



The Northern Ireland Executive Draft Budget 2011-2015

An SDLP Response

February 2011

Overview

The Northern Ireland Executive has very few levers with which to transform the local economy to set it on a path that will stimulate growth and generate jobs.

The main lever the Executive does have is public expenditure – and this is why the Budget for the next four years is so vitally important.

The SDLP believes the draft Budget as it currently stands does not do enough to protect vulnerable households and frontline services.

It does not do enough to rebalance the economy or to stimulate economic activity and job creation.

The draft Budget presents no new initiatives relating to the benefits of greater North-South co-operation or tackling the cost of division.

In “*Partnership and Economic Recovery*” the SDLP published detailed proposals to address these budget shortcomings. We are the only Party to have generated proposals in such depth, with fully costed figures attached.

Although we believe that the current draft Budget is not fit for purpose, we also believe that it can be substantially improved.

In this document we highlight problems with the *budget aims*, revenue raising ideas we believe should be included to increase *budget resources*, the lack of *budget transparency* and areas of the budget which require change to ensure *budget fairness*.

There is no reason why the Executive cannot consider our common-sense proposals and bring forward a final Budget that the SDLP can support.

Included with this response, to be considered as part of our consultation submission, are the SDLP budgetary documents “*New Priorities in Difficult times*” (April 2009) and “*Partnership and Economic Recovery*” (December 2010).

Budget Context

Executive Failure to take Responsibility

The SDLP believes that the draft Budget is largely the application of what was handed down by the coalition Government, but trying to abdicate all responsibility by simply blaming the Tories shows a lack of leadership.

Within the Chancellor's Comprehensive Spending Review settlement cuts of £4 billion were envisaged for Northern Ireland.

When we leave out normal receipts and a reversal of the previous DUP rates freeze, the draft Budget plans cuts of nearly £4 billion.

In other words the Executive has only succeeded in uncovering minimal new revenue.

This shows not only a lack of imagination, but a sheer lack of fight for the people of the North.

More Can and Must be Done

The SDLP will not be part of a DUP/Sinn Féin/Alliance cosy consensus on cuts. Much more can be done to raise funds to spend on job creation, job protection and frontline services.

In December the SDLP published a detailed budget plan, "*Partnership and Economic Recovery*" which we submitted to the Executive in the hope of influencing the draft Budget.

"*Partnership and Economic Recovery*" includes detailed proposals for new revenue streams and receipts – and for cash-releasing efficiency savings.

We are pleased to see that the Executive has taken some of our suggestions on board, many of which we have been highlighting for nearly 2 years since the publication of our 2009 finance paper "*New Priorities in Difficult Times.*"

We believe "*Partnership and Economic Recovery*" contains many more good ideas which the Executive should consider and we hope to continue our constructive engagement in the Assembly budgetary process.

Budget Aims

No Working Together

The draft Budget is simply not joined-up. Each Department has had cuts imposed but there has been little thinking outside of Departmental silos.

The result is a draft Budget that has been generated by the DUP and Sinn Féin in a private negotiation rather than a collective, agreed draft Executive Budget.

The SDLP agreed that the draft Budget should go for consultation but Minister Attwood unlike the DUP, Sinn Féin and the Alliance Party did not recommend it to the people of the North of Ireland.

Failings of a Four Year Budget

The SDLP believe that the experience gained from the outworking of the current 2008-11 Budget – the serious impact of many outside factors over the four-year period – highlights the need for the flexibility of a full and annual budget process combined with long-term strategic economic planning.

The SDLP has raised this issue at the Assembly Finance and Personnel Committee and welcome the support of the Committee in this regard:

“In view of the limitations to the in-year monitoring process, the Committee reiterates its call for the establishment of a regularised annual budgetary review mechanism, set to a pre-determined timetable, which it considers will aid transparency and better enable the Executive to adapt its plans to deal with changing circumstances and unforeseen pressures.¹”

In order to best manage our finances, provide sound planning and to allow for transparency and accountability we cannot rely on a budget document which is years out of date.

This will prove to be the case again as there is a marked absence of medium or long term thinking in this four year budget and no accompanying Programme for Government.

Now that we have relative stability in government we must move on from this short-term fix approach.

