



## Strategic Policy and Resources Committee (SHADOW)

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Executive's and Departmental Draft Budget Proposals 2015-16</b>
<b>Date:</b>	19 December 2014
<b>Reporting Officer:</b>	Ronan Cregan, Deputy Chief Executive & Director of Finance & Resources Ext 6148
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<b>1</b>	<b>Relevant Background Information</b>
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1.1	On 3 November 2014, the NI Executive announced its draft budget proposals for 2015-16 period. A copy of the detailed budget proposals is available at <a href="http://www.northernireland.gov.uk/draft-budget-2015-2016.pdf">http://www.northernireland.gov.uk/draft-budget-2015-2016.pdf</a> ; with a summary attached at Appendix 1.
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	<b>Departmental Budget Proposals</b>
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1.2	Table 1 below sets out the proposed non ring fenced departmental budget allocations to each of the Government Departments. It shows that most departments (with the exception of DETI and DHSSPS) will face cuts in their budgets, with DCAL, DEL, DoE and DSD each facing budget cuts of at least 10%.
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*Table1 Non Ring Fenced Departmental Resources*

Department	2015-16 Baseline Position	2015-16 Draft Budget	%Change
Agriculture and Rural Development	£m 197.6	£m 187.3	-5.2%
Culture, Arts and Leisure	£m 99.9	£m 89.9	-10.0%
Education	£m 1,943.7	£m 1,849.3	-4.9%
Employment and Learning	£m 756.2	£m 674.4	-10.8%
Enterprise, Trade and Investment	£m 184.2	£m 194.0	5.3%
Finance and Personnel	£m 155.9	£m 139.0	-10.9%
Health, Social Services and Public Safety	£m 4,542.7	£m 4,693.1	3.3%
Environment	£m 116.6	£m 103.7	-11.1%
Justice	£m 1,089.0	£m 1,024.0	-6.0%
Regional Development	£m 335.5	£m 322.0	-4.0%
Social Development	£m 653.9	£m 589.1	-9.9%
OFMDFM	£m 65.8	£m 65.4	-0.6%
Non-ministerial Departments (total of those below)	£m 91.7	£m 88.4	-
Assembly Ombudsman / Commissioner for Complaints	£m 1.8	£m 1.8	0.0%
Food Standards Agency	£m 8.5	£m 7.4	-12.8%
NI Assembly	£m 40.7	£m 40.7	0.0%
NI Audit Office	£m 7.9	£m 7.9	0.0%
NI Authority for Utility Regulation	£m 0.1	£m 0.1	-14.3%
Public Prosecution Service	£m 32.7	£m 30.5	-6.7%
<b>Total Planned Spend</b>	<b>£m 10,232.7</b>	<b>£m 10,019.6</b>	<b>-2.1%</b>

2	<b>Key Issues</b>
2.1	<p>Clearly the NI Executive's and many of the individual departmental draft budget proposals will have a potential direct impact on both Belfast and Belfast City Council in terms of both the continuation and new funding made available for e.g. Capital/physical investment schemes within the City, supporting revenue programmes and initiatives including a number of direct grant schemes administered by the Council (directly or indirectly). It is also important to recognise the risks of further budgetary cuts which impact directly upon Belfast based recipients; who may in turn seek funding from the Council to subsidise any funding gaps which may emerge.</p>
	<b>Departmental Budget Proposals Consultation</b>
2.2	<p>Within the context of the overall NI Executive Draft Budget proposals, each Minister has recently released a breakdown of individual departmental budgets proposals for 2015/16, including information in relation to measures required to enable the department to live within their budget allocation. Each department is also conducting its own consultation process to run concurrently with the NI Executive's process – with comments sought by 29 December 2014.</p> <p>The Executive is due to consider and agree the budget proposals in January.</p>
2.3	<p>Whilst not intending to go into the specific details of each of the departmental budget proposals, specific focus has been given to assessing those departmental budget allocation proposals which may have a potential direct impact upon Belfast/Belfast City Council. Members should note that all of the Departmental budget proposals identify potential broad areas of where cuts will be applied; however, the lack any detail available means that it is not possible to assess the direct consequences for the Council. Notwithstanding, set out below is some of the high-level observations and comments on specific departmental budget proposals.</p>
2.4	<p><b>Department for Social Development</b></p> <p><b>Revenue</b></p> <p>The Council would have major concerns in relation to the significant cuts (i.e. £64.8m or 12.3% reduction on the previous year) in relation to the Departmental revenue budget.</p> <p>Such cuts will have a direct and significant effect on a number of funded programmes across the city, most significantly neighbourhood renewal based programmes and initiatives. The scale and impact is specifically heightened in Belfast if this cut in revenue budget is carried through to the allocation model in 2016 when the responsibility transfers to the Council – the previous DSD departmental transfer of functions budget allocation proposals for Belfast saw a short fall in over £6 million (based on recent spending levels) – which would have a direct impact on the future sustainability of core programmes within the City.</p> <p>Belfast City Council would urge the department and NI Executive to consider the further impact on urban regeneration and community development in Belfast if the same allocation model is placed on a reduced regional budget.</p> <p><b>Capital</b></p> <p>Whilst the Council welcomes the protection of urban regeneration projects with contractual commitments, it would be concerned in relation to the significant cuts (i.e. £17.1m or 12.5% reduction on the previous year) proposed in relation to the Departmental capital budget.</p> <p>Again the Council believes that such cuts will have a direct and significant impact upon Belfast and the ability to undertake much needed urban regeneration projects in the city. Belfast as the region's economic driver, should in our view, be prioritised for physical regeneration as it will give the highest return on investment. The Council proposes that the significance of this cut is reconsidered and, looking ahead, urges the department to rethink the allocation model used for the transfer of urban regeneration and community development in 2016.</p>

