

**REVIEW OF 2010-11
SPENDING PLANS FOR
NI DEPARTMENTS**

REVIEW OF 2010-11 SPENDING PLANS FOR NI DEPARTMENTS

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FOREWORD BY THE MINISTER FOR FINANCE AND PERSONNEL

I am pleased to present for consultation the Executive's proposals in respect of revisions to the spending plans for Northern Ireland Departments for 2010-11. The original budget allocations for local public services over the period 2008-09 to 2010-11 were agreed by the Executive and approved by the Assembly in January 2008.

Since that time there have been significant changes to the economic, social and financial environments, many of which could not have been predicted when the Budget was being developed. These include the increase in fuel costs in the early part of 2008, the downturn in the property market as well as the deterioration in public finances at the UK level, which will have implications for the Executive for many years to come.

The Executive has responded to these unprecedented challenges by focusing on the delivery of our original plans as set out in the Programme for Government. This was on the basis that the development of our economy as the top priority remains the right approach. We have also gone further in terms of, for example, the additional Household Fuel Payments to over 150,000 low income households, the increased level of funding for capital projects announced last December as well as the decision to defer the introduction of domestic water and sewerage charges.

In 2008-09 the Executive delivered over £10 billion worth of public services, the highest figure on record. This included £1.7 billion investment in our public infrastructure, an increase of over a fifth on the year before. This was achieved through smarter management of the resources available to the Executive with the level of unused funding at the end of the year significantly lower than the UK as a whole.

It is clear that we will need to work even harder in the coming years with the prospect of reductions in the funding available to the Executive from 2011-12 onwards. It is for this reason that the Executive has proposed the establishment of an Invest to Save Fund to support departments with the upfront costs of making efficiency savings.

In terms of the current Budget period, it has been possible to address most of the pressures faced by the Executive during 2008-09 and 2009-10 through the In-Year Monitoring process. However, in light of the scale of the costs involved in a further deferral of domestic water charges next year and the need to provide the Executive with additional scope to address emerging pressures throughout 2010-11, I initiated this Review of 2010-11 Spending Plans last summer with the aim of ensuring that public finances remained on a secure basis.

This has required some difficult decisions to be taken across all departments in response to the spending pressures faced by the Executive. The draft revised spending plans set out in this document are intended to ensure that the Executive can still

make significant progress against the targets set out in the Programme for Government. In addition, I have asked my Executive Colleagues to ensure that the detailed implications for each department are published on the respective departmental websites.

These proposals are now being published for consultation. The Executive looks forward to hearing the views of any and all interested parties, which will be considered prior to the finalisation of the spending plans for 2010-11.

Sammy Wilson MP MLA
Minister for Finance and Personnel

12 January 2010

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CHAPTER 1: INTRODUCTION

1.1 This document sets out the Northern Ireland (NI) Executive's proposals in respect of revisions to its spending plans for 2010-11. In January 2008, the Executive agreed and the Assembly approved spending plans for NI departments over the 3-year period from April 2008 to March 2011. This followed a period of public consultation on the draft proposals, published in October 2007.

1.2 The Budget 2008-11 document was 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) set out the strategic direction for investment in public sector infrastructure over the next decade, and thus provided the context for capital allocations.

Achievements to Date

1.3 The Executive has made good progress to date in the achievement of the targets set out in the PfG. That was clear from our End Year Delivery Report for 2008-09 where, using information on progress to date, there was a high degree of confidence around the delivery of the great

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majority of the PfG targets. More recent monitoring information also points to a similar outcome.

1.4 However, it was acknowledged that the degree of challenge inherent in many of the targets had increased significantly – largely due to the rapidly changing economic landscape. And while progress to date has been good on a number of our key economic targets, it was also recognised that, going forward, the changed economic climate has the potential to impact on delivery of those targets.

