

The Comprehensive Spending Review in Northern Ireland

Background Facts and Figures on Public Expenditure

1. Introduction

- 1.1 Public expenditure is very important in Northern Ireland. It pays for hospitals and schools, nurses, doctors and teachers and for a range of other public services and assets. Public expenditure per head is one third higher in Northern Ireland compared to expenditure on similar programmes in the United Kingdom as a whole.
- 1.2 The Government has launched a Comprehensive Spending Review (CSR) to examine thoroughly all public spending to ensure that it aligns with its priorities and that waste and inefficiency are rooted out. The Secretary of State for Northern Ireland is seeking views on what the public expenditure priorities in Northern Ireland should be so that these can be taken into account in the CSR.
- 1.3 This note provides some basic background information on public expenditure in Northern Ireland to assist those wishing to contribute to the consultation. Many public expenditure issues are complex and technical but this consultation is about priorities, that is, the choices between spending money on one activity rather than another or, if necessary, identifying where savings should be made to free resources for additional spending on another programme.

2. The Secretary of State's public expenditure responsibilities

- 2.1 The Secretary of State for Northern Ireland is responsible for the expenditure of the Northern Ireland Office, the six Northern Ireland Departments and the other major public bodies eg the health boards, the education and library boards and the Northern Ireland Housing Executive.
- 2.2 Expenditure in Northern Ireland on the Army (including the Royal Irish Regiment) and the Northern Ireland Court Service is outside of the Secretary of State's responsibility. Also excluded is expenditure in Northern Ireland by other UK Departments, notably Inland Revenue and Customs and Excise. These are, therefore, outside the scope of this consultation.
- 2.3 Table 1 below shows the existing plans for expenditure on each main Programme within the Secretary of State's responsibility.

TABLE 1

NI Public Expenditure Plans

| | £ million | | |
|---|--------------|--------------|--------------|
| | 1997-98 | 1998-99 | 1999-00 |
| <i>NI Office</i> | | | |
| Law, order and protective services | 927 | 912 | 923 |
| <i>NI Departments</i> | | | |
| National agriculture and fisheries support | 176 | 164 | 165 |
| NI agriculture, fisheries and forestry services and support | 142 | 137 | 137 |
| Industry, energy, trade and employment | 507 | 510 | 490 |
| Roads & transport | 171 | 168 | 167 |
| Housing | 239 | 243 | 240 |
| Environmental and miscellaneous services | 189 | 187 | 182 |
| Fire services | 44 | 44 | 44 |
| Education, arts and libraries | 1,361 | 1,384 | 1,401 |
| Health and personal social services | 1,629 | 1,674 | 1,693 |
| Social security administration | 158 | 156 | 156 |
| Other public services | 57 | 57 | 57 |
| EU Peace Programme | 133 | 26 | 8 |
| Non-cyclical social security benefits | 2,494 | 2,594 | 2,698 |
| Cyclical social security benefits | 624 | 652 | 681 |
| Total expenditure within the Secretary of State's responsibility | 8,851 | 8,908 | 9,042 |

Note: The Northern Ireland Block is the total expenditure excluding cyclical social security benefits and national agriculture and fisheries support.

- 2.4 In addition to the above spending plans, the 2 July Budget announced that Northern Ireland will also receive the following resources:

