Ireland is based on the Westminster model and Estimates are presented to the NI Assembly by the Minister for Finance for approval. There is, however, an important distinction between the powers of a Minister of the Crown at Westminster and a Northern Ireland department. Northern Ireland departments are statutory corporations and as such have no powers except those which are conferred on them by or under statute. Even if they have the legal power to do something they will only be able to finance planned activities if they have the statutory authority to spend. This authority to spend is largely given by the Assembly through the Supply process and the Budget Acts. The exceptions being some direct charges on the NI Consolidated Fund by individual statutes (see section 4.A) and benefits financed from the Northern Ireland National Insurance Fund under statute. It is only once the relevant Budget Bill has obtained Royal Assent that the provision

[1] In practice, a Government Minister of the Crown

sought in the Estimates can be used or spent by the department. (See also *Managing Public Money Northern Ireland*, Chapter 2)

1.6 As a devolved administration, Northern Ireland has a separate Consolidated Fund which is funded by the Block grant voted by Westminster as part of the Supply Estimates of the Northern Ireland Office and by local revenues. The cash requirements of NI departments, as approved by the NI Assembly in the Supply process, will be met from issues from the NI Consolidated Fund.

1.7 Although the process has remained largely the same, the structure and content of the Supply Estimates has nevertheless developed over time. The most significant change being the move from cash to resource based controls in 2001-02. The move to resource Estimates was provided for in the Government Resources and Accounts Act (NI) 2001. The Act enabled the full introduction of resource and accruals accounting into planning, budgeting and expenditure control processes replacing and/or amending sections of the Exchequer and Audit Act (NI) 1921.

1.8 Any significant changes to the Supply Estimates in Northern Ireland (whether process, format or content) must be cleared by DOF with the Executive and in consultation with the Assembly, normally through the Public Accounts Committee (PAC) and the Committee for Finance.

Authority to incur expenditure

1.9 As explained in paragraph 1.5 above, activities by Northern Ireland departments will be supported by specific enabling legislation and any resulting charge upon public funds must, in addition, be authorised by legislation. However, in certain exceptional circumstances, some categories of expenditure may properly rest on the sole authority of the Budget Act. The Budget Act (see also paragraphs 1.24-1.26) gives formal authority for expenditure plans set out in the departmental Supply Estimates.

1.10 Resting on the sole authority of the Budget Act is allowed only in certain circumstances or for certain categories of expenditure. For example, the administration costs of a department will often be authorised by a Budget Act alone. For expenditure on services that have no other legislative authority the Budget Act can only be used if:

- the expenditure is no more than £1.5m a year;

or,

- it is expected to last for no more than two years; and,
- any existing explicit statutory limits are respected, and
- no specific legislation on the matter in question is before the Assembly.

1.11 Such expenditure must be noted in the 'Notes to the Estimate'.

Annuality

1.12 Historically, Supply voted by Parliament at Westminster was not always time-limited. The authorisation of expenditure was originally linked to the collection of tax revenues authorised during the same session. Since tax collection was often a slow process the expenditure Estimates and the vote of Supply remained open after the end of the financial year. The Committee of Public Accounts (PAC) in Westminster, following its establishment in 1861, proposed a move to annuality and this was accepted by the Government of the day and introduced from 1862-63.

1.13 Therefore, Supply (now meaning both resources and cash) voted by the Assembly and authorised under the relevant Budget Acts is only available to be applied to the financial years (running from 1 April to 31 March) specified in the Acts. There is no flexibility to carry forward spending to the next financial year.

1.14 Any resources or cash authorised in the Supply Estimates but not used by the department at the end of a financial year are no longer authorised for use. Where the department has drawn down unspent cash from the NI Consolidated Fund it will normally be treated as though it has been returned to the Fund and will be deducted from the amount available to be drawn down in the following year. This will ensure annuality is observed and the department is not left with more Supply cash than its entitlement. However, if this arrangement is not possible for any reason (e.g. because the Estimate ceases to exist in the following year), the excess must be surrendered back to the NI Consolidated Fund by the department responsible for preparing the relevant resource account.

1.15 If a department breaches any of its Request for Resources (RfR) limits or spends more than its authorised net cash requirement during a financial year, an Excess Vote will be required (see Chapter 2, paragraphs 2.75 - 2.79).

1.B. THE ESTIMATES CYCLE: AN OUTLINE TIMETABLE

The timetable applying for Supply relating to one financial year

1.16 The table below outlines the Estimates cycle in relation to financial year 202x-2y. The process begins well ahead of the start of the financial year (in year 202w-2x) and, if there are any Excess Votes in 202x-2y, may be completed more than a year afterwards.

Table 1.1

TIMETABLE FOR SUPPLY ESTIMATES FOR ONE FINANCIAL YEAR	
202x	**Action**
January - February	The Vote on Account 202x-2y (see paragraphs 3.65-3.69) is prepared and laid in the Assembly. (This is authorised alongside the Spring Supplementary Estimates for 202w-2x).
February	Spring Supplementary Estimates 202w-2x and Supply Resolution debates are followed by the introduction of a Budget Bill. This Bill, authorising provision sought in the Spring Supplementary Estimates for the current financial year, 202w-2x and the Vote on Account for 202x-2y, is progressed through the Assembly and obtains Royal Assent a week or two before the end of the financial year, 202w-2x.
April - May	Main Estimates 202x-2y (see paragraphs 3.59-3.60) are prepared and laid in the Assembly. Any necessary Statement of Excesses for the previous financial year, 202v-2w is also prepared and laid.
June	Estimates and Supply Resolution debates are followed by the introduction of a Budget (No.2) Bill. This Bill, authorising provision sought in the Main Estimates 202x-2y (less that already allocated in the Vote on Account) is progressed through the Assembly and obtains Royal Assent before the summer recess. This Bill may include any provision sought in any Statement of Excesses for 202v-2w.

202y	
January	Any necessary Spring Supplementary Estimates 202x-2y (see paragraphs 3.61-3.62) and the Vote on Account for 202y-2z, are prepared and laid in the Assembly.
February	Spring Supplementary Estimates and Supply Resolution debates are followed by the introduction of a Budget Bill. This Bill, authorising provision sought in the Spring Supplementary Estimates for the current financial year, 202x-2y, and the Vote on Account for 202y-2z, is progressed through the Assembly and obtains Royal Assent a week or two before the end of the financial year, 202x-2y.
April - May	Any necessary Statement of Excesses (see paragraphs 3.70-3.72) for the previous financial year 202w-2x is prepared and laid in the Assembly at the same time as the Main Estimates 202y-2z.
June	Estimates and Supply Resolution debates are followed by the introduction of a Budget (No. 2) Bill. This Bill, authorising provision sought in any Statement of Excesses for 202w-2x and the Estimates 202y-2z, is progressed through the Assembly and obtains Royal Assent before the summer recess.
202z	
January	Any necessary Spring Supplementary Estimates 202y-2z (see paragraphs 3.61-3.62) and the Vote on Account for 202z-2a, are prepared and laid in the Assembly.
February	Spring Supplementary Estimates and Supply Resolution debates are followed by the introduction of a Budget Bill. This Bill, authorising provision sought in the Spring Supplementary Estimates for the current financial year, 202y-2z, and the Vote on Account for 202z-2a, is progressed through the Assembly and obtains Royal Assent a week or two before the end of the financial year, 202y-2z.
April - May	Any necessary Statement of Excesses for the previous financial year 202x-2y (see paragraphs 3.70-3.72) is prepared and laid in the Assembly at the same time as the Main Estimates 202z-2a.
June	Estimates and Supply Resolution debates are followed by the introduction of a Budget (No. 2) Bill. This Bill, authorising provision sought in any Statement of Excesses for 202x-2y and the Estimates 202z-2a, is progressed through the Assembly and obtains Royal Assent before the summer recess.

1.C. THE ROLE OF THE ASSEMBLY

Assembly scrutiny and debate

1.17 Estimates set out in detail the amounts of cash and net resources required (taking account of planned accruing resources and related cash receipts) for public services for one financial year for each department. The Assembly approves the Estimates via the Supply Resolution.

1.18 Estimates are prepared by departments and examined by DOF Supply to ensure that they meet Assembly propriety requirements and are consistent with the Executive's expenditure plans. After approval by DOF Supply the Estimates are presented and recommended (as required by Section 63 of the Northern Ireland Act 1998) to the Assembly by the DOF Minister who moves the Supply Resolution/s summing up the requests for Supply for each body. In addition to NI departments, the Assembly Commission, the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints (AOCC), the Food Standards Agency, the Northern Ireland Audit Office, the Northern Ireland Authority for Utility Regulation and the Public Prosecution Service for Northern Ireland each have their own Estimate. They are presented to the Assembly as part of the Estimates document, but are treated as separate requests for resources by each of the bodies, reflecting their independent status.

1.19 Following Assembly scrutiny and debate, the Estimates are approved by the passing of the Supply Resolution/s. Following the vote/s supporting the Resolution/s the related Budget Bill is introduced and recommended (as required by Section 63 of the Northern Ireland Act 1998) by the DOF Minister providing the statutory authority for the appropriation of resources and for the drawdown of cash from the NI Consolidated Fund.

1.20 As mentioned earlier, Assembly authority over public expenditure has its roots in history and is taken very seriously. Nevertheless, Assembly Standing Orders provide for the progress of Budget Bills through the Assembly by accelerated passage in order to ensure Royal Assent prior to the conclusion of the financial year in the case of Supplementary Estimates and prior to the summer recess in the case of the Main Estimates.

1.21 The proceedings on Budget Bills under accelerated passage take the form of 5 stages in the Assembly - Introduction, Second Stage, Consideration Stage, Further Consideration Stage and Final Stage.

1.22 The Assembly's consideration of Estimates and the Budget Bill is generally concentrated in two periods:

- **a** May–June for Main Estimates and any Statements of Excess for the previous year but one; followed by a Supply Resolution debate and the Budget Bill;

- **b** January–February for Spring Supplementary Estimates and the Vote on Account for the incoming financial year; also followed by a Supply Resolution debate and a Budget Bill.

1.23 Any special Supplementary Estimates, or new Estimates, may be presented at times other than the normal occasions above.

Budget Acts

1.24 Budget Acts are the legislative means by which Assembly approval is sought for departments and certain other public bodies to incur expenditure and use resources as detailed in the corresponding Estimates volume and summarised in the Schedules to the Acts.

1.25 Furthermore, Budget Acts enable the Assembly to hold departments accountable for managing and controlling those resources within the limits authorised.

1.26 A Budget Act:

a authorises the use of resources specified for the RfRs of each department or public body in the Schedules to the Acts. The Budget Act related to the Spring Supplementary Estimates authorises revised resources in the current financial year along with resource provision required in the Vote on Account for the next financial year. The Budget (No. 2) Act in June authorises the use of the balance of the Main Estimates (i.e. the amount of resources not covered by the Vote on Account) and any resources which are required to be voted to cover any resource Excess Votes from the previous financial year but one;

b sets the relevant limits on the total accruing resources that may be directed to be used for purposes specified for each RfR in the Schedules to the Act. Accruing resources are divided into two categories: a) operating accruing resources, which is resource income offset against the gross resource expenditure and b) non-operating accruing resources, which is capital income, mainly relating to the sale of assets, and offset against gross capital spend;

c authorises the issue of cash from the NI Consolidated Fund to departments and other public bodies as set out in the Schedules to the Acts. The Budget Act related to the Spring Supplementary Estimates authorises revised cash required in the current financial year along with cash provision required in the Vote on Account for the next financial year. The Budget (No. 2) Act authorises the issue from the NI Consolidated Fund of the balance of the Main Estimates (i.e. the amount of cash not covered by the Vote on Account) and any cash amounts which are required to be voted to cover any cash Excess Votes from the previous financial year but one;

d appropriates the resources and cash authorised to the particular services and purposes set out in column 1 of the Schedules to the Acts. Relevant Budget Acts also appropriate any resources and cash authorised to cover Excess Votes to particular services and purposes; and

e gives statutory authority to services or functions of departments specified in the Estimates where authority rests upon the sole authority of the Budget Act.

1.D. THE ROLE OF DOF

Responsibility for Estimates' approval, policy and format

1.27 As is clearly set out in *Managing Public Money Northern Ireland* Chapter 2, no resources can be properly committed or expenditure incurred by departments without the approval of DOF (although, in practice, DOF delegates to departments the authority to enter into commitments and to incur expenditure within predefined delegated limits). As outlined in paragraph 1.5, most departmental expenditure needs to be annually voted through the Supply Estimates and draft Supply Estimates must be approved by DOF Supply before they are presented to the Assembly by the DOF Minister.

1.28 The requirement for DOF approval is one aspect of DOF's central role in the control of finance and public expenditure on behalf of the Executive and the Assembly. In addition, many statutes contain a requirement for DOF approval or consent. Where legislation specifically requires DOF consent, any expenditure or resource consumption without such consent is **illegal**. Where there is no statutory requirement for DOF approval and authority to incur the expenditure has not been delegated by DOF to the department, expenditure or resource consumption without DOF approval is **irregular**.

1.29 DOF is responsible for the form and content of Estimates. No alteration in the form of departmental Estimates may be made without DOF approval. Furthermore, by longstanding convention, important changes in the general form of the Estimates are not made or sanctioned by DOF without consultation with the Executive, in the first instance, and then the Assembly, normally through the Committee for Finance and the Public Accounts Committee (PAC).

1.30 Since the Assembly does not vote on how provision is distributed through function lines and subheads[2] within each RfR in an Estimate this may give the Executive discretion to vary allocation between function lines through

[2] Function lines and subheads relate to the Part II: Subhead detail table of the Estimates. A function line relates to a particular area of expenditure (referred to as a 'section' in FReM). A subhead is a part of a function line, breaking the provision down further into categories of expenditure within that function line.

virement (see paragraphs 2.63-2.68). By longstanding custom this discretion is exercised by DOF.

Publication of Estimates

1.31 The Estimates are presented to the Assembly by the DOF Minister as a single publication. The Estimates represent DOF's formal request to the Assembly on behalf of the Executive for Supply for the NI departments and other public bodies (see paragraph 1.18).

1.32 A commissioning note from DOF to departments triggers the Estimates process. Completed draft Estimates should be submitted by departments to the relevant Supply Officer for scrutiny and approval in line with the timetable in the commissioning note.

1.33 At the time of commissioning, DOF prepares and issues templates in Excel spreadsheets for use by departments in the preparation of the Estimates. These templates, although devoid of figurework, contain much of the basic text and it is vital that these templates are used for each Estimate in order to facilitate the printing process. Ultimately, though, it is the responsibility of each department to check the templates and ensure the Estimate submitted accurately reflects the department's position. DOF also produces reports from the Resource Budgeting Management (RBM) database of the detail required for the Part II: Subhead detail table of the Estimates – Estimates must be taut and realistic and should align with the database position. Other ad hoc reports may be generated from the RBM database to assist with the preparation of the Estimates, if required by departments.

