

***IN-YEAR MONITORING OF PUBLIC
EXPENDITURE***

2010-11 GUIDELINES

**PUBLIC SPENDING DIRECTORATE
DEPARTMENT OF FINANCE AND PERSONNEL**

26 April 2010

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SECTION 1: INTRODUCTION

1.1 This paper sets out the principles which will apply to the in-year monitoring of public expenditure during the financial year 2010-11. The budgeting guidance which applies to in-year control at the UK level from 2010-11 onwards was issued to departments on 23 March 2010 and is available on the HM Treasury website: http://www.hm-treasury.gov.uk/d/consolidated_budgeting_guidance201011.pdf. The 2010-11 guidance incorporates the changes relating to the Clear Line of Sight alignment project.

1.2 Where departments require clarification on any aspect of this guidance or the Resource Budgeting guidance they can contact:

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1.3 For all departmental specific issues, departments should continue to consult with their relevant Supply contacts.

SECTION 2: PURPOSE OF IN-YEAR MONITORING

- 2.1 The original budget allocations for local public services over the period 2008-09 to 2011 were set out in Budget 2008-11, as approved by the NI Executive and the Assembly in January 2008. The Budget 2008-11 document was prepared in the context of the developing Programme for Government (PfG) establishing the between spending allocations in the budget and planned outcomes in the form of cross-cutting Public Service Agreement (PSA) targets. In addition, the Investment Strategy for Northern Ireland (ISNI) set out the strategic direction for investment in public sector infrastructure over the next decade, and this provided the context for capital allocations.
- 2.2 Since that time there have been significant changes to the public expenditure environment, in the light of which a Review of 2010-11 Spending Plans was carried out. It is the outcome of this review, published on 12 April 2010 which forms the opening position for the 2010-11 financial year.
- 2.3 In-year monitoring provides a formal system for reviewing spending plans and priorities set for the financial year in question in the light of more up to date information. The process is not intended to facilitate the re-opening of the Budget process and **departments must treat all allocations agreed in the course of the Budget process as ceilings, and should seek to manage their activities to contain spending within those ceilings, unless and until any increase is agreed by the Executive Committee.**

Scope of Monitoring Process

- 2.4 The monitoring process is concerned with departmental **budgets**, as opposed to **Estimates**, which are subject to separate guidance. In terms of principle, Main and Supplementary Estimates should reflect, rather than drive, departmental budgets – thus, for example:

- Main Estimates should **reflect** the position established in the most recent Budget process (except where any change has been approved by the Executive in the interim, such as the review of 2010-11 Spending Plans, or a classification change has been introduced); and
- Supplementary Estimates should take account of in-year monitoring changes and be written to the December monitoring position (or other position as specifically advised by DFP at the time).

It should be noted that DFP Supply approval to virement, in the context of Estimates, **does not** convey approval for changes to departmental budgets.

SECTION 3: OVERVIEW OF THE 2010-11 MONITORING PROCESS AND TIMETABLE

Introduction

- 3.1 The Public Spending Directorate (PSD), within DFP, is responsible for co-ordinating the monitoring process and providing advice to the Minister for Finance and Personnel on the proposals for each round. The Finance Minister will then bring such proposals as he has agreed to the Executive Committee for approval.
- 3.2 Central Expenditure Division (CED) will issue a commissioning letter in respect of each monitoring round to notify departments of the scope of the exercise and the deadline for returns.
- 3.3 Departments should use the forms attached at Annex B when submitting requests for change to budgets. Departments should also ensure that all transactions are entered onto the RBM database by the closing date for each exercise. Detailed database guidance will be issued to departments prior to each monitoring round.

Timetable

- 3.4 The indicative timetable for the monitoring rounds in this financial year is set out in Table 1 below. It is appreciated that the timing of the monitoring rounds is tight in terms of providing a position in respect of the end of the previous month. However, the dates for the Executive meetings mean that it is not possible to defer departmental returns beyond this date.
- 3.5 It may be necessary, in light of emerging public expenditure issues throughout the year, to commission ad hoc monitoring rounds or to adjust the timing of planned monitoring rounds. CED will notify departments as to any change in the proposed timing and scope of any future rounds.

Table 1: Indicative Timetable for 2010-11 In-Year Monitoring Rounds

	June	September	December	February
Departmental Returns	3 June	3 September	3 December	3 February
Executive Meeting	24 June	23 September	16 December	24 February
Assembly Statement	29 June	28 September	11 January	1 March

Note: Timings for Executive meetings have not yet been confirmed.

