

Summary of Draft Budget 2015-16

1 Introduction

Northern Ireland's 2011-15 Budget is coming to an end and the Northern Ireland Executive has published its *Draft Budget 2015-16* for the next financial year. The Budget sets out the overall level of spending available to the Executive in 2015-16 and how its resources will be allocated to each government department. Individual departments are responsible for providing further detail on how they will spend this money during the *consultation* period, which ends on **29 December 2014**.

2 Departmental Expenditure Limits

Money which the Executive can (in general) decide how to spend is known as Departmental Expenditure Limits (DEL) and is mainly comprised of:

- A 'block grant' from the Treasury (£11,334m in 2015-16).
- Regional rates (£650m forecasted).
- Borrowing under the Reinvestment and Reform Initiative (£200m) including for the *Together: Building a United Community* strategy (an additional £27m)
- Grants for the Community Safety College (£53m).
- Sales of assets (£50m anticipated).

Table 1 compares the Executive's DEL received from Treasury in 2015-16 and 2014-15. It is broken down into resource spending (on everyday expenses such as staff costs) and capital expenditure (investment in buildings etc). The change over the two years is shown in real terms (taking inflation into account).

Table 1: Northern Ireland Executive Spending Controls 2015-16 and 2014-15

Category	2014-15		2015-16		% change
Non Ring-fenced Resource	£m	9,691.3	£m	9,691.1	-1.6%
Ring-fenced Resource	£m	479.4	£m	550.4	+13.0%
Capital	£m	1,051.1	£m	1,092.3	+2.2%
<i>Of which financial transactions</i>	£m	62.8	£m	127.7	100%
Total	£m	11,221.8	£m	11,333.8	-0.6%

Non Ring-fenced Resource is money which the Executive is free to allocate for public services as it wishes.

Ring-fenced Resource is in theory managed by the Executive (and classified as DEL) but is set aside for specific purposes (such as the depreciation of assets). Any unused ring-fenced resources are returned to Treasury.

Capital DEL is money that is specifically for investment in assets (such as buildings and equipment). The Capital DEL spending control can be further supplemented by borrowing from the Reinvestment and Reform Initiative (RRI), which allows the Executive to borrow to address the legacy of infrastructure underinvestment. The 2.2% increase in capital was due to the category of **Financial Transactions Capital** (FTC) doubling.¹ FTC was by introduced by the UK Government in 2013. The Executive is free to apportion FTC between departments as it wishes, but its use is limited to providing loans or equity (shares) investment to the private sector for use in infrastructure projects. Interest may or may not be charged on loans and there is some flexibility on the repayment period.² If interest is charged, the Northern Ireland Executive retains the receipts. FTC fits into the normal monitoring process whereby departments bid for funding from a central fund.

3 Annually Managed Expenditure

Public money which is demand-led (e.g. welfare payments), is known as Annually Managed Expenditure (AME). This money flows directly from the Treasury and is not directly controlled by the Executive and so is not included in the overall Budget figure. As Table 2 shows, a total of £8,962.2m of AME spending is forecast for the year and this is made up primarily of social security benefits and pensions.

Table 2: Forecast Northern Ireland AME by programme 2015-16³

Programme	2015-16 AME	
Benefits	£m	5,636.8
Pensions	£m	2,479.3
Non Cash Costs	£m	607.7
Student Loans	£m	215.2
NI Renewable Heat Incentive Scheme	£m	12.1
Arm's Length Bodies Corporation Tax Payments	£m	11.0
Total	£m	8,962.2

¹ See below for more information on FTC.

² EU State Aid rules may apply to the level of interest that can be set.

³ For AME forecasted by department (rather than programme) see Table 4, Annex A (page 65) of the Draft Budget document.

