

KEYNOTE SPEECH – IRRV/CEF CONFERENCE

PUBLIC SERVICES - MAINTAINING STABILITY IN UNCERTAIN TIMES

- I am pleased to be here today to address your conference and would like to thank the Institute and the Chief Executive's Forum for their kind invite.
- It gives me the chance to update you on the wonderful world of rating but first I'd like to talk about some of the hard choices we face on the public expenditure front and what lies ahead for delivery of our public services in Northern Ireland.

- These are challenging times and over the next few years we will see massive reductions in public expenditure, not seen since the 1970s.
- While not of our making, we must rise to this challenge so that key frontline public services can be delivered in the best way. It is not enough to say we all need to work smarter, we – that is the Northern Ireland Executive - need to decide what our real priorities are because we can no longer afford to deliver the full range of commitments set out in the Programme for Government.
- We will need to make these hard choices now and there will have to be bigger cuts elsewhere.
- Economy or health and education?

- Even that choice is not a straightforward one because public sector spending in social policy areas directly affects our economy.
- In my role as Finance Minister, I often hear calls for more funding for projects within individual Ministerial portfolios.
- What I rarely, if ever hear, is a mature discussion on where this funding should come from.
- Following the Chancellor's announcement of last week, it is clear that the predicted period of public spending cuts is no longer something coming down the tracks – it is here now; today.

- As such, this will necessitate measured debate in the coming months on how the Executive can use its resources to best effect.
- Individual Ministers may need to make unpopular decisions in order to safeguard public services.
- The Executive, meanwhile, will need to take important strategic decisions, including, for example, how long we can afford to continue deferring water charges.
- My position is clear on this, we must first maximise efficiencies before asking people to pay more.
- This means collectively addressing the cost of government, or rather over government, in

Northern Ireland, including the number of Departments, Quangos and not forgetting MLAs.

- Available money must also be used in the best possible way.
- While much is being done to remove slack from the system, there is also much more there for the taking.
- £790m is being made available to Departments this year as a result of ongoing efficiency savings.
- Much more could be available through improving the way public services are delivered, driving efficiency and realising savings.

- All Departments will have hard decisions and choices to make in order to ensure that our public services are delivered as efficiently, and with as little waste, as possible.
- What I want to see is a prioritisation of core front line services and programmes that make a real difference to people, while also ensuring that there is the necessary stimulus to develop and sustain our economy.
- Northern Ireland is not immune from the effects of the decisions taken by the new UK government.
- My priority is to step up engagement with Treasury Ministers so that Northern Ireland

achieves the best possible outcome from the forthcoming UK spending review.

- We need certainty for the years ahead and at least a three year vision, so that the Executive and Departments can plan ahead.
- Devolved government needs a clear map at the start of the journey, not a Sat Nav system reacting to every twist and wrong turn; particularly as it appears that the UK government's £6.2 billion worth of cuts just announced for the remainder of this financial year is likely to be only the start of it.
- The UK spending review that will be delivered in the autumn will signal hard financial times ahead.

- So, there will be hard decisions to be taken not only by me, as Finance Minister, but also my Executive colleagues.
- Ratepayers and the general public understand that following the banking crisis, the UK government has nothing stashed under the mattress.
- We are living well beyond our means.
- The important decisions that lie ahead must not become the subject of cheap political point-scoring, but must be taken in the interests of the wider Northern Ireland population and economy.

- Importantly, no one Department can be immune from the effects of the future constraints on public services.
- For my part I will need to take a hard look at issues such as public sector pay, sustaining improved performance in Land and Property Services and increasing revenue collection, as well as the delivery of shared or streamlined services.
- All Departments, however, will have their part to play.
- On that note I now wish to briefly turn to recent changes, and I believe improvements, that have been made to the rating system and set out the way ahead in terms of policy direction.

- Like the issue of public services, what is needed now is a period of increased certainty and stability, for district councils, ratepayers and LPS.
- The last year has seen many improvements in the way in which rates are collected, as well as a step change in terms of co-operation between district councils and LPS.
- More importantly, I would go as far as to argue that LPS have now turned the corner following what was a turbulent period following the merger of a number of organisations into one and the introduction of a very far reaching range of new rating reforms to modernise Northern Ireland's property tax system.

