

Draft Budget 2011-15

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FOREWORD BY THE MINISTER FOR FINANCE AND PERSONNEL

You will be aware that this has been the most challenging draft Budget of recent times. The economic landscape has changed dramatically since the Executive last presented a multi-year budget. Northern Ireland has faced significant cuts as a result of the UK Coalition Government's Spending Review. The reduced public expenditure envelope has placed unprecedented pressure on our public services and the Executive has had the invidious task of managing a significant real terms decrease in our Budget.

Producing this draft Budget has not been an easy or quick process - but that reflects the seriousness with which the Executive has approached this task. While it would have been both quicker and indeed easier in process terms to simply adopt a "slash and burn" approach; that would not have been in the best interests of the people of Northern Ireland. And that mindset is at the heart of devolved government here – doing what is right for the people we represent, even in the most difficult circumstances.

In this context I am proud to be able to say that, despite the concerns expressed by some, we have been able to produce a four year draft Budget. This provides both the stability and strategic vision needed to ensure that Northern Ireland is well placed to emerge from this economic downturn in a strong position.

This draft Budget continues to prioritise the economy, provides a degree of protection to the health service and seeks to assist the most disadvantaged in our society.

Given the reductions in funding available to the Executive, every Minister has had to re-examine their priorities and this draft Budget gives the opportunity for all those who wish to do so, to engage with the consultation process and express their views in order to influence the final Budget position which I hope to announce in February.

I am pleased to present for consultation the Executive's draft Budget for the next four years.

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**Sammy Wilson MP MLA
Minister for Finance and Personnel**

15 December 2010

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CHAPTER 1: INTRODUCTION

- 1.1 This draft Budget document sets out the Northern Ireland Executive's proposed spending plans for the four year period from April 2011 to March 2015. The backdrop for this Budget is the significant reduction in the levels of funding available as a result of the UK Coalition Government's deficit reduction plan. While this presents a significant challenge it also provides an opportunity for the Executive to demonstrate how devolved government can make a difference to the lives of people in Northern Ireland. It also allows the allocation of resources to the highest priority areas and to areas where additional funds will yield the greatest economic benefit.
- 1.2 This draft Budget has been drafted in a manner that ensures consistency with the emerging draft Programme for Government. In addition, the Investment Strategy for Northern Ireland will set out the revised strategic direction for investment in public sector infrastructure over the next ten years, providing the context for the capital allocations included in this draft Budget.
- 1.3 The Executive's draft Budget proposals will now be subject to a public consultation period with views being sought from all interested parties. On receipt of those comments the Executive will review its proposals and a final Budget document will be published in February 2011. Unfortunately the timescale for consultation and the publication of a final document has been much compressed due, in the most part, to the late announcement of the national Spending Review outcome. However, this does not lessen the importance that will be afforded to consultation responses and each and every response received by the deadline will be considered.

Copies of the Document

- 1.4 This Budget document can be sent to you in electronic format or in hard copy, while the document can also be accessed on the Budget website www.northernireland.gov.uk/budget2010. However, if the

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report is not in a format that suits your needs, please let us know. Contact details can be found below.

Consultation Arrangements

- 1.5 The Executive recognises that this budget will impact directly on everybody in Northern Ireland to a greater extent than any other budget delivered in recent years. As such, it is imperative that everyone is afforded the opportunity to comment on the proposed allocation of available resources.
- 1.6 In preparation for this difficult budget, DFP officials undertook a pre-consultation process in August 2010 with a series of meetings with key stakeholders to set out the anticipated public expenditure context. This pre-consultation was constructive in ensuring early engagement and allowing preliminary views to be expressed on the economic and social issues that need to be addressed in constructing the budget position. It is the intention to re-engage with these stakeholders during the formal consultation period.
- 1.7 At this stage of the budget process, we would welcome the views of as wide a range of interests as possible, including business organisations, bodies representing the interests of employees, the voluntary and community sector, local government and the wider public.
- 1.8 We are interested in hearing views on any aspects of this document and the departmental spending allocations contained within it. We recognise that in a strategic document such as this, it is not possible to provide a completely disaggregated level of detail to allow views to be taken on individual departmental programmes or projects. Therefore, it will be the responsibility of individual departments to provide specific information in relation to their detailed spending plans. Further details are provided in Chapter Four.

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Consultation Period

- 1.9 As a consequence of the UK Spending Review being delivered in October (later than usual), and in order for the Executive to have in place an agreed budget by the start of the 2011-12 financial year, it has been necessary to restrict the consultation period to eight weeks.
- 1.10 We encourage all interested parties to respond as soon as possible before the consultation closing date of **9th February 2011**.

Contact Details

- 1.11 Should you wish to make comments in relation to any of the strategic issues contained in this document, or more generally on the allocation of expenditure across departments as mentioned above, the address for consultation responses is as follows:

**S1, New Building
Rathgael House
Balloo Road
BANGOR
BT19 7NA**

Telephone: 028 91 858051

Textphone: 028 90 522526

E-mail: budgetconsultation@nics.gov.uk

- 1.12 Comments should be sent to arrive no later than **9th February 2011**. More details, including the electronic version of this document, are available on the Executive's website: www.northernireland.gov.uk/budget2010.
- 1.13 In addition, we plan to make further information on the public consultation of the draft Budget 2011-15 available on our website, including details of the consultation responses.
- 1.14 In order to promote environmental sustainability respondents will not receive an acknowledgement letter. A list of all respondents will be placed on the website. In addition, we intend to publish responses (in full or in part). If you do not

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wish your response or name to be published on the website
please make this clear in your response to us.

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CHAPTER 2: ECONOMIC AND SOCIAL CONTEXT

Introduction

- 2.1 In the period prior to the global economic downturn, the Northern Ireland economy performed relatively well on a range of indicators. However, a number of significant and long-standing structural challenges remain that have resulted in a persistent gap in living standards with the rest of the UK.
- 2.2 While progress has been made, particularly in respect of the growth in employment over the past decade, productivity and overall employment rates remain significantly lower in Northern Ireland when compared to the rest of the UK. Furthermore, the local economy remains heavily reliant on the public sector because the local private sector is too small.
- 2.3 More recently, Northern Ireland has been adversely impacted by the recession and economic conditions have deteriorated significantly. Furthermore the recovery in Northern Ireland appears to be lagging behind other regions of the UK.
- 2.4 This chapter presents an overview of local economic conditions and the impact of the economic downturn in Northern Ireland. It concludes with an assessment of the key challenges facing the Northern Ireland economy and outlines the work the Northern Ireland Executive is undertaking to develop a New Economic Strategy to rebuild and rebalance the local economy.

Global and National Economic Context

- 2.5 There is now a broad consensus that most western countries are in economic recovery following a very deep and prolonged global economic downturn. However, the pace and robustness of this recovery is variable, and considerable uncertainty exists as many governments attempt to consolidate debt levels and restrain government expenditure.
- 2.6 The UK Coalition Government has embarked on a path of fiscal consolidation to address the fiscal deficit and it published the results of the Spending Review on 20 October

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2010. Northern Ireland's settlement included a real terms reduction in resource DEL of 8 per cent, and a real terms reduction in capital DEL of 40 per cent by the end of the Spending Review period. Given the Northern Ireland economy's reliance on the public sector, these public expenditure reductions will have a potentially significant impact on economic activity and employment in both the public and private sectors.

2.7 However, alongside fiscal consolidation, the UK Coalition Government has made a commitment to rebalance the economy towards the private sector and also to encourage regional rebalancing outside the Greater South East of England. In terms of Northern Ireland, the UK Coalition Government has committed to publish a paper at the end of 2010 on rebalancing the local economy. This will include an examination of possible mechanisms for changing the corporation tax rate and other economic reform options.

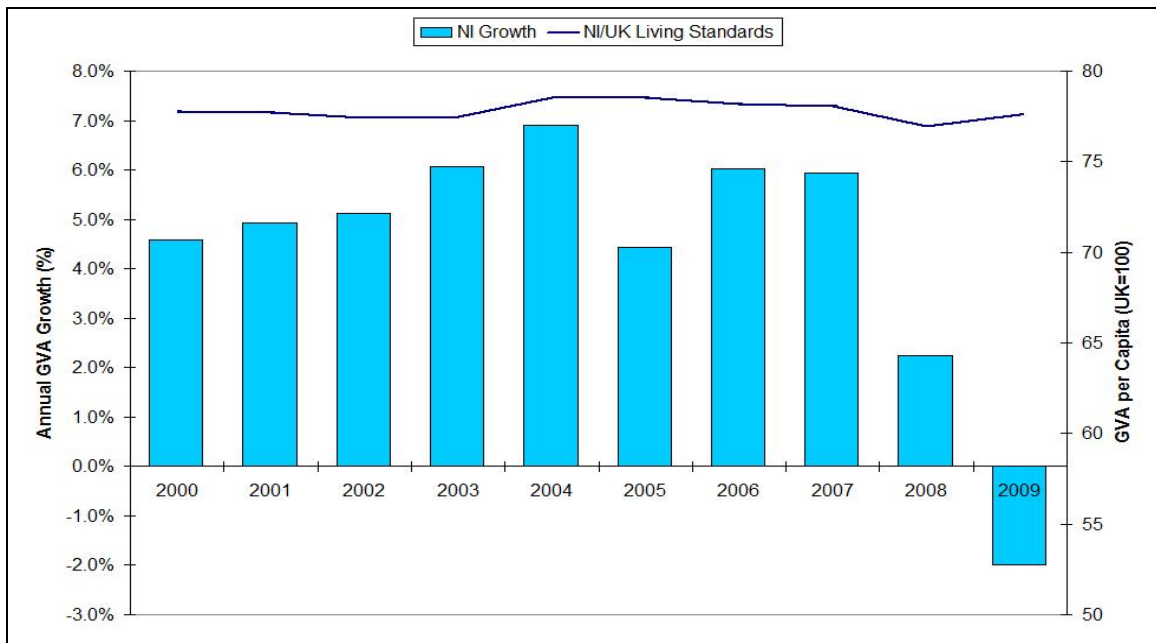
2.8 The challenges presented by the downturn and the Spending Review outcome are also compounded by the severity of the recession and the current financial crisis in the Republic of Ireland which is a major destination for Northern Ireland exports. Depressed demand conditions will inevitably impact on local businesses selling to that market.

