Supporting the Northern Ireland Economy

New Priorities in Difficult Times


Social Democratic and Labour Party

April 2009
# New Priorities in Difficult Times

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Executive Summary

The world has changed dramatically since the Northern Ireland Executive finalized its 3-year Programme for Government and Budget, just over a year ago. Not only has there been a severe economic downturn and credit squeeze, but also the capital receipts upon which much of the Budget was based have not materialised.

In short the Executive’s Budget has been completely undermined - the assumptions underpinning it are no longer realistic, and the priority targets it has set will not be met unless there is considerable change.

The SDLP believes that it is essential the Executive revisits its spending priorities. However the DUP and Sinn Féin have refused to change anything.

It is not credible for them to argue that to divert extra resources into priority areas would mean cutbacks in health and education and therefore change cannot be considered. If the Executive is serious about achieving its economic and social objectives then the Programme for Government and Budget need to be recast.

Doing nothing is not an option. More jobs, more houses, more nurses mean a stronger economy.

The SDLP has been challenged to say not only where it would like to direct more resources - but also where it would find the money.

The Executive has a fairly straightforward role as a Government: It has no powers of taxation, no currency to manage and no leverage over interest rates. Therefore it is all the more vital that it manages its one economic lever, public expenditure, optimally.

In managing public expenditure in the economic downturn...

1. We must stimulate economic activity protecting businesses and jobs from the impacts of the recession.
2. We must prepare business and employees for the recovery phase of the recession.
3. We must protect vulnerable households and individuals from the worst impacts of the global recession.
Spending priorities

Help for Small and Medium Sized Businesses
- Adjust shape and function of Invest NI, to enable a targeted funding package of ‘triage’ loans to a much wider range of businesses.
- A system of micro finance loans offered at the current rate of inflation and available to small local companies.
- A fund to assist the social economy sector in Northern Ireland.

Re-training and upskilling of workers
- Payroll Shelter - a wage subsidy scheme similar to that in Wales and the Netherlands, which subsidizes an employee’s wage and offers employers the opportunity to apply for funding.
- The introduction of further funding and opportunities for graduate training apprenticeships.
- Enhance current training provision through increased funding to the Department of Employment and Learning strategy ‘Success through Skills’ with schemes specifically focused at those who have recently become unemployed.
- Skilled person’s initiative to assist highly skilled people who have become unemployed start their own businesses.

The Construction Sector
- Reconfigure the government’s capital investment strategy to prioritise those areas of planned capital expenditure that have a high labour content.
- Ensure that the Capital Programme gets delivered on time.
- Bring construction projects forward.

Developing our Tourism Potential
- Tourism Marketing - directed to Tourism Ireland and the Northern Ireland Tourist Board using the pull of an affordable currency zone.
- Tourism Product Development through the physical development of the signature projects.
- Hospitality Industry Training - a special training scheme for the hospitality industry which would have customer service at its core.

Extend the Natural Gas Network
Enhance the Electricity Network
Further Develop the High-speed internet network
Increased Investment in Social Housing
Alleviating Fuel Poverty - programme of household insulation.
Protecting Nursing Jobs - save proposed cut in 750 nursing jobs.
Start work on the Women and Children’s Hospital.
Finding the money

The Assembly must assert its authority over the budgetary process.

Tackling the Excesses of Bureaucracy
- Reduce consultancy costs.
- End senior civil service bonuses.
- Moratorium on civil service recruitment.
- No recruitment or promotion into Civil Service senior grades.
- Freeze MLAs’ pay.

The Best Use of Assets
- Sell certain road service car parks as assets which provide a revenue stream.
- Sell and lease-back Housing Executive headquarters.
- Sell 12% of Forest Service estate - 6% each year.

Redirecting Expenditure
- InvestNI - reallocate cash reserves.
- New proposed shared future stadium - NITHC site in Belfast - reallocate existing funding in the short-term.

Raising Additional Funds
- Harbour Commission voluntarily fund Titanic Signature Project from cash reserves freeing up allocated Executive funds.
- Re-profile the Northern Ireland Housing Executive Debt.
- Raise rates on mobile phone masts, banks and ATMS.

Reorganisation and Reform
- Planning service fast-track.
- Assembly spending scrutiny committee.
- Open bookmakers on a Sunday.

In total the SDLP believes we can find additional resources of over £400 million to secure and create jobs.
1. Introduction

The SDLP believes that in the light of the present economic downturn - and the need to respond to it - it is essential that the Northern Ireland Executive revisits its spending priorities. So far the ruling parties, DUP and Sinn Féin, have refused to do so.

The reason they give for this refusal is simply not credible. Sinn Féin and the DUP say that to divert extra resources into priority areas would mean expenditure reductions in other areas, such as Health and Education. And that such a course would be unpopular. They have challenged us to say where we would find the money. We are happy to respond to that challenge.

We believe that their position - sticking to a three-year plan framed during completely different economic circumstances - is not only unsustainable, but defeatist. We believe that if the Executive is serious about achieving its economic and social objectives then the Programme for Government and Budget need to be fundamentally reviewed. This is not an unrealistic expectation; countless governments worldwide have acknowledged the present shifting economic reality and are prepared to act urgently to counter the negative short and long term effects.

In this paper we set out our case, describing how radically things have changed in the economic environment as well as in Northern Ireland’s public finances in a very short period of time. We identify the expenditure priorities that will enable the economy to best cope with the ravages of the recession and emerge as strongly as possible in its aftermath.

And we say where the money should come from, with a list of proposals to start the debate. The list is not definitive or exhaustive and therefore we hope others will add to it. And while we do not have access to all the information available in the Department of Finance, our proposals are properly costed and quality assured by independent experts.

Throughout our history, where there have been problems the SDLP has been close by to offer solutions. Some others do problems. We do solutions.

This is our initial contribution to start a much needed debate - The SDLP will have a lot more to say - on how to cope with the economic downturn.
1.1 The Global Downturn

"I think that this is a financial crisis more extreme and more serious than that of the 1930s ... The reality is that this is becoming the most serious global recession for, I'm sure, over 100 years as it will turn out."


The performance of the global economy and economic sentiment generally have changed radically in the last year.

Irresponsible lending, the absence of credible regulation, massive corporate and personal indebtedness and a construction and property boom have triggered a worldwide recession and an almost unprecedented level of economic instability.

Unemployment is rocketing as demand falls, businesses are closing and the construction bubble has burst. In Britain, Northern Ireland and Ireland rising unemployment is reducing the tax take and raising social security costs putting yet more pressure on public finances.

The problem is global in its origins; however the action required to address it must be global and local in its application.

1.2 Three Levels of Response

The Government in Northern Ireland can do three things:

Firstly, it can try to mitigate the worst impacts of the recession by reordering public expenditure to achieve maximum short term stimulus to the local economy.

Secondly, it can use public expenditure and policy development to prepare Northern Ireland and enable us to be ready to take immediate advantage of the recovery phase as and when the global economy moves out of this recession.

Thirdly, it can help bring relief to those who are likely to suffer most from the economic downturn – both households and businesses.
### 1.3 The Northern Ireland Downturn

The Northern Ireland Executive approved a three-year Programme for Government and a Budget based on relatively optimistic assumptions that simply no longer apply. In fact those basic assumptions underlying the plan are now in tatters.

The Executive Budget is built on a continuation of the economic indicators set out in Table 1 below.

<table>
<thead>
<tr>
<th>Northern Ireland - Key Economic Indicators¹</th>
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<tbody>
<tr>
<td><strong>Gross Domestic Product</strong></td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td><strong>Consumer Expenditure</strong></td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td><strong>Personal Disposable Income</strong></td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td><strong>Industrial Output</strong></td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td><strong>Employment (000s)</strong></td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td><strong>Unemployment (000)</strong></td>
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<tr>
<td>2006</td>
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</tbody>
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(% real change unless stated otherwise)

The Budget states it is based on a “continuation of existing trends” in the form of “sustained growth.”

Clearly these assumptions no longer hold: Inflation which was rising steadily to a peak of 5% in mid-2008 is now below 2% and could easily reach zero in 2009. There has been a huge change in the exchange rate environment with sterling losing around 30% of its value against the Euro and the dollar in the last few months. While this is good news for those local manufacturers who manage to survive the recession and who export, it is devastating for the cost of imported capital goods and equipment.