**Transfer of functions budget to local government**

The Council would seek further clarification and detail from the Department on the cumulative impact of the recent departmental budget proposals on the budget allocation (capital, revenue and staff) which will be attached to the regeneration and community development functions to transfer on 1 April 2016.

**Laganside**

The Council is concerned with the proposal that funding for the Laganside functions will also reduce and would commend that this budget must be protected. The Council has previously stated that it does not believe that the current budget proposals for Laganside is sufficient to ensure the continued operation and maintenance of this significant regional infrastructure.

2.5

**Department of Environment**

**Rate Support Grant and De-rating Grant** – the Council would support the departmental recommendation that key local government grants programmes should be ring-fenced from any reductions. The Council received £4.6m in the form of derating grant for 2014/15.

**Waste Management** – the Council welcomes proposed continued support for local government grant schemes, and would highlight in particular, the need to protect the Rethink Waste grant fund which is aimed at increasing recycling and landfill diversion. The Council is, however, concerned at the proposal to provide future financial support at a reduced level.

In 2014/15, the Council was allocated £860,000 of Rethink Waste capital funding to deliver a variety of projects which will contribute an additional 3% to the city's recycling rate. Without this funding these projects would not have progressed and the improvement in the recycling rate would not be achieved.

The Council believes that the level of support provided should be at least maintained if not increased so as to support the delivery against some of the key objectives set the Department namely:

50% recycling rate by 2020. NI currently sits at 40.6% (Local Authority Collected Municipal Waste – NIEA published data Nov 14)

Proposed legislation to introduce separate food waste collections – Commercial operators 1 April 2016 and at householder level 1 April 2017.

Drive to move waste up the waste hierarchy and in particular boost the re-use sector

**Emergency Financial Assistance (Flooding)** – the Council would be concerned in relation to the proposal to remove the £1k payments available to households which had been affected by flooding without a more appropriate scheme such as individual flood protection measures being put in place.

In addition to this direct financial support for householders, the scheme has enabled the Council to provide emergency works such as house clean ups, provision of dehumidifiers and sandbags as well as the co-ordination of the emergency response. Since 2012/13 the scheme has provided £828k of direct financial support to householders and further support of £314k to the council for the co-ordination and delivery of response services to residents severely affected in Belfast. Assistance to help those most severely affected to get back to normal as quickly as possible is essential in such times. Given the significance of this the council believe that the Department and Executive should ensure that the scheme is ring-fenced protected, otherwise it is likely that these services will be reduced or lost.

**Road Safety** – whilst there is an absence of detail, the council would suggest that all necessary steps are taken to prevent any significant cuts to the budget available for road safety advertising and education.

**Core Council funding streams** – the Council note that it is proposed to terminate a wide range of grant and other support programmes. Termination of current grants would mean the loss of £284k of income for the Council in 2015/16 which relates directly to high impact initiatives such as emergency planning (£93k), air quality management (£92k), construction products regulation (£34k), Belfast resilience (£50k) and disability action (£15k). We would strongly recommend that all steps are taken to protect the current level of funding to local councils in respect of these funding streams.