Economic Output and Living Standards

2.9 Until the beginning of the economic downturn in 2008, the Northern Ireland economy had experienced a period of comparatively strong economic growth (see Chart 2.1). Between 2000 and 2009 the average rate of growth in Northern Ireland was marginally above that of the UK as a whole (5.5 per cent compared to 5.4 per cent). However, little progress was made in improving relative living standards – measured by Gross Value Added (GVA) per capita – which remains at slightly under 80 per cent of the UK average.

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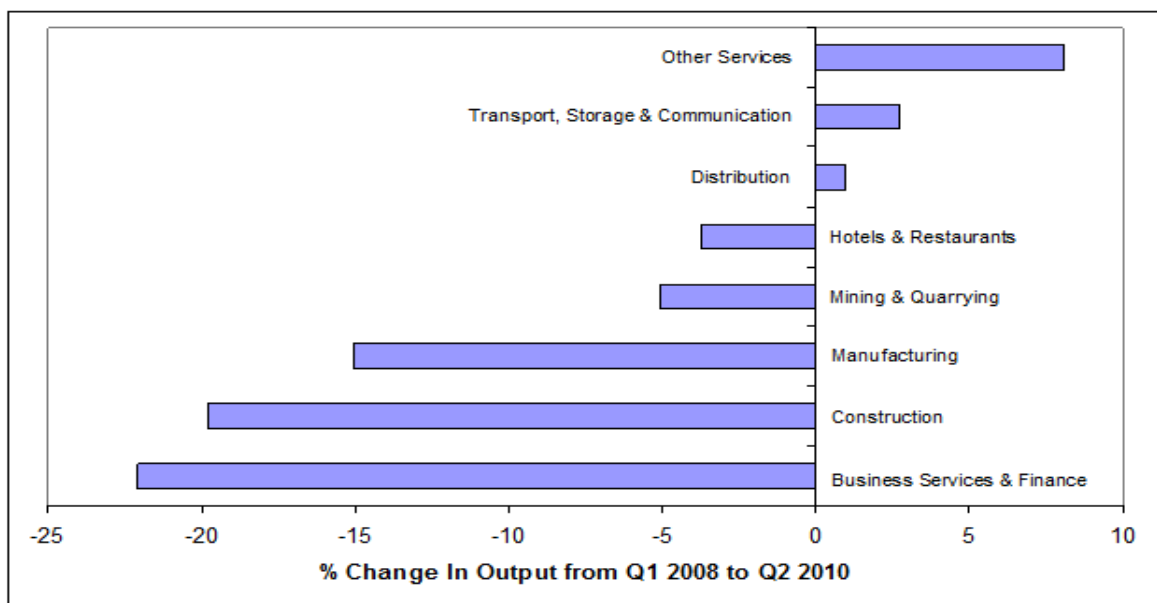
Chart 2.1: GVA Growth and Living Standards, 2000 - 2009



Source: ONS Regional GVA

2.10 More recently, Northern Ireland has been severely impacted by the recession. Chart 2.1 reveals that growth slowed to 2.3 per cent in 2008 and provisional data indicates a 2.0 per cent fall in GVA growth during 2009. The recent trend in output within individual sectors indicates the scale of the downturn in the local economy (see Chart 2.2).

Chart 2.2: Change in Sectoral Output - Q1 2008 to Q2 2010



Sources: NISRA – Q2 2010 NI Construction Bulletin, DETI – Q2 2010 NI Index of Production, Q2 2010 NI Index of Services

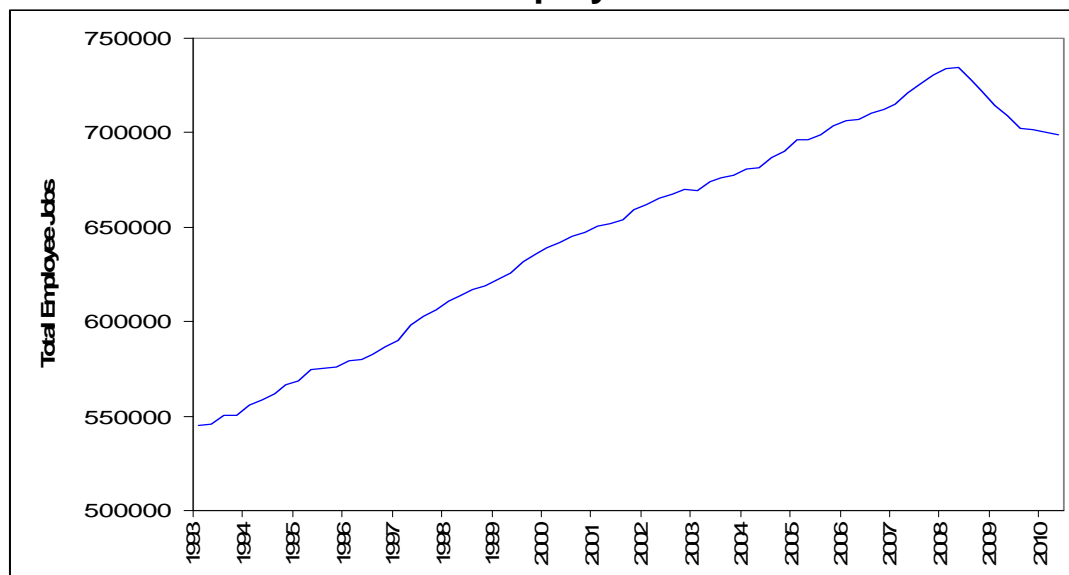
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2.11 It is clear that business services & finance, construction and manufacturing have been severely impacted by the recession and experienced significant falls in output since the first quarter of 2008.

Labour Market

2.12 The recession has also resulted in a significant number of jobs lost in the local economy. As indicated previously, the local economy had been relatively successful in terms of job creation prior to the recession. However, Chart 2.3 reveals that the number of employee jobs fell by 34,330 between March 2008 and June 2010, taking the figure back to just above the level reported in September 2005.

Chart 2.3: Northern Ireland Employee Jobs 1993-2010



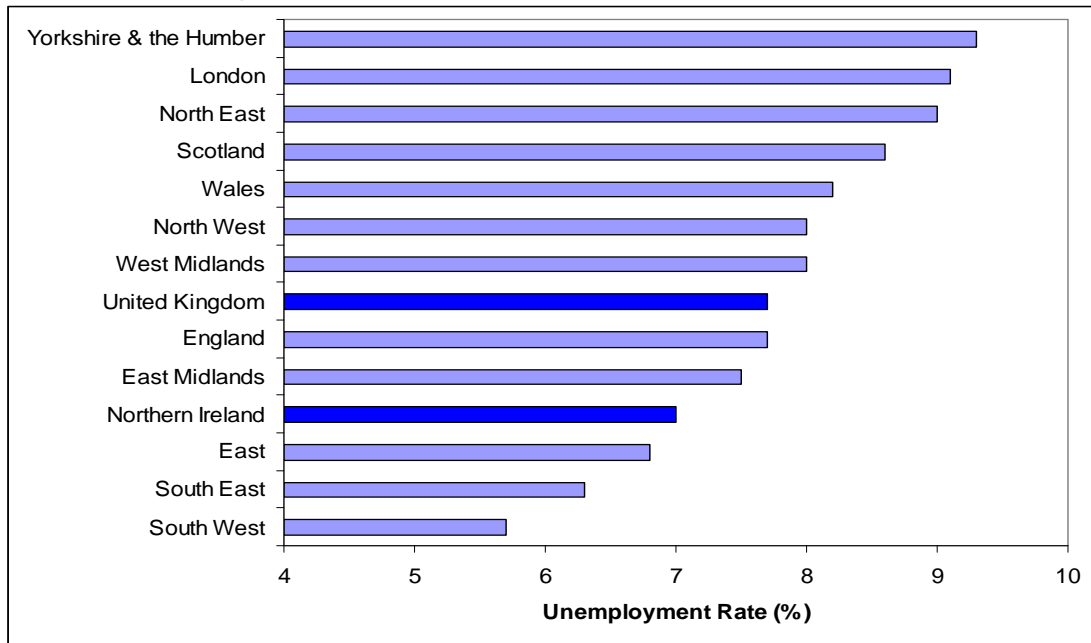
Source: ONS - Summary of National Labour Force Survey Data

2.13 While Northern Ireland has experienced a fall in employment levels, Chart 2.4 shows how the local unemployment rate still compares relatively favourably with other regions of the UK. In fact Northern Ireland's unemployment rate of 7.0 per cent (July-September 2010) is amongst the lowest of the UK regions, and is well below the comparable UK and RoI averages of 7.7 per cent (Jul - Sep 2010) and 13.6 per cent¹ (October 2010) respectively.