The Executive’s assumption in relation to employment is now also wide of the mark. Although still relatively low in comparative terms, unemployment now stands at 5.7%.² Although the UK average is 6.5%, unemployment has grown faster in Northern Ireland than almost anywhere else and there is nothing to indicate that this trend will not continue. The increase in unemployment has also been heavily concentrated in the construction and retail sectors, releasing large numbers of relatively unskilled workers into the labour pool, many of whom have little prospect of securing alternative employment. Over the last year, the

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¹ Northern Ireland Executive Budget 2008 – 2011
² Source: First Trust Bank Economic Outlook and Business Review, December 2007
² Figures available from DETI quoting the Labour Force Survey, 18 March 2009
districts with the largest increase in unemployment anywhere in Britain and Northern Ireland have been Magherafelt, Cookstown and Dungannon. The percentage increases have been of unprecedented proportions, between 149% and 189%.

At a time when some streamlining of the public sector was intended, the Department of Employment and Learning (DEL) and the Department for Social Development (DSD) have had to recruit 350 extra civil servants to cope with the increased pressures on the jobs and benefits services.

Above all, the Executive’s assumption that Northern Ireland will continue on its steady if unspectacular growth path is wrong. As can be seen in Table 2 we have steadily increasing negative GDP growth and there is no indication as to the depth or duration of this recession.

Table 2. Key Economic Indicators - Revised Forecast

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<tr>
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<tbody>
<tr>
<td>GDP</td>
<td>3</td>
<td>0.25</td>
<td>-1.5</td>
<td>0</td>
</tr>
<tr>
<td>Consumer Expenditure</td>
<td>2.1</td>
<td>0.5</td>
<td>-0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Personal Disposable Income</td>
<td>2.2</td>
<td>0.5</td>
<td>-0.5</td>
<td>0</td>
</tr>
<tr>
<td>Industrial Output</td>
<td>2.5</td>
<td>1</td>
<td>-1</td>
<td>-0.5</td>
</tr>
<tr>
<td>Employment (000)</td>
<td>730</td>
<td>725</td>
<td>710</td>
<td>690</td>
</tr>
<tr>
<td>Unemployment (000)</td>
<td>22</td>
<td>28</td>
<td>45</td>
<td>48</td>
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(All figures represent % increases unless stated otherwise)

All of these economic reversals have implications for public policy and public expenditure in Northern Ireland. The Executive has no tax raising powers, leaving public expenditure as its principle economic lever.

That is why the three year expenditure plan must be re-examined.

3 First Trust Bank Economic Outlook and Business Review, March 2009 Part 1
4 Northern Ireland Executive Budget 2008 – 2011
1.4 Public Expenditure Developments

“In short, he’s living with a fiction.”
[An assessment of the Finance Minister’s attitude to the Budget.]

John Simpson OBE,
Economic Commentator,
March 2009

The main adverse variations against the Executive’s initial budgetary plans are laid out below. Taken together these developments, many of which were anticipated at the commencement of the Budget, have a profound financial effect on the budgetary outlook.

The deferral of water charges, which all parties including the SDLP support, means the Executive has had to spend tens of millions over the next two years.

While we support freezing the rates in nominal terms, we realise it means the cost to the Budget could increase beyond the £40 million it is costing in year one if interest rates rise.

Housing Executive house sales have fallen from around 2000 units in 2007 to as few as 50 in the 2008/09. Land parcels placed on the market have simply not sold despite much lower prices. As a result the housing budget faces a shortfall of around £100 million in each of the years 2009/10 and 2010/11.

The Executive established the Capital Asset Realisation Taskforce (CART) to generate additional funds for the Budget. The CART has failed to realize any net asset sales income in the current year.

The cancellation of Workplace 2010, the Department of Finance and Personnel’s flagship plan for the sale and leaseback of Government offices, means a loss of £175 million to the Executive’s Budget.

The value lost due to the non-sale of extensive lands at the Department of Agriculture’s Crossnacreevy site is estimated to be around £200 million capital.

The budgetary impact of reconciling civil service equal pay claims is in the order of a £200 million revenue pressure on the Northern Ireland block in terms of back-pay, and as much as £80 million of an increase in annual payroll costs in each year ahead.

And there are other changes…
1.5 The Northern Ireland Executive’s Response to the Economic Downturn

“The Executive should focus on stimulating a construction led recovery by accelerating social housing and capital investment plans.”

Ulster Bank NI,
Quarterly Economic Review,
February 2009

“The Executive must be challenged to reconsider its economic policies along with the merits of a possible redirection of financial resources to tackle the economic downturn.”

John Simpson OBE,
Economic Commentator,
January 2009

“There is a strong case for revising the priorities set out in the NI Executive January 2008 Budget.”

Professor Michael Smyth,
Economist,
December 2008

“It’s the economy, stupid.”

Bill Clinton ’92 election campaign team

Despite SDLP protestations in the Assembly and around the Executive table, there is no apparent willingness on the part of the Executive generally or its two larger parties to redraw budget spending priorities so that the most important programmes stay on course.

So how has the Executive responded to the economic downturn? Alongside the routine ‘monitoring’ exercises, the Executive has encouraged Ministers to think of initiatives they could introduce to address the economic downturn. A number of Ministers responded with ideas for actions that could help the economy in the short term - including a significant proposal on housing from the Minister for Social Development. However, few new initiatives or ideas have emerged from this process.
1.5.1 Department of Finance ‘Monitoring Rounds’

Instead of a new budget, the Executive and Minister for Finance and Personnel have chosen to adjust financial allocations by way of the routine quarterly ‘monitoring’ exercises which allow money unspent in some Departments to be used in other Departments, where there are particular funding pressures. Although this is a useful and well established mechanism, it is largely a tidying up exercise and does not lend itself to any significant reprioritization of spending.

However, this has not stopped the Executive from trying to present the ‘monitoring’ process as something of great importance in addressing the economic downturn. The December Monitoring Round outcome was described as an economic ‘package’ yet at around £70 million, it reallocated less than 1% of the overall budget. Around half of this reallocation came from the Department for Social Development from funds earmarked for investment in employment-rich social housing new build. The biggest single beneficiary was the Department of Agriculture - £20 million for slurry tank grant-aid - with a relatively low element of new construction.

The December Monitoring exercise was effectively little more than tinkering around the edges of the big public expenditure issues.
2. New Priorities in Difficult Times

"Clearly, the situation is dire. It is deteriorating, and it demands urgent and immediate action."

Barack Obama, US President, January 2009

To kick-start the proposed review, the SDLP has set out short term priorities. Selection of these priorities does not exclude action in other areas. Rather the SDLP believes that these priorities can provide both the best interim economic relief and the urgent direct stimulus the Northern Ireland economy requires, and take into account the three levels of response referred to earlier.

Had there been a full budgetary process in the Assembly this year, we believe that these priorities would have been acted upon already.

2.1 Business and Employees

2.1.1 Help for Small and Medium Sized Businesses

The Northern Ireland Executive must do all it can to assist the Small and Medium Sized businesses (SMEs), where unlike in social housing, there is consensus within the NI Executive that investment is essential.

Research undertaken through the All-island Business Monitor survey\(^5\) illustrates the impact the financial crisis is having on Irish businesses with the economic downturn adversely impacting upon four out of five of businesses. The survey highlights businesses are facing cash flow problems and a decrease in demand for goods and services. Nearly 90% of businesses that responded reported a reduction in spending by their customers in recent months and 44% of companies in Northern Ireland reported a decline in their own turnover, with the worst results being reported in the construction and retail sectors.

\(^5\) http://www.intertradeireland.com/index.cfm/area/information/page/Business%20Monitor
SDLP Proposals for Assistance to SMEs

The Executive must urgently review and improve the effectiveness of financial support being provided to SMEs. In that regard, the SDLP proposes a targeted Recession Recovery Fund to assist small businesses over the next two years. This money must be invested in a broader range of businesses than the client base currently assisted by InvestNI, be targeted and provide clarity and predictability for businesses.

This proposal echoes the calls from those in the business community, with more than a third of businesses requesting either direct financial assistance to business or increased access to borrowing facilities.

It is necessary that we ‘triage’ our business sector. Many of the businesses in Northern Ireland were viable before the downturn and will remain viable in the years ahead. It is necessary that we help them mitigate against current hardship to benefit the long term health of the economy.

Under the direction of InvestNI, 80% of foreign direct investment projects in 2008 fell into four business areas: IT, financial services, pharmaceutical and aerospace. During this current downturn, it is essential that this spending is widened across the economy, into the broader manufacturing sector, retail and services.

The SDLP proposes, in the short term, adjusting the shape and function of InvestNI in order to provide greater support for SMEs across all sectors of the Northern Ireland economy. InvestNI would become responsible for the oversight of a £40million package of ‘triage’ loans for businesses currently struggling to secure finance.

Additionally, the SDLP proposes a £10million scheme of micro finance loans of up to £5000 offered at the current rate of inflation and available to small local companies. These loans would be distributed to local companies through Local Enterprise Companies and Credit Unions, whose skills and local knowledge are best served in assisting local businesses.

