



Department of the
Environment

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Department of the Environment

Consultation on
2015-16 Draft Budget Proposals

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Introduction

The NI Executive's 'Draft Budget 2015-16' was announced by the Minister for Finance and Personnel on 3 November 2014. The Executive's Draft Budget provides information at overall departmental level on proposed departmental current expenditure and capital investment allocations for the year 2015-16. A copy of the Executive's 'Draft Budget 2015-16' can be accessed on the Budget website: www.northernireland.gov.uk/budget. As outlined in the Executive's Draft Budget paper to help inform the consultation process, DFP advised that it would be the responsibility of individual departments to provide further specific information on the implications of the Executive's Budget proposals for them and would publish this information on their websites. This document provides that information in respect of the Department of the Environment.

Consultation Arrangements

Should you wish to make comments in relation to any of the strategic issues contained in the Executive's Draft Budget document, or more generally on the allocation of expenditure across departments, the address for consultation responses is as follows:

Budget Consultation
S1, New Building
Rathgael House
Balloo Road
BANGOR
BT19 7NA
Telephone: 028 91 858196

E-mail: budgetconsultation@dfpni.gov.uk

Should you wish to make comments in relation to the implications of the Executive's proposed spending allocations for the Department of the Environment, as set out in this document, then the address for responses is:

Anthony Carleton
Director of Finance and Business Planning
Room 6-15
Clarence Court
10-18 Adelaide Street
BELFAST
BT2 8GB
Telephone: 028 90 540820

Email: doe.budgetconsultation@doeni.gov.uk

Please note that the closing date for all consultation responses is Monday 29 December 2014.

In order to promote environmental sustainability respondents will not receive an acknowledgement letter. A list of respondents will be placed on the department's website. If you do not wish your name to be published on the website, please make this clear in your response to us.

2015-16 Draft Budget

1. This paper provides an assessment of the implications of the draft Budget 2015-16 for the DOE, its clients, stakeholders and staff. This assessment is based upon the draft Budget proposals published by the Department of Finance and Personnel on 3 November 2014. It includes information on the steps the DOE would have to take to live within its proposed budget allocation for next year and highlights the significant implications these would have for its clients, stakeholders and staff.
2. The analysis in this paper excludes provision for the vehicle and driver testing service provided by the DVA. This service is funded by a statutory Trading Fund which consists of vehicle and driver testing fees paid by the public. These fee receipts can only be used for the delivery of vehicle and driver testing services and cannot be reallocated for other expenditure purposes by the department.

Summary

The financial allocations proposed for the DOE in the draft Budget would have significant adverse implications for the services provided by the department and for its clients, stakeholders and staff. If the current draft Budget proposals for the DOE were to be confirmed in the final Budget then there would be:

- a) Immediate and substantial reductions in key statutory grant payments to all councils and particularly to those less well off councils dependent on additional rate support payments to guarantee basic levels of service provision at local levels.
- b) Immediate action to secure a reduction of at least 500 posts across the department to be taken forward via a centrally managed voluntary exit scheme. This staffing reduction, would have an immediate negative impact on the range and quality of services provided by the department
- c) A significant curtailment of road safety promotion and associated education activity in schools at a time of rising fatalities on our roads.
- d) The termination of a wide range of grant and other support programmes that are aimed at supporting key environmental programmes. These cuts will have immediate and significant implications, including the loss of jobs, for a wide range of voluntary, educational and private sector bodies across the North. Other contracted services provided by a diverse range of educational, public sector, voluntary, community based and private sector organisations would also be ended.
- e) There is also no provision in the department's baseline for next year for the Scheme of Emergency Financial Assistance to Councils and householders affected by flooding events.

The above implications illustrate that the present proposals do not provide a viable or realistic Budget scenario for the department.

There must be ring fenced protection for the key statutory grant programmes for local government.