SECTION 4: MONITORING STRUCTURE

Public Expenditure Structure

- 4.1 The Departmental Expenditure Limit (DEL) is the key control for public expenditure and it is within the DEL that resources are planned, managed and redistributed during the monitoring process. The presentation of figurework is on the basis of a clear separation between Resource DEL (or Current Expenditure) and Capital DEL (or Capital Investment).
- 4.2 Although the near-cash and non-cash division of the Resource DEL budget has been removed by the HM Treasury Alignment (Clear Line of Sight) project, depreciation and DEL impairments still remain ring-fenced within Resource DEL. To allow this to be managed separate categories of expenditure within the Resource DEL boundary, DEL Admin Depreciation/Impairments and DEL Resource Depreciation/Impairments will be created.
- 4.3 Any movements into or out of Depreciation/Impairments will be subject to CED approval and may be limited to corresponding movements in the opposite direction from other departments.
- 4.4 To maintain the clear separation of current expenditure and investment the following structure will be maintained with each of the distinct elements being controlled independently.
- **Resource DEL** (which scores recurrent expenditure, including depreciation and certain impairments):
 - Administration Costs; and
 - Other Resource.

- **Capital DEL** – comprising of capital grants (grants to third parties which will be used to acquire fixed assets) and capital (which comprises capital investment and acquisitions); and
- **Other ring fenced areas** – for example, Funding for Innovation, Peace, Timebound Allocations, Integrated Development Fund and Invest to Save Fund

4.5 The departmental structure used for monitoring rounds is that which was established and agreed in the previous budget process year's Budget (i.e. Department, Objective, Spending Area) with Unit of Business (UoB) and Record Number further underlying this.

SECTION 5 – CONTROLS AND PRESENTATION

Introduction

- 5.1 This section sets out the main controls and presentation with respect to current expenditure and capital investment. Previously departments were permitted enhanced flexibility in respect of capital investment which allowed them to use slippage in one project to accelerate the progress of another project within the same sub-pillar, subject to DFP approval, provided there was an equal and opposite transfer identified in subsequent years within the budget period. As 2010-11 is the last year of the current budget period this flexibility will not be possible this year.
- 5.2 The fundamental principle in respect of the public expenditure control framework is that NI departments must not incur expenditure in excess of the amounts that have previously been approved by the Executive. In particular, whilst departments have a degree of discretion as regards the use of resources in delivering against the targets set out in the Programme for Government this must not result in an overspend against budget allocations. This applies regardless of the circumstances involved and departments will be expected to take all possible steps to avoid an overspend.

De Minimis Threshold

- 5.3 The de minimis threshold is the level over which a bid, reduced requirement or proposed reductions / reallocations will be included in monitoring papers for approval by the Executive. At present the threshold is set at £500,000 or 10% of the relevant Unit of Business total, within each category, whichever is smaller. For these requests for change, it is the total value of the transaction, regardless of the number of Units of Business this may impact upon, i.e. a bid for salary costs may cut across a number of Units of Business but be below the de minimis threshold for

- 5.4 However, under exceptional circumstances bids or proposed reductions / reallocations below the de minimis threshold may be accepted for inclusion in Monitoring papers. The general rule will however be that departments should address these pressures from within their current Budget allocation. If transactions are being submitted under exceptional circumstances then additional supporting information must be provided.
- 5.5 For reduced requirements, departments are free to retain those below the de minimis threshold for re-distribution across Objectives, Units of Service and Units of Business but **must** be within the same category of expenditure (i.e. Admin, Admin Depreciation/Impairments, Other Resource, Resource Depreciation/Impairments or Capital Investment).

Movement of Resources

- 5.6 Executive approval is required for **any** proposed movement of resources, regardless of amounts, between the following categories of public expenditure:

- Resource DEL- Administration Costs;
- Resource DEL- Other Resource; and
- Capital DEL (comprising of capital grants and capital).

Within the Resource DEL, DFP approval is required for any movements into or out of DEL Admin Depreciation/Impairments or DEL Resource Depreciation/Impairments.

Executive approval is also required for **any** proposed movements above the de minimis threshold between Units of Service.

The only exception to this is in respect of projected savings from Invest to Save Fund projects where it has been agreed that departments can retain the savings, forecast to arise in 2010-11, in order to address pressures. Departments will have the flexibility to reallocate these savings across Units of Service, subject to DFP approval.

Movements within the same category of expenditure which are below de minimis or within a Unit of Service will need to be notified to DFP Supply for consideration.

5.7 The movement of resources during the monitoring exercises will be captured by one of the following types of transactions (change code in parenthesis):

Notified to the Executive:

- Reduced Requirement (RR);

Executive Approval required:

- Bid (BID);
- Proposed Reduction / Reallocation (PROALL/PRORED);
- Reclassification (RECLASS)

DFP approval required:

- Movements into or out of Depreciation/ Impairments within the Admin/Resource boundaries (TAD/I)
- Reallocation of savings arising from Invest to Save projects (ITS SAVE)
- Reallocation within Unit of Service (IRUOS);
- Internal Reallocations (IR);
- De minimis Transfers (DEMIN);
- Technical Transfers (TA/TANI); or
- Non-DEL Transactions.