¹ Seasonally adjusted Standardised Unemployment Rate

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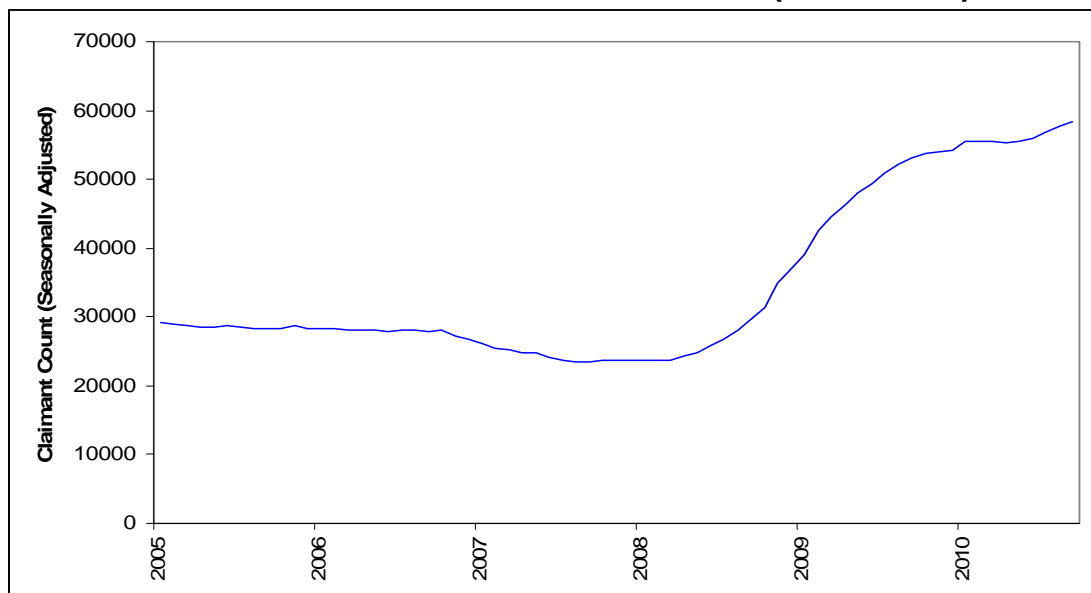
Chart 2.4: Regional Unemployment Rates



Source: ONS - Summary of National Labour Force Survey Data

2.14 Despite this, there has been a significant rise in the number of unemployment benefit claimants over the course of the downturn (see Chart 2.5). In fact the total number of claimants has increased by 29,000 since September 2008 – representing a rise of 98 per cent – to stand at 58,600 persons claiming benefits in October 2010.

Chart 2.5: Northern Ireland Claimant Count (2005-2010)



Source: ONS – NOMIS Claimant Count Data

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- 2.15 Increasing levels of unemployment are not the only cause for concern in relation to the local labour market. Northern Ireland's high level of economic inactivity also remains a major and long-term challenge. A much larger proportion of the local working age population is inactive (28.8 per cent) when compared to the rest of the UK (23.2 per cent). This has unfortunately been a persistent weakness of the local economy.

Sectoral Impact of the Recession in Northern Ireland

- 2.16 As indicated earlier, the recession has had a severe impact across a range of key sectors in the local economy and these sectoral impacts are outlined in the following paragraphs.

Services

- 2.17 Northern Ireland services sector output reached its peak in Quarter 2 (Q2) 2007 and begun to decline around a year before the UK as a whole. In total, local services sector output has fallen by 11.4 per cent from its peak. The main sector behind this decline has been financial and business services, which has contracted by 36.8 per cent from the high recorded in Q2 2007. It should be noted, however, that the latest available figures suggests a slight increase in services sector output of 0.4 per cent over Q2 2010, although this is less than the UK average increase (0.6 per cent).
- 2.18 The service sector has been the major driver of employment growth in the local economy throughout the last decade. However, the contraction in service sector output has reversed this trend. Indeed, private sector employment fell by 37,260 from its peak in Q2 2008 to stand at 475,790 in Q2 2010. Within the service sector, wholesale & retail trade has experienced the largest number of job losses over the past two years (at 6,030). Administrative & support service activities, and information & communication also experienced large declines in employee jobs over the period – 3,700 and 2,070 respectively.

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Construction

- 2.19 The construction sector had also begun to experience difficulties before the national recession began. Construction output reached its peak in Quarter 4 (Q4) 2006, with strong growth of 9.5 per cent in the year preceding this. By Q2 2008, construction output in Northern Ireland had already fallen by 6.4 per cent from this high as the property market in Northern Ireland deteriorated, with a total decline of 25.9 per cent up to Q2 2010.
- 2.20 This deterioration has also led to a significant reduction in both employment and self employment in the sector. From Q2 2008 to Q2 2010 employee jobs in the construction sector have declined by 10,440 (23 per cent) and self employment in the construction sector has declined by 6,000 (18 per cent) over this period.
- 2.21 Northern Ireland construction sector output (which accounts for around 8.5 per cent of GVA) decreased by 5.7 per cent in Q2 2010 and by 14.5 per cent over the year. This is in stark contrast to the UK construction sector output which rose by 8.6 per cent in Q2 2010 and by 9.1 per cent over the year.

Manufacturing

- 2.22 Prior to the recession, manufacturing in Northern Ireland had been performing strongly when compared with the UK average. For example, in the two years up to the beginning of the UK downturn (Q2 2008), the local manufacturing sector had grown by 5.4 per cent compared with a decline of 0.5 per cent in the UK.
- 2.23 While the weak pound may have initially helped ease the pressure on manufacturing firms that export, the recession has had a severe impact on the sector. Over the period Q2 2008 to Q2 2010, the local manufacturing sector contracted by 15.3 per cent - above the 10.8 per cent decrease for the UK as a whole. Furthermore, many of the sub-sectors with the largest contractions in output are those which are linked to construction, such as the wood (38.0 per cent decline since Q2 2008), transport equipment (30.8 per cent), non-

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metallic minerals (30.7 per cent) and machinery & equipment (30.1 per cent).

- 2.24 Falling business activity in the manufacturing sector has also resulted in a significant loss in employment. In fact 8,920 employee jobs have been lost in manufacturing since March 2008. This decline had followed a two-year period where the sector had been relatively stable in terms of employment.
- 2.25 Local manufacturing sector output (accounting for over 15 per cent of GVA) decreased by a modest 0.5 per cent over Q2 2010 and also recorded a decrease of 0.4 per cent compared to the same period one year earlier. In comparison, manufacturing sector output for the UK as a whole increased by 1.6 per cent over Q2 2010, an increase of 3.6 per cent compared to the same period one year earlier.

Key Challenges Ahead

- 2.26 The UK formally exited recession in the 4th quarter of 2009 and the latest HM Treasury medium-term GDP forecasts (November 2010) suggest growth of 1.7 and 1.9 per cent for 2010 and 2011 respectively. However, many of the indicators referred to above suggest that the economic recovery in Northern Ireland is lagging behind other regions. Indeed, many local economic commentaries describe difficult conditions and a number of local growth forecasts have been revised downwards.
- 2.27 The public expenditure reductions from the UK Spending Review will have a negative impact on economic prospects going forward. In addition, the impact of these public expenditure cuts will be felt more severely in Northern Ireland given our relatively higher dependence on the public sector and these impacts will be felt across the economy – public and private. While the public sector accounts for 26 per cent of total output in Northern Ireland (and 32 per cent of employment), much of the private sector is also dependent on public sector spending.
- 2.28 Public sector expenditure includes significant Government spending on activities undertaken by the private sector, for

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example, construction (as outlined above) and other outsourced services. In fact, public expenditure in Northern Ireland represents 62.6 per cent of total output. This is significantly higher than the 39.8 per cent for the UK as a whole. It is clear that public expenditure reduction of the magnitude outlined previously will have significant negative consequences for economic growth and employment.

- 2.29 In 2009-10, public sector capital expenditure accounted for around half of total construction sector output in Northern Ireland. The capital reduction in 2011-12 will have an immediate impact on the industry and those sectors that are associated with construction. However this budget will provide some £1.5 billion of investment in the final year, which is similar to the levels in 2005-06 and well above the long term trend.
- 2.30 The challenge for the Northern Ireland Executive therefore is to both rebuild the economy in the aftermath of the recession and to rebalance it towards the private sector in the context of the constrained public expenditure position.
- 2.31 As previously indicated, long standing issues of relatively low productivity and high economic inactivity need to be addressed if living standards are to be improved locally. Improving skills, promoting enterprise, innovation and research & development, and investing in economic infrastructure will all be vitally important.

A New Economic Strategy

- 2.32 In March 2010, the Northern Ireland Executive established a sub-committee to prioritise and co-ordinate action on the economy and oversee the production of a new Economic Strategy for Northern Ireland. Work on this has been ongoing and the Executive will shortly be consulting on the priorities that have been initially identified in terms of growing the economy.
- 2.33 Following this consultation, a draft Economic Strategy will be developed and this will also reflect the outcome of the UK Coalition Government Paper on rebalancing the Northern Ireland economy.

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CHAPTER 3: RESOURCES

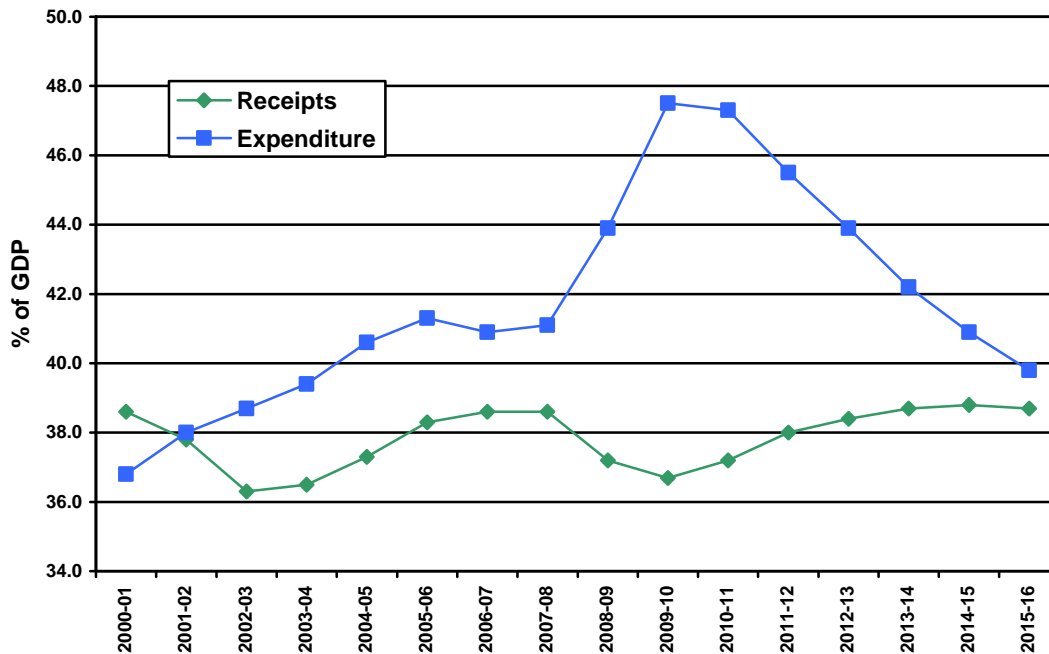
Introduction

3.1 This section sets out the overall public expenditure context for Budget 2011-15, including the control framework within which the process operates. It also identifies some issues that are relevant to the use of available resources.

