

## What UK Government Financial Package for Northern Ireland?

We would ask all readers of this paper to give deep consideration to this analysis of what is purported to be £2 Billion of additional money for Northern Ireland as a result of the Stormont House Agreement.

This analysis demonstrates that in our opinion the only new money available to the NI Executive is capital funding for shared and integrated education to the amount of £500 Million over a ten year period and £150 Million funding for dealing with the past.

### *Welfare Reform*

- Full introduction of Welfare Reform with hardship fund to be paid for from Block Grant.
- Hardship fund was proposed in earlier negotiations between NI Executive parties.
- No indication of how much money is being allocated or where such money can be found from within existing Block Grant funding.
- The 2015/16 Draft budget makes an allowance for a hardship fund of only £70m.

### *RRI Borrowing*

- Up to £700m over 4 years to fund Voluntary Redundancy Scheme.
- This is made up of £350m of existing RRI borrowing Allowance and additional £350m extra borrowing allowance from Treasury as set out in table below.
- There is NO extra £700m coming from Treasury in either borrowing or increased contributions.

	2015/16	2016/17	2017/18	2018/19	Total
Existing RRI Allowance	£200	£200	£200	£200	£800
TBUC	£64	£26	£10		£100
<b>Extra Borrowing powers</b>	<b>£100m</b>	<b>£100m</b>	<b>£100m</b>	<b>£50m</b>	<b>£350m</b>
<b>Redundancy scheme</b>	<b>-£200m</b>	<b>-£200m</b>	<b>-£200m</b>	<b>-£100m</b>	<b>-£700</b>
RRI Allowance post VRS and excluding TBUC	£100	£100	£100	£150	£450

### *Voluntary Redundancy Scheme*

- Document sets out that if all £700m in borrowing is used, savings to NI Executive net of interest payments would be in the region of £330m per year.
- There is no prescribed or proposed destination for this £330m.

### *Corporation Tax*

- Clear that any devolution of corporation tax will be for the rate of the tax only.
- Document states that if any reductions are made to the rate of Corporation tax in Northern Ireland, both direct and behavioural effects of such a change will be borne by the NI block grant.
- This opens the door to unforeseen further reductions to the NI block grant if GB-based companies move operations to NI for tax purposes.
- It could be interpreted that if any international investor were to choose Northern Ireland over a GB destination owing to a lower rate of corporation tax, NI would be liable for this cost.

### *Additional Funding*

- Only £650m can be considered as additional funding.
- £50m over 10 years (£500m) to fund capital investment shared education services only (TBUC funding can be used for both housing and education)
- £30 over 5 years (150m) to fund various commissions and bodies dealing with “the past”.

### *Asset Sales*

- The document states that funds from the sale of state assets can be used to repay:
  - o £100m loan granted by the Treasury to the NI Executive in late 2014
  - o Whatever portion of the £114m welfare fine is liable after the successful passage of an UK –compliant NI Welfare Reform bill

### *Where does the £2bn come from?*

- It is over 10 years

Capital Funding for Shared Education	£500	New Money
Funding for bodies dealing the past	£150	
Extra RRI Allowance	£350	New Borrowing
Voluntary redundancy Scheme	£700	Money that would
Repayment of Treasury loan	£100	have had to come
Payment of Welfare fine	£114	from block grant

- In reality the total amount of RRI borrowing available for investment in infrastructure will be £350m less. We give up £700m of existing borrowing to pay for redundancies and only receive £350m extra borrowing to compensate for it.
- Additionally the Draft 2015-16 budget made no allowance for payment of the £114m welfare fine, so the ability to use funds from the sale of assets to pay for this does not represent an improvement to the 2015/16 position.
- The 2015/16 Draft budget set aside £100m from the capital budget to repay the Treasury loan, therefore any funds that alleviate that burden will return to the capital budget.
- There is £650 of additional funds as set out above but both these funding streams are narrowly focussed and pale in comparison to reductions in the block grant since 2010.