5.8 All proposed movements must be made stating four factors:

- Unit(s) of Business;
- Expenditure Category(ies), i.e. Admin, Admin Depreciation/Impairments, Other Resource, Other Resource Depreciation/Impairments, Capital (incorporating capital grants);
- Transaction Type, i.e. bid, reduced requirement, etc.; and
- Description – this should clearly describe the nature or reason for the transaction, and should not restate the code or category being used.

Reduced Requirement

5.9 Reduced requirements are amounts arising as a result of:

- increased levels of receipts;
- unplanned asset sales (i.e. above those implicit in the relevant budget position);
- a service or function requiring less than its existing provision;
- savings from changes to pay/price assumptions; and
- a decision to cease or reduce a service or function (other than departmental proposals for the reduction/cessation of expenditure lines to meet pressures arising elsewhere with the department).

All Reduced Requirements, above the de minimis threshold, must be surrendered as early as possible in the financial year. Reduced Requirements do not require Ministerial approval.

Bids

5.10 Bids identified by departments will only be considered as part of the monitoring process if they:

- are above de minimis;

- clearly demonstrate their potential impact on the goals, commitments and targets set out in the Programme for Government;
- are consistent with the aims and objectives of the agreed priorities for the department; and
- comply with the statutory equality obligations and the need to consider the implications in terms of anti-poverty and social inclusion.

Bids below the de minimis threshold will only be considered in exceptional circumstances. In light of the 3% efficiency savings target agreed by the Executive as part of the Budget 2008-11, and the additional savings agreed as part of the Review of 2010-11 Spending Plans, bids will be subject to additional scrutiny to ensure that they do not relate to lower than planned delivery of efficiency savings.

Proposed Reduction / Reallocation

5.11 It is recognised that because of the tight financial position, departments should be afforded the opportunity to manage their own pressures. Therefore, departments will have an opportunity to put forward proposals to proactively limit the level of expenditure on specified services or functions in order to release resources to meet pressures in other high priority areas within the department. **These will need to be distinguished clearly from the normal reduced requirements that occur in year and arise where departments' financial requirements are reduced because of factors external to their direct management and control – such items must continue to be surrendered in the normal way.**

5.12 The key distinguishing factor with these transactions will be that the scope to release resources will arise from proactive management actions to limit expenditure in order to release resources for reallocation. Departments must not reallocate reduced requirements using this mechanism. We

5.13 In the circumstances, where a department proposes an above de minimis reduction/cessation of expenditure, the relevant proposed reduction and pressure will be considered jointly, and DFP would recommend that either both, or neither, be approved.

5.14 If the proactive management actions cross expenditure category, the proactive management action requested and classification switch will be considered together.

5.15 While these requests are for two separate but linked transactions the descriptions provided should be specific to each half. The description provided for the reduction side of the transaction should clearly describe the function being limited, and the description provided on the allocation side of the transaction should clearly describe the function being provided for.

Category Switches

5.16 Under certain circumstances departments may request to transfer budget cover from one category to another. The usual circumstances for such requests are listed below:

- Where budget cover has transferred from another department in the wrong category
- Where budget cover is being used for the purpose originally allocated for, but is now in the wrong category as a result of a classification change
- Where original allocation was incorrectly classified or where the allocation is now in the wrong category as a result of a change in accounting treatment

If however a department feels that a category switch is appropriate and outside this list they should contact DFP Supply for guidance.

5.17 The movement being requested by departments will determine the code to be used. If the movement requires Executive approval, i.e. crossing the Admin, Resource, Capital boundaries, use RECLASS. If the movement requires DFP approval, i.e. into or out of Depreciation/Impairments but remaining within either the Admin or Resource boundary (e.g. from Admin to Admin Depreciation) use TAD/I.

Invest to Save Fund

5.18 The Review of 2010-11 Spending Plans established an Invest to Save Fund the main objective of which is to provide support to departments as regards the upfront investment required to deliver savings in 2010-11 and beyond.

5.19 Going forward the general principle would be that departments be allowed to retain 50% of the projected savings with the remainder being factored into the available funds for the next budget process. However, in view of the position in 2010-11 departments are to be allowed to retain the savings projected to arise in 2010-11, in order to address their own pressures.