No Programme for Government – No Budget Aims

It is difficult to assess the objectives of this draft Budget as it is not based upon an up to date Programme for Government. While being touted as a great four-year plan without a strategic Programme for Government it is in fact just a short-term fix.

¹ Northern Ireland Assembly Finance and Personnel Committee Draft Report on Executive Draft Budget 2011-2015

Any argument that the 2008 Programme for Government is an acceptable strategy to build this Budget upon is flawed. We need a new Programme for Government on which to base the Budget. In response to an Assembly written question from Margaret Ritchie the Finance Minister admitted as much:

“The ideal situation would be to have the draft Programme for Government published at the same time as, or in advance of, the draft Budget.”²

The 2008 Programme for Government was published before the economic downturn and while we accept that it makes the economy the ‘number one priority’ the outlook has changed so radically that businesses and jobseekers have different needs now than in 2008.

In a recent speech to a Northern Ireland Assembly Business Trust breakfast event Sammy Wilson’s was reported to have said:

“We won’t know the impact of this budget, really, until we’re well into year four.”

This admission proves that the full implications of the Budget are not worked out. This is due, in large part, to the fact that the Budget is not based upon a properly constituted Programme for Government.

How can the public have confidence in a Budget, the impact of which the Finance Minister is not able to predict?

Rebalancing and Developing the Economy

All economic commentators recognise the need to **rebalance the Northern Ireland economy**. This means reducing the public sector, making it more efficient.

It means focusing job creation and investing scarce capital in the right areas. A budget is one of the key levers available to the Northern Ireland Executive in enabling this change, yet this budget fails to attempt do so.

This draft budget fails to sufficiently prioritise economic development and contains little stimulus that will generate jobs in the short term and get the economy moving. It provides no proposals to move assets and activities from the public to the private sector. It provides no serious aspirations for public sector reform.

This is in large part due to the Executive working from a Programme for Government that is 3 years out of date.

While the draft Budget pays lip service to the Green New Deal, the reduced resource allocation means that it will not deliver either the energy efficiency improvements or the jobs boost that the full Green New Deal makes possible.

The SDLP proposals in *“Partnership and Economic Recovery”* tackle these issues and we will continue to encourage the other Executive parties to engage with our proposals.

² Northern Ireland Assembly Written Question number 3982/11

Budget Resources

Little New Money Found

The Draft Budget is hugely unambitious regarding new revenue sources and there are questions over the robustness of the claims around additional finance being raised.

Initial suggestions of £1.6bn were retracted as they were shown to be well wide of the mark and the current £800m figure has yet to be properly quantified.

The SDLP is concerned as to the low level of new revenue which will be raised by this draft Budget.

When you strip away normal receipts, there is little new money. Less than 1% of the total Budget.

Sammy Wilson described the Budget as a "good Christmas present for the people of Northern Ireland." This budget is in fact pretty wrapping paper covering an empty box.

True breakdown of the Budget's reported "new" revenue*		
Source of Revenue	Predicted receipt	Issues arising
Rates increase	£146m in 4 years	DUP originally froze rates
Capital receipts	£442m in 4 years	Not new money – accounted for in previous departmental budgets
Receipts from the Capital Assets Management Unit (CAMU)	£100m in 4 years	CAMU failed to raise any funds in the last 4 years
Capital carried over from 10/11 to 11/12 (announced in December Monitoring)	£23m this year	Carried over - not new money
Plastic bag levy	£4m per year	Levy will decrease as bag usage decreases
Housing Associations reserves	£20m per year	No ability to recoup money from Associations – means reducing funding given to them
Total of claimed 'new' revenue	£807m	
True potential new revenue	£262m	Rates, plastic bag levy, CAMU

*as presented to CFP on 12.01.11 by a senior DFP official.

As can be seen from the table the supposed £807 million in "new" "revenue" (mixture of revenue and capital) is very questionable, in particular £442 million already planned by Departments.

In fact the majority of this is from Department for Social Development, and is the repayment of Housing Executive debt. It is not a new source of money.

Finding More Money

The SDLP document “Partnership and Economic Recovery” found many additional revenue raising opportunities which have not been incorporated into the budget, meaning there is less money to spend.

In fact the SDLP ideas bridge entirely the funding gap and make proposals to spend extra money.