Finally, the SDLP proposes a fund of £10million be set aside to assist the social economy sector in Northern Ireland which would also ensure that social and ethical objectives in enterprise are catered for in this time of downturn.
This set of funding arrangements should be overseen by an economic development panel, constituted from experts within the industry and to include input from Intertrade Ireland, Enterprise Northern Ireland and InvestNI.

2.1.2 Retraining and Upskilling of Workers

The SDLP considers it essential that the NI Executive helps create a sustainable workforce better prepared to ride the waves of an economic storm. In the long term this must entail development of innovation-led training to ensure Northern Ireland becomes a champion of innovation.

In the short term, it is essential that high levels of support are provided to those who have become unemployed or risk being made unemployed. This is support that workers in other European countries are already receiving.

Payroll Shelter

The SDLP proposes a combination of methods be implemented in Northern Ireland to help protect, train and re-skill workers. Firstly, a £50million wage subsidy scheme, whereby businesses, beginning to find themselves under financial pressures, can apply to the government for ‘wage top ups’. This will help companies retain the intellectual and skills base of employees, thereby placing the companies and their workforce in a better position to come through the downturn intact.

In order to qualify for the scheme, a company must have experienced a significant but not critical drop in sales revenue over two months preceding their application. In this way funding is targeted at companies who have the ability to further develop their competitiveness when the economy revives.

This proposal would follow the example of the Welsh Pro-Act, lauded by the Federation of Small Businesses, the Dutch ATV scheme and the Canadian Targeted Wage Subsidy scheme. Under SDLP proposals such a scheme would only be available if the employer guarantees training provision for workers who are subject to short-time working. The scheme will subsidise an employee’s wage and employers would have the opportunity to apply for up to six months funding from the scheme.

Under their model the Welsh Executive invested £25million and received a further £25million of matched funding from the European Social Fund. In Northern Ireland, the SDLP proposes our Executive invest £45million which will provide up to one year’s wage subsidy per worker up to a total of £2000 and an additional £2000 training subsidy. In return for funding, companies would be
expected to undertake the training or retraining of staff during periods of reduced production or to seek a job placement for staff within another company.

**Graduate Apprenticeships**

The second SDLP proposal is the introduction of **£10 million further funding for graduate training apprenticeships**. Following a sustained period of opportunity for graduates within the Northern Irish labour market, the economic downturn is threatening those opportunities.

It is imperative that the Northern Ireland Executive works with indigenous companies to duplicate the National Internship Scheme proposals outlined by the British Government.

In order to do this, funding must be made available to encourage employers to participate in the scheme and grants must be provided for the students involved.

**Enhanced Training Provision**

The third SDLP training proposal involves **£30 million of increased funding to Department of Employment and Learning (DEL) strategy ‘Success through Skills’**, with particular focus on those who have become unemployed as a result of the economic downturn. The erosion of DEL budget lines must not continue to happen if we want to ensure individuals are provided the best opportunity to return to work quickly and the Northern Ireland economy is best placed to recover from the downturn.

In order to ensure this happens apace, existing DEL schemes should be built upon with eligibility criteria extended and focused towards those who have, until the current downturn, been in continuous employment.

The Welsh Assembly has recently introduced the Redundancy Action (ReAct) scheme, which follows these principles and is aimed at enabling those who have recently become unemployed to retrain immediately.

**Skilled Person’s Initiative**

In addition to assisting recently unemployed people to retrain immediately, the SDLP proposes a **£6 million fund specifically for those who have become unemployed** and who feel they are in a position to consider using their high level skills to **start their own business**.

This should initially begin as a pilot scheme working towards the reintroduction
of the business start up grants at a higher level of financial provision which could be administered through local enterprise companies which would assist with introductory training and initial start-up costs.

### 2.2 Sectoral Investment Priorities

There is also a need to invest in those sectors that will not only deliver the greatest economic stimulus in the short-term, but also contribute to good strategic outcomes in the longer term. This paper outlines four areas for consideration.

#### 2.2.1 The Construction Sector

The construction sector is a vital sector of the Northern Ireland Economy adding some £3.4 billion to Gross Value Added (GVA) and employing up to 90,000 people. In addition construction sector output impacts significantly on employment in other sectors including legal, estate agencies, furnishings, plant hire, banking etc.

In the past year of economic downturn the construction sector has been hit hardest of all. The Construction Employers Federation (CEF) estimates that there could be 10,000 construction workers claiming unemployment benefit by the summer of 2009. Many thousands more are working short-time.

Private sector housebuilding has virtually ceased and 37% of companies surveyed by the CEF indicated that they were operating at 50% capacity or less.

There are three things that the Northern Ireland Executive can do:

Firstly, it can make sure that the government’s capital investment programme is prioritising those areas of planned capital expenditure that have a **high labour content** and which can bring **immediate stimulus** to the economy.

Secondly, the Executive can ensure that the programme gets **delivered on time**.

Thirdly, there is scope to **bring construction projects forward** ahead of their original schedule.
2.2.2 Priorities in the Capital Investment Programme

The SDLP believes that the Investment Strategy for Northern Ireland (ISNI) should be reconfigured in the short term to prioritise projects that sustain and create employment. These projects are already in the capital plan. It is mainly a case of affording them greater priority or increasing the magnitude of the investment. These are the strategic decisions the Executive must agree.

In the following sections, we discuss the need for greater investment in health and housing and identify capital-intensive parts of the Investment Strategy for Northern Ireland from where, at least in the shorter term, reallocations could be made.

Delivering the Capital Investment Programme

Although the ISNI represents a capital programme of unprecedented proportions, there are growing concerns about the pace of delivery and the dealflow for the construction industry.

The CEF claims that in 2007/08, an initial capital budget of £1.4billion finished the year with an outturn of £1.1billion - a 20% drop. In the current year gross capital spend of £1.8billion was originally signalled while latest indications are that it will outturn at £1.4billion. There are also concerns about the absence of a smooth dealflow - where spending is slow early in the year and becomes frenetic toward the year end.

The ISNI covers a 10-year period, but capital budget certainty only exists for the next two years. It is therefore essential that the amounts available over the next two years are spent in their entirety.

Originally it was hoped that the Strategic Investment Board (SIB) would guarantee delivery of an enhanced capital programme. The SIB has undoubtedly contributed to delivery where permitted, but in many cases Departments have only used SIB for advice rather than for ensuring delivery.

The SDLP believes this is a matter of such importance that an Assembly Scrutiny Committee should oversee the delivery of the capital investment programme.
Bringing Capital Projects Forward

In Scotland and other jurisdictions, governments have brought forward planned capital projects in order to stimulate the economy. Although the Executive has had a cursory assessment of possibilities in this area, we gather no substantial change is planned.

The SDLP believes that certain capital programmes and projects should be accelerated so that their economic impact is felt sooner rather than later. A full budgetary process involving the Assembly would in all probability have helped identify priorities for bringing forward capital works. The SDLP believes this should apply at the very least to housing and hospital provision but recognises the potential in other areas, including the large backlog of building and maintenance projects in the school estate.

2.2.3 Developing our Tourism Potential

The depreciation of sterling is providing a boost to the competitiveness of some of our industries. Possibly the biggest opportunity in this regard is in tourism. With the dramatic fall in the value of sterling against the dollar and the Euro, the Northern Ireland tourism product is now around one third more affordable than it was a year ago to those from other currency zones.

Most economists are predicting that the sterling exchange weakness is likely to persist and with the Bank of England clearly intent on printing more money (quantitative easing) that seems a reasonable assumption.

There is therefore an opportunity for Northern Ireland’s tourism industry, led by the Northern Ireland Tourist Board and Tourism Ireland, to take advantage of the recent boost to relative competitiveness. They can do this on two parallel tracks; firstly, marketing the value-for-money aspect of the Northern Ireland offering and secondly, accelerating product development (including training) and investing in improving visitors’ experience.

Tourism Marketing

Extra resources should be directed to Tourism Ireland and the Northern Ireland Tourist Board to market Northern Ireland Tourism on the island, in Britain and internationally and particularly to those who have visited before and for whom a return visit would now cost less. It is interesting to note that Jersey is now marketing its tourism under the banner “French Influence - British Currency” Northern Ireland tourism marketing should now promote value-for-money
offerings including golf and shopping breaks alongside the core marketing around winning themes and signature projects.

It is proposed that an additional **£3 million** is **re-allocated to tourism marketing** over the years 2009/10 and 2010/11.

**Tourism Product Development**

Tourism development in Northern Ireland has the benefit of a clear strategy, at the centre of which are the signature projects. Although there has been substantial progress made in recent years including very significant funding for the Titanic Signature Project, the signature projects are under-resourced.