5.20 To facilitate this, departments will be permitted to move resources above the deminimis level across Units of Service up to the level of savings projected in the Review of 2010-11 Spending Plans. The movements must not cross expenditure category and will be subject to DFP approval. Departments must demonstrate that the savings have arisen from an agreed Invest to Save project and are not reduced requirements.

5.21 Allocations from the Invest to Save Fund are ringfenced and cannot be transferred to mainstream funding or between projects.

Reallocation within Unit of Service

5.22 A reallocation within a Unit of Service allows a department to submit a request for movement of resources within the same Unit of Service and the same category of spend, for any amount. They do not require Executive approval but must be approved by DFP Supply.

Internal Reallocations

5.23 Internal reallocations represent the movement of resources within the same Unit of Business and category of expenditure. They do not require Executive approval but departments should notify DFP Supply of such movements.

De minimis Transfers

5.24 A de minimis transfer allows departments to move resources, within the same category, across Objectives and Units of Service up to the de minimis threshold. At present the threshold is set at £500,000 or 10% of the receiving Unit of Business within each category (based on opening monitoring position), whichever is the smallest, and is a **cumulative value of all de minimis transfers during the financial year**. Where a Unit of Business has a zero opening monitoring position the threshold for de minimis transfers is £500,000.

5.25 De minimis transfers within a Unit of Service are exempt from this control and to facilitate the management of the de minimis rule, departments should ensure that such transfers are processed as 'Reallocations Within a Unit of Service' and not as 'De minimis Transfers'.

5.26 The de minimis rule applies to the whole of the financial year and not to an individual monitoring round in isolation. That is to say, it is the total value of transfers into a Unit of Business over the course of the year that counts

5.27 Once the de minimis threshold has been reached for a Unit of Business, it will no longer be possible to move further resources into that Unit of Business using de minimis transfers.

Technical Transfers

5.28 Technical transfers are the movement of resources between NI departments; these will be checked, monitored and balanced by DFP Supply. Departments should co-ordinate and agree all such changes in advance and ensure that both sides of a potential transfer are processed during the same monitoring round.

5.29 Transfers between NI departments and GB departments (including NIO) should be processed in accordance with the HM Treasury guidance detailed in the Public Expenditure System paper on “Hard Charging and Budget Cover Transfers”, PES 2010 (04). This paper states that budget cover transfers are only appropriate in certain circumstances and where possible Hard Charging should be used. Where it is determined that a budget cover transfer is appropriate written confirmation that both departments are in agreement **must** be submitted to PSD or the transfer will not be actioned.

Non-DEL Transactions

5.30 Non DEL transactions are movements of resources in Annually Managed Expenditure (AME), Non Departmental AME (Other AME), Other Expenditure (OTHER) and Non-Budget Expenditure (NON BUDGET).

5.31 Changes to AME will only be processed in line with the AME forecasts to HM Treasury; changes will only be permitted to AME outside of these exercises with prior approval from CED.

5.32 All other Non DEL transactions may be processed when necessary. Departments should agree changes with their Supply teams.

5.33 We will continue to assist departments with the timeliness of NON BUDGET updates by opening a non Budget exercise shortly after notification of the outcome of each Monitoring Round.

Treatment of Receipts

5.34 Except where alternative agreements have been introduced, additional receipts above the level planned in the Budget position cannot be used to offset expenditure, and where they are above the de minimis level should be surrendered as a reduced requirement (with departments being free to submit a separate bid for the resources, as necessary). Departments may retain additional receipts below the de minimis threshold for re-distribution. It is therefore important that receipts are accurately forecast in the Budget process, with any subsequent increases being declared in monitoring rounds at the earliest opportunity.

Ring-Fenced Areas

5.35 Ring-Fenced Areas are those in which the budget allocation cannot be used for any other purpose than that for which approval was initially granted.

5.36 In addition to the Ring-Fenced Areas set out in paragraph 4.4 changes to the Central Energy Efficiency Fund will continue to be notified directly to Supply, copied to CED and EPU, by the co-ordinating department and should, therefore, be **excluded** from departmental submissions. These funding streams are subject to the same constraints, procedures and

5.37 Changes to the Northern Ireland contribution to the budgets of North South Bodies should not be included in monitoring round returns until the relevant NSMC process has been completed.

5.38 Time bound allocations, made as part of the Budget 2008-11 process, or as part of the Review of 2010-11 Spending Plans cannot be reallocated to mainstream funding. Such funds can only be moved to another ring fenced 'Timebound' Unit of Business either within the same department or to a ring fenced 'Timebound' Unit of Business within another department.

European Structural Funds Programmes

5.39 The treatment of European Structural Funds will vary depending on whether the programme is ring fenced or not. In the case of ring-fenced provision, agreed changes will be handled as Technical Transfers and EUD will have an approval role. If the provision is not ring-fenced it is treated in the same way as other non-EU provision as detailed above. Where a bid or reduced requirement includes an EU element this should be clearly indicated.

