



NORTHERN IRELAND Information Service

10 December 1996

PUBLIC EXPENDITURE 1997-98 TO 1999-00

Press pack for announcement by the Secretary of State, Sir Patrick Mayhew, QC, MP, of details of new public expenditure plans for Northern Ireland.

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PUBLIC EXPENDITURE IN NORTHERN IRELAND - 1997-98 TO 1999-00

The Secretary of State, the Right Hon Sir Patrick Mayhew, QC, MP, today announced details of the Public Expenditure Plans for Northern Ireland for the next three years.

Provision has been set at:

	Outturn 1995-96	Estimated Outturn 1996-97	Plan 1997-98	Plan 1998-99	£m Plan 1999-00
Cash Terms ¹	7,709	8,185	8,222	8,260*	8,360*
Real Terms (1995-96 prices)	7,709	7,986	7,864	7,740*	7,690*
Year on Year change					
% (cash)			0.4	0.4	1.3
(real)			-1.5	-1.6	-0.7

* rounded to the nearest £10 million

¹ The figures for 1997-98 to 1999-00 are reduced to reflect Northern Ireland's share of receipts from the national sale of student loans debt. This adjustment does not affect the gross public expenditure allocations.

Commenting on a written Parliamentary Answer to Mr Nigel Waterson MP (Eastbourne) detailing the allocations to individual programmes, the Secretary of State said:

Northern Ireland Public Expenditure Totals

"The Chancellor of the Exchequer announced in his Budget statement on 26 November that he would keep public spending within tight limits and reduce overall national spending plans over the next three years. Keeping inflation low requires tight control of

public borrowing. Northern Ireland benefits from low inflation and the economic prosperity it brings and therefore cannot be exempt from contributing to the Government's policy of controlling public expenditure. The Chancellor announced in the Budget the Public Expenditure totals for Northern Ireland of £8.2 billion next year rising to £8.4 billion in 1999-00. This will mean that public expenditure per head in Northern Ireland will continue to be substantially higher than that for the UK as a whole. Within these totals the Government will be able to maintain a wide range of quality services appropriate to Northern Ireland's needs. Through prudent management of the economy, we have achieved lower inflation which, pound for pound, will increase the purchasing power for programmes."

Economic Performance

The Secretary of State continued:

"The allocations announced today for the next three years are made against the background of continuing good news on the Northern Ireland economy. This time last year I was optimistic about economic growth following the Investment Conferences, and in light of the new opportunities arising following the ceasefires. This has turned out to be right. I am happy to note that unemployment in the Province is 4.5% lower than a year ago, reaching its lowest level for 15 years, and that the June employees in employment total was the highest June figure on record. The growth in manufacturing output in Northern Ireland over the last five years has been over double that for the UK as a whole.

"The economy has therefore been doing well, and I am confident that we can build further upon this performance, particularly if the threats to the peace process were removed."

Law and Order

Turning to **Law and Order** the Secretary of State commented:

"The Government has said on many occasions that, if violence resumed, the savings in the Law and Order budget that were released for the benefit of other Programmes in the 1994 and 1995 Public Expenditure Surveys may need to be restored. Today, with great regret, I am having to do just that. The IRA's abandonment of its ceasefire, witnessed in the bombings earlier this year, and recent terrorist activity means that financial resources need to be restored to security and compensation. On top of this we have the costs of the very serious disturbances of last summer which arose at and following Drumcree; these include costs of police time, compensation for injuries and for damage to schools, commercial premises, vehicles, roads and houses, some of which will be paid for out of the Northern Ireland Block in the course of the next two years. Provision also has to be made for the very expensive policing of events such as marches and football matches, where there is a significant risk of public disorder. This money also has to come out of the Block."

The Secretary of State continued:

"I have considered carefully with my Ministerial colleagues the resource implications of the ongoing terrorist activity and public disorder. Regrettably, I have concluded that I must restore Law and Order as my top spending priority in this year's Survey."

The RUC

"I am allocating an additional £77 million over the next three years to the Police Authority to enable the RUC to protect the community. In 1997-98 the PANI grant will be £657m, an increase of £36m over 1996-97 plans. Private sector skills and disciplines can help PANI and the RUC to maximise value for money in police support services and I wish to encourage greater private sector involvement in the provision of services such as buildings, vehicles and other equipment. This has no implications for the priority given to the fight against terrorism or crime."

