



# Building a Better Future Draft Budget 2008-2011



Northern Ireland  
Executive

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# DRAFT BUDGET– 2008-11

## CONTENTS

	<b>Page</b>
<b>Foreword by the Minister for Finance and Personnel</b>	
<b>Chapter 1 Introduction</b>	<b>1</b>
<b>Chapter 2 Economic, Social and Environmental Context</b>	<b>4</b>
<b>Chapter 3 Public Expenditure Context</b>	<b>25</b>
<b>Chapter 4 Resources</b>	<b>39</b>
<b>Chapter 5 Priority Outcomes and Associated Public Expenditure Allocations</b>	<b>46</b>
<b>Chapter 6 Departmental Proposed Budget Allocations</b>	<b>53</b>
<b>Chapter 7 Equality, Good Relations and Anti Poverty Impacts</b>	<b>111</b>
 <b><u>Annexes</u></b>	
<b>Annex A Northern Ireland Public Expenditure System</b>	<b>115</b>
<b>Annex B Financial Tables</b>	<b>117</b>



## **FOREWORD BY THE MINISTER FOR FINANCE AND PERSONNEL**

I am pleased to present for consultation the Executive's proposals for public expenditure in Northern Ireland over the next three financial years. This document sets out the economic, social and environmental context for our public expenditure proposals and explains how the Executive's priorities, as set out in the draft Programme for Government and the draft Investment Strategy, will be reflected in the financial allocations to individual Departments.

This draft Budget marks a clear break from the days when direct rule Ministers decided how much we should pay in local taxes and how the available resources should be spent. Instead we can now make our own decisions about our own priorities and decide how best to allocate resources accordingly.

These new opportunities bring with them new challenges for the Executive and the Assembly. We face the challenge of building a stronger, more vibrant economy that offers a better and more secure future for everyone in Northern Ireland. We need to use our public resources wisely to deliver high quality public services, especially to the young, the old and other vulnerable members of our community. That will mean not just spending more, but ensuring that we get value for money from every pound we spend.

These proposals are being published for consultation today. We look forward to hearing the views of the Assembly, other elected representatives, business organisations, the trade unions, social and economic partners, the community and voluntary sector and indeed any other organisations and individuals who may wish to comment.

**Rt Hon Peter D Robinson MP MLA  
Minister for Finance and Personnel**

**25 October 2007**

# Draft Budget 2008-2011

## CHAPTER 1 – INTRODUCTION

- 1.1 This Draft Budget document sets out the Northern Ireland Executive's proposed spending plans for the 3-year period from April 2008 to March 2011. The 2008-11 Budget process represents an important opportunity to improve the lives of all people in Northern Ireland by allocating resources to high priority areas and to areas where the additional funds will yield the greatest benefit. It will also be the first opportunity for the restored Executive to set out its own expenditure plans and priorities distinct from those of Direct Rule Ministers.
- 1.2 The document has been prepared in the context of the developing Programme for Government (PfG), establishing the link between spending allocations in the Budget and planned outcomes in the form of cross-cutting Public Service Agreement (PSA) targets. In addition, the Investment Strategy for Northern Ireland (ISNI) sets the strategic direction for investment in public sector infrastructure over the next decade, and thus provides the important context for specific capital allocations, in the Budget, for the first three years.
- 1.3 The draft document will now be subject to a 10 week 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 early in 2008.
- 1.4 The most significant issue impacting on the level of resources available for allocation in the Budget is the share of total public expenditure allocated to Northern Ireland by the Treasury. In 2005 the Chief Secretary to the Treasury announced the launch of a second Comprehensive Spending Review to report in 2007, and identified the further investments and reforms needed to equip the UK for the global challenges of the decade ahead.
- 1.5 The Chancellor of the Exchequer announced the outcome of the CSR on 9<sup>th</sup> October 2007. Northern Ireland, along with the other devolved administrations, has received

## **Draft Budget 2008-2011**

consequential from the CSR outcomes for Whitehall departments through the operation of the Barnett formula. As with the rest of the UK, this confirmed that the increase in resources available to the Northern Ireland Executive over the next three years will be less than in recent Spending Reviews.

- 1.6 This highlights the importance of local departments delivering cash releasing efficiencies over the next three years in order to provide additional resources to improve the provision of public services in Northern Ireland. All the resources released through greater efficiency remain in Northern Ireland for reinvestment in local public services.
- 1.7 A further significant issue has been the Executive's approach to future arrangements for the funding of water and sewerage services. On the 22<sup>nd</sup> October, the Minister for Regional Development presented the Executive's response to the Strand One Report of the Independent Water Review Panel. While further work will be taken forward, in advance of the finalisation of the Budget in the New Year, the public expenditure implications of this work are containable within the position set out in this Draft Budget.

### **Copies of the Document**

- 1.8 This Draft Budget document can be sent to you in electronic format or in hard copy – or you can access it on the PfG/Budget website. However, if the report is not in a format that suits your needs, please let us know.

### **Consultation Arrangements**

- 1.9 At this stage of our annual consultation 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 sector, as well as individuals.

## Draft Budget 2008-2011

- 1.10 We encourage all interested parties to respond well before the consultation closing date of **4 January 2008**.

### Contact Details

- 1.11 Comments should be sent to arrive no later than 3 January 2008 to:

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- 1.12 You can also comment via our website:  
**[www.pfgbudgetni.gov.uk](http://www.pfgbudgetni.gov.uk)**

- 1.13 We plan to make available further information on the public consultation of the Draft Budget 2008-11 on our website, including details of the consultation responses.

- 1.14 In order to promote 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 wish your response or name to be published on the website, please make this clear in your response to us.

# Draft Budget 2008-2011

## CHAPTER 2 – ECONOMIC, SOCIAL AND ENVIRONMENTAL CONTEXT

### Introduction

- 2.1 Over recent years there has been a growing consensus on the needs of the local economy and the direction that it should endeavour to follow. This consensus, formulated primarily through the Economic Development Forum (EDF), delivered the *'Economic Vision'* for the Northern Ireland economy - "*A high value-added, highly skilled, innovative and enterprising economy which enables us to compete globally leading to greater wealth-creation and better employment opportunities for all*"<sup>1</sup>.
- 2.2 This report acknowledged the fundamental role of the economy in shaping society, living standards and the environment within Northern Ireland. A strong vibrant economy would provide a firm foundation upon which to improve the everyday lives of the citizens of Northern Ireland.
- 2.3 The key challenge confronting the Executive in delivering the *Economic Vision* is the pressing need to improve regional productivity. This will require focused policy intervention on the part of Government to ensure that resources are targeted at four key drivers of productivity – investment in:
- Skills;
  - Enterprise;
  - Innovation; and,
  - Infrastructure.
- 2.4 However Government alone cannot deliver this productivity improvement. The private sector also has an important role to play in promoting enhanced economic growth.

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<sup>1</sup> Economic Vision for Northern Ireland: Economic Development Forum, February 2005

## Draft Budget 2008-2011

- 2.5 The Executive is committed to delivering the *Economic Vision*. The spending proposals set out in this document are focussed on ensuring that resources are made available to secure productivity improvements through investment in the four key drivers identified above. The aim is to ensure that policy interventions deliver enduring, tangible economic growth. The key public sector interventions to improve Northern Ireland's capabilities as regards these productivity drivers include:
- Implementing the Investment Strategy for Northern Ireland to improve infrastructure;
  - Increasingly refocus business support measures on exports, Research & Development (R&D) and Innovation;
  - Implement the Skills Strategy and FE Means Business Strategy to improve individuals' skills; and,
  - Implementing the Regional Innovation Strategy and enhancing linkages between the education and business sectors.
- 2.6 The extent to which the Executive can bring about enhanced economic growth and productivity improvement within the region is constrained by the lack of fiscal policy instruments made available by HM Treasury. The Executive, as well as representatives from the local business community, presented a robust, evidence-based case to the Varney Review on the pressing need to allow Northern Ireland a dispensation on business taxation. This would have transformed the region's attractiveness as an investment location.
- 2.7 While no tangible benefit has yet been delivered from the Varney Review process the Executive will ensure that it makes optimal use of the resources and policies within its discretion to promote the local economy.

# Draft Budget 2008-2011

## Economic Context

- 2.8 Northern Ireland cannot insulate itself from global economic developments. As a small open economy, the region will increasingly face competition from emerging economies such as China, India and the recent EU Accession countries. Globalisation will, however, also offer new opportunities to local businesses prepared to compete in external markets.
- 2.9 The economic outlook for Northern Ireland remains favourable. Recent surveys (Table 2.1) indicate positive trends in some key economic indicators over the 2007-08 period. This mirrors expectations within the UK and Republic of Ireland economies which are major influences on the local economic climate.

**Table 2.1: Northern Ireland – Key Economic Indicators**  
(% real change unless stated otherwise)

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Gross Domestic Product <sup>2</sup>	2.5	3.0	3.0
Consumer Expenditure	2.1	2.2	2.1
Personal Disposable Income	2.0	2.1	2.1
Industrial Output	2.5	2.0	2.5
Employment (000s)	698	715	725
Unemployment	28	25	23

Source: First Trust Bank Economic Outlook and Business Review, September 2007

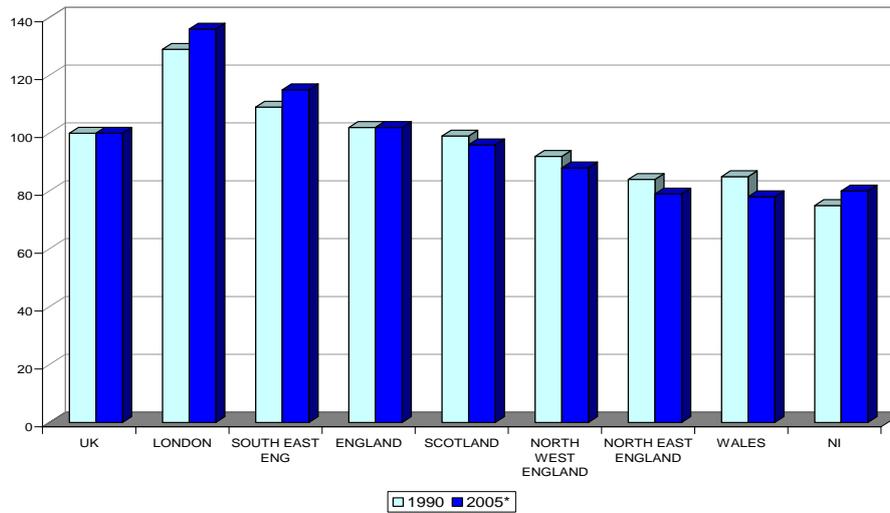
- 2.10 These forecasts represent a continuation of existing trends with the local economy has recording sustained growth over recent years (measured in terms of GVA<sup>3</sup> per head).
- 2.11 However, there has only been marginal convergence with the UK average since 1990 with Northern Ireland's GVA per head falling further behind the UK over the 2000-2005 period – now standing at 80% of the UK average (Chart 2.1).

<sup>2</sup> The total market value of all final goods and services produced within a country.

<sup>3</sup> The difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.

## Draft Budget 2008-2011

**Chart 2.1: Gross Value Added per head by UK region (UK =100)**



Source: ONS  
\* Provisional

- 2.12 Within Northern Ireland there are also significant sub-regional variations in GVA per head. Belfast records GVA per head considerably above the other sub-regions (184% of the Northern Ireland average) whilst the North of Northern Ireland region is only 79% of the Northern Ireland average.
- 2.13 These comparisons are on a workplace basis, which tends to overstate the economic performance of Belfast. Data on household income, for example, indicates that the highest household incomes are in the Rural East area reflecting the transfer of earnings generated within Belfast by commuters – with the lowest incomes in the Rural West.
- 2.14 In terms of earnings, Northern Ireland's performance remains poor, at around 89% of the UK average for all employees<sup>4</sup> - the lowest of all the UK regions, with the exception of the North East. It is worth noting, however, that over the period 2005-2006, this earnings gap between the UK and Northern Ireland narrowed by three percentage points.
- 2.15 Within Northern Ireland, average gross weekly earnings in rural areas are below those of people living in urban areas,

<sup>4</sup> Median gross weekly earnings, Annual Survey of Hours and Earnings (ASHE) 2006.

## Draft Budget 2008-2011

with no evidence to suggest that the gap is narrowing. However, there has been a reduction in the gender wage gap with the median hourly earnings of female's equivalent to 97% of male earnings in 2006. This difference is in marked contrast to the UK position where females earn only 87% of male earnings.

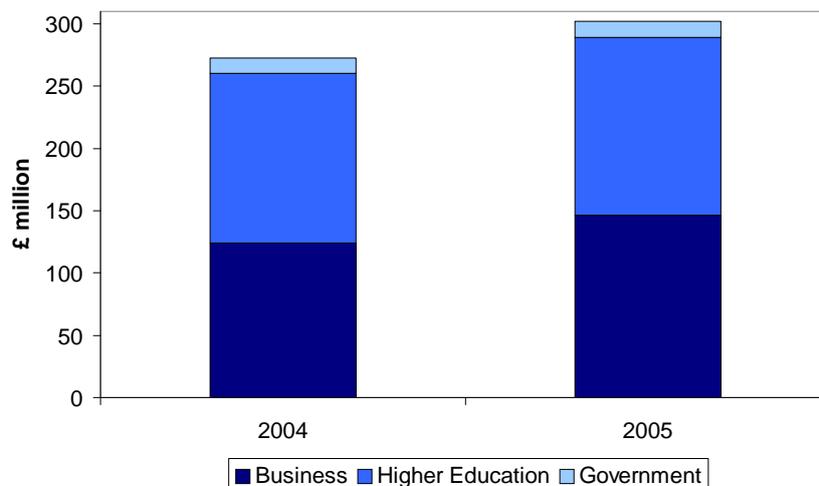
### ***Productivity Drivers***

2.16 The key to transforming these economic characteristics resides in improving regional productivity. As set out above, four key drivers of productivity have been identified within the *Economic Vision*. Analysis of each driver set out below highlights the scale of the challenge confronting the Executive in terms of focussing policy.

### Innovation

2.17 Chart 2.2 shows that, in 2005, total expenditure on R&D in Northern Ireland amounted to £302 million (representing a 10% increase in spending from 2004). Expenditure by the Higher Education sector, at £146 million, accounted for the highest proportion of R&D expenditure closely followed by local businesses which spent £143 million, with the remainder accounted for by Government expenditure.

**Chart 2.2: Expenditure on Research and Development in Northern Ireland**



2.18 Despite this increase in expenditure, the relative level of resources devoted to R&D by local businesses remains low

## Draft Budget 2008-2011

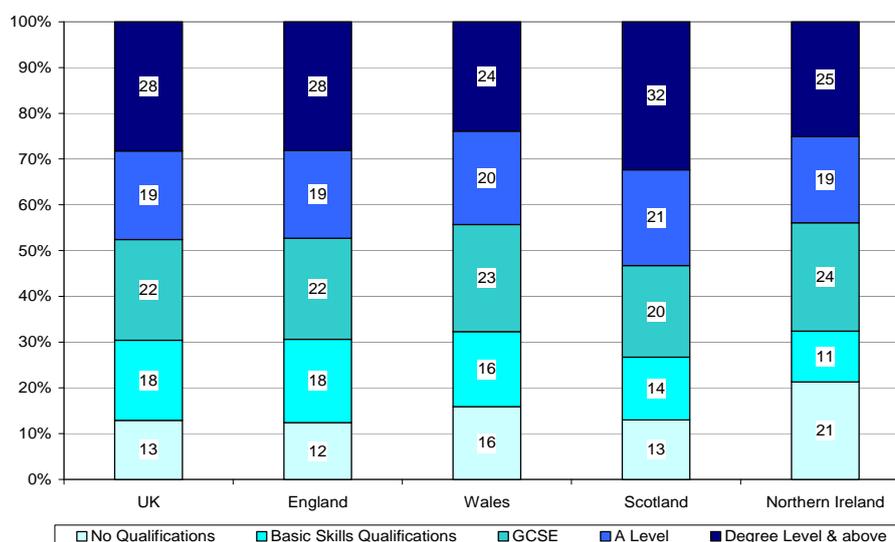
relative to the rest of the UK. There are a number of possible reasons for this, including: high costs; perception that Government support is too complex; and insufficient level of required skills.

### Skills

2.19 Northern Ireland has consistently been amongst the best regions in the UK in terms of educational performance at GCSE and A-level. We also have the lowest proportion of pupils who leave school without any GCSE qualifications.

2.20 While educational attainment is relatively high, the benefits have not materialised within the labour market. Chart 2.3 compares the skill levels of the workforce in Northern Ireland with other UK countries. Northern Ireland compares reasonably well in terms of the proportion of the working age adults with a high level of qualifications (at GCSE and A-level equivalent attainment levels) but the number of working age persons with no qualifications is almost 10% higher than the UK average.

**Chart 2.3 Proportion of Population by Highest Qualification, 2006**



Source: Department for Education and Skills – Estimates from the Labour Force Survey – Quarter 4, 2006

2.21 Poor educational achievement amongst the older sections of the workforce and emigration are likely to be significant factors in explaining this position. In terms of the latter, it is

## Draft Budget 2008-2011

estimated that, in 2004, 9% of full-time students who studied in Northern Ireland in 2004 left after graduation while 65% of those who studied in GB did not return but entered employment outside Northern Ireland (not including the unemployed who stayed away etc.). On average, almost one third of students who lived in Northern Ireland moved away to take their university course.

- 2.22 The most recent Skills Monitoring Survey (2005) highlighted the scale of the skills gap (i.e. the gap between an employee's current skill level and what is needed to meet work objectives) with 9% of employers reporting a skills gap among some of their existing staff. However, the proportion reporting skills gaps in Scotland (21%), Wales (18%) and England (16%) is much higher. The existence of local skills gaps was most prevalent within Financial Services, Health and Social Care, as well as Other Services (14% in each sector).

### Enterprise

- 2.23 Creating an environment of enterprise and entrepreneurship is critical to delivering private sector growth in terms of output, exports and new firm formation.
- 2.24 The Global Entrepreneurship Monitor (GEM), which provides a measure of entrepreneurial activity, showed that the rate of early stage entrepreneurial activity (known as Total Entrepreneurial Activity (TEA)) for 2006 was 3.7%. Worryingly, this represents a decline of around 1 percentage point compared with the 2004 and 2005 rates. Northern Ireland now ranks in the bottom three of the 12 UK regions (a position largely unchanged since 2003). This latest data suggests that the region is now falling further behind the UK average in terms of entrepreneurial activity.

### Infrastructure

- 2.25 A modern, efficient infrastructure<sup>5</sup> network is a critical prerequisite for economic growth and development. It

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<sup>5</sup> Infrastructure embraces telecommunications networks, roads and transport networks, energy systems, water and sewage assets.

## Draft Budget 2008-2011

should facilitate trade and transport in a manner that keeps related costs to a minimum.

- 2.26 On telecoms systems, Northern Ireland has now achieved 100% broadband availability. Every household, business, school and library in Northern Ireland can access broadband regardless of its location. With the infrastructure in place, the demand for broadband has increased dramatically.
- 2.27 The latest industry figures for 2006 show 230,000 broadband users within Northern Ireland – up from 60,000 in 2004. The region is still lagging behind areas such as London and the South East but is comparable to Scotland and Wales. Within the wider context, comparative broadband penetration rates show that Northern Ireland is comparable to the rate for the UK (21.6 subscribers per 100 inhabitants) however local SME take-up of broadband (52%) was significantly lower than that of the UK (62%).
- 2.28 It is encouraging to note that the most recent benchmarking study<sup>6</sup> shows that there are now increasing numbers of businesses with a website (an increase from 65% in 2003 to 75% in 2004) and with external email (from 77% in 2003 to 87% in 2004). However, while these figures are on a par with those for Wales, they still fall below England and Scotland. E-commerce (the buying and selling of goods and services on the Internet) has increased in all UK regions but local businesses score poorly in terms of allowing customers to order or pay online.
- 2.29 In relation to transport, Northern Ireland workers make significantly less use of public transport than their UK counterparts. In autumn 2004, 4% used the bus and less than 1% travelled by train (UK proportions were 8% and 4% respectively). However, this in part reflects the greater rurality of Northern Ireland.
- 2.30 In terms of rail services, significant investment has taken place in recent years on both track and rolling stock. This has resulted in an increase in passenger numbers,

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<sup>6</sup> Business in the Information Age: The International Benchmarking Study 2004, DTI.

## Draft Budget 2008-2011

particularly on the Belfast commuter services. However, a key challenge remains to integrate rail with other modes of travel, for example, by addressing inadequate car and cycle parking at rail stations.

- 2.31 External transport links have improved considerably in recent years in terms of destinations served. Passenger numbers at Northern Ireland's two main airports have increased significantly since 1999 (by 46% for Belfast International and 63% for Belfast City).

### ***Competitiveness***

- 2.32 At present the region compares poorly, both nationally and internationally, in terms of competitiveness, while the main focus in improving Northern Ireland's performance is on investment in the four key drivers of productivity.
- 2.33 Research<sup>7</sup> conducted in 2006 comparing Northern Ireland's overall competitiveness with other EU regions (on a range of indicators including innovation, skills/education, enterprise, business environment, economic infrastructure and business costs) suggests that its main strength was in the area of skills/education in which it ranked fifth overall (out of eleven regions), due largely to the relatively large share of the economically active qualified to tertiary education level. The composite index suggested that Northern Ireland's overall competitive position was 8<sup>th</sup> out of 11 regions studied<sup>8</sup>.
- 2.34 Within the UK context, evidence suggests that business costs in the region are relatively competitive. The principal reasons for this competitive advantage are cheaper labour costs and below average commercial property costs, which together make up approximately one fifth of average company turnover. While some cost elements, such as energy and insurance costs, were indisputably higher in

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<sup>7</sup> The Measurement and Benchmarking of the Competitiveness of Northern Ireland- Scoping Study & Composite Index, Economic Research Institute of Northern Ireland (October 2006) <http://www.erini.ac.uk/publications/PDF/ERINIRResearchReport2Oct06.pdf>

<sup>8</sup> North East, South East, Eastern (all UK), Wales, Scotland, Republic of Ireland, Nord-Pas-de-Calais (France), Nordrhein-Westfalen, Baden-Wurttemberg (both Germany), Emilia-Romagna (Italy) and EU-15 average.

## Draft Budget 2008-2011

Northern Ireland, these were estimated to account for less than 4% of average turnover.

### ***External Markets***

- 2.35 A domestic market of 1.7 million people does not provide a sufficient base to develop innovative, high value-added businesses. Local companies, if they are to succeed in the global economy, need to be able to successfully compete in external markets. Exports will provide the basis for raising regional productivity and wealth.
- 2.36 Exports from Northern Ireland increased from almost 16% of GVA in 1996 to 19% by 2005. This improved export performance has been largely a result of increasing exports to the Republic of Ireland and North America. Exports to the Republic of Ireland account for 41% of total Northern Ireland exports – equivalent to over 7% of the region's GVA. The emphasis should now be on promoting exports in high value products in sectors such as IT, pharmaceuticals etc.