European Peace and Reconciliation Programme (EUPRP) and EU Community Initiatives Programmes

5.40 Allocations to EUPRP (PEACE II and III) (including Match Funding) and INTERREG III & IV Community Initiatives (excluding Match Funding) should be treated as ring fenced within departmental baselines. Changes to these should be submitted with departmental returns and should be copied to EUD. EUD will be responsible for approving the changes and no change will be accepted without EUD approval. All agreed changes will be treated as Technical Transfers.

Outstanding EU Directives

5.41 Departments are expected to cover, from within their own baselines, any fines/damages incurred as a result of a failure to implement a directive on time, unless there are exceptional, extenuating circumstances. In addition, the costs of any new measures from Brussels should, in the first instance, be funded from within a departments existing baseline.

Provisions

5.42 Under Clear Line of Sight the take up and release of provisions has moved to AME. The utilisation of a provision is therefore a pressure in DEL, with a corresponding easement in AME in respect of the released of provision. Movements between DEL and AME are not permitted and therefore departments should plan to meet this pressure from within existing budgets.

5.43 When establishing or increasing provisions departments should bear in mind the future budget implications of these decisions. There should be no expectation that the resultant pressure will be addressed centrally with the department concerned having primary responsibility as regards managing this pressure.

Departmental Ministerial Approval

5.44 DFP recognises that departmental officials will wish to clear any proposed bids with their Minister prior to the submission of monitoring returns to DFP. It is important to note, however, that notification of reduced requirements to departmental Ministers is on a “for information” basis only, as any and all reduced requirements, as defined in paragraph 5.9, **must** automatically be surrendered by departments at the earliest opportunity. Departments will be expected to provide an explanation as to why it was not possible to surrender each reduced requirement at an earlier stage.

Engagement with Departmental Assembly Committees

5.45 Assembly Committees have an important role to play in the scrutiny of departmental spending plans, for that reason departments must ensure that they engage fully with their Assembly Committees in respect of the In-Year Monitoring process. The extent and timing of this engagement is obviously a matter for individual Committees, and there should be early engagement with Committees in order to establish their requirements. DFP would recommend that Committees should be kept informed of financial matters on an ongoing basis.

SECTION 6: MONITORING INPUTS – RBM DATABASE REQUIREMENTS

General

- 6.1 All proposed monitoring changes should be keyed onto the RBM database at the **Unit of Business** level and split between Admin, Admin Depreciation/Impairments, Other Resource, Other Resource Depreciation/Impairments, Capital Grants and Capital.
- 6.2 CED will issue guidance on the input of data onto the RBM database before each monitoring round detailing any transactions specific only to that round. Departments should ensure that the correct database code is used for each transaction. In particular, changes to ring fenced areas will only be accepted if the code relevant to that area is used. Annex A provides a list of codes which are usually available for each monitoring round.
- 6.3 Each code created on RBM will have a set list of allowable categories that transactions should be processed against. When keying onto RBM care should be taken to ensure that the monitoring change is keyed to the correct category. If a code does not include a category you wish to use contact CED.
- 6.4 Transactions submitted should include all consequential resources from other expenditure categories, where appropriate, to ensure that the full implications of changes are considered together. In addition to the direct resource implications for each bid, reduced requirement and technical transfer, departments should also indicate the implications for the associated costs. For example, where a bid for additional capital investment would result in increased depreciation costs, if the bid were met, then both elements should be submitted as a bid, unless the department can meet the additional depreciation costs from within its existing resources.

6.5 Each transaction **must** be accompanied by a meaningful description, which accurately conveys **the reason for the change and not simply the business area where the change is actioned or the category of expenditure**. These descriptions will be used in the preparation of Executive Papers and for publication, as appropriate, so it is important to avoid statements such as 'Resource requirement' which do not convey sufficient meaning. Each description must not be any longer than 40 characters in length (the maximum field size available on the DFP database). If a longer description is appropriate for clarity in the Executive paper, this should be provided to DFP Supply.

Supporting Information Requirements for each Transaction

6.6 In order to facilitate a comprehensive consideration of the proposals submitted by departments supporting information is required for each transaction requiring Executive approval. This supporting information should also be used to provide additional information which may clarify any descriptions which due to the 40 character restriction are unclear.

6.7 The Monitoring forms, attached at Annex B, have been designed to capture all relevant and required information relating to each transaction. It is therefore important that these are completed correctly and forwarded to DFP Supply and CED.

6.8 All DEL items (above de minimis levels) must contain the relevant information on the equality and anti-poverty implications (see Section 9). Any item without this information will not be accepted or considered during the monitoring process and will be returned to departments.