Compensation

"An additional £42 million has been provided for the Compensation Agency over the Survey period to meet forecast expenditure on criminal injuries and criminal damage, reflecting arson and bomb attacks and the upsurge in violence during the summer."

The Secretary of State added:

(77+42)
"In total, almost £120m extra is being provided for security and compensation over the Survey period. I would have much preferred to have used this money on, for example, job creation, schools, hospitals, and housing. The "Peace Dividend" has, alas, been reversed, and this has obviously an adverse effect on the provision of public services in Northern Ireland.

"The IRA and those responsible for the disturbances which occurred last summer bear a heavy responsibility."

Economic Growth

The Secretary of State then turned to his second expenditure priority of **promoting self-sustaining economic growth**:

"Over the last year or so we have also had a series of inward investment announcements (eg F G Wilson, Seagate) promising thousands of jobs for the Province and adding to those already announced in the first twelve months after the paramilitary ceasefires of autumn 1994. Recent business surveys suggest that overall manufacturing has strong advance order books which is good news for the coming months.

"Last year, with continuing peace, I made promoting self-sustaining economic growth my top spending priority, and provided an additional £25 million a year to the Industrial Development Board. Law and Order has had to become my top priority but I continue to believe that a strongly growing economy remains the key for Northern Ireland's long term future. Self-sustaining jobs provide the best means of improving the economic

and social well-being of the people of Northern Ireland. Accordingly, to help support the economic performance I am allocating a further £51m to the Industrial Development Board over the Survey period."

Labour market

The Secretary of State then commented on unemployment and the provision for training and employment schemes:

- "The Province's good economic performance has led to a falling unemployment count with for example an average reduction of 600 per month over the last six months, bringing it to its lowest level since 1981. The numbers of youth unemployed and long-term unemployed have also been falling. These are encouraging trends, and against this background and the other pressing resource requirements I have had to examine the levels of provision for training and employment schemes.

"The Government is far from complacent about the serious problem of unemployment and provision for training and employment programmes will remain at substantial levels. The T&EA will continue to spend in the region of £146m per year which includes substantial resources (£40m) directly targeted at the long-term unemployed. However, spending on ACE will have to fall to £29m in each year of the Survey with a consequent reduction of some 2,000 available places. Adult training will also be affected, with reduced allocations, and a loss of 2,000 places in the Jobskills scheme. I am also having to close Dundonald Training Centre. Nevertheless, the T&EA's training and employment programmes will still involve over 26,000 people of whom approximately 7,500 will be long-term unemployed.

"The Community Work Programme which was introduced on a pilot basis two years ago will be evaluated shortly and the outcome of that will help inform how best to target training provision for the long-term unemployed."

BSE

On the **impact of BSE** on the Province the Secretary of State said:

"Agriculture has suffered grievously with the impact of BSE and the ban on exports has had a grave effect on the beef industry. Prior to the year ending March 1996 beef exports from NI had a gross value of over £200m. At the national level, BSE measures have placed a substantial burden on the public finances. Northern Ireland has already benefited by some £40m designed to mitigate the damage, plus a further very substantial amount allocated to the industry by the Intervention Board for the over-30 months scheme. These national schemes are additional to the Northern Ireland Block. The identification and eradication of BSE, and an early lifting of the beef export ban, will remain priorities."

Targeting Social Need

The Secretary of State then commented on the third expenditure priority of **Targeting Social Need**:

"Targeting Social Need (TSN) has been an important expenditure priority for several years now and I believe that it has helped to ensure resources within spending programmes are directed towards the most needy. TSN is not, however, a Programme or set of Programmes itself but an underlying principle which guides allocations across many Programmes. Given the tight resource constraints on my Block it has proved very difficult to provide additions for programmes that are closely identified with Targeting Social Need. In deciding on allocations, I have had to prioritise between Programmes. But with the extra money for industrial development, schools and health, which I am announcing today, I expect that the substantial resources available to those and other Programmes will continue to make a significant contribution, in TSN terms, to areas and people in greatest need."

The Secretary of State continued:

"In Programmes where I have had to make reductions, there may need to be some redistribution within the reduced totals to ensure that the most disadvantaged areas and people are targeted more clearly."