1.34 Following approval of the draft Estimates by DOF Supply, the introductory sections are prepared and the Estimates volume compiled electronically by DOF for submission to the Stationery Office for printing in time for presentation to the Assembly and the Committee for Finance. The Budget Bill is prepared concurrently.

1.E. THE ROLE OF DEPARTMENTS

Accounting Officer Responsibilities

1.35 The permanent head of a department is normally appointed, by DOF, as an Accounting Officer for that department (see Chapter 3 of *Managing Public Money Northern Ireland* for more detail on Accounting Officer responsibilities). The appointment carries with it responsibility for accounting to the Assembly for the amounts voted to meet the department's annual Supply Estimate. If additional senior managers within a department are made responsible for particular RfRs within the departmental Estimate DOF may appoint them as Additional Accounting Officers. In such cases, the permanent head of the department will be appointed as Principal Accounting Officer.

Responsibility for content of the Estimates

1.36 Departments are responsible for:

- ensuring that the content of Estimates is complete, accurate and consistent with Assembly and DOF requirements;
- ensuring that Estimates are taut and consistent with their best forecasts of requirements as recorded in the RBM database;
- ensuring that the ambit (see paragraphs 3.13-3.15) of their Estimate covers all the services which have been approved for inclusion within that Estimate for the year (including the capital and the non-cash consequences of resources and capital for the year in question, as well as for other years, e.g. depreciation, long-term provisions, etc. where appropriate);
- ensuring that the ambit of each Supplementary Estimate fully reflects all of the services covered by the Supplementary and preceding Estimates, even though some of the services may not require extra resources or cash in that particular Supplementary;
- ensuring that expenditure does not take place on services unless they are covered by the ambit;
- planning and controlling the allocation of resources and net cash so that these do not exceed the amounts voted by the Assembly;

- ensuring that the accruing resources footnote(s) at the base of departments' accruing resources analysis table cover(s) all income which DOF may direct to be used, under Section 8 (1) of the Government Resources and Accounts Act (NI) 2001, for certain purposes specified in the ambit and the Budget Bill;
- ensuring that all other necessary notes to the Estimate are complete and accurate.

1.37 Departments must follow the structure and format for Estimates as laid down by DOF. In determining the information in their Estimate departments should give consideration to the relationship with the presentation of spending data in other publications and should focus on providing information that reflects the department’s main objectives and functions and is informative to the Assembly.

1.38 Estimates must accurately reflect spending control limits set by the Executive and it is the responsibility of the department to ensure that it does not seek provision outside those limits. The relevant DOF Supply Officer will scrutinise Estimates for compliance with spending controls and any Estimates outside those limits will not be approved for presentation to the Assembly.

Consulting DOF

1.39 Departments should consult DOF (through the relevant Supply Officer) before making any significant changes to their Estimate. Such changes should be made during a Budget process and, therefore, before the start of the financial year, and not within year, where at all possible. Examples of issues where consultation is required:

- changes to the number or description of Requests for Resources;
- any significant reorganisation of lines within the Part II: Subhead Detail table;
- significant changes to the ambit in Part I of the Estimate;
- before including footnotes to explain parts of the Estimate;
- anything that might be considered as novel or contentious.

1.F. THE RELATIONSHIP BETWEEN ESTIMATES, BUDGETS AND ACCOUNTS

Summary

1.40 It is important to understand that there are differences between the scope and the definitions of expenditure for the purposes of the various spending controls. Public spending control and reporting primarily involves:

- **budgets**[3] - are defined by the Executive and are used to control public spending and to support the Fiscal Rules[4]. Since the Fiscal Rules use National Accounts[5] definitions of expenditure budgets are also largely aligned to National Accounts definitions. This means, for example, that they cover expenditure of the whole of the public sector – central government, arm's length bodies and public corporations. A Departmental Expenditure Limit will therefore include the expenditure of Non Departmental Public Bodies (NDPBs) for which the department has responsibility and will treat capital grants as capital spending (since they are used to create an asset within the economy). Budgets do not in themselves convey cash or resources or give authority for expenditure.

- **Supply Estimates -** seek Assembly authority for the expenditure (resources and cash) of individual departments. Estimates are currently largely, but not completely, aligned to accounting definitions of expenditure. Differences between Estimates and accounts include: certain expenditure, where the Assembly has given separate standing legislative authority, does not need to be

---

[3] Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME), which together give Total Managed Expenditure (TME).

[4] The Fiscal Rules place restrictions on public sector spending to help provide economic stability and growth.

[5] The National Accounts are produced by the Office of National Statistics in accordance with the requirements of the European System of Accounts 1995. This data is used to determine GDP. The Fiscal Rules are aligned to National Accounts definitions.

voted through the Estimates (see section 4.A); income for which the department has not obtained authority, through its Estimate, to retain, but is still treated as income in accounts;

- **resource accounts** - focus on departmental outturn and also comparing audited outturn against limits voted by the Assembly in the Estimates only consolidating those entities regarded as an extension of the department over which it exercises in-year budgetary and spending controls, following (as closely as possible) Generally Accepted Accounting Practice (GAAP) concepts. NDPBs normally fall outside this boundary and are therefore not consolidated, resource accounts include any grant in-aid from a department to its NDPBs, but not the expenditure of the NDPBs themselves; capital grants are treated as resource expenditure since they do not create an asset for the department.

Implications for Supply Estimates

1.41 These differences mean that understanding the implications of provision sought in the Estimates requires knowledge not only of the Estimates themselves but also of how that provision is treated in budgets and accounts. It is quite possible that movements in spending in budgets will have no, or different, implications for voted provision in Estimates, or vice versa.

1.42 This document does not seek to provide full details of all the differences, but rather to make users of the Estimates aware of the issue. Some common examples of differences that arise are:

- income - budgets are set on a net basis (i.e. net of any income the department gets that is in budgets and therefore provides additional spending authority). However, departments can normally only retain the income (and related cash) if they have sought and obtained, through the Estimates process, the authority of the Assembly to treat it as an accruing resource for use on related spending. The Assembly therefore places limits on both net expenditure and on income (thereby controlling gross spending also). The accounts will record income of the department regardless of the budgeting or Estimates treatment. (For further guidance on the treatment of income in Estimates see section 2.B.);

- non-voted expenditure – by definition such expenditure does not appear in the departmental Estimate but may nevertheless fall within the budget and/or accounts. NI Consolidated Fund Standing Services (see section 4.A) and expenditure financed from the Northern Ireland National Insurance Fund are just two examples;

- arm's length bodies – Estimates and accounts cover only the departmental boundary but budgets also cover ALBs for which the department is responsible (e.g. NDPBs). The Estimates and accounts will include any grants or other payments from the department to the body, whereas budgets will include the expenditure of the body itself.

1.43 The Treasury and DOF are well aware of the difficulties that the present system can cause. The Westminster Government announced[6] its intention to better align the various controls so that what Parliament votes is largely or entirely consistent with budgets as set by HM Treasury. The House of Commons accepted the Government's plans and the Clear Line of Sight reforms came into effect from 2011-12. Northern Ireland is separately considering the alignment of its Budgets, Estimates and Accounts through the Review of Financial Process.

[6] Prime Minister's statement to the House of Commons on Tuesday, 3 July 2007 and Green paper entitled 'The Governance of Britain'.

2 GENERAL PRINCIPLES

2.A. ASSEMBLY AUTHORITY

Tautness and realism

2.1 In essence, the Supply Estimates must not be misleading. The Assembly expects departments to submit for approval Estimates based upon taut and realistic spending plans. This means that the amount of provision sought in the Estimates must reflect the department's latest Budget position agreed by the Executive for that financial year. The amounts sought in the Estimate should be neither more (perhaps in order to provide a buffer in case of unexpected additions) nor less than is actually planned in Budgets. A department should consult DOF if it considers its resource or cash requirement will exceed existing Budget provision.

2.2 As well as reflecting the department's latest budget provision the Estimates should provide an accurate and detailed breakdown of how that provision is expected to be spent. This means, in particular, that the Part II: Subhead Detail table should allocate provision to appropriate functions and categories (e.g. administrative or programme spend, grants or other spend).

Timing of expenditure

2.3 As outlined above (see paragraphs 1.24-1.26) it is only once the Estimates are formally approved (which includes the related Budget Act having obtained Royal Assent) that the provision they contain can be used or spent by the department. This also means that departments are not able to incur expenditure above the amounts already authorised, or on new services, on the basis that they will then correct the situation in a later Supplementary Estimate.

2.4 Where the department does have an urgent requirement to incur expenditure in advance of the normal authority it may need to seek an advance from the NI Consolidated Fund (see section 4.B) for contingencies. Further advice about the issues to be considered in relation to when departments have authority to spend can be found in Chapter 2 of *Managing Public Money Northern Ireland*.

2.B. TREATMENT OF INCOME

Treatment of income in Estimates

2.5 It is usually obvious when a department is receiving income (perhaps from the sale of goods or services) but some types of receipt (such as recoveries of over payments or compensation payments) may be less clear as to their treatment. Estimates will normally follow the accounting treatment but in any cases of doubt the department should contact DOF and/or the Northern Ireland Audit Office (NIAO) for advice. From the Estimates viewpoint income (including, in this context, the proceeds of asset sales) and its associated receipts normally falls into one of the following main categories:

- proceeds from receipts, which should normally be paid direct to the NI Consolidated Fund;
- repayment of principal and interest received on loans from the NI Consolidated Fund, which should be paid by departments, district councils or other public bodies to the Fund;
- amounts due to Supply financed departments, which should, depending on their nature, be accounted for by being dealt with in one of the following ways:

  a). surrendered to the NI Consolidated Fund as Consolidated Fund Extra Receipts (CFERs);

  b). used to offset gross resources and capital (accruing resources);

  c). credited back to a gross expenditure subhead.

2.6 Most income of Supply financed departments will be treated as CFERs or accruing resources. Income which is credited to a gross expenditure subhead will fall outside the normal Assembly control arrangements and can only be done under the circumstances described below in paragraph 2.27. Departments should note that the Estimates treatment of income has no implication for its treatment in the budgeting aggregates, such as Departmental

Expenditure Limits (DELs) or Annually Managed Expenditure (AME) or in non-budget. Accruing Resources and CFERs are Estimates terms and are often misused to indicate budgeting treatment. While the budgeting treatment of income influences the treatment in Estimates, the reverse does not apply. Income may be treated as accruing resources or CFERed whether its budgeting treatment is negative DEL, negative AME or non-budget income. The important consideration is rather whether or not there is related expenditure in the same part of the Estimate.

Authority to retain income (and DOF Minute)

2.7 Most income of NI departments is hereditary revenue (see box 2.1 below) and the retention and use of such income by departments is subject to the strict control of the Assembly. Only through specific legislation or with the approval of DOF may income be retained by the department and used to offset expenditure. Without such authority the cash must be surrendered to the NI Consolidated Fund, known as Consolidated Fund Extra Receipts (CFERs) (see paragraphs 2.18-2.22)

Box 2.1: Hereditary revenue

This is a legal concept that requires most cash receipts to be paid into the Consolidated Fund. Virtually all non-statutory receipts are regarded as hereditary revenue. In addition, any statutory receipts where the statute is silent about what the department should do with the receipts are also hereditary revenue. Unless a department has specifically established that a particular type of receipt is not Hereditary revenue, it should assume that it is required to be paid into the NI Consolidated Fund.

This requirement does not apply though where the income, and therefore the related cash, has been authorised to be treated as an accruing resource.

2.8 DOF has powers[7] to direct that the resources accruing from receipts may be used by departments for the purposes specified in the relevant Schedule to the Budget Act and up to the limits set in the Act. This direction takes the form of a single omnibus Minute laid before the Assembly by DOF following Royal Assent to the relevant Budget Act. The minute directs that the income described in the accompanying table (which is a replication of the comprehensive footnote below the Accruing Resources Analysis table which accompanies each Estimate) should be applied as accruing resources of the relevant department.

2.9 The Budget Acts that give legislative authority to the Estimates specify limits for each Request for Resource on the amounts that may be treated as accruing resources (the sum of both operating and non-operating accruing resources) (see paragraphs 2.11-2.17 below for details).

2.10 In order for income to be covered by the authority to treat as accruing resources it must therefore be:

- clearly identified in the footnote to the 'Accruing Resources Analysis' table (descriptions such as "other" or "miscellaneous" are not adequate) – see paragraph 3.38 regarding importance of this footnote; and,
- within the limits on accruing resources set out in the relevant Budget Act.

Accruing Resources

2.11 As mentioned above, the Assembly approves limits on the amounts that can be treated as accruing resources and these limits are set out in the Budget Act (see paragraphs 1.24-1.26 above). This means that the Assembly, by applying limits on both net spending and income, has effective control over gross spending.

[7] Under Section 8 of the Government Resources and Accounts Act (Northern Ireland) 2001

2.12 Accruing resources are separated into two distinct groups of income:

- **operating accruing resources**: operating income which can be treated as accruing resources against resource spending;
- **non-operating accruing resources**: non-operating income (e.g. relating to the sale of non-current assets such as a building (book value scores in capital budget – see paragraphs 2.30 to 2.31) or repayments of loan principal) which can be treated as accruing resources against capital spending.

2.13 The Estimates identify accruing resources in both the 'Part II: Subhead Detail' table (column 5 for operating accruing resources and column 8 for non-operating accruing resources) and in the 'Accruing Resources Analysis' table.

2.14 Income may only be treated as accruing resources where there is related spending in the same part of the Estimate. This means that:

- operating accruing resources must have related spending in the same RfR, usually in the same function line of the Estimate;
- operating accruing resources offsetting related administration spending must itself be administration income;
- both operating and non-operating accruing resources must have the same budgetary treatment as the related spend;
- both operating and non-operating income can only be treated as accruing resources up to the amount of related resource or capital expenditure in the Estimate. Any income above this level should be surrendered as a CFER, even if the cash related to the income could otherwise offset cash spending.

2.15 As with expenditure, income that is treated as accruing resources in the Estimate is recognised on an accruals basis. This means that income may well be treated as accruing resources well before the related cash is received (e.g. because the department performs a service in one year, and so accrues the income, but isn't paid for the service until the following year) or perhaps even afterwards (e.g. a department lets an office on 1 January and the tenant pays six months rental in advance; at the year end the department has 3 months rental pre-payment (so has cash and a creditor); the department won't accrue (and treat as accruing resources) the income for the 1 April-30 June rental until the following year).

