SECTION 1

Public Expenditure in Northern Ireland

Research for Senator Mark Daly

Abstract

This research request sought information relating to the economy of Northern Ireland and the dependence of the Northern Ireland economy on public sector spending. However, as GDP figures for Northern Ireland are not recorded by the Department of Finance or the Office for National Statistics, this briefing note will provide figures for public spending as a percentage of Gross Value Added (GVA), employment levels within the public sector, and an overview of the level of rationalisation that has occurred within the public sector.

Date: Friday, 03 February 2017
Enquiry Number: 2017/142
Library & Research Service central enquiry desk: Tel – 618 4701

Legal Disclaimer

Contents

Executive Summary

- Public expenditure as a percentage of Gross Value Added (GVA) was 72.7 per cent for the latest available financial period 2013-14
- Public expenditure was reduced from 75.5 per cent of GVA in 2011-12
- Public sector employment accounts for 24.8 per cent of total employment as of September 2016
- Public sector employment as a percentage of total employment has fallen from 31 per cent in June 2009

Public Spending in Northern Ireland

Aggregate expenditure figures are obtained from the Department of Finance Net Fiscal Balance Report 2012-13 And 2013-14 in Northern Ireland. This report includes data from 2012-13 and 2013-14 and updates previous estimates for the years 2009-10, 2010-2011 and 2011-12. [Aggregate expenditure includes identifiable expenditure (expenditure recognised as benefiting individuals, enterprises, or communities within Northern Ireland), non-identifiable expenditure (expenditure incurred on behalf of the UK as a whole), and accounting adjustments[1]]

As GDP figures for Northern Ireland are not recorded by the Department of Finance or the Office for National Statistics, GDP figures will be replaced by Gross Value Added (GVA)[2] figures obtained from the Office for National Statistics (ONS).

It should be noted that public expenditure figures from the Department of Finance are presented for the financial year (01 April to 31 March) whereas GVA figures from the Office for National Statistics are presented for the calendar year (01 January to 31 December). Because of this public expenditure figures will be presented as a percentage of the previous calendar year's GVA.

---

[1] Main component of accounting adjustments is the depreciation of fixed capital resources from public service provision.

[2] GVA is the difference between the goods and services produced in a region and their cost. It is commonly used as a measure of regional economic performance. GVA + taxes on products - subsidies on products = GDP. See page 7 of fiscal report for further explanation.

Table 1 presents Aggregate Expenditure figures for the periods 2009-10 to 2014-15. Aggregate expenditure as a percentage of GVA was 72.7 per cent for the latest available period, 2013-14, down from 75.5 per cent in 2011-12.

Table 1: NI Fiscal Position 2009-10 to 2013-14

			NI		
£ Million	2009-10	2010-11	2011-12	2012-13	2013-14
Aggregate Expenditure	22,774	23,357	23,703	24,292	24,083
Aggregate Expenditure as a % of calendar year GVA	73.5%	75.3%	75.5%	75.5%	72.7%

Public Sector Employment

Table 2 presents figures obtained from the Office for National Statistics and shows public sector employment figures from 2008 to 2016.[3] Public sector employment as a percentage of total employment reached 31 per cent in 2009 but has reduced to 25.3 per cent by June 2016. As of June 2006 there are 206,000 people employed in the public sector of Northern Ireland.

Table 2: NI Public Sector employment 2008 to 2016

	NI		
	Public Sector employment (000s)	Total employment (000s)	Public Sector employment as a % of Total Employment
2008	223	770	29.0%
2009	230	741	31.0%
2010	227	765	29.7%
2011	222	785	28.3%
2012	218	769	28.3%
2013	218	786	27.7%
2014	212	789	26.9%
2015	211	800	26.4%
2016	206	815	25.3%

3 Annual figures relate to June quarter

The latest UK Public sector employment statistical bulletin provides updated public sector employment figures for UK regions up to September 2016. Figures 1 and 2, (as extracted from the bulletin), presents figures for regional public sector employment for September 2016 and the change in public sector employment between September 2015 and September 2016.

Figure 1: Public Sector Employment (September 2016), not seasonally adjusted

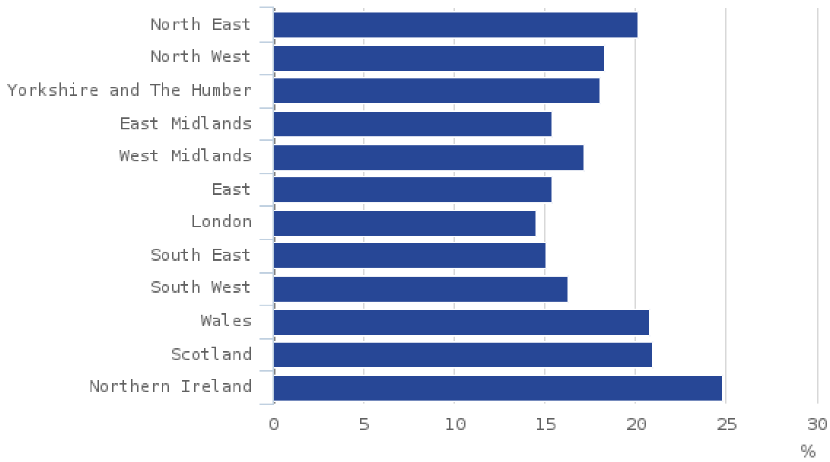


Figure 2: Change in Public Sector Employment (Sep 2015-16), not seasonally adjusted

As of September 2016, public sector employment in Northern Ireland was 24.8 per cent. This accounts for a reduction of 5,000 (2.5 per cent) in public sector employment from the same period in 2015.

Rationalisation of Public Sector

Referring back to Table 2, public sector employment has fallen from 230,000 in 2009 to 206,000 by June 2016. This represents a fall in the percentage of public sector employment from 31 per cent to 25.3 per cent of total employment.

Reductions in public expenditure appear to be predominately determined by capital expenditure reductions. Tables 3 and 4 (as extracted from the Northern Ireland Net Fiscal Balance Report 2012-13 and 2013-14) present figures for current and capital expenditure between the periods 2009-10 and 2013-14.

Table 3 shows that capital expenditure has fallen from £2.1 billion in 2009-10 to £1.5 billion by 2013-14, while current expenditure has increased from £19.6 billion to £21.5 billion in this period. Table 4 shows that capital expenditure accounts for 6.6 per cent of total expenditure by 2013-14, down from 9.7 per cent in 2009-10.

Table 3: Total Current/Capital Expenditure on services 2009-10 to 2013-14 (£m)[4]

	NI					UK				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Current	19,574	20,371	20,836	21,196	21,471	572,754	600,131	606,732	617,044	629,721
Capital	2,105	1,820	1,602	1,509	1,522	65,125	55,133	45,967	42,761	47,651
Total [1]	**21,679**	**22,191**	**22,438**	**22,705**	**22,993**	**637,879**	**655,264**	**652,699**	**659,805**	**677,372**

1. The sum of the constituent items may not always agree exactly with the total shown due to rounding. The UK total presented is taken directly from PESA.

Table 4: Current/Capital Expenditure (% of Total Expenditure) 2009-10 to 2013-14

	NI					UK				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Current	90.3%	91.8%	92.9%	93.4%	93.4%	89.8%	91.6%	93.0%	93.5%	93.0%
Capital	9.7%	8.2%	7.1%	6.6%	6.6%	10.2%	8.4%	7.0%	6.5%	7.0%

Source: See page 25 of the Northern Ireland Net Fiscal Balance Report 2012-13 and 2013-14 to view these tables.

---

[4] Total expenditure for 2013-14 is stated as £23 billion. This differs from the Table 1 aggregate expenditure figure of £24.1 billion due to £1.1 billion in accounting adjustments.

The report shows that the largest reductions in capital expenditure between the periods 2009-10 to 2013-14 came from:

- Social Protection: 92.6 per cent reduction (£27m to £2m)
- Enterprise and Economic Development: 81.6 per cent reduction (£256m to £47m)
- Education: 52 per cent reduction (£271m to £130m)
- Housing and Community amenities: 34 per cent reduction (£592m to 391m)

It should be noted however that current expenditure increased during this period for Social Protection, Enterprise and Economic Development, and Education by the following values:

- Social Protection: 13.7 per cent increase (£7.6bn to £8.6bn)
- Enterprise and Economic Development: 8 per cent increase (£250m to £270m)
- Education: 7.3 per cent increase (£2.4bn to £2.6bn)

Current expenditure for Housing and Community amenities decreased during this period by 18.1 per cent (£530m to £434m).

Other Reading Resources

UK Public Spending

This website provides details on UK Public Spending by region.

Public Expenditure Statistical Analysis 2016

HM Treasury Public Expenditure Statistical Analysis 2016 provides statistics on identifiable expenditure for UK regions for general public services, health, education and other sources of public expenditure.

Public expenditure by country and region

This House of Commons Library Briefing Paper provides figures for public spending per head in England, Scotland, Wales, and Northern Ireland.

NORTHERN IRELAND
NET FISCAL BALANCE REPORT
2012-13 AND 2013-14

October 2015

CONTENTS

LIST OF TABLES & FIGURES

NI's Public Sector Accounts

Public Sector Revenue

Public Sector Expenditure

Conclusion

Annex B - Revenue Methodology

Annex C - Expenditure Methodology

Annex D - NI's Public Sector Accounts (Exc. Non-Id & Acc. Adjustment)

Annex E - NI's Public Sector Accounts (Inc. North Sea Oil)

EXECUTIVE SUMMARY

- This report provides an analysis of the public finances in Northern Ireland (NI), focusing on the expenditure and revenue generated within the region. The report includes data on 2012-13 and 2013-14 (the latest year for which data is available) for the first time and also updates estimates for earlier years (2009-10 to 2011-12).

Revenue

- Total (non-north Sea) public sector revenue collected in NI was estimated to be £14.8 billion in 2012-13 or 2.5 per cent of the UK total. Revenue collected grew slightly to £14.9 billion in 2013-14, or 2.5 per cent of the equivalent UK total

- Over the period 2009-10 to 2013-14 NI public sector revenue grew relatively significantly, showing an increase of 13.1 per cent. In comparison, UK revenue grew by 15.8 per cent over the same time period.

Expenditure

- In 2012-13, total public sector expenditure in NI was estimated to be £24.3 billion, or 3.4 per cent of the equivalent UK total. This figure decreased slightly to £24.1 billion in 2013-14, equivalent to 3.3 per cent of the UK total.

- 'Identifiable' public sector expenditure in NI was estimated to be £19.8 billion in 2012-13 or 3.6 per cent of the corresponding UK total. This increased slightly in 2013-14 to £20.1 billion, or 3.5 per cent of the UK total.

- 'Non-identifiable' expenditure was estimated at £2.9 billion in 2012-13 (2.8 per cent of the UK total). Accounting adjustments amounted to a further £1.6 billion or 2.7 per cent of the overall UK accounting adjustment. For 2013-14 non-identifiable expenditure was estimated at £2.9 billion or 2.8 per cent of the equivalent UK total. Accounting adjustments amounted to a further £1.1 billion or 2.5 per cent of the UK accounting adjustment figure.

- Total public sector expenditure in NI grew slightly from 2009-10 to 2013-14, increasing by 5.7 per cent. A similar trend was recorded in the UK where total public sector expenditure grew by 5.8 per cent.

Overall Fiscal Balance

- For 2012-13 the estimated fiscal balance in NI was a deficit of £9.5 billion (29.1 per cent of GVA). The 2013-14 'fiscal deficit' decreased to £9.2 billion (27.9 per cent of GVA).

- In 2012-13 the net fiscal balance or fiscal deficit in NI was equivalent to £5,187 per head, a figure considerably higher than the UK figure of

£1,999. As a percentage of GVA, the NI fiscal deficit was 29.1 per cent, again higher than the UK equivalent of 8.7 per cent.

- In 2013-14 the fiscal deficit was equivalent to £5,006 per head. This compared to a UK per head figure of £1,763. The NI fiscal deficit, as a percentage of GVA, was 27.9 per cent, which remained significantly higher than the UK equivalent of 7.5 per cent.

- Unless otherwise stated all estimates exclude North Sea oil revenue.

- The calculations employed to derive this net fiscal balance figure for NI require the estimation of several expenditure and revenue items. Therefore, the net fiscal balance estimates presented in this report are subject to some statistical uncertainty.

- The estimations throughout this report are not National Statistics.

SECTION 1: INTRODUCTION AND OVERVIEW

1.1 The purpose of this report is to provide an overview of public sector finances in Northern Ireland (NI) for the financial years 2009-10 to 2013-14. The expenditure and revenue analysis determines the 'net fiscal balance' for NI, estimated as aggregate public sector revenue less aggregate public sector expenditure.

1.2 As with previous reports in this series, the methodology applied continues to be generally consistent with that adopted by the Scottish Government in its annual publication 'Government Expenditure and Revenue in Scotland' (GERS)[1]. While actual data has been used where possible, it has been necessary to make a number of apportionments based on NI's share of United Kingdom (UK) Gross Value Added (GVA)[2], population share or alternative methods.

1.3 The figures within this report are estimates and should therefore be viewed as such[3]. Variations in methodologies or the subsequent provision of more actual data could produce a more accurate reflection of the true fiscal balance. Particular caution should be used in relation to individual components of the fiscal balance as many revenue streams have been estimated and are not true values.

1.4 Users may be aware that HM Revenue and Customs (HMRC) published its third report providing a disaggregation of tax receipts between England, Scotland, Wales and Northern Ireland[4] in October 2015. This report apportioned total UK tax receipts, tax credits and benefit payments administered by HMRC to England, Wales, Scotland and Northern Ireland. While the HMRC were able to draw on administrative data where it was available, comprehensive actual data on Northern Ireland receipts is not routinely available. Therefore as with the Net Fiscal Balance and GERS reports, HMRC also had to estimate the tax attributable to Northern Ireland using a variety of statistical techniques, including apportionment assumptions and adjustments where necessary. In some instances these are similar to those employed by DFP in producing the Net Fiscal Balance Report, while others differ. HMRC has acknowledged that a variety of alternative methodologies could justifiably be applied, which would lead to different estimates.

1.5 In terms of this 2012-13 and 2013-14 report for NI, the main estimates are produced using the methodology developed for the GERS report to

---

[1] Scottish Government (March 2015) 'Government Expenditure and Revenue in Scotland 2013-14' http://www.gov.scot/Resource/0047/00472877.pdf

[2] Gross Domestic Product data is not available for Northern Ireland so Gross Value-Added (GVA) data is used instead. GVA + taxes on products - subsidies on products = GDP. Further note that the GVA figures used exclude Extra-Regio (off-shore contribution to GVA that cannot be assigned to any region).

[3] Estimates have been revised from previous reports as a result of changes in methodology, the use of alternative data sources and revision of previous figures used.

[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/285765/disagg-info.pdf

maintain consistency with that and previous reports in the Net Fiscal Balance series. However a separate estimate of the net fiscal balance position based on the HMRC revenue data is also provided for comparison and completeness.

1.6 The remainder of this report is structured as follows:

Section 2: NI's Public Sector Accounts

1.7 Section 2 provides overall estimates of net fiscal balances in NI based on aggregate public sector revenue and expenditure estimates for the financial years 2009-10 to 2013-14.

Section 3: Public Sector Revenue

1.8 Section 3 presents estimates of NI's public sector revenue raised over the financial years 2009-10 to 2013-14.

Section 4: Public Sector Expenditure

1.9 Section 4 provides public sector expenditure estimates for NI over the financial years 2009-10 to 2013-14.

Section 5: Conclusion

1.10 This section summarises the main results of the analysis.

Annex A: Fiscal Background

1.11 Annex A contains a brief background to the public sector fiscal framework in NI and the UK.

Annex B: Public Sector Revenue Methodology

1.13 Annex B provides details on the methodology employed in this report to produce estimates of public sector revenue in NI.

Annex C: Public Sector Expenditure Methodology

1.14 Annex C presents details on the methodology employed to produce estimates of public sector expenditure in NI.

Annex D: NI's Public Sector Accounts (Exc. Non-Id & Acc. Adjustment)

1.15 Annex D illustrates an estimate of the NI fiscal balance based on identifiable expenditure only.

Annex E: NI's Public Sector Accounts (Inc. North Sea Oil)

1.16 Annex E illustrates an estimate of the NI fiscal balance including a per capita share of North Sea oil revenue.

SECTION 2: NI'S PUBLIC SECTOR ACCOUNTS

Introduction

2.1 This section presents an overview of NI's public sector accounts for the period 2009-10 to 2013-14, including estimates of the net fiscal balance over this five year period. It is important to bear in mind that the figures set out in this report are estimates subject to a margin of error and should be treated accordingly. Furthermore, as well as providing 2012-13 and 2013-14 figures for the first time, this report provides revised estimates for 2009-10 to 2011-12. Year-on-year comparisons should be made on the basis of the consistent estimates provided in this report.

Net Fiscal Balance 2012-13 and 2013-14

2.2 The 'net fiscal balance' shows the difference between total public sector revenue and total public sector expenditure (including accounting adjustments).

2.3 In 2012-13, NI recorded a negative net fiscal balance of £9.5 billion (or 29.1 per cent of GVA). In 2013-14, NI recorded a slightly lower negative fiscal balance of £9.2 billion, 27.9% of GVA.

2.4 Applying the NI methodology, in 2012-13 the total UK current budget deficit (excluding North Sea oil revenues) amounted to approximately £127 billion. This figure reduced to £113 billion in 2013-14.

2.5 The net fiscal balance or 'fiscal deficit' in NI was equivalent to £5,187 per head in 2012-13 and £5,006 per head in 2013-14. This compares to per head figures in the UK of £1,999 and £1,763 in 2012-13 and 2013-14 respectively. The NI fiscal deficit as a percentage of regional GVA was 29.1 per cent in 2012-13 and 27.9 per cent in 2013-14. In both years these were higher than the UK equivalent of 8.7 per cent and 7.5 per cent respectively.

2.6 Table 2.1 contains headline public sector revenue and expenditure figures relating to 2012-13 and 2013-14 estimates for NI and the UK.

Table 2.1: Net fiscal balance estimates: NI and the UK, 2013-14 (£m)

	2012-13		2013-14	
£ Million	NI	UK	NI	UK
Aggregate Expenditure	24,292	717,916	24,083	720,487
Aggregate Revenue	14,833	590,571	14,923	607,466
Net Fiscal Balance	-9,459	-127,345	-9,160	-113,021
Net Fiscal Balance per capita (£)	-5,187	-1,999	-5,006	-1,763
Net Fiscal Balance as a % of financial year GVA	-29.1%	-8.7%	-27.9%	-7.5%

Net Fiscal Balance 2009-10 to 2013-14

2.7 The remainder of this section profiles NI's fiscal position over the period 2009-10 to 2013-14, identifying trends in aggregate expenditure and revenue.

2.8 Table 2.2 shows how NI's fiscal deficit has decreased by approximately £0.4 billion over the period; from £9.6 billion in 2009-10 to £9.2 billion in 2013-14. As a percentage of regional GVA, the deficit decreased by 3.0 percentage points from 2009-10 to 2013-14. Within that 5 year period, the deficit dipped to a low of £8.9 billion in 2011-12 before increasing in 2012-13 to £9.5 billion.

Table 2.2: NI Fiscal Position 2009-10 to 2013-14

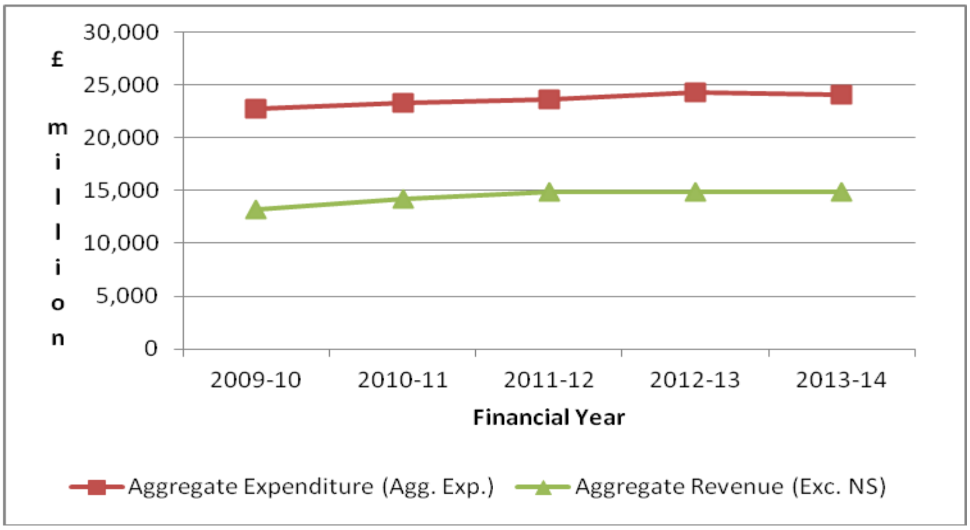
	NI				
£ Million	2009-10	2010-11	2011-12	2012-13	2013-14
Aggregate Expenditure	22,774	23,357	23,703	24,292	24,083
Aggregate Revenue	13,191	14,247	14,848	14,833	14,923
Net Fiscal Balance	-9,583	-9,110	-8,855	-9,459	-9,160
Net Fiscal Balance per capita (£)	-5,344	-5,048	-4,881	-5,187	-5,006
Net Fiscal Balance as a % of financial year GVA	-30.9%	-28.9%	-27.6%	-29.1%	-27.9%

2.9 The information provided in this table is further illustrated in figures 2.3 and 2.4.

2.10 Figure 2.3 presents aggregate expenditure and revenue, highlighting NI's negative budget balance or 'deficit'. The gap between these two lines indicates the size of the NI deficit over the period 2009-10 to 2013-14.