Key Public Services

The Secretary of State then turned to the key public services of **Health** and **Education**:

On **Health**, he said:

"The Health Service in Northern Ireland remains a key spending priority just as it is in Great Britain. However, there has been some concern expressed in recent months about resource difficulties. I have decided in this Survey to provide extra resources for Health and Personal Social Services. For 1997-98, I am providing an additional £56m over the present year; an increase of 3.5% in cash terms on 1996-97 plans. Expenditure on the Health Service in NI has increased year on year in real terms during the 1990s. I am also pleased to be able to confirm that the Causeway Hospital project will proceed, enabling the complete integration of acute care at a single site for the area. I also expect the Boards to reinforce current efforts to work with GPs to constrain the strongly rising drugs bill in Northern Ireland, which at its current cost of £200m continues to pre-empt resources which would otherwise be available to expand services. The average cost of prescriptions per head of population in Northern Ireland is £103 compared to £71 in Great Britain. Even allowing for the higher levels of ill health here, it is clear that there are real opportunities to reduce growth in this expenditure, without detriment to patient care, by more cost-effective prescribing."

Education

On funding for **Education**, the Secretary of State commented:

"I continue to attach great importance to investment in education and despite the need to commit resources to the Law and Order budget and other priorities, my plans provide that the resources for education will, on a like for like basis, be £30m higher than in 1996-97 plans, after allowance for certain purely technical changes associated in particular with the sale of student loans debt and for the effects of the forthcoming non-domestic revaluation.

"Within this, I intend that schools - and the classroom in particular - should continue to receive priority. My plans allow for an increase of £24m in the total schools programme over 1996-97, which includes an additional £1.1m in respect of the schools element of the Children (NI) Order 1995. I wish to see as much as possible of this increase going into schools delegated budgets, which means that there will have to be some reductions in the level of services provided centrally by the Education and Library Boards, though I know that even then some pressures will remain for schools. Since the schools funding formula skews resources to those in greatest need, I expect a favourable TSN impact for this expenditure."

The Secretary of State continued:

"But, in giving priority to the classroom, I have had to make some hard decisions in respect of other areas. Reductions in provision are planned for the youth service, libraries, discretionary and post-graduate student awards, and for the headquarters administration of non-departmental public bodies. It has also been necessary to withdraw discretionary support for teachers embarking on courses to obtain additional qualifications. I recognise that these reductions will all be unwelcome, but they are necessary in order to concentrate resources on maintaining the real value of the existing schools budget. For the same reason it has also been decided to postpone the introduction of the pre-school voucher scheme. It will not be introduced next year."

On the **education capital budget**, the Secretary of State said:

"Provision for the education capital programme will be some £74m, the same as in 1996-97, which will allow some top priority capital projects to proceed. In addition,

the Department of Education is exploring the scope for the application of the Private Finance Initiative to its programmes, including a number of specific projects."

On **Higher Education**, the Secretary of State said:

"In Higher Education, an additional £8m over 1996-97 plans has been provided for student support costs, reflecting the continued high participation rate of Northern Ireland's young people in higher education. Core funding for QUB and UU will continue to be based on the recommendations of the Higher Education Funding Council for England (HEFCE). A review of the Northern Ireland arrangements for research support is already underway. Pending the outcome of that review the current arrangements will be continued in 1997-98, but at some £4m lower than in the current academic year. The planning figures for subsequent years assume a further reduction in the level of research support.

"Recurrent funding for the **Arts, Museums and Sports** programme will be increased by 2% overall. This includes provision for the merger of the three museums, for the Sport for Young People initiative and for film development."

Housing

The Secretary of State then commented on the **Housing** Programme:

"It is not possible to meet Law and Order pressures and provide additions for Health, Schools and industrial development, whilst at the same time preserving all other budgets. I have decided reluctantly to reduce planned Housing expenditure in the first year of the Survey by £22m to help meet pressures elsewhere. While there will still be substantial provision for Housing - some £608m gross expenditure in 1997-98 - the reductions mean that new home starts by the NIHE will have to be very significantly reduced.

"In determining the allocation of resources to the NIHE, rental income is always taken into consideration. I have decided to increase NIHE rents by an average of £1.32 per

week. The average weekly rent in Northern Ireland is currently about £7 per week lower than in England and Wales.

"I see significant opportunities in the future however for the private sector to increase its role in meeting the Province's house building needs especially through Housing Associations in the context of the recent Housing Review."

Urban Regeneration

On **Urban Regeneration**, the Secretary of State said:

"Through the Urban Regeneration programmes a great deal has been achieved with remarkable improvements in our cities. The Liganside development is a prime example. The programmes have also been generally successful in generating economic and social activity in areas of relatively high needs. But I have had to consider whether we can continue to provide the substantial resources made available in the past. I have decided therefore to release some resources from Urban Regeneration, including the Making Belfast Work Initiative. However, I wish to re-emphasise the importance placed on this Initiative and the plans still provide for £23m for Making Belfast Work in 1997-98."