Draft Budget Proposals (2015-16)

- Under the draft Budget proposals for next year, the DOE's non ring-fenced Resource DEL budget (i.e. the amount of funding provided to us for spend on departmental activities) was reduced by 15.1% (£17.6 million). Allocations were also made to the department in the draft budget consisting of £2 million to offset reductions to local government grants, and £2.7 million of other purposes. Therefore the net reduction to our opening budget of £116.6 million under these proposals would be £12.9 million (11.1%), bringing our draft net budget position to £103.7 million. These figures are outlined in Table 1 below.

Table 1: 2015-16 Non ring-fenced Resource DEL Budget Proposal

Non ring-fenced Resource DEL	%	£million
Opening Position		116.6
Reduction	15.1%	(17.6)
Allocations (inc. £2 million to offset reductions to local government grants)		4.7
Closing Position		103.7
Net reduction	11.1%	(12.9)

- The draft 2015-16 Budget proposal also includes a separate ring fenced allocation of £3.5 million for depreciation charges. This separate funding cannot be used for other proposals.
- In considering the implications of this proposed net DEL allocation of £103.7 million for its operations and services, the department must first deduct funding allocations that will transfer to local government. These are in respect of the transfer of planning and associated environmental responsibilities under the reform of local government.

Transfer of DEL funding to Councils

- The department will transfer part of its DEL budget to the new councils at the start of the year. This reflects the transfer of functions and related staff in respect of planning and associated environmental responsibilities. The amounts concerned are set out in Table 2 below.

Table 2: 2015-16 Draft Resource DEL Budget (Net) – Transfers to Councils

2015-16 Draft Resource DEL Budget	£million
Non-ring fenced resource DEL funding	103.7
Proposed DEL funding transferring to Councils for Planning Functions (net of planning receipts)	(6.2)
Proposed DEL funding transferring to Councils for Environmental functions	(0.4)
Balance of RDEL budget available	97.1

7. In addition to the £6.6 million funding that the department will transfer to the councils, they will also receive an estimated £12.6 million of planning receipts from planning applications next year. These receipts are currently paid to the department. This means that councils should have access to funding of approximately £19.2 million next year to support their new planning and environmental responsibilities.

Local Government Grants

8. The DOE's baseline also includes substantial amounts of money transferred directly from the Executive to councils as grants. Before the draft Budget proposals, the amounts allocated by the Executive for two of these key grants were £25.8 million for De-rating Grant and £18.3 million for Rates Support Grant (£44.1 million in total). These amounts were reduced by 15.1% (£6.7 million) in the draft Budget proposals, resulting in £37.4 million being available for these local government grants (£21.9 million for the De-rating Grant and £15.5 million for the Rates Support Grant).
9. The level of De-rating grant payable to councils falls outside the control of the DOE. Instead it is set by a statutory formula linked to the various derating schemes determined by the Department of Finance and Personnel. Thus the amounts of derating grant payable to councils can only be varied by changes to the statutory derating scheme or changes to specific rating reliefs granted by DFP. Therefore the proposed reductions in the amounts of money available for the Derating Grant in the draft Budget are premature in the absence of associated proposals from DFP to amend the relevant statutory derating schemes.
10. The separate reductions to the Rate Support Grant proposed in the draft Budget would impact directly on those less well off councils that have access to these grant payments to help make good the difference between their rates income and the money they need to maintain parity of service provision with more wealthy councils. This would be a particularly unfair and unwelcome outcome at a time when councils are seeking to make the major

organisational changes associated with local government reform and reorganisation.

11. Therefore the DOE believes the money provided by the Executive for these two key grants for local government should be ring fenced in the final Budget and protected from across the board cuts applied to other DOE spending programmes. Without this protection Table 3 below shows the effect on the department's Net Del position if the present cuts proposed in the draft Budget for local government grants were to be maintained in the final Budget.

Table 3: 2015-16 Draft Resource DEL Budget (Net) – Grants to Councils

	£million
Balance of RDEL funding available (Table 2)	97.1
Less Local Government Grants:	
De-Rating Grant	(21.9)
Rates Support Grant	(15.5)
Balance of RDEL funding available	59.7

Income

12. In addition to the balance of funding available for departmental services outlined at Table 3, the Department will also continue to collect income through fees and charges to support the costs of supporting specific services and activities. Our current forecast for income next year for the department is £20.8 million. Further detail is provided at [Annex A](#). Therefore, after taking this income into account, the total balance available to fund all other departmental activities next year would be **£80.5 million** as set out in Table 4.