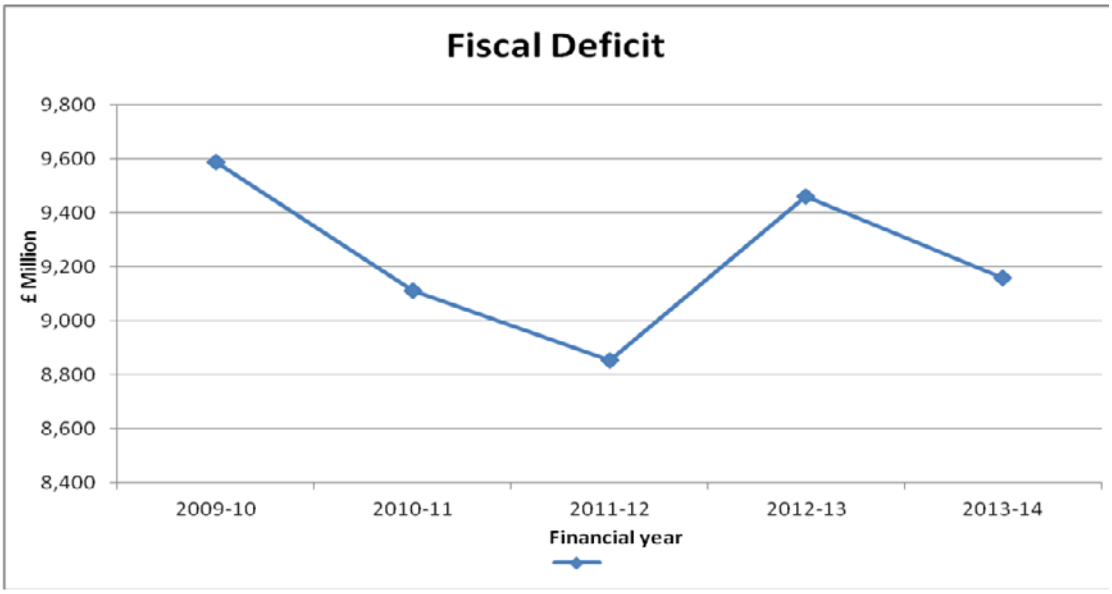
2.11 Over the five year period, total spending increased by £1.3 billion (5.7 per cent) while estimated aggregate revenue increased by £1.7 billion (13.1 per cent), giving a net decrease in the NI fiscal deficit of approximately £0.4 billion (4.4 per cent).

Figure 2.3: NI Trends in Aggregate Revenue and Aggregate Expenditure, 2009-10 to 2013-14



2.12 Figure 2.4 illustrates the trend of the 'fiscal deficit' over the five year period 2009-10 to 2013-14. Decreases were recorded between 2009-10 and 2011-12. This coincides with increases in the 3 main revenue streams for Northern Ireland - income tax, NICs and VAT - and a decreasing rate of growth in government expenditure over this time period. Although an increase was recorded in the 'fiscal deficit' from 2011-12 to 2012-13, due to stagnant revenue and increased expenditure, it decreased over the most recent time period (2012-13 to 2013-14) by 3.2 per cent. This can be attributed to a decrease in expenditure coupled with increased revenue. Overall, the period of 2009-10 to 2013-14 witnessed a decrease in the 'fiscal deficit' of approximately 4.4 per cent.

Figure 2.4: NI Fiscal Deficit Position, 2009-10 to 2013-14



2.13 The NI fiscal position from 2009-10 to 2013-14 shows a broadly similar trend to that seen in the UK public finances where revenue grew by 15.8 per cent, while expenditure rose by 5.8 per cent.

Revenue

2.14 Table 2.5 details the main components of public sector revenue in NI over the period 2009-10 to 2013-14. A further disaggregation of revenue is presented in section 3.

2.15 In 2013-14, total estimated public sector revenue in NI was approximately £14.9 billion representing a significant increase of 13.1 per cent from 2009-10. Increased revenue from VAT contributed most in absolute terms to the increase in tax revenues.

Table 2.5: Summary of Total Public Sector Revenue in NI, 2009-10 to 2013-14 (£m)

Revenue Stream	NI				
£ Million	2009-10	2010-11	2011-12	2012-13	2013-14
Income tax	2,469	2,593	2,509	2,479	2,605
VAT	2,325	2,794	3,170	3,119	3,271
National Insurance Contributions (NICs)	2,051	2,091	2,173	2,235	2,295
Local Authority Revenue	1,000	1,028	1057	1105	1,123
Corporation tax (excluding NS revenues)	685	808	729	755	768
Fuel duties	876	901	886	869	880
Gross operating surplus & rent	1,908	1,989	2,090	2,191	1,982
Other Revenues	1,877	2,044	2,234	2,080	2,000
Current receipts (excluding NS revenues)	**13,191**	**14,247**	**14,848**	**14,833**	**14,923**

Note: figures may not sum to totals due to rounding.

Expenditure

2.16 Table 2.6 presents a summary of Total Expenditure on Services (TES) for the main spending functions in NI over the period 2009-10 to 2013-14. A more detailed breakdown of expenditure is provided in section 4, including the estimation of the accounting adjustment required to bring TES in line with Total Managed Expenditure (TME) – the principal public sector expenditure aggregate used in UK Public Finance Accounts.

Table 2.6: Summary of Total Public Sector Expenditure on Services (TES) in NI, 2009-10 to 2013-14 (£m)

Expenditure Category	NI				
	2009-10	2010-11	2011-12	2012-13	2013-14
Social protection	7,580	7,572	7,954	8,331	8,586
Health	3,466	3,621	3,658	3,863	3,899
Education	2,714	2,826	2,793	2,849	2,751
Public order and safety	1,367	1,499	1,488	1,442	1,410
Defence	1,089	1,133	1,107	1,039	1,038
General public services [1]	1,578	1,972	1,939	1,810	1,888
Other [2]	3,885	3,568	3,499	3,371	3,419
Total	**21,679**	**22,191**	**22,438**	**22,705**	**22,993**

Note: figures may not sum to totals due to rounding.
1. This category is comprised of public and common services, international services, and debt interest.
2. This category is comprised of EU transactions, enterprise & economic development, science & technology, employment policies, agriculture, fisheries & forestry, transport, environment protection, housing & community amenities, and recreation, culture & religion.

Alternative Net Fiscal Balance 2013-14 estimate based on HMRC regional tax figures

2.17 As indicated in Section 1, HMRC has produced a report providing a disaggregation of tax receipts between England, Scotland, Wales and Northern Ireland. This provides alternative estimates for most tax revenues (except some that are locally raised such as rates income, and the non-cash item, gross operating surplus). The effect of applying these alternate HMRC estimates (where available) is to reduce total aggregate revenue for NI in 2013-14 from the £14.9bn included at Table 2.2 to £14.3bn. This in turn would increase the 2013-14 net fiscal balance from £9.2bn to £9.8bn.

SECTION 3: PUBLIC SECTOR REVENUE

Introduction

3.1 This section focuses on public sector revenues. As mentioned previously, there are a number of practical and theoretical difficulties that arise when allocating shares of UK tax revenue to each of its constituent countries as data on taxation is generally not available on a regional basis. Therefore, it has been necessary in some cases to estimate regional shares using reasoned assumptions. If more actual data was available this would lead to a more accurate reflection of total revenue raised in NI.

3.2 The data used to derive the figures for this report is taken from the Office for National Statistics (ONS) PSAT2 Database. Details of the methodology employed and the various sources of data used in estimating total public sector revenue in NI are provided in Annex B. In particular, table B1 provides a summary of the apportionment method applied and the source of data used to estimate each revenue stream.

3.3 North Sea oil revenues are excluded from this public sector revenue estimation. For a hypothetical exercise including a per capita share of North Sea revenues allocated to NI, refer to Annex E.

Estimated Revenue 2013-14

3.4 The estimates of revenue generated in NI and the UK for 2013-14 are presented in Table 3.1. The table also shows the estimated contribution from each revenue stream and the proportion of UK revenue raised in NI. Based on the calculations, NI revenues are estimated at £14.9 billion in 2013-14 or 2.5 per cent of the UK total non-North Sea revenue.

Table 3.1: Current Revenue: NI and UK 2013-14

Revenue Stream	UK (£ million)	NI (£ million)	Share of UK
Income tax (net of tax credits)	156,011	2,605	1.7%
Corporation tax (excluding North Sea revenues)	35,623	768	2.2%
Capital gains tax	3,907	86	2.2%
Inheritance tax	3,401	43	1.3%
Stamp duties	12,479	147	1.2%
National Insurance Contributions (NICs)	107,306	2,295	2.1%
VAT	120,226	3,271	2.7%
Fuel duties	26,881	880	3.3%
Tobacco duty	9,556	436	4.6%
Alcohol Duties	10,308	238	2.3%
Betting & Gaming duties	1,645	72	4.4%
Air Passenger duty	3,003	83	2.8%
Insurance Premium tax	3,018	78	2.6%
Land fill tax	1,179	30	2.5%
Climate Change Levy	1,200	27	2.3%
Aggregates levy	294	6	2.2%
VED	6,121	174	2.8%
Business rates (non-domestic rates)	24,493	566	2.3%
Council Tax (domestic rates)	27,360	557	2.0%
Other taxes & royalties[1]	12,677	333	2.6%
Interest & dividends	5,592	161	2.9%
Gross operating surplus and rent	31,939	1,982	6.2%
Other taxes on income and wealth	3,247	84	2.6%
Current Receipts (excluding North Sea Revenues)	**607,466**	**14,923**	**2.5%**
North Sea Revenues (NI on a per capita basis)[2]	4,766	136	2.9%
Current Receipts (including North Sea Revenues)	**612,232**	**15,059**	**2.5%**

[1] Includes money paid into the National Lottery Distribution Fund.
[2] Consists of North Sea corporation tax, petroleum revenue tax and royalties.

3.5 The main sources of NI estimated tax receipts were: income tax (net of tax credits) amounting to £2.6 billion; Value-Added Tax (VAT) amounting to £3.3 billion; and National Insurance Contributions (NICs) amounting to £2.3 billion. Collectively, these estimated receipts accounted for around 55 per cent of NI public sector revenue in 2013-14.

3.6 Table 3.2 shows NI receipts and their respective proportion of total estimated NI public sector revenue.

Table 3.2: Current Revenue in NI 2013-14

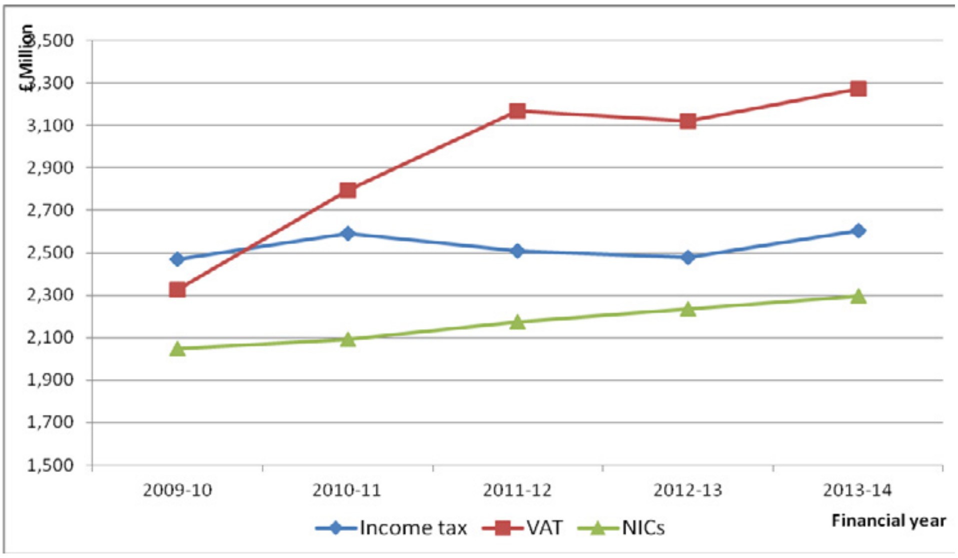
Revenue Stream	NI (£ million)	Share of NI Total
Income tax (net of tax credits)	2,605	17.5%
Corporation tax (excluding North Sea revenues)	768	5.1%
Capital gains tax	86	0.6%
Inheritance tax	43	0.3%
Stamp duties	147	1.0%
National Insurance Contributions (NICs)	2,295	15.4%
VAT	3,271	21.9%
Fuel duties	880	5.9%
Tobacco duty	436	2.9%
Alcohol Duties	238	1.6%
Betting & Gaming duties	72	0.5%
Air Passenger duty	83	0.6%
Insurance Premium tax	78	0.5%
Land fill tax	30	0.2%
Climate Change Levy	27	0.2%
Aggregates levy	6	0.0%
VED	174	1.2%
Business rates (non-domestic rates)	566	3.8%
Council Tax (domestic rates)	557	3.7%
Other taxes & royalties[1]	333	2.2%
Interest & dividends	161	1.1%
Gross operating surplus & rent	1,982	13.3%
Other taxes on income and wealth	84	0.6%
Current Receipts (excluding North Sea Revenues)	**14,923**	**100.0%**

Note: figures may not sum to totals due to rounding.
[1] Includes money paid into the National Lottery Distribution Fund.

Estimated Revenue 2009-10 to 2013-14

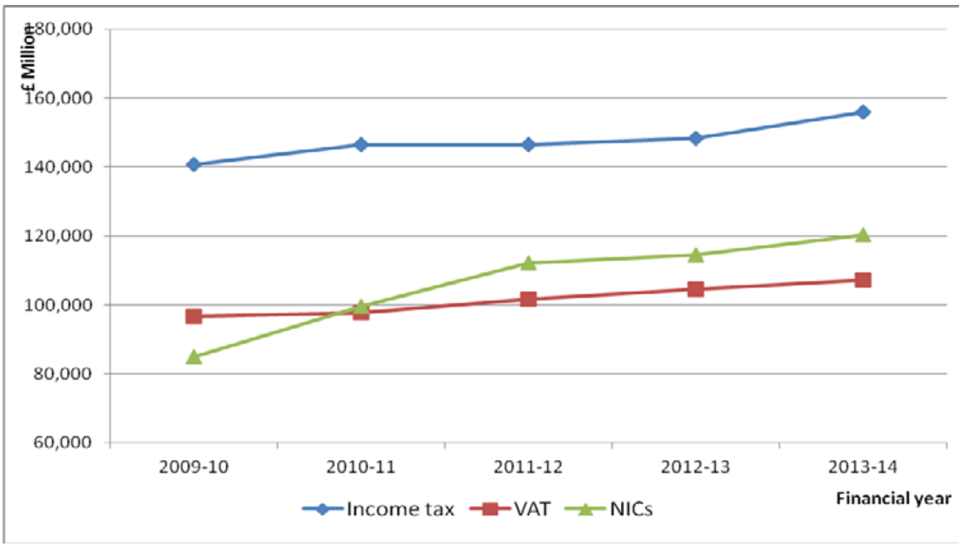
3.7 Figures 3.3 and 3.4 illustrate the trends in NI and the UK respectively for each of the three largest revenue categories (namely income tax, VAT, and NICs).

Figure 3.3: Trend of NI Largest Revenue Categories, 2009-10 to 2013-14



3.8 In NI income tax, VAT and NICs have all experienced growth in the 5 years from 2009-10 to 2013-14. VAT in particular has experienced significant growth from 2009-10 to 2011-12, which can be partly attributed to the rise in the VAT rate from 17.5% to 20% in January 2011.Likewise, income tax, VAT and NICs have experienced growth in the UK over the same period. Figure 3.3 shows that NI VAT revenues are now higher than income tax revenues. Comparatively, in the UK income tax receipts continue to be substantially higher than the other main sources of revenue.

Figure 3.4: Trend of UK Largest Revenue Categories, 2009-10 to 2013-14



3.9 Table 3.5 shows estimates of UK and NI revenue for the period 2009-10 to 2013-14.

Table 3.5: Estimated Revenue Trend for UK and NI 2009-10 to 2013-14

£ Million	UK					NI				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Income tax (net of tax credits)	140,606	146,628	146,548	148,435	156,011	2,469	2,593	2,509	2,479	2,605
Corporation tax (excluding NS revenues)	30,737	35,173	33,225	34,977	35,623	685	808	729	755	768
Capital gains tax	2,504	3,589	4,336	3,926	3,907	58	82	98	87	86
Inheritance tax	2,386	2,716	2,905	3,106	3,401	36	34	30	39	43
Stamp duties	7,904	8,931	8,919	9,140	12,479	132	135	124	112	147
National Insurance Contributions (NICs)	96,638	97,747	101,597	104,483	107,306	2,051	2,091	2,173	2,235	2,295
VAT	84,825	99,523	112,067	114,465	120,226	2,325	2,794	3,170	3,119	3,271
Fuel duties	26,197	27,256	26,798	26,571	26,881	876	901	886	869	880
Tobacco duty	9,462	9,305	9,878	9,590	9,556	516	475	504	437	436
Alcohol duties	9,246	9,434	10,180	10,139	10,308	223	223	405	354	238
Betting & Gaming duties	1,029	1,069	1,221	1,228	1,645	28	43	49	54	72
Air Passenger duty	1,870	2,183	2,637	2,818	3,003	60	66	73	78	83
Insurance Premium tax	2,262	2,509	3,002	3,033	3,018	59	67	80	79	78
Land fill tax	944	1,094	1,075	1,116	1,179	29	32	28	29	30
Climate Change Levy	687	660	678	663	1,200	14	13	17	15	27
Aggregates levy	276	294	283	261	294	6	7	6	6	6
VED	5,692	5,789	5,930	6,003	6,121	164	167	171	170	174
Business rates (non-domestic rates)	21,500	21,527	22,691	23,865	24,493	510	524	533	557	566
Council Tax (domestic rates)	25,069	25,555	25,767	26,118	27,360	490	504	524	548	557
Other taxes & royalties[1]	13,287	13,716	14,902	14,077	12,677	359	393	410	379	333
Interest & dividends	4,852	5,493	5,648	5,510	5,592	141	159	164	160	161
Gross operating surplus and rent	34,605	35,428	36,307	37,932	31,939	1,908	1,989	2,090	2,191	1,982
Other taxes on income and wealth	2,037	6,050	2,901	3,115	3,247	52	149	76	81	84
Current receipts (excluding NS revenues)	**524,615**	**561,669**	**579,495**	**590,571**	**607,466**	**13,191**	**14,247**	**14,848**	**14,833**	**14,923**
North Sea revenues (per capita basis)[2]	5,991	8,406	10,958	6,214	4,766	173	242	314	178	136
Current Receipts (including NS revenues)	**530,606**	**570,075**	**590,453**	**596,785**	**612,232**	**13,363**	**14,489**	**15,162**	**15,011**	**15,059**

See footnotes 1 & 2 at Table 3.1

3.10 Table 3.6 identifies the growth rate of each revenue category over the periods 2009-10 to 2013-14 and 2012-13 to 2013-14 for both the UK and NI.