UK Context

3.2 The key factor setting the context for the next four years is the UK Coalition Government's deficit reduction plan. This was set out in the national Spending Review, published on 20 October 2010. The UK Coalition Government views its deficit reduction plan as an urgent priority to secure economic stability and put the public finances on a sustainable long term footing.

Chart 3.1: UK Borrowing 2000-01 to 2015-16.



3.3 The economic recession accelerated demands upon UK public expenditure, which was already increasing as a proportion of Gross Domestic Product (GDP) since the 2000-01 financial year. In the 20 years to 2006-07 public spending annually averaged around 40 per cent of GDP. It then increased to a historically high level of 48 per cent by 2009-

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10, mainly as a result of the recession. Government receipts by contrast did not exceed 40 per cent over the whole period, and fell to 37 per cent in 2009-10.

- 3.4 The UK public sector deficit in 2009-10 was the largest in its peacetime history at 11 per cent of GDP, and the Government was borrowing one pound for every four it spent.
- 3.5 In its June 2010 Budget the UK Coalition Government set out plans for a significant acceleration in the reduction of the structural budget deficit over the course of the current Parliament. The fiscal mandate, against which the Office for Budget Responsibility (OBR) judges the Government's plans, is to eliminate the structural current budget deficit over a five year rolling horizon. The latest OBR forecast indicates that there is a more than 50 per cent chance that the fiscal mandate will be met in 2015-16.
- 3.6 In order to achieve this, the UK Coalition Government has given particular focus to reducing welfare costs and wasteful public sector spending. The UK Coalition Government argues that it has prioritised the NHS, schools, early-years provision and capital investments that support long term economic growth. As a result departmental budgets, other than health, education and overseas aid, will be reduced by an average of 19 per cent over the four year Spending Review period.
- 3.7 In terms of total Departmental Expenditure Limits (DEL), the Resource DEL budget, excluding depreciation, will have fallen by 8.3 per cent in real terms by 2014-15 with Capital DEL falling by 29 per cent over the same period. This is measured against a 2010-11 baseline already reduced by the £6.2 billion reduction in public expenditure announced in the June 2010 Emergency Budget.

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Northern Ireland Context

Sources of Funding for Public Expenditure

- 3.8 The main source of funding for public expenditure within Northern Ireland remains the block grant from HM Treasury, which is funded through the proceeds of general taxation across the United Kingdom. Changes in the level of funding for Northern Ireland are determined via the application of the Barnett Formula – in simple terms Northern Ireland receives a population-based share of changes in funding for comparative spending programmes in England. Material allocations, or reductions, from this source are made to the Northern Ireland Executive as part of the national Spending Review.
- 3.9 Allocations received through this mechanism are “unhypothecated” meaning that the Executive and Assembly can determine allocations for specific priorities and programmes regardless of the nature of the comparable spending in England that gave rise to the Barnett allocation.
- 3.10 There are currently two main ways in which the gross spending power available to the Executive can be increased above the allocations determined by HM Treasury. These are the regional rate and the borrowing power within the Reinvestment and Reform Initiative (RRI).

Regional Rate

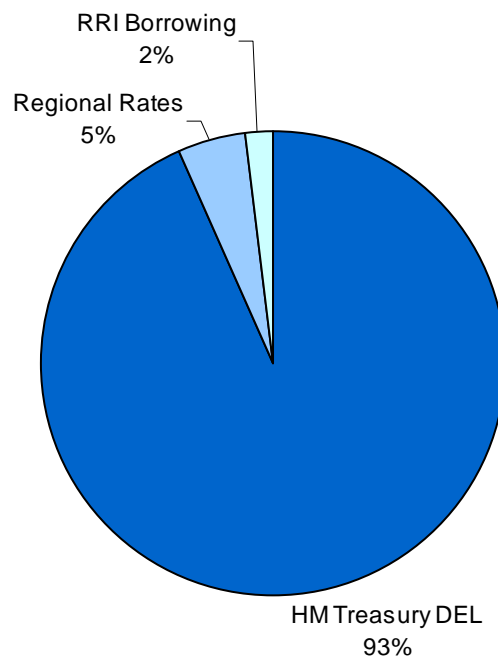
- 3.11 There are two elements to the rates bills paid by both households and the non-domestic sector in Northern Ireland. The district rate, set by each of the 26 District Councils, is used to finance the services provided by those councils. The regional rate, which is determined by the Executive, generates additional resources to support those central public services that are the responsibility of the Executive.
- 3.12 Regional rate revenues are also “unhypothecated” meaning that the revenue collected is not targeted on any specific public spending programme. Instead the revenue received is added to the total sums available for allocation by the Executive.

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RRI Borrowing

3.13 The Reinvestment and Reform Initiative, announced in May 2002, included a new borrowing power intended to support a very substantial infrastructure investment programme in Northern Ireland. This borrowing is subject to annual limits determined by HM Treasury and at present this limit is £200 million per annum.

Chart 3.2: Sources of Funding Available to NI Executive, 2010-11



Includes Policing and Justice

Public Expenditure Control Framework

3.14 An overview of the Public Expenditure Control framework for Northern Ireland is set out in Annex A. The most important point to note is that all allocations are made on the basis of a clear separation between **current expenditure** and **capital investment**.

3.15 Current expenditure reflects the ongoing cost of providing services (for example, pay, operating costs and grants to other bodies), whereas capital investment reflects investment

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in assets which will provide or underpin services in the longer term (for example, schools, hospitals, roads etc).

Spending Review Outcome for Northern Ireland

3.16 The Chancellor's Spending Review announcement, on 20 October 2010, set the Northern Ireland Executive's Departmental Expenditure Limit (DEL) for the 4 year period from 2011-12 to 2014-15.

3.17 As changes to the level of funding for Northern Ireland are automatically determined by changes in funding for comparable spending programmes in Whitehall departments, the UK Coalition Government deficit reduction plan has led to a significant reduction in the level of funding available to the Northern Ireland Executive.

3.18 Table 3.1 below sets out the current and capital DEL allocations received from HM Treasury over the four year period with the percentage real terms reductions from the 2010-11 position also highlighted.

Table 3.1: Northern Ireland Spending Review Allocation from HM Treasury

	£ million				
	2010-11	2011-12	2012-13	2013-14	2014-15
Current DEL (NI Spending Review Settlement)	9,886.7	9,836.7	9,858.9	9,927.1	9,985.4
Real terms % decrease on 2010-11		-2.4%	-4.3%	-6.1%	-8.0%
Capital DEL (NI Spending Review Settlement)	1,222.9	903.4	858.9	780.6	803.8
Real terms % decrease on 2010-11		-27.5%	-32.6%	-40.3%	-40.1%

¹ does not equate to NI departmental spend i.e. excludes rates, borrowing etc

² includes Policing and Justice

3.19 While the level of reductions faced by the Northern Ireland Executive is lower than that faced by many Whitehall departments, it still represents a significant challenge for the Executive.

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Local Funding

3.20 As illustrated earlier, aside from the UK Spending Review allocation for Northern Ireland, the most significant source of funding for the Executive is revenue generated locally through the regional rates.

Domestic Regional Rates

3.21 In Budget 2008-11 the Executive agreed that the domestic regional rate should be held constant, in cash terms, over the three year period.

3.22 Given the severe financial constraints confronting the Executive since that three year budget was set, serious consideration had to be given to increasing regional rates in order to provide additional funding for public service provision. However, the Executive was mindful of not imposing undue additional burdens on households in the difficult economic climate that prevailed. Looking forward into the new Spending Review period, with even greater constraints on available resources, the Executive has proposed that domestic rates increases should only be uplifted in line with inflation.

Non-Domestic Regional Rates

3.23 In Budget 2008-11 the Executive agreed that the business regional rate increases would be limited to 2.7 per cent per year meaning no increase in real terms over that period. A similar approach has been agreed for the Budget 2011-15 period with proposed increases in the business rate being held in line with inflation.

3.24 In addition, the revenue forecasts associated with the regional rate for the budget period assume that manufacturing rates will continue to apply at a level of 30 per cent liability until 31 March 2015. This will require the necessary legislation to be approved by the Northern Ireland Assembly in advance of the 2011-12 financial year. Given that economic development is a top priority of the Executive this approach will provide continued support for the

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manufacturing industry. This will help to safeguard employment during these difficult economic times and assist Northern Ireland to emerge from the prolonged recession.

Issues That Impact on Available Resources

3.25 In addition to the above, other key issues that impact on the level of available resources are:

- Savings to be made by departments;
- The approach to funding water and sewerage services;
- Generating capital receipts / asset sales;
- Other revenue raising options; and
- Public sector pay.

Savings

3.26 At the beginning of the Budget 2010 process departments were provided with indicative figures for the level of savings they would need to make to enable the Executive to live within the projected outcome of the UK Spending Review. This approach was adopted to allow departments to plan effectively in order to minimise the impact on frontline services.

3.27 Now that departments have received definitive outcomes as part of the draft Budget process they will be able to determine the actual level of savings they will need to make to manage within this allocation. As part of the consultation process departments will now publish draft Savings Delivery Plans that include details of departmental savings measures and their anticipated impact.

3.28 The scale of the savings required is such that it may not be possible to achieve it solely through reductions in bureaucracy and improvements in efficiency. Therefore, all departments must undertake a thorough assessment of core functions. The focus should however still be on achieving the majority of savings through improvements in efficiency rather than reductions to services. Departments have been made aware that they must provide clear justification for any savings measure which impacts on the delivery of frontline services.