Table 4: 2015-16 Draft Resource DEL Budget (Gross)

2015-16 Draft RDEL Budget (Gross)	£million
Balance of DEL funding available (Table 3)	59.7
Forecast income from fees, charges & recharges (Annex A)	20.8
Balance of funding available for departmental activities.	80.5

Allocation of Balance of Funding Available for Departmental Activities

13. In order to identify the implications of this proposed residual funding balance available for departmental activities, the department has first identified those areas of expenditure which we believe are genuinely inescapable from the start of the year. In doing so, we have sought to ensure that the sums identified are realistic and are inescapable, as distinct from being 'highly desirable' or 'departmental priorities'.

Staff Salary Costs

14. A key item of residual expenditure in the department is its staff salary costs. During the present financial year the department has taken a number of steps to reduce its staffing expenditure by:

- The permanent suppression of vacancies;
- Filling posts by internal redeployment of existing staff from lower priority work;
- Termination of casual/agency posts;
- Controls over use of Temporary Promotion;
- Reducing overtime costs;
- Introducing a requirement that the import or recruitment of any staff to the department can only be on the basis of Deputy Secretary and Permanent Secretary approval on a case by case basis.

15. These steps have led to a reduction during the current year of 225 posts (including agency workers) in the department. We need to release up to a further 120 staff from the DVA by the end of the present financial year under the voluntary early exit scheme associated with the loss of car tax jobs earlier this year. Finally, we are also arranging for the transfer of some 400 planning and other related staff out of the department at the end of the year when functions transfer to the new councils. Once these various staff reductions have taken place, we estimate that we will start the next financial year with some 1,560 staff (excluding DVA Testing staff) working in the department at a projected annual cost of some £59.7 million.

16. We estimate that in order to stabilise the department's medium term financial position and to restore some funding for other programmes, we could need to release at least 500 staff. In these circumstances we would seek to take this forward via a centrally managed civil service voluntary exit schemes. We will keep this position under review, but until staff are released through the centrally managed voluntary exit scheme the department will have to continue to meet the full salary costs as illustrated in Table 5 below.

Other Costs

17. There are also a number of other inescapable items of expenditure to be addressed from our proposed budget allocation for next year. These total some £17.1 million and include other staff costs; accommodation costs;

contracted out services; office services; professional fees; operating costs; and other costs. The budget allocation for this expenditure is based on the assumption that country parks, nature reserves and state care monuments will remain open but will only provide basic facilities for visitors.

Other Grants to Councils

18. In addition to the two main grant payments made to councils referred to in Table 3 above, the department also pays a range of other grants to councils to support a range of key local government activities and responsibilities. These include emergency planning grants, local air quality grants, construction products grants, grants to support waste recycling and community waste fund grants. The department will use the £2 million allocated to offset reductions to local government grants in the draft Budget to seek to maintain support for these key areas of activity albeit at a reduced level of financial support compared to that provided in previous years.

Balance of Resource DEL budget remaining

19. Table 5 below shows that after providing for the above costs in next year's Spending Plan, there is a balance of just **£1.2 million** left for allocation on other areas of expenditure.

Table 5: Draft Budget Allocations – Draft DOE Spending Plan 2015-16

	£million
Gross Budget available (Table 4)	80.5
Draft Spending Plan:	
Salaries	(59.7)
Coastal Communities Fund	(0.5)
Other Costs	(17.1)
Other Grants to Councils	(2.0)
Total Spending plan	(79.3)
Balance of budget remaining (to be allocated)	1.2

Carrier Bag Levy Receipts

20. The department also expects to receive income from the carrier bag levy next year of some £4.75 million. However since this is extra money collected from carrier bag charges, it can only be used to supplement expenditure on specific environmental programmes and to cover the department's extra costs of administering the levy. This expenditure is shown in Table 6 below.