2.6

**Department of Culture, Arts and Leisure**

The Council welcomes the commitment of the Arts Council Northern Ireland (ACNI) and DCAL to develop a new Arts and Culture Strategy. As a key partner in that activity, we would be keen to work with both organisations in order to develop a strategic approach to the new ways of working, given that our cultural framework is to be reviewed in the coming financial year, with a view to a new cultural framework in 2016. Greater alignment and joint working between the work of ACNI, DCAL and BCC would further assist in maximising impact on the ground and where possible realising further efficiencies.

**The Council is concerned about:**

- The proposal for **libraries** to reduce opening hours and spending on books as this has the potential to have a direct adverse impact upon local communities and hard to reach groups who may avail of these facilities.
- The proposal for **museums** also to cut opening hours as well as reducing the number of events and exhibitions - adverse impact upon the tourism and cultural offering within the city.
- The proposal that **grants for arts groups**, distributed by Arts Council will be significantly cut and that some organisations involved in the promotion and delivery of arts will cease to receive funding – putting their viability into question.

The proposal that grants for **sporting organisations** in the areas of performance sport, coaching and club/governing body development will be reduced. The Council would note, in particular, that the main programme which DCAL delivers through Sport NI to Belfast City Council is the **Active Communities programme** which is a high impact programme in the city. As the Council already provides significant revenue funding to this programme, it would seek assurances from the department that there are no further cuts to this programme budget from Sport NI as this would render delivery unviable under current expenditure eligibility.

2.7

**Department of Education**

Whilst recognising the identified funding gap of £160m in the departmental budget, the Council would have concerns in regard to the proposed reductions in spending on, in particular, pre-school education and Sure Start, school maintenance and community relations schemes. We are also aware that small grants support schemes such as the healthy eating programme (that costs around £5m per year) could be ended entirely. Such cuts are likely to have an adverse impact on the educational needs, attainment levels and well-being of children and young people across this city.

2.8

**Department for Employment and Learning**

The Council would have specific concerns in relation to the proposed reductions to revenue and capital in Further Education (FE) and Higher Education (HE) Sectors. The Council would highlight that the Programme for Government and NI Economic Strategy identifies the need to improve regional productivity and competitiveness. FE and HE are key drivers in supporting these objectives and any cuts to budgets in this area will have significant implications e.g. in Belfast, it is estimated that this would result in 3,000 less undergraduate places annually.

A potential knock-on impact of any reduction in FE places would be the loss of students to GB, with less chance that they will return. This could have a very significant detrimental impact on:

1. The range and availability of high level which are the reason that FDI companies locate here.
2. A focus on addressing the serious skills shortages we have in many of the deprived areas of the city.

	<p><b>Employment Services</b> – potential changes to welfare and focus on making work pay will mean an increase in the number of people seeking helps from JBOs and other employment services provision – need to ensure that this is available.</p> <p><b>European Social Fund</b> – the Council would be concerned at how the programme is structured and the inability to find match funding may mean that funding is not drawn down. We also acknowledge that this challenge will be exacerbated by a range of additional cuts to the voluntary and community sector through other funds</p> <p>In moving forward, the Council would welcome the opportunity to work with DEL to consider potential joint projects and initiatives. The Council is currently developing an employability and skills strategy for the city which is not predicated on new resources but, rather, on doing things better and working more efficiently. To this end, the Council would also be keen to engage with DEL around the proposed Change Fund bids, particularly in the areas of economic activity and youth employment – both major challenges for the city.</p>
2.9	<p><b>Department of Enterprise, Trade and Investment</b></p> <p>ONS statistics from December 2014 show that, at 09.%, economic output grow at a lower rate in Northern Ireland than in all other UK regions. This demonstrates that the economic recovery in the region remains fragile. The removal of any support measures could place any future growth in jeopardy and lead to the region falling further behind the others.</p> <p><b>Invest NI</b> - The Council would be concerned at the potential impact on indigenous businesses – these represent over 90% of the business stock in the city. In order to ensure that there is some continuity of service, we would encourage greater collaboration with BCC which, from 1 April 2015, will be responsible for enterprise support activity. This collaboration will have the added value of being able to lever EU resources to support agreed activities – we would encourage Invest NI to work with councils to provide match funding to SME support projects. In the context of reduced resources, this could mean that for every £1 invested by Invest NI, it will be possible to lever a further £4 from councils and ERDF combined. This could support activities such as export development, sales and marketing support.</p> <p><b>Tourism</b> – the Council would be concerned regarding the current proposals to reduce the funding to NITB as we believe that this will have a direct impact upon key tourism projects within Belfast and harm the projects return to the local economy. This is further exacerbated with the recent removal of the National (Events) Sponsorship Scheme. Both these outcomes will see Belfast based organisations looking to the Council to fill funding gaps. There is also a significant risk that this will have a direct impact upon BCC delivered events such as the annual Belfast Titanic Maritime Festival, which is supported by NITB funding. Any cuts of this nature are likely to result in a slowdown in the growth in Belfast’s tourism sector and have a negative knock-on effect to the wider regional economy.</p>
2.10	<p><b>Department of Regional Development</b></p> <p>The Council welcomes the continued commitment by the Department to deliver the Belfast Rapid Transit and notes the reference to the potential of managing delivery over a longer timeframe. The Council would seek further engagement with the Department on this project.</p> <p>The Council would be concerned about the proposed cuts to core emergency response services , including flooding response services, gritting and snow ploughing roads, and believe that these such be protected.</p> <p>The Council notes the intention to increase fares and removal of some bus services, including the withdrawal of town services from a number of towns and a reduction in the frequency of other bus and rail services. The Council would seek further detail on such proposals and assurances that they would not have a disproportionate impact on the connectivity to and across the city.</p>