Roads

The Secretary of State then turned to the **Roads** programme:

"I have also reluctantly decided to reduce planned roads expenditure. The reductions will fall on the planned development of the roads network. Northern Ireland already has an enviable roads system with congestion levels below those experienced in many other parts of the UK. Within these new plans, major new road works can only proceed under the PFI. DOE will however continue with a programme of structural maintenance, roads safety and traffic management measures."

Agriculture

The Secretary of State then commented on the **Agriculture** programme:

"The provision of some £12m additional finance for upland cattle farmers in the form of increased HLCA payments will be good news for the sector. However, the need to find resources for other priorities will have an impact on some parts of the agricultural budget within the Northern Ireland Programme. There will be a reduction in expenditure on rural drainage and there may be slippage in the execution of some planned Flood Defence Schemes. The Veterinary Investigation Centre at Omagh will be closed but the services currently available at that Centre will be provided at the VSD at Stormont. Elements of plant research work currently being performed at the NI Horticulture and Plant Breeding Station at Loughgall will also be discontinued. None of these measures will affect the Department of Agriculture's ability to support the beef industry and to make sure that vital services continue."

Community Relations

The Secretary of State then turned to **Community Relations**:

"The Community Relations budget has been largely protected in this Survey. Over £9m per year will be available to promote understanding, community reconciliation and parity of esteem. The confrontations and attacks witnessed earlier this year serve only to underline the need for continuing to work cost-effectively to improve relations and understanding within the community."

Private Finance Initiative (PFI)

On **PFI**, the Secretary of State said:

"The Private Finance Initiative is beginning to gather momentum in Northern Ireland. The Initiative, is not simply about the financing of capital investments in services, but also seeks to capture private sector resources in the wider sense. Management skills,

imagination and innovation should result in better projects delivered at lower overall cost to the taxpayer. Northern Ireland Departments and the Northern Ireland Office are committed to developing the maximum use of Private Finance, not least because of the pressures on the Northern Ireland Block. To date, projects totalling in excess of £200m are being considered for PFI solutions, including water and sewerage, health, education, roads, transport, government accommodation and Information Technology. In addition, the Department of Education is undertaking a market sounding study of its schools' estate in order to assess the wider potential for PFI in respect of over 100 high priority schools' projects with a combined capital value of over £250m."

Civil Service Running Costs

On the **running costs** for the Northern Ireland Civil Service, the Secretary of State said:

"The Government will continue to constrain its own running costs so that more is available to spend on the services, for example health and education, which benefit the taxpayer. Running costs for the NICS (some 80% of which are for salaries) will amount to some £800m in 1997-98, including additional resources to combat Social Security fraud. Some reductions in staff may be necessary but it is hoped that these can be achieved by natural wastage and voluntary redundancy."

Conclusion

In **conclusion**, the Secretary of State made the following points:

"As in previous years, the outcome of this Survey has had to reflect the national need to maintain control of public spending, so as to reduce borrowing and keep inflation low. Northern Ireland has had to play its part, but the allocations announced today have also taken into account Northern Ireland's special needs. However, my decisions on resource allocations were made much more difficult by the need to find substantial resources for Law and Order. The money required to address renewed terrorism, public disorder and criminal damage means much less money for our economic and social programmes. Many demands which, but for the £120m that has had to go back into

security and compensation, could have been met had to be rejected, to the detriment of some of the Province's public services. I am sure that the vast majority of people in Northern Ireland share my deep regret and resentment at the burden which Law and Order imperatives have again placed on other Programmes. The Province has to regain the path that leads towards lasting peace, stability and growing prosperity."

