

FINAL BUDGET 2011 – 15

STATEMENT TO THE ASSEMBLY

BY

SAMMY WILSON MP MLA

MINISTER FOR FINANCE AND PERSONNEL

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Mr Speaker, I am grateful for the opportunity to address the House today and present the outcome of the Executive's determinations on a Final Budget position.

This has been a long and necessarily slow process. As Members will be aware over recent weeks I have spent many, many hours in this Chamber debating the Budget process. Today, I can present the product of all the work that has been done by the Executive, the Assembly and all those who participated in the consultation. I am grateful to all those who participated.

Many in this House have said that the Budget would be engineered for party political advantage. This was always an absurd allegation to make. In just 21 days this Assembly will dissolve and in May a new Executive will be appointed. It is simply not possible for any party to know what would be to their own narrow party interest in the next Assembly because of the uncertainties of the allocation according to d'Hondt.

The way that I have approached this entire Budget process and my statement today will, I believe, once and for all put that accusation to rest. While producing the Budget was necessarily free of any selfish party political interests it is clear that some of the opposition to the Budget has been for cynical political purposes. Some Ministers simply could not take yes for an answer.

What the Executive has delivered today is proof of the growing maturity there is within our political system in that we can produce a fair, balanced budget for a four year period even in the face of imminent elections. The Executive recognises the imperative of putting in place spending plans that give certainty to departments and therefore employees and all our citizens who avail of public services.

In a five party mandatory coalition no party will get everything that it wants from a Budget process but I believe that this outcome marks a fair compromise and has sought to take on board the concerns of all parties.

But the reality is that in the present fiscal environment there is less money available to spend. As I said back in December when releasing the Draft Budget, we have received no favours from the UK Spending Review which has resulted in a loss of £4billion over the Spending Review period. The UK national administration, supported by their electoral partners in the UUP, has imposed a very tough spending review settlement on Northern Ireland.

Yet today it is those who advocated the cuts to the Northern Ireland Block that complain the loudest about the Budget settlement that these cuts have produced but still refuse to accept responsibility for them.

However in the face of such a difficult settlement we have sought and fought to raise additional revenue, deliver savings and improve financial management to deliver additional spending power for the Northern Ireland Executive. This Executive has risen to the challenge.

This process has resulted in hundreds of millions of pounds of additional allocations made possible since the Draft Budget and in the coming months I hope that this can be improved again as the Budget Review Group continues its work. While this Final Budget is the end of one process it also marks the beginning of the next.

Over recent weeks and months Ministers have debated intensively where funding priorities should lie. Each Minister understandably, and rightly, fought strenuously for their own portfolios but there was a consensus on the key issues. It is clear that the key principles in the existing Programme for Government are still relevant. The priority for the Executive must continue to reside in creating a climate conducive to economy growth – through investing in skills, employment and infrastructure while preserving the integrity of health care provision in Northern Ireland.

I want to emphasise again that the desire for economic growth is not based on simple ideology – but rather a desire to improve the income levels and living

standards of all the people of Northern Ireland. I need not remind Members in this House of the consequential benefits of such an outcome - in particular significant improvements in health and education outcomes across all sections of the community.

While the Executive had less money to allocate as a consequence of the UK Government's settlement, we believe that we have now allocated our available resources to the highest priority areas. This should ensure that key front-line services are protected as much as possible.

However, there is a requirement upon the Executive to ensure that these scarce resources are being deployed in the most efficient manner possible. I believe that there is still considerable scope to drive out genuine, cash-releasing efficiencies over the next few years.

Publication of this Final Budget does not signify an end to the Executive's pursuit of additional revenue sources. There are many potential sources of additional revenue that Ministers will pursue over the coming weeks and months. That is why the ministerial Budget Review Group (BRG) will continue to meet. Momentum must be maintained on pursuing these issues. When these proposals become more concrete in terms of delivery then the Executive can factor any released resources into future monitoring rounds.

In a more constrained financial environment we must look more aggressively at how money can be saved and better used.

Mr Speaker, I referred earlier to the growing maturity within our political system. That growing maturity will undoubtedly generate further benefits for the citizens of Northern Ireland. As our community becomes more comfortable with itself we should begin to see savings accrue from greater integration and cooperation as the costs of division diminish.

By prioritising early intervention and prevention we can ensure that we get long term savings and maximise the return for our investment.

In the next Assembly term better joined-up working/collaboration between Executive departments will also be crucial to ensuring we get the best value for our money.

Health

Turning now to some specific issues - I would like to address the provision for health first.