- While there have been difficulties much has also been done to improve the system, including the improved take up of rating reliefs, closer liaison with councils on their penny product and the adoption of a vacancy strategy.
- There is also now a firmly established action plan, following the Review of LPS by the Performance and Efficiency Delivery Unit, which has greater recognition of the rate collection aspects of the organisation's forward strategy.
- As a result backlogs have been reduced, the property database is improved and a number of recommendations from the PEDU report are being implemented ahead of schedule.

- My political rivals on the Finance and Personnel Committee have been saying some good things about LPS recently and I quote:
- *“the processes that are in place give the Committee confidence that the changes and the action plan are being implemented and that you are moving forward”.*
- *“LPS has come on in leaps and bounds since the briefing sessions started.”*
- Also, external stakeholders, such as Access to Benefits and Age NI, have recently commended LPS for the progress that is being made on benefit take up and it is pleasing to note that year on year take up of rate relief and lone pensioner allowance is well into double percentage figures.

- A large enough increase that cannot be put down to the harder times we find ourselves in.
- Finally, I would like to take the opportunity to flag the measures introduced at the start of the rating year and touch on the challenges that lie ahead.
- The 1st April saw the introduction of a range of new measures, including the introduction of two new green rebates, improved data sharing powers, increased take up of rating reliefs and benefits, a new rates deferment scheme for owner occupier pensioners and a small business rate relief scheme.

- Taken together these reliefs could provide assistance worth over £10m over the coming year.
- While much has already been done to help ratepayers, including freezing the regional rate over the last three years, I would stress that we are at the limits of what the system can afford by way of allowances and concessions.
- For that reason what is now needed is a period of certainty and stability for district councils, ratepayers and LPS.
- This will enable the recent reforms to bed down and ensure that necessary improvements to rates collection are progressed.

- Turning to the years ahead, aside from some changes that may be needed to help improve collection performance, I do not envisage major changes being made to the system.
- However, there are a number of areas on which policy decisions are being made.
- Taking account of the views of the Finance and Personnel Committee I would intend to shortly take a decision on the timing of the rating of empty homes, the introduction of which was postponed for a year from April 2010.
- You will also be aware that, as a result of the depressed state of the commercial property market, I have decided not to proceed with a business rates revaluation next year.

- While this was not an easy decision to make I believe that it was the right one in terms of providing certainty and stability for the valuation list and local government finances.
- It will also allow LPS to spend more time getting the Valuation List bang up to date and making sure that those who receive the various non-domestic and agricultural exemptions are still entitled to that support.
- Aside from that, nothing else is being contemplated.
- The rating reviews are over and I want LPS and the Department to focus on how rate collection performance can be lifted, through both operational and policy improvement.

- I'd love to get back to the time when people just quietly paid their rates, not with any pleasure but certainly with a greater sense of civic duty.
- I am afraid these are different days we live in and James Young is not around anymore to remind us about the lady in Cherryvalley who thought rates had whiskers, four legs and a tail!
- We are making great strides to help the "can't pay" and that remains a priority of mine.
- However, I think there is another 'hard to reach' group, found throughout Northern Ireland, that requires urgent attention and that's the "won't pay" – the "so long as they can get away with it brigade".

- These are the people that honest ratepayers are picking up the tab for and we need to find ways to persuade them to pay up.
- They need to understand that rates are a property tax, that helps pay for our hospitals, our schools and all the essential public services provided by councils.
- It is not some sort of discretionary charge that won't be missed – our UK government doesn't pick up the shortfall.
- To get there, we need to continue the close working with Councils, keep up the good work on communicating with ratepayers and finally avoid any further complications to the system.

- I suspect many in this audience have had their fair share of rating reform - and for those who have played a part in the implementation programme, I'd like to express my sincere thanks to you for your hard work, patience and dedication.
- The major reviews are over now and I believe we have arrived at the point where the rating system is much more acceptable to ratepayers.
- Forgive me this one sporting metaphor on the eve of the World Cup but I think we've kicked this particular political football into the long grass – it's time the rating system was allowed to get on with its job of raising money for public services.

- Once again, can I thank you for the opportunity to address your conference.
- Looking at the programme it promises to be an interesting and productive day.
- I cannot stay for much longer because of other commitments but I have asked my officials to keep me abreast of any key themes or messages that emerge to help us through these challenging times.