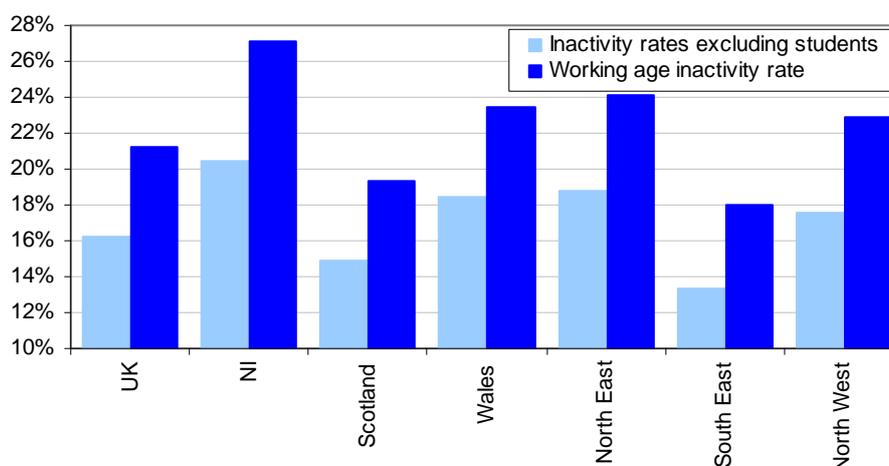
### ***Labour Market***

- 2.37 Statistics relating to the Northern Ireland labour market would suggest a remarkable transformation over the last decade. Employment in Northern Ireland has been growing at a faster rate than elsewhere in the UK over recent years while the official unemployment rate is the lowest of all UK regions.
- 2.38 However this apparent strong performance masks some underlying structural weaknesses. In particular, the growth in employment has not made any meaningful contribution to regional productivity improvement, and Northern Ireland still lags well behind the UK average in terms of GVA per head despite this employment growth.
- 2.39 One important reason for this is the nature of the employment growth, which has been generated predominantly by the private services sector (mainly retailing, distribution etc) which tend to be low paid and low value-added.

## Draft Budget 2008-2011

2.40 Northern Ireland also has an enduring problem with economic inactivity levels (the highest in the UK – Chart 2.4). This is why the working age employment rate<sup>9</sup> for Northern Ireland is the second lowest amongst the UK regions (around 4 percentage points below the UK average of just over 74%). The major reasons for inactivity in Northern Ireland are long-term sickness, participation in full-time education and the need to provide homecare.

**Chart 2.4: Economic Activity Rates, Selected UK Regions, 2007**



Source: Labour Force Survey, ONS

2.41 The numbers of individuals removing themselves from the active workforce for health reasons is a particular concern. Within the Economically Inactive category some 112,700 people (almost two-fifths) are currently claiming Incapacity Benefit (Chart 2.5). This represents a significant constraint on the economic potential of the region. It also imposes considerable costs on public services such as health and social care.

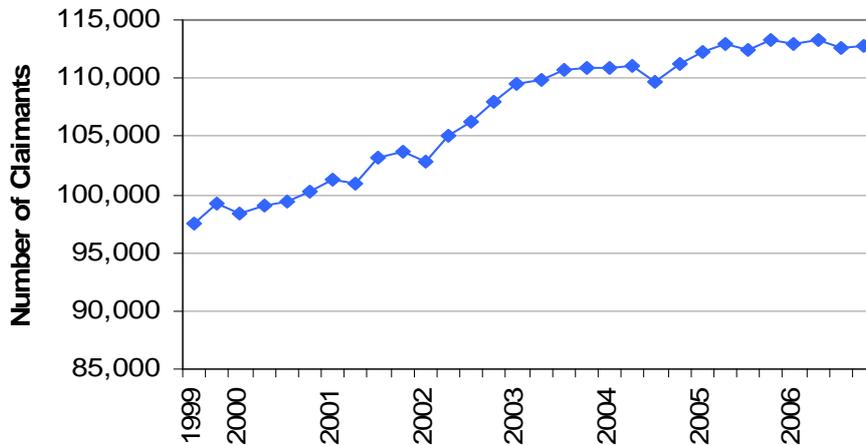
2.42 While Northern Ireland has the lowest rate of unemployment of all UK regions at 3.6%<sup>10</sup>, this masks considerable variation in unemployment rates within the region, reflecting the situation as regards employment rates. Strabane has the lowest District Council employment rate (for those of working age) at 50.6%, compared to 79.8% for Larne and the Northern Ireland average of 68.7%.

<sup>9</sup> The working age is taken to be 16 to 59 for females and 16 to 64 for males.

<sup>10</sup> Labour Force Survey, June-August 2007.

## Draft Budget 2008-2011

Chart 2.5: Number of Incapacity Benefit Claimants in Northern Ireland

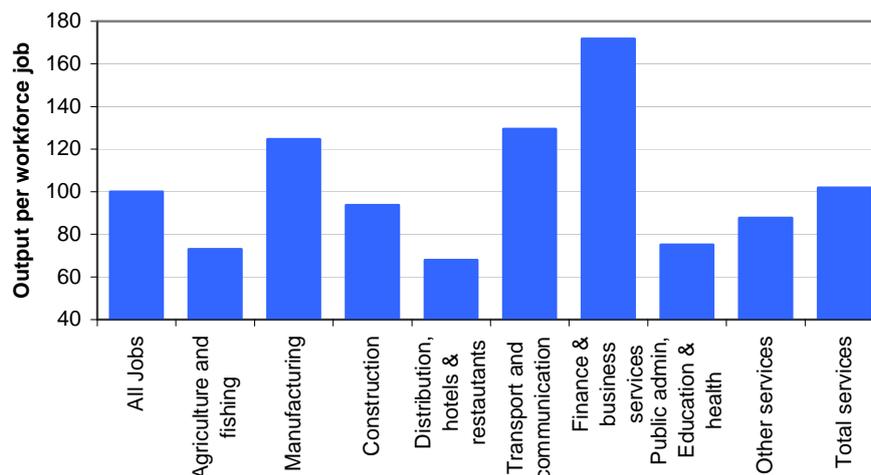


Source: DSD – Incapacity Benefit and Severe Disablement Allowance, November 2006

### ***Industrial Structure***

2.43 The low level of productivity in Northern Ireland, relative to the rest of the UK, can partly be explained in terms of industrial structure. Productivity varies from industry to industry with the more traditional labour intensive industries tending to be associated with lower productivity.

**Chart 2.6: Output per Workforce Job by Sector, (All Jobs =100)**



Source: ONS

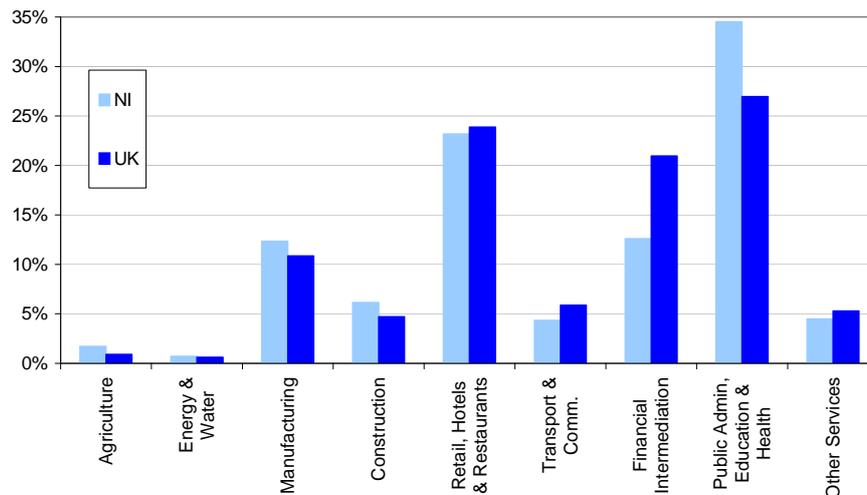
2.44 Chart 2.6 shows the variation in productivity between sectors in the UK. Of the sectors shown financial services is

## Draft Budget 2008-2011

the most productive, while distribution, hotels & restaurants is the least productive sector.

2.45 Chart 2.7 shows that Northern Ireland has proportionately more employment than the UK in industries displaying low average productivity such as construction, agriculture and the public sector. The converse is true with fewer employed in Transport & Communications and Financial Services.

**Chart 2.7 Proportion of Employee Jobs by Sector, 2007**



Source: ONS, DETI, June 2007

2.46 In addition, the local economy remains relatively reliant on traditional industries, which are in general decline as they continue to find it more difficult to compete in an increasingly competitive global economy. Within the manufacturing sector in Northern Ireland (2005), traditional industries, such as Textiles and Clothing, Food, Drink and Tobacco, account for a higher proportion of employment (26%) than in the UK (19%).

2.47 The services sector is becoming increasingly important in Northern Ireland in employment terms. Employment in the sector grew by over 29% between 1997 and 2007 whereas employment in manufacturing contracted by over 17% over the same period. Unfortunately, the employment growth has been in those services that are predominantly low skilled and low paying jobs (e.g. retailing and distribution).

# Draft Budget 2008-2011

## ***Public Sector***

- 2.48 There is a common perception that the public sector is overly large in Northern Ireland. When assessed in terms of employment share this is so - estimated at 29% in Northern Ireland, compared to 20% for the UK as a whole (June 2007).
- 2.49 However, when the size of the public sector is measured in terms of public employment as a proportion of population, Northern Ireland is similar to other parts of the UK<sup>11</sup>. This may be a more accurate comparative measurement because public service provision is for the entire population (and education and health sectors are the largest public sector employers). This then suggests that the greater concern should be the relative size of the private sector in the local economy.
- 2.50 The public sector in Northern Ireland does offer pay levels considerably in excess of those available in the local private sector. Private sector earnings in Northern Ireland are the lowest of the UK regions, while public sector pay levels are fairly similar across the UK. While many other UK regions have a pay differential in favour of the public sector, none of them are quite as pronounced as that exhibited in Northern Ireland. Median full-time weekly earnings<sup>12</sup> in the public sector in Northern Ireland are over a third higher than the private sector. In the UK, public sector earnings are 13% higher than the private sector<sup>13</sup>.
- 2.51 Even factoring in the different occupational mix between the UK and Northern Ireland, as illustrated in Chart 2.8, there remains a significant pay premium attached to the local public sector of almost 18% - the highest in the UK

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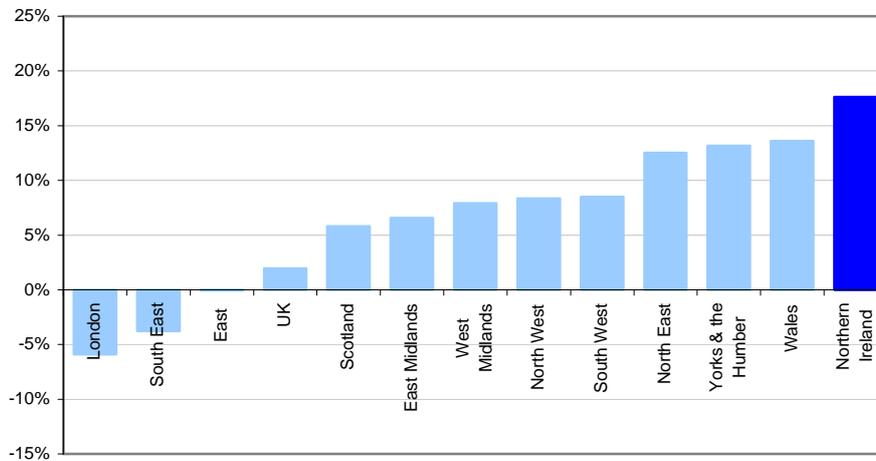
<sup>11</sup> NI - 12.7% compared to Scotland at 11.4% and Wales at 12.8%.

<sup>12</sup> The amount earned by the average individual i.e. the level of earnings above which half the population fall.

<sup>13</sup> Source: ASHE 2006

# Draft Budget 2008-2011

**Chart 2.8: Public Sector Pay Premium by UK Region Adjusting for Occupational Structure**



Source: ASHE, DFP

## ***North / South Economic Co-operation***

- 2.52 The two economies on the island of Ireland face common external threats, as well as opportunities, from global competition. These challenges can be ameliorated by working together on economic issues of mutual concern.
- 2.53 Northern Ireland can exploit the relative advantage of being part of a strong UK economy and by maximising the trading opportunities within the island of Ireland. The proximity to the Republic of Ireland (and its position within the Eurozone) means that many local businesses are already trading successfully with their neighbours.
- 2.54 The Governments of both Northern Ireland and the Republic of Ireland have placed a focus on increased cooperation, aimed at delivering mutual benefits, particularly around the areas of trade and investment, energy, telecommunications, research and development and skills.

# Draft Budget 2008-2011

## Social Context

### *Demography*

- 2.55 Northern Ireland's population is currently estimated at just over 1.7 million with approximately one third living in rural areas and two thirds living in urban areas. The population is relatively youthful with just over 20% of the Northern Ireland population aged less than 15 years – compared with almost 18% of the UK population.
- 2.56 A more youthful and/or elderly population will increase the dependency rate of an economy (i.e. the ratio of non-working age people to the total population). A higher dependency rate is one of the factors that contribute to the gap in GVA per head between Northern Ireland and the other regions of the UK.
- 2.57 Northern Ireland's high dependency ratio is expected to decline from 2011 as the currently youthful population progresses into the working age population. Northern Ireland is projected to have a higher proportion of working age population than the UK from 2011 until 2024. This future increased supply of labour should impact positively on the economic growth of the region, contingent on the demand for jobs being in place.

### *Health*

- 2.58 The mortality rate in Northern Ireland has fallen considerably - from 11 deaths per 1,000 population in 1976 to 8 deaths per 1,000 population in 2006. The reduction in the mortality rate has occurred despite an increase in the proportion of elderly people, i.e. those aged 75 and over represent 6% of the population now compared to 4% in 1976.
- 2.59 This reduction in mortality rates across all age groups reflects significant improvements in both healthcare provision and lifestyle (in terms of, for example, housing conditions and rates of smoking).

## Draft Budget 2008-2011

2.60 Cancer, heart disease, and stroke accounted for over half of all deaths in 2006. Over the last decade, the number of deaths due to cancer has remained broadly constant – last year cancer represented 26% of all deaths registered compared to 17% of all deaths in 1976. The number of people who died from heart disease continues to fall – there were nearly twice the number of deaths due to heart disease in 1976 than last year.

### ***Arts and Culture***

2.61 In relation to cultural and arts activity in Northern Ireland, the 2005-06 Continuous Household Survey Bulletin indicates that:

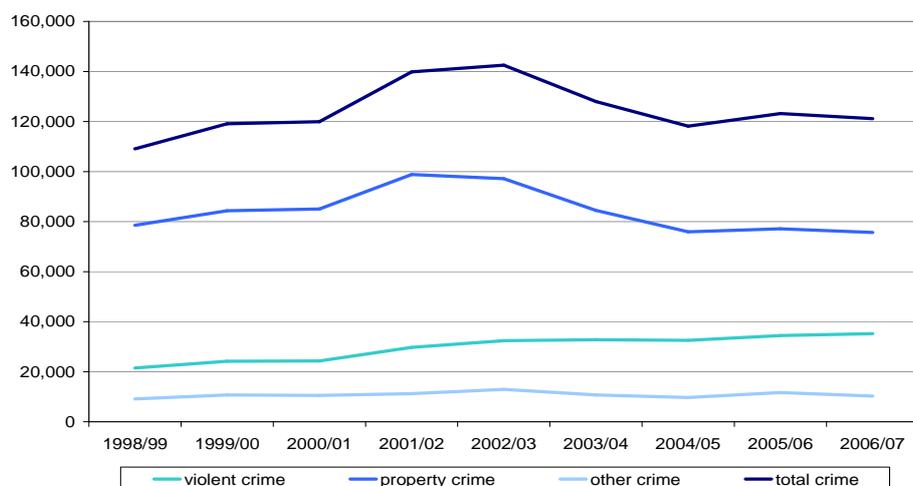
- Half of adults participated in some form of sport in the previous 12 months. Overall, 59% were very satisfied or fairly satisfied with sport provision in Northern Ireland.
- Around one third of adults had visited a public library in the last year (a decrease from 2003-04 of 4 percentage points). Around three-quarters of adults surveyed were very satisfied or fairly satisfied with museum provision in Northern Ireland.
- Just under half of adults attended an Arts performance in the last year. Overall 61% were very satisfied or fairly satisfied with Arts provision in Northern Ireland.

### ***Crime***

2.62 The incidence of crime within a society is often employed as a barometer of social wellbeing. A total of 121,144 offences were recorded during 2006-07 compared with 123,194 in 2005-06. This represents a decrease of 1.7%.

## Draft Budget 2008-2011

**Chart 2.9: Recorded Crime in Northern Ireland, 1998-99<sup>14</sup> to 2006-07**



Source: PSNI

### Environmental Context

2.63 Northern Ireland has a rich and varied natural heritage, which includes habitats and species of international, national and local significance. In recent years, a combination of factors have resulted in major changes to the landscape and wildlife resources of the UK, with much of the original natural habitats and wildlife in many areas being destroyed. Within Northern Ireland the loss of natural sites has not been as dramatic as in Great Britain; however certain habitats, particularly wetlands and peatlands, have been considerably reduced.

2.64 The region has low levels of atmospheric pollution relative to other parts of the UK e.g. low concentrations of sulphur dioxide and nitrogen dioxide emissions. The greatest concentrations of sulphur dioxide are in regions where manufacturing industries are more common. One of the main sources of nitrogen dioxide is road traffic, hence higher concentrations are found in heavily congested areas or major road networks.

2.65 In 2003, 76% of land in Northern Ireland was used as “grass and rough grazing”, compared to 36% in England

<sup>14</sup> On the 1<sup>st</sup> April 1998 the Home Office introduced a number of major revisions in the counting rules under which crime is recorded. Figures prior to this date are not comparable.

## Draft Budget 2008-2011

and 51% in the UK. As a percentage of “all land” in 2003, “inland water” was greatest in Northern Ireland (5%) and lowest in England and Wales (0.6%).

- 2.66 There are no National Parks in Northern Ireland, but the region records the highest percentage (20%) of land area designated as of outstanding natural beauty. Northern Ireland also has a relatively high percentage of green belt land (16%) - well above the UK average (8%).
- 2.67 Waste management is becoming a pressing problem for all UK regions. In Northern Ireland figures for 2005-06 indicate that 77% of municipal waste was sent to landfill. The proportion of municipal waste recycled or composted has increased from 18% in 2004-05 to 23% in 2005-06, an increase of 5 percentage points in the recycling rate.
- 2.68 The region is currently underperforming, relative to the other UK regions, in terms of both biological and chemical river water quality with 54% of local rivers meeting biological quality standards and 74% meeting chemical standards (DEFRA, 2006)<sup>15</sup>. By comparison, in Wales 82% of rivers meet biological quality standards and 95% meet chemical standards.
- 2.69 Climate change and rising fossil fuel prices have focussed attention on finding renewable energy sources. Figures for 2003-04 show that Northern Ireland had the lowest share of electricity produced from renewable energy sources (1.9%) relative to the EU15 (13.7%). The UK and Republic of Ireland produce 2.8% and 4.3% of their electricity from renewable resources respectively.
- 2.70 The most recent quarterly reports<sup>16</sup> from both Halifax and Nationwide indicate that house prices in Northern Ireland experienced significant growth over recent years - well above that of other UK regions. The latest Nationwide survey records a 54% annual increase in house prices, while the Halifax report states that prices rose by 47%. The average house price in Northern Ireland is now in the range £225k (Nationwide) to £229k (Halifax).

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<sup>15</sup> Department for Environment , Food and Rural Affairs, (DEFRA) 2006

<sup>16</sup> Second Quarter 2007.

## Draft Budget 2008-2011

- 2.71 A number of factors have contributed to this house price escalation. In particular, investment from external speculators, high levels of immigration and high demand for properties in the buy-to-let market have been identified as influences. However, recent reports suggest that house price rises may now have peaked and that the recent increases in mortgage rates may result a further slowdown in annual house price inflation.
- 2.72 A modern, efficient and affordable public transport system in Northern Ireland should help alleviate some of the concerns on environmental degradation. Unfortunately public transport is underutilized locally. This may, in part, reflect the more rural nature of Northern Ireland's communities.
- 2.73 However, the latest statistics do suggest a growing usage of public transport. From April to June 2007, a total of 18.5 million public bus passenger journeys were made, representing an increase of 3.9% over the same period in 2006. The number of rail passenger journeys increased at an even faster rate of 13.3% over this time.

### Conclusion

- 2.74 The Northern Ireland economy, society and its environment will have to confront a wide range of challenges over the period covered by the 2008-11 Budget.
- 2.75 The headline economic indicators would suggest that the local economy is performing well, particularly in terms of the labour market. However, there remains a pressing need to address the structural weaknesses in the economy including the high level of economic inactivity amongst the working age population. In addition, the economy needs to substantively improve its productivity performance. Despite record growth in employment in recent years there has been no meaningful convergence in GVA per head with the rest of the UK.

## Draft Budget 2008-2011

- 2.76 The primary problem is that the growth in employment has been in low value, low wage jobs. These will have little positive impact on raising regional productivity. The local economy needs to move up the value-chain in terms of the quality of employment created. To do so will require a change in economic development policy focus.
- 2.77 Northern Ireland compares relatively well on several social, health and environmental indicators. The mortality rate continues to fall. Northern Ireland has low levels of pollution relative to other parts of the UK and scores highly on land devoted to recreational use. Although there are signs of a slowdown, house prices in Northern Ireland have experienced significant growth in recent year and the market should remain buoyant. There is a need to ensure that investment in the various strands of infrastructure is sufficient to meet the requirements of a modern economy.
- 2.78 The tightening fiscal environment will necessitate using public expenditure in a more effective and efficient manner, to deliver enduring value for money returns. This will ensure that there are qualitative improvements in public service provision.

# Draft Budget 2008-2011

## CHAPTER 3 - PUBLIC EXPENDITURE CONTEXT

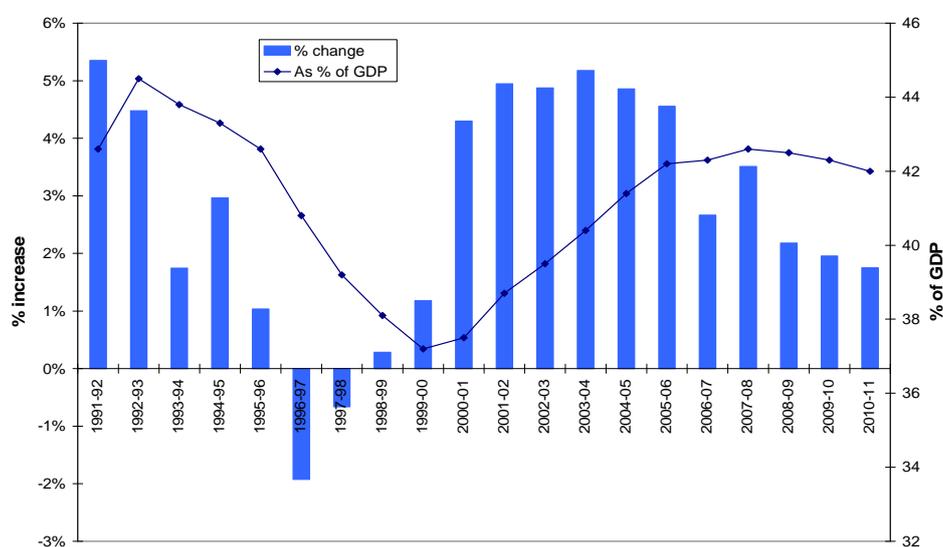
### Introduction

3.1 This section sets out the overall public expenditure context for the 2008-11 Budget process, in terms of the position at both the UK and NI levels.