6.9 Departments will be required to identify the reason for resources being surrendered. An explanation of the *timing* of the surrender is also important, given the need for funds to be surrendered as early as possible.

6.10 In the case of bids, these should be classified into one of two categories:

- New projects which the department wishes to do – split between issues not previously logged (in either Budget or Monitoring) and issues logged unsuccessfully; or
- Projects which the department has planned but where the cost has increased – split between pure cost increases and volume increases (i.e. doing more than originally planned).

6.11 In the case of cost pressures, departments should distinguish between internal and external factors, i.e. internal costs would be an increase in departmental pressures, whereas a possible external factor would be an increase in supplier charges.

6.12 Departments should provide detailed supporting narrative for each transaction on the standard supporting information form agreed with their Supply Officer. The completed forms should be forwarded to the relevant Supply Officer and copied to CED along with other monitoring material. **All** of the following headings should be covered, where specified, for each transaction: -

Departmental priority - departmental bids must be ranked in priority order (i.e. Nos 1, 2, 3 etc.). [Bids only]

Description – a short, meaningful description of the transaction (maximum 40 characters). [Bids, Reduced Requirements and Proposed Reduction / Reallocations]

Reason for Request i.e. need/justification - an explanation of the transaction and why it is required, with particular emphasis on how it

will address the needs identified and what the impact of the transaction is in terms of outputs. [Bids, Pro-Reduction/Allocation]

Reason for Reduced Requirement- an explanation of why the Reduced Requirement is being offered and why the transaction could not have been put forward at an earlier stage. Reduced Requirements should be classified as one of the explanations as set out in paragraph 5.9.

Consequences if transaction not approved - an indication of how the pressure will be handled if the transaction is unsuccessful. Simple statements suggesting that the service will not be provided should be avoided. The impact on specific outputs in the areas affected should be included, again expressed in terms of impact on PSA targets and Reform Plans [Bids, Pro-Reduction/Allocation].

Impact on Programme for Government - One of the overriding concepts of Resource Accounting and Budgeting (RAB) is the linking of expenditure to objectives and the development of targets against which performance can be measured. The Programme for Government sets out over 300 goals, commitments and targets and departments should show the impact that the transaction will have. Where the transaction is not linked to the Programme for Government, reference should be made to any lower level targets (e.g. business plans etc.) [Bids, Reduced Requirements and Proposed Reduction / Reallocations].

Impact on Statutory Equality Obligations and anti-poverty - DFP would not expect the implications of most monitoring transactions to be as significant as those arising in the course of the Budget process covering large amounts over a number of years, including policy developments, etc. However, given the statutory obligations under the NI Act 1998, departments should deal with this requirement rigorously and monitoring returns submitted without the anti-poverty and/or

Equality sections appropriately completed will not be accepted or considered during the monitoring process. [Bids, Reduced Requirements and Proposed Reduction / Reallocations].

General comment - any other supporting information that the department considers is relevant to the transaction e.g. if there are any relevant GB (or other) indicators. [Bids, Reduced Requirements and Proposed Reduction / Reallocations].

Existing Baseline – where applicable, Departments should detail their existing baseline figurework. [Bids, Reduced Requirements and Proposed Reduction / Reallocations].

DHSSPS – Flexibilities Agreed in Budget 2008-11

6.13 The additional in-year flexibilities granted to DHSSPS as part of the Budget 2008-11 mean that the department can automatically retain its reduced requirements and has first call on the initial £20 million of available resources in the monitoring process. However, the department will still be fully involved in Monitoring Rounds and ensure that all transactions are entered onto the RBM database accurately and in a timely fashion. In particular, there will still be a need for the Executive to be informed as to the additional service developments that will be funded as a result of each monitoring round. This will not only ensure that the respective roles of the Executive and Assembly are respected but will also provide an ongoing assessment as regards the merits of this approach.

SECTION 7: OUTTURN AND FORECAST OUTTURN

- 7.1 Each UK Government department and all Devolved Administrations have an obligation to provide HM Treasury with monthly outturn and forecast information to facilitate the compilation of overall national statistics on public expenditure and to allow HM Treasury to fulfil its role in monitoring the performance of departments and devolved administrations against their agreed expenditure limits.
- 7.2 In allow DFP to comply with HM Treasury requirements, NI departments are required to provide on a monthly basis, details of actual DEL, AME and Other AME spend for the preceding month(s) and forecast spend for the remaining months of the financial year.
- 7.3 DFP also use the monthly outturn and forecast outturn information provided by departments to inform decision making during the in-year monitoring process. It is therefore important that departments provide up to date and accurate information in their monthly returns.
- 7.4 Separate guidance setting out the requirements and timetable for this information will be issued to departments.
- 7.5 Previously there has been some confusion amongst departments regarding the need to reconcile forecast spend with the previous monitoring round position. It has been suggested that this results in large variations in forecasts from month to month as departments are unable to incorporate the impact of transactions until the outcome of the subsequent monitoring round. Although departments should provide the most accurate information available and should not in general exceed the previous monitoring position, for 2010-11 departments will again have the flexibility to incorporate transactions in advance of the Monitoring Round provided that (i) Executive approval is not required for the transaction, (ii) category switches are not anticipated, and (iii) that a full explanation is provided in the return.

