



Northern
Ireland
Office

The Rt Hon Chris
Heaton-Harris MP

Secretary of State for
Northern Ireland

1 Horse Guards Road
London
SW1A 2HQ

Erskine House
20-32 Chichester St
Belfast
BT1 4GF

E: correspondence@nio.gov.uk
www.gov.uk/nio
Follow us on Twitter @NIOgov

20 September 2023

Dear Permanent Secretary,

**PREPARATION FOR PUBLIC CONSULTATION ON OPTIONS FOR RAISING
MORE PUBLIC REVENUE AND IMPROVING THE SUSTAINABILITY OF
NORTHERN IRELAND'S PUBLIC FINANCES**

Thank you for your continued engagement with the Northern Ireland Office over the past weeks and months. I have greatly appreciated the efforts of you and your teams in continuing to work with my officials on budgetary and other matters in the continued absence of an Executive and an Assembly. As I have said both publicly and privately, this is not a position that Northern Ireland civil servants should be in, but I am grateful for everything that you and colleagues across the NI Civil Service are doing to keep public services running and I assure you I am, and will continue, to do all I can to restore devolved government as soon as possible.

In the ongoing absence of an Executive, I am committed to the work I started in June, when I requested advice and detailed information on options, including revenue raising, for improving the sustainability of Northern Ireland's public finances from all Northern Ireland departments. That was in recognition of the parlous state of public finances in Northern Ireland. My thanks to all of your departments for the advice which I have now considered.

I understand that several departments have already begun work on revenue generation measures and it is positive to see that progress is already being made in these areas. Where you have identified revenue raising measures that do not require public consultation and that they can progress in the absence of Ministers, I would encourage them to do so.

It is my expectation that a returning Executive will consider the same information and use it, in conjunction with a combination of other actions, to make the necessary decisions to put Northern Ireland's finances on a sustainable footing. In its ongoing

absence I am keen we do not lose momentum in progressing this work so that finances can be put on a surer footing, paving the way for better public services in the long term. I am requesting that all departments make the necessary preparations for the launch of public consultations. This will ensure that each consultation launch can be timely and will give the public and all interested stakeholders an opportunity to consider the range of options being examined and feed in their views.

Topics

I am grateful for the spectrum of options covered in the advice and the clear and extensive expertise that Northern Ireland departments have on these. As you will know from the direction I issued on 14 June, I am interested in understanding how certain measures can be used to help to generate more income for Northern Ireland departments or indeed alleviate the level of public subsidies historically provided for public services. I am aware that there is considerable expertise on these matters within Northern Ireland, and that many of these measures signal a departure from long-standing policy. For that reason, I am keen to give the public and stakeholders the appropriate opportunity to feed in their views and insight. This is of course also important to ensure statutory requirements around public consultations are met.

I am keen to see consultations and gather views on the specific measures that the advice indicates to me would offer the greatest value in terms of helping to tackle the unsustainability of public finances. These measures are the:

- Introduction of domestic water and associated charges (this should also include the removing of non-domestic water allowances and charging for septic tank desludging) - Department for Infrastructure
- Increasing university tuition fees and aligning the student loan repayment period to the same level as in England - Department for the Economy
- Introduction of prescription charges - Department of Health
- Introduction of domiciliary care charges - Department of Health
- Retention of Hospital Car Parking charges - Department of Health
- Review of non-domestic rating support schemes, including non-domestic vacant property relief, industrial derating, freight transport relief, and the exemption for student halls of residence - Department of Finance
- Review of domestic rating allowances, including the early payment discount, the maximum capital value cap and the landlords' allowance - Department of Finance
- Introduction of private street fees - Department for Infrastructure
- Reducing compensation rate on bovine TB programme - Department for Agriculture, Environment and Rural Affairs
- Increasing CAFRE tuition fees - Department for Agriculture, Environment and Rural Affairs

Given the state of public finances it is also my intention to review the level of the domestic and non-domestic regional rate. If there is no Executive in place I will have to legislate again to set the regional rate in Parliament before the end of this financial year, as I did for the 2023-24 financial year to ensure a balanced budget. My officials

will engage with Department of Finance officials to consider the options as part of this process.

Process & content

I feel it is important that the consultation process should consider the issue of budget sustainability holistically, allowing respondents to offer an assessment of an individual measure as part of a wider package of potential revenue raising measures and in the broader budget sustainability context. Therefore, I would like the Department of Finance to publish an overview document that sets out the financial context for the consultations that I am directing departments to take forward. This overview document should serve as a central reference page and be included within or referred to in each consultation.