Table 6: Carrier Bag Levy Receipts and Spending Plan

	£million
Budgeted Carrier Bag Receipts	4.75
Draft Spending Plan:	
Carrier Bag funded environmental programmes	4.25
Administration Costs	0.50
Total Spending plan	4.75

Capital Budget

21. The Department has been allocated Capital Funding of £7.1 million in the draft Budget. This Capital Funding of £7.1 million would be used to finance the costs of a replacement IT system for Driver Licensing Waste Management Capital Grants, other Capital Grants and the other miscellaneous capital costs associated with the replacement of equipment.
22. The DOE has also been allocated a sum of £50.5 million of “Financial Transactions Capital” (FTC) in the draft Budget. This funding is linked to a proposed private sector development of an energy from waste plant that would be delivered on behalf of the councils comprising the arc21 Waste Management Group.

Implications of the 2015-16 Draft Executive Budget and the Draft DOE Spending Plan

23. The allocations proposed for the DOE in the draft Budget would have significant adverse implications for the services provided by the department and for its clients, stakeholders and staff. As noted at para 19 and Table 5 above after inescapable spending commitments have been met at the start of the year, there would be a wholly inadequate balance of just £1.2 million left to fund a wide range of other services and activities currently supported by the department. In practice our financial support for most of these services and activities would cease from April 2015 onwards. Key activities and services for which **no funding** has been allocated include:
- a. Road safety advertising (current year budget is £1.8 million)
 - b. A wide range of current grant programmes providing funding to community groups, environmental and other organisations. These include:
 - JNCC Grants
 - Listed Building Grants
 - Litter grants
 - NILGA support grants
 - National Trust Grant

- Water Quality Improvement Grant Scheme
- UAHS Grant
- Townscape Heritage Initiative Grant
- Community Access Grant
- Community Places Grant
- PLACE Grant
- Community Transport Association (CTA) Grants
- Natural Heritage Fund
- Sustainability Innovation Fund
- Disability Action Grant

c. Other contracted services provided by a diverse range of educational, public sector, voluntary, community based and private sector organisations.

d. Other expenditures such as educational material supporting road safety education in schools and professional fees paid.

24. The critical financial position the department would be in is illustrated by the fact that our estimated margin of available spend (£1.2 million) alone is less than current level of road safety advertising spending.

25. If the current draft Budget proposals for the DOE were to be confirmed in the final Budget then there would be:

- a) Immediate and substantial reductions in key statutory grant payments to all councils and particularly to those less well off councils dependent on additional rate support payments to guarantee basic levels of service provision at local levels.
- b) Immediate action to secure a reduction of at least 500 posts across the department to be taken forward via a centrally managed voluntary exit scheme. This staffing reduction, would have an immediate negative impact on the range and quality of services provided by the department
- c) A significant curtailment of road safety promotion and associated education activity in schools at a time of rising fatalities on our roads.
- d) There is also no provision in the department's baseline for next year for the Scheme of Emergency Financial Assistance to Councils and householders affected by flooding events.
- e) The termination of a wide range of grant and other support programmes that are aimed at supporting key environmental programmes. These cuts will have immediate and significant implications, including the loss of jobs, for a wide range of voluntary, educational and private sector bodies across the North. Other contracted services provided by a diverse range of educational, public sector, voluntary, community based and private sector organisations would also be ended.

26. The above implications illustrate that the present proposals do not provide a viable or realistic Budget scenario for the department. Cuts to our expenditure next year should be in line with and not exceed the cuts applied to other departments. There should also be ring fenced protection for key grant programmes for local government, including those where there is a statutory obligation to pay specific sums across to Councils.

**Department of the Environment
November 2014**

Budgeted Income	£million
Driver, Taxi, Bus & Goods vehicle income	8.9
Regulatory & Commercial Income	8.4
Marine Licensing	0.1
Planning receipts	0.2
Dividend income from DVA Trading Fund	0.7
Support costs recovered from DVA Trading Fund	2.5
	20.8