Many times over recent weeks, I have highlighted how the Executive afforded funding protection to health services at the Draft Budget stage. That position undoubtedly made the financial allocations to all other departments much more severe given that health accounts for such a large proportion of the total Block.

This Final Budget position goes further in terms of additional funding for health.

However, while I have been able to make a significant additional contribution of £120 million to DHSSPS over the period, and also to permit an internal reclassification that generates a further £69 million of genuine spending power, I would emphasise the significant backdrop to this.

I recognize that this is still short of what the Health Minister has publicly said is he feels is needed – however while his “statement of need” has been made publicly, and often, the Executive still awaits the presentation of a robust case from the Health Minister.

The McKinsey Report, while welcome, has been presented very late in the day, and without any accompanying commentary from the Minister. While it seeks to articulate the cost pressures facing DHSSPS, it also sets out some material savings that can be made in the sector. Interestingly, it also

highlights that every month's delay in pursuing these savings will reduce the quantum of achievable savings in 2014-15 by £5 million.

I note, with regret, that despite the report being received in DHSSPS some 5 months ago, to date no action has been taken on it by the Health Minister, other than to continually speak publicly about the cost pressures therein – in particular, I would ask the very basic question – has he as yet developed an implementation plan for this necessary work?.

In this context I regard the case as articulated by the Minister as “not proven”. The Executive is committed to the Health Service, as evidenced by the unique measures offered to the Minister (e.g. record levels of spending allocations; preferential treatment when compared to all NI departments and Health departments cross the UK; complete budgetary flexibility; and first call on in-year resources), however we simply cannot afford to continue in this way without a firmer evidence base.

Therefore, I propose that, aligned with this material increase in funding, we defer final judgment on the position for DHSSPS until the PEDU work, agreed by the Executive recently, has concluded. While I remain confident that that work will identify substantial scope for savings in DHSSPS, in the event that it concludes additional funding is indeed required, I will happily bring proposals back to the Executive to top slice all departments to provide the established level of funding.

Belfast Port

Turning to the issue of the Belfast Port, colleagues will be aware that, in the Draft Budget, we agreed a planning assumption that the Port would make £15 million per annum available in the third and fourth year of the budget period. In addition, the Port was to provide £5 million in the first year towards the Paint Hall development in the Harbour Estate – a key development in terms of attracting high value inward investment.

This has not proved possible, therefore we have adopted an alternative approach to the Paint Hall issue – funding it from within our own resources. However, in the longer term, I still believe we can maximize the value of the Port to the broader strategic interests of Northern Ireland, and thus I have increased the assumed resources in the final two years to £20 million per annum, and the Regional Development Minister will proactively pursue the necessary legislative changes to underpin this approach.

Stadium Funding

Much work remains to be done to bring the standard of stadiums across the three main sports (Rugby, Football and GAA) up to the desired level. I should emphasise that this is not about “trophy venues”, but rather about encouraging and broadening the participation base of all sports – this has both economic and social benefits, not least through encouraging and supporting more active participation in sports, with the consequential health and lifestyle benefits to all concerned.

In this context we have decided to adopt a six year approach, and the DCAL Minister will shortly be returning to the Executive with his plans for the longer term strategic approach.

The DCAL Minister has also been given additional funding for libraries and arts across the Budget period in recognition of the representations made during the consultation exercise. Again, Mr Speaker, further evidence of the connection between the Executive and the community, and an acknowledgement that, despite the cynical views of some, we see the consultation process as an important part of shaping our approach.

Education

Mr Speaker, an efficient, fit-for-purpose education system is critical for our skills enhancement agenda. In response to representations from the Education Minister in which she set out her concerns about undermining that skills agenda, the Executive has agreed additional funding allocations to the sector. Over the four year period an additional £114 million current expenditure has been added to the Draft Budget provision while a further £40 million has been allocated for capital investment.

Assembly

Mr Speaker, you will be aware of the many representations that have been made to me by members of this House in relation to its own budget – not least by you personally. You will be pleased to hear that I have acknowledged these representations with an enhanced current and capital allocation over the Budget period.

I firmly believe that this Assembly should be setting an example when it comes to making savings and becoming more efficient. My Draft Budget allocation was not about trying to emasculate the Assembly or undermine this legislature. There was also the assurance that if the Assembly needed additional resources in-year then the monitoring round process would automatically have provided what was needed. This Assembly has never had a request for resources rejected by the Executive.

Employment and Learning

In relation to funding for the Department of Employment and Learning, the Executive has acknowledged that there are a range of pressures outwith the control of the DEL Minister – particularly in the context of the contribution of the department to economic growth through upskilling the workforce and supporting people to make the important transition from welfare to work. In acknowledging these issues the Executive has agreed to make a further £51 million available in current expenditure over the four year period to the department.