2.16 Only cash receipts which relate to income that is accrued as accruing resources, either in the same year or in a different year, can be used by the department to meet cash expenditure in the year in which the cash is received. Cash related to income that was (in the current or an earlier year) or will be (in the current or a future year) treated as accruing resources can be retained by the department and taken into account when setting the net cash requirement for that year. Departments must analyse and differentiate their debtors between income relating to accruing resources and income relating to CFERs, otherwise they will be unable to properly ascertain the correct treatment once the cash is received, since cash relating to CFER debtors must be surrendered.

Box 2.2: Accruing Resources – treatment of related cash

The table below provides an example of how cash related to income that is treated as accruing resources may come in to the department and offset the net cash requirement either in earlier or later years to that in which the income accrues.

	AR income	Related cash (offsets net cash requirement)	(Comment)
Year 1	500	-	Dept. does not receive any cash in Year 1.
Year 2	500	700	Dept. receives all of Year 1 cash plus 200 of year 2 cash.
Year 3	500	1300	Dept. receives remainder of Year 2 cash plus all of Year 3 cash plus a pre-payment of all of Year 4 cash.
Year 4	500	-	Cash for Year 4, and all earlier years, already received.

2.17 Where income is included as an accruing resource but is later found not to be due, its repayment should, where possible, be deducted from the accruing resources sought in that later year. However, accruing resources due but subsequently found to be not collectable (and therefore written-off) will not be deducted from the AR figure but instead charged as expenditure.

Consolidated Fund Extra Receipts (CFERs)

2.18 This is the 'default' position for departmental income (see Box 2.1 above). It is the responsibility of the department to pay over the correct amount of receipts promptly to the Paymaster General's Account for onward transmission by DOF to the NI Consolidated Fund. DOF has no responsibility for such receipts until they have been credited to the Paymaster General's Account.

2.19 Part III of an Estimate provides a breakdown of expected CFERs. The CFERs are analysed and grouped (with data for both resource income and cash receipts) as follows:

- operating income which is not classified as an accruing resource but which is recorded in the Statement of Comprehensive Net Expenditure;
- non-operating income not classified as an accruing resource (generally capital-related receipts);
- other income which is not classified as an accruing resource and which is outside a department's operations (e.g. Revenue CFERs);
- excess cash receipts to be surrendered to the NI Consolidated Fund.

2.20 Cash receipts relating to CFER income must not be used for the purpose of financing voted expenditure.

2.21 For receipts included in Part III of the Estimate as CFERs, departments should lodge these to the Paymaster General's Account as soon as they are received..

2.22 Where an overpayment has been made to the NI Consolidated Fund (e.g. because income could have been recognised as accruing resources but was instead surrendered), Government Accounts Branch (GAB) may agree to repay the money or adjust the error, though it will not do so if the account for the year in which the overpayment was made has become indelible[8]. GAB must seek the approval of the Northern Ireland Audit Office to any action taken. If it is not possible to make repayment (e.g. where the department's resource accounts have been signed off by the Comptroller and Auditor General) a department can seek provision for the resource, through the Estimate. Where the resource is required urgently, an advance from the NI Consolidated Fund may be sought in order to allow payment before the Estimate provision is available.

Excess cash to be CFERed

2.23 Departments may occasionally have more cash than they anticipate they will need. This will usually be for one or more of the following reasons:

- the department covers its costs from income leaving an excess of cash; or
- some of those costs have no cash consequences (e.g. depreciation or provisions); and
- those non-cash costs are greater than net capital spending (which requires cash).

2.24 Since the net cash requirement cannot be negative, any excess cash would need to be surrendered to the NI Consolidated Fund (as 'Excess cash to be CFERed'). Such amounts appear at the bottom of the Part II: Resource to cash reconciliation table (see paragraphs 3.20-3.22) and are also shown in the

[8] That is, it cannot subsequently be further amended.

Part III: Extra Receipts payable to the Consolidated Fund table (see paragraphs 3.23-3.26).

Netting off income (net, including token subheads & function lines)

2.25 A net subhead or function line within an RfR is one where income is netted off resource (or, possibly but rarely, capital) expenditure (rather than shown as an accruing resource), thus restricting Assembly control to the net cost of the service. It is not necessarily the case that all expenditure within the subhead or function line will be offset by income; it may be that only some expenditure is offset.

2.26 Where the expenditure is entirely offset by income the function line will be 'token' and will simply hold £1,000 of gross and net provision. The purpose of a token net subhead is to bring the transaction to the attention of the Assembly. The amount cannot be less than £1,000 since this is the lowest amount that could be voted by the Assembly.

2.27 The Assembly generally exercises control on a gross basis and use of net subheads or function lines may only be used in specified circumstances. It is unlawful to net off income where it is required to be either surrendered to the NI Consolidated Fund, or treated as accruing resources. DOF should be consulted if it is proposed to use a net subhead or function line. The circumstances where net subheads or function lines might be used are:

- where the income comes from elsewhere within the same department;
- where the department is acting as an agent in handling money belonging to A, which A wishes to pay to B via the department (this is sometimes the case with income from the European Union);
- where the use of net accounting has been specifically authorised by legislation (e.g. short-term voted loans to trading funds can, under Section 6 of the Financial Provisions (Northern Ireland)

Order 1993, be issued, repaid, reissued and repaid several times during a financial year);

- certain amounts, such as recoveries of amounts paid in error and the reversal of unrequired provisions (including bad debt), may be netted against gross expenditure as long as this accords with the accounting policies set out in the *Financial Reporting Manual* (FReM).

2.28 Where permitted a net subhead or function line can be:

- positive (because the netted-off income is not sufficient to cover all gross spend on the subhead/function line);
- for a token £1,000.

2.29 Although, in a token net function line within an RfR, estimated figures for expenditure and income may be shown in different columns, gross expenditure can, if necessary, increase in line with directly related income. Any excess income in a token net function line which is not matched by a corresponding increase in expenditure cannot be used to offset expenditure in any other line of the Estimate, but must be surrendered to the NI Consolidated Fund as extra receipts (CFERs).

Asset Sales

2.30 When an asset is sold the net book value of that asset is removed from the Statement of Financial Position. In both Budgets and Estimates the proceeds from the sale are treated as non-operating (capital related) receipts up to the level of the net book value. Moreover, both Budgets and Estimates treat profit and loss as impacting on resource. If the proceeds from the asset sale are more than the net book value the department makes a profit and this profit element is treated as operating (resource related) income. Equally, if the proceeds from the asset sale are less than the net book value the department makes a loss and this loss element is treated as an operating (resource related) cost.

2.31 Below are two simple examples:

- A department sells an office building for £1,500,000. The net book value is only £1,000,000 resulting in a **profit of £500,000**. The department would:

  a) treat the £1,000,000 (net book value) as non-operating accruing resources in the Estimate;
  b) treat the £500,000 (profit) as operating accruing resources in the Estimate.

- A department sells an office building for £1,500,000. The net book value is £1,800,000 resulting in a **loss of £300,000**. The department would:

  a) treat the £1,800,000 (net book value) as non-operating accruing resources in the Estimate;
  b) treat the £300,000 (loss) as gross resource expenditure in the Estimate.

Income from the European Union

2.32 Certain payments by the European Union (EU) to private sector bodies, to local authorities or to nationalised industries are made via departments acting as agents of an EU body. In such cases the income can be treated as a net function line/subhead (see paragraphs 2.25-2.29 above). Departments should have a clear understanding with the EU body concerned about the extent of their responsibilities as agents. Where the department does not act simply as an agent (e.g. it makes payments to other parties before the EU monies are received) then net treatment is not appropriate and the department should seek to treat the income as accruing resources in the normal way.

2.33 EU income should normally have the same budgeting treatment as the expenditure it finances (e.g. negative DEL where the expenditure to which it relates is part of a DEL spending programme).

2.C. TRANSFERS OF PROVISION

IN-YEAR MONITORING OF PUBLIC EXPENDITURE

2.34 The In-year monitoring rounds provide a formal system for the Executive to review spending plans and priorities set for the financial year in question, in the light of more up to date information becoming available. Changes made to voted provision during these monitoring rounds will be reflected in the Spring Supplementary Estimates. The Spring Supplementary Estimates should be written to the January monitoring position or any other position specifically advised by DOF in the Commissioning Note. The In-year monitoring process is subject to separate Guidance issued by DOF at the beginning of each financial year.

Transfers of functions and Machinery of Government Changes

General principles

2.35 Machinery of Government (MoG) changes occur when organisations are split or when functions are reallocated to different organisations. Supply Estimates are directly affected by MoG changes when Supply provision for the functions involved needs to be reallocated between departments.

2.36 The impact of a MoG change on Estimates depends largely on when in the year it takes place. If the change takes place at the start of the financial year, the Main Estimates presented by the departments involved will simply reflect the change in structure and responsibilities and will seek the levels of provision appropriate to the new position. If the change takes place only after Main Estimates have been presented to the Assembly on the old basis (or when there is insufficient time to prepare Main Estimates on the new basis) a Supplementary Estimate will need to be presented, by each of the affected departments, in order to reallocate the previously voted provision and spending authority.

2.37 Departments should observe the following key points when reflecting machinery of government changes in their Estimates:

- machinery of government changes in isolation do not affect overall levels of public expenditure and should not affect the total spending power of both the transferring and the receiving department (i.e. neither department should be left better or worse off as a result of the reallocation of budgetary cover or Estimates provision);
- the reallocation must be completely offsetting and both the transferring and the receiving department must ensure that the information each provides is checked and agreed with the other department to ensure that the information is complete, consistent and correct;
- departments should start the process of agreeing amounts and budgets to be transferred as soon as the machinery of government change is announced;
- the receiving department takes on full responsibility for the transferred function, including accountability for the history, and will be accountable for any overspend against the Estimate provision being transferred to it;
- departments must present Supplementary Estimates as soon as possible so that they can reallocate the Estimates provision from the transferring department to the receiving department;
- DOF will update Accounting Officers' appointments and responsibilities from the date of transfer;
- Accounting Officers in both the transferring and receiving departments must have due regard for their responsibilities in the transitional period (i.e., the period after the machinery of government change has been announced and before the relevant Supplementary Estimate is passed), and remember that whilst the transfer may take place in year the Accounting Officer of the receiving department is accountable for the function for the full financial year. Accounting Officers in receiving departments

should ensure that they seek appropriate assurances about values of transferred items and receive all documentation relevant to the function from the transferring department. Conversely, the transferring department must provide the necessary information;

- departments must ensure that in the transitional period they can account correctly for all transactions and balances worked out during the transitional period.

Reflecting machinery of government changes in Supplementary Estimates

2.38 Machinery of government changes (or transfers of functions) have to be handled in Supply Estimates so that:

- the transferring department seeks a Supplementary Estimate to:

  a) remove all resources related to the function being transferred;
  b) remove all cash related to the function being transferred;
  c) remove all accruing resources related to the function being transferred;
  d) remove all references to spending related solely to the function being transferred;
  e) identify the movement in provision related to the MoG change;

- the receiving department seeks a Supplementary Estimate to:

  a) include resources related to the function being transferred;
  b) include cash related to the function being transferred;
  c) include accruing resources related to the function being transferred;

d) include references to spending related to the function being transferred;

e) identify the movement in provision related to the MoG change.

2.39 This means that the transferring department will, if there are no offsetting increases in provision elsewhere in the Estimate, have a ‘negative Supplementary Estimate’ (i.e. it will seek a reduction in previously voted limits).

2.40 In an instance where a reduction arising from a transfer of functions was precisely off-set by an ‘ordinary’ increase requested in the same Supplementary Estimate, one of the amounts should be adjusted to ensure that there is a token Supplementary amount (£1,000) to be voted. This is in order to ensure that there is a token increase to be voted by the Assembly, thus providing a mechanism for formal Assembly control.

2.41 Departments will need to include appropriate detail in the Introduction to the Estimate to explain the MoG change.

Ambit

2.42 Ambits provide the authority for departments to incur expenditure and consume resources on particular functions. Each ambit is reproduced in the relevant Budget Act and provides the statutory description of the expenditure authorised by that Act. The transferring department should retain all references to the transferred function, in order to provide continuing authority for any spending that took place prior to the transfer, and the receiving department should amend its ambit to provide clear authority for expenditure on its new function.

Footnote

2.43 Any changes related to reductions in previously voted provision must be clearly distinguished from any separate substantive increase in provision for which new authority is sought. This will make the changes transparent for readers of the Estimates and will help ensure that changes are completely offsetting.

2.44 The changes will need to be set out clearly as a footnote in the Supplementary Estimate (against the relevant RfR and Net Cash Requirement) at Part I. In relation to a MoG change, the information that needs to be provided (by each department involved) is:

- the function or functions that are being transferred;
- the effective date of the change;
- the other department involved in the transfer (so that the entry for the transferring department would state the receiving department and vice versa);
- the proposed changes to the net resource requirement (for each RfR affected by the transfer) that result from the transfer of functions (which would be a reduction in the case of the transferring department and a matching increase in the case of the receiving department);
- the proposed changes to the net cash requirement for the Estimate that result from the transfer of functions; and
- any proposed modification of the limit(s) on accruing resources (both operating and non-operating accruing resources) for each RfR affected by the transfer of functions.

2.45 Example footnotes are provided in Boxes 2.3 and 2.4 below. In this example, Department Yellow is transferring responsibility for DNA licensing from its RfR A to Department Blue. Provision currently in the Department Yellow Estimate for this function consists of: net resources of £1,250,000; cash of £800,000; accruing resources of £620,000 (£500,000 operating and £120,000 non-operating). In addition, Department Yellow plans to seek additional net resources for other functions within RfR A of £725,000, as well as additional net resources for RfR B of £450,000. The net cash requirement is increasing by £900,000, made up of a transfer out of £800,000 for the MoG and an increase of £1,700,000 for other changes.

2.46 Department Blue is receiving the function being transferred by Department Yellow, but in addition wants to seek additional net resources of £2,000,000. The net cash requirement increases by £1,500,000 of which £800,000 is the net cash requirement transferred as part of the MoG, and an increase of £700,000 in relation to other changes.

2.47 Part I of the two departments' Supplementary Estimates will need to look something like:

Box 2.3: Example footnotes – Department Yellow

Department Yellow

Part I

RfR A: (objective) ‡	-£525,000
RfR B: (objective)	£450,000
Total change to Net Resource Requirement	-£75,000
Total change to Net Cash Requirement ‡	£900,000

Supplementary amounts required in the year ending 31 March 200X for expenditure by Department Yellow on:

RfR A: (ambit)

RfR B: (ambit)

‡ The DNA licensing (Function line A-3, RfR A) function [is being/was] transferred to Department Blue on [date]. Within the overall changes sought in this Estimate, the specific changes relating to this machinery of government transfer are:

- the net resource requirement is reduced by £1,250,000;
- the accruing resources are reduced by £620,000 (£500,000 operating and £120,000 non-operating accruing resources);
- the net cash requirement is reduced by £800,000.