### UK Context

3.2 Since 2000-01 there has been sustained growth in public expenditure at the UK level which has resulted in public expenditure accounting for a greater share of total economic activity (Gross Domestic Product) as shown in Chart 3.1 below. However, this trend is not sustainable in the longer term with Treasury projections indicating that public expenditure will grow at a slower rate than the economy in general over the period to 2010-11

**Chart 3.1: Total Managed Public Expenditure as a Percentage of GDP**



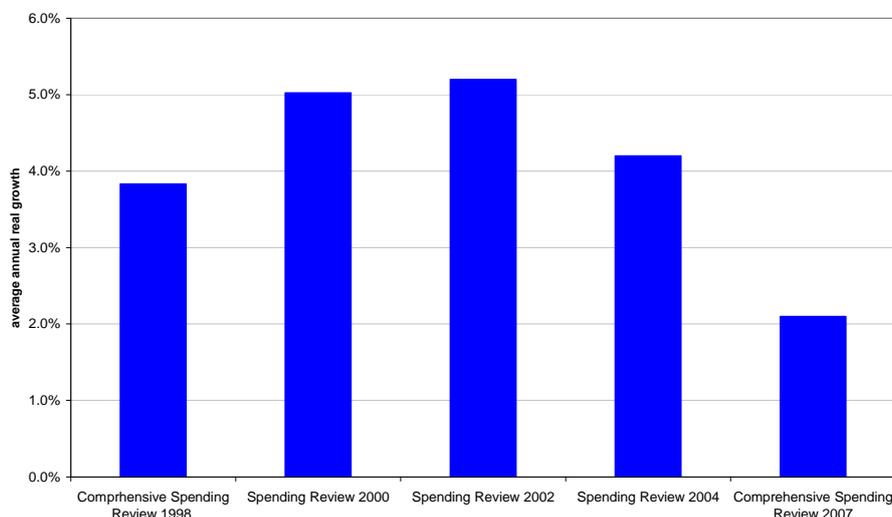
Source: HM Treasury, Budget 2007

3.3 This means that, at the UK level over the 2007 CSR, public expenditure is planned to grow at its slowest rate, since the spending review process was introduced, at around 2% in real terms per year. This is less than half the rate of growth

## Draft Budget 2008-2011

experienced in the 2000 and 2002 Spending Reviews, as shown in Chart 3.2 below.

**Chart 3.2: Average Annual Growth in Planned Departmental Expenditure in Spending Reviews since 1998**



Source: HM Treasury, Budget 2007

- 3.4 In light of the significantly slower growth in available resources, Whitehall departments have developed plans to deliver significant levels of cash releasing efficiencies over the CSR period in order to improve front-line service delivery and release the resources needed to respond to long term challenges. The baseline target is 3% per year across central and local government, net of implementation costs.

### Northern Ireland Context

#### ***Sources of Funding for Public Expenditure***

- 3.5 There are four principal sources of funding for public expenditure in Northern Ireland Departments. These are:
- **Share of UK Public Expenditure allocations** – determined via the Barnett formula. Allocations received through this mechanism are “unhypothecated”, which means that the Executive and Assembly can determine allocations to specific priorities and programmes, regardless of the nature of the spending on comparable English programmes which gives rise to the allocation.

## Draft Budget 2008-2011

- **Regional Rates** – Revenue received from taxation on business and domestic property in Northern Ireland. A rate bill has two parts:
  - (i) **Regional Rate** which is collected to help meet the costs of these central public services that are the responsibility of the Executive; and,
  - (ii) **District Rate** used to fund most of the costs of the District Councils.

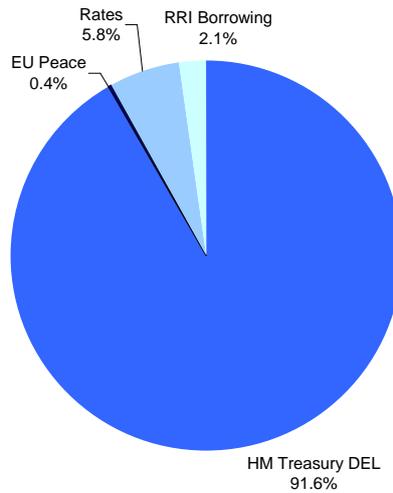
Regional Rate revenues are also “unhypothecated” which means that the revenue collected is not targeted on any specific public spending programme; instead the revenue received is added to the total sums available for allocation by the Executive and Assembly.

- **Borrowing under the Reinvestment and Reform Initiative (RRI)** – Amounts can be borrowed each year for capital investment under the RRI arrangements. This borrowing is subject to annual limits determined by HM Treasury, at present the limit is £200 million per annum.
- **EU Funding** – the level of funding from EU has declined over the years. This funding is targeted towards specific projects.

3.6 Chart 3.3 shows that, of these sources, the most significant comes from the share of overall UK public expenditure (funded from the proceeds of UK wide general taxation).

# Draft Budget 2008-2011

**Chart 3.3: Source of Funding Available to NI Executive, 2007-08**

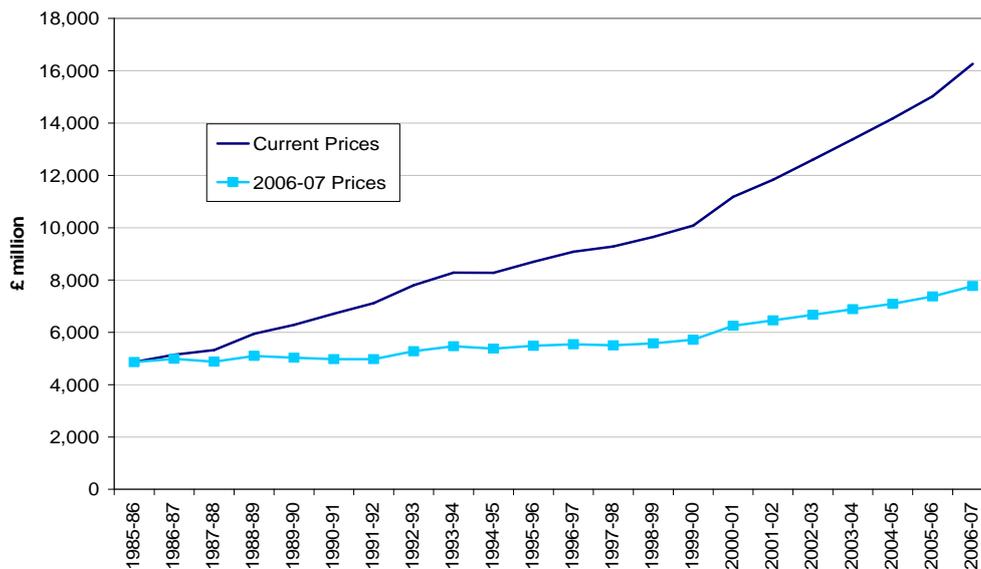


Source: DFP

## ***Trends in Public Expenditure***

3.7 The consequence of the above chart is that public expenditure in Northern Ireland is strongly linked to the position at UK level, and Chart 3.4 below shows that, over the past two decades, public expenditure has grown at around 5.7% per annum in cash terms.

**Chart 3.4: Public Expenditure in Northern Ireland, 1985-86 to 2006-07**

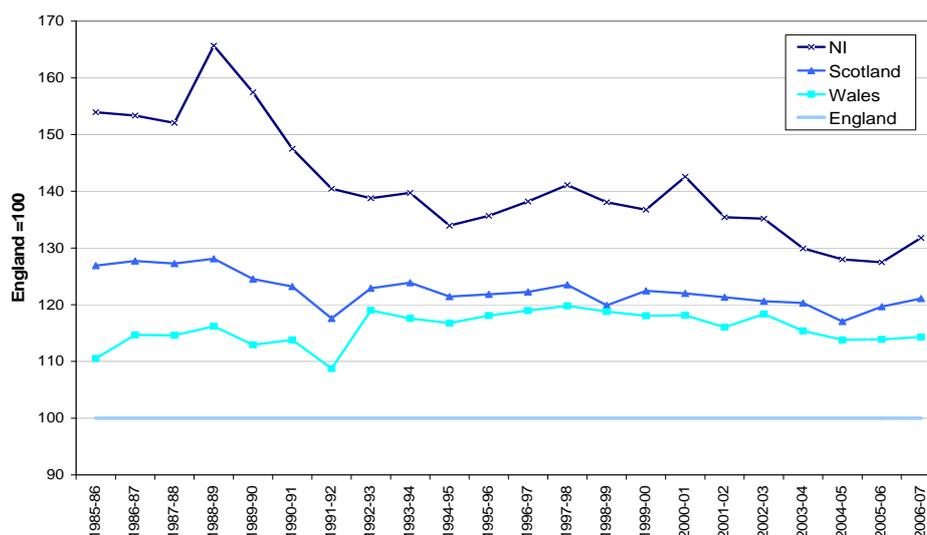


Source: PESA

## Draft Budget 2008-2011

- 3.8 However, up until 2000 most of this growth simply reflected increases in inflation with real growth of around only 1.7% per annum. Subsequently, public expenditure has grown at 3.7% per annum in real terms, significantly in excess of the growth in the economy. It is highly unlikely that such rates of growth can continue in the short to medium term.
- 3.9 Chart 3.5 shows that, despite slower growth in recent years, the level of public expenditure per head of population remains significantly higher in Northern Ireland than in England, Scotland and Wales. The differential is particularly pronounced with respect to capital where identifiable spend is 45% higher than England (compared to 31% higher for resource).

**Chart 3.5: Identifiable Public Expenditure per Head in the Devolved Administration relative to England = 100**



Source: PESA

- 3.10 It is also important to recognise that total identifiable expenditure per head in Northern Ireland includes the Northern Ireland Office as well as benefits payments which are included under Annually Managed Expenditure (AME) such as benefits. These areas are not subject to consideration by the Executive in the course of the local Budget process.

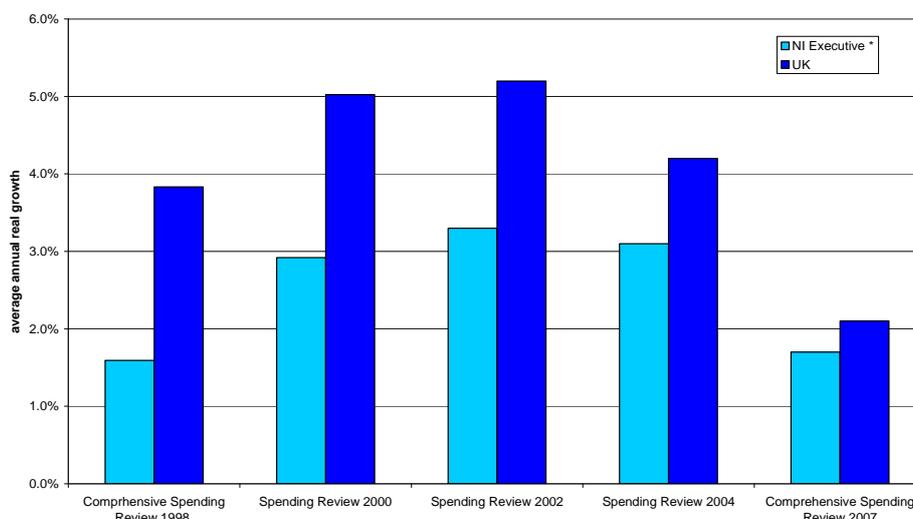
## Draft Budget 2008-2011

### ***Comprehensive Spending Review Outcome for Northern Ireland***

- 3.11 The amount of additional resources from Treasury over the Budget 2008-11 period was set out in the Comprehensive Spending Review (CSR) announcement by the Chancellor of the Exchequer on 9<sup>th</sup> October 2007. In overall terms, the outcome for Northern Ireland was average annual growth across the period of 1.2% in real terms.
- 3.12 The financial consequences for Northern Ireland, Scotland and Wales of the CSR outcomes for Whitehall departments are determined through the Barnett formula. The Barnett formula provides the devolved administrations with a population based share of the change in spend for comparable spending programmes in Whitehall departments.
- 3.13 One feature of the Barnett formula is that, given the relatively higher starting point for the devolved administrations (compared to England – see Chart 3.5 above), and the fact that the Barnett formula only applies to changes in spending plans, the headline level of growth planned for Whitehall Departments will necessarily be higher than that for the devolved administrations (as shown in Chart 3.6 below). The differential will depend on the extent to which additional allocations are distributed to Whitehall departments where there is high comparability in Northern Ireland.

## Draft Budget 2008-2011

**Chart 3.6: Average Annual Growth in Planned Departmental Expenditure for NI in Spending Reviews since 1998**

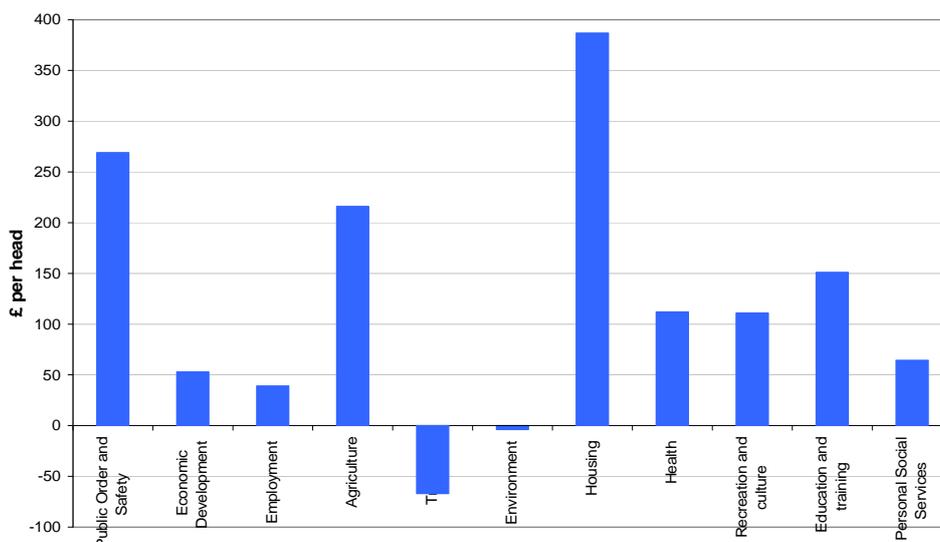


Source: HM Treasury, Budget 2007

Note: NI Executive includes NIO for 1998 CSR

3.14 Chart 3.7 shows that the gap in spend per head of population between Northern Ireland and England, varies significantly across spending programmes. The gaps in terms of public order and safety is a reflection of the higher level of terrorist activity in recent decades but does not currently have an impact on the level of resources available for other services because it remains within the Northern Ireland Office (NIO).

**Chart 3.7: Difference in Spend per head between NI and England by Spending Programme, 2005-06**



Source: PESA

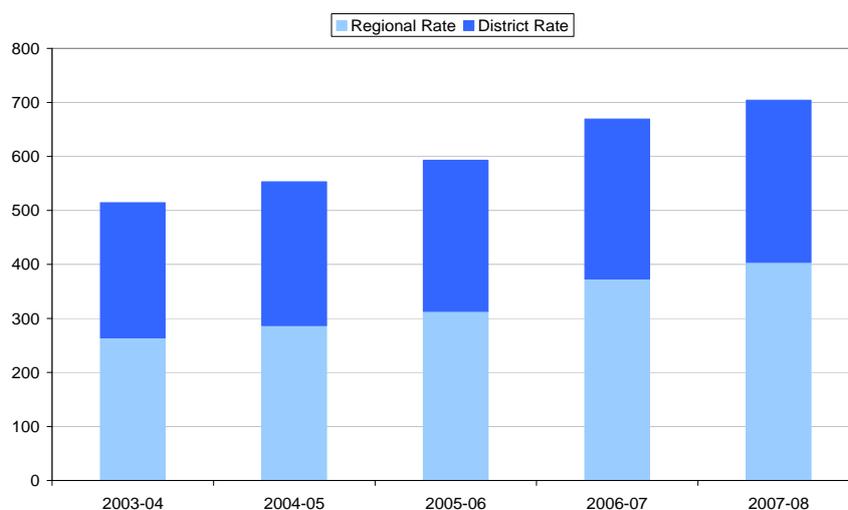
## Draft Budget 2008-2011

- 3.15 The higher level of spend on agriculture is due to the more rural environment in Northern Ireland, while spend on housing is higher in part due to the fact that, as mentioned above, the cost water and sewerage services are, uniquely, not funded from public expenditure in Northern Ireland.
- 3.16 The higher level of spend across public services more generally needs to be considered in the context of the significantly greater need for public services in Northern Ireland, for example the number of pupils per head of population is 19% higher than in England, while higher rates of deprivation and rurality also drive up the costs of providing local public services.

### ***Contribution from Regional Rates***

- 3.17 Income from the Regional Rate currently contributes around £500 million towards the provision of public services by the Northern Ireland Executive with the share from the domestic sector (as opposed to the non-domestic) increasing from 40% in 2000-01 to 48% in 2007-08. The significant increase in domestic rates can also be seen in Chart 3.8 below, and in particular that the regional element has increased by 53% over the past four years compared to only 20% for the district element.

**Chart 3.8: Trend in Northern Ireland Household Rates Bills (District and Regional)**



Source: DFP (Consistent NAV basis)

## Draft Budget 2008-2011

3.18 A further important issue relevant to the level of available funding in the 2008-11 Budget process is the approach to the future funding of Water and Sewerage Services. These services are outside the public sector in England and Wales, thus no additional funds are received from the Treasury (via the Barnett formula) in respect of the costs incurred locally. However, the rising costs associated with providing the services means that, without an additional revenue stream being established to contribute towards these costs, there would be an ongoing need to use amounts received through the Barnett formula, which could otherwise be directed to, for example, the health and education sectors.

### Distribution of Available Resources

3.19 Although the most significant element of the resources available to the Executive in each Budget process is based upon changes in comparable spending programmes in England, (in national Spending Reviews), local Ministers have complete discretion to allocate the resources received in terms of their assessment of local needs and priorities. Therefore projects announced for England may not be delivered, or may be delivered in a different way in Northern Ireland, reflecting local needs and priorities.

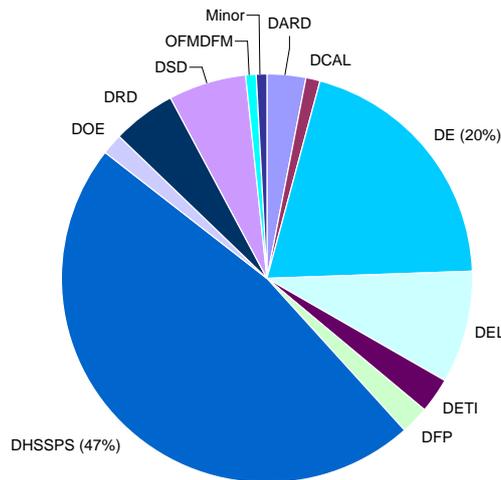
3.20 Departmental budgets are separated into capital budgets and current budgets:

- **Capital budgets** include expenditure on new construction, land, extensions and alterations of existing building and the purchase of fixed assets such as plant and machinery. It also includes expenditure on stocks and grants and lending for capital purposes.
- **Current budgets** (also referred to as resource budgets) include most direct expenditure on public sector pay and providing services e.g. health or education reflecting continuing programmes financed each year.

## Draft Budget 2008-2011

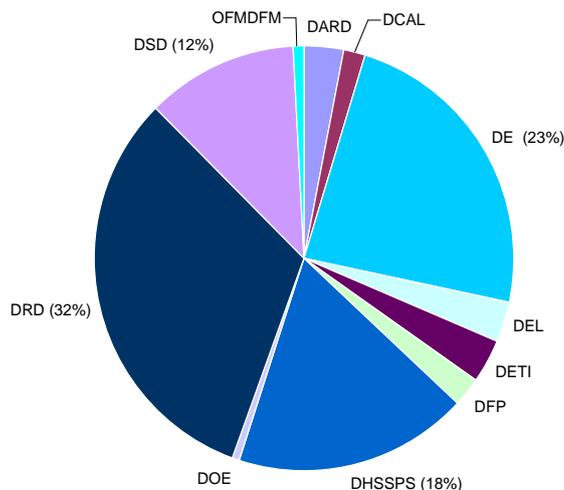
3.21 Chart 3.9 shows that the majority of current public expenditure is allocated to two main departments, the Department of Health, Social Services and Public Safety and the Department of Education.

**Chart 3.9: Breakdown of Current Expenditure by Department, 2007-08**



3.22 In 2007-08 there is planned to be £1.3 billion of capital expenditure with a more even distribution across departments as shown by Chart 3.10.

**Chart 3.10: Breakdown of Capital Expenditure by Department, 2007-08**



## Draft Budget 2008-2011

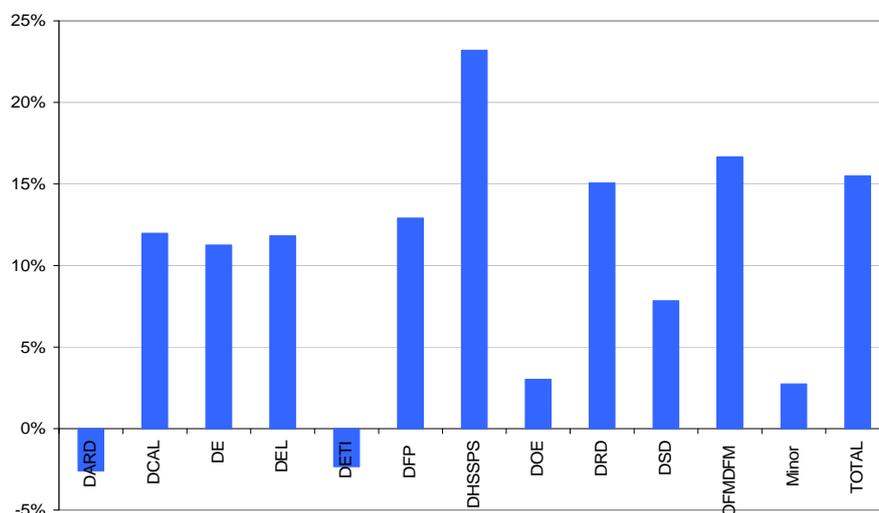
3.23 The key strategic issue for any Government is how the available resources should be allocated between the range of public services. There are a number of critical factors including objective levels of relative needs as well as the effectiveness of additional funding in addressing this need.