Table 3.6: % Growth in Revenue between 2009-10 and 2013-14

£ Million	2009-10 to 2013-14		2012-13 to 2013-14	
	UK % Growth	NI % Growth	UK % Growth	NI % Growth
Income tax (net of tax credits)	11.0%	5.5%	5.1%	5.1%
Corporation tax (excluding NS revenues)	15.9%	12.1%	1.8%	1.7%
Capital gains tax	56.0%	47.2%	-0.5%	-2.0%
Inheritance tax	42.5%	19.4%	9.5%	10.3%
Stamp duties	57.9%	11.4%	36.5%	31.4%
National Insurance Contributions (NICs)	11.0%	11.9%	2.7%	2.7%
VAT	41.7%	40.7%	5.0%	4.9%
Fuel duties	2.6%	0.4%	1.2%	1.2%
Tobacco duty	1.0%	-15.5%	-0.4%	-0.4%
Alcohol duties	11.5%	6.7%	1.7%	-32.9%
Betting & Gaming duties	59.9%	155.2%	34.0%	34.0%
Air Passenger duty	60.6%	38.3%	6.6%	6.4%
Insurance Premium tax	33.4%	33.6%	-0.5%	-0.5%
Land fill tax	24.9%	2.1%	5.6%	4.0%
Climate Change Levy	74.7%	89.5%	81.0%	80.0%
Aggregates levy	6.5%	0.5%	12.6%	11.0%
VED	7.5%	6.1%	2.0%	2.4%
Business rates (non-domestic rates)	13.9%	11.0%	2.6%	1.6%
Council Tax (domestic rates)	9.1%	13.7%	4.8%	1.6%
Other taxes & royalties[1]	-4.6%	-7.1%	-9.9%	-12.0%
Interest & dividends	15.3%	14.1%	1.5%	1.1%
Gross operating surplus & rent	-7.7%	3.9%	-15.8%	-9.5%
Other receipts & accounting adjustments	59.4%	63.5%	4.2%	3.4%
Current receipts (excluding NS revenues)	15.8%	13.1%	2.9%	0.6%
North Sea revenues (per capita basis) [2]	-20.4%	-21.2%	-23.3%	-23.5%
Current Receipts (including NS revenues)	15.4%	12.7%	2.6%	0.3%

See footnotes 1 & 2 at Table 3.1

HMRC Revenue estimates for Northern Ireland

3.13 Table 3.7 compares the 2013-14 tax revenue estimates from the NI Net Fiscal Balance report and the HMRC report. It has not been possible to compare all revenue streams as some are included in the NI Net Fiscal balance report but not in the HMRC report and vice versa. The comparison highlights a number of differences in the estimates, however the most significant revenue stream not included in the HMRC report is Gross Operating Surplus & Rent (a non-cash item), which accounts for almost £2.0bn of the total revenue estimate in the Net Fiscal Balance report.

Table 3.7: Comparison of Revenue Estimates – NFB and HMRC

Tax Revenue Stream	NFB 2013-14 (£million)	HRMC 2013-14 (£million)
Income tax (net of tax credits)	2,605	2,620
Corporation tax (excluding NS revenues)	768	478
Capital gains tax	86	34
Inheritance tax	43	38
Stamp duties	147	37
National Insurance Contributions (NICs)	2,295	2,282
VAT	3,271	2,972
Fuel duties	880	905
Tobacco duty	436	434
Alcohol duties	238	312
Betting & Gaming duties	72	61
Air Passenger duty	83	87
Insurance Premium tax	78	78
Land fill tax	30	29
Climate Change Levy	27	9
Aggregates levy	6	34
VED	174	N/A
Business rates (non-domestic rates)	566	N/A
Council Tax (domestic rates)	557	N/A
Other taxes & royalties	333	N/A
Interest & dividends	161	N/A
Gross operating surplus & rent	1,982	N/A
Other taxes on income and wealth	84	N/A
Customs Duties	N/A	64
Child and Working Tax Credits	N/A	1,055
Child Benefit	N/A	377
Swiss Capital Tax	N/A	13
Annual tax on enveloped dwellings	N/A	2

3.14 Table 3.8 shows that the NI fiscal deficit is estimated at £9.8bn using the HMRC tax revenue estimates. This is a difference of 6.9 per cent compared to the estimate using the methodology developed through the GERS report. As a percentage of GVA, the fiscal deficit estimate using HMRC data is 2.0 percentage points higher than the estimate calculated using the GERS methodology and the fiscal deficit per capita is 6.9 per cent higher at £5,365.

Table 3.8: Net Fiscal Balance estimates using HMRC revenue data

£ Million	2013-14 NI
Aggregate Expenditure	24,083
Aggregate Revenue	14,267
Net Fiscal Balance	-9,816
Net Fiscal Balance per capita (£)	-5,365
Net Fiscal Balance as a % of financial year GVA	-29.9%

SECTION 4: PUBLIC SECTOR EXPENDITURE

Introduction

4.1 This section provides a more detailed analysis of public expenditure in NI. The estimates presented are based on data contained in the November 2014[5] Country and Regional Analysis (CRA) of HM Treasury's 'Public Expenditure Statistical Analysis' publication[6] (hereafter referred to as PESA).

4.2 In accordance with PESA, public expenditure data has been disaggregated into three components: identifiable expenditure; non-identifiable expenditure; and an accounting adjustment. Identifiable expenditure is that which can be recognised as benefiting individuals, enterprises or communities within particular regions. Examples of identifiable expenditure include welfare payments and most health and education expenditure.

4.3 Non-identifiable expenditure is incurred on behalf of the UK as a whole and cannot be apportioned to an individual country or region. The largest element of non-identifiable expenditure is defence expenditure. For example, defence spend benefits the UK as a single entity rather than specific parts. Debt interest payments, defence, and international services are typically the largest elements of non-identifiable expenditure.

4.4 A hypothetical exercise estimating the NI fiscal balance excluding non-identifiable spending and the accounting adjustment is attached at Annex D of this report. However, clearly there are aspects of total UK public expenditure that need to be considered.

4.5 Both identifiable and non-identifiable expenditure consist of current and capital expenditure. Current expenditure includes items such as welfare payments and public sector pay. Capital expenditure largely comprises spend on infrastructure such as roads, schools and hospitals. Total identifiable and total non-identifiable expenditure sum to produce an estimate of Total Expenditure on Services (TES). An accounting adjustment is then required to bring TES into line with Total Managed Expenditure (TME), the principal public sector expenditure aggregate used in UK Public Finance Accounts.

---

[5] See Annex C for more detail

[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/380589/Country_and_Regional_Analysis_November_2014_Combined.pdf

In Summary:

- **Identifiable (Current + Capital) + Non-Identifiable (Current + Capital) = Total Expenditure on Services**

- **Total Expenditure on Services + Accounting Adjustment = Total Managed Expenditure**

Total Expenditure on Services

4.6 Table 4.1 shows estimated public sector TES for NI by expenditure category in 2013-14. Based on the methodologies adopted in this report, TES was estimated at £23.0 billion in NI. This was equivalent to 3.4 per cent of total UK public sector expenditure. The largest expenditure component was social protection, which accounted for 37.3 per cent of NI TES. Health and education were the next largest spending categories, accounting for respective TES shares of 17.0 per cent and 12.0 per cent.

Table 4.1: NI Total Expenditure on Services (TES), 2013-14

	Northern Ireland	
	Expenditure £ million	Share of Total Expenditure
Public and common services	542	2.4%
EU transactions	93	0.4%
International services	288	1.3%
Debt interest	1,059	4.6%
Defence	1,038	4.5%
Public order and safety	1,410	6.1%
Enterprise and economic development	316	1.4%
Science and technology	98	0.4%
Employment policies	176	0.8%
Agriculture, fisheries and forestry	537	2.3%
Transport	541	2.4%
Environment protection	267	1.2%
Housing and community amenities	825	3.6%
Health	3,899	17.0%
Recreation, culture and religion	565	2.5%
Education	2,751	12.0%
Social protection	8,586	37.3%
Total[1]	**22,993**	**100.0%**

1. The sum of the constituent items may not always agree exactly with the total shown due to rounding.

4.7 Table 4.2 details total current and capital expenditure for NI and the UK over the period 2009-10 to 2013-14.

Table 4.2: Total Current and Capital Expenditure on Services (TES): NI and the UK 2009-10 to 2013-14 (£m)

	NI					UK				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Current	19,574	20,371	20,836	21,196	21,471	572,754	600,131	606,732	617,044	629,721
Capital	2,105	1,820	1,602	1,509	1,522	65,125	55,133	45,967	42,761	47,651
Total [1]	**21,679**	**22,191**	**22,438**	**22,705**	**22,993**	**637,879**	**655,264**	**652,699**	**659,805**	**677,372**

1. The sum of the constituent items may not always agree exactly with the total shown due to rounding. The UK total presented is taken directly from PESA.

4.8 Table 4.3 provides the shares of NI TES attributed to current and capital expenditure. From 2009-10 to 2013-14, capital expenditure decreased as a proportion of total expenditure annually, from 9.7 per cent in 2009-10 to 6.6 per cent in 2013-14.

Table 4.3: Current and Capital Expenditure (% of Total Expenditure): NI and the UK 2009-10 to 2013-14

	NI					UK				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Current	90.3%	91.8%	92.9%	93.4%	93.4%	89.8%	91.6%	93.0%	93.5%	93.0%
Capital	9.7%	8.2%	7.1%	6.6%	6.6%	10.2%	8.4%	7.0%	6.5%	7.0%

4.9 Tables 4.4 and 4.5 present TES by current and capital expenditure for NI and the UK.

4.10 Over the period 2009-10 to 2013-14, estimated TES increased from £21.7 billion to £23.0 billion in NI, an increase of 6.1 per cent. UK TES increased from £637.9 billion to £677.4 billion over the same period, a similar increase of 6.2 per cent.

4.11 Current expenditure by the NI public sector accounts for approximately 93 per cent of TES in both NI and the UK. Between 2009-10 and 2013-14 current expenditure increased by 9.7 per cent in NI and by 9.9 per cent in the UK.

4.12 In comparison, NI public sector capital expenditure accounts for around 7.0 per cent of TES. Overall, capital expenditure declined by 27.7 per cent in Northern Ireland and by 26.8 per cent in the UK as a whole over the period 2009-10 to 2013-14.

Table 4.4: NI Total Expenditure on Services (TES), 2009-10 to 2013-14 (£m)

	Current					Capital					Total				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Public and common services	509	524	475	474	494	74	62	38	31	48	583	586	513	505	542
EU transactions	80	97	100	92	93	0	0	0	0	0	80	97	100	92	93
International services	189	210	211	212	270	17	21	17	16	17	206	231	228	228	287
Debt interest	789	1,155	1,198	1,077	1,059	0	0	0	0	0	789	1,155	1,198	1,077	1,059
Defence	972	1,009	1,003	940	945	117	124	104	99	93	1,089	1,133	1,107	1,039	1,038
Public order and safety	1,285	1,418	1,399	1,364	1,341	82	81	89	78	69	1,367	1,499	1,488	1,442	1,410
Enterprise and economic development [1]	250	195	205	267	270	256	82	63	40	47	506	277	268	307	317
Science and technology	84	86	78	84	86	8	7	8	4	12	92	93	86	88	98
Employment policies	133	170	158	152	176	1	0	0	0	0	134	170	158	152	176
Agriculture, fisheries and forestry	540	506	470	459	485	22	24	32	35	52	562	530	502	494	537
Transport	260	296	301	305	294	329	409	309	273	248	589	705	610	578	542
Environment protection	244	240	253	242	238	9	19	16	18	29	253	259	269	260	267
Housing and community amenities	530	403	486	445	434	592	431	476	375	391	1,122	834	962	820	825
Health	3,278	3,418	3,463	3,548	3,648	188	203	195	315	251	3,466	3,621	3,658	3,863	3,899
Recreation, culture and religion	435	483	459	488	431	112	120	85	92	133	547	603	544	580	564
Education	2,443	2,602	2,635	2,719	2,621	271	224	158	130	130	2,714	2,826	2,793	2,849	2,751
Social protection	7,553	7,559	7,942	8,328	8,584	27	13	12	3	2	7,580	7,572	7,954	8,331	8,586
Total	**19,574**	**20,371**	**20,836**	**21,196**	**21,471**	**2,105**	**1,820**	**1,602**	**1,509**	**1,522**	**21,679**	**22,191**	**22,438**	**22,705**	**22,993**

1. The sum of the constituent items may not always agree exactly with the total shown due to rounding.

Table 4.5: UK Total Expenditure on Services (TES), 2009-10 to 2013-14 (£m)

	Current					Capital					Total				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Public and common services	11933	11125	10465	10045	10305	1819	1635	1111	1267	1831	13752	12760	11576	11312	12136
EU transactions	904	3,628	2,034	4,307	5,174	0	0	0	0	0	904	3,628	2,034	4,307	5,174
International services	6,537	7,257	7,360	7,407	9,474	596	743	592	546	621	7,133	8,000	7,952	7,953	10,095
Debt interest	27,258	39,953	41,791	37,641	37,109	0	0	0	0	0	27,258	39,953	41,791	37,641	37,109
Defence	33,652	34,982	35,056	32,899	33,169	4,060	4,305	3,606	3,456	3,261	37,712	39,287	38,662	36,355	36,430
Public order and safety	31,432	31,014	30,509	29,936	28,674	2,686	2,002	1,525	1,364	1,491	34,118	33,016	32,034	31,300	30,165
Enterprise and economic development [2]	5,126	2,792	3,256	3,933	4,224	7,110	2,024	1,595	938	1,051	12,236	4,816	4,851	4,871	5,275
Science and technology	2,819	2,885	2,957	3,107	3,325	734	521	607	492	1,114	3,553	3,406	3,564	3,599	4,439
Employment policies	3,953	4,603	3,170	2,986	3,852	144	94	83	100	76	4,097	4,697	3,253	3,086	3,928
Agriculture, fisheries and forestry	5,549	5,150	5,522	4,990	5,044	273	329	270	305	439	5,822	5,479	5,792	5,295	5,483
Transport	9,767	8,830	8,375	7,861	8,055	13,204	12,660	11,667	10,910	12,319	22,971	21,490	20,042	18,771	20,374
Environment protection	8,188	8,145	8,212	7,716	8,141	2,209	2,784	2,250	2,888	3,374	10,397	10,929	10,462	10,604	11,515
Housing and community amenities	4,018	3,219	2,732	3,175	3,146	12,326	9,900	7,314	6,773	8,590	16,344	13,119	10,046	9,948	11,736
Health	110,737	114,437	116,987	119,491	124,772	6,180	5,389	4,249	4,782	4,710	116,917	119,826	121,236	124,273	129,482
Recreation, culture and religion	10,383	10,380	9,797	10,852	9,442	2,796	2,582	2,714	1,879	2,225	13,179	12,962	12,511	12,731	11,667
Education	78,550	82,351	79,108	80,652	84,263	9,934	9,148	7,789	6,633	6,758	88,484	91,499	86,897	87,285	91,021
Social protection	221,948	229,380	239,401	250,046	251,552	1,053	1,018	595	427	-208	223,001	230,398	239,996	250,473	251,344
Total[1]	**572,754**	**600,131**	**606,732**	**617,044**	**629,721**	**65,124**	**55,134**	**45,967**	**42,760**	**47,652**	**637,878**	**655,265**	**652,699**	**659,804**	**677,373**

1. The sum of the constituent items may not always agree exactly with the total shown due to rounding. The total presented is taken directly from PESA 2014.

4.13 Figures 4.6 and 4.7 show similar trends in the growth of the three largest expenditure categories in both NI and the UK respectively. The largest categories in both regions are social protection (which covers expenditure on welfare payments and so on), followed by health expenditure and then by expenditure on education.

Figure 4.6: Trend of NI Largest Expenditure Categories, 2009-10 to 2013-14

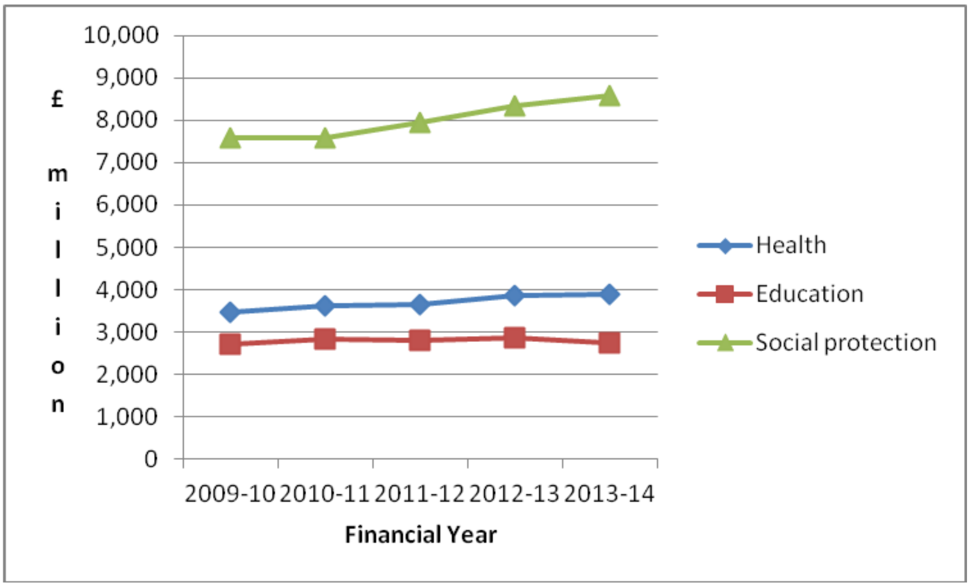
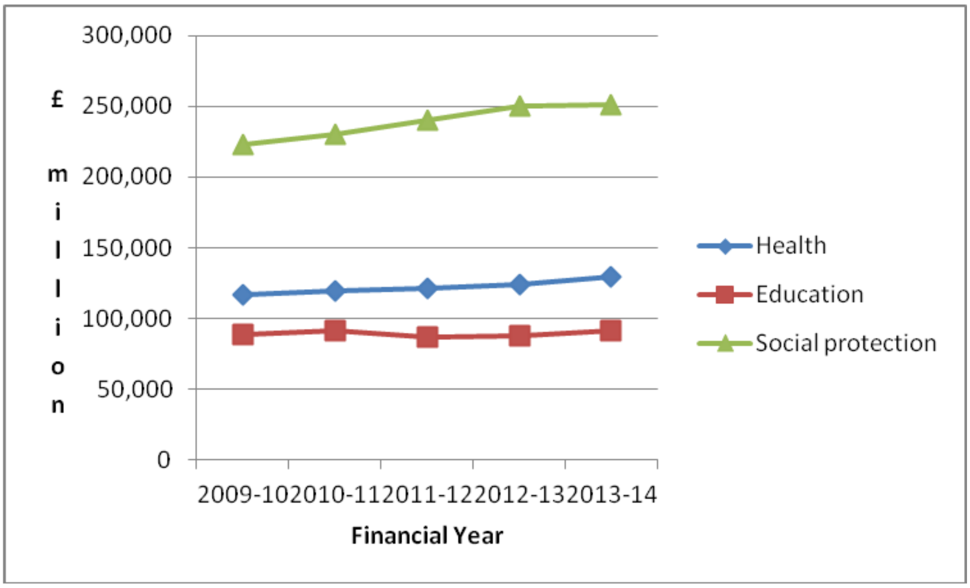


Figure 4.7: Trend of UK Largest Expenditure Categories, 2009-10 to 2013-14



4.14 Per capita TES spend for both NI and the UK is presented in Table 4.8. TES per capita for NI was estimated at £12,556 in 2013-14; 20.0 per cent (£2,052) higher than UK TES per capita.

4.15 TES per capita is generally higher in NI across most spending categories. In absolute terms, the greatest differences on a per capita basis occurred in social protection and public order & safety, which were £772 and £300 higher respectively in NI than in the UK.

Table 4.8: Total Expenditure on Services (TES) per capita: NI and UK, 2013-14 [1]

	NI (£)	UK (£)	Difference (NI less UK)	Relative Expenditure for NI (UK=100)
Public and common services	296	189	107	156
EU transactions	52	81	-29	64
International services	157	157	-1	100
Debt interest	579	579	0	100
Defence	567	568	-1	100
Public order and safety	771	471	300	164
Enterprise and economic development	173	82	91	211
Science and technology	54	69	-16	77
Employment policies	96	61	35	157
Agriculture, fisheries and forestry	293	86	208	343
Transport	296	318	-22	93
Environment protection	146	180	-34	81
Housing and community amenities	451	183	268	246
Health	2,131	2,020	111	106
Recreation, culture and religion	308	182	126	169
Education	1,504	1,420	84	106
Social protection	4,693	3,921	772	120
Total	**12,556**	**10,504**	**2,052**	**120**

1. Figures in this table have been rounded to the nearest whole number.

4.16 As might be expected public expenditure on services varies across the UK regions. NI public expenditure per capita differs from the UK average for a number of reasons. Higher public expenditure per capita in NI may be a reflection of the relative importance of particular activities, such as agriculture, forestry and fisheries. NI also has a lower population density than the UK which may partly explain the relative cost of providing a given level of public services, particularly in services such as health and education.

4.17 Furthermore, the range of activities classified within the public sector differs across the UK regions. This therefore affects the level of public expenditure required within those regions. For instance, water and sewerage services are within the public sector's remit in NI but are provided by the private sector in England.