1.5 Notwithstanding this, the Executive remains focused on translating the resources allocated into the results promised. Indeed, where risks to successful delivery have been identified we have been prepared to take action. On behalf of the Executive, the First Minister and deputy First Minister have chaired a number of performance review meetings on those areas identified at greatest risk of delivery. Through these, the aim is to ensure that the barriers to delivery are identified and that robust plans are in place to make progress moving forward.

Changes to Public Expenditure Position

1.6 There have been a large number of significant changes to the public expenditure environment since the Budget 2008-11 document was published, which are set out in detail in Chapter 3. The overall level of funding available to the Executive has been subject to both additions and

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reductions as a consequence of the decisions made by the Chancellor of the Exchequer in subsequent Budgets and Pre-Budget Reports while the downturn in the property market has impacted on the planned level of capital receipts.

- 1.7 In addition, the strong performance of NI departments in spending their allocated budgets during the course of 2008-09, which has continued into 2009-10, means that the Executive has reconsidered its planning assumptions in respect of the prudent level of over-commitment. Furthermore, the need to respond to longstanding disparities in terms of wage levels for junior members of the NI Civil Service is also expected to involve further costs, in excess of the additional support previously agreed with the UK Government.
- 1.8 However, the most significant change has been in respect of the Executive's approach to the introduction of domestic water & sewerage charging. While the original spending plans for 2010-11 were predicated on the phased introduction of water charges from April 2009, in November 2008 the Executive agreed that the introduction of domestic charges would not take place as planned.
- 1.9 In response to changing circumstances the Department of Finance and Personnel (DFP) monitors the public expenditure position on behalf of the Executive on an ongoing basis. In late 2008 a Strategic Stocktake was

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conducted to determine the scale of emerging pressures facing departments for the 2009-10 and 2010-11 financial years. This provided a valuable update of the position at that time which informed the Executive's approach to both the 2009-10 In Year Monitoring process and this Review of the Spending Plans for 2010-11.

Executive Response

1.10 While the Executive has been able to manage the changed financial position through 2008-09 and 2009-10 as part of the In Year Monitoring process, the scale of the additional costs involved for 2010-11 means that early action is required to allow departments to make the necessary adjustment to spending plans.

1.11 In response to increased public expenditure pressures the Executive was faced with the choice between increasing the level of available funding through a very substantial increase in the Regional Rate, or a reprioritisation of existing budget allocations. In light of the continued difficulties faced by both local households and businesses, as well as the fragile nature of the expected economic recovery, the Executive agreed that it would not be appropriate to further increase their burden at this time.

1.12 Therefore, the Executive's response as set out in Chapter 4 involves a re-allocation of resources with NI departments

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asked to publish further details of the implications for the public services they provide on their departmental websites.

Consultation on Proposals

1.13 There was extensive consultation on the draft Budget 2008-11 document in the period from October 2007 to January 2008. This included written responses, public consultation events and meetings with individual stakeholder groups. In addition the Committee for Finance and Personnel produced a response on behalf of Assembly Committees, following a Take Note debate in the Assembly on 27 November 2007.

1.14 In this context, and in light of the need for the revised position to be incorporated into departments business plans in advance of the 2010-11 financial year, the main form of consultation on the Executive's proposals will be through Assembly Committees and in particular the Committee for Finance and Personnel.

Equality Impact Assessment

1.15 NI Departments have been asked to publish summary details of the Equality, Good Relations and Anti-Poverty implications of the proposals in respect of the services they provide. In addition, an Equality Impact Assessment will also be carried out on the strategic choices involved in respect of the level of savings proposed for each

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department. The intention is that this will be completed before the revised spending plans are finalised.

Copies of the Document

1.16 This document can be sent to you in electronic format or in hard copy, while the document can also be accessed on the PFG/Budget website. However, if the report is not in a format that suits your needs, please contact us at the address below:

**S1, New Building
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Textphone: 028 90 527668 (no voice calls)
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CHAPTER 2: BACKGROUND TO 2010-11 SPENDING PLANS

Introduction

2.1 This chapter sets out the background to the original 2010-11 spending plans as agreed by the Executive and the Assembly in January 2008, whilst Chapter 3 will provide details of the significant developments that have occurred since then.

