

BUDGET STATEMENT

**MR MARK DURKAN MLA,
MINISTER OF FINANCE AND PERSONNEL:
STATEMENT TO THE ASSEMBLY FOR 2001/02**

Introduction

1. With permission, Mr Speaker, I would like to make a statement on the Budget for 2001/02.
2. In accordance with paragraph 20 of Strand I of the Good Friday Agreement, the Executive has agreed a Programme for Government incorporating a Budget. In line with Section 64 of the Act, I am today laying before the Assembly a draft Budget in the form of a programme of expenditure proposals for the financial year 2001/02. As the First Minister and the Deputy First Minister have explained in the letter which Assembly Members have received this morning, this Budget is fully in line with, and guided by, the priorities and actions in the Programme for Government which was agreed yesterday evening by the Executive.
3. I understand that the First Minister and the Deputy First Minister intend to make a statement to the Assembly next week, to coincide with the publication of the Programme for Government text. The Programme will be both more far reaching in timescale and scope, and will include a wider range of policies and proposals for programmes than the Budget, which is limited at this stage to presenting proposals for expenditure plans for 2001/02.

Political Context

4. Thus this Budget, and next week's Programme for Government announcement, constitute a very significant stage in the implementation of the Agreement and the cementing of our new institutions. The fact

that I am today presenting an agreed Budget on behalf of the Executive shows that sharing a wide range of public responsibilities can allow us to reach agreement on priorities and actions for our whole community. This lays an important foundation for all our future work.

5. In contrast to my statement in December last year, this is no longer a set of hand-me-down budget proposals, simply rolling forward the plans inherited from the period of direct rule. Our plans for 2001/02 include the first evidence of how we will begin to make a difference both through the allocation of spending in line with our priorities and through the way in which Ministers and departments, together with the North/South, East/West and European structures, carry through and implement new ways of working - making clear just how fundamental the change in the governance of this region is through the implementation of the Agreement.

6. I stress again that this Budget is collectively agreed by the Executive and my role is to introduce it on behalf of the Executive. The work on the Programme for Government and the Budget has involved intensive discussion by Ministers and their departments and has been among the most important collective undertakings of the new institutions so far. The First Minister and the Deputy First Minister will have more to say about this process in their statement next week and thus I will move on to the detail and substance of the financial proposals for 2001/02 which form an important part of this work.

Total Spending Power

7. Our discussions on spending plans have been taken forward following the announcement by the Chancellor of the Exchequer in July of the new total allocations for our services for the period 2001/02 to 2003/04. The SR2000 outcome included a number of changes of detail and not all of these had been clarified at the time of the Chancellor's announcement. There were discussions on provision for agriculture, and the DEL announced in July has been augmented by additional amounts in respect of CAP Modulation as announced in early August. Also, responsibility for the Welfare to Work programme has been transferred more fully to the devolved institutions because the funding will, over the period of SR2000 no longer come from the windfall tax. Also, as members are aware, there was an error in the totals for the Northern Ireland DEL published by the Treasury and this will be corrected in a way which has a minimum effect on our spending plans.

8. Thus the new DEL for 2001/02 is now £5733.5 million and not the £5667.4 million announced in July. Members will note that I am not claiming that the increase in this headline figure represents further new money. On the contrary, as the changes are largely technical in nature, the spending power underlying this figure is essentially the same as announced in July. The new figure represents an 8.1% increase over the corresponding figure for 2000/01 though this is affected by the transfer in of provision for Welfare to Work. When the spending power from the regional rate is also taken into account, the amount available for allocation to departments is up by 7.3% compared to 2000/01 or almost 5% in real terms.

9. This is an important boost in our spending power and means that these spending plans can and do include important advances and developments for a range of services. We remain, however, disappointed that the share of spending power we have received for our services is markedly less of an increase than applies in England, Scotland or Wales. As indicated previously, we are continuing to press for a more equitable and sustainable approach to the allocation of spending. We find the Barnett formula increasingly unsatisfactory and are determined to work for a better and fairer system for distributing resources.