Of course, I recognise that while each relevant department, as its own statutory entity, will run a separate consultation process on the measure or measures in its remit, I would like the Department of Finance to play a coordinating role in the development of consultations to ensure consistency and for it to help provide a quality assurance function in terms of ensuring that consultation documents are consistent with agreed templates. On a specific point of detail I am also comfortable that where any matter relates to the functions of more than one department, the consultation process may be progressed jointly, and responses collated, between them, and findings may be provided to me by either one or jointly, whichever is more appropriate and agreed between the departments concerned. Further specific detail on my expectations around consultation content, such as the importance of setting out any Equality or Rural impact assessments, is provided in the Direction itself.

Timing

As set out in the Direction, I would expect consultations to begin without undue delay in September following the agreed process of review by your department and my officials. My officials will work with NI departments on the timing of each individual consultation in due course. My officials would be glad to discuss the content of the consultation documents as work progresses and are available to answer any queries you or your teams might have.

Whilst for legal propriety I have set this out in a direction attached at Annex A, I am keen that we embark on this next stage of work in a spirit of collaboration so that we can prepare a set of robust and well-evidenced options for an incoming Executive to consider and progress, and work together towards our shared goal of creating better outcomes for people in Northern Ireland.



**THE RT HON CHRIS HEATON-HARRIS MP
SECRETARY OF STATE FOR NORTHERN IRELAND**

Direction to Northern Ireland departments to undertake consultations on the following matters

Introduction

1. This direction is given by the Secretary of State under s.5A of the Northern Ireland (Executive Formation etc) Act 2022¹.
2. It is being given for the purpose of developing options for raising more public revenue in Northern Ireland.
3. It applies during the current period in which there is no Executive². It lapses when an Executive is next formed.
4. It requires the specified Northern Ireland departments to carry out a public consultation about the matters specified below.
5. It sets out the manner and form in which the consultation is to be carried out and when it is to be launched.

Matters for public consultation

6. The specified Departments must launch separate public consultations about the following matters in accordance with paragraphs 7-11.
 - a. the Department of Infrastructure must launch public consultations on:
 - i. The introduction of domestic water and associated charges (this should also include the removal of non-domestic water allowances and charging for septic tank desludging).
 - ii. The increase of private street fees.
 - b. the Department for the Economy must launch a public consultation on:
 - i. Increasing university tuition fees and the associated repayment period to the same level as in England.
 - c. the Department of Health must launch public consultations on:
 - i. The introduction of prescription charges.
 - ii. The introduction of domiciliary care charges.
 - iii. The retention of Hospital Car Parking charges.
 - d. the Department of Finance must launch a public consultation on:
 - i. The review of rate relief schemes.
 - e. the Department for Agriculture, Environment and Rural Affairs must launch a consultation on:
 - i. Reducing compensation rate on bovine tuberculosis programme
 - ii. Increasing CAFRE tuition fees to the same level as in England.

¹ Sections 5A and 5B, which confer powers on the Secretary of State to direct a Northern Ireland department to give advice or information about specified matters, were inserted by section 2 of the Northern Ireland (Interim Arrangements) Act 2023.

² See section 5A(8) for the definition of “current period in which there is no Executive”.

Form and manner of consultation

7. The beginning of each consultation must include a link to the Department of Finance's strategic overview document. The department must obtain the approval of the Secretary of State to the content of the consultation before the consultation begins. In addition to the specific questions that will be relevant to each individual revenue raising matter, each consultation document must include the following;
 - a. the measure being consulted on;
 - b. overall assessments of each measure's feasibility;
 - c. impact on public finances and budget sustainability;
 - d. how it interacts with the other revenue raising measures being consulted on (where applicable);
 - e. what reliefs and supports might be necessary and might be introduced, changed or ended;
 - f. Equality, Rural and any other relevant impacts, such as the impact on the economy, households or business community;
 - g. Background information in each consultation should set out how the policy compares to the rest of the UK, including 'parity' context and detail of the equivalent measure in GB. Background information should also include a headline figure of the potential revenue each measure could raise.
8. Each department should carry out a public consultation about the matters under paragraph 6 so far as a matter specified relates to the functions of that department following its standard process for consultation.
9. The relevant Department must provide advice and information including a summary and analysis of consultation responses and return this to the Secretary of State in a standardised format agreed by the Department of Finance and the Northern Ireland Office.

Timing

10. Preparations for each consultation should proceed at pace and be launched without undue delay by 30th of September 2023, unless agreed separately with the Department of Finance and the Northern Ireland Office.
11. Full returns covering the responses to each consultation must be provided within one week of the consultation closing.

Given by the Secretary of State for Northern Ireland on 20 September 2023.