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Approach to Funding Water and Sewerage Services

- 3.29 Unlike all other areas of the UK, where water and sewerage services are funded by consumer charges, in Northern Ireland the services are currently primarily funded from public expenditure. This creates pressures in other areas, due to no funding being received via the Barnett formula, as the comparable service is delivered by the private sector. Thus Barnett additions arising in other areas, for example health and education, need to be diverted to cover the associated water service costs.
- 3.30 The Executive has decided, in light of the current economic downturn and the ongoing financial pressure upon households, that it should continue to defer the introduction of domestic water charges.

Revenue Raising Options

- 3.31 In response to the UK Coalition Government's Emergency Budget in June, and the anticipated Spending Review outcome, the Executive established a Ministerial Budget Review Group. This Group was tasked with examining a wide range of strategic issues relevant to the formulation of Budget 2010. One of the key issues considered by the Budget Review Group was identifying alternative means of raising additional revenue to help mitigate the impact of the public expenditure reductions.
- 3.32 Some of the initial findings of this work have been factored into the preparation of this draft Budget position. There is a range of other possible revenue sources that Ministers have been tasked to evaluate over the coming weeks. If any of these additional revenue proposals have merit in terms of being deliverable, they will be factored into the final Budget allocations.

Public Sector Pay

- 3.33 The exercise of pay restraint is a mechanism that can generate additional financial resources for the Executive to deploy. However, in practice the Executive has limited

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discretion in this area. The majority of pay awards in the wider public sector are determined through national pay processes (e.g. pay review bodies, national joint councils etc) and there is no regional autonomy to vary these.

- 3.34 The Executive does have the ability to alter the pay regime of the Northern Ireland Civil Service (NICS) within the overarching pay regime set by the UK Coalition Government. In light of the UK Coalition Government's declared commitment to impose pay restraint, the Executive has proposed to mirror that restraint, with civil servants obtaining pre-existing contractual entitlements to scale progression with those employees earning less than £21,000 also receiving a further annual award of £250.
- 3.35 In relation to the pay of senior officials, the Finance Minister will continue to exercise his approval role to ensure that only existing contractual entitlements are awarded. The Minister is currently considering the Senior Salaries Review Body (SSRB) recommendations specifically for Northern Ireland and he will announce his decision in relation to this report in due course.

Allocation of Resources

- 3.36 Within any budget planning period, the scope to allocate resources is constrained by the finite level of resources available - both existing sources of funding and any new sources. A second-order constraint is the need to fund services and policies already underway. These existing services and policies have differing levels of prioritisation and Ministers were asked to reassess these pre-existing commitments. This has resulted in Ministers deciding to halt or slow down the roll-out of some programmes which has also freed up some additional resources for allocation to higher priority areas.
- 3.37 All existing programmes have been closely examined to ensure that they produce the desired outcomes and represent value for money.
- 3.38 The approach adopted for current expenditure was designed to encourage departments to examine thoroughly their

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priorities in this way, and to allow the Executive the scope to make allocations in line with their priorities. Under this approach departments' existing baselines were reduced by a level of indicative savings sufficient to provide a significant level of resources for the Executive to reallocate. Departments could then submit spending proposals which the Executive could consider on merit.

3.39 For capital investment, departments started with a zero baseline. Departments were then allocated sufficient funding to cover their existing contractual commitments with allocations then being determined on an individual project/programme basis.

3.40 The strategic context for the Budget spending plans is the Executive's emerging Programme for Government (PfG), and in particular the priority given to promoting the growth of a dynamic, innovative economy. This can only be achieved by improving the capabilities of the private sector with the public sector's role being to ensure that the conditions to support such private sector growth are in place.

3.41 The Executive has long recognised the importance of delivering modern, high quality and efficient public services. However, consideration was also given to the impacts of the economic downturn and the need to protect the more vulnerable in society.

Protection for Health

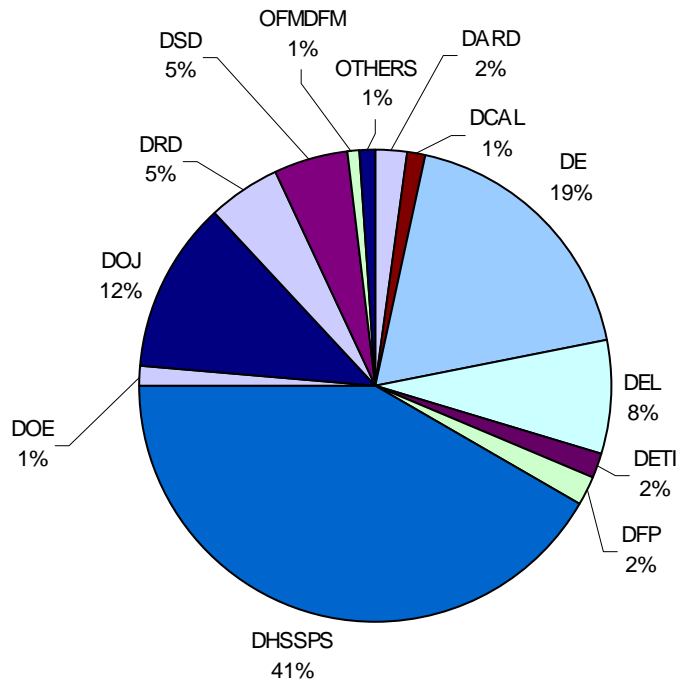
3.42 The priority the Executive gives to the health service is demonstrated by the proposal to protect the health related element of the DHSSPS budget. This proposal affords a broadly similar level of protection as provided in England (indeed the Executive has decided not to specifically impose the robust efficiency agenda on DHSSPS that will apply to the NHS in England - which has to generate £20 billion of cash releasing efficiencies by 2014-15).

3.43 However, given the large proportion of the Executive's current expenditure budget that is attributed to DHSSPS, this proposal to afford protection to health spending has an

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obvious impact on the funding available for other departments. This is illustrated in Chart 3.3 below.

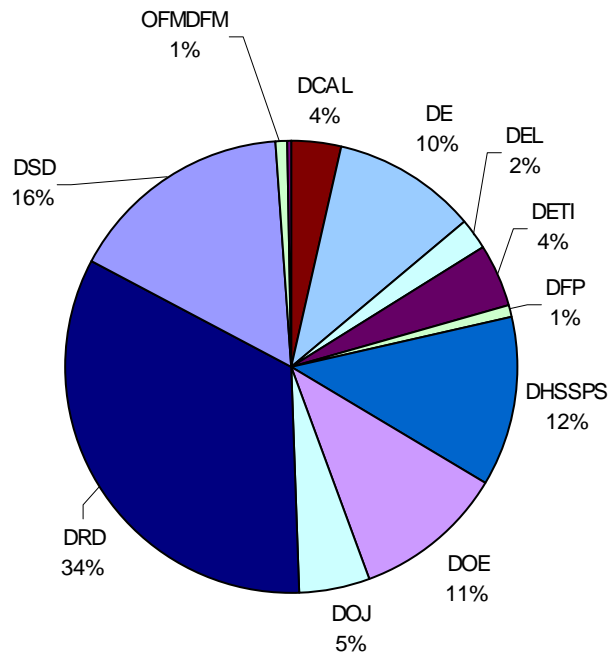
Chart 3.3: Breakdown of Current Expenditure by Department 2010-11



3.44 While the Executive proposes protection for the 'health' element of the DHSSPS (accounting for some 77 per cent of total DHSSPS current spend) the proposed provision for personal social services (PSS) is on a similar fashion to all other NI departments. It should be noted however that the Health Minister has complete discretion in terms of how he allocates funding across the entire DHSSPS budget.

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Chart 3.4: Breakdown of Capital Investment by Department 2010-11



Note: this excludes DARD due to the high level of forecast receipts in 2010-11

Social Investment Fund

3.45 The Executive remains committed to tackling the problem of disadvantage within Northern Ireland. This disadvantage is most acute in those interface communities where the problems are many and complex. To address these problems the Executive has proposed the establishment of a fund of £20 million per annum which will be administered by OFMDFM.

Social Protection Fund

3.46 In addition to the Social Investment Fund, the Executive proposes a Social Protection Fund that will assist those most in need within our wider community. This Fund will have an initial allocation of £20 million in 2011-12. Resourcing in the following years will come from the additional revenue streams identified by Ministers coming into operation and delivering new resources for deployment.

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Presbyterian Mutual Society

3.47 This draft Budget also contains provision for an assistance package for the Presbyterian Mutual Society savers. This is financed by an additional £175 million of borrowing under the Reinvestment and Reform Initiative in 2011-12 and a contribution from the Treasury of £25 million which is matched by an equal contribution from this Executive.

Invest to Save Allocations

3.48 In its revised spending plans for 2010-11, the Executive established a £26 million 'Invest to Save' Fund which allocated funding to departments for a range of discrete projects that were focussed on delivering long-term savings. Given the success of these initiatives, the Executive proposes to pursue a similar initiative in each of the Spending Review years but with £100 million allocated annually to fund such projects. These funds will be allocated to departments on a 'ring-fenced' basis i.e. they cannot be used for any other purpose by departments. If these resources are not deployed as intended then they will be returned to DFP for reallocation elsewhere.

Current / Capital Switch

3.49 The Spending Review outcome resulted in a 40 per cent real terms decrease in the capital funding provided by the UK Coalition Government. In view of the importance of continued infrastructure investment and the impact public sector capital investment has on the construction industry the Executive has proposed to transfer resources from current expenditure into capital investment. This will help counteract the impact of the reduction in the capital DEL.

Other Issues

Green New Deal

3.50 The Green New Deal is an ambitious investment programme which will leverage in significant amounts of private sector funding to deliver energy efficiency measures creating

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several thousand jobs over a three year period. This scheme aims to reduce waste, cut bills for participating households, sustain employment through the recession and modernise our housing stock. In light of this the Executive has agreed in principle to engage and resources have been set aside accordingly.

