

BUDGET 2008-2011

STATEMENT TO THE NORTHERN IRELAND ASSEMBLY

**BY THE RT HON PETER D ROBINSON MP MLA MINISTER FOR
FINANCE AND PERSONNEL**

TUESDAY 22 JANUARY 2008

Mr Speaker, it is almost 40 years since a Finance Minister elected by the people of Northern Ireland, presented a Budget in a stable political environment. Today I am able to do that with a sense of optimism for the future.

Though it is only eight months since power returned to Stormont, I believe that today's announcement is yet another sign that devolution is working.

In October I said that the draft Budget came with a proud stamp - made in Northern Ireland. In the next three years it will be the task for the Executive to ensure that it delivers for Northern Ireland.

Today, I am pleased to be able to present the Executive's unanimously agreed Budget proposals.

In October I announced a draft Budget which delivered the highest ever level of public spending to Northern Ireland, froze domestic Regional Rates for the next three years and capped Industrial Rates.

It was a draft Budget which was good for householders and good for business. It represented delivery of the priorities the people of Northern Ireland voted for last March. It demonstrated a break with the past and a clear intention to build a brighter future for Northern Ireland.

Over the last three months we have listened to the people of Northern Ireland and I am pleased to announce that the key cornerstones of the draft Budget I presented in October remain in place.

I am therefore happy to confirm that domestic Regional Rates will be frozen in cash terms over the next three years, that non domestic Regional Rates will be frozen in real terms over the next three years and Industrial Rates will be capped at 30%.

When contrasted with the Rate increases in recent years under Direct Rule no householder in Northern Ireland will fail to recognise the benefit of the return of devolution.

Let those who say that devolution makes no difference explain that logic to the average household which will be £1,000 better off than they would have been if Direct Rule had continued.

While the key tenets of the draft Budget remain intact, the consultation process has been invaluable in helping us refine our plans. Today I will set out our response to the consultation process and I will be in a position to make some additional allocations.

I believe these will reflect the fact that the Executive has listened to the views expressed in the consultation process and demonstrate that it has been a meaningful process.

This consultation process has been important in shaping not only the final Budget allocations but also for departments in determining their priorities.

During the past 10 weeks we have had a vigorous, often robust debate among politicians and the general public about our public spending priorities. This is important in a democracy.

It has been a useful, if sometimes difficult process, but I believe that the final Budget is the better for it.

With the return of devolution and the capacity to help shape the direction of policy, this Budget consultation has generated considerable public and media attention. That's only proper as in the life of the Assembly there are few more important issues than how we decide to spend public money.

Therefore it is important that we hear the views of a wide range of individuals and organisations on these key issues. It is also essential that having listened to these differing views and perspectives, Ministers in the Executive can reach final agreement on the best outcome for our community. That is what we have now done, and I am pleased to present our conclusions to this Assembly for consideration and approval.

Today, I have published our final Budget proposals and the document has been made available to Members. The First Minister and deputy First Minister have also published final versions of the Executive's Programme for Government and Investment Strategy. Next week they will seek the Assembly's endorsement of these key strategic documents, and I will also seek the Assembly's approval of the associated spending plans in the Budget.

Mr Speaker, when I presented our draft Budget proposals to the Assembly last October I set out the wider prospects for public expenditure over the next three years. We have experienced a decade of significant growth in levels of public expenditure in Northern Ireland, reflecting the growth that has also happened in the rest of the UK. Levels of public expenditure will continue to grow in real terms over the next few years, but that rate of growth will be at a much lower level.

This presents us with both an opportunity and a challenge. We have the opportunity to maintain levels of investment in key public services, while introducing a new focus on ensuring that we deliver value for money for those in our community who rely on those services. Our challenge is to ensure that we focus our expenditure and efforts over the coming years on the key priorities that will make real and sustainable improvements in our prosperity and quality of life.