It is essential that the development of signature projects is accelerated so that they represent fully rounded visitor attractions. An important step in this is to attach a full narrative around each project so that it is not just something to see but becomes a story that engages the visitor. This requires funding for further capital works and investment in interpretative/narrative development.

Therefore, we propose that an additional **£12 million** is allocated to the physical development of the signature projects over the next two years. However it also requires additional investment in talented and experienced staff to develop the projects and deepen the sphere of influence of each project within their region.

**Hospitality Industry Training**

It is generally accepted that in some areas of the visitor experience, customer service is not of a sufficiently high standard. If Northern Ireland is going to be a successful tourism destination and secure repeat business - particularly in the highly competitive short break market - then customer service will have to improve.

We therefore propose the creation of a special training scheme for the hospitality industry which would have customer service at its core. In addition, as a response to the recession, which has hit the retailing sector particularly badly, the scheme would be targeted at former retail workers made redundant in the economic downturn and who are well suited to a customer-facing service industry.

It is proposed that **£2 million** be invested in a specific ‘customer service’ hospitality training scheme which would retrain 250 former retail workers.
2.2.4 Extending the Natural Gas Network

Northern Ireland has a relatively new, growing but underdeveloped natural gas industry. Generally where natural gas is available it becomes the preferred choice of customers. It is a much cleaner fuel than any of the fossil fuel alternatives and is generally cheaper than oil. There is therefore a very strong case for extending the natural gas network and making gas available as an option for as many people as possible.

The natural gas network and customer base is concentrated around Greater Belfast. Apart from where there are major industrial loads, gas network extension into rural areas and even small towns does not offer an acceptable economic return. There are two gas network companies in Northern Ireland, Phoenix Gas covering the Greater Belfast area and Firmus covering the North-West and the towns adjacent to the Belfast/Derry pipeline. Firmus also has scope to develop areas adjacent to the South North pipeline which connects the two networks North and South.

To accelerate the development of the two networks into new areas, the companies would require an element of public subsidy and/or sympathetic regulation.

The gas transmission line to Derry required a significant grant and benefited from having a major gas load at the end of the pipeline (Coolkeeragh Power Station). Similarly Phoenix could extend the greater Belfast network to some of the satellite towns around Belfast, particularly to the south.

It is proposed that a £12million fund is established to be invested in 2009/10 to kick-start the process of facilitating the maximum penetration of natural gas in Northern Ireland. It is not enough to run spurs from the main transmission pipelines into the adjacent towns. Distribution networks need to be rolled out in those towns offering choice to all customers.

The proposal would allow many more customers to be served in Derry, Ballymoney, Coleraine, Limavady, Ballymena, Antrim and Banbridge (all Firmus). It would also allow the Phoenix network to reach Saintfield, Ballynahinch, Crossgar and Downpatrick and possibly further.

The new investment would provide major energy benefits, employment for significant numbers of gas installers and heating technicians and be a stimulus to the private housebuilding sector.
2.2.5 Electricity Network Enhancement

The electricity network is carefully planned and reinforced as required to meet evolving demand. The related capital investment is evaluated as part of the price regulation process.

However, there is no incentive for the electricity network to be developed in a way that best accommodates the potential for greater renewable generation to connect to the system.

Yet Ireland, North and South, has a very substantial wind energy resource which if fully developed could account for a major proportion of Ireland’s future electricity generation requirements. Growth in renewable energy would give Ireland greater security of supply in a time of geopolitical uncertainty around the main areas of oil and gas production. This is perhaps just as important a benefit as the clear environmental benefit of switching production from hydrocarbons to wind energy. In addition, rapid development of Ireland’s wind energy resource could create thousands of new jobs in the green industry.

All-island energy studies have identified grid reinforcement as a potential barrier to growing the renewable energy share of the overall electricity market.

The SDLP believes that more must be done to harness the potential of wind energy and to make the necessary investments in the electricity network.

Government can do two things. Firstly, DETI can engage with the industry regulator to explore the scope for price regulation that incentivises the grid to facilitate wind farm connectivity. Secondly, a fund can be established to which grid companies and/or wind energy developers could bid for support for research and investment in significant new wind connections.

We also believe the mutualised energy company Northern Ireland Energy Holdings (NIEH) could support certain well defined network reinforcement projects taking the assets onto their own balance sheets. NIEH has substantial liquid assets and have stated their long-term commitment to delivering benefits to energy customers. With appropriate regulatory approvals the company could contribute £4 million over the next two years.

Although government cannot reasonably extend large-scale subsidies to private energy development companies, it can intervene to make things happen. Judicious use of public funds aimed at helping marginal but worthwhile renewable energy
projects get over the line, could be money well spent. It is proposed that £14 million funding be set aside for this intervention.

2.2.6 High-speed Internet Network

The SDLP welcomes the news that 30,000 homes and businesses in the South Belfast area will be able to avail of new high-speed internet connections of up to 60 megabits per second by 2010. We believe that expansion of the super-fast broadband network is essential if the Northern Ireland economy is to attempt to keep up with high-skilled research and development-led economies.

In that regard, the SDLP proposes the Executive offers additional incentives to broadband providers to further extend the high-speed network. While we realise there is a huge cost involved in ensuring the whole of Northern Ireland gains access to super-fast broadband, we believe the Executive should commit to a long term target of meeting that challenge.

In the interim, over the next two years the Executive should ensure, with a financial investment of £5 million, that all homes and businesses in the wider Belfast area are able to avail of new high-speed services, with a view to expanding across the North thereafter.

This investment will also sustain jobs in the telecoms sector.

2.2.7 Investment in Social Housing

Investing in building more social houses acts as a major influence in reversing the downward spiral in the construction industry, increasing the flow of money within and across the sector, and at the same time advancing important social policy objectives.

This point was amplified in the Financial Times recently by Kate Barker, a member of the Bank of England’s Monetary Policy Committee and advisor to the UK Government on housing issues. Moreover, Professor Michael Smyth of the University of Ulster in a recent paper delivered to a CBI seminar said,

“What can the Assembly do to address the economic slowdown in Northern Ireland? I believe there is a case for re-visiting the Budget priorities in the Programme for Government. If private sector housebuilding has collapsed, is there not a strong case for bringing forward as much capital DEL spending for DSD as possible so as to enable Housing Associations to build more social housing?”

6 Paper delivered at CBI Seminar entitled ‘The Assembly and the Economy’ 5 November, 2008
Kate Barker and Professor Smyth are not alone among experts in holding the view that in the present economic circumstances social housing investment offers a big return in terms of addressing the downturn and delivering on economic and social objectives.

As housebuilding is labour intensive and a consumer of considerable quantities of locally sourced materials, it offers a higher multiplier than ‘larger’ infrastructural projects which tend to be more capital intensive.

It is estimated that a building project of 10 houses can provide up to 100 jobs and 5 apprenticeship opportunities alongside sustaining existing jobs in ancillary service industries.

As social housebuilding is dispersed all over Northern Ireland, the consequent boost to employment is spread geographically and, as it tends to occur in areas of relatively high unemployment, where the jobs created have most impact.

The economic arguments that favour increased investment in social housing newbuild also apply to other capital works in the social housing sector including capital maintenance and improvement works and investment in new heating systems and disabled adaptations.

Providing a home for those in housing stress transforms the quality of life and life prospects of those in receipt of new accommodation. An increase in social housing provision will also aid in developing a shared future in our society, help reduce social exclusion, deprivation, fuel poverty and child poverty, all of which are identified as priorities in the Programme for Government.

The Executive’s Approach to the Housing Budget Shortfall

An important part of the housing budget is based on an assumption of substantial capital receipts arising from the sale of NI Housing Executive houses and land. The downturn will see a collapse in the value of both. The housing budget carried a shortfall of £80million in 2008/09. In the course of the year, by diverting funds from other DSD programmes, the shortfall was reduced to £35million by year end. As a direct result of the shortfall the newbuild programme delivered some 375 fewer social housing starts than planned.

Going into 2009/10, the shortfall in capital receipts was projected at £100million. A similar shortfall is projected for 2010/11. If these shortfalls are not made good then the target newbuild could fall short by a substantial margin. Currently 3000
new social houses per year are required, over a period of years, if inroads are to be made into waiting lists.

The shortfall in the DSD housing budget is not being treated as a priority for the Executive. Yet when the Department of Finance experienced a £175million capital shortfall in the DFP budget as a result of its failure to secure ‘Workplace 2010’ this was treated as an Executive-wide problem. The shortfall did not impact the DFP budget and DFP did not have to bid for additional resources. Housing is too important and the recession is too serious for politically motivated decision making about resources. It should be a priority area for public expenditure and the SDLP recommends that it is allocated substantially more funding.