2.11	<p><b>Office of the First Minister and Deputy First Minister</b></p> <p>The Council welcomes the proposed capital budget allocation to take forward further regeneration projects, and in particular the development of Crumlin Road Gaol.</p> <p>The Council also welcomes the proposed £15m commitment for the Social Investment Fund and £14m towards the delivery of the Executive’s delivering social change agenda. This reflects the funding commitment in 2014/15; supporting the ongoing rollout of the Social Investment Fund, Childcare Strategy and Social Change signature projects in the city.</p> <p>Good Relations - Whilst recognising the need to cutback budgets in line with affordability limits, the Council would seek assurances that this would not significantly impact upon key council programmes and initiatives which obtain funding from the Department such as Council’s Good Relations Programme. Clarification is required on what are the likely impacts on the Councils Good Relations Action Plan for 2015/16 and beyond in terms of (i) staffing and administration and; (ii) programme costs which includes grant aid.</p> <p>PEACE IV Programme –European funding requires a match funding contribution of 15% for the proposed new Programmes. The Council would seek clarification is required on whether the proposed budget reductions will impact upon funding available under the proposed PEACE IV Programme.</p>
2.12	<p><b>Department of Justice</b></p> <p>The Council also notes the recent Criminal Justice Inspectorate Report on PCSPs which includes a recommendation for Belfast to have a single PCSP, with the requirement for 4 DPCSPs in Belfast being removed. The Council would seek early clarification if this measure would form part of the DOJ proposed administration savings in respect of PCSPs , as recruitment will shortly take place for all 5 partnerships</p>
2.13	<p><b>DARD</b></p> <p>The Council welcomes the continued investment in flood alleviation – including the progression of major flood alleviation works in East Belfast which will provide enhanced protection to some 1,700 properties.</p> <p>The Council also welcomes the commitment to retain match funding allocations for the Rural Development programme. This will also help the drawdown of funding and allocation of match funding resources from councils and other partners.</p>
3	<p><b>Resources</b></p> <p>The departmental consultations do not provide sufficient detail to determine the direct and indirect financial implications of the proposed budget reductions on the Council. It is however clear that proposed reductions across the departments represents a significant financial risk to the Council in setting the district rate for 2015/16, not only in relation to the Council’s existing functions but also to the funding which will transfer to the Council to support those functions transferring to local government on the 1 April 2015 and 2016.</p> <p>It is likely that the impact on the Council’s budgets will not be known until the end of January. If this is the case then a special Shadow Strategic Policy and Resources Committee may be required at the start of February.</p>
4	<p><b>Equality and Good Relations Implications</b></p>
4.1	

<b>5</b>	<b>Recommendations</b>
5.1	The Committee is asked to consider the contents of this report and appendices attached and agreed that submissions are made to the relevant departments based on comments as set out and taking into account Members feedback at the Committee.

<b>6</b>	<b>Documents Attached</b>
<b>Appendix 1</b> NICVA Summary of Budget Proposals	