Executive Programme Funds and the PfG

10. In making spending decisions, we want all of the resources available to be channelled more markedly towards the Programme for Government priorities. This means applying a firm steer to our resource plans whether for ongoing activities or new initiatives, and whether for recurrent or capital spending.
11. A new and important way by which we intend to direct resources and public services in pursuit of our region's priorities is the creation and use of Executive Programme Funds. These will serve to increase the emphasis on the implementation of the priorities in the Programme for Government. This new approach should be pursued in ways which integrate the roles of the different departments. We need to work together more effectively, with both policy and practice focused on obtaining the best possible outcome rather than being dominated by the point of view of any individual department.

12. Some details of our proposals for Executive Programme Funds are included in the Budget document which has been laid before the Assembly this morning.
13. The five funds which we are creating in the Programme for Government are:
 - *Social Inclusion/Community Regeneration.* We want to use this as a focus for action against poverty and to support community measures in both urban and rural settings. It should also cover actions in relation to community relations, cultural diversity and could be used as a further means of working in partnership with the European Commission through the Structural Funds and the Community Initiatives
 - *Service Modernisation Fund.* There is much to be done in the promotion of the efficiency and innovation within departments and the wider public sector, for example through e-Government and Invest to Save measures. We are determined to promote efficiency of delivery, and to constrain the overheads attached to service delivery and we want to use carefully targeted funds to lever in new actions which will be of benefit to customers and beneficiaries of public services.
 - *New Directions Fund.* More fundamentally, we want to see innovation and change in the delivery of programmes across the spectrum of our services. There is a need to refocus away from

past patterns and set new directions whether in terms of aspects of delivery of health services or in the context of working with the business sector to promote economic development.

- *Infrastructure/Capital Renewal Fund:* The Executive has also concluded that significant funding is required for investment in the renewal of the infrastructure of the region. We have to address this in a coherent way across a range of functions including transport, energy, telecommunications and other sectors.
- *Children's Fund:* We are also proposing a fund to provide interventions in support of children in need and youth at risk. This will have some similarities with the Chancellor's Children's Fund but have a wider scope embracing aspects of the functions of several departments, again with the objective of making our services work effectively together for the good of children.

14. We have identified three actions which would fit within the framework of the Executive Programme Fund but where the Executive, for reasons of priority or urgency, has decided to proceed with an allocation through Departmental budgets straight away. Firstly, the Budget plans include £2.2 million towards a pilot programme for housing schemes designed to meet the particular needs of Travellers, which is very relevant to the aims and objectives of the Social Inclusion/ Community Regeneration Fund.

15. Secondly, we are providing resources in the Budget for the development of the Beef Quality Scheme which is an emerging recommendation from the Vision Group convened by the Department of Agriculture and Rural

Development. This is the kind of innovative action which would have been appropriate as a bid on the New Directions Fund. However, as with the pilot scheme for travellers accommodation, rather than delay unnecessarily, we are releasing resources for this purpose now as a first example of the kind of measure which might be promoted in this way.

16. The third and final such action concerns the railways. We have considered, as a first example under the heading of the Infrastructure/Capital Renewal Fund, our response to the Railways Task Force which reported to the Minister for Regional Development in September. We have decided to make provision for the first stages of the safety work identified in the A.D. Little report, and for the procurement of new rolling stock for the network. Again, this would be the sort of spending proposal which would fit appropriately within the framework of the proposed infrastructure Executive Programme Fund. However, the Executive believes that the urgency of the need for decisions on the railways issue is such that it would be appropriate to make provision now though, like all the allocations in the Budget, individual spending items will remain subject to the usual procedures for appraisal and value for money consideration. This decision will allow some urgent work to proceed while some of the longer term decisions about aspects of the network can be assessed as part of the important work on the regional transportation strategy.
17. If we were to take the three items I have mentioned as possible first fruits from the Executive Programme Funds, together with the £16m we have been able to set aside for the Funds themselves for their first year of operation, that would amount to almost £40 million. We are also

proposing to set aside a minimum of £100 million in 2002/03 and of £200 million in 2003/04 for the Executive Programme Funds. Thus this important element of spending within the total DEL will be marked out and managed in new ways, involving departments and Ministers working together, as distinct from the continuation of the patterns we have inherited.