Administrative Cost Controls

3.51 Over recent years the Executive has had in place an administration cost control regime to ensure that there was an incentive on individual departments to eliminate needless bureaucracy and waste. While this approach has been successful in bearing down on administrative costs, a point has now been reached when further attempts to centrally control administration costs risks being counterproductive. In light of this the Executive proposes to set aside the need for a formal control regime. This approach will give Ministers greater flexibility to effectively and efficiently manage the resources at their disposal, with a view to maximising the outcomes achieved with such resources.

Investment Strategy for Northern Ireland

3.52 The updated Investment Strategy for Northern Ireland will provide the background context for the four year capital investment plans contained in this draft Budget document. It also sets the strategic direction for investment in public sector infrastructure over the next decade.

3.53 This new Investment Strategy will reflect the changed public expenditure environment, which has resulted in a sizeable reduction in the Northern Ireland capital DEL over the four year Budget period. This more constrained funding envelope makes the need for adopting a strategic approach to infrastructure investment even more important.

3.54 The Investment Strategy will continue to promote sustained investment across the budget period in those areas that can best support the growth of the local economy, promote social inclusion and personal health and wellbeing.

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CHAPTER 4: PROPOSED DEPARTMENTAL BUDGET OUTCOME

Background

4.1 The Executive's strategic priorities and key plans for 2011-15 will be set out in the draft Programme for Government. These priorities have guided the proposed departmental outcomes set out below.

Departmental Consultation

4.2 To allow Ministers time to make decisions on priorities, proposed allocations within this draft Budget have been made at a departmental level and are not disaggregated further. Ministers have been asked to publish a more detailed breakdown of proposed expenditure on their departmental websites. This should be accompanied by details of their savings delivery plans which will provide more information on the savings measures required to enable the department to live within their budget allocation. The savings delivery plans will include details of any implications for frontline services. Each department will also be conducting its own consultation process to run concurrently with the process outlined in Chapter One.

4.3 If you wish to comment on funding policies that relate to a specific department, you should contact that department directly. Contact details for individual departments will be available on their departmental websites or via the NI Direct website (www.nidirect.gov.uk).

4.4 To inform your consideration of this document, this chapter sets out the proposed allocations for each department and some information on their key aims and objectives.

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TABLE 4.1: CURRENT EXPENDITURE

£million

	2010-11	2011-12	2012-13	2013-14	2014-15
Agriculture and Rural Development	224.9	224.9 0.0%	236.0 4.9%	222.6 -5.7%	219.0 -1.6%
Culture, Arts and Leisure	113.3	112.5 -0.7%	113.2 0.6%	110.0 -2.9%	103.0 -6.3%
Education	1,914.8	1,852.2 -3.3%	1,857.3 0.3%	1,861.6 0.2%	1,847.7 -0.7%
Employment and Learning	798.9	775.4 -2.9%	767.4 -1.0%	785.6 2.4%	813.8 3.6%
Enterprise, Trade and Investment	199.5	204.9 2.7%	211.6 3.2%	203.5 -3.8%	205.5 1.0%
Finance and Personnel	182.9	190.5 4.2%	187.1 -1.8%	179.9 -3.9%	180.9 0.5%
Health, Social Services and Public Safety	4,302.9	4,348.1 1.0%	4,427.7 1.8%	4,543.2 2.6%	4,629.2 1.9%
Environment	129.6	121.8 -6.0%	123.6 1.4%	121.0 -2.1%	121.5 0.4%
Justice	1,223.7	1,213.1 -0.9%	1,189.0 -2.0%	1,166.7 -1.9%	1,176.4 0.8%
Regional Development	517.3	500.3 -3.3%	487.2 -2.6%	459.6 -5.7%	454.0 -1.2%
Social Development	521.1	516.7 -0.8%	532.0 3.0%	543.0 2.1%	523.4 -3.6%
Office of the First Minister and Deputy First Minister	80.2	79.0 -1.4%	80.2 1.6%	77.0 -4.1%	73.7 -4.3%
Non Ministerial Departments					
Assembly Ombudsman / Commissioner for Complaints	1.6	1.6 -1.0%	1.6 -1.0%	1.6 -1.0%	1.5 -1.0%
Food Standards Agency	9.6	9.4 -1.3%	9.3 -1.0%	9.2 -1.0%	9.2 -1.0%
NI Assembly	48.4	46.0 -5.0%	43.7 -5.0%	41.5 -5.0%	39.4 -5.0%
NI Audit Office	9.5	9.0 -5.0%	8.6 -5.0%	8.2 -5.0%	7.8 -5.0%
NI Authority for Utility Regulation	0.5	0.5 -1.0%	0.5 -1.0%	0.5 -1.0%	0.5 -1.0%
Public Prosecution Service	37.4	37.0 -1.0%	36.0 -2.6%	35.2 -2.3%	33.9 -3.6%
Total Planned Spend¹	10,316.1	10,242.9 -0.7%	10,311.9 0.7%	10,369.6 0.6%	10,440.4 0.7%

¹ Totals may not add due to roundings

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TABLE 4.2: CAPITAL INVESTMENT (NET OF RECEIPTS)¹

	£million				
	2010-11	2011-12	2012-13	2013-14	2014-15
Agriculture and Rural Development	-173.5	16.4	13.9	20.0	29.3
Culture, Arts and Leisure	59.9	11.8	21.9	22.2	85.8
Education	169.3	127.4	100.4	101.5	139.4
Employment and Learning	37.6	41.2	32.3	18.5	28.3
Enterprise, Trade and Investment	73.5	71.7	44.9	16.0	28.8
Finance and Personnel	15.2	16.5	12.1	10.6	28.4
Health, Social Services and Public Safety	201.7	214.8	278.8	184.9	163.3
Environment	182.4	6.1	5.9	4.0	7.6
Justice	80.0	78.3	64.5	51.8	82.0
Regional Development	556.2	438.3	425.3	540.9	558.8
Social Development	269.6	150.3	120.6	99.0	190.3
Office of the First Minister and Deputy First Minister	12.0	9.1	3.8	8.8	25.6
Non Ministerial Departments					
Assembly Ombudsman / Commissioner for Complaints	0.0	0.1	-	-	-
Food Standards Agency	0.1	-	-	-	0.1
Northern Ireland Assembly	3.6	1.2	-	-	5.7
NI Audit Office	0.3	0.4	0.2	0.4	0.2
NI Authority for Utility Regulation	0.0	0.0	0.0	0.0	0.0
Public Prosecution Service	0.3	0.2	0.2	0.2	0.2
Total Net Capital ²	1,488.1	1,183.9	1,124.9	1,078.6	1,373.8

¹ Figures for Gross Capital investment and Capital receipts are set out in Annex B.

² Totals may not add due to roundings

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DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT (DARD)

4.5 The Department of Agriculture and Rural Development (DARD) aims to promote sustainable economic growth and the development of the countryside in Northern Ireland. The Department assists the competitive development of the agri-food, fishing and forestry sectors of the Northern Ireland economy, having regard for the need of the consumers, the welfare of animals and the conservation and enhancement of the environment.

DEPARTMENT OF CULTURE, ARTS AND LEISURE (DCAL)

4.6 The vision of the department is “a confident, creative, informed and vibrant community”. Archives, public libraries, museums, arts and sport create a *‘public value’* in their own right and contribute and add value to the Northern Ireland economy, particularly in regard to the creative industries, the knowledge economy and employment.

4.7 In pursuing this vision the mission of the department is to “protect, nurture and grow Northern Ireland’s cultural capital by providing strategic leadership and resources for the promotion and sustainable development of the culture, arts and leisure sectors.”

4.8 The department will do this by:

- Ensuring the effective and efficient delivery of high quality culture, arts and leisure services;
- Ensuring the effective provision of strategic leadership to the culture, arts and leisure sectors; and
- Ensuring effective governance, oversight, probity, and relationship management with its delivery partners.

4.9 The department promotes and supports its policy aims largely through grant-in aid and sponsorship of a number of arms length bodies.

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DEPARTMENT OF EDUCATION (DE)

4.10 The department's vision to "ensure that every learner fulfils her or his full potential at each stage of development" is supported by the following five priorities for the education sector:

- Raising Standards For All;
- Closing the Performance Gap, Increasing Access and Equity;
- Developing The Education Workforce;
- Improving The Learning Environment; and
- Transforming Education Management.

4.11 A key emphasis is to ensure that *every* learner fulfils their full potential. Equality of opportunity is therefore central, not only in relation to Section 75 groups but to any children or young people affected by educational disadvantage.

4.12 The department's main areas of responsibility are in:

- Early Years provision;
- Pre-school, Primary, Post-primary and Special Education;
- The Youth Service;
- The promotion of Community Relations, Equality and Diversity within and between schools; and
- Teacher Education and Salaries.

DEPARTMENT FOR EMPLOYMENT AND LEARNING (DEL)

4.13 The department's overall aim is "to promote learning and skills, to prepare people for work and to support the economy". It is responsible for Further and Higher Education, training and skills and employment programmes. In pursuing its aim the department's key objectives are:

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- To promote economic, social and personal development through high quality learning, research and skills training; and
- To help people into employment and promote good working practices.

4.14 It seeks to achieve these through four key areas of activity:

- Enhancing the provision of learning and skills, including entrepreneurship, enterprise, management and leadership;
- Increasing the level of research and development, creativity and innovation in the Northern Ireland economy;
- Helping individuals to acquire jobs, including self employment, and improving the linkages between employment programmes and skills development; and
- The development and maintenance of the framework of employment rights and responsibilities.

DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT (DETI)

4.15 The new Economic Strategy will be central to the delivery of the Executive's overall strategic aim of an economy which increases wealth and employment opportunities for all. It is proposed that the strategy should incorporate the twin goals of **rebalancing** the economy towards higher value added private sector activity, and the need to undertake a more immediate **rebuilding** phase, to address the impact of the global downturn on the local economy and labour market.

4.16 The central focus to deliver on these challenges should be to drive **export-led economic growth**. Delivery of the strategy will require co-ordinated contributions from other Northern Ireland departments and their agencies.