Sources of Funding for the NI Executive

2.2 There are four principal sources of funding for public expenditure by Northern Ireland (NI) 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.
- **Regional Rates** – Revenue received from taxation on business and domestic property in Northern Ireland. A rates bill has two parts:

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- (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.
- **European Union (EU) Funding** – the level of funding from the EU has declined over the years. This funding is targeted towards specific projects.

2.3 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.

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- 2.4 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).

Budget 2008-11

- 2.5 The Budget 2008-11 document sets out expenditure plans for NI departments over the 3 year period from 2008-09 to 2010-11. Overall, current expenditure by NI departments was planned to increase to £9.0 billion in 2010-11 whilst net capital investment was planned to increase to £1.4 billion. The key determinant of the overall level of funding available for allocation was the block grant from Treasury which was planned to increase to £8.5 billion by 2010-11 in terms of current expenditure and £1.2 billion in respect of capital investment.
- 2.6 In addition, Budget 2008-11 was based on a number of policy decisions and planning assumptions in terms of Regional Rates, Capital Receipts, Efficiency Savings and the level of over-commitment which are set out below.

Regional Rates

- 2.7 Following the significant increases in Regional Rates under Direct Rule administrations, the Executive agreed that the

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charges for domestic customers would be held constant over the three years of the Budget. Further support was to be provided from changes to the domestic rating system including the introduction of a 20% single pensioner discount for those aged 70 and over, who live alone.

- 2.8 For the non-domestic Regional Rate, the position was somewhat different, in that there were more modest increases in bills in previous years. In this context the Executive agreed to limit increases to 2.7% a year for non-domestic properties.

Efficiency Savings

- 2.9 In response to the slowdown in the growth of public expenditure at the UK level the Executive has agreed that NI Departments should work to deliver cumulative efficiency gains of 3% a year over the period 2008-09 to 2010-11. All of the efficiency savings made over this period were to be resource releasing. In total, departments plan to deliver some £790 million efficiency gains by 2010-11 with further details set out in the Efficiency Delivery Plans that were to be published by all departments.

- 2.10 NI departments fully achieved their efficiency savings targets for 2008-09 whilst the latest round of monitoring suggests that good progress is being made in respect of the targets for 2009-10 and 2010-11.

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Approach to Funding Water and Sewerage Services

2.11 The NI Executive is distinct from other parts of the UK in funding water and sewerage services primarily from public expenditure. This creates a funding pressure for the provision of other public services, because NI does not receive any Barnett consequential for the cost of water and sewerage services.

2.12 On the 22nd October 2007, 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 (i.e. through regional domestic rates and separate, and additional, water charges), and accepted the Report's recommendations as to how this issue should be addressed. Budget 2008-11 was predicated on a gradual reduction in the public subsidy to NI Water.

Planned Over-commitment

2.13 In response to the need to manage the implications of the rapid growth in public expenditure that occurred up until the 2007 Comprehensive Spending Review (CSR 07) and, in particular, to reduce levels of end-year underspend, an element of planned over-commitment had been included in previous Budget allocations.

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2.14 In response to the slowdown in public spending in CSR 07, the Executive agreed the need to reduce the level of planned over-commitment with a view to increasing the level of resources available for allocation as part of the In Year Monitoring process, across the Budget period. Therefore, the Budget 2008-11 spending plans were based upon the initial level of planned over-commitment being reduced from £100 million in 2008-09 to £60 million in 2010-11.

Capital Receipts

2.15 Over the Budget 2008-11 period departments planned to deliver £1.4 billion in capital receipts, including £612.4 million in 2010-11 with a large proportion coming from the disposal of surplus assets. In addition, a further £200 million over the period 2008-11 was to come from the work of Central Assets Realisation Team (CART) in the Strategic Investment Board (SIB) following on from the recommendations of the Capital Realisation Taskforce (CRT).