\section*{2.3 Health and Wellbeing}

\subsection*{2.3.1 Maintaining Healthcare Provision}

One argument made by the Finance Minister in the Northern Ireland Assembly suggested it was impossible to redirect further monies into the budgets for jobs, skills and training, social housing or fuel poverty without removing money from the Departments of Health and Education.

The SDLP fundamentally disagrees with that argument. This paper illustrates where extra money can be found and a top priority is the maintenance of the healthcare provision available in Northern Ireland.

The SDLP voted against the 2008 Budget and in doing so one major consideration was the impact of indiscriminate 3\% efficiency savings on the Health Service. While there may be some room for efficiency savings amongst senior management in the Department of Health and the Health Trusts, it is essential that frontline services are not affected by efficiency savings.

\subsection*{2.3.2 Alleviating Fuel Poverty}

2008 was a year of energy price shocks which dragged many thousands of additional households into fuel poverty. It is estimated that in excess of 40\% of total households are in fuel poverty in Northern Ireland.

The DSD Warm Homes programme and NIHE Heating Replacement programmes have delivered step changes in energy efficiency in the home and have made a long term contribution to the alleviation of fuel poverty.
In 2008/09 the Minister for Social Development secured Executive approval for a household fuel payment targeted at 150,000 households most vulnerable to fuel poverty. However, there is no guarantee that this payment will be repeated in future years.

The SDLP would support the continuation of Warm Homes at its current rate of investment, but would propose an additional £20 million programme of household insulation over the next 24 months. The new programme would be targeted firstly at those households which have no insulation as well as households vulnerable to fuel poverty.

Aside from the financial gains to households to be had from becoming more energy efficient, the installation of insulation is a labour-rich activity, and would create new employment opportunities.

2.3.3 Protecting Nursing Jobs

The SDLP welcomes many policies that have been implemented by the Health Minister in the past 18 months, notably the extension of free prescriptions to the working poor in our society.

The Party was dismayed however at the proposed cut in 750 nursing jobs. Therefore, an immediate proposal as to where the extra money found can be spent is in ensuring that these vital jobs are not lost.

In that regard, the SDLP proposes that an extra £20 million be set aside over the next two years to ensure these nursing jobs are protected.

In addition to providing for the retention of nursing jobs, the SDLP is concerned as to the pressures on midwifery services across the North at present. While the Party understands that reports of services nearing collapse in certain areas are an exaggeration, the pressures being placed on staff are currently too high.

Preparing for the Women and Children’s Hospital

There is a dedicated site for a new Women and Children’s Hospital to replace the dilapidated and over stretched facilities currently in use at the RVH Belfast.

The SDLP proposes that £20 million be reallocated in order to make provisions and provide an impetus for the immediate start of the project, ahead of the current start date of 2017.
This money would be used for the initial clearing and decontamination of the site, providing employment in West Belfast, one of the areas hardest hit following the collapse of the construction industry.

2.3.4 Local Government Special Hardship Fund

Despite the existence of the social security safety net and other forms of social support, it is inevitable that there will be some households who, particularly in the course of this recession, will slip through the net in terms of being able to access the help they need. There will also be those households who, for one reason or another cannot cope – even with help from the benefits system. In these situations it is often dependents, principally children who suffer most.

The SDLP would propose the creation of a special hardship fund to be administered by Local Government so that help, by way of direct assistance can be channelled to households in dire need.

Although the apparatus of Central Government is available under the Financial Assistance Act – which recently facilitated a fuel payment to 150,000 households – Local Government is better placed to deal with those more localised pockets or individual cases of deprivation.

It is proposed that the amount of help available to any individual household would be capped at a certain modest amount and the scheme itself would be allocated £2million in 2009/10 and £2million in 2010/2011.

2.4 Executive Discretionary Fund

The SDLP believe the Executive should establish a contingency funding package to address unexpected pressures or newly emerging priorities. This fund would be especially important in instances where programmes of need cross the remit of two or more departments. An initial £20million expenditure should be allocated to this scheme however following a full budget review it would be expected that the final allocations would be higher.
3. Where Can the Money be Found?

The SDLP has had no hesitation in presenting its priority areas for public expenditure as set out in the previous chapter. Equally, the SDLP is prepared to outline where the additional funding could come from. The argument put by OFMDFM or DFP that re-prioritisation is not possible because severe economies would be required in other areas is simply not sustainable.

The Executive is constrained in finding new financial resources as it does not have tax-raising powers. However, the SDLP believes that funding for new priorities can be found via:

- A comprehensive budgetary process
- Tackling excessive bureaucracy;
- Re-directing expenditure;
- Optimisation of assets;
- Raising additional funding;
- Re-organisation and reform.

This list of proposals is by no means exhaustive, and the SDLP does not claim to provide all the answers to the current economic crisis. However, the SDLP is putting forward these proposals with the intention of starting a proper debate and securing agreement on where the money could be reallocated.

These proposals are radical yet practical, and are well defined and costed. Collectively the proposals underpin a very substantial shift of Executive resources to the frontline in the battle against the impacts of the economic downturn.

3.1 A Comprehensive Budget Process

In terms of managing the budget, compared to the governments in Dublin and London, the Northern Ireland Executive has a relatively easy job. It only has to manage public expenditure and does not have to grapple with tax policy or stabilising banks, it has no currency or interest rate issues to manage. However the Executive’s budget was based on a number of projections and presumptions which have changed significantly and are no longer realistic. Therefore, when economic conditions change the budget management system should also adapt.
However, Sinn Féin and the DUP have steadfastly refused to change anything. Their argument is that there is no new money, but as stated, this is in fact precisely why there is a need to re-examine the budget. How can there be confidence that money is being spent in the way that it needs to be spent when Northern Ireland is now experiencing a set of extremely altered economic circumstances?

The Assembly is meant to be the budget authority yet there is no longer a proper budget process in the Assembly. Effectively, this means that the Assembly is not doing its annual job of probing how money is being spent, whether the priorities are right or examining budget performance.

Even taking into account the fact that some argue they like the figures in the budget and do not want to change; the simple fact is that the Executive is not delivering on these figures.

For example, this year there will be under £1.4billion of capital investment when £1.8billion was projected. That is a significant underperformance given that this money is earmarked not only for the delivery of key services but is meant to help the economy and boost the construction industry. Unfortunately it is not true that the non-realisation of asset sales is the only factor in the systemic delivery gap in strategic capital investment. (The SDLP advocates an Assembly committee charged with overseeing delivery across government on capital investment.)

Furthermore, the 3% efficiency savings are hitting frontline services even though the stated intention was that they would target bureaucracy. Part of this problem is the fact that the budget layout which devolution inherited does not differentiate between clear frontline services at one end or pure administrative cost. For the future MLAs and others need to be able to read the budget and see which budget lines are essentially supporting frontline services to varying degrees or not at all. This would ensure that efficiency savings are properly targeted on bureaucratic administration while the scrutiny on the service budget lines can properly focus on delivery, priorities and adequacy of funding.

The SDLP is proposing to fundamentally recast the Budget - which is what Devolution is meant to do and what this Assembly ought to be doing.
3.2 Tackling the Excesses of Bureaucracy

3.2.1 Reduce consultancy costs

More than £3.3million has been spent on consultancy fees relating to the now defunct Maze Stadium project. While this was exceptional due to the political wrangle around the project, it is indicative of the wider practices regarding the spending of public money on external consultants.

Last year, then-Finance Minister Peter Robinson told SDLP Assembly Member John Dallat that a total of £111million had been set aside for consultant costs to 2011. The amount spent by the government in Northern Ireland on external consultants has more than doubled over the last five years. According to a report published by the Public Accounts Committee, the cost of taking professional advice from the public sector totalled £42million in 2007.

OFMDFM and DFP are the largest spenders. Over the past two years the amount of money allocated for spending on such fees has been reduced but it can be reduced still further. This opportunity is especially apparent given the economic downturn which is intensifying competition for lucrative and dependable public contracts. A further cut of 20% on the budget for consultancy fees would save at least £8.8million over two years.

3.2.2 Northern Ireland Civil Service

The Northern Ireland Civil Service is a huge contributor to the delivery of Government programmes. There is however, a stereotypical view of civil servants which is generally wholly inaccurate in terms of its 30,000 plus employees.

There is a major disparity between junior civil servants working at the coalface delivering services directly to the public and the senior civil service ‘mandarins’ primarily involved in policymaking and strategic management.

At one end there are civil servants working in places such as the Social Security Agency, Child Support Agency or Vehicle Licensing Agency where some junior staff are paid little more than the minimum wage, and in some offices staff turnover can be upwards of 25% in any single year.
At the other end of the scale there are senior civil servants, generously remunerated, who for long periods of Direct Rule have effectively been in charge of running Northern Ireland.