### Trends in Spend

3.24 The current position as regards the relative levels of spend on individual public services reflects the decisions made as regards spending priorities in previous Budget going back many years. However, it is also important to reflect on the most recent decisions as regards spending priorities.

3.25 Chart 3.11 shows that in recent years there has been a clear shift in priority spending away from DETI and DARD and strong growth in DHSSPS, with Direct Rule Ministers reflecting the priorities set for Whitehall departments.

**Chart 3.11: Percentage Change in Current Expenditure by Department, 2004-05 to 2007-08**



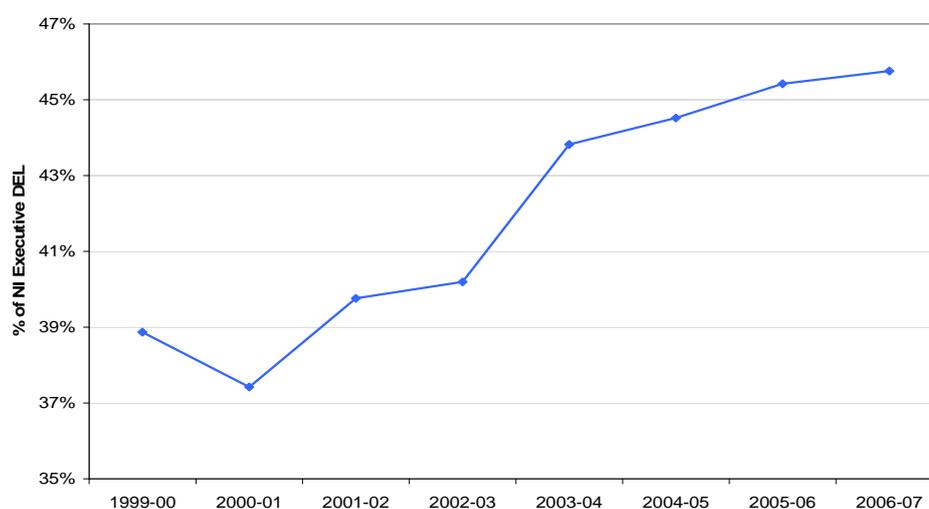
3.26 Looking forward, one of the most significant issues facing this and future Executives will be the priority that should be given to health & social services compared with other public services.

## Draft Budget 2008-2011

3.27 In common with most industrialised countries, the trend over recent years has been for this area to absorb an increasing share of the total funding available for public services in NI, due to changing demographics (particularly for social services), and increasing public expectations.

3.28 In this respect Chart 3.12 highlights the increasing share of spending accounted for by Health and Personal Social Services in recent years.

**Chart 3.12: Proportion of NI Executive Departmental Expenditure accounted for by Health and Social Care**



Source: PESA

3.29 Whilst there a number of actions that can be taken to ameliorate this trend (including future limits on pay growth, improved public health behaviours and withdrawal of services with little therapeutic value), the key strategic issue for us, as elsewhere, is how much more of our available resources should be redeployed to health and social services and away from other public services.

### Expenditure Pressures

3.30 Although, the Executive has full flexibility as regards the use of the available resources, in reality there are significant constraints.

3.31 The most significant in this respect is pay, which directly accounts for around 55% of current expenditure, while a

## Draft Budget 2008-2011

substantial proportion of the remaining spend is used to fund salary costs indirectly. Private sector workers in Northern Ireland have pay rates on average 15% lower than in Great Britain. However, there tends to be broad parity with the rest of the UK with respect to public sector pay which results in a significant public sector wage premium in Northern Ireland, i.e. public sector pay is higher than private sector pay.

- 3.32 In addition, to making the private sector a less attractive employment choice, this also means that a large proportion of the available resources in any Budget process needs to be set aside to deal with public sector pay pressures. Whilst there is increasing scope to reflect local labour market conditions in national wage bargaining, this has not had any significant impacts on public sector pay settlements to date.
- 3.33 The Executive has also inherited a large number of expenditure commitments from Direct Rule Ministers, particularly in terms of capital projects. This reflects the fact that there is a long lead-in period for capital projects with many years, between initial concept approval and project completion.
- 3.34 Although, this is entirely reasonable, it is also difficult for the Executive to reverse or even amend decisions that have been taken previously. In addition, capital projects often have substantial resource consequences – for example in the health sector the payment of the staff to run the new ward.
- 3.35 As a small administration within both the United Kingdom and, as a consequence, the European Union, Northern Ireland also incurs significant costs associated with meeting its share of broader projects, for example preparation for Pandemic Flu, as well as obligations under UK/EU legislation – for example enhanced vetting of those working with vulnerable persons.
- 3.36 In overall terms therefore, whilst there appear to be substantial resources available for the Executive to provide services in light of local circumstances, in reality most of these resources are required to meet the costs of ongoing commitments (especially for public sector pay) and previous commitments.

## Draft Budget 2008-2011

### Conclusion

- 3.37 In overall terms, the Northern Ireland Executive is facing a less benign fiscal environment as it develops spending plans for the coming three years.
- 3.38 In part this reflects the slowdown in the growth of public expenditure at UK level. In addition, the substantial increases in Regional Rates bills in recent years, means that additional income cannot reasonably be expected from this source. Therefore, it is essential that departments examine the scope to use their existing resources more efficiently and effectively.

# Draft Budget 2008-2011

## CHAPTER 4 – RESOURCES

### Introduction

4.1 This chapter sets out the resource control framework within which the Budget process has been taken forward, and identifies some issues which are relevant to the use of available resources.

### Public Expenditure Control Framework

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

4.3 The former element reflects the ongoing cost of providing services (for example pay, operating costs, and grants to other bodies) whereas capital investment reflects the investment in assets which will provide or underpin services in the longer-term (for example, in schools, hospitals, roads, etc).

### Local Funding

4.4 Chapter 3 sets out the public expenditure context for the 2008-11 Budget process, and in particular the various sources of funding available to the Executive. Aside from the CSR outcome for Northern Ireland, covered in Chapter 3, the most significant issue is revenue generated through the Regional Rate.

#### ***Domestic Regional Rates***

4.5 As illustrated in Chapter 3, in the past five years we have experienced domestic regional rates increases in the order of 62%, with a 19% increase in one year. In this context, and reflecting the parallel issue of funding water and sewerage services, the Executive proposes that the domestic regional rate should be held constant, in cash terms, over the next three years. Aside from seeking to redress the implications of our predecessors' decisions, this will also help us manage

## Draft Budget 2008-2011

what will be a difficult process of phasing in new water contributions from households.

### ***Non Domestic Regional Rates***

- 4.6 For the business regional rate, the position is somewhat different, in that there have been more modest increases in their bills, averaging 3.3% over the past 5 years. However, businesses too will be facing increased water costs over the next few years, and in this context the Executive is proposing increases are limited to 2.7% a year for the next three years, meaning no increase in real terms over that period.

### **Issues Which Impact on Use of Available Resources**

- 4.7 In addition to the above, three key issues impact on the use of these available resources:
- The scope for efficiency savings;
  - The approach to funding water and sewerage services; and
  - The use of planned overcommitment.

### ***Efficiency Gains***

- 4.8 Over and above the pure quantum of available resources, a key issue in terms of the level of outputs and outcomes achieved is the extent to which public services are delivered efficiently. Given the scale of public expenditure in Northern Ireland, even marginal changes in the level of efficiency give rise to significant sums in absolute terms. The need to maximise efficiency is particularly important over the period to 2010-11, when the additional funds from other sources will be less than in previous years. Efficiency gains can either be cash releasing (where the benefit is in the form of additional resources for redeployment in other areas) or non-cash releasing (where improvements in the quantity and quality of a service increasing at a faster rate than inputs).
- 4.9 In line with the approach adopted by Whitehall Departments, the Executive has agreed that NI Departments should work to deliver cumulative efficiency gains of 3% a year over the

## Draft Budget 2008-2011

period 2008-09 to 2010-11. All of the efficiency savings made over this period will be resource releasing.

- 4.10 This compares to the position over the previous three years (2005-06 to 2007-08) when, although a 2.5% cumulative efficiency target was in place, only around half of gains sought were to be resource releasing.
- 4.11 In total, departments plan to deliver some £790 million efficiency gains by 2010-11. Details of the targets for each individual department are set out in Chapter 6, with a summary table at Annex B.
- 4.12 Building on this, the Minister for Finance and Personnel recently proposed that he is establishing Performance and Efficiency Delivery Unit (PEDU) to examine *inter alia* the scope for departments to deliver higher levels of cash releasing efficiencies, combined with parallel improvements in performance and delivery. Further details in respect of this issue will be published in due course.

### ***Approach to Funding Water and Sewerage Services***

- 4.13 Unlike all other areas of UK, where water and sewerage services are full funded by consumer charges, in Northern Ireland the services are currently primarily funded from public expenditure. This creates a funding pressures in other areas, as a consequence of the outworking of the Barnett formula – in simple terms, because no public expenditure allocations are made in England, Northern Ireland does not receive any Barnett consequentials in respect of these services, and thus Barnett allocations arising in other areas, for example health and education, need to be diverted to cover the associated costs.
- 4.14 The previous direct rule administration proposed the introduction of full charging, in addition to existing contributions through the regional rate, with effect from 2007-08. However, in response to the widespread public concern about the proposals, the Executive deferred the introduction of these charges in 2007-08, and initiated a review, by an Independent Water Review Panel of the associated issues.

## Draft Budget 2008-2011

4.15 On the 22<sup>nd</sup> October, the Minister for Regional Development presented the Executive's response to the Strand One Report of the Independent Water Review Panel. In summary, this response fully recognised that consumers should not pay twice for the underlying services (ie through regional domestic rates and separate, and additional, water charges), and accepted the Report's recommendations as to how this issue should be addressed. While further work will be taken forward on the detail of this, in advance of the finalisation of the Budget in the New Year, the public expenditure implications of this position are included within the position set out in this Draft Budget.

### ***Planned Over-commitment***

4.16 In response to the need to manage the implications of the rapid growth in public expenditure that has occurred in recent years and, in particular, to reduce levels of year-end underspend, an element of planned over-commitment has been included in recent Budget allocations.

4.17 This approach, which has been an effective way of managing the extent of year-end underspend in Northern Ireland, involves making a prudent estimate of likely year-end underspend, and effectively over-allocating resources to departments by that amount. This provided for some public expenditure allocations to be made in anticipation of in-year reduced requirements, rather than being made in response to the emergence of reduced requirements within the course of any single financial year. However, the key trade-off is that it reduces the level of flexibility available during the course of any year.

4.18 Recent experience of this mechanism, and in particular the position the Executive inherited from direct rule Ministers, in respect of the 2007-08 financial year, is that the balance has been skewed too far towards the pre-allocation of anticipated in-year underspending, with the consequence that very little exists to address emerging pressures in the course of the year (for example, to facilitate a response to unanticipated pressures, such as the recent incidents of flooding).

## Draft Budget 2008-2011

4.19 In moving forward the Executive has concluded that there is a need to reduce the level of planned overcommitment so as to ensure that there will be some degree of in-year flexibility available across the Budget period. However, the pace at which we can reduce our reliance on this mechanism will be constrained by the fact that any immediate and significant reduction will reduce our flexibility across the Budget years. Therefore, the Executive proposes that initial level of planned overcommitment should be reduced to £100 million in 2008-09; £80 million in 2009-10; and £60 million in 2010-11.

### Allocation of Resources

4.20 Within any planning period, and as described above, the scope to allocate resources is constrained by the amounts that can be made available from new sources or by reallocating money from lower to higher priority areas. In addition existing programmes and activities already being funded, and other commitments such as pay costs (which absorb over half the current budget), mean that the scope to reallocate money to new priorities is limited.

4.21 The strategic context for these proposals is the Executive's draft 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 led growth are in place.

4.22 Although all departments can legitimately put forward a case that their activities, in some way, have an impact on this priority it is clear that the relationship is strongest with respect to DETI and DEL as well as DE, and DRD with respect to infrastructure.

4.23 The draft PfG also recognises the importance of delivering modern, high quality and efficient Public Services. Health, Personal Social Services and Education have benefited from significant levels of additional investment in recent years. Whilst it is critical that this previous investment delivers a return over the coming years in terms of improved public sector outcomes, there is also a need to ensure that

## Draft Budget 2008-2011

sufficient resources are made available to protect previous levels of additional investment and to achieve further growth in the period up to 2010-11.

- 4.24 The constraints imposed by the options available to us for dealing with water charges, as outlined above, mean that we are faced with very limited overall room to manoeuvre in terms of allocating disproportionate increases to any particular area of expenditure. Therefore, a prudent and proportionate course has been adopted to ensure that current levels of priority frontline public service provision can be maintained and where possible improved over the Budget period.

### **Investment Strategy for Northern Ireland**

- 4.25 The capital investment plans set out in this Draft Budget are consistent with those public expenditure allocations (Northern Ireland Executive Funds) in the Draft Investment Strategy for Northern Ireland. The departmental allocations have been determined as part of the development of the Investment Strategy which underpins the Executive's Draft Programme for Government.
- 4.26 The Investment Strategy sets the context for the three year capital investment plans contained in this Draft Budget, as well as setting the strategic direction for investment in public sector infrastructure over the next decade. It clearly identifies the Executive's priority areas for investment during this Budget period 2008-11, and over the lifetime of the Strategy 2008-18.
- 4.27 Adopting a strategic approach, whilst providing a sufficient level of detail, the Investment Strategy is intended to assist the Executive and the private sector to plan ahead for the challenge of delivering a significant investment programme.
- 4.28 The capital investment plans in this Draft Budget provide a sustained level of investment across the Budget period to ensure we have the right infrastructure in place to support

## **Draft Budget 2008-2011**

the growth of our economy, promote social inclusion, sustainable communities and personal health and wellbeing.

## Draft Budget 2008-2011

### CHAPTER 5 – PRIORITY OUTCOMES AND ASSOCIATED PUBLIC EXPENDITURE ALLOCATIONS

- 5.1 The Executive's strategic priorities and key plans for 2008-11 are set out in the draft Programme for Government, published alongside the draft Budget and Investment Strategy, which have guided the Departmental Allocations set out below.
- 5.2 The Executive's overarching aim is to build a peaceful, fair and prosperous society in Northern Ireland supported by a vibrant and dynamic economy and a rich and sustainable environmental heritage.
- 5.3 To achieve this aim, the Executive needs to pursue an innovative and productive economy and a fair society that promotes social inclusion, sustainable communities and personal health and wellbeing. However, this must be taken forward in ways that protect and enhance the physical and natural environment and use resources in the most sustainable and efficient way possible.
- 5.4 There are many challenges facing the new Executive as it seeks to deliver the type of future we all want. In order to address these challenges and realise the opportunities available there will be a focus towards achieving five key strategic and interdependent priorities – as follows:
- Grow a dynamic, innovative economy;
  - Invest to rebuild public infrastructure;
  - Deliver modern, high quality and efficient Public Services;
  - Protect and enhance Northern Ireland's environment and natural resources; and,
  - Promote tolerance, inclusion, health and wellbeing.
- 5.5 Growing the economy will be the Executive's top priority over the lifetime of the Programme for Government. This is vital if Northern Ireland is to have the wealth and resources required to build the peaceful, prosperous, fair and healthy society, supported by the public services and infrastructure which the people of Northern Ireland expect and deserve.

## Draft Budget 2008-2011

- 5.6 The priority areas are interconnected, and it is recognised that it is not possible to grow the economy in isolation from determined efforts to transform society and enhance the environment. Building a strong economy requires a healthy, well educated population, high quality public services, a commitment to use prosperity to tackle disadvantage and a tolerant, inclusive and stable society if Northern Ireland is to attract the investment and skills needed to promote growth. It is also imperative that economic growth and wealth creation are taken forward in a manner which is sustainable in order to meet the needs of today, as well as those of future generations.
- 5.7 In light of this, the Executive's approach to delivering its priorities will be underpinned by two crosscutting key themes:
- **A Better Future:** fairness, inclusion and equality of opportunity will be watchwords for all of the Executive's policies and programmes.
  - **Sustainability:** building a sustainable future will be a key requirement for the Executive's economic, social and environmental policies and programmes.
- 5.8 To support these priorities and help realise the goal of a better future a framework of 23 Public Service Agreements (PSAs) have been developed. These are set out in Table 5.1 below and in greater detail in the Programme for Government. They confirm the key actions that will be taken in support of the Executive's priorities, and the outcomes and targets to be achieved over the next three years. The draft Budget spending allocations are conditional on the achievement of these outcomes and objectives.
- 5.9 In contrast to the previous systems of PSAs the revised framework there is a greater focus on addressing key crosscutting issues and challenges. The PSAs therefore transcend departmental boundaries while many of the outcomes are interdependent. This will help ensure a focus across Government on the key issues and outcomes to which the Executive is committed. Driving them forward in a cohesive manner will be essential and will require all departments to work closely together.

## Draft Budget 2008-2011

5.10 Performance against the commitments made in the Programme for Government and PSAs will be measured and monitored to ensure that delivery is on track. The Executive will also review and consult on its priorities and performance annually to ensure that funding and actions remain clearly focused on addressing the challenges and opportunities if we are to deliver a better future for everyone in Northern Ireland.

**Table 5.1: Executive Public Service Agreement Aims**

PSA	Aim
PRODUCTIVITY GROWTH	Improve Northern Ireland's manufacturing and private services productivity.
SKILLS FOR PROSPERITY	Ensure people have the right skills to deliver economic prosperity now and in the future and increase skills and career choices in STEM subjects.
INCREASING EMPLOYMENT	Increase employment levels and reduce economic inactivity by addressing the barriers to employment and providing effective careers advice at all levels.
SUPPORTING RURAL BUSINESSES	Help agri-food businesses and rural SMEs develop, grow and contribute to a more sustainable environment.
TOURISM	Develop the tourism sector and promote Northern Ireland as a must-visit destination to facilitate growth in business and leisure visitors.
CHILDREN AND FAMILY	To ensure that children are cared for, live in safety, are protected from abuse, receive the support they need to achieve their full potential, become more independent and grow into well adjusted adults, taking their place in the community.
MAKING PEOPLES' LIVES BETTER	Drive a programme across Government to reduce poverty and address inequality and disadvantage.
PROMOTING HEALTH AND ADDRESSING HEALTH INEQUALITIES	Promote healthy lifestyles, address the causes of poor health and wellbeing and achieve measurable reductions in health inequalities and preventable illnesses.

## Draft Budget 2008-2011

PSA	Aim
PROMOTING ACCESS TO CULTURE, ARTS AND LEISURE	Contribute to Northern Ireland's economic, health and educational goals by increasing participation and access to Culture, Arts and Leisure activities.
HELPING CHILDREN AND YOUNG PEOPLE TO ACHIEVE THROUGH EDUCATION	Encourage all children to realise their potential by improving access to formal and non formal education and provision tailored to the needs of disadvantaged children and young people.
DRIVING INVESTMENT AND SUSTAINABLE DEVELOPMENT	Driving sustainable long-term investment in key infrastructure over the period 2007-08 to 2017-18 and promoting sustainable development across the public sector, business and wider society.
HOUSING, URBAN REGENERATION AND COMMUNITY DEVELOPMENT	Promote decent, energy efficient, affordable housing and regenerate disadvantaged areas and towns and city centres, and support community development to create environments which enhance quality of life and contribute to wellbeing.
IMPROVING THE TRANSPORT INFRASTRUCTURE	Maintain and develop the public road and rail network and improve public transport provision to deliver a modern, efficient and sustainable transportation system that facilitates economic growth and social inclusion across the region.
PROMOTING SAFER ROADS	Deliver a safer roads network and achieve measurable reductions in road deaths and serious injury.
WATER AND SEWERAGE INFRASTRUCTURE	Contribute to the health and wellbeing of the community and the protection of the environment by developing and maintaining a policy and regulatory environment which provides modern, high quality water and sewerage services.
INVESTING IN THE HEALTH AND EDUCATION ESTATES	Take forward a programme of investment to provide a modern fit-for-purpose health and education estate in line with best practice and ensuring value for money.
RURAL INFRASTRUCTURE	Help rural communities improve the physical, economic and social infrastructure of their areas.

## Draft Budget 2008-2011

PSA	Aim
DELIVER HIGH QUALITY HEALTH AND SOCIAL SERVICES	Provide timely and appropriate access to high quality, integrated and cost-effective health and social services, to deliver improved outcomes.
RAISING STANDARDS IN SCHOOLS	Educate and develop young people to the highest possible standards to deliver improved outcomes for all young people, including measurable reductions in the gap in educational outcomes between highest and lowest attainers.
IMPROVING PUBLIC SERVICES	Improve the quality and the cost-effectiveness of public services to include delivery of the wider public sector reform programme and efficiency savings and outworking of decisions on the RPA.
ENABLING EFFICIENT GOVERNMENT	To provide for the effective operation of the institutions of government by supporting Ministers and facilitating effective interdepartmental working in the delivery of an agreed Programme for Government, Budget, Investment Strategy and legislative programme.
PROTECTING THE ENVIRONMENT AND REDUCING OUR CARBON FOOTPRINT	Improve the quality of Northern Ireland's natural and built environment and heritage and reduce Northern Ireland's carbon footprint.
MANAGING THE RISK OF FLOODING FROM RIVERS AND THE SEA	To manage flood risk to encourage and support the social, economic and environmental development of Northern Ireland.

## Draft Budget 2008-2011

### CURRENT EXPENDITURE

	Outturn	Plans							
	2006-07 £m	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%	
Agriculture & Rural Development	221.7	226.4	235.7	4.1	237.8	0.9	244.7	2.9	
Culture, Arts & Leisure	98.7	108.3	107.3	-1.0	109.4	2.0	117.5	7.4	
Education	1,586.3	1,719.2	1,770.5	3.0	1,870.5	5.6	1,952.3	4.4	
Employment & Learning	617.6	731.5	734.4	0.4	771.2	5.0	818.8	6.2	
Enterprise, Trade & Investment	190.0	199.6	214.2	7.3	223.9	4.6	229.8	2.6	
Finance & Personnel	178.9	175.4	179.5	2.4	162.4	-9.5	160.5	-1.2	
Health, Social Services & Public Safety	3,585.7	3,804.8	3,938.8	3.5	4,064.1	3.2	4,259.2	4.8	
Environment	116.2	134.7	137.2	1.8	136.2	-0.7	135.1	-0.8	
Regional Development	368.7	278.0	287.6	3.5	309.2	7.5	335.2	8.4	
Social Development	472.0	521.0	529.5	1.6	522.6	-1.3	522.3	-0.0	
Office of the First Minister & Deputy First Minister	55.6	70.9	73.9	4.1	79.4	7.5	84.3	6.1	
Northern Ireland Assembly	33.9	47.6	47.6	-	47.6	-	47.6	-	
Other Departments	21.2	19.6	18.9	-3.4	19.4	2.3	19.8	2.4	
<b>Total Planned Spend</b>	<b>7,546.4</b>	<b>8,036.9</b>	<b>8,275.1</b>	<b>3.0</b>	<b>8,553.7</b>	<b>3.4</b>	<b>8,927.2</b>	<b>4.4</b>	

## Draft Budget 2008-2011

### CAPITAL INVESTMENT (NET OF RECEIPTS)

	Outturn	Plans			
	2006-07 £m	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
Agriculture & Rural Development	42.2	83.0	83.6	28.6	-171.1
Culture, Arts & Leisure	15.3	43.0	64.5	74.1	79.9
Education	128.0	279.8	213.6	252.3	200.1
Employment & Learning	53.8	68.9	40.7	38.7	44.6
Enterprise, Trade & Investment	24.2	77.5	48.0	87.9	78.2
Finance & Personnel	43.2	51.1	-145.0	22.7	16.0
Health, Social Services & Public Safety	185.1	177.8	202.6	203.7	213.2
Environment	13.3	9.8	10.7	22.5	171.2
Regional Development	421.0	373.1	568.7	416.0	419.9
Social Development	69.5	231.3	153.7	145.3	223.4
Office of First Minister & Deputy First Minister	1.5	11.7	12.4	23.2	17.3
Northern Ireland Assembly	0.1	2.0	0.3	0.3	0.3
Other Departments	0.8	0.4	0.4	0.4	0.4
<b>Total Allocations</b>	<b>997.9</b>	<b>1,409.4</b>	<b>1,254.2</b>	<b>1,315.6</b>	<b>1,293.4</b>

## **Draft Budget 2008-2011**

### **CHAPTER 6 – DEPARTMENTAL PROPOSED BUDGET ALLOCATIONS**

This Chapter highlights the key policies and programmes which the eleven Government departments will be pursuing with the resources which have been allocated for each. It includes a separate section for each department detailing, a short commentary on key policy initiatives and programmes that will be taken forward and a summary table of Budget allocations.