Identifiable and Non-identifiable Expenditure

4.18 Public sector TES for NI may be disaggregated into identifiable expenditure and non-identifiable expenditure. In 2013-14, UK identifiable expenditure accounted for 81.8 per cent of UK TES. The remaining non-identifiable expenditure cannot be attributed directly to the UK regions because it is incurred for the benefit of the UK as a whole (e.g. defence spending). For the purposes of this analysis a share of UK non-identifiable expenditure may be apportioned to NI on a share of either UK population or UK Gross Value Added (GVA). Annex C of this paper further outlines the assumptions and methodologies employed in the apportionment of non-identifiable expenditure.

4.19 TES is shown by identifiable and non-identifiable expenditure for NI over the period 2009-10 to 2013-14 in Table 4.9. Identifiable expenditure amounted to £20.1 billion in 2013-14 while non-identifiable expenditure totalled £2.9 billion (12.8 per cent of TES).

Table 4.9: NI Total Expenditure on Services (TES), Identifiable and Non-identifiable, 2009-10 to 2013-14 (£m) [1]

	Identifiable (ID)					Non-identifiable (Non-ID)					Total (ID + Non-ID)				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Public and common services	441	456	383	379	417	142	131	130	125	126	583	587	513	504	543
EU transactions	0	0	0	0	0	80	97	100	92	93	80	97	100	92	93
International services	5	6	6	5	5	201	225	222	223	284	206	231	228	228	289
Debt interest	0	0	0	0	0	789	1,155	1,198	1,077	1,059	789	1,155	1,198	1,077	1,059
Defence	0	0	0	0	0	1,090	1,133	1,107	1,039	1,038	1,090	1,133	1,107	1,039	1,038
Public order and safety	1,302	1,448	1,440	1,398	1,382	64	51	48	44	28	1,366	1,499	1,488	1,442	1,410
Enterprise & economic development [2]	370	320	284	289	298	136	-42	-16	17	18	506	278	268	306	316
Science and technology	78	80	73	79	88	14	13	13	9	10	92	93	86	88	98
Employment policies	134	171	158	152	176	0	0	0	0	0	134	171	158	152	176
Agriculture, fisheries and forestry	559	525	503	495	535	4	5	0	0	2	563	530	503	495	537
Transport	583	699	603	567	525	6	6	7	11	16	589	705	610	578	541
Environment protection	249	250	265	255	257	3	9	4	7	10	252	259	269	262	267
Housing & community amenities	1,122	834	962	820	824	0	0	0	0	0	1,122	834	962	820	824
Health	3,442	3,595	3,638	3,844	3,882	24	25	19	19	17	3,466	3,620	3,657	3,863	3,899
Recreation, culture and religion	412	463	416	462	458	135	140	128	118	106	547	603	544	580	564
Education	2,714	2,826	2,794	2,849	2,750	0	0	0	0	0	2,714	2,826	2,794	2,849	2,750
Social protection	7,478	7,460	7,839	8,207	8,458	102	112	115	124	129	7,580	7,572	7,954	8,331	8,587
Total	**18,889**	**19,133**	**19,364**	**19,801**	**20,055**	**2,790**	**3,060**	**3,075**	**2,905**	**2,936**	**21,679**	**22,193**	**22,439**	**22,706**	**22,993**

1. Non-identifiable expenditure figures above have apportioned 'Outside the UK' and 'Non-identifiable spending' figures from PESA.
2. The sum of the constituent items may not always agree exactly with the total shown due to rounding.

Identifiable Expenditure

4.20 Table 4.10 compares identifiable expenditure for NI and the UK in 2013-14. Identifiable expenditure in NI was similar to that of the UK, with social protection, health and education being the main spending categories.

Table 4.10: Identifiable Expenditure on Services: NI and UK, 2013-14

	NI		United Kingdom	
	Expenditure £ million	Share of Identifiable Expenditure	Expenditure £ million	Share of Identifiable Expenditure
Public and common services	417	2.1%	7,713	1.3%
International services	5	0.0%	159	0.0%
Defence	0	0.0%	70	0.0%
Public order and safety	1,382	6.9%	29,183	5.1%
Enterprise and economic development	298	1.5%	4,640	0.8%
Science and technology	88	0.4%	4,064	0.7%
Employment policies	176	0.9%	3,658	0.6%
Agriculture, fisheries and forestry	535	2.7%	5,405	0.9%
Transport	525	2.6%	19,666	3.4%
Environment protection	257	1.3%	11,159	1.9%
Housing and community amenities	824	4.1%	11,736	2.0%
Health	3,882	19.4%	128,894	22.5%
Recreation, culture and religion	458	2.3%	7,967	1.4%
Education	2,750	13.7%	91,017	15.9%
Social protection	8,458	42.2%	247,507	43.2%
Total	**20,055**	**100.0%**	**572,838**	**100.0%**

4.21 Table 4.11 presents a NI/UK per capita comparison of identifiable expenditure. In 2013-14, identifiable expenditure per capita in NI was £10,961, which was 22.7 per cent higher than the corresponding UK figure. In absolute terms, the greatest differences occurred in public order and safety, social protection and housing and community amenities.

Table 4.11: Identifiable Expenditure per capita, 2013-14 [1]

	NI	UK	Difference (NI less UK)	Relative Expenditure (UK = 100)
Public and common services	228	120	108	189
International Services	3	2	0	110
Defence	0	1	-1	0
Public order and safety	755	455	300	166
Enterprise and economic development	163	72	90	225
Science and technology	48	63	-15	76
Employment policies	96	57	39	169
Agriculture, fisheries and forestry	292	84	208	347
Transport	287	307	-20	94
Environment protection	140	174	-34	81
Housing and community amenities	450	183	267	246
Health	2,122	2,011	111	106
Recreation, culture, and religion	250	124	126	201
Education	1,503	1,420	83	106
Social protection	4,623	3,861	762	120
Total	**10,961**	**8,936**	**2,025**	**123**

1. Figures in this table have been rounded to the nearest whole number.

Non-identifiable expenditure

4.22 This section presents a breakdown of non-identifiable expenditure on services in NI and the UK.

4.23 PESA contains data on non-identifiable expenditure as well as on expenditure incurred on programmes outside the UK. In order to ensure that the data is comparable, expenditure incurred outside the UK has been included within non-identifiable expenditure for both NI and the UK. The rationale for including such expenditure in non-identifiable expenditure rests on the fact that benefits are shared among the UK constituent countries. An example of this is the service provided by overseas UK embassies to all UK residents.

4.24 Table 4.12 provides estimates of non-identifiable expenditure for NI and the UK over the period 2009-10 to 2013-14. Tables 4.13 and 4.14 disaggregate non-identifiable expenditure into its current and capital components both for NI and the UK respectively.

4.25 In 2013-14, total non-identifiable expenditure attributed to NI was estimated at £2.9 billion, 2.8 per cent of the UK figure. Defence and debt interest were the largest elements, accounting for 71.4 per cent of non-identifiable expenditure apportioned to NI.

4.26 Tables 4.13 and 4.14 indicate that in 2013-14 current expenditure accounted for 95.2 per cent of non-identifiable expenditure in NI and for 95.9 per cent in the UK.

Table 4.12: NI and UK Non-identifiable expenditure, 2009-10 to 2013-14 (£m) [1]

	NI					UK				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Public and common services	142	131	130	125	126	4894	4533	4518	4370	4423
EU transactions	80	97	100	92	93	904	3,628	2,034	4,307	5,174
International services	201	225	222	223	284	6,954	7,786	7,748	7,780	9,936
Debt interest	789	1,155	1,198	1,077	1,059	27,258	39,953	41,791	37,641	37,109
Defence	1,090	1,133	1,107	1,039	1,038	37,634	39,212	38,601	36,288	36,360
Public order and safety	64	51	48	44	28	2,199	1,773	1,668	1,533	981
Enterprise & economic development	136	-42	-16	17	18	4,711	-1,457	-572	607	634
Science and technology	14	13	13	9	10	505	484	492	330	375
Employment policies	0	0	0	0	0	0	1	1	1	1
Agriculture, fisheries and forestry	4	5	0	0	2	151	179	38	4	78
Transport	6	6	7	11	16	246	243	271	475	709
Environment protection	3	9	4	7	10	120	296	156	234	355
Housing & community amenities	0	0	0	0	0	0	0	0	0	0
Health	24	25	19	19	17	817	881	675	677	589
Recreation, culture and religion	135	140	128	118	106	4,676	4,841	4,463	4,109	3,700
Education	0	0	0	0	0	2	3	3	3	4
Social protection	102	112	115	124	129	3,521	3,866	4,003	4,315	3,837
Total[2]	**2,790**	**3,060**	**3,075**	**2,905**	**2,936**	**94,592**	**106,222**	**105,890**	**102,674**	**104,265**

1. This includes the categories in PESA 'Outside the UK' and 'Non-identifiable Spending'.
2. The sum of the constituent items may not always agree exactly with the total shown due to rounding.

Table 4.13: NI Non-identifiable expenditure, 2009-10 to 2013-14 (£m)

	Current					Capital				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Public and common services	135	125	123	119	120	7	5	7	6	6
EU transactions	80	97	100	92	93	0	0	0	0	0
International services	184	204	205	208	266	17	21	17	15	17
Debt interest	789	1,155	1,198	1,077	1,059	0	0	0	0	0
Defence	972	1,009	1,003	940	945	117	124	104	99	93
Public order and safety	55	44	42	39	26	9	7	6	5	2
Enterprise and economic development	-5	-48	-22	9	18	141	6	6	9	1
Science and technology	11	10	9	8	8	3	3	4	1	2
Employment policies	0	0	0	0	0	0	0	0	0	0
Agriculture, fisheries and forestry	4	5	0	0	2	0	0	0	0	0
Transport	3	3	4	8	11	3	3	3	3	6
Environment protection	1	1	1	1	1	3	8	4	5	9
Housing and community amenities	0	0	0	0	0	0	0	0	0	0
Health	24	25	19	19	17	0	0	0	0	0
Recreation, culture and religion	114	118	108	116	101	21	22	20	1	4
Education	0	0	0	0	0	0	0	0	0	0
Social protection	102	112	115	124	129	0	0	0	0	0
Total[1]	**2,469**	**2,860**	**2,905**	**2,760**	**2,796**	**321**	**199**	**171**	**144**	**140**

1. Note that the sum of the constituent items may not always agree exactly with the total shown due to rounding.

Table 4.14: UK Non-identifiable expenditure, 2009-10 to 2013-14 (£m)

	Current					Capital				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Public and common services	4,659	4,338	4,294	4,172	4,217	236	194	224	199	206
EU transactions	904	3,628	2,034	4,307	5,174	0	0	0	0	0
International services	6,362	7,046	7,165	7,253	9,330	592	739	583	527	607
Debt interest	27,258	39,953	41,791	37,641	37,109	0	0	0	0	0
Defence	33,576	34,909	34,990	32,834	33,095	4,058	4,303	3,611	3,454	3,265
Public order and safety	1,904	1,534	1,472	1,373	894	295	238	196	161	87
Enterprise and economic development	-167	-1,662	-773	300	614	4,878	205	202	307	20
Science and technology	390	380	336	290	298	116	103	156	40	76
Employment policies	0	1	0	0	1	0	0	0	0	0
Agriculture, fisheries and forestry	151	179	38	4	74	0	0	0	0	4
Transport	142	150	178	370	482	104	95	92	105	225
Environment protection	20	21	23	44	31	100	275	133	189	325
Housing and community amenities	0	0	0	0	0	0	0	0	0	0
Health	817	881	675	677	586	0	0	0	0	3
Recreation, culture and religion	3,937	4,094	3,774	4,064	3,550	739	748	689	45	150
Education	2	3	3	3	3	0	0	0	0	0
Social protection	3,521	3,866	4,003	4,315	4,537	0	0	0	0	-700
Total[1]	**83,476**	**99,321**	**100,003**	**97,647**	**99,995**	**11,118**	**6,900**	**5,886**	**5,027**	**4,268**

1. Note that the sum of the constituent items may not always agree exactly with the total shown due to rounding

4.27 Table 4.15 highlights similarities in the composition of non-identifiable expenditure for NI and the UK which is expected as NI's non-identifiable expenditure is estimated by apportioning a percentage share of the UK figure.

Table 4.15: Non-identifiable expenditure: NI and the UK, 2013-14 (£m)

	NI		UK	
	Expenditure	Share of non-identifiable expenditure	Expenditure	Share of non-identifiable expenditure
Public and common services	126	4.3%	4,423	4.2%
EU transactions	93	3.2%	5,174	5.0%
International services	284	9.7%	9,936	9.5%
Debt interest	1,059	36.1%	37,109	35.6%
Defence	1,038	35.4%	36,360	34.9%
Public order and safety	28	1.0%	981	0.9%
Enterprise and economic development	18	0.6%	634	0.6%
Science and technology	10	0.3%	375	0.4%
Employment policies	0	0.0%	1	0.0%
Agriculture, fisheries and forestry	2	0.1%	78	0.1%
Transport	16	0.5%	709	0.7%
Environment protection	10	0.3%	355	0.3%
Housing and community amenities	0	0.0%	0	0.0%
Health	17	0.6%	589	0.6%
Recreation, culture and religion	106	3.6%	3,700	3.5%
Education	0	0.0%	4	0.0%
Social protection	129	4.4%	3,837	3.7%
Total[1]	**2,936**	**100.0%**	**104,265**	**100.0%**

1. Note that the sum of the constituent items may not always agree exactly with the total shown due to rounding.

4.28 Table 4.16 presents non-identifiable expenditure for NI and the UK in 2013-14 on a per capita basis. NI non-identifiable expenditure was estimated to be £1,605 per capita and was almost identical to the UK figure (£1,626 per capita) which is expected given the method of apportionment.

Table 4.16: Non-identifiable Expenditure per capita: NI and UK, 2013-14 [1]

	NI (£)	UK (£)
Public and common services	69	69
EU transactions	51	81
International services	155	155
Debt interest	579	579
Defence	567	567
Public order and safety	15	15
Enterprise and economic development	10	10
Science and technology	5	6
Employment policies	0	0
Agriculture, fisheries and forestry	1	1
Transport	9	11
Environment protection	5	6
Housing and community amenities	0	0
Health	9	9
Recreation, culture and religion	58	58
Education	0	0
Social protection	71	60
Total	**1,605**	**1,626**

1. Figures in this table have been rounded to the nearest whole number.

Accounting Adjustments

4.29 The public sector expenditure figures presented in this section have focused on Total Expenditure on Services (TES). However, Total Managed Expenditure (TME) is the main spending aggregate used in UK public sector finances. Therefore, an accounting adjustment is required to bring TES in line with TME. The largest component of this adjustment is general government capital consumption which is depreciation of fixed capital resources from public service provision. General government capital consumption represents approximately half of the total accounting adjustment. The other main component of the adjustment is certain VAT refunds.

4.30 Table 4.17 sets out total UK accounting adjustments for the years 2009-10 to 2013-14. In 2013-14, total UK accounting adjustments were estimated at £43.4 billion. The accounting adjustments range from 6.0 per cent to 8.1 per cent of TME throughout this period.

Table 4.17: UK Accounting Adjustment, 2009-10 to 2013-14 (£m)

	2009-10	2010-11	2011-12	2012-13	2013-14
UK TME	680,739	700,892	701,163	717,919	720,361
UK TES	637,876	655,262	652,702	659,808	676,977
UK Accounting Adjustment	42,863	45,630	48,461	58,111	43,384

Source: November 2014 PESA Release - Country and Regional Analysis, Table A1

4.31 Table 4.18 provides a disaggregation of NI accounting adjustments for the years 2009-10 to 2013-14. In 2013-14, the total public sector accounting adjustment for NI was estimated at £1.1 billion, or 2.5 per cent of the total UK accounting adjustment. UK accounting adjustments have been apportioned to NI using a variety of methods. Further detail on the calculation of the accounting adjustment is provided in Annex C of this report.

Table 4.18: NI Accounting Adjustment, 2009-10 to 2013-14 (£m)

	2009-10	2010-11	2011-12	2012-13	2013-14
Capital consumption					
Central Government Capital Consumption	506	535	571	589	592
Local Government Capital Consumption	257	272	293	310	322
Current Expenditure					
Current VAT refunds	257	312	330	315	316
Capital VAT refunds	50	58	63	58	57
VAT receipts paid to EU	31	64	64	37	59
Student Loans subsidy	-40	-124	-66	-105	-180
Imputed subsidy from Local Authorities to the Housing Revenue Account	-46	-52	-31	-8	-8
Imputed flows for renewable obligation certificates	32	37	42	62	72
Capital Expenditure					
Bank of England Asset Purchase Facility Flows	-191	-261	-301	-415	-427
Royal Mail Pension Plan	0	0	0	326	0
Local Authority Pensions	-55	-62	-65	-68	-63
Network Rail	0	0	0	0	0
Tax Credits	161	159	135	85	78
Residual (Current & Capital)	133	229	229	400	271
Total accounting adjustment	**1095**	**1166**	**1265**	**1587**	**1090**
Percentage of UK accounting adjustment	**2.6%**	**2.6%**	**2.6%**	**2.7%**	**2.5%**

Aggregate Expenditure

4.33 Table 4.19 shows the breakdown of aggregate expenditure in NI. In 2013-14, TME was estimated at £24.1 billion; of this £20.1 billion was identifiable, £2.9 billion was non-identifiable, and £1.1 billion represented accounting adjustments. This equated to aggregate expenditure per head of £13,162.

Table 4.19: NI Expenditure, 2013-14 (£m)

£ million	NI
Identifiable Expenditure	20,055
Non-Identifiable Expenditure	2,938
Total Expenditure on Services	22,993
Accounting Adjustments	1,090
Total Managed Expenditure	24,083
TME per capita (£)	13,162

SECTION 5: CONCLUSION

5.1 This report provides an estimate of the net fiscal balance position for NI over the five year period from 2009-10 to 2013-14, with a particular focus on 2012-13 and 2013-14 (the most recent years for which financial outturn data is available).

5.2 Table 5.1 summarises the fiscal positions of NI and the UK. In 2013-14, the estimated net fiscal balance for the public sector in NI was a deficit of £9.2 billion (27.9 per cent of GVA).

5.3 In 2009-10 the estimated fiscal position for NI excluding North Sea revenue was a deficit of £9.6 billion. The 2013-14 estimation represents a decreased deficit of £0.4 billion over the period 2009-10 to 2013-14.

Table 5.1: Net Fiscal Balance Estimates: NI and the UK, 2013-14 (£m)

£ Million	NI	UK
Aggregate Expenditure	24,083	720,487
Aggregate Revenue	14,923	607,466
Net Fiscal Balance	-9,160	-113,021
Net Fiscal Balance per capita (£)	-5,006	-1,763
Net Fiscal Balance as a % of financial year GVA	-27.9%	-7.5%

5.4 As noted previously, HMRC published statistics on regional tax revenue in the UK. Using this data, the fiscal deficit is estimated at £9.7bn for 2013-14. This estimate has been derived simply by replacing our figures with HMRC figures where possible and therefore both the statistics and alternative fiscal deficit estimate should be used with caution.

ANNEX A: FISCAL BACKGROUND

Total Managed Expenditure (TME) in the UK

In the current UK public finance framework Total Managed Expenditure (TME) is the key spending aggregate. This is a measure of public sector expenditure drawn from components in National Accounts produced by the Office for National Statistics (ONS). TME includes the current and capital expenditure of the whole public sector, including local government and public corporations (but excludes financial transactions).

TME comprises two components:

- Departmental Expenditure Limits (DEL) – DEL expenditure is planned on a multi-year basis, normally three years in successive Spending Reviews which apply to the UK as a whole. It is divided into: Capital DEL, which is capital spending that adds to the Government's fixed assets; and Resource DEL, which reflects the ongoing costs of providing services, including pay, the cost of depreciation, grants paid to the private sector and so on.

- Annual Managed Expenditure (AME) – spending that cannot be constrained within firm multi-year limits and is therefore adjusted and allocated annually by the UK Government. For example AME includes social protection. This is spending that is 'demand-led' and cannot be planned far in advance. AME is also disaggregated into capital and resource components.

DEL makes up the majority of TME. The sum of DEL and AME plus an 'accounting adjustment' is equal to TME.

Public Expenditure Data

Information on the allocation of Government expenditure on services between the UK regions is provided annually in the HM Treasury PESA exercise.

Public Expenditure in NI

HM Treasury is responsible for managing and implementing UK fiscal and macroeconomic policy, as well as determining public expenditure allocations across the UK regions. As a result, NI's Budget, along with that for Scotland and Wales, continues to be determined within the framework of public expenditure control in the UK. However, once overall public expenditure budgets for the regions have been determined, the Devolved Administrations have freedom to make their own spending decisions on evolved programmes within that budget.

For programmes within the remit of DEL (for each of the Devolved Administrations) the block grant allocated by the UK Government in Westminster is currently determined by application of the 'Barnett Formula'. Under this formula, budget allocations are determined by a population-based share of funding increases on comparative government spending programmes in Whitehall departments.

