

Financial Armageddon or Managed Transformation?

Where next for Northern Ireland Local Government:

budget implications, an icy future?

Early October 2010: Letter from three Devolved Institutions to Cameron, Clegg and Osborne

- *“deepest and most sustained cuts to public services since at least the end of the Second World War. We believe these cuts are too fast and too deep...”*
- *“only when recovery is well established and can be sustained, should significant fiscal tightening be implemented.”*

*Signed on behalf of the Northern Ireland Executive
by Messrs Robinson, McGuinness and Wilson.*

15 December NI Budget Announcement

- **Peter Robinson**

“A first class budget. This is the NI Executive doing what it was elected to do, taking decisions, no matter how hard, on behalf of the people of Northern Ireland.”

- **Martin McGuinness**

“The Administration has risen to the challenge. The Executive showed real leadership and faced up to a very difficult challenge.”

- **Sammy Wilson**

“The Executive has passed the budget test with flying colours. It will be a good Christmas present for the people of Northern Ireland.”

**Table 3.1: Northern Ireland Spending Review
Allocation From HM Treasury (Page 20 Draft Budget 2011-2015)**

	2010-11	2011-12	2012-13	2013-14	2014-15
Current DEL (NI Spending Review Settlement)	9,866.7	9,836.7	9,858.9	9,927.1	9,985.4
Real terms % decrease on 2010-11		-2.4%	-4.3%	-6.1%	-8.0%
Capital DEL (NI Spending Review Settlement)	1,222.9	903.4	858.9	780.6	803.8
Real terms % decrease on 2010-11		-27.5%	-32.6%	-40.3%	-40.1%

¹ does not equate to NI departmental spend i.e. excludes rates, borrowing etc.

² includes Policing and Justice.

What and how much is cut?

- NI Expenditure down £4bn
- Impact of Social Security Cuts £1bn
- 80% via cuts 20% revenue raising:

Regional Rates

Plastic Bag Tax

Raid on Belfast Harbour

Raid on Housing Associations

Sell off of Assets/Landbank

- The real terms decrease is based on the projected rate of inflation which currently is running 2-2.5% higher than the anticipated level.

Source of Funding

- Barnett Formula 93%
- Regional Rates 5%
- RRI Borrowing 2%

- Barnett Formula
 - > linked to population ratio
 - > comparability to English Functions
 - > does not account for regional variations in need
 - > comparability factors often arbitrarily set by HMT

- Regional Rates
 - > frozen by NI Executive for 3 years
 - Therefore increase via inflation (what inflation figure?)
 - not baselined to 2011 creating funding gap

- RRI
 - (Reform Reinvestment Initiative)
 - > borrowing from HMT
 - > repayments on interest only
 - 2011 - £44.9m, 2012 - £51.4m
 - 2013 - £57.5m and 2014 - £63.4m

Source of Funding

- DOE £1.2m cut at year 1 in Resources Element General Grant to Councils
- Waste Management no capital funding from DOE for Site Purchase or payments to offset costs of projects once signed off
- Planning Service £5.1m cut year 1
- NIEA Water Quality 16.3% cut year 1 to Councils
- Transfer of Functions Funding Implications
- NISRA cuts to funding of Registration staff
- DOJ Cuts impact on DPP/CSN
- Councils setting District Rates well below Inflation
- Increased Service Delivery Expectations

ICE

- Interface with Budget/Policy Proposals/Post May 2011 Elections – RPA
- Inadequacy of consultation:

“To be proper, consultation must be undertaken at a time when proposals are still at a formative stage; it must include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response; adequate time must be given for this purpose; and the product of consultation must be conscientiously taken into account when the ultimate decision is taken.”
- Integral part of Reform Process under RPA
- ‘Efficiency’ v ‘Effectiveness of delivery’
- M3 local economic Multiplier effect
- No pump funding available
- Overly ambitious

Revenue Raising

- LPS effectiveness – doubt Councils agree
- Port Belfast £40m 13/14 + 14/15
- Plastic Bag Tax £4m pa
- Housing Associations £80m
- Asset Disposal

Where is the Budget at?

- Found £450m – S Wilson
- Allocations to do with elections – Health / Education / Water
- Post Election position of Ministers
- 1 year plans mainly
- Inflation impact
- Local Government as with rest of public services about to topple into the Abyss