Access to EYF Stock

2.16 As part of CSR 07 the Executive negotiated access to £30 million of its current expenditure End Year Flexibility (EYF) stock for 2010-11 and £50 million for capital investment. Only £10 million of current expenditure EYF was allocated to departments in the Budget 2008-11 process with the

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remainder available to address emerging pressures as part of the In-Year Monitoring process.

Technical Adjustments

2.17 Following the conclusion of any Budget process, there are a range of technical adjustments that normally take place. Although these often result in changes to spending plans, they do not necessarily increase the spending power of departments as any addition or reduction in funding is to meet an increase or decrease in costs. These include the transfer of responsibility and funding for certain functions as well as changes in budgeting treatment.

2.18 Since Budget 2008-11 was agreed in January 2008, there have been some significant changes in this respect including the reclassification of Pension Costs and Trusts for DHSSPS. More recently the HM Treasury Clear Line of Sight Project and the budgetary implications of the move to International Financial Reporting Standards (IFRS) have also had an impact on departmental budget allocations. The net impact of these technical changes are reflected in Tables 4.1 and 4.2 below.

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CHAPTER 3: MAIN CHANGES IN PUBLIC EXPENDITURE CONTEXT FOR 2010-11

Introduction

3.1 The spending plans for each department and the underlying assumptions in respect of available resources are based on the best available information at the time each Budget is being developed. However, it is recognised there will inevitably be changes subsequently in respect of market conditions as well as the policy decisions taken at both the national and local levels.

3.2 Set out below are the main changes to the public expenditure position for 2010-11 since Budget 2008-11 was agreed in January 2008 broken down into two parts: (i) those relating to changes in the level of funding available to the Executive; and (ii) additional spending pressures and easements flowing from Executive decisions subsequent to the initial establishment of plans for 2010-11.

Funding Available to the Executive

Impact of UK Budget and Pre-Budget Reports

3.3 The Executive received both positive and negative Barnett consequential for 2010-11 as a result of the changes in funding for Whitehall departments (as part of the 2008 and

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2009 UK Budgets and the 2008 and 2009 Pre-Budget Reports). The most significant of these was a reduction in respect of the NI share of the additional £5 billion of efficiencies expected of UK departments as confirmed by the Chancellor of the Exchequer in Budget 2009.

Over-commitment

3.4 The Budget 2008-11 spending allocations to NI departments were based on a starting level of current expenditure over-commitment of £60 million. This was lower than in previous years reflecting the expectation that improved financial management by departments would result in a lower level of reduced requirements and end-year underspend.

3.5 However, the experience of 2008-09 and the first half of 2009-10 clearly suggest that there should be acceleration in this downward trend. In this context the Executive has agreed to plan on the basis of a zero over-commitment for both current and capital expenditure in 2010-11. Although this results in a £60 million cost to be funded as part of this Review, this will in turn provide additional scope for the Executive to address pressures as part of the 2010-11 In-Year Monitoring process.

Access to EYF Stock

3.6 As part of the 2007 Comprehensive Spending Review, the Executive was provided with access to £30 million of current

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expenditure and £50 million capital investment of its End Year Flexibility (EYF) stock of funding. Only £10 million of the current expenditure access to EYF was incorporated into spending plans as part of Budget 2008-11, with the balance now available for allocation.

Regional Rates

- 3.7 In December 2008, the Executive agreed to a cash terms freeze in non-domestic Regional Rates for 2009-10, which also has implications for the level of Regional Rate income in 2010-11. In addition, the Small Business Rate Relief Scheme and the deferral of the rating of Vacant Dwellings will also result in reduced income for the Executive next year. The downturn in the economy will have a further impact on collection levels.

Central Assets Realisation Team (CART)

- 3.8 Budget 2008-11 included plans for additional receipts to be delivered from the work of the CART. The downturn in the property market has meant that fewer of these receipts have been achieved in 2008-09 and 2009-10 than had been planned, which is also expected to be the case in 2010-11. The Executive's approach to the shortfall in departmental capital receipts is set out in paragraphs 3.21-3.22 below.