## Draft Budget 2008-2011

### DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT (DARD)

The DARD vision is of a thriving and sustainable rural community and environment. The Department has 5 associated strategic objectives as follows:

- To improve performance in the market place;
- To strengthen the social and economic infrastructure of rural areas;
- To enhance animal, fish and plant health and welfare;
- To develop a more sustainable environment; and
- To deliver efficiently our services to customers.

#### Key Issues/Challenges over period to 2010-11

Sustainable Development will be the overarching driver of change for the Department up to 2010-11, whether it is in relation to the environment, the agri-food, the fishing industry or rural development. It will also shape the activities of many of DARD's clients, with Common Agricultural Policy (CAP) and Common Fisheries Policy reform reinforcing the requirement on farmers and fishermen to act in an environmentally sustainable and responsible way.

The decoupling of EU subsidy from production has freed farming to respond to the demands of the market place, its customers, the environment and local communities. The CAP Healthcheck will be a key milestone, as will preparations for the CAP Review of 2013.

Market change will inevitably impact on the Department's work: increased market competition, the growth of multiples and cheaper produce from other countries are all likely to affect the agri-food industry in the coming years. In particular, the Report of the Red Meat Taskforce highlights the future serious challenges facing the industry. In addition, the requirement for easily prepared and healthy food as well as organic products will influence the industry. Direct intervention in the market is not an option for Government so its role will largely be in assisting the industry to adapt to changes in the market place.

The economic problems facing farmers, particularly beef and hill sheep farmers, are going to be a significant issue. A

## **Draft Budget 2008-2011**

consequence of this will be a restructuring of the industry, some diversification out of traditional farming, and hopefully the growth of a stronger, more diverse rural economy.

### **Draft Budget 2008-11 Allocations**

Over the Budget period DARD will make a major contribution to the Executive's Public Service Agreement targets of Supporting Rural Businesses, Rural Infrastructure and Managing the Risk of Flooding from Rivers and the Sea. This will be achieved by supporting agri-food businesses and rural Small and Medium Enterprises so they can develop, grow and contribute to a more sustainable environment and by helping rural communities improve the physical, economic and social infrastructure of their areas. Flood risk will be managed to protect properties and to encourage and support the social, economic and environmental development of Northern Ireland.

The draft Budget allocations would enable DARD to continue to strive to achieve the vision and strategic goals set out in its 5 year Strategic Plan to 2011. The Department would continue to seek to improve performance in the market place through its people and business development programmes at the College of Agriculture, Food and Rural Enterprise (CAFRE), the provision of processing and marketing grants and the delivery of agri-food scientific programmes by the Agri Food and Biosciences Institute (AFBI). The new NI Rural Development Programme (NIRDP) 2007-13 will fund a range of initiatives targeted at the farming industry and rural communities in order to improve the competitiveness of rural businesses and enhance the quality of rural life.

In parallel, DARD's proposals for a complementary raft of rural development anti-poverty measures aimed at capacity building in rural areas and targeted specifically at children, childcare and communities will also improve the quality of life in rural areas and help diversification of the rural economy.

The proposed Budget allocation would allow the enhancement of animal, fish and plant health and welfare by lowering animal disease levels through the TB/Brucellosis action programme and development of an All-Island Animal Health Strategy while AFBI

## **Draft Budget 2008-2011**

would continue to deliver scientific programmes in animal and plant health.

DARD will continue to seek to develop a more sustainable environment by further increasing the public and private forest area, as well as the development of more sustainable fisheries and flood protection measures through the Rivers Agency. The actions included in the NIRDP will also improve the environment and countryside while AFBI will continue to deliver environmental scientific programmes. The proposed allocations would allow the Department to support applicants to the Farm Nutrient Management Scheme helping ensure cleaner water and compliance with EC Directives.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £6.2 million, £12.2 million and £18.1 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. This will be achieved through a range of measures including actions taken to deliver efficiencies in the area of Animal Health, revised funding arrangements for Less Favoured Area Compensatory Allowances and improved business processes to deliver savings in administration.

### **European funding**

The Department is the Managing Authority and Paying Agency for the Northern Ireland Rural Development Programme 2007-2013 (NIRDP) which is co-financed by the European Agricultural Fund for Rural Development (EAFRD) and will also be responsible for the Northern Ireland element of the UK's allocation under the European Fisheries Fund (EFF). The Funds aim to improve the competitiveness of the agriculture and forestry sector, create a fishing sector that is sustainable and profitable, support local communities and improve the environment, countryside, the quality of life in rural areas and the diversification of the rural economy.

Spend on three Structural Fund Programmes is scheduled to be complete by December 2008; the INTERREG IIIA Programme, the LEADER + Programme and the BSP Programme. DARD will

## **Draft Budget 2008-2011**

be the accountable NI Department for Rural Development activities under a new European Structural Fund Programme, INTERREG IV. Initiatives will focus on developing a dynamic rural economy, and promoting innovative ways of addressing specific cross-border problems experienced in those most disadvantaged rural areas.

### **Equality and Good Relations**

As required, each of the DARD spending proposals has been subject to scrutiny through the process of completing a High Level Impact Assessment (HLIA).

Although it remains difficult for DARD to identify specific equality outcomes for many of its proposals in relation to, for example, animal, fish and plant health and welfare, there are some significant equality outcomes to highlight. The Department's rural development proposals will benefit many of the under represented Section 75 equality groups living in rural communities, and will provide clear outcomes in relation to improving the lives and wellbeing of those who may be living in poverty and isolation.

## Draft Budget 2008-2011

### Department of Agriculture and Rural Development - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Service Delivery Group	65.6	75.4	14.9	78.4	4.0	86.3	10.0
Veterinary Service	29.2	29.3	0.3	29.1	-0.6	28.3	-2.9
Central Policy Group	95.7	91.2	-4.7	90.0	-1.2	89.4	-0.8
N/S Body: Foyle, Carlingford & Irish Lights	1.8	2.3	27.3	2.6	12.9	2.5	-3.9
Rivers Agency	15.2	15.8	3.9	16.0	1.3	16.7	4.1
Forest Service Agency	17.1	17.9	4.4	18.1	1.3	18.1	-0.2
EU Structural Funds (Rural Dev etc)	0.4	0.2	-37.1	0.1	-54.5	0.1	-
Common Agricultural Policy (CAP)	-	-	-	2.0	-	2.0	-
<b>Total Objective A</b>	<b>225.0</b>	<b>232.1</b>	<b>3.1</b>	<b>236.4</b>	<b>1.9</b>	<b>243.3</b>	<b>2.9</b>
EU Peace Programme Match Funding	1.4	3.6	159.3	1.4	-61.4	1.4	-
<b>Total</b>	<b>226.4</b>	<b>235.7</b>	<b>4.1</b>	<b>237.8</b>	<b>0.9</b>	<b>244.7</b>	<b>2.9</b>

### Department of Agriculture and Rural Development - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Service Delivery Group	48.9	66.4	7.7	9.4
Veterinary Service	1.3	1.7	1.3	1.3
Central Policy Group	24.6	7.2	10.9	-190.9
N/S Body: Foyle, Carlingford & Irish Lights	-	1.0	0.8	1.1
Rivers Agency	7.0	5.8	6.2	6.7
Forest Service Agency	0.4	0.7	1.4	1.2
EU Structural Funds (Rural Dev etc)	0.7	0.7	0.1	0.1
<b>Total Objective A</b>	<b>83.0</b>	<b>83.6</b>	<b>28.6</b>	<b>-171.1</b>
<b>Total</b>	<b>83.0</b>	<b>83.6</b>	<b>28.6</b>	<b>-171.1</b>

## **Draft Budget 2008-2011**

### **DEPARTMENT OF CULTURE, ARTS AND LEISURE (DCAL)**

The overall aim of the Department is to “create a confident, creative, informed and vibrant community”. In pursuing this aim, the objective of the Department is to *protect, nurture and grow the cultural capital for today and tomorrow.*

#### **Key Issues/challenges over period to 2010-11**

One of the key issues for DCAL is that it provides an exceptionally diverse range of services delivered by 17 NDPBs, which makes up 85% of the budget. The Libraries Service comprises 30% of the budget and Museums 20% of the budget. The remaining budgets are relatively small and spread across a number of diverse Arms Length Bodies. This provides a significant challenge for DCAL in terms of service delivery.

#### **Draft Budget 2008-11 Allocations**

The draft Budget allocations would enable DCAL to make a difference to a number of the key areas of its portfolio. The proposed increase in Sports funding over the Budget period would promote an increase in the participation of children and young people in sport and physical recreation. It is also hoped to maximise the benefits realised from the 2012 Olympics and Paralympic games ensuring a lasting legacy for Northern Ireland. In particular, Elite Sports Facilities Programme will be constructed, such as the 50m swimming pool.

It will also be possible to establish the new Northern Ireland Library Authority by April 2009 and implement other outcomes associated with the Review of Public Administration including the transfer of the Fisheries Conservancy Board into the Department.

The draft Budget allocations would ensure that arts funding will increase in real terms over the period to 2010-11. The capital allocation will enable the Department to advance cultural and economic renewal levered by the current investment in arts infrastructure and will enable DCAL to continue to strive to increase visitors to National Museums (NI) and to increase attendance and participation in arts events.

## **Draft Budget 2008-2011**

The Department will support Waterways Ireland in developing and managing the navigable waterways of Northern Ireland as well as continuing the work of conservation and protection of salmon and inland fisheries.

DCAL will also provide funding for the Ulster Scots Agency as agreed in the St Andrews Agreement, as well as funding for the W5 Centre and the Armagh Observatory and Planetarium which will play an important role in the science and technology education sector.

The draft Budget allocation would enable the Department to deliver a number of key capital projects over the Budget period and continuing over the longer term. These include access to important historical venues such as Museums estates and the Public Records Office Northern Ireland; the Arts infrastructure will receive significant investment through the building of the new Metropolitan Arts Centre and Lyric Players Theatre and rejuvenation of the Crescent Arts Centre.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £3.6 million, £7.0 million and £10.4 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. This will be achieved through a number of measures including the review of funding requirements for Cultural Policy, Soccer Strategy, Smithsonian and the NI Events Company. A reduction of in administration costs will provide further efficiencies.

### **Equality Issues**

The Department considered its statutory obligations arising from the equality and good relations duties under Section 75 by subjecting each of its Budget 2008-11 spending proposals to High Level Impact Assessment (HLIA).

The proposed Strategy for Sport and Physical Recreation will target resources specifically to address the growing disparities in participation between men and women, and people with disabilities and those without. Lifelong Learning aims to enhance access to public libraries across Northern Ireland by offering a

## **Draft Budget 2008-2011**

more comprehensive range of services that will contribute to tackling social exclusion, building community identity and developing citizenship.

The contributions DCAL makes to the Executive's key priorities reach every group in society and have a particular role in promoting social inclusion and building the self-confidence of communities. The Department's Culture and Linguistic Diversity programme will enable it to enhance and protect the development of the Irish Language and to enhance and protect the development of Ulster Scots language, heritage and culture.

# Draft Budget 2008-2011

## Department of Culture, Arts and Leisure - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Arts	15.7	14.0	-10.3	14.5	3.4	17.3	18.8
Museums	22.6	22.7	0.3	22.6	-0.5	23.2	2.9
Libraries	31.1	31.8	2.2	32.5	2.2	32.7	0.8
Sport	11.0	8.9	-19.0	10.3	16.2	14.5	40.1
Cultural Policy	7.4	7.1	-4.8	5.9	-17.2	4.1	-29.3
Inland Waterways & Inland Fisheries	2.9	4.6	57.4	4.8	6.0	5.4	11.1
N/S Body - Languages	6.1	6.9	12.3	7.1	3.6	7.4	3.5
N/S Body - Waterways Ireland	4.5	4.5	-	4.5	-	4.5	-
Ordnance Survey (NI)	1.0	0.4	-62.6	-0.2	-160.9	-0.2	-
Public Record Office (NI)	4.0	4.5	12.5	5.4	20.8	7.2	32.6
NI Events Company	2.1	2.1	-2.8	2.1	-	1.5	-27.6
<b>Total Objective A</b>	<b>108.3</b>	<b>107.3</b>	<b>-1.0</b>	<b>109.4</b>	<b>2.0</b>	<b>117.5</b>	<b>7.4</b>
<b>Total</b>	<b>108.3</b>	<b>107.3</b>	<b>-1.0</b>	<b>109.4</b>	<b>2.0</b>	<b>117.5</b>	<b>7.4</b>

## Department of Culture, Arts and Leisure - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Arts	10.6	15.1	8.5	8.9
Museums	9.5	0.3	0.7	16.6
Libraries	4.8	3.1	12.5	13.0
Sport	8.2	31.2	36.5	44.6
Cultural Policy	0.6	-	-	-
Inland Waterways & Inland Fisheries	0.1	0.3	0.4	0.3
N/S Body – Languages	-	-	-	-
N/S Body - Waterways Ireland	4.6	3.2	1.2	1.0
Ordnance Survey (NI)	0.4	-	-	-
Public Record Office (NI)	4.3	11.3	14.3	-4.5
NI Events Company	-	-	-	-
<b>Total Objective A</b>	<b>43.0</b>	<b>64.5</b>	<b>74.1</b>	<b>79.9</b>
<b>TOTAL</b>	<b>43.0</b>	<b>64.5</b>	<b>74.1</b>	<b>79.9</b>

# Draft Budget 2008-2011

## DEPARTMENT OF EDUCATION (DE)

The overall aim of the Department is *to educate and develop our young people to the highest possible standards, providing equality of access for all*. In pursuing this aim the key objectives for the Department are:

- to ensure that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment: and develop the values and attitudes appropriate to citizenship in an inclusive society; and
- to promote, through the Youth Service, the personal and social development of children and young people and assist them to gain knowledge, skills and experience to reach their full potential as valued citizens; and, through community relations measures for young people, to encourage the development of mutual understanding and promote recognition of, and respect for, cultural diversity.

### Key Challenges over the Period 2008-09 to 2010-11

Investment in education and the development of young people has a major contribution to make to society and economic growth, providing opportunity for all and preparing young people for life and work in a rapidly changing and diverse world where skills and enterprise are at a premium.

In this environment, the main challenges facing the education service over the coming years are to continue to raise overall educational standards while reducing the gap in achievement between the highest and lowest attainers, and ensure that all young people leave school with basic skills in literacy, numeracy and Information and Communications Technology. In addition, there is a need to ensure equality of access to education, both formal and non formal, for all learners and enable young people to develop to their full potential with the knowledge and skills they need to live, work and learn in a global society. This will require a modern, fit for purpose, education estate and a streamlined, strategic and responsive education administration.

## **Draft Budget 2008-2011**

These challenges are reflected in the extensive range of Education reforms currently under way, which the draft Budget allocation would enable the Department to take forward, and in the PSA targets, which the Department is contributing towards their achievement.

### **Draft Budget 2008-11 Allocations**

The draft Budget allocation would support the implementation of the Revised Curriculum, which would give our youngest pupils an improved start to primary school, place a greater emphasis on developing the skills young people need for life and work and provide greater flexibility for schools to tailor what they teach to best meet the needs of their pupils. In addition, work would continue to provide post-primary pupils with greater access to a range of academic and vocational courses, with collaboration between schools and with the further education sector.

These strategic education reforms are intended to raise educational standards and will be accompanied by particular measures to address the gap in achievement levels between the highest and lowest attainers, through the implementation of the school improvement policy and a new literacy and numeracy strategy. Provision is also being proposed for the new statutory assessment arrangements, which have a more specific focus on literacy, numeracy and the use of ICT and are aimed at ensuring that the specific needs of individual pupils are met.

In tandem with all of this, tackling disadvantage and the requirements of those with special educational needs will continue to be an important focus for the Department. It will be seeking to take forward the Special Educational Needs Review, to meet the growing needs in this area through improved, more consistent, provision, which makes the most effective use of resources.

Teachers and school leaders have a key role to play in raising standards, improving quality and implementing reform. Funding would be made available from the draft Budget allocation to provide additional support for teaching principals, to enable them to make the most productive use of their time. This would be of particular benefit to primary schools.

## **Draft Budget 2008-2011**

The draft Budget proposals would enable the reform of education administration to be taken forward through the establishment of an Education and Skills Authority by April 2009 at the latest. By reducing bureaucracy and improving the quality and cost effectiveness of the education service, this reform would support the drive to raise standards through a streamlined, strategic and responsive administration.

The Youth Service role in the personal and social development of young people is well recognised. It has particular benefit for those who are at risk of social and educational exclusion. Work in developing and improving provision that supports the priorities set by the Department would continue to be addressed in partnership with stakeholders across the youth sector.

The Investment Strategy for Northern Ireland recognises the importance of delivering a modern and sustainable estate to support the development of a well educated populace with the skills to engage fully and positively in society and the economy. The draft Budget allocation would enable over 100 major schools projects to be taken forward over the period, including eight special needs schools, as well as providing for continued investment in the youth estate.

In conjunction with the establishment of the new Education and Skills Authority, measures would be taken to improve the strategic planning of the education estate through the development and implementation of an area based planning approach.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £63.2 million, £124.5 million and £184.0 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. Savings will be achieved through a range of measures including: more cost-effective delivery of services following the establishment of the Education and Skills Authority; measures to improve procurement arrangements; better management of teacher absence; increased asset disposals; streamlining of support services; and efficiencies in the Department's administration budget.

## **Draft Budget 2008-2011**

### **Equality and Good Relations**

A high-level assessment of the equality, good relations, poverty/social inclusion, and sustainable development impacts of all financial proposals considered in the development of Budget 2008-11 has been undertaken. The outcome of these assessments has informed the Budget proposals set out in this document.

DE's Budget 2008-11 proposals are intended to result in a positive equality impact. The programmes funded through the Budget allocation will be subjected to full Equality Impact Assessment, in line with statutory duties.

# Draft Budget 2008-2011

## Department of Education - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Schools Mainstream	1,676.9	1,729.3	3.1	1,829.5	5.8	1,909.3	4.4
Schools Infrastructure	11.5	11.5	-0.1	11.4	-0.5	11.4	-0.6
<b>Total Objective A</b>	<b>1,688.5</b>	<b>1,740.8</b>	<b>3.1</b>	<b>1,840.9</b>	<b>5.8</b>	<b>1,920.7</b>	<b>4.3</b>
<b>Objective B</b>							
Youth & Community Relations	30.7	29.2	-4.8	29.5	1.1	31.6	7.1
<b>Total Objective B</b>	<b>30.7</b>	<b>29.2</b>	<b>-4.8</b>	<b>29.5</b>	<b>1.1</b>	<b>31.6</b>	<b>7.1</b>
<b>Departmental Total</b>	<b>1,719.2</b>	<b>1,770.0</b>	<b>3.0</b>	<b>1,870.5</b>	<b>5.7</b>	<b>1,952.3</b>	<b>4.4</b>
EU Peace Programme Match Funding	-	0.5	-	-	-	-	-
<b>Total</b>	<b>1,719.2</b>	<b>1,770.5</b>	<b>3.0</b>	<b>1,870.5</b>	<b>5.6</b>	<b>1,952.3</b>	<b>4.4</b>

## Department of Education - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Schools Mainstream	0.4	3.2	3.4	0.1
Schools Infrastructure	273.0	205.4	243.9	195.0
<b>Total Objective A</b>	<b>273.4</b>	<b>208.6</b>	<b>247.3</b>	<b>195.1</b>
<b>Objective B</b>				
Youth & Community Relations	6.4	5.0	5.0	5.0
<b>Total Objective B</b>	<b>6.4</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Total</b>	<b>279.8</b>	<b>213.6</b>	<b>252.3</b>	<b>200.1</b>

## **Draft Budget 2008-2011**

### **DEPARTMENT FOR EMPLOYMENT AND LEARNING (DEL)**

The overall aim of the Department is to promote learning and skills, to prepare people for work and to support the economy. In pursuing this aim the key objectives for the Department are:

- 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.

### **Key Issues/Challenges over period to 2010-11**

The challenges facing the Department over the next three years include the rising cost of student support as well as the need to enhance the level of skills in our present and future workforce through the implementation of the Skills Strategy. The Department will also be involved in maintaining and enhancing the teaching and research capacity of our universities. In addition the merger of the six Further Education (FE) Colleges will continue alongside the further roll out of the FE Means Business strategy. In terms of Welfare services there will be further reform to enable more intensive interaction with individuals, to assist economically inactive people to move into work.

### **Draft Budget 2008-11 Allocations**

The draft Budget allocation would allow the Department to complete the roll out of the Pathways to Work service, in support of the introduction of the Employment Support Allowance, which is due to replace Incapacity Benefit in October 2008, across the UK. In addition the draft Budget allocation would provide the Programme funding needed to support successful projects within Priority 1 and Priority 2 of the Northern Ireland European Social Fund Programme 2007-13, which is due to start in 2008.

The draft Budget allocation would enable DEL to respond to the Leitch Review on Skills by supporting an increase in the economically relevant skills of Northern Ireland's workforce (both current and future). By 2011, 42,000 adult learners will have achieved a recognised qualification in Essential Skills. In addition, by 2010 a comprehensive careers advice service would be put in

## Draft Budget 2008-2011

place to meet the needs of all, including disabled people. The Department would also be able to provide comprehensive support to enable people to overcome the obstacles they face in finding employment and investigate the factors contributing to the brain drain.

There would also be a number of infrastructure developments in FE Colleges across the region – including at colleges in Downpatrick, Londonderry/Derry, Lisburn, Enniskillen, Bangor/Ards and Newtownabbey. A new campus of Belfast Metropolitan College (BMC) is planned for the Titanic Quarter. New accommodation in some cases will replace split sites - improving service delivery, regenerating areas and showcasing education in a *shared future*.