The final Programme for Government published today confirms that growing the economy will be the Executive's top priority for the next three years. In addition, we recognise the importance of

delivering a major programme of investment in our public infrastructure; promoting tolerance, inclusion, health and well being; protecting and enhancing our environment and natural resources; and delivering high quality and efficient public services. The Budget must ensure that the resources available to the Executive are allocated to activities and programmes that support the delivery of these priorities.

Mr Speaker, the final Budget proposals that have now been agreed by the Executive maintain this focus on our key priorities. Indeed, I am also pleased to be able to announce some additional allocations to assist with these priorities. These allocations also reflect the key themes that arose during the consultation exercise and demonstrate that the Executive has listened.

Mr Speaker, I would like to pay tribute to the significant and important work done during the consultation period by all the Assembly's statutory committees. The Chairperson, Deputy Chairperson and Members of the Committee for Finance and Personnel and indeed their staff played a particularly important role. They commissioned the views of all the other committees and compiled them into their co-ordinated Report on the Executive's Draft Budget which was published on 8 January.

During the consultation period the Committee also hosted an information seminar for all MLAs and relevant Assembly officials on the annual budget process; tabled the Motion for the "Take Note" debate held in plenary session on 27 November; invited me to provide them with a high level briefing on the draft Budget; and

took evidence from my officials on a wide range of strategic and cross-cutting budgetary issues.

Mr Speaker, I should add that in addition to supporting the work of all the committees on the draft Budget, the Committee for Finance and Personnel also found time to examine the draft Budget for my own Department. This was a very significant programme of work carried out over a very short time that included the Christmas break. I think we can all be grateful to the Committee for their efforts. I must also pay particular thanks to the officials in my Department who have worked tirelessly on the budget for many months.

The co-ordinated Report on the draft Budget is a very useful document. Its value should endure beyond the conclusion of this first Budget process in this Assembly. It provides many valuable insights into a wide range of departmental and cross-cutting issues. I would urge my Ministerial colleagues and their officials to consider the material in the report carefully as we move forward to implement the programmes and policies that will be supported by the resources allocated in this Budget.

Alongside the important work carried out on the draft Budget in this Assembly, officials attended a number of public consultation seminars at four locations across Northern Ireland. Officials also attended a public consultation event organised by NICVA, and met with NILGA, the Consumer Council, the Federation of Small Businesses and the Equality Coalition. Presentations were also made to a meeting of the Economic Development Forum and to a

conference on Neighbourhood Renewal. A number of departments also arranged consultation events focusing on their own spending programmes.

Advertisements were placed in the main regional newspapers requesting written responses and comments on Executive's proposals in its draft Programme for Government, Budget and Investment Strategy. There has been considerable interest in these proposals and over 9,500 written responses have been received. These range from signatures on a petition to comprehensive commentaries. The Executive will publish a detailed analysis of the consultation responses.

Of all the issues, funding for the Arts was the main theme in terms of the quantity of responses, reflecting the well organised effort by the arts sector to highlight its concerns. I pay tribute to them for their efforts.

Mental Health services and those for people with a Learning Disability were also raised as matters of concern. These concerns were raised by relatives of those with mental health problems or a learning disability as well as professionals working in the field. I must confess to being lobbied at home on these issues.

Petitions were also received with respect to Libraries and the implications for local sports funding as a result of the 2012 Olympics in London. There were also concerns regarding the allocation of funding for services for Children and Young People which has also been raised with me directly by groups representing

the interests of children. In addition, representations were made to Ministers regarding the level of funding for Victims.

There was a broad welcome for the Executive's priority of growing a dynamic innovative economy, but with some concerns that insufficient resources had been earmarked for investment in skills and for promoting innovation.

In terms of capital expenditure the main issue was social housing. There were concerns that insufficient funding had been allocated in the draft Budget to enable us to achieve the target set in the draft Investment Strategy to complete up to 10,000 social and affordable houses over the next five years.

There were a large number of other issues raised, but which are too numerous to mention specifically in this Statement. However, all responses have been noted and considered.