UK Public Sector Revenues

The majority of public sector revenue raised in NI is under the control of the UK Government and is collected by HM Revenue and Customs. The largest sources of tax revenue are income tax, value added tax and national insurance contributions.

Local government in NI can raise its own revenue from domestic rates and non-domestic rates (also known as business rates).

Net Fiscal Balance

The 'net fiscal balance' is estimated as the difference between total public sector revenue and total public sector expenditure (including accounting adjustments).

ANNEX B: METHODOLOGY FOR PRODUCING ESTIMATES OF PUBLIC SECTOR REVENUE

This annex details the apportionment methodologies and sources used to estimate public sector revenue in NI.

UK fiscal revenues are taken from the Office for National Statistics (ONS) Public Sector Finance Statistics. Detailed components, revenue by revenue, are taken from an ONS database (PSAT2) which is produced on a quarterly basis. The UK revenue figures presented in this report are consistent with outturns published by ONS in 2015 Quarter 1.

In some cases, revenue figures can be directly attributed to NI and require no further estimation. Examples include inheritance tax revenue and national insurance contributions. However, the majority of public sector revenues are collected centrally and their distribution by region is often unavailable. In these instances, UK figures are apportioned to NI using specific methodologies. It should be noted that in certain cases a variety of alternative methodologies could be applied each leading to variations in estimates. Where possible, the most accurate and up to date apportionment methods have been applied.

In March 2015, the Scottish Government published fiscal deficit estimates covering the period 2009-10 to 2013-14 in '*Government Expenditure & Revenue Scotland 2013-14*'[7] *(GERS)*. Strictly speaking, NI's fiscal deficit estimate is not directly comparable to Scotland's as a result of differing methodologies for certain revenue streams. Caution should therefore be used in making any such comparisons. However, NI apportionment methods have been updated to reflect revisions in the methodology employed by the Scottish Government, where it was relevant and practical to do so. This has led to an improved NI fiscal deficit estimation.

There are two stages in estimating a revenue stream for NI. In the first stage, the UK outturn figure is obtained from PSAT2. In the second stage, NI's share is estimated according to a specific methodology. Note that generally information comes from survey data for the UK. Examples include the Survey of Personal Incomes and the Family Spending Survey.

Table B.1 summarises the various apportionment methodologies and sources used to estimate public sector revenues in NI.

[7] GERS Report, 2013-14: http://www.gov.scot/Resource/0047/00472877.pdf

Table B.1: Apportionment methodologies and sources used to estimate Public Sector Revenues in NI

Revenue	Methodology	Source	Revised
Income tax (net of tax credits)	NI's share of UK income tax liabilities	Survey of Personal Incomes (SPI): HRMC	No
Corporation tax (exc. North Sea Oil)	NI's share of profits (less holding gains) of UK corporations	Supplied directly by ONS	No
Capital gains tax	NI's share of UK GVA (less extra regio)	Regional Accounts: ONS	No
Inheritance tax	Actual Outturns for NI	Supplied directly by HMRC	No
Stamp duties	Land and property stamp duty: actual outturns Stocks and shares: NI/UK ratio of adults owning stocks, shares, unit trusts, PEPs and ISAs	Land and property stamp duty: HMRC Stocks and shares: DWP Family Resources Survey	No
National Insurance Contributions (NICs)	Employee and Employer estimates in NI and UK	Supplied directly by HMRC	No
VAT	Household VAT: NI's share of UK household VAT expenditure Business & Housing sector VAT: NI share of UK GVA Government VAT: NI share of UK government expenditure LG VAT Refunds: NI share of UK local government expenditure CG VAT refunds: Various	Family Spending Survey: ONS	Yes
Fuel duties	Petrol: NI's share of UK road traffic petrol consumption Diesel: NI's share of UK road traffic diesel consumption	Road Transport Energy Consumption at Regional and Local Authority Level: BERR	Yes
Tobacco duties	NI's share of UK expenditure on tobacco	Family Spending Survey: ONS	No
Alcohol duties	NI's share of UK consumption of alcohol	Family Spending Survey: ONS	Yes
Betting & Gaming duties	NI's share of UK expenditure on betting and gaming	Family Spending Survey: ONS	No
Air Passenger duty	NI's share of UK population	PESA 2014: HMT	No
Insurance Premium tax	NI's share of UK expenditure on insurance	Family Spending Survey: ONS	Yes
Land fill tax	NI's share of UK landfill tax supplied by HMRC	HMRC Disaggregated Tax Receipts	Yes
Climate Change Levy	Electricity: NI's share of UK electricity consumption Solids & other fuels: NI's share of UK GVA (less extra regio)	Electricity: BERR Solids & other fuels: HMRC	No
Aggregates Levy	NI share of UK GVA	Regional Accounts: ONS	No
Vehicle Excise Duty	As reported by DVLNI (less refunds)	DVLNI Annual Reports & Accounts	No
Business rates (non-domestic)	Actual data	Supplied by DFP Officials in Rating Policy Division	No

Council Tax (domestic)	Actual data	Supplied by DFP Officials in Rating Policy Division	No
Other Taxes & Royalties	Various	ONS UK Blue Book (2008): ONS	Yes
Interest & dividends	NI's share of UK public sector GVA	Regional Accounts: ONS	No
Gross Operating Surplus & Rent and other current transfers	CG: NI's share of UK CG NMCC LG: NI's share of UK LG NMCC PC: NI's share of UK public sector GVA	NMCC data: supplied directly by ONS GVA data: Regional Accounts ONS	Yes
Other taxes on income and wealth	Various	Various	No

The following describes the methodology employed in estimating each source of NI receipts.

Income tax

The UK figure for income tax is taken from the PSAT2 database published by ONS, and is presented net of tax credits.

NI's share of UK income tax is derived from the Survey of Personal Incomes (SPI) produced by HM Revenue and Customs (HMRC)[8]. This share is then applied to the UK figure for income tax published by HM Treasury.

The latest SPI survey was published by HMRC in January 2015 and provided data for 2012-13. Further note that the SPI data includes some records which cannot be allocated to a particular region - these have been excluded from the total used to estimate the NI share.

Corporation tax

The UK figure for total corporation tax is taken from the PSAT2 databank published by ONS. The estimate of NI corporation tax excludes North Sea corporation tax.

NI's share of UK corporation tax (excluding North Sea revenues) is taken to be its share of profits (less holding gains) of all public and private corporations in the UK. Information on profits (less holding gains) is directly supplied by ONS.

Capital gains tax (CGT)

The UK capital gains tax figure, taken from the PSAT2 databank published by ONS, is apportioned to NI according to its share of UK GVA (less extra-regio).

Inheritance tax (IHT)

The UK figure for IHT is taken from the PSAT2 databank published by ONS. HMRC directly provides actual outturn revenue figures raised from inheritance tax in NI.

Stamp duties

The UK figure for stamp duty is taken from the PSAT2 databank published by ONS.

NI stamp duty is estimated based on NI's share of UK revenue raised from (1) land and property stamp duties and (2) stocks and shares stamp duties.

---

[8] The latest SPI data is available from:
https://www.gov.uk/government/collections/personal-incomes-statistics

Stamp duty land tax (SDLT) is published by HMRC[9] and is disaggregated by government office region (GOR). NI's share of UK households who own stocks, shares, unit trusts, PEPs and ISAs as recorded in the Family Resources Survey[10], produced by the Department for Work and Pensions (DWP), is used to estimate stamp duty from stocks and shares in NI.

National insurance contributions (NICs)

NI national insurance contributions (NICs) are based on an analysis of a 1 per cent sample of National Insurance Recording System (NIRS) data, supplied by HMRC, which is aggregated to represent the population using Government Actuary's Department (GAD) estimates of total NIC (employee and employer) accruals for each year. NI's share of employer and employee contributions in this sample is applied to the UK NICs figure to estimate NICs in NI. NI's apportionment ratio for 2011-12 was also used for 2012-13 and 2013-14. This figure will be revised in future editions as up-to-date data becomes available.

Value added tax (VAT)

The UK figure for VAT is taken from the PSAT2 database. The total figure is comprised of: net VAT, local government VAT refunds and central government VAT refunds. Net VAT is then split into VAT paid by households, businesses, government and the housing sector.

NI's share of UK household VAT revenues is estimated based on average weekly household expenditure data in the ONS Family Spending Report publications.[11] The 2014 edition of the Family Spending Report is used for 2012-13 and 2013-14. The 2013 edition is used for 2010-11 and 2011-12 and for 2009-10 the 2012 edition is used. The appropriate VAT rating (standard rate, reduced rate, zero-rate or exempt) is applied to each expenditure item to estimate average household VAT revenues in NI and the UK. These average VAT revenues per household are then scaled up by the number of households to estimate total VAT revenues in NI and the UK. The NI/UK ratio of total VAT revenues is then applied to apportion UK VAT receipts (as given in the PSAT2 databank) to NI. The methodology has been amended since the previous report and VAT refunds are now included in this figure as opposed to 'other taxes and royalties.' This is to maintain consistency with the GERS methodology.

NI share of business and housing sector VAT is apportioned by NI share of UK GVA. VAT paid by Government is apportioned by NI share of UK government expenditure.

---

[9] Latest SDLT figures available from: https://www.gov.uk/government/collections/stamp-duties-statistics
[10] Family Resources Survey available from: https://www.gov.uk/government/statistics/family-resources-survey-2012-to-2013
[11] Family Spending Reports available from: http://www.ons.gov.uk/ons/rel/family-spending/family-spending/index.html

Local government VAT refunds are apportioned through NI share of UK local government final consumption expenditure. Central government VAT refunds are apportioned as such:

- Ministry of Defence – NI share of UK population
- NHS – NI share of UK TES health
- Other government departments – NI share of UK TES (less defence and health)

Fuel duties

UK fuel duty revenue is apportioned to NI according to its share of UK fuel consumption. This is split into duty paid on petrol and diesel using data from HMRC's Hydrocarbon Oils Duties Bulletin[12]. NI's share of petrol and diesel consumption is estimated using regional road traffic fuel consumption data published by the Department of Energy and Climate Change (DECC)[13]. The estimated NI/UK ratio of petrol and diesel consumption is then applied to apportion UK fuel duty to NI.

Tobacco duty

UK tobacco duty revenue is apportioned to NI based on regional household expenditure data in the ONS 'Family Spending Survey' publications. Average weekly household expenditure is scaled up by the number of households to estimate total weekly expenditure on tobacco in NI and the UK. The NI/UK ratio of total weekly expenditure on tobacco is used to apportion UK tobacco duty revenue (as published by in PSAT2 by ONS) to NI. Note that the Family Spending Survey editions used are the same as in VAT above.

Alcohol duty

UK figures are sourced from the PSAT2 database for spirits; cider and perry; wine; and beer. NI's share of total UK private household consumption of these products is then used to derive the proportion of duty attributable to NI.

Expenditure on alcoholic products is estimated using data from the DEFRA Family Food Survey.[14] Total weekly consumption for NI and UK is then calculated by multiplying average consumption in NI and UK with their respective population estimates. The ratios of NI to UK consumption are then used to apportion UK alcohol duty revenues to NI.

[12] Source: HMRC Hydrocarbon Oils Duties Bulletin, available from: https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutyBulletins.aspx
[13] Source: DECC - Regional and local use of road transport fuels, available from: https://www.gov.uk/government/publications?departments%5B%5D=department-of-energy-climate-change&publication_filter_option=statistics
[14] https://www.gov.uk/government/collections/family-food-statistics

Betting and gaming duty

UK betting and gaming duty revenue is apportioned to NI based on regional household expenditure data in the ONS Family Spending Reports. Average weekly household expenditure is scaled up by the number of households to estimate total weekly expenditure in NI and the UK. The NI/UK ratio of total weekly expenditure on gambling is used to apportion UK betting and gaming duty revenue (as published by ONS) to NI. Note that the Family Spending Reports used are the same as in VAT above.

Air passenger duty (APD)

UK air passenger duty revenue (APD), as published by ONS, is apportioned to NI according to its share of the UK population. Population figures are sourced from ONS.[15]

Insurance premium tax (IPT)

UK insurance premium tax (IPT), as published by ONS, is apportioned to NI according to its share of the UK weekly expenditure on insurance. Expenditure on insurance is estimated using the Living Costs and Food Survey, presented in the Family Spending Report. Weekly spend is then estimated by multiplying average household spend by the number of households in Northern Ireland and the UK. The ratio of weekly spending on insurance is then used to apportion NI share of UK insurance premium tax revenues. Note that the Family Spending Reports used are the same as in VAT above.

Landfill tax

The UK landfill tax figure is taken from PSAT2. This is then apportioned to NI based on the ratio of NI to UK landfill tax calculated from landfill tax data in the HMRC Disaggregated Tax Receipts publication.

Climate change levy

In apportioning the UK total for climate change levy (CCL), NI's consumption of electricity, gas and solids & other fuels are considered. The UK Climate Change Levy is taken from the PSAT2 database. Climate change levy receipts from electricity consumption are apportioned to NI according to its share of UK electricity consumption, which is derived from the 'Digest of UK energy statistics' (DUKES)[16] published by the DECC. UK revenues from the consumption of gas and solids & other fuels[17] are apportioned on the basis of NI's share of UK GVA (less extra regio). Note that up until 31 March 2011 supplies of gas in Northern Ireland have been exempt from CCL.

[15] Population figures taken from: http://www.ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-uk--england-and-wales--scotland-and-northern-ireland/2013/index.html

[16] Electricity consumption data is available from: https://www.gov.uk/government/statistics/electricity-section-5-energy-trends

[17] Available from: https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutyBulletins.aspx

Aggregates levy

The UK figure for the Aggregates Levy is taken from the ONS PSAT2 Database and apportioned to NI according to its share of GVA (less extra regio). The NI figure does not reflect the impact of the suspension of the Aggregates Levy Credit Scheme on 1st December 2010.

Vehicle excise duty

NI vehicle excise duty (VED) is recorded net of refunds in annual reports published by the Driver and Vehicle Licensing NI (DVLNI).

Domestic and Non-Domestic rates

NI domestic and non-domestic rates revenues for 2009-10 to 2013-14 were provided by the Department of Finance and Personnel (DFP) officials in Rating Policy Division (RPD) and require no further estimation.

For the financial years 2008-09 onwards the split between domestic and non-domestic rates has not been available for regional rates. Therefore, the respective shares of total rates in 2007-08 have been applied to the 2009-10 to 2013-14 total regional rates data. A breakdown of the district regional rate has also not been available for 2009-10 to 2010-11 and 2012-13 to 2013-14. Therefore the respective shares of total rates in 2007-08 have been applied to 2009-10 and 200-11 total district rates data and the respective shares of total rates in 2011-12 have been applied to 2012-13 and 2013-14. However it is important to note that the total domestic and non-domestic rates figure is an actual figure provided by RPD.

Other taxes and royalties

The UK figure for other taxes and royalties is comprised of a number of small revenues. UK figures for the sub categories of revenue listed below are taken from the PSAT2 database. Separate apportionment methods are used to allocate these revenues to NI.

1. Consumer Credit Act fees are apportioned to NI on a population share basis.

2. UK revenues paid to levy funded bodies are apportioned to NI according to its share of UK agricultural GVA. This is taken from ONS 'Regional Accounts'[18] – GVA industry group 'Agriculture, forestry & fishing'.

3. Regulatory fees are apportioned to NI on a population share basis.

[18] Available from: http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--income-approach-/december-2014/index.html

4. UK TV licence revenue is apportioned based on NI's share of UK private households. This has been estimated using the ONS 'Family Spending Survey' publications (NI number of weighted households/UK number of weighted households). This share is then applied to the UK TV licence revenue as reported in the PSAT2 database by ONS.

5. National lottery revenues are apportioned according to NI's share of UK expenditure on gambling from the ONS 'Family Spending Survey' publications.

6. Renewable energy obligations are apportioned using the NI share of UK electricity consumption. This is taken from DECC as referenced above in the climate change levy methodology.

7. Fishing licence fees are apportioned to NI on a population share basis.

8. Passport Fees are apportioned to NI on a population share basis.

9. Fossil Fuel Levy is apportioned to NI on GVA share basis

Other Taxes on Income and Wealth

The UK figure for other taxes on income and wealth is comprised of a number of small revenues. UK figures for the sub categories of revenue listed below are taken from the PSAT2 database. Separate apportionment methods are used to allocate these revenues to NI, shown in table B2 below

Table B2: Apportionment methodologies for Other Taxes on Income and Wealth

Other Taxes on Income & Wealth	Apportionment Methodology
Company income tax receipts, net of repayments	GVA
Household charitable donations via gift aid and covenant tax reliefs	As for income tax
Betting and gaming duty (those elements that are classified as tax on income)	As for betting and gaming duty
OFGEM tax on Non-Fossil Purchasing Agency renewable energy income	As for other renewable energy obligations
Inland Revenue: Company IT withheld	As for corporation tax
Horserace betting levy board	As for betting and gaming duty
Central government contributions to payroll giving to charities	GVA
Tax credits - insurance and pension funds	As for income tax
Corporation tax credit expenditure	As for corporation tax
Company tax credits	As for corporation tax
Non-Profit Institutions Serving Households tax credits	As for income tax

Interest and dividends

UK figures for interest and dividend revenue received by Public Corporations, Local Government and Central Government, are obtained from the ONS PSAT2 database. The UK Public Corporation figure is apportioned to NI by share of UK public sector GVA. Public sector GVA is derived from the ONS 'Regional Accounts' – GVA industry groups 'Public administration and defence', 'Education', and 'Health and social work'. UK Local government and central government figures are apportioned using NI's share of UK population.

Gross operating surplus & Rent and other current transfers

In calculating gross operating surplus (GOS) for NI, separate UK figures for central government, local government and public corporations are taken from the ONS PSAT2 database. Central Government figures are apportioned to NI based on NI's share of UK Central Government Non-Market Capital Consumption (NMCC). Local Government figures are apportioned based on NI's share of UK Local Government NMCC. Public Corporation figures are apportioned to NI according to its share of public sector GVA.

The UK figure for rent and other current transfers is taken directly from GERS and is apportioned to NI according to its share of UK public sector GVA.

Current receipts (excluding North Sea revenues)

This is the total value of public sector revenues (excluding North Sea revenues) estimated for NI.

North Sea revenues

The UK Continental Shelf is included as a separate region of the UK (the extra regio territory) and is not allocated to specific regions.

Current receipts (including North Sea revenues)

This is the total value of public sector revenues (including North Sea revenues on a per capita basis) estimated for NI. Population figures are sourced from ONS, as previous. This apportionment method views North Sea revenues as non-identifiable UK revenue.

ANNEX C: METHODOLOGY FOR PRODUCING ESTIMATES OF PUBLIC SECTOR EXPENDITURE

This annex discusses the methodologies applied to allocate public sector expenditure to NI using data from official UK Government sources.

Estimates of public sector expenditure presented in this report are based on outturn data recorded in PESA November 2014

Total Expenditure on Services (TES) may be disaggregated into two components:

- Identifiable expenditure: expenditure that can be recognised as benefiting individuals, enterprises or communities within particular regions; and

- Non-identifiable expenditure: expenditure considered to occur on behalf of the UK as a whole and cannot be apportioned on an individual country or regional basis.

Note that both of these components can be separated further into current and capital expenditure.

TES accounted for approximately 83.3% of Total Managed Expenditure (TME) in 2013-14. TME is the total current and capital expenditure of the public sector on a national accounts basis. The other component of TME is referred to as the accounting adjustment.

Identifiable Expenditure

Identifiable expenditure is allocated on a 'who benefits' basis to the UK region where the expenditure is attributable. PESA November 2014 provides identifiable expenditure data by country and region of the UK. In this exercise the NI identifiable expenditure data is taken directly from Chapter A of PESA November 2014, 'Analyses of public expenditure by country, region and function'. Tables A1 to A14 provide the expenditure figures required for NI.

Non-Identifiable Expenditure

Non-identifiable expenditure cannot be identified as benefiting a particular UK region. It is incurred on behalf of the UK as a whole, where the entire UK population benefits, regardless of where the funds are spent. It mainly comprises expenditure on defence, debt interest and international services.

In addition, it should be noted that PESA includes data on expenditure outside the UK. For the purposes of this exercise, this category is included in non-identifiable expenditure for both the UK and NI data. The inclusion of this data in non-identifiable expenditure is consistent with the view that expenditure outside the UK should be categorised as non-identifiable, given that the benefits are shared amongst the UK constituent countries.

Similarly, as for identifiable expenditure, the data required is provided in chapter A of PESA November 2014. However, to estimate non-identifiable expenditure, which as noted above includes figures from outside the UK, the PESA data needs to be apportioned as it is not disaggregated into regions.

EU Transactions

EU transactions consist of two components: (1) receipts from; and (2) payments to the EU. The EU Division within the Department of Finance and Personnel (DFP) provides the figures for actual receipts from the EU to NI. UK payments to the EU are apportioned to NI according to its share of UK GVA (less extra regio).