DEL will complement investment by both the universities and the two university colleges to build upon success – supporting teaching and research infrastructure and seeking to develop a more strategic approach to capital investment funding. Going forward, the universities will increasingly seek to expand their income base and increase investment from their own funds.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £20.3 million, £40.1 million and £59.2 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. Savings will be achieved through a comprehensive range of measures including reviewing current Departmental staffing levels and administration expenditure; examining the outcomes achieved from current levels of support to external organisations with a view to achieving the same with less and pursuing more efficient procurement methods in our capital expenditure.

### **European funding**

The Department is the Managing Authority for the Northern Ireland European Social Fund (ESF) Programme. The new Northern Ireland European Social Fund Programme 2007-13 is the successor to the Building Sustainable Prosperity Programme 2000-2006. Activity under the Programme will be realised by two inter-related Priorities. Priority 1 will help to extend the employment opportunities for workless people, especially those at

## **Draft Budget 2008-2011**

a disadvantage in the labour market. Priority 2 will help to increase workforce skills by funding training to level 2 and level 3 and Essential skills.

### **Equality and Good Relations**

The Department's Budget 2008-11 spending proposals were subject to a High Level Impact Assessment to assess the potential impact in terms of equality and the promotion of good relations. Over half of the spending proposals were found to have a positive impact from a good relations standpoint and none were deemed to have a negative impact.

## Draft Budget 2008-2011

### Department for Employment and Learning - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Lifelong Learning	257.2	242.7	-5.6	253.9	4.6	270.6	6.6
Higher Education (including Teacher Training)	204.1	201.1	-1.5	216.2	7.5	233.7	8.1
Student Support and Postgraduate Awards	150.5	162.0	7.6	172.0	6.2	175.3	1.9
<b>Total Objective A</b>	<b>611.8</b>	<b>605.8</b>	<b>-1.0</b>	<b>642.1</b>	<b>6.0</b>	<b>679.5</b>	<b>5.8</b>
<b>Objective B</b>							
Employment Programmes	80.5	81.2	0.8	81.7	0.7	91.8	12.3
Employment Rights	20.4	20.4	-	22.3	9.3	22.4	0.4
EU Support for Training & Employment	18.8	25.1	33.5	25.1	-	25.1	-
<b>Total Objective B</b>	<b>119.7</b>	<b>126.7</b>	<b>5.8</b>	<b>129.1</b>	<b>2.0</b>	<b>139.3</b>	<b>7.8</b>
<b>Departmental Total</b>	<b>731.5</b>	<b>732.4</b>	<b>0.1</b>	<b>771.2</b>	<b>5.3</b>	<b>818.8</b>	<b>6.2</b>
EU Peace Programme Match Funding	-	2.0	-	-	-	-	-
<b>Total</b>	<b>731.5</b>	<b>734.4</b>	<b>0.4</b>	<b>771.2</b>	<b>5.0</b>	<b>818.8</b>	<b>6.2</b>

### Department for Employment and Learning - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Lifelong Learning	40.9	26.2	23.0	17.0
Higher Education (including Teacher Training)	27.8	13.5	15.6	27.5
Student Support and Postgraduate Awards	-	-	-	-
<b>Total Objective A</b>	<b>68.8</b>	<b>39.7</b>	<b>38.6</b>	<b>44.5</b>
<b>Objective B</b>				
Employment Programmes	-	-	-	-
Employment Rights	0.2	1.0	0.2	0.2
<b>Total Objective B</b>	<b>0.2</b>	<b>1.0</b>	<b>0.2</b>	<b>0.2</b>
<b>Total</b>	<b>68.9</b>	<b>40.7</b>	<b>38.7</b>	<b>44.6</b>

## **Draft Budget 2008-2011**

### **DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT (DETI)**

The overall aim of the Department is “to promote the development of a globally competitive economy.” In pursuing this aim, DETI’s objective is to encourage the development of a high value added, innovative, enterprising and competitive economy, leading to greater wealth creation and job opportunities for all.

#### **Key Issues/Challenges over period to 2010-11**

The most commonly recognised measure of economic prosperity, GVA per capita, is around 20% below the UK average in Northern Ireland. Analysis indicates that approximately three-quarters of this prosperity gap is explained by low labour productivity, particularly in the private services sector. Northern Ireland’s level of economic inactivity, and hence, its lower employment rate is the other key contributory factor constraining the performance of the Northern Ireland economy.

The key challenges facing DETI over the Budget period and beyond will be to impact on the problems of relatively low labour productivity and employment rates.

In addition, while the revenues generated by the tourist industry have almost doubled in recent years, this sector contributes significantly less to output in Northern Ireland than any other UK region and is well behind the Republic of Ireland. An issue for DETI is how to increase the contribution of the tourism sector to the Northern Ireland economy.

#### **Draft Budget 2008-11 Allocations**

Over the next three years and beyond, DETI is committed to ensuring that expenditure will be focussed on the key challenges of improving labour productivity and employment rates and increasing the contribution made by the tourism sector.

In particular DETI will target the following goals over the period to 2010-11:

## Draft Budget 2008-2011

- Inward investment commitments promising over 6,000 new jobs will be secured, with over 4,800 of these with salaries above the NI private sector average;
- 600 companies will become exporters for the first time;
- Support will be provided for 45 new start-ups exporting outside the UK and 300 exporting to GB over the Budget period; and
- Tourism revenue will increase to almost £500 million by 2011-12.

The draft Budget allocation would enable DETI to meet a number of its pressures in the Budget period. The proposal will provide additional funding to Invest NI, replacing the current Concordat arrangement (while leaving the Industrial Development Guarantee in place). The greater certainty of funding across the Budget period would allow for improved business planning and would be more compatible with the multi-year nature of projects.

DETI, through Invest NI, would be able to stimulate exports through their support, in particular, of first time exporters; to promote higher value added activity through Innovation and Skills by supporting private sector investment in R&D; to attract high quality foreign investment and promote domestic investment; and to develop a high value added economy through suitable FDI projects.

DETI would also be able to fund the Higher Education Innovation Fund. This programme, which is jointly delivered with DEL, assists the practical exploitation of the NI science base, with associated economic benefits to the NI economy.

The draft Budget proposals would allow for investment in marketing Northern Ireland as a tourism destination, in the Republic of Ireland by the Northern Ireland Tourist Board, and globally by Tourism Ireland Limited. Additional investment in these years would also enhance Visitor Servicing. The proposal would also allow for investment in Tourism Signature Projects across the Budget period.

In terms of energy, DETI would be able to provide support for Sustainable Energy, for Infrastructure Research and Policy Analysis, and meet the legal and consultancy costs of planned

## Draft Budget 2008-2011

energy initiatives. DETI would also be able to deliver a modern regulatory framework in support of support business, and in the protection of consumers. In addition, new health and safety initiatives could be funded in 2009-10 and 2010-11.

The proposed capital allocation would support DETI activities and projects across three investment measures:

Telecoms – DETI intends to connect directly into the transatlantic submarine networks to deliver significant improvements in the speed, resilience and cost of voice and data transfer services to business here. At present, the cost of backhaul services and latency in the telecoms network make locations such as the North West less attractive for companies who need to exchange data internationally. The Department will work with the private sector to enhance telecoms infrastructure, improving the competitiveness of local businesses and attracting internationally mobile investment in the high-technology and tradable services sectors.

Energy – Security of supply, increasing use of renewable energy sources and cost of energy remain vital issues for the future. The Department will work with the economic regulator (NIAUR) and private sector energy companies to address the challenges ahead. A priority is to build a more competitive energy market. The Single Electricity Market provides a framework for a larger, more competitive wholesale market in line with the EU vision for regional electricity markets.

Enterprise Support – Through the provision of financial assistance, and the availability of a highly-educated and IT literate workforce, DETI will attract first-time Foreign Direct Investment (FDI) into Northern Ireland. Funding will also be available to encourage the expansion and growth of existing clients, both local and foreign owned.

Tourism – DETI will provide investment to enhance tourism infrastructure across Northern Ireland working with key partners to continue to progress implementation of the five tourism signature projects.

### **Efficiency Programme**

## **Draft Budget 2008-2011**

The Department has a target to deliver cash releasing efficiencies of £7.7 million, £15.2 million and £22.5 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. Savings will be achieved through a range of measures including the Electricity Contract Buy Out initiative which will no longer be brought forward thereby freeing up resources to be used on other projects over the Budget period

### **Reform Programme**

DETI's commitments in relation to the Reform of Public Administration are broadly stated as the transfer of local economic development and tourism functions to new local councils. DETI, Invest NI and NITB will work closely with DOE and other bodies within the timeframes for the establishment of the new councils to ensure that the agreed functions and associated budgets are transferred to local Government.

### **European funding**

The Department will progress projects under the EU Competitiveness Programme, with expenditure targeted at innovation, enterprise/entrepreneurship, telecommunications, sustainable energy and tourism. In addition, DETI will be the accountable Department for business support, tourism, energy and telecoms initiatives that will be progressed under the Territorial Co-operation Programme.

### **Equality and Good Relations**

The proposed allocation would have positive impacts for equality, good relations, anti-poverty and sustainable development. Virtually all of DETI's budget allocation would underpin sustainable development, and increase economic activity. This would impact positively on well-being and on poverty within the region and foster good relations among the community.

# Draft Budget 2008-2011

## Department of Enterprise, Trade and Investment - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Economic Development, Policy & Research	24.0	23.2	-3.3	23.9	3.0	24.3	1.7
Economic Infrastructure/Minerals	8.5	7.9	-6.3	9.5	19.9	6.9	-27.2
Invest Northern Ireland	127.5	134.3	5.4	137.9	2.7	144.5	4.8
Development of Tourism	11.2	16.1	43.5	15.1	-6.4	15.1	-0.3
Tourism Ireland Ltd	13.2	14.3	8.3	16.6	15.9	17.2	3.3
N/S Body - Inter Trade Ireland	3.5	3.5	-	4.9	38.1	5.3	7.6
EU Support for Economic Development	0.1	0.3	166.0	0.3	-	0.3	-
Business Regulatory Services	6.8	7.1	4.9	8.8	23.2	9.0	2.8
Health & Safety Executive For NI	4.7	4.7	1.5	7.0	47.1	7.2	3.9
<b>Total Objective A</b>	<b>199.6</b>	<b>211.6</b>	<b>6.0</b>	<b>223.9</b>	<b>5.8</b>	<b>229.8</b>	<b>2.6</b>
EU Peace Programme Match Funding	-	2.6	-	-	-	-	-
<b>Total</b>	<b>199.6</b>	<b>214.2</b>	<b>7.3</b>	<b>223.9</b>	<b>4.6</b>	<b>229.8</b>	<b>2.6</b>

## Department of Enterprise, Trade and Investment - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Economic Development, Policy & Research	0.4	1.2	0.5	0.5
Energy Efficiency, Minerals, Gas & Electric	32.0	7.4	14.0	8.6
Invest Northern Ireland	36.8	34.1	51.0	49.3
Development of Tourism	8.3	5.3	22.5	19.9
Business Regulatory Services	0.1	-	-	-
Health & Safety Executive For NI	-	-	-	-
<b>Total Objective A</b>	<b>77.5</b>	<b>48.0</b>	<b>87.9</b>	<b>78.2</b>
<b>Total</b>	<b>77.5</b>	<b>48.0</b>	<b>87.9</b>	<b>78.2</b>

# Draft Budget 2008-2011

## DEPARTMENT OF FINANCE AND PERSONNEL (DFP)

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. In pursuing this aim the key objectives of the Department are:

- To prioritise the use of resources available to Northern Ireland, ensure that these are used efficiently and secure the reform and modernisation of public services; and
- To deliver efficient and cost effective services to the public in the Department's areas of executive responsibility

### Key Issues/ Challenges for DFP over period up to 2010-11

The priorities for DFP over the period 2008-11 will be:

- Leading Reform;
- Delivering Value; and
- Promoting Sustainability.

The key focus will be the delivery of Civil Service reform within DFP and across the Northern Ireland Civil Service (NICS) and realising the benefits. Civil Service reform will enable the NICS to focus energy and resources on frontline priorities through improving efficiency, rationalising support services and harnessing technology. The reform programme will deliver more efficient, effective corporate services by sharing services such as human resources, finance and ICT across all NICS Departments. The government estate will be rationalised into a more efficient portfolio of buildings that support new ways of working for a modern civil service. The Department will also lead on simplifying and improving citizen access to public services in Northern Ireland, including the introduction of a single telephone number point of contact for selected services by the end of 2008.

### Draft Budget 2008-11 Allocations

The draft Budget allocation would enable the Department to ensure public expenditure is managed effectively to deliver best value for the people of Northern Ireland as well as promoting and improving access to public services and information. The

## Draft Budget 2008-2011

programme of Civil Service reform will deliver modern, high quality and efficient public services by improving NICS capacity and providing NICS staff with the necessary tools and technology.

The capacity of the Civil Service to deliver the Government's priorities will be improved in terms of leadership, skills, professionalism, diversity and equality. Further value for money gains will be taken forward in terms of Government procurement whilst support will be provided to the wider public sector in taking account of sustainable development principles when procuring works, supplies and services.

The Northern Ireland Statistics and Research Agency (NISRA) will make the necessary preparation for the delivery of the 2011 Census, whilst Land and Property Services (LPS) will conduct a revaluation of non-domestic properties for rating purposes which will ensure equity in the distribution of the non-domestic rate burden.

The Department's proposed capital allocation would enable it to make essential investment, as part of the Civil Service Reform, to replace and modernise business processes providing a common accounting system across the NICS, modernise and centralise personnel services, and implement an ICT Shared Service Centre for common services across the NICS.

In addition, DFP would be able to take forward capital accommodation programmes connected with the NICS office estate as well as enhancing and maintaining ICT systems that support business across the Department. In addition, a range of measures will be implemented to improve the energy performance of, and reduce Carbon emissions from, buildings occupied by NI public bodies.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £5.7 million, £10.3 million and £14.8 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time.

Savings will be delivered through the ongoing review of general administrative expenditure and staff budgets as well as realising

## **Draft Budget 2008-2011**

efficiencies from improvements in organisational structure. The Department will continue to increase productive time and improve public services through better use of ICT. There will also be additional savings from the rationalisation of NICS office accommodation.

### **European Funding**

The draft Budget allocation would also allow the Department to fulfil its commitments under both the current (2000-2006) and future round (2007-2013) of EU Programmes. Funding of £10 million is required in 2008-09 to bring the 2000-06 programmes to a conclusion whilst the lower level of funding in 2009-10 and 2010-11 reflects the reduced involvement by DFP in future EU programmes.

### **Equality and Good Relations**

High Level Impact Assessments to ascertain the equality and good relations for each funding proposal were undertaken in accordance with Section 75 (1) and (2) of the Northern Ireland Act 1998. These identified some minor positive impacts. No negative impacts were identified.

# Draft Budget 2008-2011

## Department of Finance and Personnel - Current Expenditure\*

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Finance & Personnel Policy	13.4	12.9	-3.4	12.0	-7.4	11.8	-1.7
NICS Financial Services	6.6	6.6	-	6.6	-	6.6	-
NICS Procurement Services	7.1	6.3	-12.3	5.9	-5.4	5.7	-4.1
NICS Personnel Services	11.8	10.4	-11.8	6.6	-36.4	6.6	-
NICS ICT Services	3.4	4.6	35.7	4.6	-	4.6	-
NICS Other Services	11.0	10.8	-1.8	10.7	-0.9	10.7	-0.5
NICS Accommodation Services	85.6	84.7	-1.0	82.8	-2.1	80.1	-3.3
Superannuation Services	0.1	0.1	-	0.1	-	0.1	-
<b>Total Objective A</b>	<b>139.1</b>	<b>136.4</b>	<b>-1.9</b>	<b>129.4</b>	<b>-5.1</b>	<b>126.2</b>	<b>-2.5</b>
<b>Objective B</b>							
NI Statistics & Research Agency & GRO	6.6	8.0	19.7	8.0	-	11.0	-
Land & Property Services	24.2	20.7	-14.4	19.3	-6.7	17.7	-8.5
EU Programmes	1.5	1.5	-	1.5	-	1.5	-
North / South Special EU Body Secretariat, Tribunals & Other Independent Bodies	1.4	1.4	-	1.4	-	1.4	-
<b>Total Objective B</b>	<b>35.2</b>	<b>33.0</b>	<b>-6.2</b>	<b>31.6</b>	<b>-4.2</b>	<b>33.0</b>	<b>4.3</b>
<b>Departmental Total</b>	<b>174.3</b>	<b>169.5</b>	<b>-2.8</b>	<b>161.1</b>	<b>-5.0</b>	<b>159.2</b>	<b>-1.2</b>
EU Peace Programme Match Funding	1.1	10.0	797.2	1.3	-86.7	1.3	-
<b>Total</b>	<b>175.4</b>	<b>179.5</b>	<b>2.4</b>	<b>162.4</b>	<b>-9.5</b>	<b>160.5</b>	<b>-1.2</b>

\* Excludes additional allocations associated with the delivery of Civil Service Reform

# Draft Budget 2008-2011

## Department of Finance and Personnel - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Finance & Personnel Policy	0.2	-	-	-
NICS Financial Services	4.1	2.4	4.8	0.1
NICS Procurement Services	1.3	0.3	0.2	0.3
NICS Personnel Services	16.1	6.5	3.8	-
NICS ICT Services	2.1	4.7	6.6	7.3
NICS Other Services	2.3	0.3	0.3	0.3
NICS Accommodation Services	23.4	-162.0	5.0	5.0
<b>Total Objective A</b>	<b>49.3</b>	<b>-147.8</b>	<b>20.7</b>	<b>13.0</b>
<b>Objective B</b>				
NI Statistics & Research Agency & GRO	1.0	0.8	1.0	1.0
Land & Property Services	0.8	2.0	1.0	2.1
Secretariat, Tribunals & Other Independent Bodies	0.0	-	-	-
<b>Total Objective B</b>	<b>1.8</b>	<b>2.8</b>	<b>2.0</b>	<b>3.1</b>
<b>Total</b>	<b>51.1</b>	<b>-145.0</b>	<b>22.7</b>	<b>16.0</b>

# Draft Budget 2008-2011

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

The overall aim of the Department is *to improve the health and social well-being of the people of Northern Ireland*. In pursuing this 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.

### Key issues / Challenges over period to 2010-11

Northern Ireland has a lower life expectancy and higher incidence of some serious diseases, such as coronary heart disease, respiratory disease, than the UK average. As in the rest of the UK, the lifestyles of many local people is damaging to their health with obesity an increasing threat as well as high levels binge drinking. Northern Ireland also has the highest prevalence in the UK of mental illness (19% of those over 16 show possible signs of depression or other forms of poor mental health), and a distressingly high incidence of suicide.

Clearly, further improvement is needed across a wide range of conditions. For the 2008-11 Budget period and beyond, it is essential that the health and social care sector provides prompt and responsive access to appropriate health and social care services – whether in clinical settings, such as hospitals and GPs' surgeries, or in the community through nursing, social work and other professional services. It must also lead a major cross-governmental effort both to raise general health and well-being and to reduce health inequalities. The only sustainable path to improvement is alongside a population which is much more engaged in ensuring its own health and well-being.

# Draft Budget 2008-2011

## Draft Budget 2008-11 Allocations

The proposed draft Budget allocations would address many of the key determinants of ill-health as well as issues of actual illness. This would be taken forward in a way that ensures resources and facilities are used more productively, with safety and quality the paramount consideration.

Additional funding for the public health programme will support action to bring about a 15% reduction in the present suicide rate. Other initiatives are intended to reduce the proportion of smokers in the population, reduce the incidence of binge drinking and the taking of illegal drugs, cut the number of children at risk from parental dependency on alcohol or drugs, and halt the rise in obesity. By the end of the Budget period, it is expected that not only will there be an increase in average life expectancy but also a reduction in the disparity between the overall NI average and that for the most disadvantaged areas.

Promoting healthier ways of living is key element of reform in health and social care, which is to manage the pressures for hospital services. The extra resources proposed for primary and community care would enable the Department to fund a programme of early intervention and 'wraparound' services to help people with long term conditions (such as heart disease or respiratory disorder) to live more active lives, with less need for recourse to hospital treatment. By 2011, unplanned hospital admissions for these patients are expected to be cut by 50%.

The role of carers must be recognized and given greater support. By 2011, an extra 20% of care packages for those with physical or sensory disability will include new or enhanced respite. By the same date the maximum waiting time for specialised wheelchairs will be cut to 13 weeks.

Treatment in the community or primary setting will also be a more standard feature of the mental health and learning disability programmes of care. As the Bamford Report argued, the Department must extend and strengthen the range of services available in the community so that people get immediate support and are spared inappropriate hospitalisation. The Budget allocations now proposed will begin that process, including the resettlement to the community of 10% of learning disabled and

## Draft Budget 2008-2011

5% of mental health long stay patients, with a 10% reduction in admissions to mental health hospitals.

The Northern Ireland population now has access to some of the most advanced forms of treatment for cancer, but the key to survival remains early identification. A new screening programme, together with follow-up treatment, will by 2011 reduce mortality from bowel cancer by 10%, and a new vaccination programme which will eventually lead to a 70% reduction in mortality from cervical cancer.

Stroke is the third biggest cause of death and the single biggest cause of adult disability. Investment in specialist stroke units, to provide fast and effective intervention and high quality rehabilitation, will reduce mortality and disability by 10% by 2011. Extra resources will go towards reducing the maximum waiting time for specialist drugs for severe arthritis, while funding to help improve hospital cleanliness will reduce MRSA infections by 10% and cases of clostridium difficile 20%.

Obviating the need for children to be taken into care or, where that cannot be avoided, providing stability once in care, will increase the chances of better outcomes for children. By 2011, the extra investment in family support, foster care etc will help reduce by 10% the number of children in care, reduce by 5% the number of care leavers aged 18-20 living on their own, and increase by 50% the proportion of care leavers in education, training or employment. The aim is also to reduce by 10% the number of children needing to be put on the child protection register.

The draft Budget proposals in terms of capital investment would assist in the continuation of the major hospital modernisation and reform programme alongside a range of ongoing regional and local developments including primary and community care, learning disability and residential childcare. Key developments include:

- Continuation of the redevelopment programmes at the Royal Victoria, Ulster and Altnagelvin sites;
- Opening of a new enhanced local hospital in Downpatrick;

## Draft Budget 2008-2011

- Planning and enabling work for the new acute hospital in the South-West and work progressing on the new enhanced local hospital in Omagh;
- Continued investment in a network of new modern community health facilities with five new centres by 2011; and
- Delivering improvements in mental health including completion of a new state-of-the-art mental health care centre on the Craigavon Area Hospital site.

### **Reform**

While final decisions have yet to be taken on the application of Review of Public Administration principles to the health and social care system, some of the main elements of organisational reform are already in place, and the broad policy intention is clear. The basic rationale is to create structures that are patient-led, patient-centred and patient-responsive, and which free resources for investment in front line services. The reduction in the number of Trusts from 19 to six (including the Ambulance Service) has made a start in that direction, and the detailed way ahead is expected to shortly.