Box 2.4: Example footnotes – Department Blue

Department Blue

Part I

RfR A: (objective) ‡	£3,250,000
Total change to Net Resource Requirement	£3,250,000
Total change to Net Cash Requirement ‡	£1,500,000

Supplementary amounts required in the year ending 31 March 200X for expenditure by Department Blue on:
RfR A: (ambit)

‡ The DNA licensing (Function line A-9) function [is being/was] transferred from Department Yellow on [date]. Within the overall changes sought in this Estimate, the specific changes relating to this machinery of government transfer are:

- the net resource requirement is increased by £1,250,000;
- accruing resources are increased by £620,000 (£500,000 operating and £120,000 non-operating accruing resources);
- the net cash requirement is increased by £800,000.

Revised Subhead detail

2.48 In the Part II: Revised Subhead detail table the transferring department should:

- reduce the net provision (for the whole year, not simply from the proportion relating to the date of the transfer onwards) for the function in the relevant function line(s) of the RfR by removing all resource and capital provision including, where relevant, any accruing resources ;
- any lines for which all provision is thus removed should nevertheless remain as part of the table, in the same location, for all Supplementary Estimates in that year.

2.49 The receiving department should:

- set up any necessary new function line(s) in the relevant RfR (these will appear, under the appropriate shoulder-heading, after all existing lines);
- include gross resources and capital expenditure for the new function;
- reflect any transfer of accruing resources (operating and non-operating) income in relation to the function being transferred.

Cash

2.50 In the Part II: Resource to Cash Reconciliation table the transferring department should:

- make any further necessary amendments to the reconciliations to cash (removing non-cash items, adjusting for movements in working balances) to reduce the net cash requirement in respect of the full year's cash provision for the transferred function.

2.51 The receiving department should:

- include any necessary amendments to the reconciliations to cash (reflecting non-cash items, adjusting for movements in working balances) to increase the net cash requirement in respect of the full year's cash provision for the transferred function;
- repay the transferring department for any cash it had spent in respect of the transferred activity in that financial year.

2.52 When amending the net cash requirement within the Supplementary Estimate departments should ensure that the assumptions made as to when any interdepartmental debtors/creditors will be settled are consistent between departments. In particular departments should agree when they expect such balances to be settled in relation to the financial year. If one department assumed that a departmental debtor/creditor would be settled after the year-end, the estimated net cash requirements of the two departments would not increase/decrease by the same amount (see Box 2.5 below for an example).

Box 2.5: Net cash requirements (NCRs) and inter-departmental debtors/creditors

The departments involved should use consistent assumptions about settlement of any interdepartmental debtors/creditors in relation to the end of the financial year. This is important because if the assumptions do not match (eg because one department assumes the balance will be settled before the end of the year, but the other assumes it will be after the end of the year), the NCRs in the two departments will not increase/decrease by the same amount and the receiving department could even end up with an Excess Vote. This is explained in the example below:

- the transferring department has a Main Estimate NCR of £20 million. Of this, £10 million relates to the function being transferred and the remaining £10 million to the rest of the department. The receiving department has an NCR of £15 million;
- the function is transferred halfway through the financial year. At this point, the transferring department has made net cash outlay of £5 million on the function. It has also been issued £10 million of its total NCR from the NI Consolidated Fund;
- the receiving department reflects the transfer in its Supplementary Estimate by an increase in its net resource requirement. The transferring department enters a corresponding reduction in its net resource requirement;
- the receiving department increases its NCR by £10 million to reflect the additional cash requirement resulting from the transferred function; giving it a total NCR of £25 million (though £5 million of this would be used to repay the transferring department for its cash spending in the year to date on the transferred function);
- the transferring department reduces its NCR by £10 million as it no longer needs that cash to fund the transferred function. However, at the same time, it increases its NCR by £5 million to reflect the increase in debtors from the receiving department. The net effect is its NCR will reduce by £5m only (i.e. a total NCR in its Supplementary Estimate of £15 million);
- this means that the NCRs for both departments in total is £5 million more than it should be as the two departments prepared their Estimates on different assumptions. The transferring department has included an inter-departmental debtor of £5 million (owed for pre-transfer expenditure) and assumed the debtor is still outstanding at the year-end, hence is included in its outturn NCR. Meanwhile, the receiving department has assumed the inter-departmental creditor of £5 million would be settled by the end of the year. In effect, the £5m has been double-counted;
- therefore, whilst the transferring department has a new NCR of £15 million, it has drawn down £10 million before the transfer and should re-pay £5 million to the NI Consolidated Fund. Until the repayment is made the £5 million is over-issued Supply and should be recorded within the transferring department's ledger as a NI Consolidated Fund Supply creditor.

CFERs

2.53 In the Part III CFER table the transferring department should remove any CFERs related to the transferred function. The receiving department should include such CFERs. For both departments this relates to CFERs for the year as a whole.

Statement of Comprehensive Net Expenditure

2.54 Accounts and budgets, as well as Estimates, will reflect the transfer for the whole year. The Statement of Comprehensive Net Expenditure should reflect the adjustment consistently.

Accounts & budgets

2.55 Accounts and budgets, as well as Estimates, will reflect the transfer for the whole year. The tables reconciling resource and capital provision between Estimates and accounts/ budgets should reflect the adjustment consistently.

AO responsibilities note

2.56 The Accounting Officer in the transferring department will continue to have formal responsibility for the transferred function up until the point at which the Supplementary Estimate and related legislation is approved. From this point onwards the Accounting Officer in the receiving department will take on full responsibility for the transferred function, not only for future actions but for the history also.

2.57 The Explanation of Accounting Officer responsibilities note sets out the details of who in the department is accountable to the Assembly for the Estimate, or a particular RfR of the Estimate. The allocation of Accounting Officer responsibilities shown should take account of the restructuring arising out of the MoG changes.

2.58 Where an RfR moves completely from one department to another, the transferring department should clearly state, in its note, that it has transferred responsibility for that RfR and which department will be responsible for it. Accountability for new RfRs received by a department should be determined as appropriate and responsibilities listed in the note. Where an Additional Accounting Officer is to be appointed for a new RfR the receiving department should notify Accountability and Financial Management Division in DOF of the need to make an appointment following the approval of the Supplementary Estimate.

2.59 Where parts of RfRs are being transferred, the note should state that responsibility for those functions has been passed onto the new department. The departments affected by the change should consider whether to update the Accounting Officer appointments in both the transferring and receiving departments, referring to *Managing Public Money Northern Ireland*, Chapter 3 for guidance. Where they do update appointments, Accountability and Financial Management Division in DOF must be notified.

Accruing Resources Analysis table

2.60 The relevant footnote in the Accruing Resources Analysis table of the receiving department's Estimate should include descriptions of any operating and non-operating accruing resources for which it takes responsibility as a result of the new function. This footnote will be replicated in the Minute laid before the Assembly following agreement of the Budget Act. The transferring department should remove references to income no longer being generated.

2.61 The amounts and descriptions of accruing resources should similarly be amended by the transferring and receiving departments in the tables in this note.

Other statements, tables and notes

2.62 Consider if any of the other statements, tables and notes need to change, e.g. Consolidated Fund Extra Receipts Analysis table, Grant in Aid, Contingent Liabilities, or expenditure resting on the sole authority of the Budget Act.

2.D. VIREMENT

2.63 Virement in this section relates to the reallocation of provision in the Estimates. It does not entail any movement in budgetary provision. Virement is the use of underspends on one part of the Estimate to cover overspends on another part of the Estimate. This is only allowed in very limited circumstances – the arrangements are set out in the following paragraphs.

2.64 Virement between function lines and subheads within an RfR is possible because the Assembly does not vote limits at this level of detail. The Executive therefore has discretion to vary the allocation. This flexibility may be useful in light of the fact that departments must not build provision for contingencies into their Estimate. The Executive's discretion to vary the allocation is exercised by DOF.

Applications for virement approval

2.65 Where DOF approval of virement is required, departments should send a formal application to their Supply Officer. The request should be made as soon as the department is reasonably confident that the outturn figures will not change. The request should provide the following information:

- the precise (quoting the relevant RfR, function line and subhead in the Estimate and RBM database record lines) overspend(s) that the department wishes to be met from savings;
- the precise (quoting the relevant RfR, function line and subhead in the Estimate and RBM database record lines) underspend(s) that the department wishes to use to meet the overspend(s);
- the reason the overspend(s) occurred;
- if relevant, what action has been, or will be, taken to avoid a recurrence in the future;
- a copy of the draft Statement of Parliamentary Supply to the resource accounts;

- **as relevant**, drafts of the following notes to the resource accounts:

  a) staff numbers and related costs;
  b) other administration costs;
  c) programme costs;
  d) income;
  e) outturn against final Administration Budget;
  f) reconciliation of net resource outturn to net operating costs;
  g) analysis of net resource outturn by section.

2.66 Virement should not infringe the Assembly or the Executive's control over expenditure. DOF will, therefore, refuse virement if in its view this would:

- be on a new service which the Assembly and the Executive should be made aware of;
- arise from a major change of policy;
- be large in relation to the original provision in the relevant function line(s);
- perhaps involve heavy liabilities in later years, although the initial impact may be relatively small;
- increase a department's administration provision above the agreed administration budget;
- increase a departments DEL related expenditure above the agreed budgetary limits;
- modify decisions previously made by the Executive in Budget or Monitoring rounds;
- be novel or contentious;
- still leave a breach of the net cash requirement

2.67 DOF does not have power to authorise virement in cases where it would infringe on the Assembly's or the Executive's authority. Examples are:

(a) using savings to meet expenditure falling outside the ambit of the Estimate;

(b) to meet additional expenditure through use of surplus income of a type approved by the Assembly to be treated as accruing resources but above the approved limit for such accruing resources (known as 'excess ARs'). Such income must be surrendered to the NI Consolidated Fund as a CFER and cannot be used by the department;

(c) transfers between RfRs (the Assembly has voted limits at this level);

(d) any reallocation that would breach the Budgetary controls and effectively modify decisions previously made by the Executive as part of the Budget/Monitoring round process. (The financial management risk in such cases is that departments may hold back reduced requirements in the monitoring round/s with a view to applying for virement after the close of the financial year, thereby undermining the will of the Executive.)

Role of Northern Ireland Audit Office

2.68 The Comptroller and Auditor General will not give his opinion on the resource accounts before a DOF decision on virement has been made. The Assembly is not specifically informed of the exercise of virement, but the Comptroller and Auditor General may report to the Public Accounts Committee any use of virement to which the Assembly's attention should be drawn and, in particular, any refusal of virement by DOF resulting in irregular spend.

2.E. PRIOR PERIOD ADJUSTMENTS

2.69 Prior period adjustments (PPAs) are material adjustments applicable to past years and arising from changes to, e.g. accounting policies or from the correction of fundamental errors. They should, however, be the exception as they will occur only in limited circumstances.

2.70 In terms of Supply, resource requirements related to PPAs need to be sought in Estimates in the year in which they come to light in order to obtain the spending authority that would otherwise have been sought previously. Provision for PPAs – which is resource only and has no cash consequences – may relate to adjustments in respect of one or more prior years but will not go back further than 2001-02 (which is the first year in which the Assembly voted Supply on a resource basis)

2.71 This approach negates the need to reopen accounts which have already been closed (i.e. signed-off by the Comptroller and Auditor General of the NIAO) but also allows Assembly approval for any changes in resources financed by Supply due to the adjustments. The consequence is that Supply for a particular year may occasionally be used to authorise expenditure for a previous year, and this process regularises that use.

2.72 Once the year in which the PPA has been voted by the Assembly has ended the PPA is removed from the provision for that year and added to the provision for the prior year(s) to which the expenditure properly relates. For example:

- a PPA is included in a Main Estimate in year 3;
- the PPA seeks authority for spending in years 1 and 2 resulting from a change in Financial Reporting Standards;
- the Main Estimate for year 4 will remove the PPA when showing provisional outturn for year 3 but will add the relevant spending

from the PPA to the outturn data for year 2 (and year 1 if it showed that year).

2.73 In summary, the effects of the adjustments would be recognised in the Statement of Parliamentary Supply to the accounts as part of current-year outturn. The treatment of PPAs as current-year outturn in this Statement would be reconciled with the Consolidated Statement of Comprehensive Net Expenditure through the note to the accounts reconciling the net operating cost (accounts) total with the net resource outturn (Estimates) total. In addition, to ensure adequate disclosure to the Assembly, the PPA should be disclosed on the face of the Statement of Parliamentary Supply in the form of a specific reference in the explanation of variations box.

2.F. LIMITS VOTED BY THE ASSEMBLY

List of voted limits

2.74 As set out in paragraphs 1.24-1.26 above, the Assembly votes limits as subsequently set out in the Budget Acts. There are voted limits on:

- the net resource requirement for each RfR;
- the net cash requirement for the Estimate as a whole;
- the maximum operating and non-operating income that can be treated as accruing resources for each RfR.

2.G. EXCESS VOTES

Summary

2.75 The Assembly regards taut estimating as essential to proper Assembly control of Supply. This inevitably involves a risk that the sums voted may be exceeded (particularly under resource-based controls, where the potential impact of provisions, impairments and the like is much harder to control than simple cash spending), but the Assembly regards this risk as less objectionable than the inclusion in Estimates of margins for contingencies or the artificial manipulation of Supply provision at the end of the financial year.

2.76 Departments must make every effort to ensure that expenditure does not exceed the limits and restrictions as set by the Assembly. Any expenditure outside of these limits would result in an 'Excess Vote'. Such expenditure potentially undermines Assembly control over public spending and must be subsequently accounted for to the Assembly. If an Excess Vote appears probable the department must make every effort to avoid the excess by reducing or postponing expenditure on that service or other services. It must not, however, postpone payments that are due and fully matured.

2.77 An Excess Vote will arise because of:

- a breach of the net resource requirement for an RfR;
- a breach of the net cash requirement for the Estimate;
- expenditure being incurred that is not covered by the ambit;

2.78 The Assembly is likely to regard expenditure outside of the ambit as particularly unsatisfactory since the department has incurred expenditure on activities for which Assembly authority wasn't sought, even if the amount was within voted limits.

2.79 Incidentally, it should be borne in mind that expenditure or resource consumption without DOF approval, although not resulting in an Excess Vote, may result in irregular or illegal spend – see paragraphs 1.28 and 2.68 and Chapter 2 of *Managing Public Money Northern Ireland*.

Applying excess income (excess accruing resources)

2.80 A department cannot avoid an Excess Vote simply by applying surplus income (i.e. income above the level authorised to be retained as accruing resources) to cover any excess gross expenditure.

2.81 However, such excess income may be utilised against the excess expenditure where the Statement of Excesses, seeking Assembly authority for the excess expenditure, seeks authority to use the income against the spending. In such cases, the department can retain the excess income and use the related cash to meet any excess cash requirement in anticipation of the necessary Assembly authority.