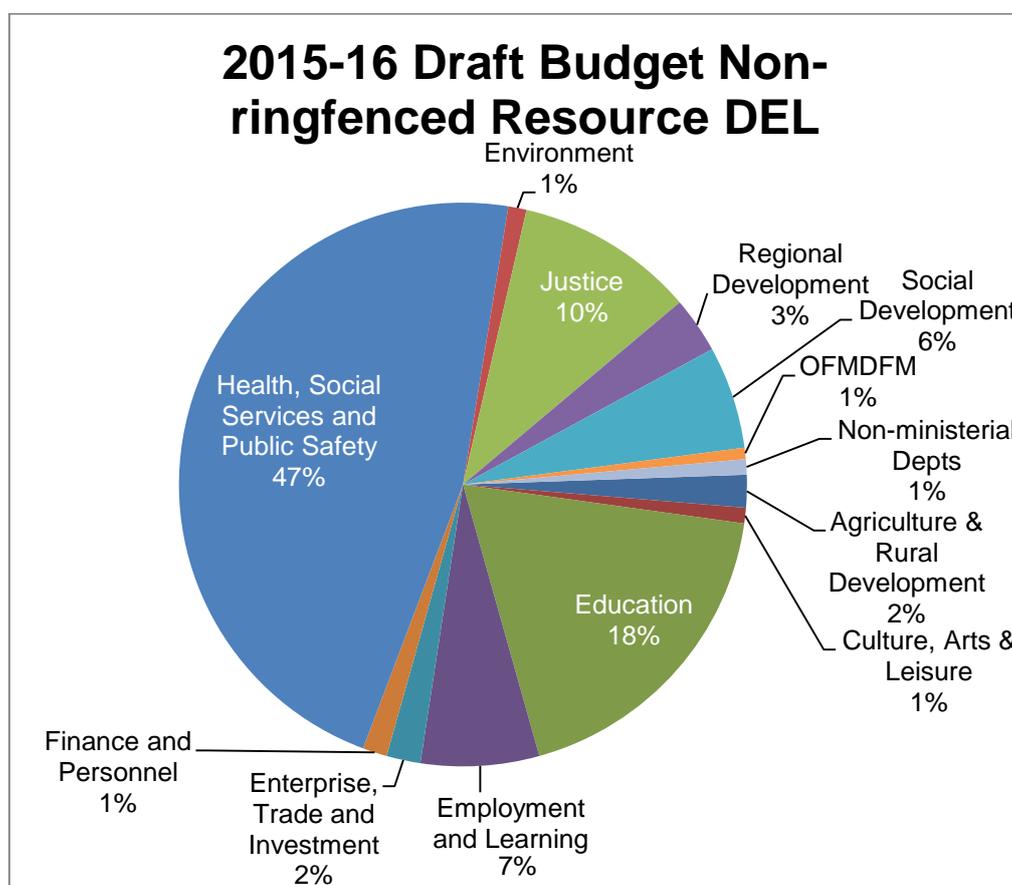
4 Departmental Allocations

In deciding how to allocate the total resources available to Departments, the *Draft Budget 2015-16* states that an incremental approach was adopted to resource spending. This means that the 2014-15 position was taken as the starting point, with changes in the cost of providing public services then factored in. In contrast, capital DEL positions are established from a zero-base (i.e. with no reference to the previous year). As Table 3 shows, the total budget allocated to government departments fell by 2.4% in real terms.

Table 3: 2015-16 departmental allocations compared to 2014-15⁴

Allocations		2014-15		2015-16	Real terms change
Resource	£m	10,637.8	£m	10,557.3	-2.3%
Capital	£m	1,207.7	£m	1,187.3	-3.2%
Total	£m	11,845.5	£m	11,744.6	-2.4%

It is worth focussing on Non Ring-fenced Resource DEL as this is used to directly provide public services and is the element that the Executive have most control over when allocating funds to departments. The 2015-16 departmental allocation is shown in the chart below.⁵ Most of this budget is taken up by DHSSPS (47%) and Education (18%).



⁴ From DFP 2014-15 Budget Technical Exercise.

⁵ Tables showing 2015-16 departmental allocations of Non Ring-fenced Resource, Ring-fenced Resource and Capital DEL are located in tables 4.1, 4.2 and 4.3 (pages 37, 38 and 40 respectively) of the Draft Budget document.

Table 4 compares the Draft Budget with the baseline position (the opening point from the previous financial year's budget). It shows that most departments (with the exception of DETI and DHSSPS) will face cuts in their Non Ring-fenced Resource DEL allocations. DCAL, DEL, DoE and DSD are each facing Resource cuts of at least 10%. The Food Standards Agency and NI Authority for Utility Regulation face cuts of 12.8% and 14.3% respectively.