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Acceleration in Capital Expenditure

3.9 In the 2008-09 December Monitoring Round the Executive agreed to accelerate £9.4 million of capital funding from 2010-11 into 2008-09, in line with the flexibility afforded by the 2008 Pre-Budget Report. Although this provided additional spending power for 2008-09, it also results in an additional cost pressure for 2010-11.

Clear Line of Sight Project

3.10 One of the changes under the HM Treasury Clear Line of Sight Projects is that depreciation expenditure will be ring-fenced from April 2010. Northern Ireland departments were asked to review their requirements in respect of depreciation costs, in the context that the amounts allocated for this purpose could no longer be re-allocated to other areas. In response, departments have indicated that they require lower levels of non-cash funding than previously identified.

Movement of PFI Capital Projects Off-Balance Sheet

3.11 Under the current budgeting treatment NI departments face a one-off charge as a consequence of those Private Finance Initiative (PFI) capital projects which are classified as “on-balance sheet”. Although the changes in the Treasury guidance to the International Financial Reporting Standard (IFRS) budgeting treatment mean that there will be greater

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scope in future years to classify projects as being “off-balance sheet”, the corollary of any capital investment saving is an additional and ongoing current expenditure cost in terms of higher unitary charge payments.

3.12 In respect of the 2010-11 financial year the Treasury position is that it is not possible to reassess projects which had been signed prior to 1 April 2009. Given the normal lead in times for such contracts, this means that there will be only limited capital investment savings next year.

Additional Spending Pressures

3.13 In addition to the changes in the funding available to the Executive set out above there are a number of spending pressures facing the Executive in respect of previous commitments and unavoidable costs. The most significant of these relates to the further deferral of the introduction of water & sewerage charges for domestic customers.

Funding of Water and Sewerage Services

3.14 In November 2008, the Executive decided to further defer the introduction of domestic water and sewerage charges until April 2010, to reduce the burden on households given the impact of the ongoing economic downturn.

3.15 This deferral was made possible due to financial assistance secured from HM Treasury in relation to non-cash costs of

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potentially £400 million per annum. Although the agreement with the Treasury only covered the period up to and including the 2009-10 financial year, a major element of the non-cash costs in respect of the cost of capital charge are due to be removed from the UK budgeting framework from April 2010. Therefore, the cost of deferring domestic water charges is estimated to be approximately £210 million in 2010-11.

3.16 However, this remains a key issue in terms of forward years given that public finances are expected to become even more constrained over the period 2011-12 onwards. This means that the Executive will be faced with the choice between increasing the financial burden on households or constraining the funding available for public services.

NICS Equal Pay Claim

3.17 Over the past year there have been detailed and complex negotiations with employee representatives in respect of a resolution to the equal pay claim for administrative staff in the NI Civil Services (NICS). A formal proposal was made in November 2009 which was approved in a ballot of the respective grades. Although the trade union, NIPSA continues to consult with its members on the logistical arrangements, the intention is to make payments to staff as soon as possible. The gross cost, to be borne at the Executive level, is estimated to be approximately £155-170 million. This is offset by the £100 million in additional current

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expenditure which was negotiated with the UK Government in late 2008.

NI Assembly

3.18 The Executive is obliged to meet the running costs of the NI Assembly as agreed by the Assembly Commission. However, the spending requirements for the NI Assembly were not confirmed in time to be incorporated into the final 2008-11 Budget document in January 2008. Additional funding of £5.0 million in current expenditure and £3.4 million capital investment will be required in order to ensure the continued work of the Assembly.

Other Pressures

3.19 In addition to the issues detailed above the Executive also faces less significant additional costs in respect of Innovation Funding, the Integrated Development Fund and Shared Services investment. These pressures are in part offset by the reduced requirements previously declared by departments as part of the 2008 Strategic Stocktake exercise.