2.82 It is income that is treated as accruing resources and the cash related to income may normally only be retained and applied where the income to which the cash relates has itself been appropriated against related expenditure. When an Excess Vote occurs the department will therefore only be able to seek to utilise excess income as operating accruing resources if there is an excess on the net resource requirement. If the income is not required and is surrendered to the NI Consolidated Fund as a CFER then the related cash is surrenderable also. However, such cash may be retained and applied against the Excess Vote in anticipation of the Assembly approval of the Statement of Excesses, which would authorise the necessary increase in the net cash requirement, rather than an increase in accruing resources. The use of cash in this way avoids the need for the department to seek a NI Consolidated Fund advance.

2.83 The restrictions on the use of excess income to offset excess expenditure are therefore:

- an increase in operating accruing resources can be sought only where there is an offsetting resource excess;
- cash associated with excess operating income follows the treatment of the income;
- an increase in non-operating accruing resources figure is allowed only to the level of total capital spending; and
- cash associated with non-operating accruing resources can be utilised against the net cash requirement.

Procedure for dealing with an Excess Vote

2.84 An Excess Vote may become apparent just before the end of the financial year (when it is too late to submit a Supplementary Estimate or to reduce expenditure to avoid the excess) or some time afterwards, most commonly when the resource accounts are being prepared. Once the relevant resource accounts are completed and the exact amount of the excess is disclosed, the Comptroller and Auditor General will brief the PAC following which the PAC will produce a report to the Assembly. Exceptionally, the Committee may examine the department concerned on the causes of the excess and report the results of its examination. The PAC report is usually produced in the March after the end of the financial year to which the excess relates. Following the PAC's report to the Assembly, DOF presents a Statement of Excesses that seeks Assembly authority for the excess spending, usually in May/June, some fifteen months after the end of the financial year to which it relates.

2.85 If the excess gross resource provision on a service is covered in whole or in part by excess operating accruing resources, or by under spending on other resource subheads or function lines, the Excess Vote may be reduced but must be for a minimum token sum of £1,000 (with the Assembly also authorising the increase in accruing resources or the use of savings from other lines in the RfR). Similarly, any excess cash requirement may be covered in whole or in part by cash receipts associated with excess operating or non-operating accruing resources. If the PAC has reported that it sees no objection to the necessary sums being provided by an Excess Vote, the excess is included in the next Budget Bill.

3 CONTENT AND FORMAT OF ESTIMATE PUBLICATIONS

3.A. CONTENT OF SUPPLY ESTIMATES

Summary

3.1 Departmental Supply Estimates are presented to the Assembly by DOF as part of a single publication. The format and content of the Estimates is set by DOF to ensure consistency of approach. DOF consults the Assembly before any significant changes are introduced. As set out in Section 1.D, departments must follow the format as set by DOF.

3.2 DOF prepares and issues templates in Excel spreadsheets for use by departments in the preparation of the Estimates. These templates, although devoid of figurework, contain much of the basic text and it is vital that these templates are used for each Estimate in order to facilitate the printing process. Ultimately, though, it is the responsibility of each department to check the templates and ensure the Estimate submitted accurately reflects the department's position. DOF also produces reports from the RBM database of the detail required for the Part II: Subhead detail table of the Estimates – Estimates must be taut and realistic and should align with the database position. Other ad hoc reports may be generated from the RBM database to assist with the preparation of the Estimates, if required by departments.

3.3 Under Resource Accounting and Budgeting (RAB), **each Northern Ireland department produces a single Estimate,** with the exception of those departments that are also required to produce separate Superannuation Estimates. The latest Main and Supplementary Estimates may be viewed via the following link: https://www.finance-ni.gov.uk/publications/estimates-publications

3.4 Perusal of the Estimates on the website will also aid the reader's understanding of this section on the content of Estimates.

Structure of Estimates

3.5 Each Resource Estimate whether Main or Supplementary will be produced in a standard format. The Estimate will be structured on an objective and function basis. Under this presentation each Estimate is subdivided into "Requests for Resources" (RfRs), each of which equates to a departmental objective. In the Part II Detail of an Estimate each RfR is further divided by expenditure category e.g. DEL, AME and Non-Budget, containing the lines equating to individual functions. Each RfR within an Estimate is identified by an alpha indicator, with each line denoting an individual function being identified by a numeric indicator.

3.5 Supply Estimates will consist of:

- Introduction;
- Part I (including the Ambit(s));
- Part II Subhead detail;
- Part III Extra receipts payable to the NI Consolidated Fund (accruals and cash).

3.6 In order to enhance the information available to the Northern Ireland Assembly, the Estimates will be accompanied by the following supporting statements, tables and notes:

- Statement of Comprehensive Net Expenditure;
- Table reconciling resource expenditure between Estimates, Accounts and Budgets;
- Table reconciling capital expenditure between Estimates and Budgets;
- Table analysing Accruing Resources;
- Schedule of Notional Inter-departmental Charges in Non-Budget (including breakdown);

- Table analysing Consolidated Fund Extra Receipts (CFERs);

- Reinvestment and Reform Initiative Borrowing Breakdown (if applicable);

- Explanation of Accounting Officer Responsibilities;

- Notes to the Estimate detailing provision sought under the sole authority of Part I of the Estimate and of the confirming Budget Bill, Grants in Aid over £1m, Contingent Liabilities, etc. (as applicable).

3.7 The rest of 3.A describes each of the parts you will find in a Supply Estimate, some of which will appear only in one or the other of Main or Supplementary Estimates.

Introduction

3.8 The Introduction to an Estimate must conform to a standard format so that there is clarity and consistency across all the Estimates in the volume. The aim of the Introduction to the Estimate is simply to explain the main purpose of the Estimate.

3.9 For Main Estimates the Introduction will usually be fairly short comprising:

- the department's aim;

- a brief description of the expenditure covered by the Estimate by RfR. There is no need to describe in detail all the services covered by the Estimate – this is covered by the ambit in Part 1;

- cross-references to any related Estimates (e.g. in relation to a cross-cutting programme); and

- a reference indicating where the symbols are explained - if symbols are not used in the Estimate, please do not include this reference.

3.10 For Supplementary Estimates the Introduction will need to explain the main changes compared with the last Estimate sought for that financial year. The introduction should consist of one or two pages, explaining the reasons for taking a Supplementary Estimate and giving details of the changes in provision (resources, capital and cash, as appropriate). Of course, the Introduction is explaining changes in Supply provision sought in Parts I and II of the Supplementary Estimates, which is not necessarily the same as changes to budgets. The introductory text should be succinctly drafted to give an explanation (with quantification) of the changes sought since the last Estimate. It is not necessary for the Introduction to identify every individual change taking place in a Supplementary Estimate. Departments may sensibly group related or small changes. The penultimate paragraph should indicate the resulting change to the net cash requirement. The final paragraph should indicate where the table of symbols used in the Supplementary Estimates may be found (if applicable).

Part I

3.11 Part I of an Estimate provides much of the key information that will be voted by the Assembly and subsequently appear in the Budget Act: Net Resource Requirement for each RfR; Net Cash Requirement for the Estimate; and the ambit of each RfR; and, in Main Estimates, a table with details of the provision already allocated in the Vote on Account and the subsequent balance to complete. In Supplementary Estimates the Change to Net Resource Requirement and the Change to the Net Cash Requirement is stated rather than the total final requirements. Part I also specifies the name of the department that will account for the Estimate and contains footnotes, where relevant, to identify in Supplementary Estimates, transfers of provision between RfRs or relating to machinery of government changes.

3.12 The ambit will describe in concise terms all the expenditure to be financed by the RfR. While RfRs will have titles expressed in terms relating to departmental objectives the text of an ambit is essentially function based (i.e. it will describe the spending activities to be undertaken) and the list of activities it contains should provide a read-across to the Part II: Subhead Detail table. Departments can only incur expenditure that is both within the limits of the net resource and cash requirements and included in the relevant ambit. Any expenditure outside of that described in the ambit would result in an Excess Vote.

Ambits

3.13 In constructing ambits for resource Estimates, whether Main or Supplementary, the following criteria should be applied:

- the ambit should cover all services for which the department is seeking voted provision in its Resource Estimate, and should be formulated so that a reasonable common sense interpretation of the text confirms the relevant services to be covered;

- the ambit of Resource Estimates covers capital expenditure associated with individual RfRs, as well as current expenditure. This is the case whether a department has a single RfR or more than one RfR in its Estimate;

- the ambit of the Estimate also covers the voted net cash requirement of the department, which represents the cash consequences of current and capital provision contained in the Estimate for the year in question, as well as for other years, where appropriate. This includes circumstances where a department's cash requirement for a particular year contains cash payments for which no related resource consumption occurs in the same year. In these circumstances, the service to which the cash payments relate would be reflected in the ambit of the relevant RfR, even though there would be no corresponding functional line in the Part II matrix of the Estimate (thereby preventing any unauthorised resource consumption being incurred). This would be the case in relation both to cash associated with current resource items and with capital items, which had accrued in a different financial year. In this way, legitimacy for the cash expenditure would be conveyed through the inclusion of an appropriate reference in the ambit;

- these arrangements mean that there is no need for a separate ambit to cover cash or capital expenditure, as the terms of the ambit will ensure that statutory authority is in place to allow all necessary payments to be made from the Estimate;

- ambits of resource Estimates are constructed on a functional basis, thereby providing a direct read-across to the functional lines contained in the Estimate beneath the level of the RfR;

- the wording of the ambit should clearly describe the nature of services to be financed rather than the aim of the service or the type of expenditure related to each service: that is, the ambit should be "function" based (what programme or service the resources are being spent on e.g. primary schools, personal social services, etc.) rather than "objective" based (what broad policy aim or objective is to be achieved e.g. educating children, improving health, etc.) or the types of expenditure (e.g. teachers' salaries, school books, refurbishment of hospitals, etc.). This is intended to ensure adequate precision in describing the scope of the services covered by the ambit;

- the ambit for the Estimate should be structured in a way that relates directly to the individual RfRs contained in the Estimate, in the following standard format:

  Amounts required in the year ending 31 March 200X for use by the [Department] on:

  RfR A: [Objective]:
  Ambit [function detail]

  RfR B: [Objective]
  Ambit [function detail]

  The **[Department]** will account for this Estimate;

- to cover resource-only items - i.e. accounting transactions that are reflected in the RfR but not in the cash requirement (e.g. depreciation and auditor's fees) - the phrase "**and associated non-cash items"** should be included as appropriate in the ambit;

- catch-all phrases such as "miscellaneous items" or "sundry items" should be avoided even though the phrases are read in the context of the rest of the ambit. Where necessary, and only in exceptional cases, the term "other related services" may be used to cover minor items in absolute terms; as a rule of thumb, items should not be included in such broad categories if their cost exceeds that of an item specifically identified elsewhere in the ambit; and

- where the ambit includes provision for a service dependent on the passing of specific legislation, the Notes to the Estimate should indicate the amount of resources subject to the passage of legislation which has been laid before the Assembly.

3.14 While the wording of the individual ambits is the responsibility of the relevant departmental Accounting Officer(s), formal DOF approval is required for all RfRs, including the terms of the related section of the ambit. DOF will reserve the right to question an ambit should it not meet the criteria outlined in previous paragraphs.

3.15 The net provision amounts, both resources and cash requirements, Accruing Resources totals (combination of both operating and non-operating) and the ambit will be reproduced in the Budget Bill and will together provide the statutory authority for the expenditure. No expenditure may be financed from the Estimate, which is in excess of the net provision totals shown or which is not covered by the ambit. The ambits should be kept under review to ensure that they properly describe the purposes for which expenditure may be incurred.

Part II: Changes Proposed table (Supplementary Estimates only)

3.16 This table, which only appears in Supplementary Estimates, sets out the present (i.e. existing) resource provision for the function lines for which a change in provision is sought, the changes being taken in the Supplementary Estimate and the new provision. This section also sets out the present provision for capital, the changes and the new provision and any consequential changes to the net cash requirement from both the resource and capital changes.

3.17 Only those lines where provision is changing (but including those where offsetting changes in gross provision and accruing resources mean no net change) are included in this table. Any new function lines, not in the Main Estimate, should appear at the end of the relevant RfR in this table. Where there is a reduction in resources within an RfR or a reduced cash requirement during the year, these are shown as negative figures.

Part II: Subhead detail

3.18 This table provides a useful breakdown of the resource requirement and consists of a matrix that divides the total provision sought into various categories:

- the table is divided vertically into three sections – resources, capital and (in Main Estimates) prior-year figures;
- columns 1–8 divide data by broad economic categories (e.g. administration, programme, capital), showing expenditure and accruing resources. In Main Estimates two further columns provide **comparative data** for previous years: column 9 shows final provision for net total resources for the prior year; and column 10 shows final outturn for net total resources for the year before that (note, adjustments may be necessary to reflect PPAs, budgetary or accounting changes, etc. to ensure data is comparable);
- columns 5 and 8 detail the operating and non-operating accruing resources – see paragraphs 2.11-2.17.
- the table is divided horizontally into the relevant RfRs. The RfRs are in turn divided into control sectors (Departmental Expenditure Limit (DEL), Annually Managed Expenditure (AME) and Non-budget spending) and into function lines with appropriate descriptions of the function. While there will be a wide diversity of function line descriptors across Northern Ireland departments, there are certain common lines which will appear in many of the Estimates (e.g. EU funds) and departments should liaise with DOF Supply to ensure consistency in presentation.
- Function lines are further broken down into subheads. Subheads within the Estimate are identified by line and column (in that order), for example within an RfR the “other current” subhead within the first line would be identified as subhead X -1/2 of RfR X.

3.19 In Supplementary Estimates this table is called the ‘Part II: Revised subhead detail including additional provision’ and, as the title suggests, it provides a new subhead detail table reflecting changes sought in the Supplementary Estimate. Its structure is exactly the same as the table in the Main Estimate except that it does not include the columns for prior year comparative data. Any new function lines, not in the Main Estimate, should appear at the end of the relevant RfR (and under the appropriate shoulder-heading, which may therefore repeat one used earlier in the table). Any function line for which all data has been removed should nevertheless continue to appear in the same place in the table during that year.

Part II: Resource to cash reconciliation table

3.20 This table identifies the adjustments necessary to reconcile from the total net resource requirement to the net cash requirement. In Main Estimates the table does this for the current year provision, the final provision for the previous year and the final outturn for the year before that; in Supplementary Estimates the tables shows existing provision, changes sought and the revised provision. The reconciliation works as follows:

- start with the total net resource requirement (the sum of column 6 in the Part II: Subhead detail table);
- add net capital spend (from columns 7 and 8 in the Part II: Subhead detail table);
- remove non-cash items (e.g. depreciation, provisions);
- adjust for movements in working capital (e.g. stocks, debtors, creditors);
- where necessary (usually where a department's spending is fully offset by income), surrender excess cash (see paragraphs 2.23-2.24 above).