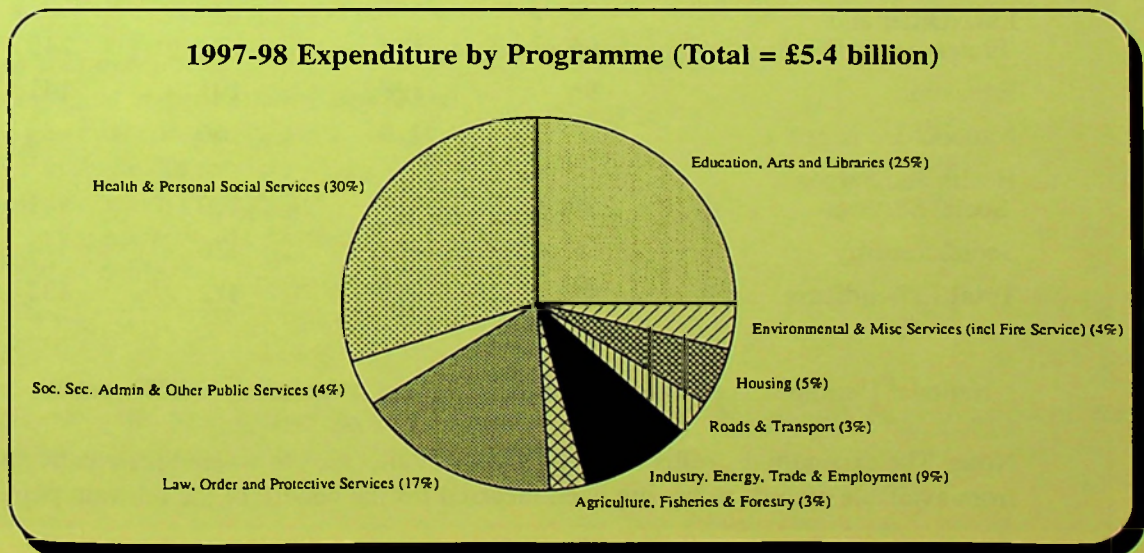
| | 1997-98 | £ million 1998-99 |
|---|---|----------------------|
| Schools | – | 27.6 |
| Health Service | – | 31.1 |
| New Deal for Schools (repairs and maintenance) | 2.6 | 7.8 |
| Housing Capital Receipts Initiative | 3.7 | 13.0 |
| Welfare to Work – New Deal for the unemployed | £140m over the period 1997-98 to 2001-02 – phasing to be determined. | |

3. The Secretary of State's public expenditure discretion

- 3.1 The Secretary of State has discretion, within the framework of national policy, to allocate resources within the Northern Ireland Public Expenditure total in accordance with her own priorities and in light of local needs and circumstances, with the following exceptions:
- expenditure on *national agriculture and fisheries support* which is determined in direct consultation with the other UK Agriculture, Fisheries and Forestry Ministers
 - expenditure on *social security benefits* is determined by entitlement – additional spending is therefore met by HM Treasury but, conversely, reduced spending on social security benefits does not release resources for reallocation to other Northern Ireland programmes
 - allocations for *the EU Special Support Programme for Peace and Reconciliation* are “ring-fenced” additions for specific spending areas – they cannot be used to fund other programmes
 - some *European Regional Development Fund* and energy expenditure is also “ring-fenced”.
- 3.2 The crucial concept for discussing public expenditure priorities is therefore the total that remains after deducting the exceptions listed above. This ‘discretionary’ expenditure total is £5.4 billion for 1997-98 and 1998-99. About half of the total is accounted for by public sector pay (doctors, nurses, teachers, police, health, education and civil service administration etc).

4. Resource Distribution

- 4.1 The chart below shows the distribution of the ‘discretionary’ Block expenditure across programmes in 1997-98.



- 4.2 Education, Health and Law and Order are the biggest spending programmes within this 'discretionary' total and together consume over 70% of resources within the Secretary of State's discretion. To increase these programmes (for example, to match the rate of inflation) therefore requires sizeable additional resources.

5. Per Capita Spending Comparisons

- 5.1 In most programmes Northern Ireland spends more per head than the United Kingdom average and in some programmes it spends very much higher amounts. Partly this reflects differences in need in Northern Ireland (eg the school population is proportionately higher than in the rest of the UK) but it is also the product of differences in priorities.
- 5.2 Table 2 below summarises the latest information on comparisons of expenditure per head by Programme across the United Kingdom.

TABLE 2

Index of Identifiable Expenditure Per Head, 1995-96
(UK level of identifiable expenditure per head = 100)

| | England | Scotland | Wales | NI |
|--|-----------|------------|------------|------------|
| Agriculture, Fisheries, Food and Forestry | 84 | 173 | 142 | 281 |
| Trade, Industry, Energy and Employment | 87 | 144 | 116 | 322 |
| Roads and Transport | 102 | 97 | 94 | 66 |
| Housing | 85 | 178 | 166 | 182 |
| Other Environmental Services | 90 | 158 | 157 | 112 |
| Law, Order and Protective Services | 96 | 104 | 77 | 245 |
| Education | 96 | 128 | 101 | 141 |
| National Heritage* | 103 | 119 | 66 | |
| Health and Personal Social Services | 97 | 119 | 110 | 111 |
| Social Security | 98 | 107 | 116 | 114 |
| Total Expenditure | 96 | 119 | 112 | 132 |

* National Heritage expenditure in Northern Ireland is included with Education.