Summary Position

3.20 The net impact of the changes to the public expenditure position detailed above is that the Executive was faced with a spending pressure of £217.1 million in terms of current

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expenditure and £149.9 million in terms of capital investment. This equates to approximately 2.4% of the existing current expenditure budget allocations for 2010-11 and 10.2% in respect of capital investment.

Departmental Capital Receipts

3.21 Not included in the above is the expected shortfall in departmental capital receipts. As a consequence of the downturn in the property market, since 2008-09 departments have experienced significant difficulties in achieving the planned level of asset sales which form a major part of their overall targets for capital receipts, as set out in the Budget 2008-11 document. Although there are some signs that there will be recovery in the market during 2010-11 departments have already indicated that there will be a further shortfall, particularly in terms of House and Land Sales as well as the disposal of the site at Crossnacreevy.

3.22 However, there is also expected to be slippage in two major projects planned for 2010-11 which are broadly equivalent in value to the anticipated shortfall in receipts. In light of the continued volatility in the property market and the need to encourage departments to maximise receipts the Executive has decided to consider the matter as part of the 2010-11 In-Year Monitoring process instead. By this time there should be greater clarity as regards the direction of the property market, in the context that funding has been earmarked in the event that there is not an improvement.

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Conclusion

3.23 Following the agreement of Budget 2008-11, the changes in the economic, social and financial environments as well as policy decisions taken by the Executive and the UK Government have had a significant impact on the level of resources available to the Executive and the cost pressures faced by NI departments.

3.24 While additional Barnett allocations and uncommitted EYF stock provide some additional resources, these are more than offset by reduced income in other areas and emerging pressures. Therefore, the net impact is that the Executive faces an overall public expenditure pressure of £367 million in 2010-11.

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CHAPTER 4: EXECUTIVE RESPONSE TO FUNDING PRESSURES AND REVISED SPENDING PLANS

Introduction

- 4.1 In response to the changes to the public expenditure environment for 2010-11, as set out in Chapter 3, the Executive had limited options available in terms of a response that placed public finances on a more sustainable position whilst at the same time minimised the impact on the delivery of the targets set out in the Programme for Government.
- 4.2 Although consideration was given to measures that would increase the level of funding available to the Executive next year, these would have involved placing substantial additional burdens on households and local firms at a time when the recovery in the economy is expected to remain fragile.
- 4.3 In this context, the proposed approach involves a reprioritisation of the spending allocations between departments. In addition, rather than the same percentage adjustment being applied to all departments, the Executive has agreed that this should be on a targeted basis in respect of the scope for some departments to accommodate a greater reduction in funding for 2010-11.

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- 4.4 This assessment took into consideration a broad range of factors including the potential impact on the delivery of priority frontline services as well as the implications for the Executive's top priority of growing the economy. Other key issues included evidence of inefficiency and levels of underspend in previous years as well as the growth in available resources under Budget 2008-11 and the extent of any contractual commitments.
- 4.5 It was also recognised that all departments had at least some scope to go further than the 3% efficiency savings target set out in the Budget 2008-11, with departments having fully achieved their respective savings targets for 2008-09. In addition, lower than expected inflation, particularly in respect of construction activities, also provides the scope for savings to be made in respect of procurement. The Executive will also consider the possibility of making alternative savings on a cross-departmental basis.

Invest to Save

- 4.6 Although the total amount of savings required were based on the net pressure identified in chapter 3, it was agreed that there was a need to go further in light of the need to prepare for the continued constraints in public expenditure in the coming years.
- 4.7 The 2009 Pre-Budget Report set out the latest HM Treasury projections in respect of total UK public spending for the

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years 2011-12 to 2014-15. In particular, as part of the Government's plans to reduce the level of borrowing to a more sustainable level, total current expenditure is projected to increase by only 3.0% in cash terms per annum over the three years to 2013-14. Although, the implications for the Executive will only be confirmed at the conclusion of the next UK-wide Spending Review, the latest projections would suggest that the best possible outcome would be a real terms freeze in current expenditure.