4.17 The key aims and objectives of DETI over the budget period will align with the key priorities identified in the economic

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strategy. This will include initiatives to rebalance the Northern Ireland economy in the medium to longer term in the following key areas:

- Stimulating innovation, Research and Development and creativity;
- Increasing collaboration between business, Higher Education/Further Education and public sector;
- Attracting and embedding greater levels of higher value Foreign Direct Investment (FDI);
- Growing and diversifying the export base;
- Increasing the economic contribution of the tourism sector;
- Encouraging business growth (including social economy organisations and the green economy); and
- Developing our telecoms and energy infrastructure.

4.18 In the short term, DETI will also be required to take action to address the impact of the recession on the Northern Ireland economy by promoting investment and offering accessible job opportunities, particularly for those in areas of economic disadvantage.

DEPARTMENT OF FINANCE AND PERSONNEL (DFP)

4.19 The overall aim of the department is “to help the Executive secure the most appropriate and effective use of resources and services for the benefit of the community”.

4.20 In pursuing this aim the key objective of the department is to deliver quality, cost effective and efficient public services and administration in the department’s areas of Executive responsibility.

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DEPARTMENT OF HEALTH, SOCIAL SERVICES AND PUBLIC SAFETY (DHSSPS)

4.21 The overall aim and mission of the department is “to improve the health and social well-being of the people of Northern Ireland”. DHSSPS is responsible for:

- Health and Social Care – includes policy and legislation for hospitals, family practitioner services and community health and personal social services;
- Public Health – covers policy, legislation and administrative action to promote and protect the health and well-being of the population; and
- Public Safety – covers policy and legislation for fire and rescue services.

4.22 In pursuing its overall aim the department’s key objectives are:

- To improve health and well-being outcomes through a reduction in preventable disease and ill-health by providing effective, high quality, equitable and efficient health and social care; and
- To create a safer environment for the community by providing an effective fire fighting, rescue and fire safety service.

4.23 DHSSPS aims to reduce health inequalities across the population and encourage individuals to engage more in ensuring their own health and well-being. It does this by promoting healthy living activities, behaviours and attitudes.

DEPARTMENT OF THE ENVIRONMENT (DOE)

4.24 The overall aim of the Department of the Environment is “to work in partnership with the public, private and voluntary sectors to promote sustainable development and to secure a better and safer environment”.

4.25 In pursuing this aim the key objectives of the department are:

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- To protect, conserve and enhance the natural environment and built heritage;
- To support the adoption of the principles of sustainable development; and
- To manage and plan development in a sustainable manner which contributes to a better environment which is modern and responsive to the community.

4.26 DOE also aim to work with statutory and voluntary partners to reduce road deaths and serious injuries. The department also supports a system of effective local government which meets the needs of residents and ratepayers.

DEPARTMENT OF JUSTICE

4.27 The Department of Justice (DOJ) was established on 12 April 2010 by the Department of Justice Act (Northern Ireland) 2010. It has a range of devolved policing and justice functions set out in the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

4.28 The department supports the Minister of Justice in building a fair, just and safer society and is responsible for the resourcing, legislative and policy framework of the justice system.

4.29 The department is responsible for five Executive Agencies (NI Prison Service, NI Courts and Tribunals Service, Compensation Agency, Forensic Science Agency and Youth Justice Agency) and a number of Executive NDPBs and other arms length bodies.

4.30 The department's objectives are to:

- Work in partnership to produce a safer society, and reduce the risk, and fear, of crime;
- Ensure that everyone in Northern Ireland has access to justice, without undue delay;

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- Protect the public by reducing offending and managing offenders; and
- Contribute to the Shared Future strategy for Northern Ireland through the operation of the justice system and assist in enhancing decision-making and strategic resource management.

DEPARTMENT FOR REGIONAL DEVELOPMENT (DRD)

4.31 The overall aim of the Department for Regional Development is “to improve quality of life by maintaining and enhancing a range of essential infrastructure services and by shaping the region’s long-term strategic development”.

4.32 In pursuing this DRD objectives are:

- To support the economy by maintaining and developing safe transportation networks, by promoting airport and harbour services and endeavouring to shape the long-term development of Northern Ireland; and
- To contribute to the health and well being of the community and protect the environment by developing and maintaining the policy and regulatory environment which provides modern, high quality water and sewerage services.

DEPARTMENT FOR SOCIAL DEVELOPMENT (DSD)

4.33 The overall aim of the department can be summarised as “together, tackling disadvantage, building communities”.

4.34 In pursuing this aim the key objectives of the department are to:

- Build the foundations for a shared future through access to decent, affordable, sustainable homes and housing support services;

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- Contribute to tackling poverty and social needs experienced by the most vulnerable in society, bringing divided communities together and encouraging social responsibility; and
- Create urban centres which are sustainable, welcoming and accessible to all to live, work and relax in peace.

OFFICE OF THE FIRST MINISTER AND DEPUTY FIRST MINISTER (OFMDFM)

4.35 The overall aim of the department is “to build a peaceful, fair, and prosperous society with respect for the rule of law where everyone can enjoy a better quality of life now and in years to come”.

4.36 The key strategic objectives of the department include:

- Supporting Ministers and the institutions of government;
- Building a programme for government and modernising government programme;
- Promoting better community relations, a culture of equality and rights; and
- Targeting social need and promoting social inclusion.

NON MINISTERIAL DEPARTMENTS

4.37 The following departments, also known as minor departments, are not represented by a Minister. The budget allocations of these departments, although relatively small, must still be found from within the Northern Ireland Executive’s DEL.

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ASSEMBLY OMBUDSMAN/COMMISSIONER OF COMPLAINTS (AOCC)

4.38 The Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints provides for the independent investigation of complaints by people who claim to have suffered injustice through maladministration by Northern Ireland government departments, their agencies and public bodies. It provides an independent investigative resource to support the work of the Committee on Standards and Privileges in dealing with complaints against Members of the Assembly.

FOOD STANDARDS AGENCY (FSA)

4.39 The Food Standards Agency aims to protect public health from risks arising in connection with the consumption of food and the interests of consumers in relation to food. In doing this it aims to:

- Ensure that food being sold is safe to eat;
- Consumers understand about safe food and healthy eating;
- Consumers can make informed choices; and
- Regulation in the food chain is effective and proportionate.

NORTHERN IRELAND ASSEMBLY (NIA)

4.40 Established in 1998, the Northern Ireland Assembly holds Ministers and their departments to account in carrying out executive functions. It has legislative authority for policy in such areas as education, health, agriculture and environment.

4.41 Within the Assembly there is an Assembly Commission (the Commission) whose role is defined by the Northern Ireland Act 1998. The Commission ensures the Assembly is

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provided with the property, staff and services required for the Assembly to carry out its work and engage with the public. It sets the Assembly Secretariat's (its administrative body) strategic direction and purpose to ensure the efficient and effective operation of the Assembly and to support members in fulfilling their Assembly, constituency and office-holder duties.

NORTHERN IRELAND AUDIT OFFICE (NIAO)

4.42 The Northern Ireland Audit Office seeks to hold public bodies to account for the way they use public money. It also seeks to promote accountability and the best use of public money. It aims to provide objective information, advice and assurance on how public funds have been used and to encourage high standards in financial management, good governance and propriety in the conduct of public business.

NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (NIAUR)

4.43 The Northern Ireland Authority for Utility Regulation is responsible for independently regulating the electricity, gas and water and sewerage sector. The aims of the Northern Ireland Authority for Utility Regulation are:

- Protecting the interests of electricity consumers with regard to price and quality of service by promoting competition in the generation, transmission and supply of electricity;
- Promoting the development and maintenance of an efficient, economic and co-ordinated gas industry and protecting the interests of gas consumers with regard to price and quality of service; and
- Protecting the interests of water and sewerage customers with regard to price and quality of service where appropriate by facilitating competition in the

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supply of water and the provision of sewerage services.

PUBLIC PROSECUTION SERVICE FOR NORTHERN IRELAND (PPS)

4.44 The Public Prosecution Service for Northern Ireland (PPS) was established in June 2005 and is the principal prosecuting authority in Northern Ireland. In addition to taking decisions as to prosecution in cases investigated by the police in Northern Ireland, it also considers cases investigated by other statutory authorities, such as HM Revenue and Customs.

4.45 Since the devolution of justice and policing to the Northern Ireland Assembly on 12th April 2010, the Service has been designated as a non-ministerial government department.

4.46 The department's Corporate Plan is based around five strategic priorities:

- Enhancing the prosecution process in partnership with stakeholders;
- Strengthening accountability and capability to deliver;
- Addressing the needs of victims and witnesses;
- Building the confidence of the community; and
- Building the commitment and skills of PPS staff.

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CHAPTER 5: EQUALITY, ANTI POVERTY AND GOOD RELATIONS

Background

- 5.1 This Chapter sets out the actions taken by the Executive and individual departments in assessing the potential equality, good relations, poverty, social inclusion and sustainable development impacts of the 2011-15 draft Budget.
- 5.2 In line with Equality Commission guidance that equality considerations should be mainstreamed into the policy decision process, there remains a greater onus on the departments responsible for spending proposals to ensure that the equality and sustainable development impacts are considered in the appropriate manner.

Statutory Equality Obligations

- 5.3 Section 75 and Schedule 9 to the Northern Ireland Act 1998 came into force on 1 January 2000 and placed a statutory obligation on public authorities to ensure that, they carry out their various functions relating to Northern Ireland, with due regard to the need to promote equality of opportunity between:
- persons of different religious belief;
 - persons of different political opinion;
 - persons of different racial group;
 - persons of different age;
 - persons of different marital status;
 - persons of different sexual orientation;
 - men and women generally;
 - persons with a disability and persons without; and
 - persons with dependants and persons without.
- 5.4 In addition, public authorities are also required to have regard to the desirability of promoting good relations between

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persons of different religious belief, political opinion, and racial group.