Table C1 summarises the apportionment methodologies used to estimate NI non-identifiable expenditure from UK data published in PESA November 2014.

Table C1: Apportionment Methodologies for Non-identifiable Expenditure in NI 2009-10 to 2013-14

Element of Non-ID Expenditure	Methodology	
	Non-identifiable	Outside the UK
Public and common services	Population	Population
EU transactions	Actual	GVA
International services	Population	Population
Debt interest	Population	N/A
Defence	Population	N/A
Public order and safety	Population	N/A
Enterprise and economic development [1]	Population	Population
Science and technology	GVA	Population
Employment policies	N/A	Population
Agriculture, fisheries and forestry	Population	Population
Transport	GVA	Population
Environment protection	GVA	Population
Housing and community amenities	Population	N/A
Health	Population	Population
Recreation culture, and religion	Population	Population
Education	N/A	Population
Social protection	Population	Population

1. Under the CRA (Country and Regional Analysis) section of PESA November 2014, UK Government financial sector interventions are categorised under 'enterprise and economic development' as non-identifiable expenditure and are apportioned by NI population share of the UK.

Population figures and GVA (less extra regio) figures are sourced from the ONS[19,20]. Note that GVA 'less extra regio' excludes income that cannot be satisfactorily assigned to any physical region.

[19] Population figures taken from: http://www.ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-uk--england-and-wales--scotland-and-northern-ireland/2013/index.html

Accounting Adjustment

As mentioned previously, aggregate expenditure is termed Total Managed Expenditure (TME). This is calculated as TES summed with an accounting adjustment. To reiterate, TES for NI is the sum of NI identifiable expenditure taken directly from PESA November 2014 and the apportioned share of 'non-identifiable' and 'outside the UK' figures given in PESA November 2014, according to the methodologies presented in table C1. TES is produced on a different basis to TME, which is the primary measure of total public spending reported in the ONS National Accounts. TME includes general government capital consumption and reverses the deduction of certain VAT refunds. It also excludes a number of items in budgets which are captured by the TES, such as the grant equivalent element of student loans. The accounting adjustment is therefore used to ensure that estimates of total public spending for both Northern Ireland and the UK are reported on the basis of TME.

The accounting adjustment for the UK as a whole is given in PESA November 2014 Chapter A, Table A.1. To estimate the accounting adjustment for NI, the UK figure is apportioned using the methodologies set out in table C2. Note that the breakdown of the UK accounting adjustment figure into the elements below was provided by HM Treasury, courtesy of Scottish Government statisticians.

Table C2: Apportionment Methodologies for estimating the Accounting Adjustment in NI

Element of Accounting adjustment	Methodology
Central Government Capital Consumption	NI Share of UK TES
Local Government Capital Consumption	NI Share of UK TES
Current VAT refunds	NI Share of UK VAT
Capital VAT refunds	NI Share of UK VAT
VAT receipts paid to EU	NI Share of UK VAT
Student loans subsidt	Population
Imputed subsidy from Local Authorities to the Housing Revenue Account	NI Share of UK TES
Imputed flows for renewable obligation certificates	Population
Bank of England Asset Purchase Facility Flows	NI Share of UK TES
Royal Mail Pension Plan	NI Share of UK TES
Local Authority Pensions	NI Share of UK TES
Network Rail	N/A
Tax Credits	Population
Residual	NI Share of UK TES

[20] ONS Regional GVA (Nuts 1, 2 and 3) December 2014 (Table 1.1) http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--income-approach-/december-2014/index.html

ANNEX D: NI'S PUBLIC SECTOR ACCOUNTS – EXCLUDING NON-IDENTIFIABLE EXPENDITURE & ACC. ADJUSTMENT

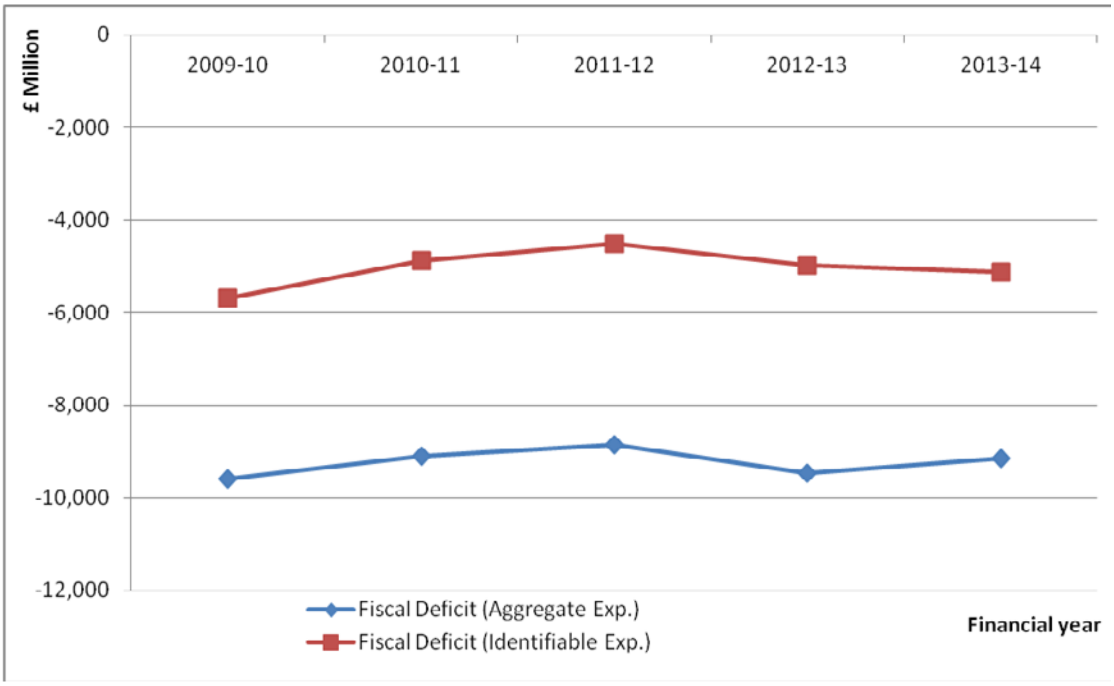
Non-identifiable expenditure is considered to occur on behalf of the UK as a whole and thus cannot be apportioned on an individual or regional basis. It is mainly comprised of defence expenditure and debt interest payments. For example, approximately 71.4 per cent of total NI non-identifiable expenditure was either attributed to defence or debt repayment expenditure in 2013-14. This exercise will examine the effect of removing this type of expenditure and in addition to this it will also exclude an accounting adjustment for depreciation and VAT refunds (i.e. not cash expenditure). The impact of such exclusion is demonstrated in the table and figure provided below, where in 2013-14 the impact was a considerable revision downwards in the NI fiscal deficit from 27.9 per cent to 15.6 per cent of GVA (12.3 percentage points).

Table D1: NI Net Fiscal Balance Estimates (Exc. Non-Identifiable Expenditure and Accounting Adjustment), 2009-10 to 2013-14 (£m)

	NI				
£ Million	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Aggregate Expenditure (Agg. Exp.)	22,774	23,357	23,703	24,292	24,083
Identifiable Expenditure (Id. Exp)	18,889	19,133	19,364	19,801	20,055
Aggregate Revenue (Exc. NS)	13,191	14,247	14,848	14,833	14,923
Net Fiscal Balance (Agg. Exp.)	-9,583	-9,110	-8,855	-9,459	-9,160
Net Fiscal Balance (Id. Exp.)	**-5,698**	**-4,886**	**-4,516**	**-4,968**	**-5,132**
Difference	*-3,885*	*-4,224*	*-4,339*	*-4,491*	*-4,028*
Net Fiscal Balance per capita (£) (Agg. Exp.)	-5,344	-5,048	-4,881	-5,187	-5,006
Net Fiscal Balance per capita (£) (Id. Exp.)	**-3,177**	**-2,707**	**-2,489**	**-2,724**	**-2,805**
Net Fiscal Balance as a % of financial year GVA (Agg. Exp.)	-30.9%	-28.9%	-27.6%	-29.1%	-27.9%
Net Fiscal Balance as a % of financial year GVA (Id. Exp.)	**-18.4%**	**-15.5%**	**-14.1%**	**-15.3%**	**-15.6%**

Figure D2 shows that both fiscal deficit methodologies of expenditure inclusion cause the overall position to follow the same approximate trend over the five year period.

Figure D2: NI Fiscal Deficit Position shown by Aggregate Expenditure and Identifiable Expenditure Estimates, 2009-10 to 2013-14 (£m)



ANNEX E: NI'S PUBLIC SECTOR ACCOUNTS - INCLUDING A HYPOTHETICAL PER CAPITA SHARE OF NORTH SEA (NS) OIL REVENUES

The inclusion of a per capita share of North Sea oil revenue revises downwards the overall NI negative net fiscal balance; from £9.2 billion excluding North Sea oil revenues to £9.0 billion in 2013-14, as presented in table E1. This decline represents a reduction of £0.2 billion or 1.5 per cent.

However, applying the assumption of a zero share of North Sea oil revenue to NI follows the most logical approach as NI's activity in North Sea oil fields is unclear. To include this revenue within the main analysis would not be a true representation of NI's public sector revenue as evidence suggests that NI is not listed as servicing any of the strictly NS oil fields.

Table E1: Net Fiscal Balance Estimates (Inc. North Sea oil): NI and the UK, 2013-14 (£m)

£ Million	NI	UK
Aggregate Expenditure	24,083	720,488
Aggregate Revenue	15,059	612,232
Net Fiscal Balance	-9,024	-108,256
Net Fiscal Balance per capita (£)	-4,932	-1,689
Net Fiscal Balance as a % of financial year GVA	-27.5%	-7.2%

Table E2 shows the impact of the inclusion of North Sea oil revenues on the NI fiscal position over the period 2009-10 to 2013-14.

Table E2: NI Fiscal Position (Inc. North Sea oil), 2009-10 to 2013-14 (£m)[1]

	NI				
£ Million	2009-10	2010-11	2011-12	2012-13	2013-14
Aggregate Expenditure	22,774	23,357	23,703	24,292	24,083
Aggregate Revenue	13,363	14,489	15,162	15,011	15,059
Net Fiscal Balance	-9,411	-8,868	-8,541	-9,281	-9,024
Net Fiscal Balance per capita (£)	-5,248	-4,914	-4,708	-5,090	-4,932
Net Fiscal Balance as a % of financial year GVA	-30.4%	-28.1%	-26.6%	-28.5%	-27.5%
Reduction in Fiscal Deficit when NS Oil Inc.	173	243	314	178	136
% Reduction in Fiscal Deficit (Exc. NS Oil vs. Inc NS Oil)	-1.8%	-2.7%	-3.5%	-1.9%	-1.5%

1. Note that the sum of the constituent items may not always agree exactly with the total shown due to rounding.

Queries

You can contact Strategic Policy Division by:

Writing to:

Strategic Policy Division, Department of Finance & Personnel, Ground Floor, Office 2, Carleton House, 1 Cromac Avenue , Belfast, Co. Antrim, BT7 2JA.

Emailing:

Chris.gardner@dfpni.gov.uk / William.dickson@dfpni.gov.uk

1.0 SUMMARY

The terms of reference for the report for the Joint Committee on the Implementation of the Good Friday Agreement included an analysis of the impact on Brexit on Northern Ireland and what Ireland should seek to have in the final agreement between the EU and the UK regarding Northern Ireland. It is clear from all the reports written on the issue of Brexit that its effect on Northern Ireland will be significant. In February 2016 research commissioned by the UK Department of Enterprise, Trade and Investment on the economic implications of a UK exit from the EU showed that Northern Ireland is more vulnerable to Brexit that Britain. The loss to Northern Ireland of EU membership, and funding will be significant, the subsequent effect on the economy and the potential to destabilise the peace process is a central concern.

That is why the key recommendation of the report is that all current and future EU programmes & funding, in the absence of alternative arrangements for Northern Ireland, should continue to be supported by HM Treasury. Ireland believes that in relation to BREXIT Northern Ireland is a special case and its Peace Process is worthy of on-going support from the EU and Britain.

For this research paper we have included information on some of the EU programmes that HM Treasury would have to continue funding. Member of the European Parliament Brian Crowley provided information in relation to the EU Funding programmes 2014 - 2020.

This report looks at the difficulties of predicting the impact of BREXIT. To highlight this challenge, we reproduce the divergence of estimates by various organisations who tried to predict the impact of the World Trade Organisation rules being imposed on the UK. The difficulty of predicting the impact of BREXIT on Northern Ireland is further compounded by the lack of reliable data and accurate statistics for Northern Ireland. Such a 'data deficit' needs to be addressed in order for the Irish Government to produce a coherent long term policy in relation to Northern Ireland.

Congressman Brendan Boyle commissioned research from the United States House of Representatives Congressional Research Service specifically for this report for the Committee on the Implementation of the Good Friday Agreement. Congressman

Boyle's report outlines the data deficit for Northern Ireland, in particular the difficulty in accurately determining the actual income and the fiscal deficit in Northern Ireland. This report also commissioned research on the rationalisation of the large public sector in Northern Ireland, the findings of the Oireachtas Library and Research is included in the appendix of this section. The Report on the All-Ireland Economy (Joint Oireachtas Committee on Jobs, Enterprise and Innovation complied by Deputy Peadar Toibin TD) is reproduced here in the appendix. We recommend that in the light of Brexit a second report should be commissioned on the All Island Economy. We are conscious of the recent hearings and report by the Committee Jobs, Enterprise and Innovation on Brexit.

We have reproduced some sections of reports from the Nevin Economic Research Institute (NERI) and the OXFORD Economics which, despite the data deficit, have attempted to analyse and highlight the potential impact of Brexit on Northern Ireland.

One key concern of the Irish Government and the Irish people is the return of the border. It is feared that a 'Hard BREXIT' will mean a 'Hard Border'. Again the lack of accurate data is highlighted by the difficulty in terms of determining how many people cross the border every day for work and study. Former Taoiseach Bertie Ahern has made a submission to the committee on the return of the border between the North and the South.

Former Irish Ambassador to Canada Ray Bassett's submission on Irexit is included. The solution to the problem of creating a border on the old partition lines between north and south is for the border to be in the Irish Sea between the island of Ireland and Britain as was the case from 1939 to 1952. This was highlighted in the House of Lords: European Union Committee report entitled 'Brexit :UK-Irish relations' which we quote and analyse. This report is available in full in the appendix to this chapter. The issue around the common travel area is also examined.

The reports looks at a neglected topic on the BREXIT discussion, that being the effects on women. For this report we commissioned a research paper from the Library and Research Service of the House of the Oireachtas to give an overview of the responses to BREXIT of the British and Irish governments and the legislature in each jurisdiction. The Library and Research service of the Oireachtas were also commissioned to provide an updated report on The Good Friday Agreement, the Peace Process and the Institutions; the report provides a background on a range of issues which feature a specific cross-border dimension. The theme of the paper was 'the Impact of Brexit on Cross border activities'

In compiling this section of the report we reproduced the findings of the Library & Research Service of the Houses of the Oireachtas.

The briefing paper provided information on a range of topics;

Policing and Justice	Finance and Funding
Business and Trade	Agriculture
Labour Market and Skills Tourism	Energy and Environment
Health	Education

The paper looked at the impact which 'BREXIT' may have on these and other issues across Ireland. The range of impact on Ireland, both north and south, cannot properly be assessed until such time as the terms of the withdrawal agreement from the EU are known.

Therefore it should be noted that the list of issues discussed here is not exhaustive.

1.1 RECOMMENDATIONS

The Irish government must negotiate for Northern Ireland to be designated with a special status within the EU and for the whole island of Ireland to remain within the EU together.

All current and future EU programmes & funding for Northern Ireland, in the absence of alternative arrangements for Northern Ireland, should continue to be funded by HM Treasury.

The Report on the All-Ireland Economy: compiled in 2016 by Peadar Toibin TD for the Joint Oireachtas Committee on Jobs, Enterprise and Innovation in the light of Brexit should be updated.

Any passport controls between Ireland and the UK should be along the same basis as for people traveling between these islands from 1939 to 1952. There should not be a return to passport controls on the borders between the North and South of Ireland.

A detailed analysis of the impact of Brexit on Women, programmes to mitigate these impacts should be implemented

Research into the actual income and expenditure for Northern Ireland should be carried out by the Government.

1.2 CALCULATING WHAT THE HM TREASURY WOULD NEED TO CONTRIBUTE TO CONTINUE EU PROGRAMMES AND FUNDING TO NORTHERN IRELAND

To calculate what HM Treasury would need to contribute to continue EU programmes and Funds to Northern Ireland we republished a section from the Nevin Economic Research Institute (NERI) paper on ‘The Economic Implication of Brexit for Northern Ireland’. The report looks at a number of issues including Northern Ireland’s ‘notional EU contribution’, that is, as a stand alone state how much would Northern Ireland contribute to the EU budget. This figure is clearly hypothetical. What Northern Ireland receives is difficult to determine due to the multi annual, regional and transnational nature of funding. Brian Crowley MEP provided information in relation to the EU Funding elements of this report.

1.3 BREXIT AND EU FUNDING IN NORTHERN IRELAND

“Much of the debate on BREXIT at the national level in the UK has focused on how much the country would lose or gain financially from either decision. Once again it is not possible to be definitive on this matter. The ambiguity arises in attempting to calculate what Northern Ireland’s notional ‘EU contribution’ is and matching that against what it actually receives. A further ambiguity arrives in deciding how much the UK Treasury will benefit from no longer being a member of the EU because most post-BREXIT scenarios posit some form of close relationship with the single market, and that relationship is not without cost.

It is possible to ascertain how much the UK government pays to the EU each year and to work out a notional 'Northern Ireland Contribution' from that. In 2015 the UK paid £17.6bn to the EU, however this was automatically reduced by £4.9bn which is the rebate which the UK has negotiated since 1985, bringing its total contribution down to £12.9bn. This is up from the £8.7bn paid in 2009 and it is forecast to rise to £15.2bn by 2020. Using Northern Ireland's share of UK population it is possible to calculate a hypothetical Northern Ireland total contribution of £366m (2.9 per cent of the total figure)."[1]

"However Northern Ireland's hypothetical contribution could also be more accurately calculated. There is no particular reason to use a population based percentage to account for Northern Ireland's share. Given that the contributions to the EU are funded through revenue raised by the UK exchequer it may be more accurate to calculate Northern Ireland's contribution on the basis of its share of UK tax revenues. The Net Fiscal Balance report produced by the Department of 27 Finance and Personnel estimates that Northern Ireland produces 2.5 per cent of the UK's tax revenue meaning that NI's hypothetical contribution could be as low as £322.5m. It could be even lower if the HMRC Disaggregated Receipts figure of 2.1 per cent is used which would bring Northern Ireland's contribution to as low as £270.9m. Treasury figures estimate that UK public sector institution received approximately £4.4bn back from the EU which was then disbursed to the private sector. This leaves the UK's net contribution at £8.5bn in 2015. This does not count EU money paid directly to the private sector which was thought to be in the region of £1.3bn in 2013. If we take a simple population based Northern Ireland estimate for public sector receipts from the EU then Northern Ireland technically received only £124.9m in EU funds in 2015. However, this introduces another problem with using population based estimates, because it is also possible to examine the individual EU funds that are paid into Northern Ireland each year. Looking only at the Common Agriculture Fund, the Common Fisheries Fund and the Investment for Growth and Jobs Initiative, Northern Ireland received £320m in 2015 (DFP, 2016), £200m more than the population based estimate. Special EU funds such as the PEACE IV initiative and the INTERREG fund could add another £50m annually, but these funds are set to be phased out after 2020. In the next five years Northern Ireland would on conservative estimates only 'break even' in the event of a BREXIT.

All of the above discussion is clearly hypothetical. The information on what Northern

Ireland receives is more complete, but even if there were an agreed figure on what Northern Ireland contributes, this sum of money may not return to Northern Ireland in its entirety in the event of a BREXIT. This money is in the gift of the Treasury and part of it may need to be spent on establishing a trade relationship with the EU. Norway is currently a member of European Economic Area which keeps it outside the EU but which grants it access to the Single Market. Norway has agreed to pay on average €866m or roughly £680m annually for the period 2014- 20212. Norway has a GDP per capita roughly 1.6 times that of the UK so adjusting for the size of the economy as a whole (rather than on population measures), the UK would pay roughly £4.97bn for the same arrangement. This would amount to nearly one third of the UK's existing total EU contribution and would significantly reduce any net gain for Northern Ireland. However if the UK decides only to apply for entry to the European Free Trade Area, this payment would significantly reduce, but this would leave Northern Ireland with no access to the Single Market.