Table 4: Non-ring fenced Resource DEL

Department	2015-16 Baseline Position	2015-16 Draft Budget	%Change
Agriculture and Rural Development	£m 197.6	£m 187.3	-5.2%
Culture, Arts and Leisure	£m 99.9	£m 89.9	-10.0%
Education	£m 1,943.7	£m 1,849.3	-4.9%
Employment and Learning	£m 756.2	£m 674.4	-10.8%
Enterprise, Trade and Investment	£m 184.2	£m 194.0	5.3%
Finance and Personnel	£m 155.9	£m 139.0	-10.9%
Health, Social Services and Public Safety	£m 4,542.7	£m 4,693.1	3.3%
Environment	£m 116.6	£m 103.7	-11.1%
Justice	£m 1,089.0	£m 1,024.0	-6.0%
Regional Development	£m 335.5	£m 322.0	-4.0%
Social Development	£m 653.9	£m 589.1	-9.9%
OFMDFM	£m 65.8	£m 65.4	-0.6%
Non-ministerial Departments (total of those below)	£m 91.7	£m 88.4	-
<i>Assembly Ombudsman / Commissioner for Complaints</i>	£m 1.8	£m 1.8	0.0%
<i>Food Standards Agency</i>	£m 8.5	£m 7.4	-12.8%
<i>NI Assembly</i>	£m 40.7	£m 40.7	0.0%
<i>NI Audit Office</i>	£m 7.9	£m 7.9	0.0%
<i>NI Authority for Utility Regulation</i>	£m 0.1	£m 0.1	-14.3%
<i>Public Prosecution Service</i>	£m 32.7	£m 30.5	-6.7%
Total Planned Spend	£m 10,232.7	£m 10,019.6	-2.1%

5 Centre items

There are also areas of spending that do not relate to any one department and are therefore held "at centre" by DFP. In summary, these additional centre items include:

- £70m for Welfare Reform Mitigations.⁶
- £10.6m resource, £8m capital for EU match funding (£ for £ matching of EU funding).
- £11m resource and £15 capital for the Social Investment Fund.

⁶ See Letter from DSD Minister to Church Leaders Group on [Welfare Reform Mitigation](#) proposals.

- £3m for the Childcare Strategy Action Plan (in lieu of a responsible department).
- £100m to pay back to Treasury the Reserve Loan for the 2014-15 budgetary pressures.
- £133.2m funding to alleviate pressures on public sector pension revaluations for departments (in short, changing pension schemes to career-averages).
- £100m for workforce restructuring costs with the aim of reducing the public sector pay bill. More detailed plans will be released in future weeks.

6 Change Fund

In order to realise savings in the future costs of providing public services, the Executive is proposing to establish a “Change Fund” to finance “reform initiatives”. The Fund may be regarded as the financing vehicle for preventative spending proposals i.e. an upfront cost to provide for future savings in public services.

- The initial Change Fund balance of £30m represents 0.3% of the Executive’s whole Resource Budget.
- The Fund is to be held centrally (i.e. not to any one department) and can be used for cross-cutting (multi-departmental) initiatives. Departments will be asked to submit bids to access the Fund in advance of the Final Budget.

7 Northern Ireland Investment Fund

The Draft Budget proposes the setting up of an Investment Fund to support infrastructure development in areas that are usually taken forward by the private sector but has associated aims for the public sector and Programme for Government goals. Some of the areas identified include:

- Social and affordable housing.
- Energy production and renewables.
- Energy efficiency of private buildings.
- Telecommunications.
- Urban regeneration.

The Executive has agreed that £12.1m “unallocated” under FTC in 2014/15 should provide an initial balance for the Investment Fund, though its future scale may encompass a larger amount that goes beyond FTC boundaries. The Draft Budget claims that the Fund may allow large international investors, including the European Investment Bank (EIB), to invest in local projects that would usually be too small-scale to finance.⁷ The Executive will establish a

⁷ The Executive cannot benefit directly from EIB loans, but has the potential to be a joint-partner in private sector project investments. See [DFP press release 27 March 2014](#).

feasibility study to inform the scale, scope, design and strategy of the Fund. A consultation may therefore be issued separately from the Budget consultation itself.⁸

8 Equality considerations

The Draft Budget document undertakes to produce an Equality Impact Screening Document in accordance with Section 75 of the Northern Ireland Act (the equality duty). The focus of the Screening Document will be on the allocation of *resources* rather than the services/outcomes to be funded. Individual policies, programmes and capital projects will be subject to separate screening by the responsible department.

Departmental decisions will also be subject to specific equality screening and full Equality Impact Assessments (EQIAs).

9 Further information

Important information can be found in the links below:

- [Draft Budget 2015-16](#)
- [Minister's Statement to the Assembly 3 November 2014](#)
- [Budget consultation website](#)
- [DFP press release](#)

⁸ See *Draft Budget 2015/16* para 4.45 (page 45).