Mr Speaker, the Executive's response to the issues raised by the Members and committees of this Assembly and during the wider consultation exercise has to be set in the context of the resources available and allocated to departmental programmes.

In announcing our draft Budget proposals last October all the resources then available over the next three years were allocated to

departmental programmes, apart from some £50 million of Capital remaining to be allocated.

As I will explain later, some additional resources have become available for allocation now. However in terms of scale, these are very much at the margins of the total allocations that were earmarked for departments in the draft Budget. Therefore, the only way to have allocated substantial extra resources to any single department now would have been to reduce the allocations that had been proposed for other departments.

In light of the significant pressures identified by all departments, the Executive decided not to pursue this option. Therefore, the main focus for our response to the consultation exercise lies in the discretion that each Minister and department has to deploy their available resources in pursuit of the Executive's strategic priorities and objectives, as set out in our final Programme for Government.

As I have noted above, I would also urge each department to consider carefully the departmental and cross-cutting issues identified during consideration of the draft Budget by our statutory committees, as well as the issues identified in the public consultation exercise.

Mr Speaker, I will now turn to how the Executive proposes to allocate the limited additional resources that have become available, dealing first with current expenditure allocations.

It has been possible to generate some additional resources partly as a result of more optimistic regional rate revenue projections and a lower than previously forecast subsidy requirement to Northern Ireland Water.

In addition I have decided that a portion of the costs of rolling out the Central Reform programme, which had previously been held centrally, should be released to make additional allocations now to departments.

Overall, some £20 million, £30 million and £30 million in additional funding became available in each of the next three years for allocation to departments compared to the draft Budget position.

The Executive has decided that this additional funding should be allocated in response to some of the key issues identified by the Assembly committees, MLAs, groups and individuals during the consultation exercise. Departments may also wish to re-prioritise the allocations made at the draft Budget stage to supplement this additional funding.

The needs of those with mental health problems or a learning disability are well recognised by society, but too often in the past have been ignored when it comes to the allocation of funding. In light of the findings from the Bamford Review and the responses from the consultation process the Executive has agreed to increase the allocation to the Minister of Health by £10 million in each year of the Budget period.

More generally, in the light of the significant challenges faced by our Health and Social Care services, the Executive has also agreed a package of measures to provide the Health Minister with greater flexibility in terms of his management and deployment of the resources already allocated to him during the year. We have agreed that the Health Service should have the first call on the first £20 million of resources that become available during annual in-year monitoring processes. The Health Service will also be able to retain any further efficiencies it can deliver, beyond the existing 3% target, for immediate reinvestment in front line services to patients.

Mr Speaker, the provision of high quality health and social care services for everyone in our community remains a key priority for the Executive. That was why our draft Budget proposals allocated over half of our available resources to the health service alone. Over the next three years the health service will have the largest share ever of total departmental spending in Northern Ireland.

However, we recognise the significant challenges facing the Health Minister as he seeks to respond to the needs and expectations of the community for its health and social care provision, and takes forward the reform of health care provision. This package reflects the Executive's concern to ensure that he has the resources and flexibility to do that, within our affordability limits.

The issue of funding for services for children and young people has also been highlighted as an issue of concern during the consultation exercise.

The Executive recognises the importance of this type of investment to supplement our significant levels of expenditure on mainstream education provision. Therefore we have decided to allocate an additional £3 million next year, followed by a further £5 million in each of the following two years to help to address the issues and concerns raised.

Turning to the issue of funding for the Arts, the Executive recognises the importance of the sector, not just in terms of entertainment and relaxation but also because of the significant potential contribution it can make to our tourist sector and to wider economic growth.

Therefore, the Executive has agreed an additional allocation to the Department of Culture, Arts and Leisure of £2 million in each of the next two years to address the concerns expressed during the public consultation process relating to Arts, as well as Sports and Library funding

The needs of Victims remain of great significance to us all and concerns have been raised about the adequacy of the funding earmarked for their specific requirements in the draft Budget. Therefore the Executive has agreed to increase the level of funding for Victims by £1 million next year, £2 million the following year and by £3 million the year after that.