3.21 It is important that the figures in this table are accurate and consistent with those appearing elsewhere in the Estimate. The working capital adjustments should be populated with data as appropriate: they must not be used to make arbitrary changes to the cash requirement to, for example, provide a contingency against unexpected cash requirements. Movements in the Statement of Financial Position (e.g. the purchase or sale of capital assets) will normally impact on non-cash adjustments such as depreciation.

3.22 The net effect of these changes will result in the identification of the department's Net Cash Requirement, which is the amount of cash required from the NI Consolidated Fund in the year in question for the department to carry out its business as specified in the cash Ambit.

Part III: Extra receipts payable to the Consolidated Fund

3.23 This table provides details of income (and related receipts) that may not be treated as accruing resources or otherwise retained by the department and will therefore be surrendered to the NI Consolidated Fund. In Main Estimates this table has details of income and receipts for the current year and for each of the previous two years. In Supplementary Estimates the table only shows data for the current year, showing the present and new position for both income and receipts.

3.24 The table has up to four rows of data, which provides a further analysis of the CFERs by grouping them as follows:

- **operating income not classified as accruing resources**: operating income which is not classified as accruing resources (including so-called excess accruing resources) but which is recorded as income in the Statement of Comprehensive Net Expenditure;
- **non-operating income not classified as accruing resources**: income related to capital items (such as sale of assets or loan repayments);
- **other income which is not classified as accruing resources:** amounts collectable on behalf of the NI Consolidated Fund and which is outside a department's operations (e.g. Revenue CFERs) and, therefore, not classified as accruing resources;
- **excess cash receipts to be surrendered to the NI Consolidated Fund**: where the department has more cash receipts than its net cash requirement, so the excess cash is surrendered.

3.25 In Main Estimates, if there is no excess income (or related receipts) payable to the NI Consolidated Fund for the current year or the two preceding years, the heading should still be included with the statement underneath that 'There is no income (or related receipts) payable to the Consolidated Fund'.

3.26 In Supplementary Estimates the table is included to reflect any changes since the Main Estimate.

3.B. SUPPORTING STATEMENTS AND TABLES

3.27 The remainder of an Estimate consists of various statements and tables providing supporting information. Some statements and tables are mandatory and will appear in every Estimate:

- Statement of Comprehensive Net Expenditure;
- Reconciliation of resource expenditure between Estimates, accounts and budgets;
- Reconciliation of capital expenditure between Estimates and budgets;
- Table analysing Accruing Resources;
- Explanation of Accounting Officer responsibilities.

3.28 Other notes are required only where relevant to the department and the data in the Estimate.

Statement of Comprehensive Net Expenditure

3.29 The Statement of Comprehensive Net Expenditure shows the net administration and programme costs for the department, by RfR, within the resource accounting boundary. It therefore, includes both voted and non-voted items (e.g. CFERs that represent operating income or expenditure financed directly from the NI Consolidated Fund as a standing service). The [Combined] Statement of Comprehensive Net Expenditure in pension scheme Estimates is slightly different in that there are traditionally no administration costs and the programme costs are set out as income and expenditure rather than shown net against an RfR.

3.30 At the bottom of both versions of the table there are three key totals:

- **Net Operating Costs**: this will sum all the current expenditure and income within the Statement of Comprehensive Net Expenditure in respect of administration and programme costs;

- **Net Resource Requirement**: the sum of the net resource expenditure for all RfRs appearing in the Part II: Subhead detail table;
- **Resource Budget**: all departmental expenditure within the resource budget, both DEL and AME, voted and non-voted.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

3.31 This table provides an extremely useful summary of the differences between the various controls and helps the reader to understand how some types of income and expenditure impact differently between these controls. In Main Estimates it provides data for the current and previous two years; in Supplementary Estimates it provides data for the current year only. The table begins with the Estimates measure of resource spending (the net resource requirement) and reconciles to the accounts measure (net operating costs) by:

- removing any **provision voted for earlier years**: this would relate to any resources voted in the Estimates for that year but relating to expenditure incurred in one or more earlier years (a 'Prior Period Adjustment'). This might occur when, for example, accounting standards change retrospectively;
- adding any **non-voted expenditure in the** Statement of Comprehensive Net Expenditure: this will bring in any non-voted spending by the department that is nevertheless in the department's accounts;
- adding any **Consolidated Fund extra receipts in the** Statement of Comprehensive Net Expenditure: similarly, this row brings in any income in the department's accounts that isn't treated as accruing resources in the Estimate but is instead surrendered to the NI Consolidated Fund;
- a further row allows any necessary **other adjustments,** that don't fall into the categories above, to be made.

3.32 The table then reconciles from net operating costs (accounts) to the resource budget (the total for DEL and AME) by:

- removing **capital grants** (including, in the following row, **EU income related to capital grants**): because capital grants are treated as resource spending in both Estimates and accounts (since the grant does not add to the department's asset base) but is treated as capital in budgets (because it is used for capital spending and adds to investment in the economy as a whole);
- removing **notional inter-departmental charges** that are included in Estimates and accounts but not in budgets;
- removing **voted expenditure outside the budget** including grants-in-aid to NDPBs (which hits net resources in Estimates and net operating costs in accounts, but is not in budgets);
- adding the net **resource consumption of NDPBs** (not in Estimates or accounts, but in budgets);
- adding any **other Consolidated Fund extra receipts**: those CFERs that are treated as income on the Statement of Comprehensive Net Expenditure have already been added in the reconciliation to accounts, so this row will add in only those CFERs that are in budgets but are not treated as income in accounts;
- finally, making any **other adjustments** not catered for in the rows above. Any such further adjustments should be rare and would ideally be explained by changing the title of the row.

3.33 This then provides the resource budget, which is sub-divided into DEL and AME.

Reconciliation of capital expenditure between Estimates and Budgets

3.34 This is somewhat simpler than the resource reconciliation table because there is no reconciliation to the Statement of Financial Position in the accounts but rather straight to the capital budget. In Main Estimates it provides data for the current and previous two years; in Supplementary Estimates it provides data for the current year only. A number of the adjustments are the reverse of those in the resource reconciliation table. The reconciliation is achieved by:

- adding the **capital expenditure by NDPBs** (not in Estimates, but in budgets): this involves simply adding the capital spending of the NDPBs that is in budgets;
- adding **capital grants** (including, in the following row, **EU income related to capital grants**): because capital grants are treated as resource spending in both Estimates and accounts (since the grant does not add to the department's asset base) but is treated as capital in budgets (because it is used for capital spending and adds to investment in the economy as a whole);
- adding any other **Consolidated Fund extra receipts**: those CFERs that are treated as negative capital in budgets;
- finally, making any **other adjustments** not catered for in the rows above. Any such further adjustments should be rare and would ideally be explained by changing the title of the row.

3.35 This then provides the capital budget, which is sub-divided into DEL and AME.

Accruing Resources Analysis

3.36 When the department is seeking authority to treat income as accruing resources in the Estimate it must provide this note, which gives a more detailed breakdown of the activities from which the department expects to accrue income than will usually be provided from the Part II: Subhead detail table.

3.37 Departments should provide an analysis table and accompanying footnotes to the table, by RfR, covering all Accruing Resources, both operating and non-operating, as included at Part II: Subhead detail table. The footnote must cover all categories of receipts to be recognised as Accruing Resources. The table will distinguish between operating Accruing Resources and non-operating Accruing Resources. Analysis of operating Accruing Resources should include data on the revenue received from charges. The analysis of non-operating Accruing Resources should include data on the proceeds from asset sales.

3.38 Departments must ensure that this note is complete and accurate. The amount of operating accruing resources for each RfR must be consistent with the amounts in the Part II: Subhead detail table, as must the total amount of non-operating accruing resources. These amounts are the set limits as approved by the Assembly in the Budget Act. Similarly, although not repeated in the legislation, the footnotes that provide detail of where income is expected to arise must themselves be complete and accurate as, under Section 8 (1) of the Government Resources and Accounts Act (NI) 2001, DOF lays a Minute in the Assembly with an accompanying table (as provided in the footnotes to this analysis table) directing the receipts to be used. Departments may only retain income, within the limit set by the Assembly in the Budget Act, where it is also described in the DOF Minute derived from the relevant footnote. Income not so described must be surrendered to the NI Consolidated Fund.

3.39 In Main Estimates the note will, as usual, provide figures for the current and the two previous years. In Supplementary Estimates the table will simply show the revised data for the current year.

Notional Charges

3.40 Any notional charges should be included in the Estimates within Non-Budget and the costs analysed in two supporting tables. The first table identifies the relevant function line and amounts of notional charges, while the second table analyses the source of the costs e.g. Audit, Accommodation, miscellaneous, etc.

3.41 In Main Estimates the note will provide figures for the current and the two previous years. In Supplementary Estimates the table will simply show the revised data for the current year.

Reinvestment and Reform Initiative (RRI)

3.42 For those departments with assets within the Estimates and accounting boundary that are partly or fully funded through RRI borrowing, a supporting table must be completed entitled ‘Reinvestment and Reform Initiative – Borrowing Breakdown’. The table should detail the amounts of RRI borrowing against specific capital schemes within each RfR with a footnote stating the amount of the department’s overall capital budget provision.

Analysis of Consolidated Fund Extra Receipts (CFERs)

3.43 This note provides a detailed analysis of CFERs that make up the totals in the Part III CFER table of the Estimate. As with the Part III table the note provides figures for both income and receipts. The analysis of CFERs must be different though from the simple breakdown reflecting accounting treatment shown in Part III. The aim, just as with the analysis of accruing resources, is to provide readers with a detailed analysis of the activities from which the department expects to accrue (or receive) income (or receipts).

3.44 In Main Estimates the note will provide figures for the current and the two previous years. In Supplementary Estimates the table will simply show the revised data for the current year.

Explanation of Accounting Officer responsibilities

3.45 A note setting out the details of whom in the department is accountable to the Assembly for the Estimate. It is possible for separate Accounting Officers to be appointed for some or all of the RfRs within the Estimate, though a Principal Accounting Officer will remain responsible for the Estimate as a whole. The format and content of this note should follow the template agreed with DOF and will be the same in both Main and Supplementary Estimates.

3.C. NOTES TO THE ESTIMATE

3.46 The following additional supporting notes should accompany the Estimate, as applicable, immediately after the 'Explanation of Accounting Officer Responsibilities'. These notes provide important information to the Assembly and the reader.

Comparison of provision sought with final provision for the previous year

3.47 There is a long-standing arrangement that the Main Estimate will include a reference that compares the provision sought with the previous year's final net provision.

Changes to Accounting Policies

3.48 This note should set out details of any changes to the department's accounting policies since the previous year's Main Estimate. Consistency is an important accounting concept to ensure similar treatment of like items within each accounting period and from one period to the next to enable comparison of successive years' accounts, for example to identify trends in income and expenditure. Therefore changes in accounting policies and practices should generally only be made when those changes will result in fairer presentations and should be identified in the notes to Supply Estimates.

3.49 Changes that affect the accounting treatment, and thus the amount of voted resources in the Estimate, should only be made after prior discussion with DOF Supply.

Expenditure resting on the sole authority of the Budget Act

3.50 There are some recognised exceptions to the new service rules where specific legislation is not required, for example, expenditure under the new services threshold (see paragraphs 1.9-1.11 for further detail) or administration costs. Where the department does rest expenditure on the sole authority of the

Budget Act it must list the expenditure in a note to the Estimate (with the exception of the administration costs of a department).

3.51 This note should identify the RfR and function line (within the Part II: Subhead detail table) where the expenditure is located, the service that is resting on the sole authority of the Budget Act, and the amount involved.

Gifts

3.52 Where departments wish to make a gift worth more than £250,000 and have time to notify the Assembly in their Estimates (Main or Supplementary depending on timing), they should note their Estimate, providing details of the gift and the amount involved. There are two main categories of 'gifts': those where government is giving away something it already has; and those gifts, whether asset or cash, which it plans to obtain in order to give to a third party (i.e. gifting subject to the Supply process). See *Managing Public Money Northern Ireland, Annex 4.12*, for further guidance.

Staff Benefits

3.53 As a means of ensuring that the Assembly does not vote provision for schemes that raise questions of propriety, departments are required to notify the Assembly of any unusual (whether because of the amount or the type of benefit involved) expenditure on staff benefits. This may include non-pay benefits also.

Contingent Liabilities

3.54 The Assembly is not bound in advance to authorise funds needed to honour any liabilities, unless the liability has been charged by statute directly on the NI Consolidated Fund. The reporting procedures established by the Executive and the Public Accounts Committee ensure that the Assembly is not asked to vote money to meet liabilities of which it has not had reasonable notice or which it could not reasonably have anticipated given the nature of the department's business.

3.55 This note, therefore, should include details of any contingent liabilities in force which, if they matured, would involve the voting of additional expenditure through the Estimate. This note does not replace the requirement that departments report contingent liabilities of more than £250,000, or those that are outside the department's normal course of business, to the Assembly. See *Managing Public Money Northern Ireland, Annex 5.5*, for further guidance.

Grants in aid

3.56 Grants in aid payable to NDPBs and other bodies are usually covered by statutory authority. A grant in aid will reflect the Assembly's agreement to surrender, in some degree, its control over the spending of the money it has granted. Grants in aid of more than £1 million, and those which are large in relation to the rest of the provision of the RfR, should therefore be shown separately in their own function line on the RfR or identified in a function line containing related operational expenditure. Smaller grants in aid may be merged into lines containing related operational expenditure.

3.57 This note should include details (RfR and function line (within the Part II: Subhead detail table) where the expenditure is located, the body receiving the grant in aid, and the amount involved) of substantial grants in aid to ensure they are brought to the Assembly's attention. Each grant in aid listed should also have a Symbol identifying audit arrangements for the body receiving the grant in aid.

Symbols used in the Estimates

3.58 Departments should ensure that the standard symbols explaining budgeting, accounting and audit arrangements are used in Estimates, wherever appropriate. The relevant symbols are:

- ♥ The accounts of this body are audited by the Comptroller and Auditor general for Northern Ireland and presented to the Northern Ireland Assembly – use in Part II Subhead Detail.

- ♦ The accounts of this body are audited by auditors appointed by the department (or Minister) and presented to the Assembly. The books and accounts are also open to inspection by the Comptroller and Auditor General for Northern Ireland – use in Part II Subhead Detail.

♠ The accounts of this body are audited by auditors appointed by the department (or Minister) and presented to the Assembly – use in Part II Subhead Detail.

† The accounts of Northern Ireland Water are audited by auditors appointed by the Board with the consent of the DRD Minister. The accounts are laid before the Assembly in accordance with Article 276 of the Water and Sewerage Services Order (NI) 2006 – use in Part II Subhead Detail.