- 7.6 Departments should always forecast reduced requirements as soon as they are identified. They should also ensure that any predicted underspends are included in the forecast, as this provides useful management information for the block. It is accepted that a certain level of underspend is inevitable, particularly for those departments with arm's length bodies, and that such forecasts of underspend do not represent reduced requirements that should be surrendered. DFP will not unilaterally adjust departments budgets based on the forecast outturn information received although departments will be asked to provide explanations for significant projected underspends.
- 7.7 The importance of timely and realistic actual and forecast outturn cannot be overstated. Decisions taken on the management of the Northern Ireland block may be based on this data. In addition, HM Treasury uses this data as a key performance indicator. The credibility of financial management within NI can be undermined by poor quality data and even one department submitting either a late return (and thus delaying the NI return) or providing inaccurate data.
- 7.8 In summary, DFP will utilise the outturn and forecast outturn information for a number of financial management purposes. The information will ultimately be used to fulfil external commitments with HM Treasury but may also be used to inform the management of the In Year position. The information will also be provided to the Committee for Finance and Personnel. Given the importance of each of these purposes, it is imperative that the information provided is accurate and realistic and provided in a timely manner adhering to the timetable.

SECTION 8: PROVISIONAL OUTTURN AND END YEAR FLEXIBILITY (EYF)

Provisional Outturn

- 8.1 This exercise will continue to be carried out in mid-May in accordance with the Treasury timetable, which requires details of Northern Ireland's provisional outturn for inclusion in the Public Expenditure Outturn White Paper. While departments may not have definitive outturn information at this time, the monitoring of outturn on a monthly basis will provide a sound basis for a reasonable and robust assessment of provisional outturn. It is essential that the most up-to-date information is used for provisional outturn and departments should consider how best to capture this information internally.
- 8.2 While the outturn position will be revisited later in the year, following the completion and audit of resource accounts (to which the final outturn position **must** be reconciled), this should not be used as a justification for any dilution in the quality of the provisional figurework. It should also be noted that final outturn figurework will be used to adjust the Northern Ireland End Year Flexibility (EYF) claim for the **following year**. Significant variances on a departmental level will attract close scrutiny from DFP and future plans may have to be adjusted to claw back over claimed EYF.

End Year Flexibility

- 8.3 Provisional outturn figurework supplied by departments will form the basis of the NI Executive EYF claim to Treasury. Departments should note that DFP will examine the figurework at UoB level with a view to ensuring that any and all resource movements have been undertaken in accordance with the In-Year Monitoring guidelines. Where this analysis identifies spend which exceeds the final plan position, the intention would be to automatically offset the amount of unauthorised spend against the provision for the relevant area in the next financial year. If a department

8.4 EYF applies to the Northern Ireland total DEL, rather than departmental level. In addition, Treasury budgeting rules also require that the Chief Secretary to the Treasury approves the draw down of EYF by Whitehall departments and Devolved Administrations. In light of this HM Treasury restriction on access to EYF at Block level there will be no automatic departmental EYF. Therefore any pressures that would previously have been submitted as an automatic EYF entitlement should now be put forward as a normal bid.

Section 9: Statutory Equality Obligations

9.1 Section 75 and Schedule 9 to the Northern Ireland Act 1998 came into force on 1 January 2000 and placed a statutory obligation on public authorities to ensure that, they carry out their various functions relating to Northern Ireland, with due regard to the need to promote equality of opportunity between –

- persons of different religious belief;
- persons of different political opinion;
- persons of different racial group;
- persons of different age;
- persons of different marital status;
- persons of different sexual orientation;
- men and women generally;
- persons with a disability and persons without; and
- persons with dependants and persons without.

9.2 In addition, without prejudice to this obligation, Public Authorities are also required to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion, and racial group. From January 2007 public authorities are also required to have due regard to the need to promote positive attitudes towards people with a disability and to encourage participation by people with a disability in public life.