Note: The expenditures reflected in the table are allocated to where they can be identified from available records as having been incurred for the benefit of the relevant population.

6. Main Spending Areas

6.1 Table 3 below provides further disaggregation of the discretionary spending programme plans for 1998-99 to highlight the main areas (the 1997 Budget additions at paragraph 2.4 are excluded from the table):

TABLE 3
Spending Plans for 1998-99

| Main Spending Areas | £ million |
|--|------------------|
| Police authority grant (including RUC) | 658 |
| Compensation for criminal injury and damage | 48 |
| Prison service | 139 |
| Probation board | 11 |
| Other law and order | 57 |
| Local agriculture | 137 |
| IDB and LEDU | 197 |
| Training and employment agency | 184 |
| Tourism | 10 |
| Other industry, energy, trade and employment | 56 |
| Roads service | 135 |
| Transport | 32 |
| Housing | 243 |
| Environmental and miscellaneous services | 187 |
| Fire services | 44 |
| Schools | 958 |
| Higher education | 221 |
| Further education | 91 |
| Libraries | 17 |
| Youth service | 15 |
| Museums | 10 |
| Other education | 73 |
| Hospital and community health and personal social services | 1,195 |
| Family health services | 398 |
| Other health expenditure | 81 |
| Social security administration | 156 |
| Other public services | 57 |
| Total | 5,409 |

Note: the total differs from that shown in Table 1 because of the exclusion of the non-discretionary areas listed at paragraph 3.1.

Main Points to note for the Comprehensive Spending Review Consultation

7. The Comprehensive Spending Review is a root and branch review of all public spending across the United Kingdom with the aim of matching the programmes and spending to the Government's priorities and objectives. The review will consider whether each item of spending is necessary, whether it contributes to the achievement of the Government's objectives, whether there is a more efficient way of achieving the objectives and whether there is scope for improving effectiveness and efficiency. The national review will be completed in about twelve months time and will inform resource allocations for future years.
8. The Northern Ireland review of spending plans is part of the national review. The terms of reference for the Northern Ireland review are as follows:

The Northern Ireland spending review will cover all programmes within the Northern Ireland public expenditure Block and will address from a zero base the effectiveness and efficiency with which each programme contributes to the Government's objectives, including in particular its aims of enhancing opportunity and fairness and promoting employment and investment for sustained economic growth; and to the local priorities of the Secretary of State for Northern Ireland. The review shall have regard to any emerging conclusions from the review of programmes in Great Britain and will consider the scope for reallocating resources within existing totals in order to deliver the Government's objectives.

In order to contribute to the creation of a National Assets Register the review will construct a register of assets held by the public sector in Northern Ireland. The review will also examine the scope for promoting further public/private partnerships, particularly in the public utilities, which can advance the Government's objectives and offer good value for money. The review will identify the scope for improving the efficiency with which public services are provided in Northern Ireland.

9. There will be a wide consultation on the priorities for public spending in Northern Ireland. This will include identifying activities which might merit additional resources and activities which might be reduced or stopped to release resources for other activities so as to live within the overall Northern Ireland totals which have been set for 1997-98 and 1998-99. (The totals for 1999-00 and following years will be determined in light of the outcome of the national review.)
10. In contributing to the review it would be helpful therefore to have views on what should be the **top priority activities** (say, the top three) in Northern Ireland and **the lowest priority activities**, with quantified proposals for the corresponding levels of additional spending and reductions. The spending levels shown in Table 3 might be used as a starting point or finer levels (eg primary schools) if appropriate. (Further details on expenditure programmes and plans can be found in the Northern Ireland Expenditure Plans and Priorities published in March 1997.) A suggested form to summarise choices is attached for convenience. This is one approach to thinking about priorities but contributors are free to respond in whatever form they choose.
11. The Secretary of State for Northern Ireland will take account of the conclusions of the review in deciding on future allocations to programmes. The allocations for 1998-99 are expected to be announced in late autumn.

Comprehensive Spending Review – Identification of Priorities

You may find this form helpful in summarising your views on the spending priorities for Northern Ireland.

Your Top Priorities

| Activities for Additional Spending | Suggested Scale of Additions (£m) |
|---|--|
| | |

Your Lowest Priorities

| Activities for Reduced Spending | Suggested Scale of Reductions (£m) |
|--|---|
| | |