Mr Speaker, I will now deal with the position on capital expenditure in our final Budget proposals. When I announced our draft Budget proposals in October, I highlighted that the Executive wanted to

maximise our receipts from the disposal of surplus assets so that they could be reinvested in our public sector infrastructure.

Last autumn the Executive set up the Capital Realisation Taskforce and it was asked to make recommendations that would remove present barriers to more efficient and economically effective use of the Executive's assets, realising significant additional value that can be focussed on enhancing Northern Ireland's infrastructure. The Taskforce was asked to report its initial findings by December so that these could be incorporated into our final Budget position.

The Taskforce Report has made a number of key recommendations including identification of the potentially significant value to be released from assets over the next 10 years, in the region of £900 million. This figure is in addition to the £1.1 billion already identified.

Over the next three years of the Budget period, the Taskforce report has identified a range of potential opportunities to reinvest the proceeds of up to £295 million of asset disposals. Further work remains to be done on analysing the scope and feasibility of these potential disposals. This has informed the Executive's decisions on capital allocations over this period, taking into consideration our ability to realise these proceeds in the current market conditions and also our capacity to re-invest these proceeds.

Recommendations have also been made in the Report to improve the financial management and control of public sector assets. This does not mean selling assets and spending the proceeds to

address short-term priorities. It is about the effective stewardship by the Executive, and the development of assets to their full potential involving all key stakeholders. This is to ensure we get the maximum benefit from all the assets at the Executive's disposal in the support of public services.

When announcing the Executive's draft Budget, I highlighted that a priority for the use of any additional spending power we could produce for capital investment would be the provision of additional social and affordable housing. As I have already noted, this has also been a prominent issue during the consultation exercise reflecting concerns that insufficient funding had been earmarked to support our target of providing up to 10,000 new social and affordable houses over the next five years.

Therefore I am pleased to announce that the Executive has agreed to provide additional capital allocations of £70 million, £75 million and £60 million over the next three years to the Minister for Social Development to support her in delivering 1,500, 1,750 and 2,000 new units across the Budget period.

Also, in the course of the public consultation process, some concerns were raised about ensuring that funding had been earmarked for necessary improvements and modifications to Fire Service stations and equipment. In response to this we have allocated an additional £14 million for this purpose over the next three years.

The Executive has also allocated an additional £40 million during the Budget period to allow the Department for Regional Development to continue to take forward a number of major roads schemes, such as the A6 Randalstown to Castledawson, improvements to the A32 Omagh to Enniskillen, the A2 Broadbridge and Greenisland and the A32 Cherrymount Link, Enniskillen scheme.

Mr Speaker, when I presented our draft Budget proposals to this Assembly last October, I highlighted the fact that with our total Budget rising to almost £11 billion by 2010-11 we will have more money to spend in real terms than ever before. However we also face many new demands on those resources. The challenge for the Executive has been to strike the right balance between the many and legitimate demands for those resources,

I believe we have responded to that challenge in the interests of all the people of Northern Ireland. However I believe we need to look to the next stage of development, and seek to create a culture of, and focus on, delivery, rather than simple spend.

Mr Speaker, in this context the Executive is committed to the delivery of its Programme for Government, and associated objectives and targets.

These include objectives for public services in key areas such as investment in our children and young people, investment in our rural communities, investment in our transport infrastructure, investment in the housing needs of our community, investment to

improve the competitiveness of our economy, and investment in improving the health and well being of everyone in Northern Ireland.