### 3.2.3 Senior Civil Servants’ Bonus Payments

Last year, the top few hundred civil servants received performance bonuses and every Permanent Secretary received a substantial bonus in addition to receiving a wage which is on average 22% more than their equivalents in the private sector.\(^7\)

The SDLP is not convinced that in the present economic climate, a system of largely automatic bonuses for already well remunerated senior civil servants is best use of public finances. The finance released to other priority programmes from ending senior civil service bonus payments is **£2 million in each of the years 2009/10 and 2010/11**. In addition, this has an important symbolic significance.

### 3.2.3 Senior Civil Service Recruitment and Promotion

With 30,000 plus employees, the Northern Ireland Senior Civil Service is too large. Compare this with approximately 23,000 staff employed by the entire European Commission. For example, in the Department of Finance and Personnel there are more than 40 staff at grade 5 or above. Grade 5 staff can earn up to £80,000 plus bonuses, and most have extensive office accommodation and personal secretaries. Therefore it is proposed that there is no recruitment or promotion into Civil Service at Grade 5 or above.

Where posts become vacant due to retirement or departures they should be filled by redeployment from within existing staff resources, but only where there are accepted exceptional circumstances. The default should be restructuring to absorb the vacancy so that it effectively disappears off the Departmental structure.

A 25% cut in the financing of the senior civil service would release **more than £2 million each year** to be reallocated to priority programmes.

### 3.2.4 Departmental Management Boards

During Direct Rule it was considered good practice to establish Departmental Management Boards (DMBs) comprising senior departmental managers and

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\(^7\) DFP 2008-09 Pay and Workforce Technical Annex, 2. Table 7.
external appointees to add expertise around the area of governance and accountability.

The justification for DMBs is not at all clear under devolution where Ministers are accountable to elected scrutiny Committees as well as to the Assembly itself. While it is important to ensure that Accounting Officers have the support they need in relation to their audit and governance responsibilities, the full Departmental board structure is not required. This is a symbolic change reflecting the reality that devolution is here to stay and that Direct Rule bureaucracy can be streamlined. The saving is small in cash terms but should give a significant return in performance terms as departmental managers focus more on the priorities of their Minister rather than DMB dynamics.

It is anticipated that funds released to other priorities would amount to £300,000 in each of the next two years.

3.2.5 Economic Policy Units

Additionally the SDLP proposes the amalgamation of the economic policy units currently spread across DETI, DFP and OFMDFM in order to streamline service provision and outputs. At an estimated £0.7 million in each of the next two years, this proposal would produce another relatively small, but sensible financial saving.

3.2.6 General Civil Service Recruitment

Given the tens of millions being invested in major civil service IT projects and modernisation there needs to be a tangible return in terms of productivity. It is important that the Civil Service is right-sized for the period ahead and that savings achieved can be redirected toward programmes that counter the effects of the economic downturn.

The SDLP therefore proposes that there is a moratorium for the next two years on civil service recruitment outside those areas that are providing demand-led services directly to the public. There should be limited recruitment into policy and non-frontline administrative branches.

It is difficult to assess the savings that this measure would achieve. It is proposed that an expert group reporting to the Minister for Finance and Personnel be established to decide where to permit normal recruitment. An estimate of the savings achievable is upwards of £25 million in 2009/10 and £20 million in 2010/11.
3.2.7 Reducing Assembly Costs

The SDLP believes that it is necessary to offer competitive salaries for MLAs in order to provide incentives for a new and talented generation to take up leadership roles in our society. However, it is essential that this decision is removed from MLAs themselves and placed under the responsibility of an independent review body.

The SDLP endorses the proposal that, over time, MLA salaries be adjusted to 75% of that of Westminster salaries. However at this time, the SDLP proposes freezing MLAs’ pay in real terms up until the next Assembly election at least. Our elected representatives were aware of the terms and conditions of employment when they took on the job and it is inappropriate that a pay raise for MLAs be proposed during this time of economic hardship for so many in our society.

The SDLP also believes there is scope to reduce other Assembly costs including training and outreach/public relations budgets. The best public relations for the Assembly is for it to illustrate that it is doing its job effectively and by not having a budget process this year the SDLP believe the Assembly is failing in this regard.

3.3 Making Best Use of Assets

3.3.1 Road Service Car Parks

Currently the Roads Service manages 370 car parks across the North. The DRD annual report highlights an internal DRD audit conducted by Road Service found there are “significant control issues” with car parks in Roads Service\(^8\). This can be partly illustrated by the financial impact on the public purse arising from Road Service managed car parking. In 2007/08 the car parks raised a total of £16.7million; however the cost for their management came to £21.9million, a shortfall of approximately £5.2million.

Given the problems surrounding management of car parking and their loss-making nature it is essential that other proposals are identified. Given their revenue raising potential the SDLP believes that certain car parks would be, at this time, of best use to the public purse if they were to be sold off. We believe

\(^8\) DRD Annual Report 2007/08
that as these assets provide a revenue stream, they will still attract significant interest from private sector bidders. One specific example is the Hi-Park car park in Belfast City centre, recently valued at £17million.

**3.3.2 Sale and lease-back of Housing Executive headquarters**

The Northern Ireland Housing Executive occupies a large prime office building in Belfast City Centre. It has been established that the building could be sold and leased back to raise £16-17million capital. As the building is suited to the Housing Executive’s needs, the Executive would remain the tenant under a new lease. This however means that the Housing Executive would have to pay a new rent estimated at £1.4million per annum placing a new pressure on its revenue budget.

It is proposed that this pressure would be met by an increased allocation to the Housing Executive revenue budget and that the capital would be realized in year 2009/10.

**3.3.3 Forest Service**

The Forest Service currently holds land assets to the value of nearly £161million and saleable growing timber on that land estimated at a value of just under £145million. Sale of such land for its forestry value would provide much needed short term funds to the public purse.

The SDLP is aware that sale of land of this kind is of a sensitive nature and lessons must be learnt from the Forestry Commission land disposals programme in Scotland. It is important that where possible, the land selected for sale for forestry is so located that its management is currently awkward or expensive for the Forest Service, the land parcels are relatively small, the property does not receive significant public use and does not contain natural or cultural assets that would be put at risk from sale.

Any land sales for forestry would provide a great boost to the timber production industry and related trades, namely the construction industry and the biomass industry by providing much needed extra resource competition into the market. The current monopoly the Forest Service holds on the timber trade in Northern Ireland is stifling competition and yet the Forest Service is currently a loss-making organization requiring government subsidy.

Due to the demand from the industry for further forests of saleable timber the sale of 6% of the Forest Service Estate in year one and a further 6% in year two could be sold off at a profit of around £36million.
The SDLP is satisfied that this proposal makes sense from both an economic and sustainability perspective.

### 3.4 Redirecting Expenditure

#### 3.4.1 InvestNI

The InvestNI annual accounts for the year 2007-2008 reported £45.341 million in their general reserves. It is essential that this money is reinvested into the economy.

As referred to earlier, the SDLP advocates increased investment be found for SMEs and workers at the current time. We agree with Northern Ireland Manufacturing which in its document ‘Manufacturing Counts’ states that InvestNI resources must be directed towards broader industry.

Therefore we believe that InvestNI should surrender a proportion of its reserves, *£15 million per year for two years* to the NI Executive through its parent department, DETI for redistribution into training, reskilling and social housing construction. In addition the NI Executive should instruct InvestNI to allocate money for broader SME assistance in line with proposals outlined above.

#### 3.4.2 A Multipurpose Stadium for Northern Ireland?

The SDLP does not have access to the detailed information which is necessary to make a final judgement about the Maze as the optimal location for a new ‘national’ stadium. In any event, the DUP and its Minister have ruled out the Maze Stadium and indeed any prospect of a unified stadium facility, as was made clear in recent times by a proposal for a new stadium in East Belfast that would seemingly not meet the criteria of the GAA.

The SDLP regards the decision to abandon a new unified stadium as a negative and backward step. It is a very poor decision for two fundamental reasons.

Firstly, it is wrong to abandon what is a flagship Shared Future project. The idea of all three football codes with their very different followings sharing a major sporting facility sends out a tremendously positive symbolic message within the North as well as beyond. To close the door to this concept – and to instead offer support for improvements at the sub-standard individual facilities of each code –
is saying that separation and segregation are perfectly acceptable and there is no need for change.

Secondly, going ahead with the stadium is a matter of good economics. The decision to abandon a new world-class multi-sport facility in favour of necessary but not long-term improvements to existing facilities, shows a complete lack of vision and ambition for Northern Ireland. We have a population of 1.8 million people yet do not have a stadium that can provide seating and shelter for more than 14,000 spectators. This is unique in these islands, yet there are many who continue to argue that Northern Ireland has no need for anything bigger.