Depending on exactly how Northern Ireland's contribution is calculated it would fair to suggest that the best Northern Ireland could hope for would be to break even in the event of a BREXIT. It would also be fair to say that there are a range of more negative outcomes for Northern Ireland which are not beyond the bounds of reasonable expectation."[2]

"The theoretical question of the Northern Ireland contribution to the EU through the UK annual contribution and a subsequent financial benefit from ending those contributions is a moot one. The deficit in Northern Ireland is such that any theoretical contribution is in fact made with money borrowed from central government. The Northern Ireland deficit (confining the spending definition rather generously as identifiable spending under the block DEL grants plus Annual Managed Expenditure) is 15% of GVA versus a UK budget deficit of 3.4% (in 2016). Given the UK Treasury intends to have a surplus in the next parliament, along with the potential for a large final exit bill and the threat to tax revenues, should Brexit cause an economic slowdown any benefit from ending the UK contributions to the EU is likely to be small if at all and for Northern Ireland will be irrelevant. Therefore, for Northern Ireland to be net neutral after Brexit the UK government will have to sponsor all current EU programmes. Furthermore, it will need to have financial support ready to cushion the blow from the loss of major export markets if Brexit results in the UK leaving the Customs Union thereby subjecting sectors such as agriculture and fisheries to the standard EU external tariffs."[3]

1.4 EU FUNDED PROGRAMMES WITHIN NORTHERN IRELAND 2014-2020

MEP Brian Crowley provided the following information for the report by the Joint Committee on the Implementation of the Good Friday Agreement which outlines some of the EU funding programmes within Northern Ireland 2014-2020.

1.5 DIFFICULTY IN PERDICTING THE IMPACT OF BREXIT

The difficulty with predicting the economic impact on Northern Ireland of Brexit can be seen in the example show in a research paper in November 2016 by the Economic and Social Research Institute

"Modelling the Medium to Long Term Potential Macroeconomic Impact of Brexit on Ireland" This research paper tabulated the various results by International Institutions for the UKs GDP as a result of Brexit and showed wide divergences of predicted outcomes in the event of the World Trade organisation rules being imposed. The inability of such institutions to predict the impact of Brexit, on the UK is even more pronounced for Northern Ireland, given the low volume of information and quality of data available for Northern Ireland. Hence any kind of rigorous analysis and/or prediction is especially challenging. The case of the impact of Brexit on Northern Ireland by the incomplete data set out in the next section

-Prior to the referendum, a number of UK and International agencies attempted to model scenarios on the economic consequences of the UK voting to leave the EU. These include the UK Treasury, the UK National Institute of Economic and Social Research (NIESR), the European Commission (EC), the Organisation for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), The Centre for Economic Performance at the London School of Economics (LSE-CEP), Oxford Economics, PWC, and the Bertelsmann Foundation."[4]

1.6 BORDERS MATTER

Table 1: UK and International Institutions Scenario impacts of a vote to leave the EU on the UK

Study	Scenario	GDP % change relative to base
NIESR	WTO (short-term)	-2.3%
HM Treasury	(short-term)	-3.6%
OECD	(short-term)	-3.3%
IMF	Downside (short-term)	-0.9%
European Commission	Mild (short-term)	-1.0%
	Severe (short-term)	-2.7%
NIESR	EEA	-1.8%
	FTA	-2.1%
	WTO	-3.2%
	WTO+	-7.8%
HM Treasury	EEA	-3.8%
	FTA	-6.2%
	WTO	-7.5%
OECD	WTO/FTA	-2.7%
		-5.1%
		-7.7%
LSE/CEP	EEA/FTA	-7.9%
PWC	FTA	-3.0%
	WTO	-5.5%
Oxford Economics	Liberal Customs Union	-0.1%
	FTA	-2.8%
	WTO	-3.9%
Bertelsmann Foundation	EEA	-0.6%
	WTO	-3.0%

1.7 LACK OF RELIABLE ECONOMIC DATA; A CHALLENGE AND CONCERN

> "The contributions of the 5 political representatives illustrated how very difficult it is for them to agree any economic facts or strategies in Northern Ireland. Where everything is disputed or contested, no progress can be made."[5]
> John Bradley speaking on the theme of 'Towards an All-Ireland Economy: the business opportunities and political obstacles' at the Irish Association conference at Queens University Belfast in 2014.

With this quote Bradley pointed out that in the constantly contested politics of Northern Ireland were even, the Economic facts are disputed, this lack of reliable economic data helps to fuel dispute and in the case of BREXIT gives a poor basis on which to plan a response. As Bradley also points out 'Policy errors or policy neglect seldom goes unpunished'.[6] In his opinion, policy decisions are based on the data and the facts available. To that end if the economic facts are unreliable or disputed then the likelihood of policy errors increase. This is a very concerning backdrop to the prospect of Brexit as it provides a very poor basis on which to plan a response.

United States Congressman Brendan Boyle commissioned research from the Congressional Research office to assist in the compilation of this report for the Joint Committee for the Implementation of the Good Friday Agreement. It demonstrated the very different figures being portrayed for Northern Ireland's deficit and the unreliable way its income and tax take is calculated.

Even on data such as the numbers who cross the border every day to work and study is disputed. The last census results in 2011 stated it was 14,751. However, the joint research paper by the Research and Information Service of the Northern Ireland Assembly and of the Library & Research Service of the Houses of the Oireachtas for the North/South Inter-Parliamentary Association quoted that '23,000 to 30,000 people are cross-border workers', an estimate which came from the Centre for Cross Border Studies. The British Irish Chamber of Commerce has also quoted a figure of 30,000 a day commuting across the border. The research by the Oireachtas Library and Research Service showed that the 5,722 people a day travel between Ireland and the

UK every day.

The Nevin Economic Research Institute (NERI) produced a working paper prior to Brexit in April 2016 entitled ‘The Economic Implications of Brexit for Northern Ireland’. Time and again the report refers to the lack of accurate figures and incomplete data sets. This is of concern to any policy maker trying to make policy decisions and base economic plans. Without a full set of the current economic facts it is very problematic in arriving at correct decisions, especially when incorrect decisions can come at such a high political price.

1.6.1 NORTHERN IRELAND INCOMPLETE DATA

In April 2016 The Nevin Economic Research Institute (NERI) produced a working paper entitled ‘The Economic Implications of Brexit for Northern Ireland’. The reference to ‘lack of figures’, ‘patchy figure’, ‘in-complete data sets’ is of concern as stated earlier.

BREXIT AND NORTHERN IRELAND TRADE-NORTHERN IRELAND INCOMPLETE DATA

-The existing dataset for Northern Ireland’s trade is somewhat incomplete. For tradeable goods there are reliable statistics from Her Majesty’s Revenue and Customs. The figures on service exports are less conclusive. The new Broad Economy Sales and Exports Survey (NISRA, 2015) estimates that total exports (goods and services) from Northern Ireland in 2014 were £9.7bn1. Of this, 60 per cent is accounted for by goods and services in the Manufacturing sector. Overall 56 per cent of goods and services exports go to the EU and two thirds of all EU exports are bound for the Republic of Ireland. Table 1.1 shows the broad outline of industries by exports and their destination; however figures for the EU and the rest of the world are patchy in areas.[7]

-NI INCOMPLETE DATA: Services

-“Looking at Service sector exports, the statistics are still quite primitive in Northern Ireland. The latest estimates for Northern Ireland indicate that total exports of goods and services were in the region of £9.7bn in 2014. HMRC figures for goods exports in 2014 account for £6bn of this figure. This leaves a gap of £3.7bn from the BESES data.”[8]

NI INCOMPLETE DATA: Services

-“Previous research has identified that EU membership enhances the trade volumes across many sectors but in particular the areas of agriculture, textiles, trade services and transport equipment (Nahuis, 2004). The dearth of data on services exports exposes a key challenge in estimating the impact of a BREXIT on the Northern Ireland economy”[9]

NI INCOMPETE DATA: Manufacturing

-“Unfortunately the data at present don’t provide a breakdown of manufacturing subsector exports by destination.”[10]

-NI INCOMPLETE DATA: Retail

-“retail jobs are spread across Northern Ireland, with South Belfast

containing the largest proportion of Northern Ireland Retail sector employment. Unfortunately the data at present do not show where Retail businesses with large external sales are located within Northern Ireland, but Figure 18 gives some idea as to where the impacts of any possible disruption to jobs may be felt. Newry & Armagh and Fermanagh & South Tyrone Could face a disproportionate hit as they are border constituencies.”[11]

NI INCOMPLETE DATA: Tourism

“statistics indicate that 9 per cent of overnight visitors were from the Republic of Ireland but there are no indications of where the remaining 13 per cent of tourists originated from.” [12]

NI INCOMPLETE DATA: Brexit and EU Funding in Northern Ireland

“Much of the debate on BREXIT at the national level in the UK has focused on how much the country would lose or gain financially from either decision. Once again it is not possible to be definitive on this matter. The ambiguity arises in attempting to calculate what Northern Ireland’s notional ‘EU contribution’ is and matching that against what it actually receives. A further ambiguity arrives in deciding how much the UK

Treasury will benefit from no longer being a member of the EU because most post-BREXIT scenarios posit some form of close relationship with the single market, and that relationship is not without cost."[13]

1.7 UNITED STATES OF AMERICA, CONGRESSIONAL RESEARCH OFFICE REPORT COMMISSIONED BY CONGRESSMAN BRENDAN BOYLE'S OFFICE

Northern Irelands Deficit

United States Congressman Brendan Boyle's specifically commissioned a report for the Committee on the Implementation of the Good Friday Agreement from the U.S. House of Representatives Congressional Research office regarding the deficit in Northern Ireland. The finding of the US Congressional Research office highlights the difficulty in getting the accurate figure in relation to the often quoted subvention for the British Treasurer to make up the difference in the Northern Economy income and expenditure.

The British treasury has stated the deficit for the Northern Ireland economy is £9.1bn. This is compared to the deficit of £5.1bn as highlighted by Congressman Boyle's report which removes, the allocation of billions of sterling of global British military spending, UK debt repayment and other Non-Identifiable Expenditure allocated to Northern Irelands expenditure.

Congressman Boyle's office also highlighted that as well as no accurate figure for expenditure in Northern Ireland there is also no accurate figure for income raised in Northern Ireland. There is no entirely accurate figure for a wide range of taxes collected in Northern Ireland including Corporations Tax. There are figures apportioned to Northern Ireland based on formulas of HM Revenue. Northern Ireland's share of corporation tax is taken to be its share of profits of all public and private corporations in the UK. The Capital Gains tax figure, is apportioned to Northern Ireland according to Northern Ireland's share of UK GAV (NI Net Fiscal Balance Report 2015)

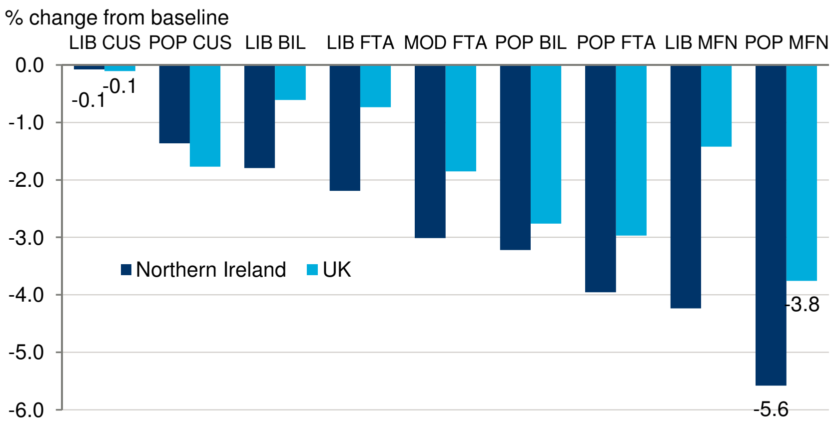
The need for accurate and reliable data on which to base a response to BREXIT become obvious.

1.8 CONGRESSIONAL REPORT ON NORTHERN IRELANDS INCOME & EXPENDITURE

1.8 PREDICTING THE IMPACT OF BREXIT ON NORTHERN IRELAND

Oxford Economic's research paper "THE ECONOMIC IMPLICATIONS OF A UK EXIT FROM THE EU FOR NORTHERN IRELAND" from February 2016 is an overview of research commissioned by the UK Department of Enterprise, Trade and Investment on the economic implications of a UK exit from the EU showed that Northern Ireland is more vulnerable to Brexit that Great Britain.

-"Overall our modelling indicates that Northern Ireland's economy is likely to be relatively more vulnerable to the type of structural changes triggered by a UK exit from the EU in comparison to the rest of the UK. The impact on Northern Ireland's Gross Value Added in 2030 is displayed in the graphs below across the nine scenarios in comparison to the overall effect on UK GVA."[14]



Source: Oxford Economics

[15]

"On average, the impact on Northern Ireland's GVA in 2030 is 0.7 percentage points worse than on UK GVA in the four populist scenarios but 1.4 percentage points worse in the four liberal scenarios."[16]

"The fact that Northern Ireland shares a direct land border with another EU member state. On average across the nine scenarios Irish imports fall by a disproportionate amount (relative to other EU member states). The impact of the land border is simulated based on data collected by DETI which shows that Northern Ireland's trade links with Ireland are much stronger compared to the rest of the UK;

(2) The fact that the composition of manufacturing activity in Northern Ireland is skewed towards subs-sectors which according to our trade modelling are likely to be more negatively affected in the event of a UK withdrawal from the EU. In particular, Northern Ireland's manufacturing industry currently has a relatively high dependence on both the food, beverage and tobacco and transport equipment sub-sectors which were found to be relatively more "at-risk" in our scenario analysis;

and

(3) The fact that Northern Ireland receives a relatively high level of inward FDI (compared to the rest of the UK). In our model this results in a stronger fall in TFP and therefore long-run GDP. [17]

"The more interesting aspect of the Oxford Economic report was the difference between possible outcomes for Northern Ireland and the UK under each of the different scenarios. This highlights the central question, how and why will the impact of BREXIT differ in Northern Ireland?"[18]

"the long-term impact of BREXIT would be determined by the shape of the resulting relationship between the UK and the EU. Research to date has forecast that GDP in the UK could be disrupted by as little as 1 per cent or as much as 9 per cent in a worst case scenario. In reality the nature of the UK's trading relationship will be decided by political factors and there is no economic modelling that can predict such outcomes. It is harder to avoid the conclusion that there will be disruption to trading links with the EU in the short-term due to uncertainty if nothing else.

Northern Ireland is vulnerable to this disruption particularly across the agriculture and food sector and many areas of manufacturing. That Northern Ireland could replace this trade by seeking greater links outside the EU is speculation confined to the longer term.

BREXIT would introduce disruption to the development of an All-Island economy which has undeniably failed to live up to the expectations set out in the Good Friday

Agreement. BREXIT therefore represents a disproportionate risk for Northern Ireland in the short to medium term, and any evaluation of long-term impacts requires individual judgement about the future prospects for a post-BREXIT UK economy."[19]

"When comparing Northern Ireland's goods trade to the rest of the United Kingdom some interesting differences arise. Looking at EU exports, while Food, Beverages and Agricultural products make 35 per cent of NI's total, the equivalent for the rest of the UK is only 10 per cent.

Exports of pharmaceuticals account for almost 20 per cent of EU trade in Great Britain, double the equivalent figure for Northern Ireland. As the UK is the largest producer of oil and gas within the EU (ONS, 2015) mineral fuels account for 9 per cent of Great Britain's exports to the EU while Machinery and Transport accounted for over one third. Given such larges disparities in the make-up of trade, it follows that disruption to EU trade will affect Northern Ireland and Great Britain in different ways."[20]

"In summary, the EU is a more important export market for Northern Ireland than it is for the rest of the UK. Within EU trade Northern Ireland's exports could be more vulnerable to trade barriers while the rest of the UK may be able to expand non-EU trade to make-up for EU losses."[21]

1.9 WOMEN WORKERS TO BE DISPROPORTIONATELY AFFECTED BY BREXIT

The Nevin Economic Research Institute working paper entitled ‘The Economic Implications of Brexit for Northern Ireland’ showed the importance of the retail and manufacturing sectors for Northern Irelands economy and for the employment in Northern Ireland of women. Both of these sectors are predicted to be impacted disproportionally by BREXIT

“Manufacturing jobs are spread across Northern Ireland. While it is not possible to present a regional breakdown of manufacturing jobs by subsector, the data do point to a significant manufacturing employment in rural constituencies. While there are significant manufacturing bases within Belfast, female manufacturing employment is higher in rural areas particularly in food which accounts for a third of all female manufacturing employment, suggesting a possible gender differential arising from the impact of BREXIT.

- Fermanagh and South Tyrone, Upper Bann and Mid-Ulster have the highest proportion of manufacturing jobs in Northern Ireland and while no direct relationship exits, these constituencies could be expected to see disproportionate losses to a disruption in EU trade. In particular the higher rate of female manufacturing employment in these areas is largely confined to food manufacturing and that could be disproportionately hit by a reduction food exports arising from a fall in EU trade.”[22]

“The value of exports to the Retail sector, the largest sector of employment in Northern Ireland. shows the EU and the Republic of Ireland in particular accounts for the vast majority of foreign sales. In 2014 sales from Northern Ireland to the EU were almost equal to the value of sales to Great Britain. While the Northern Ireland market would naturally accounted for the majority of overall sales (£4.3bn) the importance of the EU/ROI market highlights a possible vulnerability for the Retail sector in the event of a BREXIT.

The Retail sector in 2015 accounted for 17.6 per cent of all jobs in Northern Ireland and this is up from 12.5 per cent recorded in 1973 when the UK joined the EU. For the UK as a whole, the Retail sector accounted for 14.7 per cent of all jobs in 1978, almost exactly the same percentage as in 2015. The retail section in Northern Ireland contains the largest number of low paid workers (McFlynn, 2014) and a comparatively large Retail sector may have contributed to low levels of productivity in Northern Ireland (McFlynn 2015). However at present the retail sector provides employment to a large section of the population and it is likely that a disruption to EU trade, particularly with the Republic of Ireland, may cause significant uncertainty and possible job losses in the sector."[23]

1.10 IREXIT

GERMAN-IRISH CHAMBER OF INDUSTRY AND COMMERCE

The German Irish Chamber of Industry and Commerce in its report 'Brexit- a view form the Chambers in December 2016' raised the issue of Ireland being force to leave the EU or IREXIT This is quoted here, as is a submission from the former Irish Ambassador to Canada and senior Good Friday Agreement negotiator Ray Bassett.

"A 'hard' Brexit, compounding Ireland's ability to engage in free trade with the UK, may put severe pressure on Ireland's EU membership in the medium-term. In order to underline the value of EU membership, the European Union may attempt to enforce costs on the UK after it leaves the EU. This has the potential to inflict serious collateral damage on Ireland and may give rise to anti-EU sentiment. By imposing very harsh terms on Britain to discourage other member states from exiting the EU, the EU need to actively consider whether this will build momentum towards an 'Irexit', further undermining European cohesion."[24]

1.10.1 BREXIT, IS IREXIT AN OPTION

Irish society is beginning to wake up to the severe implications of Brexit for Ireland and especially a hard Brexit. Important questions are being raised, including for the first time the possibility that Ireland may have to follow the United Kingdom out of the EU. Such thoughts would not have been scarcely credible even a year ago.

While EU membership has greatly assisted the modernisation of the Irish economy, especially the country's ability to attract American FDI; the food and agriculture sector, tourism, as well as Irish SMEs, are still heavily dependent on the British market. These are employment rich areas and are deeply embedded in the local economy. They are also very dispersed regionally in Ireland. The Department of Finance has made some pessimistic economic projections about the effect of Brexit, including 40,000 job losses, a 30% drop in Irish exports to the UK and a possible diminution of 4% in Ireland's GDP. Most Irish exports to mainland Europe travel overland through Britain which will mean that the previous customs free transit route will have be altered.

Huge delays at the ports can be expected. Bilateral Irish/British trade is worth €1.2bn per week and will be seriously hampered. Add in Irish trade with the rest of Europe and it is a recipe for chaos in the short and medium term. In addition, there are reports that some Irish ports do not have the facilities to cater for both EU and non-EU trade, something that will become much more important post Brexit.

The whole area of globalisation and aggressive tax avoidance by large multinational firms is coming under the spotlight and the previous formula of attracting US companies to Ireland as their EU base, with special tax inducements, looks in peril. Such arrangements have become toxic to the international community. In addition, without the presence of the UK, Ireland and some small like-minded countries will find it hard to resist EU Commission moves to introduce a common tax regime. Even if Ireland is successful in vetoing EU wide reforms, there is a likelihood that individual countries such as France, Germany etc., will introduce domestic changes which will make a tax efficient location in Ireland less attractive.

This should be factored into Ireland's planning for its future economic development.

