

RELEASE IN
FULL10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

21 October 2009

Dear Peter and Niall

I promised to write to you setting out the elements of the financial settlement that you agreed to present to your respective parties. Our discussions on the finances have been careful, detailed and considered and I am grateful to you for the time you have given to them. Together we have, I believe, achieved an outcome in which we each have confidence and which will ensure that when policing and justice powers are transferred, the Northern Ireland Justice Department will have a secure financial foundation which we all recognise is important in ensuring confidence in the policing and justice services across the community. I believe the settlement which is outlined below is a good settlement which will meet the needs of a devolved Justice Department.

The key elements of the settlement are:

- The Northern Ireland Executive will have access to the reserve to meet any exceptional security pressures relating to policing and justice. On the same basis, HM Treasury will be prepared to make available up to an additional £37.4 million in 2010/11.
- Capital budgets in the next CSR period will be sufficient to enable the Executive to take forward routine, but necessary work, to maintain the operational capacity of existing assets, to complete the police training college and to come to its own view about the relative priorities for new capital expenditure including Magilligan Prison and other projects in the period ahead.
- The legal aid allocation is a £20 million a year addition to baseline through to the end of 2012/13, after which efficiency savings will be expected to take effect, allowing the baseline increase to be reduced to £14 million a year. To meet additional pressures over

- 2 -

the next two years, including other courts pressures, we agree the need on a one-off basis for a further £12 million. If, in the event, pressures turn out to be higher than this, HM Treasury will provide further money from the reserve up to a maximum of £39 million. Until the end of 2012/13 this access to the reserve will not be recouped from future EYF.

- HM Government will gift the four agreed former military bases to the Northern Ireland Executive. It would be anticipated that a portion of the land in Omagh will be used for an educational campus but it would be expected that disposal proceeds from the other sites would be used, on a basis agreed with HM Treasury, to meet exceptional resource pressures (including potentially equal pay claims). HM Treasury will work with the Northern Ireland Executive to help ensure that any timing issues, related to delays in securing these disposal proceeds as a consequence of market conditions, can be addressed on an agreed basis.
- On police pensions, previously identified pressures of £101 million can be fully addressed through technical changes which will include a public expenditure neutral DEL to AME reclassification.
- There are potential pressures (the "long list") of around £15 million in 2010/11 on resources relating to policing, prisons and probation. This should fall to around £10 million a year in the next CSR period. Baselines will need to be sufficient to meet these pressures. In addition £30 million in unallocated EYF and underspends generated in future years will be available to meet pressures.
- Prior to devolution the Secretary of State for Northern Ireland and the head of the PSNI will agree on how front-line policing is protected while ensuring the greatest efficiency.
- Hearing Loss. The Northern Ireland Executive will meet the first £12m of claims in any one year. Any sums incurred above that will be met through access to the reserve, based on annual agreement between the Northern Ireland Executive and HM Treasury on the litigation strategy. To assist the Northern Ireland Executive to meet the expected £12m a year pressure, the Treasury will be prepared to acquire from the Northern Ireland Executive sellable assets

- 3 -

worth up to £12 million a year for five years, or £60 million in total. HM Treasury and Northern Ireland Executive will need to agree on the valuation methodology.

I believe that this is a very strong settlement which will ensure that all the people of Northern Ireland continue to have high quality policing and justice services.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Robinson', written in a cursive style.

The Right Honourable Peter Robinson MP MLA and
Mr Martin McGuinness MP MLA