

BUDGET ACT

EXPLANATORY NOTES

INTRODUCTION

1. These explanatory notes relate to the Budget Act. They have been prepared by the Department of Finance and Personnel in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by the Assembly.
2. The notes need to be read in conjunction with the Act. They do not, and are not meant to be, a comprehensive description of the Act. So where a section or part of a section or Schedule does not seem to require any explanation or comment, none is given.

PURPOSE

3. The Act authorises the issue from the Consolidated Fund of Northern Ireland of £4,002,013,000 which is the total of the Spring Supplementary Estimates for 2000-2001 £195,599,000 and the cash Sums Required on Account for 2001-2002 of £3,806,414,000 . With the introduction of resource based Estimates from 2001-2002 it also authorises the use of resources amounting to £4,305,870,000 for 2001-2002. In addition, the Act authorises temporary borrowing by the Department of Finance and Personnel.
4. The sums to be issued from the Consolidated Fund of Northern Ireland for the year ending 31 March 2001 are to be appropriated for services, as set out in Schedule 1 to the Act. The Act increases and decreases sums which were authorised by the Appropriation Act (Northern Ireland) 2000 to be applied as appropriations in aid for the financial year 2000-2001, the net effect of which is an increase in appropriations in aid of £238,587,000.
5. The sums to be issued from the Consolidated Fund of Northern Ireland for the year ending 31 March 2002 are to be appropriated for services as set out in Schedule 2 to the Act.

6. The amount of resources authorised for use for the year ending 31 March 2002 are to be used for the purposes specified in Schedule 3 to the Act.

BACKGROUND

7. Budget Acts are the legislative means by which the Assembly gives approval for voted expenditure by Departments. Currently this is measured on a cash basis. However, from 2001-02 expenditure will be measured on a resource basis (bringing the public sector into line with the private sector) whilst maintaining an overall cash limit on departmental activity.

The requirements of the Government Resources and Accounts Act have been taken into account in the Budget Act. Previously, an Appropriation Act authorised the issue of sums from the Northern Ireland Consolidated Fund and appropriated those sums to services. The Budget Act contains these powers and also obtained the Assembly's authorisation for the use of resources by departments in addition to cash. This new provision reflects the change from controls based solely on cash to a new system where limits on the use of resources for specified purposes is the main public expenditure control mechanism. In order to reflect this change, which is linked to the introduction of resource accounting and budgeting the title 'Budget' Act is more appropriate than 'Appropriation' Act which, dealt only with cash allocations.

Budget Acts authorise the Department of Finance and Personnel to issue money from the Northern Ireland Consolidated Fund for the services detailed in corresponding Estimates volumes and summarised in Schedules in the Act. From 2001-2002 Budget Acts also authorise the use of resources for the services detailed in corresponding Estimates volumes and summarised in Schedules in the Act. Estimates volumes and other relevant documents are published so as to be available when Budget Bills are introduced in the Assembly. The Main Estimates (initial voted provision for a financial year) and subsequent Supplementary Estimates which increase or vary what was approved in the Main Estimates are contained in separate Budget Acts.

The Act covering the Spring Supplementary Estimates for 2000-2001 must be effective before 1 April 2001. The Spring Supplementary Estimates bring Departments' legal authority to spend fully into line with their allocations agreed by the Executive Committee in December monitoring. The Act also contains a Vote on Account for 2001-2002 on both a cash and resource basis. This provides funds to Departments for the early months of the financial year while the Assembly is considering the 2001-2002 Main Estimates. The timetable for the preparation of Estimate detail has meant it has not been possible for departments to submit Main Estimates to the Department of Finance and Personnel and for these to be introduced

and voted by the Assembly before 1 April 2001. Taking a Vote on Account is a long established practice at Westminster and in the Dail, and was the process adopted in Northern Ireland under direct rule.

COMMENTARY ON SECTIONS

8. Section 1 : Issue of Sum out of the Consolidated Fund for year ending 31st March 2001 and appropriation of that sum.

Subsection (1) authorises the issue out of the Consolidated Fund of Northern Ireland of the supplementary sum of £195,599,000 for 2000-2001.

Subsection (2) appropriates that sum for the purposes specified in Schedule 1.

Subsection (3) authorises changes to the sums already authorised to be appropriated in aid for 2000-01.

Section 2 : Issue of sum out of the Consolidated Fund for year ending 31st March 2002 and appropriation of that sum.

Subsection (1) authorises the issue out of the Consolidated Fund of Northern Ireland of the sum of £3,806,414,000 for 2001-02.

Subsection (2) appropriates that sum for the purposes specified in Schedule 2.

Section 3 : Power of the Department of Finance and Personnel to borrow.

This section authorises the temporary borrowing by the Department of Finance and Personnel of approximately half the aggregate sum covered by Section 1 (1) and Section 2 (1). This is a normal safeguard against the possibility of a temporary deficiency arising in the Northern Ireland Consolidated Fund.

Section 4 : Use of resources

This section authorises the use of resources amounting to £4,305,870,000 for 2001-2002, for the purposes specified in column 1 of Schedule 3.