Departmental Allocations

18. Mr Speaker, I will now turn to allocations to Departmental programmes. We have marked out a significant allocation for Agriculture and Rural Development, at £191 million - on a like for like basis, this is an uplift of 9.6%. The provision includes the Beef Quality Programme, which I have already mentioned, as well as important new elements to assist education and training for farmers and fulfilling and developing the important responsibilities of the department in respect of animal health, regulation of the services and fulfilling the responsibilities in respect of Veterinary and Science Services.
19. The plans provide for an important boost in spending for Culture, Arts and Leisure with 19% extra for the Arts, 5% for Libraries and 6% for Museums, and extra for important aspects of sport which will be the subject of subsequent announcements by the Minister of Culture, Arts and Leisure.
20. The Budget will provide increases of 7.1% in spending on education, bringing total spending to just over £1.3 billion. This will provide scope for significant increases in both the recurrent and capital budgets for

schools. In the current year, there were special one off allocations to schools worth £14.7m: not only are we continuing this, but the amount will be increased to £20m in 2001/02. Further investment of £9.5m is being made available to tackle deficiencies in the schools estate, including disabled access, and replacement of temporary classrooms. Further details will be announced by the Minister for Education in due course.

21. The headline figure for total spending by Department of Enterprise, Trade and Investment is affected by the reduction in European Structural Funds, as a result of the change from Objective 1 to Transitional Objective 1 status. When European Structural Funds spending is excluded, the Budget for the department shows a 5% increase between 2000/01 and 2001/02. Also, it is intended that an appropriate share of the new Peace Programme - the details of which are still being worked out - should be devoted to aspects of economic development which are a unique response to the context within which we are working and which can and should make a significant contribution to cementing the peace and breaking down barriers within our society. The Budget makes provision for some £140m to be available for aid to industry and a further £41m for the small business sector. Specifically, there is provision of £5.6m for the Information Age Initiative.
22. The budget proposed for the Department of the Environment is £100 million, an increase of 14% compared to the current year. We have made provision for substantial developments to make more rapid progress on the implementation of European Directives in relation to aspects of the environment including air quality and waste management. There is also

additional provision for the Planning Service and the Environment and Heritage Service.

23. I should also say a word about my own Department, where the total budget will be £113m. Most of the functions of DFP are in support of the work of other Departments, or in providing services to those Departments. The budget for next year makes special provision for the costs of next year's census.
24. In Health, the budget will grow by over £150m or 7.2%, to some £2.3 billion. Within this total, over £1.16 billion will be available for the hospital and community health services, and £460 million for the personal social services. Additional provision is also made to address winter pressures and waiting lists, while family health services show an increased funding of over 8%. The proposals would provide for further improving cancer services, including the recruitment of additional specialist staff, and the development of palliative care services. Provision for personal social services would increase by 10.5%.
25. On Department of Higher and Further Education, Training and Employment, the proposals provide for an increase 12% for further education, including £8m extra for capital, bringing that budget up to almost £20m for 2001/02. There is also an increase of 11% in spending on higher education. This demonstrates strongly our commitment to these important services.
26. I have already mentioned the major investment in safety work on the railways and this is a major part of the 10% increase in the budget for the

Department for Regional Development. The other major increase in DRD arises because the Executive has confirmed that spending on Water and Sewerage will increase by £14.5m over 2000/01, to ensure that progress with essential work to improve the service is sustained.

27. In the Department for Social Development, as well as the initiative for Travellers, the plans make important provision for the major initiative on Welfare Reform. This involves working in partnership with other interested departments to ensure a major change in the way services are delivered to the public. This is proceeding in parallel with work by the equivalent organisations in Great Britain. The Housing budget will also increase by over £5m.
28. Provision is also made for the costs of the Office of the First Minister and Deputy First Minister. These will total some £29m next year. This includes support for the new institutions including the North/South Ministerial Council Secretariat, the Executive Committee Secretariat and the Civic Forum. There is also provision for funding the Equality Commission, for developing the work of the Office's Equality Unit and for grants to promote community relations.
29. The plans also provide for significant increases in spending on the North/South Implementation Bodies. An initial opinion was adopted at the Plenary Meeting of the North/South Ministerial Council last month on the budgets of these Bodies and today's Budget includes confirmation that the Executive has endorsed the £11m proposed for the Northern contribution to the work of these Bodies for the calendar year 2001. These confirm the important contribution of the work of the Ministerial

Council and the Bodies which is planned for the period immediately ahead. The public spending total for the Department of Enterprise Trade and Investment also includes a substantial element for the new North/South Tourism Company.