Our fully costed budget document “Partnership and Economic Recovery” is attached. It provides detailed figures for the following SDLP proposals, none of which are in the draft budget:

- Resizing the Executive Information Service
- Scrapping Departmental Management Boards
- Car park charges for Senior Civil Servants
- Establishing the Education and Skills Authority
- Increased Public Sector productivity
- Reducing Public Sector expenses and overseas travel
- The leasing of Forest Service land
- Abolition of the Junior Ministers posts
- Reforming the Northern Ireland Prison Service
- Senior Public Service 5% pay cut
- Procurement savings
- A single economic policy unit
- Restructuring quangos
- Reviewing university costs
- Cutting Public Sector advertising
- A supermarket off-license levy
- Scrapping Focus Farms
- Reducing Legal Aid costs
- A rates increase for banks/ATMs
- A levy on telephone masts
- MOT charges increase
- Fast-tracking planning charges
- NIHE interest reprofiling
- Shared Future Investment Bond
- Sale of DRD/NITHC car parks
- NIHE HQ sale and leaseback
- Agricultural college receipt
- Sale of Speaker's house Stormont
- Sale of allotments
- Privatisation of rates collection
- Deferral of non-priority projects
- Planning gain developer contribution
- Local Government borrowing
- New long-term borrowing
- Other CART asset sales
- Sale of Derry Port/Airport
- Privatisation of Belfast Port

Budget Transparency

Restricted Transparency

The initial delay in publishing the draft Budget has had the knock-on effect of limiting the ability of outside organisations to provide considered responses.

The delay has also had a further detrimental effect on Departmental planning, resulting in an even shorter timescale for Departmental consultations and a lack of detail in Departmental spending plans.

Moreover we are left with the ridiculous scenario that the Vote on Account, the first stage of the Budget process in the Assembly and the stage at which headline spending for next year is set, comes before the end of the consultation period.

The lack of detail within spending plans further limits the transparency of the process and creates further difficulty and confusion for those wishing to respond to the consultations.

Four Ways to Improve Transparency

- Change the Budget to highlight specific spending on frontline services.
- Require each Minister to make a statement to the Assembly on their own Budget proposals.
- Ask all Ministers to open their individual Departmental Budget plans to all their Executive colleagues for collective scrutiny.
- Establish an Assembly Budget Review Group to interrogate the cost of government in a similar vein to the Executive Budget Review Group.

An Attack on Scrutiny

The SDLP have significant concerns that this budget will lead to a reduction in the scrutiny of Government.

The huge cuts to the Northern Ireland Assembly Secretariat, the Audit Office and the scrapping of the Economic Research Institute of Northern Ireland have significant implications for the ability of independent bodies to provide options, alternatives and a counter-balance to the Executive.

This is at a time when a reduction in funds available means greater need for scrutiny of spending, performance and delivery.

Budget Fairness

Given the SDLP has shown through our fully costed budget document *“Partnership and Economic Recovery”* that there are further sources of funding available we believe there is still scope to provide additional funds in specific areas, to create jobs, defend vulnerable people and protect frontline services.

Equality

There are potentially severe equality implications as a result of the proposed spending cuts in this draft Budget.

Given the probability of such an impact there is a glaring lack of equality impact assessments provided by Departments.

Giving evidence to the Finance Committee on the equality impact of the draft Budget a Department of Finance Official stated:

*“The critical issue is that we do not have the equality impact assessments from Departments”*³

OFMDFM’s own draft Budget spending proposals fail to undertake any equality impact assessment, stating only that:

*“OFMDFM’s Budget allocations are intended to result in a positive equality impact”*⁴

There is no equality in this draft Budget. It does not look after the most vulnerable and disadvantaged in society.

Thousands of Job Losses

The cuts being dealt by this draft Budget may well create up to 9000 job losses.

Figures from the Regional Health and Social Care Board Chief Executive John Compton suggest the possibility of 4000 jobs being lost in the Health Service.

The Irish National Teachers Organisation suggest as many as 4500 jobs could go in the education sector, there are already 213 firm redundancies planned in Belfast Metropolitan College.

The Department of the Environment are predicting 300 job losses over 4 years and the Department of Agriculture and Rural Development are predicting 80 job losses in 4 years.

The SDLP believes that if the Budget was well managed there should be no need for any compulsory redundancies.