9.3 The strategy to tackle poverty and social inclusion “Lifetime Opportunities” was published in November 2006. “Lifetime Opportunities” retains the principle of its predecessor New Targeting Social Need, which is to target resources and effort towards those in greatest objective need. These principles and considerations, which steered and informed priorities and budget proposals in the past, continue to apply. Departments should therefore identify and fully consider the anti-poverty and social inclusion implications on individuals, groups or areas of any proposed changes

- 9.4 The statutory obligations are implemented through Equality Schemes, approved by the Equality Commission, and by equality screening and if necessary carrying out Equality Impact Assessments (EQIAs) on policies. The purpose of the screening and EQIA is to decide whether, through the application of a particular policy, there is or is likely to be a differential impact on one or more of the nine categories listed above.
- 9.5 Details of commitments to Section 75 and timetables for EQIAs are included in Departmental Equality Schemes. Further advice and guidance, in the first instance, should be sought from your Departmental Equality Unit. Copies of the Equality Commission for Northern Ireland's revised "Guidance for implementing Section 75 of the Northern Ireland Act 1998" can be obtained from Departmental Equality Units, from the Equality Commission, or can be downloaded directly from its website at www.equalityni.org.

Departmental Responsibilities

- 9.6 Departments and Ministers are required to take equality, good relations and anti-poverty into account, including in Budget exercises such as In Year Monitoring, and changes under these headings should be highlighted in the Ministerial submission.. For this reason, all bids or changes in planned expenditure must be accompanied by a High Level Impact Assessment (HLIA) form. The HLIA form must be completed by the relevant business area, with input or advice sought from Departmental Equality Units. Sufficient detail and evidence must be provided to enable Departmental Finance Branches to assess the forms and reflect any positive or negative impacts in their advice to Departmental Boards and Ministers. Where there are negative impacts, the advice to the Board, and consequently the HLIAs, must include details of mitigations or alternatives proposed. A proposal with negative impacts, which cannot be mitigated, should only go ahead if such course of action can be robustly justified.

9.7 Advice to the Board and Ministers should highlight:

- all proposed changes in expenditure which could have positive differential impacts on equality of opportunity, good relations, lifetime opportunities or the disability duties;
- all proposed changes in expenditure which could have negative differential impacts on equality of opportunity, good relations or anti-poverty but which have been mitigated or are alternatives to the policy proposed; and
- all proposed changes in expenditure which could have negative differential impacts on equality of opportunity, good relations or anti-poverty which cannot be fully mitigated but are justified. Such justifications should be set out clearly.

9.8 The equality, good relations and anti-poverty advice to the Board and the HLIA's must be copied to the Department's respective DFP Supply Officer for scrutiny. Failure to provide the HLIA form will prevent DFP from being able to ensure departments have complied with their statutory equality duty. If departments do not provide proper detail in the HLIA forms, proposed changes to departmental expenditure plans **cannot** be considered and the HLIA forms will be returned directly to departments for completion.

CODE	DESCRIPTION
DEL Transactions - Notified to Executive	
RR	This code to be used to record any Reduced Requirements
DEL Transactions - Requiring Executive Approval	
BID	This code should be used to record a BID for additional resources, this is the only code for which departments are required to enter a priority value
PROALL	This code should be used to record the allocation side of any proposed proactive management action. Proposed allocations should Net off against proposed reductions.
PRORED	This code should be used to record the reduction side of any proposed proactive management action. Proposed reductions should Net off against proposed allocations.
RECLASS	This code should be used to propose reclassifications between the category boundaries DEL Admin, DEL Resource and DEL Capital
DEL Transactions – Requiring DFP Approval	
DEMIN	This Code should be used to record movements within the same category which cross units of service but are permitted under the de minimis rule and up to the de minimis threshold.
IR	This code should be used to record transfers between record lines within a Unit of Business and of the same category.
IRUOS	This code is to be used to record transfers across Unit of Businesses within a Unit of Service within the same category
ITS_SAVE	This code should for movements of savings realised as a result of agreed projects
TA	Use this code the record any technical adjustments between departments
TADHSSPS	This code should be used only by DHSSPS to record transactions allowable within the DHSSPS Flexibilities agreed in Budget 2008-11
TAEUCI	Use this code to propose any EU Community Initiatives changes (excluding match funding). These will then be forwarded to EUD for approval
TAEUPRP	Use this code to propose any EU Peace and Reconciliation Programme changes. These will then be forwarded to EUD for approval

CODE	DESCRIPTION
TAD/I	This code should be used to record movement into or out of Depreciation/Impairments but remaining within either the Admin or Resource boundary (e.g. from Admin to Admin Depreciation).
TIMELTD	This code should be used to record any movement between record lines containing time limited allocations
Non DEL Transactions	
TANONBUD	This code should be used to record any Increase/Reduction to Non DEL/AME figures.