### **Efficiency programme**

The Department has a target to deliver cash releasing efficiencies of £118.2 million, £232.8 million and £344.0 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time.

These savings will be delivered through a range of measures including regional procurement of HPSS consumables and social care services, as well as pharmacy lead initiatives such as better prescribing of generic drugs, continued implementation of therapeutic tendering and increased use of pharmaceutical clinical technology. There will also be significant efficiencies generated from increased productivity through, for example, savings generated as a result of the rationalisation of health bodies and more clinically appropriate management of long term conditions such as diabetes and asthma.

## **Draft Budget 2008-2011**

### **Equality issues**

Addressing inequalities has long been integral to the business of the Department and its associated bodies. Section 75 of the Northern Ireland Act 1998 creates specific duties for the Department, Boards, Trusts and executive Non-Departmental Public Bodies (NDPBs) and other HSC bodies with regard to equality and good relations. The Department's established mechanisms for allocating resources, for example via its capitation and local equity arrangements, ensure that available health and social care is accessible to those in need of it.

## Draft Budget 2008-2011

### Department of Health, Social Services and Public Safety - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Hospital, Community Health (inc discretionary FHS)	2,559.0	2,625.3	2.6	2,719.1	3.6	2,865.3	5.4
Personal Social Services	819.3	860.9	5.1	882.2	2.5	912.6	3.4
Family Health Service	257.4	273.6	6.3	278.0	1.6	287.8	3.5
Training Bursaries and Further Education and Research	62.4	71.5	14.5	79.6	11.4	85.8	7.7
Other Centrally Financed Services and Welfare Foods	20.5	20.7	0.7	20.8	0.7	21.0	0.7
Grants to Voluntary Bodies	7.1	7.3	3.5	7.6	3.3	7.8	3.3
N/S Body - Food Safety Promotion	2.0	2.0	3.3	2.1	3.4	2.2	3.4
<b>Total Objective A</b>	<b>3,727.7</b>	<b>3,861.2</b>	<b>3.6</b>	<b>3,989.4</b>	<b>3.3</b>	<b>4,182.4</b>	<b>4.8</b>
<b>Objective B</b>							
Fire Service	77.1	77.6	0.7	74.7	-3.7	76.8	2.9
<b>Total Objective B</b>	<b>77.1</b>	<b>77.6</b>	<b>0.7</b>	<b>74.7</b>	<b>-3.7</b>	<b>76.8</b>	<b>2.9</b>
<b>Total</b>	<b>3,804.8</b>	<b>3,938.8</b>	<b>3.5</b>	<b>4,064.1</b>	<b>3.2</b>	<b>4,259.2</b>	<b>4.8</b>

### Department of Health, Social Services and Public Safety - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Hospital, Community Health (inc discretionary FHS)	148.3	184.2	188.5	174.0
Personal Social Services	22.2	11.5	10.9	14.3
Training Bursaries and Further Education and Research	3.9	2.7	0.2	-
Other Centrally Financed Services and Welfare Foods	0.4	-	-	-
Grants to Voluntary Bodies	-0.0	-	-	-
N/S Body - Food Safety Promotion	-	-	-	-
<b>Total Objective A</b>	<b>174.7</b>	<b>198.5</b>	<b>199.6</b>	<b>188.3</b>
<b>Objective B</b>				
Fire Service	3.0	4.1	4.1	24.9
<b>Total Objective B</b>	<b>3.0</b>	<b>4.1</b>	<b>4.1</b>	<b>24.9</b>
<b>Total</b>	<b>177.8</b>	<b>202.6</b>	<b>203.7</b>	<b>213.2</b>

# Draft Budget 2008-2011

## DEPARTMENT OF THE ENVIRONMENT (DOE)

The overall aim of the Department is to work in partnership to promote sustainable development and to secure a better and safer environment.

In pursuing this aim the key objective of the Department is to protect, conserve and enhance the natural environment and built heritage and support the adoption of the principles of sustainable development; to plan and manage development in a sustainable way which will contribute to a better environment and which is modern and responsive to the community; to work with statutory and voluntary partners to reduce road deaths and serious injuries; and to support a system of effective local government which meets the needs of residents and ratepayers.

### Key Issues/Challenges over period to 2010-11

There are several key challenges facing the Department, in particular the need to continue reviewing planning processes and procedures. This will facilitate improvements in the delivery of services to customers including the processing of planning applications with a particular focus on economically significant applications. The Department will also be working with the Department for Regional Development to ensure that a fit for purpose suite of Planning Policy Statements are in place by March 2011.

### Draft Budget 2008-11 Allocations

The draft Budget allocation would allow the Department to take forward an enhanced approach to Road Safety, and work with partners in order to achieve more ambitious road casualty reductions. The proposed allocation would also ensure a more effective approach to road transport compliance and enforcement that will contribute to improved road safety, a reduction in vehicle related crime and a cleaner environment through reduced emissions.

Through the Environment and Heritage Service (EHS), DOE would be able to enhance environmental protection and improvement through Better Regulation. This includes development of EHS's dedicated environmental crime team to

## Draft Budget 2008-2011

combat the illegal dumping of waste and the establishment of a new strategic development and delivery support team to co-ordinate cross cutting environmental regulation activities and effectively target actions to provide a cleaner and healthier environment for all. The Department is committed to financially investigating a minimum of 10 cases under the Proceeds of Crime Act by March 2011, with a view to confiscation of financial benefit. Furthermore, the implementation of the Air Quality Strategy and the objectives under the Water Framework Directive will lead to reduced carbon emissions and better water quality.

The proposed Budget allocations would allow the Programme Delivery Support Unit to support district councils, and the three Waste Management Groups, in taking forward major waste procurement plans. Other grant support would continue to be provided to district councils including the de-rating element of the general grant. The proposed allocation would also allow district councils to play a key role in the NI Civil Contingencies Programme mainly in the preparation of emergency plans.

The Department would also be able to develop, in part, an agreed programme for the modernisation and structural reform of local government as endorsed by the Executive. Following the outcome of the review of this modernisation process, this implementation programme would enable a smooth transition to the necessary new planning structures.

The proposed capital allocation would provide funding to District Councils to cover a percentage of the overall costs associated with compliance with EU Landfill Directive targets. These require a reduction in the amount of biodegradable municipal waste disposed at landfill to 75% of 1995 levels by 2010 and 50% of 1995 level levels by 2013 as well as an improvement in recycling rates from the current level of 23% to 35% by 2010 and 40% by 2015.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £3.9 million, £7.7 million and £11.4 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. It is anticipated that the Review of Environmental Governance, coupled with

## **Draft Budget 2008-2011**

administrative efficiencies in all business areas and a 15% reduction in the department's running costs will deliver savings in terms of administration costs. The remainder of the efficiencies will be delivered by the cessation of low priority activities coupled with a reduction in the expenditure on consultancy.

### **Reform Programme**

The Department intends to take forward further reform of the Planning System aimed at ensuring that it supports the future economic and social development needs of Northern Ireland and manages development in a sustainable way, particularly with regard to large, complex or strategic developments.

The allocation would also enable the Review of Environmental Governance to be progressed which will address the structure, management and resourcing of the publicly funded elements of the environmental governance system within central and local government, and implement proposals for the future environmental governance arrangements, in relation to environmental protection, the natural heritage and the built heritage.

### **European funding**

Under the 2007-13 EU Programmes, the Department would avail of some €9 million from the Cross Border Territorial Co-operation Programme, INTERREG IV, to help improve access to services to enhance the quality of life for those living in the eligible area. The focus will be on two key themes – collaboration and infrastructure.

### **Equality and Good Relations**

The Department is committed to ensuring that it fulfils its duties under both Section 75(1) and (2) of the Northern Ireland Act 1998 in relation to the promotion of equality of opportunity and the desirability of promoting good relations. Promotion of equality of opportunity and good relations is an important part of departmental policy development, legislative activities and operational programmes. For each of the spending proposals put forward by the Department a High Level Equality Impact Assessment (HLIA), agreed by the Equality Commission for the

## **Draft Budget 2008-2011**

Budget process, has been completed showing how each proposal has been considered against both duties.

## Draft Budget 2008-2011

### Department of the Environment – Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Road Safety Services	5.5	5.9	8.6	6.6	10.4	6.9	4.9
Driver Vehicle Agency	5.1	4.9	-5.7	5.3	8.7	5.3	1.1
Environment and Heritage Services	61.1	60.9	-0.2	59.8	-1.9	59.6	-0.3
Planning Service	11.8	14.7	25.0	12.4	-15.5	11.0	-11.2
Local Government Services	51.2	50.7	-1.0	52.2	2.9	52.3	0.2
<b>Total Objective A</b>	<b>134.7</b>	<b>137.2</b>	<b>1.8</b>	<b>136.2</b>	<b>-0.7</b>	<b>135.1</b>	<b>-0.8</b>
<b>Total</b>	<b>134.7</b>	<b>137.2</b>	<b>1.8</b>	<b>136.2</b>	<b>-0.7</b>	<b>135.1</b>	<b>-0.8</b>

### Department of the Environment - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Road Safety Services	-0.0	0.8	0.7	0.6
Driver Vehicle Agency	0.6	0.1	0.1	0.1
Environment and Heritage Services	8.6	9.8	21.7	170.5
Planning Service	0.6	0.1	0.1	0.1
Local Government Services	0.0	-	-	-
<b>Total Objective A</b>	<b>9.8</b>	<b>10.7</b>	<b>22.5</b>	<b>171.2</b>
<b>Total</b>	<b>9.8</b>	<b>10.7</b>	<b>22.5</b>	<b>171.2</b>

# Draft Budget 2008-2011

## DEPARTMENT FOR REGIONAL DEVELOPMENT (DRD)

The overall aim of the Department 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. In pursuing this aim the key objectives of the Department are:

- Supporting the economy by maintaining and developing safe transportation networks, promoting airport and harbour services, shaping the long-term development of the region and providing other services to the public and other Departments; and
- Contributing to the health and well being of the community and the protection of the environment by developing and maintaining the policy and regulatory environment which provides modern, high quality water and sewerage services.

### Key Issues/Challenges over period to 2010-11

One of the key challenges facing the Department over the Budget period is to put in place sustainable and acceptable funding arrangements for water and sewerage services. Northern Ireland Water (NIW) was established as a Government Owned Company on 1 April 2007. The Executive decided not to impose new annual charges for domestic water and sewerage services in 2007-08 and established an independent and comprehensive review to advise on the level of funding needed as well as options to manage, govern and finance our water and sewerage services for all our citizens now and in the future.

### Draft Budget 2008-11 Allocations

DRD is responsible for funding NIW for its borrowing requirements. The proposed Budget allocation would enable DRD to provide core funding facilities and consideration is being given as to how best to provide revolving credit and accelerated programme facilities. NIW has a target to reduce the percentage of households experiencing unplanned and un-warned interruptions in water supply in excess of 6 hours to 1% by 2009-10, in addition to attaining acceptable levels of compliance with EU requirements.

## Draft Budget 2008-2011

The draft Budget allocations would enable Roads Service to work towards implementing a number of the objectives established in the Regional Transportation Strategy (RTS) 2002-2012. In addition, two Public Private Partnership (PPP) packages of investment would be progressed in order to achieve reductions in journey times on Key Transport Corridors.

The first package has already seen the opening of new slip roads from Antrim Area Hospital onto the M2. Construction work would continue on widening the M2 between Sandyknowes and Greencastle and improving the Westlink, most notably with flyovers at the Grosvenor Road and Broadway roundabouts. The second package would include dualling the A1 from Beechill to Cloghogue (which would complete the dualling of the A1 Belfast-Border route), dualling the A4 from Dungannon to Ballygawley and providing four grade separated junctions on the A1 between Sprucefield and Loughbrickland.

Other roads capital projects include dualling the A2 from Maydown to the City of Derry Airport; and the provision of 1.5km of dual carriageway at the A26/M2 outside Ballymena passing under the Larne Road roundabout.

Additional resources are being provided for structural maintenance, following the reductions made by Direct Rule Ministers to this necessary function. This would allow Roads Service to give priority to the maintenance of the strategic road network, which carries the greatest volume of traffic.

In partnership with the Department of the Environment (DOE) and the Police Service of Northern Ireland (PSNI) there is a commitment to reduce the number of people / children killed or seriously injured by 33% / 50% by 2012. In support of this, a range of local transport and safety measures would be undertaken including a programme of collision remedial and traffic calming schemes.

The proposed allocation would support the Government's commitment to sustainable development by seeking to achieve one million additional Public Transport passenger journeys by the end of the Budget period. The Department would also continue to fund the existing concessionary fare scheme and during 2008-

## **Draft Budget 2008-2011**

09 would extend the scheme to introduce free fares for those aged 60 and over.

Support would be provided to Translink through the Bus Replacement Programme to deliver more than 200 new buses by March 2011 to replace some of its ageing bus fleet. This would also have the effect, by March 2010, of improving accessibility rates on Metro and Ulsterbus services to 85.3% and 65.8% respectively (currently 81.5% and 34.5%). There would also be funding to extend Metro services in 2008-09.

Translink would also be assisted to procure 13 replacement trains to modernise the rail fleet as well as being able to construct a new railway station at Newry and provide for some railway line improvements. The Department would continue to examine options for the future planning, delivery and governance of public transport structures as well as progressing preparations for the introduction of Rapid Transit in the Greater Belfast area.

Funding for an enhanced Rathlin Island Ferry service could also be provided. The Department would also provide the region's share towards the £19 million Runway Safety Scheme at the City of Derry Airport which the British and Irish governments agreed to fund jointly in early 2007. The Department is also reviewing the status of the commercial Trust Ports to ensure they are placed on the best footing to invest in the future.

The Department would work with DOE to ensure that a fit for purpose suite of Planning Policy Statements is in place by March 2011. This work will be determined by the final outcome of the Judicial Review into Planning Policy Statement 14 Sustainable Development in the Countryside. This would assist in working towards the implementation of the Regional Development Strategy (RDS) objective of achieving more sustainable patterns of development. The Department would also work with other Departments, Councils and other stakeholders at a sub-regional level to promote a co-ordinated approach to delivery of the RDS.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £22.4 million, £44.2 million and £65.3 million respectively over the period 2008-09 to 2010-11, which will provide additional

## **Draft Budget 2008-2011**

spending power to the Department during this time. Potential savings have been identified within the roads, rail and bus programmes. These efficiencies include generation of additional income; extending the useful economic life of assets; introducing capital procurement efficiencies; disposing of assets; reducing revenue grant payments; and introducing administrative efficiencies through new working practices, improved information systems and seeking economies of scale.

### **European funding**

Under the 2007-13 EU Programmes the Department would avail of some €7.5m from the Trans-national Co-operation Programme –INTERREG IVA to help support strategic cross border co-operation and improve access to services so as to enhance the quality of life for those living in the area.

### **Equality Issues**

Section 75 of the Northern Ireland Act 1998 requires the Department, in carrying out its functions to have due regard to the need to promote equality of opportunity between specified groups and to have regard to the desirability of promoting good relations between certain of these groups. The Department carried out a High Level Impact Assessment of the equality, good relations, poverty/social inclusion and sustainable development impacts for all current expenditure financial proposals considered as part of the development of this Budget.

All capital expenditure and proposed programmes funded through the Budget allocation will be subjected to full Equality Impact Assessment, in line with the statutory duty.

# Draft Budget 2008-2011

## Department for Regional Development - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Roads	190.4	194.8	2.3	214.1	9.9	233.7	9.1
Transport	80.2	85.7	6.9	88.1	2.8	94.7	7.4
EU Structural Funds	0.1	-	-100.0	-	-	-	-
<b>Total Objective A</b>	<b>270.7</b>	<b>280.5</b>	<b>3.6</b>	<b>302.3</b>	<b>7.8</b>	<b>328.4</b>	<b>8.6</b>
<b>Objective B</b>							
Water and Sewerage *	7.2	7.1	-1.8	7.0	-1.9	6.8	-1.7
<b>Total Objective B</b>	<b>7.2</b>	<b>7.1</b>	<b>-1.8</b>	<b>7.0</b>	<b>-1.9</b>	<b>6.8</b>	<b>-1.7</b>
<b>Total</b>	<b>278.0</b>	<b>287.6</b>	<b>3.5</b>	<b>309.2</b>	<b>7.5</b>	<b>335.2</b>	<b>8.4</b>

\* This relates to the Department's costs associated with the maintenance of the shareholder and water policy functions as well as costs associated with central reform functions.

## Department for Regional Development - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Roads	103.7	177.0	184.1	207.7
Transport	124.2	56.5	54.1	78.7
EU Structural Funds	-	-	-	-
<b>Total Objective A</b>	<b>227.9</b>	<b>233.5</b>	<b>238.2</b>	<b>286.4</b>
<b>Objective B</b>				
Water and Sewerage	145.2	335.2	177.8	133.5
<b>Total Objective B</b>	<b>145.2</b>	<b>335.2</b>	<b>177.8</b>	<b>133.5</b>
<b>Total</b>	<b>373.1</b>	<b>568.7</b>	<b>416.0</b>	<b>419.9</b>

# Draft Budget 2008-2011

## DEPARTMENT FOR SOCIAL DEVELOPMENT (DSD)

The overall aim of the Department is “Together, tackling disadvantage, building communities”. Three strategic objectives provide the focus for the Department’s work:

- Tackle disadvantage by encouraging stronger leadership, building cohesive and sustainable communities that embrace diversity and inclusion;
- Encourage self-sufficiency, reducing dependence on welfare benefits whilst supporting individuals and families in need and delivering public services that tackle disadvantage; and
- Improving the physical, economic and social environment where people live and create prosperous and sustainable urban centres that encourage the economic participation of socially excluded individuals and communities.

### Key Issues/Challenges over period to 2010-11

Working to reduce poverty and disadvantage amongst individuals, families and communities is at the heart of all DSD’s policies and programmes alongside building sustainability and self-sufficiency. The Department’s aims are to make a difference to the lives of the most vulnerable and disadvantaged in our society through providing access to decent, affordable and energy efficient housing; regenerating disadvantaged urban areas; tackling social disadvantage in the 10% most deprived areas; promoting viable and vital towns and city centres; and helping to create shared spaces that are accessible to all, where people can live, work and socialise. DSD will continue to promote a strong vibrant and sustainable voluntary and community sector to enable better delivery of services and promoting strong, integrated, sustainable communities. In addition, the Department aims to establish a Charities Commission to act as charities regulator ensuring greater openness and transparency in the charity field.

### Draft Budget 2008-11 Allocations

Through working with other departments, DSD aims to increase the levels of economic activity and growth; reduce numbers in poverty and, in particular, reduce child poverty by 50% by 2010;

## Draft Budget 2008-2011

reduce levels of homelessness and reduce inequalities within and between urban communities; promoting social inclusion and making a real difference to people's lives. Work will also be taken forward to improve levels of access to energy efficient and affordable social housing.

The draft Budget allocated would allow the Department to target resources towards ensuring 25% more children will be receiving child maintenance in March 2011 compared to March 2007. The Department will continue to assess and pay social security benefits accurately and securely and at the same time seek to modernise and improve social security services, including the implementation of Employment and Support Allowance Benefit from October 2008 and a new operating model for Pensions from April 2008.

A better co-ordinated response to tackle homelessness will be developed. In addition, resources will be targeted at fuel poverty and on housing support services for vulnerable people to help them remain in their own homes. DSD will match the supply of decent affordable energy efficient housing to the assessed level of housing need by 2011, establish investment initiatives for the Social Housing Development Programme and engage with the private sector to achieve developer contributions to affordable housing.

Resources will be targeted on achieving measurable reductions in health, educational and employment differentials for those living in Neighbourhood Renewal Areas. Regeneration schemes will commence in the North-East Quarter and St Anne's Square in Belfast. Phase 1 of the Belfast Public Realm work will be completed, as will Public Realm works in Armagh, Newcastle, Antrim and Waterloo Place/Guildhall, Londonderry together with 7 Comprehensive Development Schemes. For the voluntary and community sector, DSD will implement the Advice Services Strategy, establish a Charities Commission for Northern Ireland, agree and publish a revised Compact between government and the voluntary and community sector, continue our work to increase volunteering and active citizenship and the work to increase social capital and community capacity.

## **Draft Budget 2008-2011**

As well as the North-East quarter scheme, Public Realm and Comprehensive Development Schemes mentioned above, other key capital projects over the Budget period will include the Social Housing New build Programme, Decent Energy Efficient Homes, Obel and Lanyon Towers (Laganside Belfast) – both £45 million mixed use developments comprising residential units, offices and leisure facilities and underground car parking; and continued modernisation of the Social Security Agency's service delivery arrangements.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £19.3 million, £38.1 million and £56.3 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. This will be achieved through a range of measures including the Social Security Agency's Modernisation Programme, the Strategic Business Review and the introduction of new business systems and streamlining of existing processes. There will be a streamlining of the delivery of urban regeneration programmes and greater targeting of housing resources to secure productivity improvements in a number of housing programmes. Manpower levels will be reviewed in order to re-align resources with departmental priorities and bring about reductions in staffing.

### **European funding**

Two Programmes are scheduled to complete by December 2008; the Urban II Programme and Peace II extension projects. We will be jointly accountable with the Department of Environment, Heritage and Local Government for a new European Programme, Peace III, Priority 2.1, scheduled to commence in 2008-09 – Creating Shared Public Spaces, which will support a small number of major capital projects designed to create safe and shared space for the population.

### **Equality and Good Relations**

High level impact assessments to ascertain the equality and good relations for each funding proposal were undertaken in accordance with Section 75 (1) and (2) of the Northern Ireland Act 1998. These

## **Draft Budget 2008-2011**

identified some minor positive impacts. No negative impacts were identified.