• Extra receipts which are classified as "Non-Budget" and are surrendered to the NI Consolidated Fund as extra receipts – use in Part III CFER table.

■ Items where provision is sought under the sole authority of Part 1 of the Estimate and of the confirming Budget Act – use in the Notes to the Estimate.

3.D. ESTIMATE PUBLICATIONS

Main Estimates

3.59 The Main Estimates set out, at departmental level, the Executive's spending plans and seek the Assembly's authority for provision for a new financial year. The Main Estimates are presented in early June (alongside any Statement of Excesses for the financial year ended some fifteen months prior).

3.60 The Main Estimates are presented to the Assembly by the Minister of Finance. This includes Estimates for all departments seeking voted authority as well as those for the Assembly itself, the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints, the Northern Ireland Audit Office, the Food Standards Agency, the Northern Ireland Authority for Utility Regulation and the Public Prosecution Service for Northern Ireland.

Supplementary Estimates

3.61 Supplementary Estimates are normally presented once a year in February, known as the Spring Supplementary Estimates (accompanied by a Vote on Account for the following year). Supplementary Estimates may increase or decrease the voted provision and reallocate resources. The Spring Supplementary Estimates present the final opportunity for departments to seek the necessary Assembly authority for the Executive's spending plans for the year.

3.62 A Supplementary Estimate is required for:

- additional or reduced resources resulting from the In-year Monitoring rounds and, where appropriate, increases in net cash requirements, including:

  a) for increases and/or decreases in provision for an existing service;

  b) to cover a shortfall in accruing resources;

c) for expenditure on a new service (whether of a type for which Assembly authority may properly rest on the sole authority of the Budget Act or of a type requiring specific statutory authority);

d) for prior-period adjustments.

- additional cash, even where there is no impact on resources;
- a new service requiring an amendment to the ambit in Part I;
- an increase in the level of accruing resources (either operating or non-operating);
- an amendment to the list of types of income that may be treated as accruing resources, even where the total level of accruing resources remains the same;
- reallocation of resources between Requests for Resources (RfRs) within an Estimate;
- redistribution of resources between function lines or subheads of the same RfR in circumstances where it would be improper for DOF to exercise its powers to approve virement;
- to reallocate resources from programme to administration spending within a function line (where this increases the administration budget);
- to implement a reallocation of provision as part of a machinery of government transfer between the department and one or more other departments.

Additional Supplementary Estimates

3.63 Additional Supplementary Estimates may be presented at any time during the year when the Assembly is sitting. This would only occur in the most exceptional circumstances, where urgent additional provision is needed at short notice and where this cannot await a normal Estimates round or be met through a cash advance from the NI Consolidated Fund. Such additional Supplementary Estimates will require their own Supply Resolution and Budget Bill and would, therefore, take up valuable Assembly time.

New Estimates

3.64 A New Estimate is required where a new department is established after the Main Estimates for the year have been presented to the Assembly and approved. This might occur where a department is split into two as part of a machinery of government change during the financial year. In this particular circumstance one department might take on the old Estimate and revise it as part of the next Supplementary round, whilst the second department submits a New Estimate. The New Estimate will take the form of a Main Estimate, even though it may be presented at the same time (and within the same volume) as Supplementary Estimates.

Vote on Account

3.65 Since the Assembly does not normally approve the Main Estimates until June/July (when Royal Assent is given to the Budget Act) provision for the early months of the financial year is provided through what is known as a 'Vote on Account'. The Vote on Account in respect of a financial year is normally presented to the Assembly in February of the previous financial year, alongside the Spring Supplementary Estimates, and is given authority through the related Budget Bill that normally receives Royal Assent in March.

3.66 The amount of a Vote on Account is normally a standard provision of 45 per cent of the resource and cash limits voted for the corresponding services in the current financial year (i.e. the provision in the Spring Supplementary Estimate). This is usually sufficient to cover departmental expenditure on continuing services until the Budget Act is passed in the following summer but also not so high as to prejudge the Assembly's consideration of the Main Estimate.

3.67 Departments will occasionally feel that the standard 45 per cent allocation is inappropriate. The Vote on Account may be more or less than the standard provision where:

- a change in the structure of an Estimate is anticipated (e.g. because of a transfer of responsibility between departments);
- allocation of resources and cash on an Estimate during the early months of the coming financial year is expected to be significantly different from the 45 per cent standard (e.g. because proportionately more contractual obligations arise in the first few months);
- a department or body is heavily reliant on accruing resources;
- expenditure will be incurred on a new service for which there is no provision in the current year but for which Assembly authority through enabling legislation already exists, or has at least completed Second Stage in the Assembly before the Vote on Account is presented.

3.68 If provision is made for a new service, the Vote on Account must be footnoted to identify the Act or Bill involved. Any provision made available by way of a Vote on Account for a new service must not be used, either to finance that service or any other expenditure on the Estimate, until the enabling legislation has become law. Once the enabling legislation comes into force, the expenditure can be incurred without reference to DOF. Departments should consult DOF if they wish to use Vote on Account provision for urgent expenditure on a service for which it did not provide.

3.69 If enabling legislation has not completed Second Stage in the Assembly, or authority for the new service is to rest on sole authority of the Main Estimate and the confirming Budget Act, no provision for related expenditure should be sought in the Vote on Account.

Statement of Excesses

3.70 The Statement of Excesses sets out the amounts of resource and cash that the Assembly is requested to grant in Excess Votes. Excess Votes are requested if resource or cash expenditure has exceeded, or otherwise breached, the provision in the Estimates approved by the Assembly and authorised in Budget Acts. Any excesses are rounded up to the next full £'000.

3.71 The Statement of Excesses is usually presented to the Assembly by the Minister of Finance in June, some fifteen months after the end of the financial year to which it relates. Authorisation of additional resources and issues from the NI Consolidated Fund in respect of Excess Votes are given legislative authority in the related Budget Act in June.

3.72 The information on Excess Votes is prepared by the relevant department/s for DOF Supply approval. The Statement of Excesses will be presented to the Assembly once the PAC has presented its own report to the Assembly.

4 ALTERNATIVE SPENDING AUTHORITIES

4.A. CONSOLIDATED FUND STANDING SERVICES

4.1 As was made clear at the start of this Manual (see in particular paragraphs 1.1 - 1.11) all public spending must have Assembly authority. Although most such spending by departments is provided through the annual Estimates process some charges are instead authorised in statute as payable directly from the Northern Ireland Consolidated Fund without the need for further annual Assembly authorisation. These are known as Consolidated Fund Standing Services.

4.2 Examples include: some salaries and pensions of judges and certain other individuals (e.g. the Comptroller and Auditor General).

4.3 The salaries and pensions do impact on the budget and accounts of the relevant departments, but are not included in their estimates.

4.B. NORTHERN IRELAND CONSOLIDATED FUND - CONTINGENCIES

How and when the Fund is used

4.4 The Financial Provisions (NI) Order 1998 permits DOF to make repayable cash advances from the NI Consolidated Fund to departments for urgent services, in anticipation of provision for those services by the Assembly. This is consistent with the principle that no resources or cash may be utilised by a department on a service until the Assembly has provided the necessary authorisation. The Assembly has recognised that there will sometimes be circumstances where the requirement for resources and the associated cash expenditure on some services – existing or new – is so urgent that it cannot await the voting of provision under the normal Supply procedure.

4.5 DOF may authorise issues out of the NI Consolidated Fund subject to the limit set by the Financial Provisions (NI) Order 1998. The limit is fixed at 2 per cent of the total of authorised Supply expenditure (i.e., the total of all authorised departmental net cash requirements) in the preceding financial year.

4.6 The use of the NI Consolidated Fund to finance expenditure which, either as a matter of law or constitutional propriety, requires specific legislation is an exceptional course. The fact that the Fund exists ought never to weigh in favour of the postponement of legislation or other Assembly authority: this course would constitute a serious abuse of the Fund and of the purposes for which it exists. Use of the Fund must be regarded as particularly exceptional for a new service, since such use almost always involves anticipating Assembly approval through the normal Supply procedure. It is always preferable to wait for the Assembly to vote the necessary provision if at all possible.

4.7 Use of the NI Consolidated Fund for contingencies can only be considered where it would clearly be contrary to the public interest to delay expenditure until Assembly approval has been obtained and where there are no reasonable grounds to doubt that the Assembly is willing to approve any necessary enabling legislation, the increased net cash requirement and any associated resources.

4.8 The NI Consolidated Fund may not be used to finance:

- Consolidated Fund Standing Services in advance of Assembly approval;
- new works programmes (as distinct from existing programmes)[9].

4.9 Before deciding whether to seek a Consolidated Fund advance departments should consider the proposal against the following tests:

- genuine urgency in the public interest: where it would be inappropriate to postpone the expenditure until the necessary funds have been voted. The criterion is not administrative convenience but urgency in the public interest. (This public interest test cannot be met by reference to ministerial or official commitments having been made or to administrative convenience. Issues such as cost benefits, other efficiencies, health and safety, etc., are what count in this respect);
- near certainty that any related Bill will become law; thereby providing proper Assembly authority for the service, without which the Consolidated Fund advance could not be repaid. Successful passage of the Bill through Second Stage in the Assembly is essential (see Box 4.1 below) but may not be sufficient (e.g. if an Assembly election is imminent).

---

[9] The Treasury accepted a Westminster Public Accounts Committee recommendation in 1968-69 against advances in respect of new capital works programmes. DOF considers that the same principles would apply with regard to the Assembly. Advances for additional cash, in advance of Supply, which related to capital and fell within categories 4.12a and 4.12d on pages 87 -88, would not be restricted.

Box 4.1: Use of the NI Consolidated Fund after Second Stage of enabling legislation

The issue is whether the government of the day is prepared to take the responsibility of assuming that legislation being considered by the Assembly will pass into law and, on that assumption, to incur expenditure by the use of the Fund. In any event, an advance from the Fund should never be made until the legislation has passed the Second stage in the Assembly (i.e., there is an Assembly expression of support for the principle of the Bill).

4.10 If the amounts of cash and associated resources involved are very large, or the proposal is potentially contentious (i.e., there is some doubt as to whether the Assembly will be willing to approve the transactions), DOF might need to consider the case for the presentation of a special Supplementary Estimate and associated Budget Bill outside the normal timetable. Given the impact on Assembly time this process would have, it could only be followed in the most exceptional circumstances.

Resource commitments

4.11 Whether or not recourse is made to the NI Consolidated Fund for cash, Executive approval is required of any urgent resource commitment entered into in advance of Supply, followed by a statement to the Assembly by the DOF Minister. Such instances would be extremely rare and are most likely to be dealt with as part of a monitoring round.

Categories of advance

4.12 Subject to certain conditions, DOF may authorise advances from the NI Consolidated Fund under the following categories:

a. **during the Vote on Account period, to meet urgent cash requirements (other than supporting resources for new services) in excess of the net cash requirement granted in the Vote on Account**: the Vote on Account provision is normally sufficient and there is little call on the Fund for advances under this category. Should the advance also support additional resources for existing services during the Vote on Account period, the Assembly should be given advance notice of the intention to use the Fund as for categories (b) to (d) below;

b. **to meet the cash requirement supporting resources for an urgent service which the Assembly has already approved through specific enabling legislation but for which existing provision is not available**: if provision for the service is not already provided for in an Estimate before the Assembly, the necessary provision must be sought at the next opportunity. The Fund is repaid as soon as the Assembly has approved the relevant Estimate;

c. **to meet the cash requirement supporting resources for a new service which is urgent and, subject to the conditions set out in 4.7 above, cannot await Assembly approval of both the specific enabling legislation and the necessary Estimate**: Repayment to the Fund from voted provision is made from the Estimate as soon as the legislation and Estimate has been approved by the Assembly. Approval must be sought in the associated Budget Bill and, wherever practicable within the same financial year;

d. **to meet a further urgent cash requirement for existing services when provision for the total net cash requirement on the Estimate is exhausted**. Normally, the advance is made pending Assembly approval of a Supplementary Estimate. Advances for existing services entail the greatest call on the Fund. The Assembly should be given advance notice of use of the Fund when the cash advance supports additional proposed resource or capital spending on existing services. Advances in anticipation of an Excess Vote for a breach of the net cash requirement also fall under this heading. In such cases, the advance is limited to the forecast net excess on the Estimate concerned, after using any cash associated with surplus accruing resources as a temporary financing measure. The advance is repaid when Assembly approval has been given to the Excess Vote; normally in the Main Estimates round of the following year but one. If, after the advance has been made, the final outturn figures are found to be different from those forecast, the advance should be adjusted accordingly;

e. **in the case of an Estimate where expenditure is largely financed from income, advances may be made in anticipation of the receipt of cash associated with such income**. Such advances should be repaid as soon as receipts have caught up with expenditure. If it becomes apparent, or most likely, that receipts will fail to materialise within the financial year, the department must submit a Supplementary Estimate to increase its net cast requirement and repay the advance.

Applying for an advance

4.13 In seeking an advance from the NI Consolidated Fund for contingencies and approval to commit resources supported by the Fund, departments must be satisfied that the functions giving rise to the expenditure are not subject to any restrictions imposed by statute or by propriety, including any relevant undertakings given to the Assembly.

4.14 If a department requires an advance under categories 4.12a–e above, it should submit its application through its DOF Supply team. The application should:

- indicate the category into which the advance falls (in words, not simply by quoting the paragraph number);
- clearly state the amount sought (in both numbers and words);
- indicate the date by which the advance is required;
- provide a full justification for the cash advance, and any associated resources requested, where appropriate;
- explain the urgency of the expenditure, i.e., why it cannot await the normal Assembly process;
- if appropriate, explain why there is no reasonable doubt that the Assembly would be willing to approve the expenditure. As part of this, say when Second Stage in the Assembly took place and refer to any relevant comments;
- say when the advance is expected to be repaid; and
- confirm that the department's Minister has been aware of the situation and the request for an advance from the NI Consolidated Fund.

4.15 In all cases, the Supply team should confirm with Government Accounts Branch that sufficient funding is available, (see paragraph 4.5), prior to approving the advance. They should then confirm to departments that the advance has been made to the credit of the departmental account before payments are made.

Informing the Assembly

4.16 In all cases except category 4.12e, before the Fund can be used to advance cash supporting additional resources, the Assembly should have been made aware of the need. In order to fulfil this requirement, DOF Supply should prepare a submission to the DOF Minister together with a draft letter from the Minister to his Ministerial colleagues (copied to all MLAs) making them aware of the need for the advance.

4.17 For advances falling under 4.12c (new services) the letter should include an explanation of the circumstances leading to the advance and may include a form of words as set out below:

Assembly approval for additional resources of £….. for this new service will be sought in a Supplementary Estimate for (Department). Pending that approval, urgent expenditure estimated at £…. will be met by repayable cash advances from the Northern Ireland Consolidated Fund.