Mr Speaker, to deliver these key objectives we have made a number of very significant public expenditure decisions:

- Our current expenditure on health and social services will exceed £4 billion a year for the first time providing the highest levels ever of investment in these key services.**
- Our spending on education will increase by almost £400 million a year by 2010-11 compared to 2006-07.**
- We have placed a key priority on action to support the growth of the economy and supported that by increasing the allocations to the Department for Employment and Learning by 35% in 2010-11 compared to 2006-07. For Enterprise, Trade and Investment the increase has been 21%.**
- Alongside these current allocations, we have confirmed the largest allocations ever for capital investment in new public sector infrastructure. In gross terms, these will exceed £2 billion a year by 2010–11 supporting the most ambitious programme of investment ever in our hospitals, schools, housing, roads, public transport and other public services.**

Mr Speaker, I emphasised at the beginning that this Budget has been prepared to support Executive Ministers in delivering our Programme for Government. The financial allocations we have agreed in the Executive reflect our best judgement of how much is needed for each Department to achieve our key objectives.

We will monitor carefully the delivery of our Programme for Government. If it becomes apparent that additional resources are needed to support delivery of our objectives in any particular area then we will wish to review allocations across all Departments accordingly. The targets set out in the Programme for Government are not just the responsibility of the relevant Departmental Minister but of the Executive as a whole and if any Minister needs help in delivering on our joint commitments we must all work to ensure they can do so.

Mr Speaker, if Northern Ireland is to succeed and prosper economically, it will not be the public sector but the private sector that will be responsible for that success. Public spending alone will never allow us to create the kind of society and economy that we all wish to see.

The dependence on the public sector that assisted us during the last forty years of conflict is now an obstacle to our future development. That is why it is so important to use public spending in a way that will not simply deal with the challenges that we face today, but in a way that will help us build the economy that we want for the future.

The reality in a global economic world is that any national Government, never mind a regional devolved administration, has only a limited influence on the state of the economy.

I believe that we would do well to live by the Latin maxim so often applied by doctors, primum non nocere, which translated means: first, do no harm.

We should create the environment in which business can prosper and wealth can be generated for our whole society, but we must be careful that our interference does not threaten the prosperity that we all wish to see.

There is no more important element of this than a stable political environment. This will encourage investment from abroad, development of business locally and will help keep many of our young people at home.

I believe that the return of devolution in circumstances where it is likely to last is the best guarantee for future prosperity for the people of Northern Ireland. A return of Direct Rule and to years of political instability is a recipe for economic failure, never mind the longer term impact on our society.

One key area where the Executive can help the economy by taking positive action rather than by simply removing obstacles is in the area of innovation.

When I presented the draft Budget to the Assembly in October, I emphasised the importance of innovation in promoting economic success and social progress. I also stressed it was imperative that we ensured a co-ordinated, cross departmental approach in making expenditure allocations to promote innovation across a wide range of sectors.

Enhancing the level of innovation activity within our economy is a critical pillar in the drive to promote regional productivity. The application of innovation is a necessary precondition for improving competitiveness.

We need to ensure however that we assist and promote only innovation that offers up commercial opportunities. The assistance needs to be carefully targeted.

I am therefore pleased that I can now provide the Assembly with the details of how a major programme of investment in innovation will be delivered over this Budget period. In addition to the £25 million made available by the Treasury following the restoration of devolution, an additional projected investment of €60 million Euro will be made by the Government of the Republic of Ireland to support collaborative projects and linkages targeted on innovation projects.

A further £27million has been earmarked from the Executive's resources to put in place a package of assistance that will promote commercially relevant innovation.

This funding programme, which will total £90 million, has been allocated to a number of departments to assist in improving research capacity, to foster greater international collaboration, to promote new and emerging technologies and to stimulate research activity over the CSR period:

- The Department of the Environment will receive additional funding of £103,000 over the next three years to contribute to the delivery of the Queen’s University led OMNIVORE project which seeks to develop a prototype engine that will optimise the combustion of a range of bio-fuels and fossil fuels.**
- The Department of Culture, Arts and Leisure will receive an additional £5 million for the Creative Industries Seed Fund;**
- The Department of Agriculture and Rural Development will receive an additional £7 million for research into renewable energy and the promotion of research and development in agri-food and rural enterprises;**
- The Department of Education will receive an additional £11 million for projects including the development of schools specialising in STEM subjects as well as the development of the curriculum for STEM projects more generally;**