However, I would make the point that the DEL Minister does have to address some significant inefficiencies within his department. There are obvious areas where funding incurs a high degree of what economists refer to as deadweight – that is – expenditure that is not required as the individual or project would have proceeded anyway. This is a complete loss of spending power to the Executive and should be addressed as a matter of urgency.

Economy

Mr Speaker I have already referred to the importance that the Executive places upon the growing our economy. This Budget builds on previous decisions to deliver on this commitment.

As part of the Budget process we have transferred over £250 million from current expenditure to capital investment to ensure that we continue to invest for the long term future of Northern Ireland.

I have already mentioned the increased allocation to DEL and DE to strengthen our skills enhancement agenda. The Executive has also allocated a further £2 million in current expenditure to DETI in 2011-12. This allocation will bring the DETI 2011-12 current expenditure uplift to 3.8 per cent on this year. When you also factor in the Executive's continued commitment to maintaining the manufacturing sector rate cap at 30 per cent – this gives some insight into the Executive's commitment to the economy.

Also in relation to rates I want to make one further new announcement. I want to rebalance the system of business rates, and my Department will be bringing forward proposals to significantly extend the small business rate relief scheme – effectively doubling the current position of reliefs.

I will be looking to cross subsidise this by applying a levy to large retail properties, including major out of town shopping developments which have not fared too badly during this downturn compared to our smaller businesses.

My department will of course need to assess the impact of this and consult on it before final decisions are made and the details worked out - but when this is done I would wish the legislation to be quickly passed by the next Assembly - to allow these changes to occur for the following rating year, from April 2012.

Childcare Strategy

Mr Speaker, the Ministerial Sub-Committee on Children and Young People has produced a substantial scoping report into childcare provision across Northern Ireland. This report revealed significant challenges both with provision and affordability. Over the course of the next administration, in recognition of the critical role this issue plays to the economy, it is intended that a Childcare Strategy will be developed on a cross-departmental basis. During its development there are a number of key immediate actions that have emerged that can help support existing provision and help support childminders, childcare and the creation of increased and affordable provision such as start-up packages for child-minders.

The budget provision of £3 million per annum will help support a range of new measures therefore reducing barriers to employment and encouraging and supporting economic activity in line with the priorities of growing the economy and reducing deprivation and poverty.

Justice

Turning to the Department of Justice, the financial package negotiated as part of the Hillsborough Agreement provided the basis for ensuring that the transition to policing and justice being governed by a locally elected Justice Minister for the first time in 40 years can take place without putting at risk those functions that had already been devolved.

However, within the context of Hillsborough, the Chief Constable made it clear that he needed certainty over the next four years regarding the access to the

Reserve that he needs to address the current security threat, without compromising the other vital elements of policing that he is responsible for.

In response to that, we have negotiated with the UK Government an additional £200 million for the Department of Justice over the Budget period which, building on the Draft Budget position, will allow the Justice Minister and the Chief Constable to address the exceptional security situation that we currently face.

I believe this will provide the PSNI with the stability and certainty it needs to manage the security threat over the next four years.

Overview

Mr Speaker, you will note that the Executive has made a number of significant allocations since the Draft Budget was presented to the Assembly last December. This has been made possible because of a number of factors.

The assumed level of rates receipts has increased due to increased revenue collection by LPS and there has been some technical transfers and adjustments. More importantly the Executive left the Draft Budget with some £25million per year held unallocated at the Centre. This can now be disbursed to departments.

Also, the Executive has agreed to introduce a measure of over-commitment on both the current and capital side. The overcommitment of £30 million per annum on both current and capital is really a 'self-help' facility, made possible by better financial management across the public sector and the many revenue generating opportunities identified by departments. I believe that, in this context, this is a prudent level at which to set the overcommitment.

Conclusion

In summary, Mr Speaker, the Final Budget has been developed in the context of the most difficult financial circumstances to face a devolved administration in Northern Ireland. Despite that, and building on the Draft Budget, we have identified material additional resources for key public services:

- £120 million for Health – supplemented by a further £69 million real spending power which does not appear in the figures;
- £154 million for Education;
- £51 million for Employment and Learning;
- £107 million for Regional Development.

In addition, I propose further measures, through the rating system, to support and maintain small businesses through these difficult times.

Mr Speaker, this is a Budget that supports the community, grows the economy, and reflects the needs and aspirations of the people of Northern Ireland.

I commend this Budget to the House.