30. The Budget proposals also include appropriate provision for this Assembly itself. I understand that the proposed allocation of £38.8 million will be sufficient to allow the development of services within the Assembly itself to proceed as planned by the Assembly Commission, building on the good work that has been taken forward this year.
31. These are some of the main features of the spending proposals. As well as the Treasury allocation for Northern Ireland, the plans are supported by the revenue from the regional rate. The Executive has decided to roll forward the increase of 8% in the domestic regional rate which was assumed at the time of the 1998 Comprehensive Spending Review. It is envisaged that an increase of 6.6% in the non domestic regional rate will be required to sustain spending levels as proposed in this Budget.
32. I believe that this package of spending proposals represents an important and significant step for the devolved institutions here. We want to ensure that the resources available are aligned with our priorities, and best used through new ways of working which apply to the full range of departmental expenditure and in particular to the Executive Programme Funds. There is much to be done between now and December. During that period the Executive will be continuing to work on the detail and significance of the Executive Programme Funds and considering what

indicative plans to set for Departments' budgets for 2002/03 and 2003/04, which are not included in the Budget document published today. I want to emphasise that our consultation with the Assembly is genuine and significant. In this context it would have been premature to have announced spending plans for the forward years at this stage, when we are deliberating with the Assembly and its Committees on the plans for the first year.

33. Many Members will be aware of the discussions over recent days on the procedures within the Assembly for bringing this Budget process to a conclusion. The Executive is committed to listening carefully to the views from the Assembly and each Minister will, I am sure, want to have detailed dialogue on the position with their respective Statutory Committees over the next number of weeks. I am particularly grateful to the Committee for Finance and Personnel that they are determined to find ways to advise and assist on the overall Budget position. I do believe that it is important that this work is taken forward despite the constraints it will place on the recesses at both Halloween and Christmas on this occasion. I propose to bring a revised Budget forward for consideration by the Assembly in December in light of the comments by the Assembly: I am relying on the Finance and Personnel Committee to help interpret and draw together these comments through both discussion and a report.
34. The SR2000 outcome in July, and the Budget, are the first allocations made on the new basis of resource budgeting. This is a major change in procedures, which will sharpen up the relationship between spending and outcomes and targets, and mean better management of capital spending.

This is in line with the Government Resources and Accounting Bill which I introduced at first stage yesterday.

35. I very much welcome the greater emphasis that is inherent in the resource accounting and budgeting process on the setting of outputs and target measures. This is exactly what we are trying to achieve in the Programme for Government and I should make it clear that the allocations proposed in this Budget will only be confirmed if there is material and significant progress on the development of this aspect of planning in the next number of weeks.
36. We need to move beyond a narrow focus on financial inputs. We are committed to developing a clear relationship between budgets, actions, and output measures through the settlement of public service agreements in the new year, which will include clear targets for delivery. It is important that the Executive and this Assembly know what we are getting for the public spending we are committing. It will not be sufficient for departments simply to assume or assert that it is necessary to continue existing spending patterns. We all need to understand more clearly what is being secured so that where there are deficiencies in performance and achievement these can be rectified by intervention and change. This is an important task on which I am sure that all the Statutory Committees and not least the Public Accounts Committee will want to take a keen interest.
37. Similarly, we are also intending to consult widely on the equality and TSN impact of the budget proposals. This is an important priority in our determination to promote equality of opportunity in all aspects of public

services. In practice, the impact on the different groupings which we need to monitor for equality purposes will derive from the more detailed level of spending by departments. However it is important that this Budget provides a framework which includes promoting equality and the new dimension of Targeting Social Need as of major significance.

38. This Budget provides an important step in the evolution of our new Institutions. Incorporated in the full Programme of Government on which the First Minister and Deputy First Minister will make their statement next week, it represents a major milestone for the Executive. It demonstrates that we can and do work together effectively in pursuit of the interests of all the people in this community. In commending the draft Budget to Members, I invite the Assembly to work with us in making a real and positive difference to our society and economy through the real and positive politics which the Agreement has made possible.