4.8 NI departments will therefore need to continue delivering further efficiency savings in the coming years in order to maintain the delivery of public services as well as undertaking a more fundamental examination of what services are provided by the Executive and how they are delivered. However, the delivery of the savings for the years 2011-12 and beyond as well as the additional amounts for 2010-11 will in some cases require upfront investment.

4.9 In order to plan for the future, the Executive has proposed the establishment of an Invest to Save Fund worth £26 million in 2010-11 to provide enhanced support to departments in achieving savings. Invest to Save proposals have already been requested of NI departments with the allocations, to be agreed by the Executive, included within the final revised plans for 2010-11.

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Revised Spending Plans for 2010-11

4.10 The consequences of this approach for individual departments are set out in Tables 4.1 and 4.2 below.

Table 4.1: Draft Revised 2010-11 Spending Plans for NI Departments, Current Expenditure

	Budget 2008-11	Technical Changes ¹	Review of 2010-11 Spending Plans		
			Additional Savings	Allocations	Draft Revised Plans
DARD	245.4	(18.7)	(6.3)	0.0	220.4
DCAL	119.7	(2.0)	(5.9)	0.0	111.8
DE	1,961.0	0.2	(51.7)	0.0	1,909.4
DEL	833.1	(8.7)	(19.7)	0.0	804.7
DETI	229.8	(23.8)	(4.6)	0.0	201.4
DFP ²	161.1	4.9	(4.1)	6.5	168.4
DHSSPS	4,273.6	116.8	(92.0)	0.0	4,298.4
DOE	135.7	(2.1)	(3.9)	0.0	129.7
DRD	334.6	3.6	(37.5)	119.7	420.4
DSD	523.1	12.9	(13.4)	0.0	522.6
OFMDFM	86.4	(3.8)	(4.1)	0.0	78.5
NIA	47.6	(4.2)	0.0	5.0	48.4
OTHER	21.3	(0.2)	0.0	0.0	21.1
INVEST TO SAVE	0.0	0.0	0.0	26.1	26.1
TOTAL	8,972.4	74.9	(243.2)	157.3	8,961.4

Totals may not add due to rounding

1. Includes impact of changes in Budgeting guidance, transfer of functions and reduced requirements declared as part of 2008 Strategic Stocktake.
2. Includes allocation in respect of the Shared Service provided to support the delivery of public services in all departments.
3. Figures in brackets are negative.

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Table 4.2: Draft Revised 2010-11 Spending Plans for NI Departments, Net Capital Investment

	Budget 2008-11	Technical Changes ¹	Review of 2010-11 Spending Plans		
			Additional Savings	Allocations	Draft Revised Plans
DARD	(170.9)	(0.4)	(3.4)	0.0	(174.6)
DCAL	79.9	0.0	(20.0)	0.0	59.9
DE	201.1	(9.8)	(22.0)	0.0	169.3
DEL	46.6	0.0	(9.0)	0.0	37.6
DETI	78.2	0.3	(6.6)	1.8	73.6
DFP	16.0	1.1	(2.1)	0.0	15.0
DHSSPS	218.2	0.0	(21.5)	0.0	196.7
DOE	182.6	0.0	(0.2)	0.0	182.4
DRD	459.9	44.0	(43.0)	93.3	554.2
DSD	283.4	0.0	(16.9)	1.9	268.4
OFMDFM	17.3	0.0	(5.2)	0.0	12.1
NIA	0.3	0.0	0.0	3.4	3.6
OTHER	0.4	0.0	0.0	0.0	0.4
TOTAL	1,412.9	35.2	(149.9)	100.3	1,398.6

Totals may not add due to rounding

1. Includes impact of changes in Budgeting guidance.
2. Figures in brackets are negative.

4.11 In terms of current expenditure the lowest level of savings proposed in percentage terms is in respect of DHSSPS (2.1%) reflecting the priority afforded to health & social care services, compared to the average of 2.6%. In respect of capital investment DETI (8.2%) and DRD (7.2%) both have below average proposed percentage savings in light of the need to continue investing in our economic infrastructure whilst DSD also has a relatively low savings requirement.