4.18 If the Assembly has already approved the new service through enabling legislation the Assembly must still be told of the intention to use the Fund and incur associated resources. The announcement for an advance under 4.12b will not refer to seeking authority for the service, but should instead say:

Assembly approval of additional resources of £… for this new expenditure will be sought in a Supplementary Estimate for (Department). Pending that approval, urgent expenditure estimated at £…. will be met by repayable cash advances from the Northern Ireland Consolidated Fund.

or, for a category 4.12a or 4.12d advance:

Assembly approval for additional resources of £…. will be sought in a Supplementary Estimate for (Department). Pending that approval, urgent expenditure estimated at £…. will be met by repayable cash advances from the Northern Ireland Consolidated Fund.

4.19 Where it is not possible to inform the Assembly of the need for the cash advance before it is made (e.g. because the Assembly is in recess), the notification should be made as soon as possible afterwards.

4.20 An arranged Ministerial Letter as referred to in paragraph 4.16 is not necessary if, at the time of the advance, the intention to use the Fund has already been announced in a footnote to a Main or Supplementary Estimate (see paragraph 4.21)

Noting Estimates

4.21 Where the timing of Estimates permits, a footnote should be added to Part I of the Main or Supplementary Estimate, usually in one of the following forms, as appropriate:

“[£x] has been advanced from the Northern Ireland Consolidated Fund to provide cash in respect of [£x] resources supporting the service provided for under function line/subhead [x] of this Estimate. A corresponding cash amount is required to enable repayment to be made to the Fund.”

or,

“[£x] has been advanced from the Northern Ireland Consolidated Fund to provide for a deficient net cash requirement. A corresponding amount is required to enable repayment to be made to the Fund. There are no implications for resources supporting the services provided for in the Estimate.”

4.22 Where it is known that an advance will be made after Main or Supplementary Estimates have been presented to the Assembly, the DOF Minister may inform the Assembly during the Supply debates, using the following form of words, as an alternative to an announcement through a Ministerial Letter as referred to in paragraph 4.16 above:

“Pending passage of the Budget Act, urgent cash expenditure of [£x] in respect of [£x] resources supporting the service provided for under function line/subhead [x] will be met by repayable advances from the Northern Ireland Consolidated Fund. A corresponding amount is required to enable repayment to be made to the Fund [by date].”

or,

“Pending passage of the Budget Act, urgent cash expenditure of [£x] [supporting the service provided for under function line/subhead [x]] will be met by repayable advances from the Northern Ireland Consolidated Fund. There are no implications for resources supporting the services provided for in the Estimate."

4.23 Where appropriate, the word "service" is replaced by "new service". The footnotes are for information only, and do not preclude further advances from the Fund.

Repayment of advances

4.24 No final charge is permitted to rest on the NI Consolidated Fund. Assembly authority is therefore needed to enable repayment to be made to the Fund. In such cases the necessary provision should normally be sought in the next batch of Supplementary Estimates. Generally, repayment of advances for voted services must be provided for either in Supplementary Estimates of the same year, or exceptionally (if this is not practicable), in the Estimates of the following year.

4.25 Where an advance remains outstanding at the end of the financial year it will normally impact on the department's net cash requirement for outturn purposes and could result in an Excess Vote. This applies to all categories of advance except for category 4.12c (which is made in anticipation of both the specific enabling legislation and the necessary Supply Estimate), where the enabling legislation does not have Royal Assent by the end of the financial year (in which case it is not possible for the department to repay the NI Consolidated Fund advance);

4.26 For advances in categories 4.12a, b, d and e, the department should take all possible steps to ensure that any NI Consolidated Fund advance is repaid by the financial year-end. Where the advance is made in anticipation of cash receipts related to income (category 4.12e) the department must monitor the progress in obtaining the receipts and if it looks as though they will not arrive by the year-end the department must seek a Supplementary Estimate to reflect an increase in debtors and obtain the cash to repay the NI Consolidated Fund advance.

4.27 For advances under 4.12a, b, d and e where the department has not repaid the advance by the financial year-end, the departmental resource accounts should show the cash spend financed by the NI Consolidated Fund as part of the department's net cash requirement. Failure to repay the advance could therefore lead to an Excess Vote through a breach of the net cash requirement.

4.28 In the case of an advance under category 4.12c where the enabling legislation remains to be authorised by the Assembly, it would not be appropriate to include the expenditure within the department's net cash requirement since the department would have no authority to include such expenditure within its Estimate. In this case the accounts would need to record the amount of the NI Consolidated Fund advance as an increase in creditors.

Budget Cover

4.29 An NI Consolidated Fund advance provides cash for urgent expenditure; it does not provide any budgetary cover. If a department seeks a Consolidated Fund advance it will separately need to ensure that it has the necessary budget cover (DEL or AME) to support the expenditure.

Accounts of the Fund

4.30 The accounts of the Fund record all advances and repayments in the year, and show any issues outstanding at 31 March. They are audited by the Comptroller and Auditor General and, with his report (if any), are presented to the Assembly. Because most advances from the Fund for contingencies represent an anticipation of Assembly authority, there is likely to be close Assembly interest in the use of the NI Consolidated Fund for such advances.

Accounting for advances from the Fund in departmental resource accounts

4.31 Advances from the NI Consolidated Fund to finance contingencies for services of the type described in 4.12a–e above should be treated as a creditor, repayable from Supply cash subsequently voted by the Assembly. Advances and repayments will be included with other financing items in the Statement of Cash Flows; they should not be treated as income or expenditure on the face of the department's Statement of Comprehensive Net Expenditure. Departments should explain any excess net cash requirement in line with FReM.

GLOSSARY

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).
Accruing resources	income received by a department which it is authorised to retain (rather than surrender to the NI Consolidated Fund) to offset related expenditure. Limits on such income are voted by the Assembly in the Estimates and the Budget Bill. Accruing resources are accounted for in departmental resource accounts.
Administration Budget	an Executive control on the resources consumed directly by departments and agencies in providing those services which are not directly associated with frontline service delivery. Includes such things as: civil service pay; resource expenditure on accommodation, utilities and services. The Administration Budget is part of Resource DEL.
Ambit	the ambit is set out in Part I of the departmental Estimate. It describes the activities for which resources sought in the RfR will be used.

Annually Managed Expenditure (AME)	a Treasury budgetary control. AME spending forms part of Total Managed Expenditure (TME) and includes that expenditure which is generally less predictable and controllable than expenditure in DEL.
Annuality	the concept that provision and spending authority applies to the year to which it relates and cannot be carried forward to the next financial year.
Arm's length bodies (ALBs)	NDPBs, companies in which the department has a significant shareholding and other sponsored bodies.
Budget Act	gives formal approval to provision sought in departmental Supply Estimates. There are normally two Budget Acts a year, one in February and one in June.
Capital expenditure	spending on the purchase of assets, above a certain capitalisation threshold, which are expected to be used for a period of at least one year. It includes the construction or extension and alteration of buildings, purchase of buildings, land and equipment, including machinery and plant. The capitalisation threshold is set by each department: items of a value below it are not counted as capital assets, even if they do have a productive life of more than one year.

Central government bodies	departments and departmental executive agencies, including trading funds, non-departmental public bodies and health and social care bodies.
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 departments and others; as Auditor General, the C&AG certifies the accounts of all departments and most other public bodies and carries out value-for-money examinations.
Consolidated Fund of Northern Ireland	The Executive's 'current account', operated by DOF, into which are paid Northern Ireland's Block Grant, local revenues and other non-tax receipts and from which voted Supply/cash is paid to departments and statutory Standing Services are also paid. With effect from 1 April 1998 the Northern Ireland Civil Contingencies Fund ceased to exist. Where there is a need to finance urgent expenditure in anticipation of Assembly approval, application must now be made to the NI Consolidated Fund.
Consolidated Fund Extra Receipts (CFERs)	Income, or related cash, that may not be used by departments as accruing resources to offset expenditure and is surrendered to the NI Consolidated Fund (e.g. excess accruing resources or income not classified as an accruing resource).

Consolidated Fund Standing Services	payments for services which, by statute, should be met directly from the NI Consolidated Fund rather than voted annually by the Assembly.
Contingent Liabilities	potential liabilities that are uncertain but recognise that future expenditure may arise if certain conditions are met or certain events happen.
Current expenditure (or resource consumption)	spending reflecting the consumption of goods and services in that year (e.g. pay, grants, depreciation of assets).
Departmental Expenditure Limit (DEL)	a Treasury budgetary control. DEL spending forms part of Total Managed Expenditure (TME) and includes that expenditure which is generally within the department's control and can be managed with fixed limits over the Budget period.
Depreciation	a measure of the wearing out, consumption or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technological or market changes.
Estimates	Estimates set out in detail the amounts of cash and net resources required (taking account of planned accruing resources and related cash receipts) for public services for one financial year for each department. The Assembly approves the Estimates via the Supply Resolution.

Excess Vote	the means by which excess or otherwise unauthorised expenditure of cash or resources is regularised through an additional vote by the Assembly.
Financial memorandum	a document setting out the key principles of strategic control framework accountability for an arms-length body.
Financial Reporting Manual (FReM)	a technical accounting guide for the preparation of financial statements.
Function line	a line within the Part II: Subhead detail table in an Estimate equating to a functional area or service.
Generally accepted accounting practice (UK GAAP)	the name given to the UK's main commercial accounting standards. UK GAAP refers to the accounting and disclosure requirements of the Companies Act and pronouncements by the Accounting Standards Board (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 the 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.
Government Resources and Accounts Act (NI) 2001	includes statutory provision for resource-based accounts and Supply Estimates as well as the power for DOF to direct the accruing resources that may be used by departments for the purposes specified in the relevant Schedule to the Budget Act and up to the limits set in the Act.
Grant	payments made by departments to outside bodies (in the private or public sector) to reimburse expenditure on agreed items or functions, and often paid only on statutory conditions or specific terms and conditions.
Grant in aid	regular payments made by departments to outside bodies (e.g. non-departmental public bodies) to finance expenditure on agreed items or functions.
Main Estimates	the means through which departments and DOF seek Assembly approval for the spending plans for the year. Usually presented in May/June.
Managing Public Money Northern Ireland	a publication produced by DOF which sets out the main principles for dealing with resources used by public sector bodies in Northern Ireland, in order to safeguard the use of public funds in accordance with the expectations of the Assembly.

National Accounts	accounts produced by the Office for National Statistics in accordance with the European System of Accounts 1995, which promotes standardisation in the way in which public sector income and expenditure is measured.
Negative public expenditure	the term for income which is netted off against public expenditure in national accounts (and Budget).
Net cash requirement (NCR)	the limit voted by the Assembly reflecting the maximum amount of cash that a department may draw from the NI Consolidated Fund in support of its resource Estimate to carry out the functions specified in the Estimate's ambits. It is derived from the required amount of net resources and net capital less non-cash items and working capital movements.
Non-cash	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 (e.g. depreciation, provisions).
Non-departmental public bodies (NDPBs)	public bodies that have a role in the process of 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.

Northern Ireland Audit Office (NIAO)	office of the NI Comptroller and Auditor General, which audits resource accounts of NI departments and certain public bodies and carries out value for money inspections within the bodies it audits.
Northern Ireland National Insurance Fund (NI NIF)	a statutory fund, managed by HMRC, used to meet the cost of contribution-based benefits - financed mainly by national insurance contributions paid by employers and individuals.
Outturn	actual expenditure.
Propriety	the principle that patterns of resource consumption should respect the Assembly's intentions, conventions and control procedures, including any laid down by the Public Accounts Committee.
Public Accounts Committee (PAC)	a committee of the Assembly which examines the accounting for, and the regularity and propriety of, Executive expenditure. It also examines the economy, efficiency and effectiveness of expenditure.
Public Corporation (PC)	publicly controlled trading body with substantial day to day operating independence.
Regularity	the principle that all items of expenditure and receipts are dealt with in accordance with the legislation authorising them, any applicable delegated authority and *Managing Public Money Northern Ireland*.

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.
Resource account	an accruals account produced in line with the Financial Reporting Manual (FReM).
Resource Accounting	the system under which Budgets, Estimates and Accounts are constructed in a similar way to commercial audited accounts, so that both plans and records of expenditure allow in full for the goods and services which are to be, or have been, consumed (i.e. not just the cash expended).
Resource Budgeting	the means by which the Executive plans and controls public expenditure to meet its objectives.
Statement of Cash Flows	shows the cash flows in and out of the department during the accounting period.
Statement of Comprehensive Net Expenditure	part of a department's resource account. It shows the operating (or current) expenditure of the department in a particular year.
Statement of Excesses	a formal statement detailing any departmental overspends (Excess Votes) reported by the NIAO as a result of undertaking annual audits. Presented by DOF, usually alongside Main Estimates.

Subhead	an element of departmental expenditure identified in a single cell within a function line within the Part II: Subhead detail table in an Estimate. Subheads within the Estimate are identified by line and column (in that order), for example within an RfR the "other current" subhead within the first line would be identified as subhead A – 1/2 of RfR A.
Supplementary Estimates	seek Assembly authority for changed requirements of resources and/or cash, and/or vary the way in which resources are allocated. Normally presented in the spring (February).
Supply	the process whereby the Assembly approves the Supply Estimates and gives authority for both the consumption of resources and for cash to be drawn from the NI Consolidated Fund by departments.
Supply Procedure	a collective term for the processes in the Assembly that deal with the scrutiny and approval of Estimates.
Supply Resolution	a motion put down in the Assembly by the Minister of Finance which seeks the approval of the amounts, of both cash and resources, in the relevant Estimates, for the Assembly to consider and approve. Supply resolutions are not legislation, but by convention are regarded as a necessary precursor to the introduction of the Budget Bill.

Token Estimates (or function lines)	where a department's expenditure within the Estimate (or the function line) is wholly offset by income, so that a token amount of £1,000 is voted.
Total Managed Expenditure (TME)	a measure defined by the Treasury to cover all current and capital spending carried out by the public sector (i.e. not just central departments). DEL and AME together make up TME.
Trading Funds	a public sector organisation that is largely or wholly financed from commercial revenue generated by its activities. The Estimate shows its net impact allowing its income to be devoted entirely to its business. In national accounts they are treated as public corporations (see above).
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.
Voted provision	provision for departmental expenditure that has been authorised by the Assembly through the Supply Estimates and the related Budget Act. Most expenditure by departments is authorised in this way (bear in mind, Standing Services are not voted annually).

Vote on Account	presented to the Assembly by the Minister of Finance in February to provide net resource and net cash provision for each department to allow existing public services to continue in the early months of the following financial year - generally 45 per cent of the amounts, resource and cash, voted in the current year.