Cardiff’s excellent Millennium Stadium is often cited by those who make a case for a city centre location, and there is no doubt that it is a case which has its merits. But even more interesting is that Cardiff with a population of around 300,000 will shortly open a brand new 27,000 seater stadium to be shared by soccer and rugby. Last year Cardiff’s cricket club opened a brand new 16,000 seater stadium. New stadia have been appearing all over Britain including in relatively medium-sized population centres. Yet the island of Ireland does not have a first class facility north of Dublin. This situation must surely be corrected sooner rather than later.

It is noted that the GAA has recently unveiled a possible new stadium development at Casement Park Belfast. As this proposal can undoubtedly deliver on the GAA’s needs and provide Belfast with a major new stadium it has much to commend it. However it would most likely be a stadium used only for gaelic games.

SDLP Proposed Stadium - NITHC Site, Belfast

The SDLP continues to believe in a Shared Future stadium. As the Maze has now been ruled out, we would propose that a 35-40,000 seat world-class stadium facility be located in central Belfast on the publicly owned land between Great Victoria Street and the Westlink. This site is owned by the Northern Ireland Transport Holding Company (NITHC) and is adjacent to excellent bus, rail and motorway connections. The SDLP believes that a stadium in this location would be commercially viable and would attract considerable private sector investment. There is also every prospect that the location could be developed into a high quality shared space and would create hundreds of full and part-time jobs for surrounding economically deprived areas of South and West Belfast.
Financial Implications

Originally, the new multi-sport stadium development was considered in the context of playing some part in the 2012 Olympic Games. The inertia under Direct Rule followed by the ongoing delays in decision-making during two years of Devolution, means that this opportunity has now almost certainly been lost.

There is already substantial financial provision for a stadium investment in the Department of Culture and Leisure (DCAL) budget for years 2009/10 and 2010/11. Although a small part of this budget may be expended on essential (health and safety) improvements at local stadia, the bulk of the provision will remain unspent in those two years. It is therefore appropriate that the capital is diverted into other priority programmes.

The SDLP hopes that the Executive will adopt the NITHC Shared Future stadium proposal. However, even if the Executive follows the SDLP’s advice, it is unlikely that a new stadium will score substantially against the DCAL budget provision in the next 24 months. Therefore the provision should be reallocated now.

A reasonable estimate of the funds that can be released is £25 million in 2009/10 and £25 million in 2010/11.

3.5 Raising Additional Funds

3.5.1 The Titanic Signature Project

The Titanic Signature Project is an important investment opportunity which will bring benefits for Belfast and the Northern Ireland economy, and the Port of Belfast is currently committed to investing £15.2 million cash and £3.5 million land in the project. The Port of Belfast is a highly successful organisation; their 2007 Annual Accounts detailed a record year for financial performance and infrastructure investment.

The Port is currently undertaking “Project 2025”, an 18-year £630 million capital investment programme, and in their 2007 annual accounts they state, “Management of the balance sheet has yielded cash reserves at year end in excess
of £50m with a view to funding development projects in 2008 and beyond from cash flow.\textsuperscript{9}

However, the current economic climate and the decline in inward investment have affected the Port’s business which has dropped by 5.5% in the latest financial year. The Port of Belfast could consider how it best serves the Northern Ireland economy by reviewing how this money is being invested. If the Port of Belfast were to voluntarily reallocate £30million of those funds to provide a greater proportion of the funding to the Titanic Signature Project this would allow the NI Executive to reinvest \textbf{£30million} of the £43.5million it has allocated to the project.

\textbf{3.5.2 Re-profiling of Northern Ireland Housing Executive Debt}

The Northern Ireland Housing Executive services a long-term debt of around £1.1billion. The Annual charge on this debt is currently £170 million, which comes straight out of the housing budget.

The Minister for Social Development commissioned research into the scope for new financial headroom from Baroness Ford, former head of English Partnerships and leading thinker on housing finance.

In her subsequent report, Baroness Ford concluded that Housing Executive debt could be re-profiled over a longer repayment term and thereby release up to £100million per annum directly into the newbuild programme.

Quite apart from this very substantial potential source of capital, refinancing is an attractive proposition in its own right. One of the paradoxes of the present economic downturn is that it is a very good time to re-finance assets.

If the Northern Ireland Housing Executive re-profiled its debt, it could, over a longer period release \textbf{£70million in 2009/10} and \textbf{£70million in 2010/11} for reallocation to priority programmes.

If this funding was re-directed to the Social Housing Development Programme, it could deliver in excess of 1200 additional new social houses over two years and many thousands more in the years beyond.

3.5.3 Rates on mobile phone masts, banks and ATMs

Currently, approximately £11.25 million is raised each year through rates on banks and Automatic Teller Machines (ATMs). The SDLP proposes raising the rates levy on banks and ATMs by 20%, thereby raising at least £2 million extra revenue each financial year. This is possible as rates on ATMs are currently levied by a usage banding system, meaning that ATMs with higher monthly transaction levels incur higher rates charges. This system should prevent the removal by banks of lower grossing ATMs, but as an extra safeguard measure we propose that this rates increase not be imposed upon banks and ATMs in designated low-income areas.

Similar to ATMs, we also propose a usage dependent rates increase on telecommunications masts. As rates are currently not levied on such masts on the basis of usage an exact figure is difficult to assess. However, OFCOM\textsuperscript{10} figures from November 2008 show there are currently 1624 mobile phone base stations in Northern Ireland and therefore a 20% increase in rates revenue could yield around £1 million yearly.

3.5.4 Shared Future Investment Bonds

The Northern Ireland Executive does not have tax-raising powers, but it does have scope to raise funds directly from the public. Despite the downturn and the credit squeeze, now is actually a good time to develop this potential. At a time of great economic volatility, people are looking for somewhere safe to invest their savings and a government-backed bond with a guaranteed return will look relatively attractive.

The SDLP would recommend that the Executive actively market a “Shared Future Investment Bond” which in addition to offering a competitive return, appeals to people on the grounds that its purpose is to build our infrastructure for the future.

This bond proposal would appeal to the local loyalty of people on a cross-community basis and their desire to complete the journey to a better future for everyone.

The Shared Future Investment Bond could be supplemented by a variant similar to premium bonds or prize bonds in the South of Ireland.

\textsuperscript{10} http://www.ofcom.org.uk/sitefinder/table/
It is assumed that this initiative would take most of 2009/10 to establish so it is anticipated that £2 million of revenue is a realistic target for the final quarter of this year. It is estimated that an income of £5 million should be achievable in 2010/11.

**Other Bond Finance**

The SDLP believes it may be possible to raise funds for infrastructural investment by way of issuing bonds to the capital markets. This paper does not make any specific proposal which will have a financial impact over the next two years. However the Department of Finance should explore the potential of bond finance at the earliest opportunity.

**3.6 Reorganisation and Reform**

**3.6.1 Scrutiny Committee to Oversee Government Spending**

The SDLP believes that government must recognise the importance of ensuring that the maximum amount of public spending is directed at frontline services. To that end, the Assembly must constantly control and curb the costs of government to ensure it does not consume money, resources and dedicated time that could be better deployed on frontline services.

However, we should not say that the cost of government is simply a matter for the First Minister and the deputy First Minister or the Executive. There are wider and deeper roles, responsibilities and issues concerning the cost of government than simply the number of departments. If we are serious about dealing with this important factor then it should be tackled on all levels and all fronts.

The SDLP proposes a new Standing Committee, modelled on the Public Accounts Committee (PAC), which will permanently interrogate the cost of government and be able to call in and challenge representatives of various Departments on the amount of money that they are spending on their own administration and overheads.

The Public Accounts Committee has shown through the good work that it has done that it can call in Departments in ways that individual departmental Committees cannot always do. However, it often tends to deal with secondary and tertiary government budget-holders and rarely the Departments themselves. The Public Accounts Committee rarely challenges Departments in a significant
and strategic way on what they are spending, internally and centrally, on the cost of government. This is a missing element of the Assembly’s scrutiny.

Such an additional element of scrutiny is needed to tackle the cost of government, such as Departments’ central costs, buried administrative costs and overheads and what Departments spend on themselves. This new Committee could work well - as the PAC does - on the basis of the intelligence and insights of the Audit Office, and it could seriously and permanently challenge the cost of government. The Assembly must take such steps if it wants to make a difference and be permanently vigilant on those issues.