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4.12 NI departments have been asked to provide further details on their departmental websites of the revised 2010-11 budget allocations for individual business areas. This should include details of the progress made by each department in delivering PfG targets since April 2008 as well as the proposed measures to be taken to deliver additional savings whilst at the same time minimising the impact on the delivery of priority frontline public services. In addition, departments have been asked to set out the improvements in public services they intend to deliver in 2010-11 with the revised budget allocations and summary details of the implications in respect of Equality, Good Relations and Anti-Poverty.

4.13 In overall terms it can be seen that the draft revised plans represent a relatively minor change to the total spending plans of NI departments agreed in the Budget 2008-11 process. In terms of current expenditure, the revised total spending plans of £8.961 billion represents a reduction of 0.1% whilst the revised plans for net capital investment are 1.0% lower than in Budget 2008-11.

4.14 This is significantly lower than the level of end-year underspend by the Northern Ireland departments in recent years and will provide the Executive with significantly greater scope to address emerging pressures as part of the 2010-11 In Year Monitoring process. In the context of lower than expected inflation, the real terms impact on the overall level of resources available to the departments is expected to be limited.

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Conclusion

4.15 Faced with significant additional public expenditure pressures for 2010-11, the Executive had limited options available beyond a reprioritisation of existing budget allocations. The proposed approach set out above seeks to minimise the impact on priority frontline public services whilst also preparing for the future.

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ANNEX A

NORTHERN IRELAND PUBLIC EXPENDITURE SYSTEM

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 (normally 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; and,
 - **Investment** – which comprises the Capital 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.

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ANNEX B

Financial Tables

Table 1: Reconciliation of Planned Spend to HM Treasury
Control Totals

Table 2: Cash Releasing Efficiency Savings

Table 3: Administration Cost Limits

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ANNEX B

Table 1a: Reconciliation of Planned Current Expenditure to HM Treasury Resource Control Totals

	£million
	2010-11
Total Current Expenditure	8,961.4
Other Items	
Regional Rates	-542.4
Unallocated EUPRP	16.3
Time Limited Allocations	-30.0
Water Subsidy	109.0
Provision for other costs	61.0
Other Items	40.9
Total Resource DEL	8,616.1

Totals may not add due to rounding

Table 1b: Reconciliation of Planned Investment to HM Treasury Capital Control Totals

	£million
	2010-11
Total Investment	1,398.6
Other Items	
RRI Borrowing	-271.0
Time Limited Allocations	-92.7
Provision for other costs	100.0
Other Items	0.7
Total Capital DEL	1,135.7

Totals may not add due to rounding

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ANNEX B

Table 2: Cash Releasing Efficiency Savings Target by Department from Budget 2008-11

	2009-10 £m	2010-11 £m
Agriculture & Rural Development	12.2	18.1
Culture, Arts & Leisure	7.0	10.4
Education	124.5	184.0
Employment & Learning	40.1	59.2
Enterprise, Trade & Investment	15.2	22.5
Finance & Personnel	10.3	14.8
Health, Social Services & Public Safety	232.8	344.0
Environment	7.7	11.4
Regional Development	44.2	65.3
Social Development	38.1	56.3
Food Standards Agency	0.4	0.7
Office of the First Minister & Deputy First Minister	4.6	6.8
Total	537.3	793.5

Table 3: Administration Cost Limits

	2009-10 £m	2010-11 £m
Agriculture and Rural Development	45.9	45.1
Culture, Arts and Leisure	6.5	6.3
Education	18.7	18.2
Employment and Learning	26.4	26.0
Enterprise, Trade and Investment	17.4	17.0
Finance and Personnel	135.5	132.1
Health, Social Services and Public Safety	41.3	40.4
Environment	59.5	55.6
Regional Development	96.3	94.1
Social Development	26.7	26.0
Office of the First Minister and Deputy First Minister	17.9	17.6
Total Departmental Administration Costs	492.1	478.3