CURRENT EXPENDITURE

	£million									
	2010-11	2011-12		2012-13		2013-14		2014-15		2010-11 to 2014-15
Agriculture and Rural Development	224.9	220.1	-2.2%	230.4	4.7%	220.0	-4.5%	218.6	-0.6%	-2.8%
Culture, Arts and Leisure	113.3	112.1	-1.0%	107.4	-4.2%	107.4	0.0%	104.3	-2.9%	-8.0%
Education	1,914.8	1,894.6	-1.1%	1,876.1	-1.0%	1,887.7	0.6%	1,874.5	-0.7%	-2.1%
Employment and Learning	798.9	787.3	-1.5%	780.3	-0.9%	798.5	2.3%	826.7	3.5%	3.5%
Enterprise, Trade and Investment	199.5	207.1	3.8%	211.6	2.2%	203.3	-3.9%	205.5	1.1%	3.0%
Finance and Personnel	182.9	188.6	3.1%	185.3	-1.8%	180.7	-2.5%	181.2	0.3%	-0.9%
Health, Social Services and Public Safety	4,302.9	4,383.1	1.9%	4,447.6	1.5%	4,569.2	2.7%	4,659.4	2.0%	8.3%
Environment	129.6	127.0	-2.0%	124.0	-2.4%	121.2	-2.3%	121.0	-0.2%	-6.6%
Justice	1,223.7	1,213.1	-0.9%	1,189.0	-2.0%	1,166.7	-1.9%	1,176.4	0.8%	-3.9%
Regional Development	517.3	508.3	-1.7%	495.2	-2.6%	463.1	-6.5%	457.5	-1.2%	-11.6%
Social Development	521.1	505.4	-3.0%	525.5	4.0%	537.4	2.3%	523.4	-2.6%	0.4%
Office of the First Minister and Deputy First Minister	80.2	78.6	-2.0%	80.0	1.8%	77.0	-3.8%	73.7	-4.3%	-8.1%
Non Ministerial Departments										
Assembly Ombudsman / Commissioner for Complaints	1.6	1.7	4.4%	1.7	0.4%	1.7	-0.9%	1.7	-1.0%	2.9%
Food Standards Agency	9.6	9.4	-1.5%	9.3	-1.0%	9.2	-1.0%	9.2	-0.7%	-4.2%
NI Assembly	48.4	46.5	-3.9%	45.0	-3.2%	44.7	-0.7%	44.1	-1.4%	-9.0%
NI Audit Office	9.5	8.8	-7.5%	8.7	-1.4%	8.5	-1.9%	8.4	-0.9%	-11.3%
NI Authority for Utility Regulation	0.5	0.5	-1.0%	0.5	-1.0%	0.5	-1.0%	0.5	-1.0%	-4.0%
Public Prosecution Service	37.4	37.0	-1.1%	36.0	-2.5%	35.2	-2.3%	33.9	-3.6%	-9.2%
Total Planned Spend	10,316.1	10,329.1	0.1%	10,353.4	0.2%	10,431.9	0.8%	10,519.9	0.8%	2.0%

NET CAPITAL INVESTMENT

	£ million				
	2010-11	2011-12	2012-13	2013-14	2014-15
Agriculture and Rural Development	-173.5	21.2	19.5	22.6	29.7
Culture, Arts and Leisure	59.9	16.3	34.7	29.7	77.6
Education	169.3	114.7	103.4	107.7	183.4
Employment and Learning	37.6	41.2	32.3	18.5	28.3
Enterprise, Trade and Investment	73.5	68.7	45.6	16.0	29.2
Finance and Personnel	15.2	18.9	14.6	10.6	28.4
Health, Social Services and Public Safety	201.7	200.5	279.8	187.5	183.0
Environment	182.4	5.1	6.0	4.0	7.5
Justice	80.0	78.3	64.5	51.8	82.0
Regional Development	556.2	452.8	430.9	550.2	613.2
Social Development	269.6	161.6	127.1	104.6	120.3
Office of the First Minister and Deputy First Minister	12.0	11.2	10.1	10.8	15.9
Non Ministerial Departments					
Assembly Ombudsman / Commissioner for Complaints	0.0	0.1		0.0	
Food Standards Agency	0.1	0.0	0.0	0.0	0.1
NI Assembly	3.6	-0.1	3.7	2.4	0.8
NI Audit Office	0.3	0.4	0.2	0.4	0.2
NI Authority for Utility Regulation	0.0	0.0	0.0	0.0	0.0
Public Prosecution Service	0.3	0.2	0.2	0.2	0.2
Total Planned Spend	1,488.1	1,191.3	1,172.5	1,116.8	1,399.7