- 5.5 From January 2007 public authorities are also required to have due regard to the need to promote positive attitudes towards people with a disability and to encourage participation in public life by people with a disability.
- 5.6 The strategy to tackle poverty and social inclusion “Lifetime Opportunities” was published in November 2006. “Lifetime Opportunities” retains the principle of its predecessor New Targeting Social Need, which is to target resources and effort towards those in greatest objective need. These principles and considerations, which steered and informed priorities and budget proposals in the past, continue to apply. Departments are therefore required to identify and fully consider the anti-poverty and social inclusion implications on individuals, groups or areas of any proposed changes submitted.

Strategic Equality Impact Assessment (EQIA)

- 5.7 The 2011-15 draft Budget sets out a framework of resources that will underpin the Executive’s priorities and help achieve the overall aim of **a peaceful, fair and prosperous society** in Northern Ireland. Due to the unique economic context, we are dealing with a draft Budget scenario that represents a real terms decline in public spending.
- 5.8 In this context, and in recognition of the fact that the allocation of resources has always the potential to impact on Section 75 groupings, a strategic level Equality Impact Assessment (EQIA) will be produced in accordance with statutory requirements to consider the equality impacts of the PfG, Budget and ISNI. The aim of the EQIA conducted at this strategic level is to consider the overall impacts which may be associated with the Executive’s strategic priorities and the allocation of resources.
- 5.9 The EQIA on the PfG, Budget and ISNI will include an overview of available data sources as well as an assessment of the impacts of each of the strategic priorities.

Departmental Role

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- 5.10 The delivery of policies, programmes and capital projects at departmental level will be informed by the EQIA. However, recognising the strategic focus of the PfG, Budget and ISNI, the equality impacts of individual policies, programmes and capital projects which departments will deliver are not specifically considered within the EQIA. These will continue to be subject to equality screening and, where appropriate, full EQIAs by departments and their agencies and relevant statutory authorities, in accordance with the criteria set out in the guidance produced by the Equality Commission for Northern Ireland. In that context, the Executive will ensure that departments, government agencies and relevant statutory authorities continue to meet their obligations under Section 75 and Schedule 9. This approach has been endorsed by the Equality Commission.
- 5.11 Departments have already commenced this process by having due regard to equality considerations in the formulation of their savings plans and their own assessment of bids for additional allocations.
- 5.12 For this first step in the process, departmental budget returns had to include equality and good relation impacts at a high level. These High Level Impact Assessments (HLIA) were applicable to all policy, saving and spending proposals put forward as part of the draft Budget process. The HLIA process aims to ensure that equality and good relations are embedded in the setting of priorities by the Executive.
- 5.13 It is important that departments attempt to assess the potential equality, good relations, poverty and social inclusion and sustainable development impacts of savings and funding allocation proposals submitted as part of the draft Budget process to allow early consideration, and where appropriate, mitigations to take place.
- 5.14 Each of the stages of the EQIA process are considered and, as far as possible, woven into the HLIA process. Completion of these HLIAs by departments is an important part of compliance with mainstreaming equality considerations into the budget process.

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- 5.15 Because of the work already completed on equality of opportunity and good relations, departments will have the information which Ministers need to ensure that they have proper regard to these factors in taking their decisions on funding allocations within their departments.
- 5.16 Details of departmental EQIA and HLIAs will be available from individual departments. Departmental contact information can be found in the contact section of www.nidirect.gov.uk

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ANNEX A

NORTHERN IRELAND PUBLIC EXPENDITURE SYSTEM

Overview

- A1. Public expenditure in Northern Ireland is subject to two separate controls - the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). DEL and AME together make up Total Managed Expenditure (TME).
- A2. DEL totals have been fixed for a four-year period in the national Spending Review (carried out by HM Treasury and published on 20th October 2010), whereas AME is controlled on an annual basis, based on updated forecasts. This is because AME is largely comprised of demand-led programmes (e.g. social security benefits), which cannot be reasonably subject to multi-year limits.
- A3. Reflecting the differing nature of these controls, the main focus of the Budget process is on the DEL, in that it is subject to allocation at the discretion of the Executive, in accordance with local needs and priorities.
- A4. The following describes the budgetary structure which provides a clear separation of actual consumption and investment:
- **Current Expenditure** – the Resource DEL including administration costs and ring-fenced items such as depreciation and impairment costs; and
 - **Capital Investment** – the Capital DEL including expenditure which enhances or creates an asset of Government and capital grants which support investment by other bodies, including some public bodies as well as the private and voluntary sectors.

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European Union Funds

- A5. Departmental expenditure over the budget period will include spending that will take place under EU Structural Funds Programmes, the Northern Ireland Rural Development Programme, and the European Fisheries Fund Programme. Northern Ireland will also receive EU income from its 2007-13 EU Programmes, all of which are on track to meet the regulatory financial targets set by the European Commission.
- A6. EU Programmes have two elements – the EU funding provided through the European Commission and the national matched funding that Member States are required to provide.
- A7. The EU income that we receive provides us with additional spending power but the national match funding amounts shown come from within our allocated DEL amount. The departmental allocations in this draft Budget include match funding in respect of EU Programmes.

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ANNEX B

Financial Tables

Table One Reconciliation of Planned Spend to HM Treasury Control Totals – Current Expenditure

Table Two Reconciliation of Planned Spend to HM Treasury Control Totals – Capital Investment

Table Three Gross Capital Investment by Department

Table Four Capital Receipts by Department

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**Table One: Reconciliation of Planned Spend to HM Treasury
Control Totals – Current Expenditure**

	£million			
	2011-12	2012-13	2013-14	2014-15
Total Current Expenditure	10,242.9	10,311.9	10,369.6	10,440.4
Regional Rates	-606.5	-606.8	-614.8	-639.6
Current to Capital Switch	7.0	40.0	40.0	40.0
Current to Capital Switch - Invest to Save	31.5	21.0	33.0	40.0
RRI Interest	44.9	51.4	57.5	63.4
EU Match Funding	2.8	2.3	2.7	2.2
Social Investment Fund	15.0	10.0	10.0	10.0
Social Protection Fund	20.0	-	-	-
Green New Deal	4.0	4.0	4.0	4.0
Presbyterian Mutual Society	50.0	-	-	-
Invest to Save	25.0	25.0	25.0	25.0
Total Resource DEL	9,836.7	9,858.9	9,927.1	9,985.4

Totals may not add due to roundings

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**Table Two: Reconciliation of Planned Spend to HM Treasury
Control Totals – Capital Investment**

	£million			
	2011-12	2012-13	2013-14	2014-15
Total Capital Investment	1,183.9	1,124.9	1,078.6	1,373.8
RRI Borrowing	-200.0	-200.0	-200.0	-200.0
Current to Capital Switch	-7.0	-40.0	-40.0	-40.0
Current to Capital Switch - Invest to Save	-31.5	-21.0	-33.0	-40.0
Additional Capital Receipts – Central Asset Management Unit	-10.0	-15.0	-25.0	-50.0
Social Investment Fund	5.0	10.0	10.0	10.0
RoI Contribution to A5/A8 Road Scheme	-14.0	-	-10.0	-250.0
Capital from 2010-11	-23.0	-	-	-
Total Capital DEL	903.4	858.9	780.6	803.8

Totals may not add due to roundings

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Table Three: Gross Capital Investment by Department

	£million			
	2011-12	2012-13	2013-14	2014-15
Agriculture and Rural Development	16.4	13.9	20.0	29.3
Culture, Arts and Leisure	14.0	21.9	22.2	85.8
Education	128.4	101.1	102.2	139.4
Employment and Learning	44.7	36.3	18.5	28.3
Enterprise, Trade and Investment	75.7	49.9	21.0	33.8
Finance and Personnel	16.5	12.1	10.6	28.4
Health, Social Services and Public Safety	214.8	278.8	184.9	163.3
Environment	6.1	5.9	4.0	7.6
Justice	80.1	66.5	54.2	89.6
Regional Development	443.3	425.3	540.9	558.8
Social Development	259.4	222.0	194.9	281.2
Office of the First Minister and Deputy First Minister	9.1	3.8	8.8	25.6
Non Ministerial Departments				
Assembly Ombudsman / Commissioner for Complaints	0.1	-	-	-
Food Standards Agency	-	-	-	0.1
Northern Ireland Assembly	1.2	-	-	5.7
NI Audit Office	0.4	0.2	0.4	0.2
NI Authority for Utility Regulation	0.0	0.0	0.0	0.0
Public Prosecution Service	0.2	0.2	0.2	0.2
Total Gross Capital	1,310.5	1,238.1	1,182.8	1,477.3

Totals may not add due to roundings

Table above excludes EU funded Expenditure

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Table Four: Capital Receipts by Department

	£million			
	2011-12	2012-13	2013-14	2014-15
Agriculture and Rural Development	-	-	-	-
Culture, Arts and Leisure	-2.2	-	-	-
Education	-1.0	-0.7	-0.7	-
Employment and Learning	-3.5	-4.0	-	-
Enterprise, Trade and Investment	-4.0	-5.0	-5.0	-5.0
Finance and Personnel	-	-	-	-
Health, Social Services and Public Safety	-	-	-	-
Environment	-	-	-	-
Justice	-1.8	-2.0	-2.5	-7.6
Regional Development	-5.0	-	-	-
Social Development	-109.1	-101.4	-96.0	-91.0
Office of the First Minister and Deputy First Minister	-	-	-	-
Non Ministerial Departments				
Assembly Ombudsman / Commissioner for Complaints	-	-	-	-
Food Standards Agency	-	-	-	-
Northern Ireland Assembly	-	-	-	-
NI Audit Office	-	-	-	-
NI Authority for Utility Regulation	-	-	-	-
Public Prosecution Service	-	-	-	-
Total Capital Receipts	-126.6	-113.1	-104.1	-103.5

Totals may not add due to roundings
Table above excludes EU receipts

Comments on the draft Budget 2011-15 can be submitted by writing to the following address:

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Comments should be sent to arrive no later than **9th February 2011**.

More details, including the electronic version of this document, are available on the Executive's website:

www.northernireland.gov.uk/budget2010.

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