NOTES FOR EDITORS

1. Changes to the total provision for the Northern Ireland allocation partly reflect a system known as Comparability. This means that the Northern Ireland allocation takes into account movements in comparable programmes in GB by applying a population-based percentage (currently 2.87%) to the totality of changes in comparable programmes. Other specific factors may also be taken into account eg Social Security Benefits expenditure are treated as demand-led.
2. The Government's main tool for controlling public spending is the Control Total. This excludes the two elements of spending not directly related to the economic cycle (debt interest and cyclical-related social security payments).
3. The PANI grant will increase by £36 million from £621 million in 1996/97 (plans) to £657 million in 1997/98. These figures include a technical adjustment for accruing superannuation liability: the equivalent figures excluding the adjustment are £584 million and £621 million respectively.
4. The EU Special Support Programme for Peace and Reconciliation was agreed with the European Commission on 28 July 1995. Of the total funding available up to 240 mecu (£200 million) has been allocated to Northern Ireland. The matching funding element will bring the total value of the Programme within Northern Ireland to £266 million (at current exchange rates).
5. Full details of the total public expenditure allocations will be published in March 1997 in the publication "Northern Ireland Expenditure Plans and Priorities", 1997-98 to 1999-2000.
6. The press release is also available on the Internet at:
<http://www.nics.gov.uk/press/nio/index.htm>

PARLIAMENTARY QUESTION AND ANSWER

1996 PUBLIC EXPENDITURE SURVEY

Mr Nigel Waterson (Eastbourne): To ask the Secretary of State for Northern Ireland if he will make a statement about the allocation to individual programmes in Northern Ireland of the public expenditure totals announced on 26 November.

Secretary of State for Northern Ireland: In his Budget Statement on 26 November, my Right Honourable and learned Friend the Chancellor of the Exchequer, announced total public expenditure planning figures for the Northern Ireland Programme. I have now decided on the allocations to individual programmes as shown in the following table. Copies of a more detailed statement have been placed in the Library. These allocations reflect my assessment of how best to distribute the Northern Ireland public expenditure totals in response to local needs and circumstances.

PROGRAMME	1997-98	1998-99	£ million 1999-00
Northern Ireland Office:			
Law, Order, Protective and Miscellaneous Services	934	920	930
Northern Ireland Departments			
Northern Ireland Agriculture, Fisheries and Forestry Services and Support	148	130	130
Industry, Trade, Energy and Employment	550	530	500
Roads and Transport	172	170	170
Housing	243	240	240
Environmental and Miscellaneous Services	226	190	180
Law, Order and Protective Services (Fire Service)	44	40	40
Education, Arts and Libraries	1,376	1,380	1,400
Health and Personal Social Services	1,642	1,670	1,690
Social Security Administration	158	160	160
Other Public Services	59	60	60
NI Block (excluding Social Security Benefits)	5,553	5,500	5,500
Social Security Benefits	2,494	2,590	2,700
NI Block	8,046	8,090	8,190
National Agriculture & Fisheries Support	175	170	170
NI Programme	8,222	8,260	8,360

NOTES: (1) Figures are rounded to the nearest £1 million in 1997-98 and to the nearest £10 million in 1998-99 and 1999-00.