3.6.2 Reform of the Planning Service

The Programme for Government calls for an overhaul of the Planning Service. The SDLP would accelerate this reform in order to create a Planning Service that is fit for purpose. We believe this reform would ensure investors were not deterred from developing projects in Northern Ireland due to difficulties in the Planning system. Planning reform to allow for faster decisions will also benefit the local construction trade at a time of great need.

3.6.3 Stemming an Economic Outflow

Northern Ireland currently operates a ban on Sunday opening of licensed betting premises. Although social attitudes are evolving there is understandable concern about making betting more available. However gamblers are able to place a bet online or use bookmaker’s shops across the Border if they wish to place a bet on a Sunday, this is a growing business.

The economic impact is a major loss of revenue to the Northern Ireland economy and the Exchequer. Very little of the online turnover remains in Northern Ireland. The industry has stated that bringing Northern Ireland’s regulation into line with others could generate many millions of pounds and up to 500 new jobs.
4. The Way Forward

"The financial crisis is indeed a very serious situation. It requires a major effort on all sides. Europe is taking its responsibilities. There is work to be done in the short term - and there is work to be done in the medium and long term. We must first of all address the urgencies and then make our structures future proof."

Jose Manuel Barroso, President, EU Commission, October 2008

The SDLP believes that in the light of severe economic downturn there must be new priorities. The current nature of the economy demands instant action. This paper has concentrated on the two remaining years of the Comprehensive Spending Review - the spending areas to which greater priority should be given - and where the additional resources should come from.

But of course there is a bigger picture stretching beyond the remaining 24 months of the CSR period, and it brings with it even more serious challenges and hopefully, opportunities.

Forward planning must be undertaken to ensure the development of an all-island economy built around innovation and a low energy future. In order to guide thinking about the necessary long term paths to a new and sustainable Irish economy, the SDLP intends to publish a comprehensive medium-term economic policy paper later this year.

This paper will build on our January 2007 document *Shaping an All-Island Economy*, an integral part of the North-South Makes Sense campaign. It will set out an ambitious North-South economic agenda which is required to assist the creation of a single economy for the island of Ireland, ensuring communities North and South a strong, sustainable economic future.

The SDLP believes this time of downturn is precisely the time for a radical reassessment for the economic future of the island of Ireland and this entails developing a common fiscal platform and transforming the island’s dependence on fossil fuels, creating an economy on the leading edge of renewable resources and in the process tackling unemployment and the crisis in the construction industry.

For now, we hope that our proposals for the next two years will be debated fully within Government and the political system. We hope also that as the only serious offering by any political party on how to address the economic downturn,
social partners and the wide range of economic and social stakeholders will engage with our ideas also.

**Assembly - Budget Oversight and Good Authority**

It is the duty of the Assembly to debate these ideas. As discussed throughout this document it is time for the Assembly to exercise its duties of preparation and oversight and to conduct a full review of the 2008-2011 budget. The SDLP is ready for the Assembly to undertake this responsibility as an immediate priority.

In the future, the structure and definition of the budget process must be recast to realign and redefine budget lines. These should be demarcated according to the degree to which they support front-line services.

Additionally the Assembly should consider new committees, one, as previously stated in this document, in the style of the Westminster Public Accounts Committee to permanently interrogate the cost of government and another charged with tracking and proofing performance on capital investment across departments and the Strategic Investment Board.

**A Necessary Debate**

As stated previously, the proposals in this document are not the complete package but the SDLP believe they are a good start to a debate that must take place in order to set new priorities to address the economic downturn.

We also expect criticism and no doubt some of our political opponents will dwell on relatively minor and perhaps more controversial parts of our proposals in order to discredit the whole. And perhaps later they will also try to repackage our proposals as their own.

However, our economic situation is serious and we will accept whatever brickbats come our way if that is the price we have to pay to get the Executive to face its responsibilities on jobs and the economy.
Appendix 1. Additional Spending on New Priorities.

Table 3.

Where the Money Should be Spent – Current (Revenue) Expenditure

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>£ million</th>
<th>£ million</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009/10</td>
<td>2010/11</td>
<td>Total</td>
</tr>
<tr>
<td>Help for Small and Medium Sized Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social economy fund</td>
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<td>4</td>
<td>10</td>
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<tr>
<td>Re-training and upskilling of workers</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Wage subsidy scheme</td>
<td>30</td>
<td>20</td>
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<tr>
<td>Graduate training apprenticeships</td>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Enhanced training provision</td>
<td>17</td>
<td>13</td>
<td>30</td>
</tr>
<tr>
<td>Skilled Person’s Initiative</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Developing our Tourism Potential</td>
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<tr>
<td>Marketing</td>
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</tr>
<tr>
<td>Product Development</td>
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<td>Training</td>
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<tr>
<td>Local Government Hardship Fund</td>
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<td>2</td>
<td>4</td>
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<tr>
<td>Alleviating Fuel Poverty</td>
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<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Maintaining Healthcare provision</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Nursing jobs</td>
<td>10</td>
<td>10</td>
<td>20</td>
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<tr>
<td>NI Executive Discretionary Fund</td>
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<td>11</td>
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<td><strong>TOTAL SPENDING</strong></td>
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<td><strong>87.9</strong></td>
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Table 4.

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>£ million 2009/10</th>
<th>£ million 2010/11</th>
<th>£ million 2 year Total</th>
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</thead>
<tbody>
<tr>
<td>Help for Small and Medium Sized Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Triage loans</td>
<td>30</td>
<td>10</td>
<td>40</td>
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<tr>
<td>Micro-finance loans</td>
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<td>4</td>
<td>10</td>
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<tr>
<td>Expanding the Natural Gas Network</td>
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<td>12</td>
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<tr>
<td>Electricity Network Enhancement</td>
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<td>14</td>
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<tr>
<td>Investment in high-speed broadband</td>
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<tr>
<td>Investment in Social Housing</td>
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<td>60</td>
<td>120</td>
</tr>
<tr>
<td>Preparing site for Hospital</td>
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<td>10</td>
<td>20</td>
</tr>
<tr>
<td>NI Executive Discretionary Fund</td>
<td>6</td>
<td>3</td>
<td>9</td>
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<td><strong>TOTAL SPENDING</strong></td>
<td><strong>130</strong></td>
<td><strong>100</strong></td>
<td><strong>230</strong></td>
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Appendix 2. Where Additional Resources can be Sourced

Table 5.

<table>
<thead>
<tr>
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</thead>
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<tr>
<td><strong>Tackling the Excesses of Bureaucracy</strong></td>
<td>2009/10</td>
<td>2010/11</td>
<td>2 year Total</td>
</tr>
<tr>
<td>Reducing consultancy costs</td>
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<td>8.8</td>
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<tr>
<td>Senior Civil Service Bonus</td>
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</tr>
<tr>
<td>Freeze on Recruitment in Senior Civil Service</td>
<td>2.4</td>
<td>2.2</td>
<td>4.6</td>
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<tr>
<td>Terminating Departmental Boards</td>
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<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Economic Policy Units</td>
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<td>0.7</td>
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<td>Civil Service Recruitment Restrictions</td>
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<td>45</td>
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<td>Assembly Members' Pay Freeze</td>
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<td>0.6</td>
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<tr>
<td><strong>Redirecting Expenditure</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>InvestNI Surplus Funds</td>
<td>15</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td><strong>Raising Additional Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belfast Port Surplus</td>
<td>15</td>
<td>15</td>
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<tr>
<td>Rates Mobile Telephone Masts</td>
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<td>1</td>
<td>2</td>
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<tr>
<td>Rates on Banks/ATMs</td>
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<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Shared Future Bonds</td>
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<td>7</td>
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<tr>
<td>Re-profiling of NIHE Debt (Reclassified)</td>
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<td>20</td>
<td>40</td>
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<tr>
<td><strong>TOTAL REVENUE RELEASED</strong></td>
<td>90.1</td>
<td>87.9</td>
<td>178</td>
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</tbody>
</table>
Table 6.

Where the Money Will Come From – Capital Expenditure

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>£million</th>
<th>£million</th>
<th>£million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009/10</td>
<td>2010/11</td>
<td>2 year</td>
</tr>
<tr>
<td>Redirecting Expenditure</td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Release of Stadium Provision</td>
<td>25</td>
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<td>50</td>
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<tr>
<td>Making Best Use of Assets</td>
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<tr>
<td>Sale and Leaseback of NIHE HQ</td>
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<td>Sale of DRD Hi-Park Centre</td>
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<td>Sale of other DRD Carparks</td>
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<tr>
<td>Release of Forestry Assets</td>
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<td>Raising Additional Funds</td>
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<tr>
<td>Re-profiling of NIHE Debt</td>
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<td>Northern Ireland Energy Holdings</td>
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<td>TOTAL CAPITAL RELEASED</td>
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