# Draft Budget 2008-2011

## Department for Social Development - Current Expenditure

Objective and Spending Area	Plans						
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%
<b>Objective A</b>							
Social Security Administration	214.9	232.1	8.0	230.6	-0.6	226.1	-2.0
Child Support Agency (NI) Administration	13.2	13.3	0.6	13.9	4.2	20.1	45.2
Dept Work & Pensions Admin Agency Services	0.8	0.8	-	0.8	-	0.8	-
<b>Total Objective A</b>	<b>228.9</b>	<b>246.2</b>	<b>7.5</b>	<b>245.3</b>	<b>-0.4</b>	<b>247.0</b>	<b>0.7</b>
<b>Objective B</b>							
NI Housing Executive	230.3	223.7	-2.9	220.9	-1.2	220.1	-0.4
Housing Associations	-1.4	-1.4	-	-1.4	-	-1.4	-
<b>Total Objective B</b>	<b>228.9</b>	<b>222.2</b>	<b>-2.9</b>	<b>219.5</b>	<b>-1.2</b>	<b>218.7</b>	<b>-0.4</b>
<b>Objective C</b>							
Urban Regeneration/Community Development	63.2	60.1	-4.9	57.1	-4.9	56.5	-1.2
<b>Total Objective C</b>	<b>63.2</b>	<b>60.1</b>	<b>-4.9</b>	<b>57.1</b>	<b>-4.9</b>	<b>56.5</b>	<b>-1.2</b>
<b>Departmental Total</b>	<b>521.0</b>	<b>528.6</b>	<b>1.5</b>	<b>521.9</b>	<b>-1.3</b>	<b>522.2</b>	<b>0.1</b>
EU Peace Programme Match Funding	-	1.0	-	0.7	-31.4	0.1	-80.9
<b>Total</b>	<b>521.0</b>	<b>529.5</b>	<b>1.6</b>	<b>522.6</b>	<b>-1.3</b>	<b>522.3</b>	<b>-0.0</b>

# Draft Budget 2008-2011

## Department for Social Development - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Social Security Administration	57.4	65.4	2.9	2.9
Child Support Agency (NI) Administration	0.4	-	-	-
<b>Total Objective A</b>	<b>57.8</b>	<b>65.4</b>	<b>2.9</b>	<b>2.9</b>
<b>Objective B</b>				
NI Housing Executive	1.8	-76.0	-46.9	-21.4
Housing Associations	103.4	96.6	125.7	139.4
<b>Total Objective B</b>	<b>105.2</b>	<b>20.6</b>	<b>78.8</b>	<b>118.0</b>
<b>Objective C</b>				
Urban Regeneration/Community Development	68.3	67.4	63.0	101.3
<b>Total Objective C</b>	<b>68.3</b>	<b>67.4</b>	<b>63.0</b>	<b>101.3</b>
<b>Departmental Total</b>	<b>231.3</b>	<b>153.4</b>	<b>144.7</b>	<b>222.2</b>
EU Peace Programme Match Funding	-	0.3	0.6	1.2
<b>Total</b>	<b>231.3</b>	<b>153.7</b>	<b>145.3</b>	<b>223.4</b>

## Draft Budget 2008-2011

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

The overall aim of the Department is to build a peaceful, just and prosperous society where everyone can enjoy a better quality of life now and in years to come. In pursuing this aim the key objectives of the Department are:

- **Driving investment and sustainable development:** Through redevelopment of strategic sites; promoting effective long-term capital planning and delivery; and, promoting the Executive's policy interests internationally.
- **Making People's lives better:** By driving a programme across Government to reduce poverty; promoting and protecting the interests of children, older people, people with disabilities, victims and survivors, and other socially excluded groups; addressing inequality and disadvantage; and, driving the delivery of Government responsibilities in a sustainable manner.
- **The effective operation of the institutions of government in the delivery of an agreed Programme for Government:** By modernising the statutory framework that applies to devolved services in Northern Ireland; driving the more efficient and sustainable use of capital assets across Government; and, ensuring the structure of public administration in Northern Ireland is efficient, effective and sustainable.

#### Key Issues/Challenges over period to 2010-11

A key challenge for OFMDFM is to make a real difference to the lives of all the people of Northern Ireland. The Department will seek to fundamentally address the issue of Victims and Survivors, ensuring that the new comprehensive approach to victims addresses issues affecting both individual victims and survivors, and victims' organisations.

The past three years have seen significant progress in improved relationships, with historic low levels of violence and tension. The Department wants to ensure that improved relationships within the community continue and also wishes to address the challenges that face new and host communities.

## **Draft Budget 2008-2011**

OFMDFM wants to support and improve the lives of the most vulnerable in society which must include real tangible benefits to those most at need; older people, children and the disabled. A key challenge is to ensure that all people are valued and respected as members of the community and also to work towards an ultimate objective of the total eradication of poverty from every section of our society.

### **Draft Budget 2008-11 Allocations**

The draft Budget allocation will enable OFMDFM to deliver a new, comprehensive approach to Victims and Survivors, including the appointment of a Victims Commissioner and the establishment of a Forum. OFMDFM want to give older people a strong independent voice and is committed to ensuring an enhancement of rights for older people and to making a real difference to their day-to-day lives.

Support will be provided to a number of exemplar projects of area-based interventions for children and young people. The implementation of the play policy for 0-18 year olds will contribute to the delivery of many of government's strategic aims, and has been proven to have beneficial outcomes on children's physical and mental health, aid development, encourage social skills and improve knowledge and skills.

Tackling poverty is a key priority that will be taken forward over the Budget period by a co-ordinated cross-departmental approach. No child should live in severe poverty and OFMDFM is committed to making a real difference to the lives of those most in need.

It is widely recognised that people with disabilities are among the most vulnerable in society. They are at greater risk of income poverty than people without a disability. They are also more likely to be unemployed or economically inactive, have poor educational attainment, lower qualifications and suffer from lack of self confidence. OFMDFM will work to improve the lives of people with a disability.

The Department is committed to resourcing the Planning Appeals Commission and Water Appeals Commission (PACWAC) to enable it to deliver on its performance targets. Additional full-time Planning and Water Appeals Commissioners will address the

## **Draft Budget 2008-2011**

significant increases in appeals received and Development Plans referred to the Commission over the last 5 years.

OFMDFM will provide support for the development and co-ordination of the Executive's central policy on sustainable development and the preparation of a new Implementation Plan. OFMDFM will ensure that the profile of sustainable development is significantly raised and becomes a central fundamental principle of government during the Budget period.

OFMDFM's work on International Relations will aim to increase Northern Ireland's attractiveness to inward investors and visitors, and enable international business and cultural opportunities. This will entail building links and extending the Northern Ireland Bureau's representation to New York and the Far East.

During the Budget period, all the above initiatives will all be taken forward in the context of OFMDFM's equality duty to have due regard for the need to promote equality of opportunity and regard for the desirability of good relations.

### **Efficiency Programme**

The Department has a target to deliver cash releasing efficiencies of £2.4 million, £4.6 million and £6.8 million respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time.

### **Reform Programme**

OFMDFM has taken the lead in establishing an Advertising Shared Service Centre for the NICS, and is providing communications support to the broader reform programme.

### **European Funding**

OFMDFM will oversee the delivery of two key areas of the EU's Peace III Programme: building local relationships; and, acknowledging/dealing with the past. Activities funded through the programme will focus on challenging sectarianism and racism, and supporting conflict resolution at the community level.

## **Draft Budget 2008-2011**

### **Equality and Good Relations**

A High Level Impact Assessment has been undertaken of the equality, good relations, poverty/social inclusion, and sustainable development impacts of all spending proposals put forward by the Department with respect to Budget 2008-11. The outcome of these assessments has informed the Budget proposals set out in this document.

OFMDFM's Budget 2008-11 proposals are intended to result in a positive equality impact for children, older people, people with disabilities, and ethnic minority groups. The programmes funded through the Budget allocation will be subjected to full Equality Impact Assessment, in line with statutory duties.

# Draft Budget 2008-2011

## Office of the First Minister and Deputy First Minister - Current Expenditure

Objective and Spending Area	Plans							
	2007-08 £m	2008-09 £m	%	2009-10 £m	%	2010-11 £m	%	
<b>Objective A</b>								
Support for the Executive	40.4	39.2	-3.1	39.0	-0.4	38.6	-1.2	
<b>Total Objective A</b>	<b>40.4</b>	<b>39.2</b>	<b>-3.1</b>	<b>39.0</b>	<b>-0.4</b>	<b>38.6</b>	<b>-1.2</b>	
<b>Objective B</b>								
Support for Equality, Human Rights & Community Relations	30.5	33.8	10.8	38.7	14.4	42.1	8.9	
<b>Total Objective B</b>	<b>30.5</b>	<b>33.8</b>	<b>10.8</b>	<b>38.7</b>	<b>14.4</b>	<b>42.1</b>	<b>8.9</b>	
<b>Departmental Total</b>	<b>70.9</b>	<b>73.0</b>	<b>2.9</b>	<b>77.7</b>	<b>6.5</b>	<b>80.7</b>	<b>3.8</b>	
EU Peace Programme Match Funding	-	0.9	-	1.7	94.9	3.6	110.2	
<b>Total</b>	<b>70.9</b>	<b>73.9</b>	<b>4.1</b>	<b>79.4</b>	<b>7.5</b>	<b>84.3</b>	<b>6.1</b>	

## Office of the First Minister and Deputy First Minister - Investment

Objective and Spending Area	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
<b>Objective A</b>				
Support for the Executive	1.4	8.6	7.4	5.5
<b>Total Objective A</b>	<b>1.4</b>	<b>8.6</b>	<b>7.4</b>	<b>5.5</b>
<b>Objective B</b>				
Support for Equality, Human Rights & Community Relations	10.3	3.8	15.8	11.7
<b>Total Objective B</b>	<b>10.3</b>	<b>3.8</b>	<b>15.8</b>	<b>11.7</b>
<b>Departmental Total</b>	<b>11.7</b>	<b>12.4</b>	<b>23.1</b>	<b>17.1</b>
EU Peace Programme Match Funding	-	0.0	0.1	0.2
<b>Total</b>	<b>11.7</b>	<b>12.4</b>	<b>23.2</b>	<b>17.3</b>

## Draft Budget 2008-2011

### NORTHERN IRELAND ASSEMBLY (NIA)

The proposed Budget allocation will cover the costs of the Northern Ireland Assembly for 2008-09 to 2010-11 including Members' salaries and allowances, party allowances, research and IT, printing and publishing and secretariat salaries.

#### Northern Ireland Assembly - Current Expenditure

Objective and Spending Area	Plans							
	2007-08		2008-09		2009-10		2010-11	
	£m	£m	%	£m	%	£m	%	
<b>Objective A</b>								
Northern Ireland Assembly	47.6	47.6	-	47.6	-	47.6	-	
<b>Total Objective A</b>	<b>47.6</b>	<b>47.6</b>	<b>-</b>	<b>47.6</b>	<b>-</b>	<b>47.6</b>	<b>-</b>	
<b>Total</b>	<b>47.6</b>	<b>47.6</b>	<b>-</b>	<b>47.6</b>	<b>-</b>	<b>47.6</b>	<b>-</b>	

#### Northern Ireland Assembly - Investment

Objective and Spending Area	Plans			
	2007-08	2008-09	2009-10	2010-11
	£m	£m	£m	£m
<b>Objective A</b>				
Northern Ireland Assembly	2.0	0.3	0.3	0.3
<b>Total Objective A</b>	<b>2.0</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Total</b>	<b>2.0</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

## Draft Budget 2008-2011

### OTHER DEPARTMENTS

The Budget allocation will cover the administration costs of the independent Northern Ireland Audit Office, the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints, the Food Standards Agency and the Northern Ireland Authority for Energy Regulation.

#### Other Departments - Current Expenditure

	Plans							
	2007-08		2008-09		2009-10		2010-11	
	£m	£m	%	£m	%	£m	%	
Assembly Ombudsman/Commissioner for Complaints	1.5	1.6	2.0	1.6	1.9	1.6	1.9	
Food Standards Agency	7.5	7.7	2.1	7.9	2.6	8.1	3.0	
NI Audit Office	9.0	9.2	2.2	9.4	2.2	9.6	2.1	
NI Authority for Utility Regulation	1.5	0.5	-68.6	0.5	-	0.5	-	
<b>Total</b>	<b>19.6</b>	<b>18.9</b>	<b>-3.4</b>	<b>19.4</b>	<b>2.3</b>	<b>19.8</b>	<b>2.4</b>	

#### Other Departments - Investment

	Plans			
	2007-08	2008-09	2009-10	2010-11
	£m	£m	£m	£m
Assembly Ombudsman/Commissioner for Complaints	0.0	0.0	0.0	0.0
Food Standards Agency	0.1	0.1	0.1	0.1
NI Audit Office	0.3	0.3	0.3	0.3
NI Authority for Utility Regulation	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>

## Draft Budget 2008-2011

### CHAPTER 7 – EQUALITY, ANTI POVERTY AND GOOD RELATIONS CONSIDERATIONS

#### Background

- 7.1 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 draft Budget.
- 7.2 There have been some changes from the 2005 Priorities and Budget process. In relation to sustainable development, from March 2007 public authorities (government departments and district councils) are required in exercising their functions, to act in the way best calculated to contribute to the achievement of sustainable development in Northern Ireland. This applies to all developing policies as well as other areas of departments' activities. In addition, New Targeting Social Need (NTSN) has been replaced by Poverty and Social Inclusion.
- 7.3 In line with Equality Commission guidance that equality considerations should be mainstreamed into the policy decision process, there has also been a greater onus on the individuals responsible for spending proposals to ensure that the equality and sustainable development impact is considered in the appropriate manner.

#### Statutory Equality Obligations

- 7.4 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;

## Draft Budget 2008-2011

- 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.

7.5 In addition, without prejudice to this obligation, Public Authorities are also required to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion, and racial group.

7.6 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.

7.7 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.

### Equality Impact Assessment (EQIA)

7.8 The Programme for Government (PfG) sets the strategic direction the Executive will pursue to achieve its aim of **a peaceful, fair and prosperous society** in Northern Ireland. As the principal mechanism by which the Executive has determined its policy and spending priorities, the PfG has formed the basis upon which the Executive has directed the allocation of resources as set out in the draft Budget and the Investment Strategy (ISNI). The PfG and the Budget, along with the Investment Strategy, represent the Executive’s strategic plan, setting out the priorities, key programmes and

## Draft Budget 2008-2011

associated resources and capital investment the Executive will pursue over the next three years.

- 7.9 In this context, at a strategic level a draft Equality Impact Assessment (EQIA) will be produced in accordance with statutory requirements to consider the equality impacts of the draft PfG, Budget and ISNI. It will aim to consider the overall impacts which may be associated with the Executive's strategic priorities as set out in Chapter 5.
- 7.10 The draft 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. In overall terms, there is no evidence to suggest that the priorities will have a significant negative impact on Section 75 groups, rather it is anticipated that delivery of the priorities will have a positive impact and will make a significant contribution to the promotion of good relations.
- 7.11 In line with the Executive's equality obligations and guidance issued by the Equality Commission for Northern Ireland, the draft EQIA will be issued in relation to the draft PfG, Budget and Investment Strategy for formal consultation. The final EQIA will be prepared following consideration of the comments received during the consultation process and presented to the Executive for approval.

### **High Level Impact Assessments (HLIAs)**

- 7.12 The delivery of policies, programmes and capital projects at departmental level will be informed by the outcome of the EQIA. However, recognising the strategic focus of the draft PfG, draft Budget and draft Investment Strategy, 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

## Draft Budget 2008-2011

authorities continue to meet their obligations under Section 75 and Schedule 9.

- 7.13 As a first step in this process, Departments undertook a series of High Level Impact Assessments (HLIA) on all policy and spending proposals put forward as part of the draft Budget 2008-11. The HLIA process aimed to ensure that equality and good relations were embedded in the setting of priorities by the Executive and have informed the development of the draft EQIA.
- 7.14 It is important that Departments attempt to assess the potential equality, good relations, poverty and social inclusion and sustainable development impacts of targeting and funding allocation proposals submitted as part of the draft Budget process to allow appropriate consideration, and where appropriate, mitigations to take place.
- 7.15 Each of the seven 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. By summarising the data and reasoning which the Department has used so far in having due regard to equality of opportunity and regard to good relations, Departments were able to provide the information which Ministers needed to ensure that they had proper regard to these factors in taking their decisions.

### NORTHERN IRELAND PUBLIC EXPENDITURE SYSTEM

#### Overview

1. 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).
2. DEL totals are fixed for a three-year period in National Spending Reviews (carried out by Treasury biennially), 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.
3. Reflecting the differing nature of these controls, the main focus of the Budget process is on the DEL, in that the greater part of the DEL (known as the 'Assigned DEL') is subject to allocation at the discretion of the Executive, in accordance with local needs and priorities.
4. The following describes the budgetary structure which provides a clear separation of actual consumption and investment:
  - **Current Expenditure** – the Resource DEL excluding capital grants and including ring-fenced **Administration costs**. From 2005-06 the Treasury has imposed a further control within the overall current expenditure budget, in that switches from non cash to cash spend, cannot exceed £20 million in any year; and
  - **Investment** – which comprises the Capital Departmental Expenditure Limit (DEL) (for 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.

### European Union Funds

5. This budget includes all of the spending that will take place under EU Structural Funds Programmes, the Northern Ireland Rural Development Programme, and the European Fisheries Fund Programme in this planning period. Northern Ireland will receive EU income from both its 2000-2006 EU Programmes which can spend until December 2008, and from its 2007-13 EU Programmes, all of which are all at an advanced stage in the negotiation process with the European Commission.
6. 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. The latter element is shown separately in the departmental tables.
7. The EU income that we receive provides us with additional spending power but the national matched funding amounts shown come from within our allocated DEL amount. The provisions made in this budget fully meet departments requirements for the matched funding they are required to provide under all of the EU Programmes in this period.

### Financial Tables

Table 1: Annually Managed Expenditure

Table 2: Reconciliation of Planned Spend to HM Treasury Control Totals

Table 3: Total Planned Allocations (DEL and AME)

Table 4: Cash Releasing Efficiency Savings

# Draft Budget 2008-2011

## ANNEX B

**Table 1a: DEPARTMENTAL AME ALLOCATIONS**

	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
Agriculture and Rural Development	21.0	21.2	22.4	23.6
Culture, Arts and Leisure	29.1	23.1	22.7	22.7
Education	684.6	689.6	740.6	804.9
Employment and Learning	143.2	167.0	184.8	190.7
Finance and Personnel	275.0	327.0	346.0	365.0
Health, Social Services and Public Safety	846.9	921.7	1,001.3	1,081.2
Regional Development	1,255.4	1,607.0	1,937.2	2,173.4
Social Development	4,329.7	4,436.5	4,612.0	4,794.6
Office of the First Minister and Deputy First Minister	0.6	1.0	1.8	2.4
<b>Total Departmental Allocations</b>	<b>7,585.5</b>	<b>8,194.2</b>	<b>8,868.8</b>	<b>9,458.5</b>

**Table 1b: PROGRAMME AME ALLOCATIONS**

	Plans			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m
Benefits	4,269.0	4,421.1	4,596.0	4,778.0
Non Cash Costs <sup>1</sup>	1,548.9	1,914.8	2,282.7	2,560.5
Pensions	1,581.3	1,694.2	1,808.4	1,932.6
Student Loans	143.2	167.0	184.8	190.7
Financial Assistance Scheme	43.1	-2.9	-3.0	-3.3
<b>Total Programme Allocations</b>	<b>7,585.5</b>	<b>8,194.2</b>	<b>8,868.8</b>	<b>9,458.5</b>

<sup>1</sup> Treasury has agreed that non cash costs in respect of GB Local Authority functions discharged by central Government in N.I. (e.g. Personal Social Services, Urban Regeneration, Local Roads and Flood Protection) can score in AME, reflecting the fact that the relevant cost would not be a charge on the Whitehall Departments DEL.

## Draft Budget 2008-2011

### ANNEX B

**Table 2a: Reconciliation of Planned Current Expenditure to HM Treasury Resource Control Totals**

£million

	2008-09	2009-10	2010-11
<b>Total Current Expenditure</b>	<b>8,275.1</b>	<b>8,553.7</b>	<b>8,927.2</b>
Planned Overcommitment	-100.0	-80.0	-60.0
<b>Other Items</b>			
Regional Rates	-414.1	-434.0	-454.6
Water Subsidy	168.9	106.1	56.5
Central Reform Investment	10.0	11.7	11.1
Other Items	28.3	27.3	26.4
Time Limited Allocations	-102.0	-30.0	-10.0
Unallocated EUPRP	3.1	18.3	16.3
Unallocated Funding for Innovation	3.0	3.0	4.0
<b>Total Other Items</b>	<b>-302.8</b>	<b>-297.5</b>	<b>-350.3</b>
<b>Total Resource DEL</b>	<b>7,872.3</b>	<b>8,176.2</b>	<b>8,516.9</b>

**Table 2b: Reconciliation of Planned Investment to HM Treasury Capital Control Total**

£million

	2008-09	2009-10	2010-11
<b>Total Investment</b>	<b>1,254.2</b>	<b>1,315.6</b>	<b>1,293.4</b>
RRI Borrowing	-200.0	-200.0	-200.0
Additional CSR allocation to be considered as part of Final Budget			63.0
Other Items	-60.4	-57.5	
<b>Total Capital DEL</b>	<b>993.8</b>	<b>1,058.1</b>	<b>1,156.4</b>

## Draft Budget 2008-2011

### ANNEX B

**Table 3: Total Planned Allocations (DEL AND AME)**

	Plans							
	2007-08		2008-09		2009-10		2010-11	
	Current Expenditure £m	Capital Investment £m	Current Expenditure £m	Capital Investment £m	Current Expenditure £m	Capital Investment £m	Current Expenditure £m	Capital Investment £m
Agriculture and Rural Development		83.0	256.9	83.6	260.3	28.6	268.3	-171.1
Culture, Arts and Leisure	137.5	43.0	130.4	64.5	132.1	74.1	140.1	79.9
Education	2,403.8	279.8	2,460.1	213.6	2,611.0	252.3	2,757.2	200.1
Employment and Learning Enterprise, Trade and Investment	731.5	212.1	734.4	207.7	771.2	223.5	818.8	235.3
Finance and Personnel	199.6	77.5	214.2	48.0	223.9	87.9	229.8	78.2
Health, Social Services and Public Safety	450.4	51.1	506.5	-145.0	508.4	22.7	525.5	16.0
Environment	4,651.6	177.8	4,860.5	202.6	5,065.4	203.7	5,340.4	213.2
Regional Development	134.7	9.8	137.2	10.7	136.2	22.5	135.1	171.2
Social Development	1,533.4	373.1	1,894.7	568.7	2,246.4	416.0	2,508.6	419.9
Office of the First Minister and Deputy First Minister	4,843.5	238.4	4,959.1	160.7	5,131.0	149.0	5,313.3	227.0
Northern Ireland Assembly	71.6	11.7	74.9	12.4	81.2	23.2	86.7	17.3
Other Departments	47.6	2.0	47.6	0.3	47.6	0.3	47.6	0.3
	19.6	0.4	18.9	0.4	19.4	0.4	19.8	0.4
<b>Total Allocations</b>	<b>15,472.0</b>	<b>1,559.7</b>	<b>16,295.3</b>	<b>1,428.2</b>	<b>17,234.1</b>	<b>1,504.0</b>	<b>18,191.3</b>	<b>1,487.7</b>

# Draft Budget 2008-2011

## ANNEX B

**Table 4: Cash Releasing Efficiency Savings Target by Department**

	2008-09 £m	2009-10 £m	2010-11 £m
Agriculture & Rural Development	6.2	12.2	18.1
Culture, Arts & Leisure	3.6	7.0	10.4
Education	63.2	124.5	184.0
Employment & Learning	20.3	40.1	59.2
Enterprise, Trade & Investment	7.7	15.2	22.5
Finance & Personnel	5.7	10.3	14.8
Health, Social Services & Public Safety	118.2	232.8	344.0
Environment	3.9	7.7	11.4
Regional Development	22.4	44.2	65.3
Social Development	19.3	38.1	56.3
Food Standards Agency	0.2	0.4	0.7
Office of the First Minister & Deputy First Minister	2.4	4.6	6.8
<b>Total</b>	<b>273.2</b>	<b>537.3</b>	<b>793.5</b>