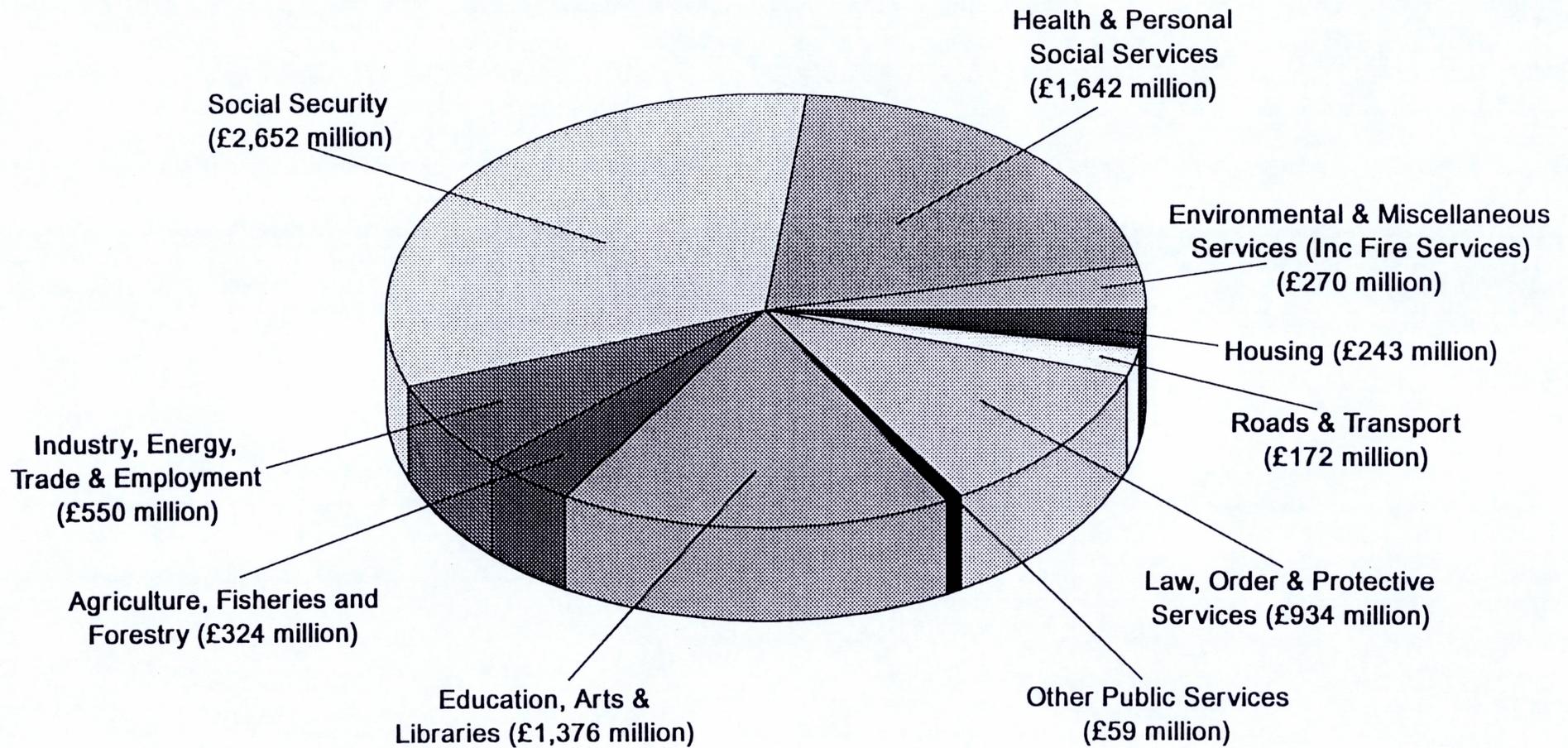
(2) The figures for 1997-98 will form the basis for preparation by Northern Ireland Departments and the Northern Ireland Office of Main Estimates for the coming year. These will be presented to Parliament in due course.

(3) The Education and Block totals are reduced to reflect the NI share of proceeds from the proposed sale of student loans debt. This reduction does not affect Block spending power.

(4) Allocations from the EU Peace and Reconciliation Programme are included in the figures above.

NI Public Expenditure 1997-98

Total £8,222 Million





1996 PUBLIC EXPENDITURE SURVEY - PROGRAMME ANALYSIS

£ Million

PROGRAMME	1996-97 Estimated Outturn ¹	1997-98 Plans	£m Change 1996-97 to 1997-98	% Change 1996-97 to 1997-98
Northern Ireland Office				
- Law, Order and Protective Services	901	934	33	3.6
Northern Ireland Departments				
- Agriculture, Fisheries and Forestry Services & Support	151	148	-3	-1.9
- Industry, Trade, Energy & Employment	529	550	21	4.0
- Roads and Transport	178	172	-6	-3.5
- Housing	248	243	-5	-1.9
- Environmental and Miscellaneous Services	263	226	-37	-14.2
- Law, Order and Protective Services (Fire Service)	43	44	1	2.5
- Education, Arts and Libraries ²	1,409	1,376	-32	-2.3
- Health and Personal Social Services	1,603	1,642	39	2.4
- Social Security Administration	173	158	-15	-8.7
- Other Public Services	88	59	-29	-33.2
TOTAL NI BLOCK (excluding Social Security Benefits)	5,587	5,553	-34	-0.6
- Social Security Benefits (Non Cyclical) ³	2,413	2,494	81	3.3
TOTAL NI BLOCK	8,000	8,046	47	0.6
- National Agriculture and Fisheries Support	186	175	-10	-5.6
TOTAL NORTHERN IRELAND PROGRAMME	8,185	8,222	36	0.4

Notes:

Figures may not sum due to rounding.

The above totals include allocations from the EU Peace and Reconciliation Programme.

¹The 1996-97 figures include resources carried forward from 1995-96 under the End-Year flexibility arrangements.

²The total for 1997-98 has been reduced to reflect the NI share of proceeds from the proposed sale of student loans debt. This reduction does not affect the gross public expenditure allocation for the Education programme.

³Excludes cyclical social security benefits of £604m in 1996-97 and £624m in 1997-98.

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