Ireland and Britain operate a common travel area, allowing their citizens to travel to each other's country without passports; they can vote and access social supports freely in each other's jurisdictions. Both the British and Irish Governments will work to hold onto this system in the negotiations but it is by no means certain that the other EU countries will permit such cosy arrangements. With some European States calling for punishment of the Brits, the atmosphere is not conducive to sensible solutions.

There is also the strong possibility of a reinstatement of a physical border between the Republic in the South and Northern Ireland. That border had been effectively removed by the Good Friday (Belfast) Agreement in 1998. The re-imposition of controls here could effectively torpedo that Agreement, which was based heavily on both countries being full members of the European Union. While there have been a number of contradictory statements emanating from the Government on the issue of a physical border, the Taoiseach Enda Kenny has already conceded that avoiding this will be difficult to achieve. A new border in Ireland would be a very heavy price to pay for remaining inside the EU. While there have been calls for reunification of the country or a special status for Northern Ireland with the EU, neither option is likely in the short term. Therefore, Ireland again has to factor this pertinent fact into its calculations.

Ireland, in many respects, has its special interests in the Brexit negotiations. It needs to stand on its own and push Ireland's national interest rather than merely going to our EU partners pleading a special case and asking that the EU negotiators take this on board in the Brexit negotiations.

With so much at stake, the Irish Government has kept its head down and rebuffed numerous pleas within Ireland to appoint a special Minister for Brexit who would enter into separate negotiations with both the EU authorities and the UK, namely becoming a third element in the discussions. This proposal has overwhelming support in opinion polls, (73%). There is widespread scepticism within the country that the same EU authorities, which inflicted the notorious Bailout on Ireland; are pursuing the Apple case, etc.; are now going to place Ireland at the forefront of its considerations. The approach of being the best boy in the class has been a failure for Ireland inside the EU in recent times.

As the implications of the forthcoming rupture between the UK and the EU becomes clearer, Irish public opinion has started to shift. In a recent poll in Ireland's leading business paper, the Sunday Business Post, 56% of those polled believed that links with the UK are more important than with the rest of the EU. Support for an Irexit in the event of a hard Brexit was 28% but this would have barely registered any support a year ago; there is clearly a momentum building against the present passive stance by the authorities.

Questions are being asked as to whether is not more disruptive to break with Britain and Northern Ireland than with the remaining 26 EU member States. Certainly, from a cultural, historical and family ties point of view, Ireland and the UK are the closest of any two EU countries. Ireland, unlike most other EU countries, does not belong to other groupings, such as the Nordic Council, Visegárd, Benelux, Commonwealth, Francophonie etc., Hence Ireland will be left with no natural allies. It will be an island off the west coast of Europe, behind another larger island which is not part of the EU. Our peripherality in the EU will be greatly increased. I cannot think of many peripheral regions that have prospered in similar circumstances.

Given that is so overwhelmingly in Ireland's interest to negotiate officially and separately with Britain on Brexit, the obvious question must be asked as to why the Irish authorities are pursuing the current course which seems at variance with its national interest. The answer lies in the way the European Union has worked with the political and bureaucratic elites over the years. Constant meetings in Brussels involving Ministers and officials has left them much more Eurocentric than the population at large. The lack of alternative international fora, and active Irish participation in them, means that Irish leaders often think in very narrow EU terms.

Ireland needs to be much more aware of the wider international environment.

The UK is energetically seeking new trade agreements and the prospect of an Anglophone North Atlantic free trade area, encompassing the USA, Canada and Britain is emerging as a strong possibility. Given Ireland's geographic position; its trade links; and its ethnic connections with these three countries, it would be very foolish of any Irish Government not to have a plan B in its sights, should the Brexit discussions end in acrimony. However, this would require a much more independent line that the present course.

There is a foolish assumption in Dublin that any trade deal between the UK and the USA would take years. This is based on the experiences of EU trade deals. However, trying to cater for the needs of 28 countries with a myriad of concerns is not the same as direct bilateral discussions between two countries. The timescale of a new USA/UK deal may be much shorter and could be ready by the time Brexit takes effect. Any new USA trade deal which advantaged Britain over Ireland would have serious implications for our ability to attract US FDI.

Given the whole basis of our entry into the European Union's predecessor in 1973 was our links with Britain, there is an onus on the Irish Government to put the results of the Brexit negotiations to a referendum. Hopefully, the outcome of Brexit negotiations will be benign. However, if this does not turn out to be the case, it would be a brave Government in Dublin who would ask the electorate to re-instate a border in Ireland and erect barriers with our nearest neighbour Britain where most Irish people have family links. The prospects of an Irish Irexit have certainly grown in recent days.

It the discussions it is important to fully examine all alternatives. Brexit is bad for Ireland no matter which course of action we decide to take. There has been no serious look at the possibility of retaining a customs union with the United Kingdom and seeking liberal access to the Single (internal) market of the European Union. If fully explored, it might turn out to be less bad than staying as a full member of the EU and taking the consequences of Brexit.

Ray Bassett, Former Irish Ambassador to Canada and Department of Foreign Affairs Good Friday Agreement Negotiator.

1.11 PREVENTION OF A RETURN TO A HARD BORDER ON THE ISLAND OF IRELAND

In this section of the report the findings of the Research Service of the House of the Oireachtas in relation to the Common Travel area and other related issue is reproduced. A key concern is the cross border movement of people; we reproduce the maps from the Central Statistics Office report 'BREXIT Ireland and the UK in Numbers' which shows the location of cross border commuters north and south.

The issue of the Hard Border is addressed, drawing extensively on the House of Lords European Union Committee report 'Brexit: UK – Irish Relations'. It is proposed that the Hard Border in relation to the movement of people on these islands should be in the Irish Sea between Ireland and Britain. This is a practical solution to the alternative of a border on the old partition lines between north and south. The reinstatement of the border in the Irish Sea between Ireland and Britain was the case from 1939 to 1952. Former British Prime Minster David Cameron outlined the choices in a House of Commons debate in June 2016 'Therefore, you can only have new border controls between the Republic and Northern Ireland or, which I would regret hugely, you would have to have some sort of checks on people as they left Belfast or other parts of Northern Ireland to come to the rest of the United Kingdom'. Former Taoiseach Bertie Ahern also made a submission for this report and this is reproduced in full here.

1.11.1 SUBMISSION BY FORMER TAOISEACH BERTIE AHERN

THE BORDER AND BREXIT

The Good Friday Agreement in 1998 ushered in a new era of reconciliation in Northern Ireland, which quickly brought about a peace dividend for communities across the island of Ireland sparked, in part, by a surge in overseas investment and enhanced tourism figures. The Irish peace process is lauded

internationally as an exemplar to other regions where there is conflict, however, Brexit could undermine the work of reconciliation and destabilise the region.

EU funding has helped underpin peace by financing cross-border and cross-community initiatives, which have led to positive social and political outcomes. Brexit puts this significant funding at risk. It is estimated that the region has received close to €1 billion in PEACE/ERDF funding since 1995, with hundreds of millions also directed to the border regions under the INTERREG Programme. As the Irish Congress of Trade Unions has pointed out, the immediate loss of this funding would likely devastate the community sector, resulting in thousands of job losses. For a society still emerging from a bitter conflict, this clearly represents a substantial and serious risk.

Ireland is the only EU member state to share a land border with the UK. There is free movement of people and goods across this border. 30,000 people cross the border between Ireland and Northern Ireland every day to work or visit family and friends. The elimination of a hard border in modern times has been critical in the context of the Northern Ireland peace process and in building co-operation between both jurisdictions on the island. After a meeting in July 2016 between the Irish Taoiseach Enda Kenny and British Prime Minister Theresa May, the Taoiseach said that they had both agreed that there would be no return of a hard border. The Irish Foreign Minister Charles Flanagan has stressed that, irrespective of Brexit, the border between Ireland and Northern Ireland must remain “invisible” and that the Irish Government would be emphasising the importance of this approach in negotiations with EU colleagues. The logistics of how, in practical terms, the border will remain “invisible” is the big question and the big challenged to be addressed over the next two years, as the UK begins exit talks.

The British Government now appear to be switching their language. They are now saying not that there’ll be no border, but that the border won’t be as difficult as to create problems. However, it is of concern that the return of a border will take away the calming effects of an open border. Undoubtedly, any attempt to reintroduce border posts, or to man it in a physical sense as used to be the case, would be very hard to maintain, and would create a lot of bad feeling.

In its Brexit White Paper , the UK government stated its aim to have “as seamless and frictionless a border as possible between Northern Ireland and Ireland.”
The secretary of state for exiting the EU, David Davis, has suggested that the arrangements between Norway and Sweden could be a model to copy, where CCTV cameras equipped for automatic number-plate recognition are in place. However, in an interview with the Guardian, the European parliament’s Brexit negotiator Guy Verhofstadt appeared to scorn such a model, given that there would need to be customs checks and restrictions on the free movement of people.

There are real doubts that current technology could do the job, given the nature of the Irish border. There are 300 crossing points on the border between the Republic and Northern Ireland, with 177,000 crossings by lorries a month, 208,000 by vans and 1.85m by cars.

The re-introduction of a border could be politically destabilising. It has been said that he feared the furious reaction of the unionist communities in the mid-1980s when the Republic was given an advisory role in the government of Northern Ireland could be repeated on the nationalist side if controls were reinstated. My view is that any kind of physical border, in any shape, is bad for the peace process, as it will psychologically feed badly into the nationalist communities.

The return of a border runs contrary to the spirit of the Good Friday Agreement. For the nationalist community in Northern Ireland, the Good Friday agreement was about removing barriers, integrating across the island, working democratically in the absence of violence and intimidation – and if you take that away, as the Brexit vote does, that has a destabilising effect.

The British prime minister has repeatedly suggested that the 1923 Common Travel Area deal can be the basis for the future, although it was signed before either state joined the EU. However, a memo from the European parliament's legal affairs committee, which is helping shape the negotiating position of the European commission and the red lines of the European parliament, rebuffs that suggestion: "The [Good Friday] agreement makes it abundantly clear that the fact that both parts of Ireland and the UK are within the EU is a basis for the agreement. Moreover, the fact that Brexit could result in the reintroduction of border controls and controls on the free movement of persons between Ireland and Northern Ireland means this is a question for the EU, and not only Ireland and the UK."

Historically, customs controls have operated on both sides of the border from 1923 until their abolition on 1 January 1993, when the EU Single Market came into effect. In addition, security checkpoints operated on both sides of the border during the Troubles, from 1970 to the late 1990s—although the border security regime operated only partially, even at the height of the Troubles, because the Government in London recognised that a 'hard' border would inflame tensions in the Nationalist community. Other controls have been instituted on an ad hoc basis. For instance, in 2001 the Republic of Ireland operated systematic controls at the Irish border to curtail the spread of foot and mouth disease.

Customs posts were targets for attack when the Troubles erupted. However, the launch of the European Single Market, together with the onset of the peace process from 1994, had removed the need for customs posts and military checkpoints, meaning that, today, "the physical manifestation of the Irish border itself is hardly discernible." Today, there are up to 300 major and minor crossings along a 310 mile (499 kilometre) border.

It is still an evolving situation as to what the precise impact of Brexit on the land border will be, both in terms of the movement of goods (whether UK withdrawal from the customs union would inevitably lead to border checks) or the movement of people (whether the current Common Travel Area arrangements can be maintained). The principal impediment to maintenance of the current soft border arrangements was that, if the UK withdrew from the customs union, customs tariffs would need to be applied, inevitably resulting in some form of physical manifestation of the border. The UK leaving the customs union would make a hard border almost inevitable, whatever that might look like. There would need to be some controls, although this did not necessarily mean the re imposition of the old border checkpoints. The Irish Government's preference would be for the UK to remain in the customs union.

1.12 REINSTATEMENT OF 1939-1952 CONTROLS BETWEEN ISLAND OF IRELAND AND UK WITH FULL IMPLEMENTATION OF OPERATIONS GULL ON NON-RACIAL BASIS WILL PREVENT REINTRODUCTION OF HARD BORDER.

Between 1939 and 1952 the UK government has immigration controls between the island of ireland and Great Britain. Currently illegal movement of non-EU citizens between Northern Ireland and Britain is addressed by means of Operation Gill. Immigration Lawyers noted criticism of Operation Gill by human rights groups, in particular accusations of racial profiling. At the height of the 'Troubles' the border was permeable even though as former Taoiseach Bertie Ahern (1999-2008) has pointed out 40,000 people were on the security pay bill.

Ulster Unionist Party leader Mike Nesbitt told House of Lords that the 'Troubles' had demonstrated that it was not possible to secure the land border, and that therefore "the border will inevitably be at the ports and airports of Great Britain, from Cairnryan to Heathrow"

The House of Lords in its report states that the current soft border should remain but dismisses the 1939-1953 controls which would prevent the unacceptable current racial profiling of those traveling between Northern Ireland and Britain. Yet the House of Lords failed to identify an alternative acceptable solution.

We call on the British Government to accept the realist solution of the immigration controls of 1939-1952 and thereby keep the status quo between the North and South of the Island.

The following is extracted from the House of Lords: European Union Committee 6th Report of Session 2016-17 Brexit: UK-Irish relations.

Common Travel Area arrangements between the United Kingdom and Ireland date from the foundation of the Irish state.

From 1923 to 1939 there was full mutual recognition of immigration permission granted by each state to aliens travelling to the other. Between 1939 and 1952 immigration control applied to travel between the island of Ireland and Great Britain. In 1952 those immigration controls were removed, after an administrative agreement between the two states concerning co-operation in control over entry by aliens.[25]

OPERATION GULL

At present, illegal movement of non-EU citizens between Northern Ireland and Britain is addressed by means of operation Gull, which targets domestic UK flights and ferries to and from Northern Ireland in order ot identify and arrest illegal immigrants going to and from Ireland by way of the border

"Professor Wyatt stated that it was not clear if Operation Gull could be expanded to deal with cross-border illegal movement by EU citizens in the future. He and the Immigrant Law Practioners Association noted critism of Operation Gull by human rights groups, in particular accusations of racial profiling in its identification of indiciduals selected for interview in the UK opers and airports. Professor Wyatt agreed that the techniques used on the UK side to identify and interview suspect travellers lacked the transparency of border passport checks, although they did act as a surrogate for this."[26]

SECURING THE BORDER

"Professor Cathal McCall, Professor of European Politics, Queen's University Belfast, noted that it had been a preamble border, even at the height of the Troubles."[27]

"Mr Ahern recalled that at one stage there were over 40,000 people on the security pay bill, and hoped no-one wished to return to a 'hard border' of that kind."[28]

ENHANCED UK-IRISH IMMIGRATION COOPERATION

One of the reported proposals being explored by the British Government was to move UK immigration control to Irish ports and airports. This is an unacceptable concept.

"134. During the course of our inquiry, reports emerged in The Guardian that the UK Government was seeking to shift the front-line immigration control to Ireland's ports and airports to avoid introducing a hard border between North and South.

135. Many of our witnesses reacted to these reports with a mix of scepticism and incredulity. Bertie Ahern found the suggestion to be "frankly unbelievable", as it showed a "total lack of understanding of how people think north and south

in either tradition. It just would not happen"Neither could David Ford see how the Irish authorities could be expected to police their ports and airports to stop EU citizens coming to Britain.The leader of the SDLP, Colum Eastwood MLA, agreed that there was no support for "the Irish Government taking on the immigration job of the UK Government", both for practical and symbolic reasons."[29]

COMMON TRAVEL AREA IN EU LAW

"Bernard Ryan, Professor of Migration Law, University of Leicester, stated that:

"The continuation of common travel area arrangements appears compatible with EU law ... There is no apparent legal reason why the Republic of Ireland should not retain the benefit of Protocols 19 and 20 after Brexit, so as to permit bilateral co-operation with the United

Kingdom outside the Schengen zone."He suggested that Brexit presented an opportunity for a comprehensive Common Travel Area agreement, in particular given that adjustments to the CTA arrangements were in any case required to cater for EU, EEA and Swiss nationals. He suggested that the two governments could publicise their co-operation over immigration control.

113. Dr Etain Tannam, Assistant Professor, Irish School of Ecumenics, Trinity College Dublin, agreed that the fact that Ireland was not part of the Schengen area would make it possible to continue with the CTA.Ambassador Mulhall told us that there was no pressure from other Member States for Ireland to join Schengen, because of their recognition of the unique circumstances in Northern Ireland." [30]

"131. It is not a given that the EU will tolerate uncontrolled movement from the UK into the EU, via the UK-Irish border. Both the UK and Irish Governments must seek to convince EU partners of the necessity of maintaining the reciprocal rights enjoyed by UK and Irish citizens, both because of the unique nature of UK-Irish relations, and in view of the specific circumstances in Northern Ireland.” [31]

CONTROLS BETWEEN BRITAIN AND NORTHERN IRELAND

“140. We heard evidence that the only viable alternative to a harder land border was to introduce greater control of the sea boundary between Northern Ireland and Great Britain. Mike Nesbitt told us that the Troubles had demonstrated that it was not possible to secure the land border, and that therefore “the border will inevitably be at the ports and airports of Great Britain, from Cairnryan to Heathrow”. This, he said, “would disadvantage everybody travelling either way, but particularly the citizens of Northern Ireland making their way to the rest of the United Kingdom”. Colum Eastwood agreed that maintaining a border on the island of Ireland was practically impossible, and that the border would end up in ports and airports in Britain.141.Dr O’Connor, though, noted that full border checks would be unacceptable to many Unionists, as they would mean needing to show ID to move within the UK.Katy Hayward agreed, citing the then Labour Government’s unsuccessful attempts in the 2008 Borders, Citizenship and Immigration Bill to strengthen checks within the Common Travel Area, in particular at points of entry to and from Northern Ireland and Great Britain. The Bill was amended in the House of Lords to remove this provision because of concerns about internal UK checks.

142. Political stability in Northern Ireland depends on the confidence of both communities that their interests are being respected. Just as any undermining of the current soft land border would be economically, politically and socially unacceptable, so strengthened checks for UK and Irish citizens at the sea boundary between Northern Ireland and Great Britain would be politically divisive and inherently undesirable. Other solutions must be identified, to

ensure that the positive progress of recent years in developing UK-Irish relations and promoting stability in Northern Ireland is not undermined by Brexit.” [32]

CONCLUSION

The return to the 1939-1953 controls would prevent the unacceptable current racial profiling of those travelling between Northern Ireland and Britain. The House of Lords European Union Committee 6th Report of Session 2016-17 Brexit: UK-Irish relation failed to identify an alternative acceptable solution. We call on the Irish Government to seek the realist solution the reinstatement of the controls of 1939-1952 and thereby keep the status quo between the North and South of the Island.

1.13 CROSS- BORDER COMMUTERS VERSUS TRAVELLERS BETWEEN IRELAND &BRITAIN

8,295 residents from Ireland in 2011 commuted across the border with Northern Ireland to work or study 6,456 residents from Northern Ireland commuted across the border to work or study in Ireland. 79,300 immigrants who arrived in Ireland in 2016, 13,800 (17%) arrived from the UK.

The figures of the 14,751 who cross the border everyday can be compared to the 5,722 per day who travel between Ireland and Britain daily according to information found by the Oireachtas Library and Research Service.

Origin and destination of cross-border commuters from Ireland to work or study in Northern Ireland (CSO Report Brexit and Ireland in the UK)

Demographics NI citizens work/study in IRL/ IRL citizens work/study in NI-

Origin and destination of cross-border commuters from Ireland to work or study in Northern Ireland (CSO Report Brexit and Ireland in the UK)

I will demonstrate the importance of the common travel area to the social ties and economic lifeblood of our respective jurisdictions. Of the 27.9 million passenger journeys through Dublin Airport in 2016, 9.9 million were from the UK to Ireland or from Ireland to the UK, which is 36% of the total. Averaged out over the year, it means 27,000 passengers have their journey facilitated by the common travel area every day. In 2015, 1.2 million residents of Northern Ireland used Dublin Airport, which averaged almost 25,000 people per week crossing the Border to catch flights, and 1 million visitors to Northern Ireland came into this State via Dublin Airport. All of these journeys, and the economic activity generated, are made possible by the common travel area arrangements so much so that it is taken for granted in facilitating movement of people North-South and east-west. The picture at other entry points to the State is the same. Cork Airport has over a dozen routes to the UK, with almost 1 million passengers, or 50% of the total, in 2016 taking a journey in either direction. The number of passenger journeys by sea through our ferry ports is also significant at approximately 2.8 million per year. It is estimated there are an average of 2.2 million monthly vehicular crossings on the North-South land Border. These vital statistics relate to the movement of people. We should not forget that in addition to people moving freely from jurisdiction to jurisdiction, the common travel area is also about allowing people to remain, work, access services and to be educated and so forth in either jurisdiction. Preserving those provisions in addition to travel rights is at the heart of maintaining the common travel area.

Noel Waters, Secretary General, Department of Justice and Equality. Seanad Eireann 23.3.17