- **The Department of Health, Social Services and Public Safety will receive an additional £13 million to allow greater linkages between hospitals in Northern Ireland as well as remote access to international advice and expertise. There is also funding for research partnerships with the United States and the Republic of Ireland;**
- **The Department of Enterprise, Trade and Investment will receive an additional £14 million to fund projects including the promotion of investment in Innovation amongst local firms, as well as the commercial exploitation of research projects in the renewables/energy sector and research into Renewables Technologies;**
- **Finally, the Department for Employment and Learning will receive an additional £40 million over the next three years to fund projects including additional PhD science studentships, cross-border university research and support to the Further Education sector to deliver the skills base required to attract mobile investment projects.**

Mr Speaker, this final Budget statement represents another important milestone for the new Executive. It reflects the Executive's agreed priorities and sets out spending plans for the remainder of this Assembly term. In a four party coalition that is no mean achievement.

This Budget marks a clear change in direction away from Direct Rule trend of ever greater burdens on the householder towards an ever greater obligation on the public sector to deliver.

Though it is an important step in the right direction, this budget alone will not change the nature of Government in Northern Ireland.

The real success or failure of this administration will not turn on how the resources have been divided up among departments but upon what departments do with the money they have been allocated.

The reality is that in three years time people will not ask how much a department received, but what has it done to make the lives of the people of Northern Ireland better.

In the next three years the same focus must be brought to delivery of the Executive's priorities as has been brought over the last 12 weeks to arguing for greater resources.

The last few months have seen debate and discussion over the allocations to be made by the Executive but now the time for consultation is over and the time for delivery has arrived.

With more money than ever before allocated and a local administration setting the priorities, people will justifiably expect public services to improve.

Few will accept the lazy but oft used excuse for inaction or failure of insufficient resources, fewer still will tolerate an argument that they should pay even more to make good on the cost of waste and inefficiency in Government.

We must replace the culture of apportioning blame that has developed over the long years of Direct Rule with a new culture of taking responsibility.

Northern Ireland needs to shake off the 'Direct Rule' mindset – the attitude that thanks to the exchequer the financial coffers are bottomless and that an over-large public sector is justifiable in a region smaller than Yorkshire.

Because resources will always be limited the Executive has not been able to fund every initiative that it would have wished but I believe that this Budget has put Northern Ireland on the right trajectory for a brighter future.

It provides a platform for economic growth that can improve the lives of everyone that lives here.

A greater focus on wealth creation is essential if Northern Ireland is going to prosper and be able to provide meaningful career opportunities and 21st century living standards for its citizens.

Prosperity depends on commerce – what we can sell or trade with international customers. What I am putting in place today are the building blocks for a new, confident Northern Ireland, a place

attractive to overseas investors because of its integrated approach to business.

That is why I want to see our second and third level education systems more closely matching the needs of the economy by increasing our proficiency in skills relevant to our economic needs.

We are at the beginning of a new era of hope for Northern Ireland. Unemployment is at its lowest level ever and we have the chance now to establish this region as a forward-thinking, business-led, thriving market place.

With proper planning and strategic thinking we can build a prosperous future for this Province.

Today's additional allocations demonstrate that we have listened to the consultation process and have responded accordingly.

The building blocks are now in place to allow us to create the type of society that we all wish to see.

The reality is that no individual has all of the right answers and if we are to maximise the potential in this new era we should seek to harness the talents of our whole community. From business to the voluntary and community sector, and from academia to the media we all have a role to play and a contribution to make. The people of Northern Ireland are not simply observers but stakeholders in this

society and while we may all have different jobs and responsibilities, working together we can transform our society.

After decades of division and conflict, this Executive is now moving forward on an agreed basis.

After forty years of conflict we are emerging to a brighter future.

Decades of lost opportunity cannot be put right overnight but this budget and the family of documents that accompany it signal a powerful and positive beginning to that process.

We should not just hope for a shared and better future; we must all work together to create it.

I commend this Budget to the Assembly.