³ Northern Ireland Assembly Finance and Personnel Committee Draft Report on Executive Draft Budget 2011-2015

⁴ OFMDFM Draft Budget 2011-15 Spending Proposals

No Clarity on Student Finance

The draft Budget fails to provide clarity on student finance – student fees and the Education Maintenance Allowance.

The draft Budget includes a 21% cut in funding for the Department of Employment and Learning in 2012-2013, the year the new University charging regime as voted for in Westminster is due to come into force.

Capital Projects and Cuts to the Housing Budget

The Executive have not thoughtfully reprioritised the capital programme. Instead they have just spread the pain around.

There is no capital spending programme which does more to stimulate jobs, reduce poverty and meet important social policy objectives than investment in social housing but the Executive have overseen a 40% reduction in the new build housing budget without any attempt to find money elsewhere. On top of this the draft Budget proposes taking an overly ambitious £80 million from the Housing Associations reserves.

Serious Impact on Frontline Health Services

The draft Budget will have serious implications for the future provision of frontline health services. Alongside potential job losses predictions are being made that the cuts will limit patient access to new drugs, have a hugely negative effect on social care provision, affect hospital closures and a lack of finance available to finalise new projects such as the Altnagelvin Cancer Unit.

The SDLP understand the inflationary nature of the Health Budget due to an ageing population, demographic change and the costs of new drugs and technologies.

We accept that there are opportunities for reform and savings within Health spending but we believe the Health and Finance Ministers must work with their Executive colleagues to ensure significant changes are made to the draft Budget to end this uncertainty and to guarantee protection of frontline services.

No School New Builds

It is incredible that the Department of Education has been allowed to become one of the biggest losers in this budget process.

Alongside the potential for up to 4,500 job losses, possibly as many as 100 schools face the prospect of having building works cancelled.

Again the budget provides little clarity and it is not yet certain which schools will be affected.

Little Protection against Welfare Cuts

Research for the TUC shows that low and middle-income families will be an average of £2,700 a year worse off by 2013.

In addition, in 2013 the coalition Government will replace the tax credits and benefits with the universal credit system, which will mean further hardship.

The Executive cannot mitigate against all these changes but the budget does not do nearly enough.

The Social Protection Fund, the SDLP proposal to ensure the most vulnerable members of our society are protected from Westminster welfare cuts has only been adopted for the first year of the draft Budget.

This is hugely disappointing and means by 2012 thousands of vulnerable people, many with disabilities, will be facing benefit cuts.

It is imperative that the Social Protection Fund is extended over the lifetime of the Budget with a Budget line of £30m and upwards in each of the 4 years of the Budget term.

Drastic Pay Freeze

The SDLP is dismayed that the Executive sees fit to impose a pay freeze on over 10,000 low and lower middle income civil servants, approximately 7,400 of whom can be classed as earning below the average industrial wage.

The SDLP understands the reasons for a pay freeze, however we would not impose such a freeze on any Public Servant earning less than £31,500.

Social Investment Fund

Despite such shortfalls in health, education, student finance and housing, the draft budget provides £80million for a new Sinn Fein/DUP community fund to be targeted at their selected groups.

The OFMDFM Social Investment Fund for "interface communities" is politically driven and was not discussed by the full Executive before its announcement.

The proposal lacks definition and if it was truly aimed at tackling disadvantage such money would be better spent to enhance delivery of the existing Department for Social Development programmes.

Conclusion

If passed in its current form the draft budget would mean:

- No plan for rebalancing the economy or economic development.
- Potentially 9,000 Public Service job losses.
- A pay freeze for almost 7,400 Civil Servants earning below the average industrial wage.
- Inadequate responses and help to hundreds of vulnerable people facing benefit cuts by 2012.
- Potential for hospital closures.
- The prospect of new medicines and medical facilities, such as the Altnagelvin Cancer Unit not being available to patients.
- No robust strategy for job creation.
- Less independent scrutiny on Government.
- A massive drop in the building of Social Housing and consequential construction job losses.
- Over 100 Schools going without repairs or new buildings.
- The potential introduction of student fees at £5,750 a year and the scrapping of the Education Maintenance Allowance.

The draft Budget must be significantly improved in the manner outlined in this document before it is published in its final form.