



Northern Ireland
Assembly

**COMMITTEE FOR
CULTURE, ARTS AND LEISURE**

**OFFICIAL REPORT
(Hansard)**

**Briefing from DCAL on Draft Budget
2011-2015 Spending and Savings
Proposals**

13 January 2011

NORTHERN IRELAND ASSEMBLY

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Briefing from DCAL on Draft Budget 2011-2015 Spending and Savings Proposals

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Members present for all or part of the proceedings:

Mr Declan O’Loan (Deputy Chairperson)

Lord Browne

Mr Thomas Burns

Mr David Hilditch

Mr William Humphrey

Mr Billy Leonard

Mr Ken Robinson

Witnesses:

Mr Edgar Jardine

)

Mr Michael O’Dowd

)

) Department of Culture, Arts and Leisure

Mr Arthur Scott

)

The Deputy Chairperson (Mr O’Loan):

I welcome Mr Edgar Jardine, the deputy secretary of the Department; Mr Arthur Scott, the director of culture; and Mr Michael O’Dowd, the head of the finance branch. Gentlemen, welcome to the meeting, and thank you for coming. Mr Jardine, for the record, will you introduce yourself and your colleagues? I imagine that you will then probably want to make

some introductory remarks, after which we will ask some questions.

Mr Edgar Jardine (Department of Culture, Arts and Leisure):

Thank you, Chairperson, for the invitation to address the Committee. We very much welcome the opportunity to update you from the last time that we were with you in September. I am accompanied by Arthur Scott, the director of culture, and Michael O'Dowd, head of finance branch. I plan to take you through the overall big picture, and then I will talk a little bit about individual organisations and how they will be impacted. We will then have an opportunity for questions and answers.

As the Committee will be aware, the draft Budget for 2011-15 was published on 15 December 2010. It provides Departments with current and capital allocations over the four years of the Budget. It also triggered the public consultation, which will close on 9 February 2011. We see today's proceedings and, indeed, the general work of the Committee as an important part of that consultation. Since the announcement of what is, effectively, a global figure for the Department of Culture, Arts and Leisure's (DCAL) resource and capital, we have been working with our arm's-length bodies (ALBs) and the Minister to allocate that across our business areas. We published that information on our website on 30 December 2010.

I want to start by commenting on the current budget. On 2 September, we discussed our planning scenario with you. At that time, we were working on the assumption that we would see a cash reduction of around 17% by year four compared with the current year. As we explained at the time, we allocated that on, broadly, a pro rata basis in order to look at what the impact of that might be. At that stage, we were unable to estimate whether we would receive any of our bids or parts of those bids. The draft Budget, in effect, proposes a reduction in cash terms of £14.5 million over the four years compared with the 2011 baseline. That takes account of new allocation for current spend, which includes £24 million across the four years, which is a part contribution to some of our bids. Some of those bids, such as that for the World Police and Fire Games, are included in the baseline for the earlier years of Budget 2010. Therefore, a more like-for-like comparison is this year compared with 2014-15. That is my focus.

The baseline will fall by around 9% in cash terms. Clearly, if inflation is taken into account,

the difference will be somewhat larger. I said that our first planning scenario was based on a pro rata review. The last time that we talked to the Committee, it noted that it wanted us to take that a bit further and look at more detailed issues with regard to that allocation. That is what we have been doing. The areas that we have been looking at, and which have informed our allocations, have been, first, the Minister's priorities; secondly, the extent to which programmes could be reduced and ramped up again in the future; and, thirdly, the existence of what we regard as inescapable pressures around pay and costs.

For many of our arm's-length bodies, there is greater potential for access to alternative funding streams, such as the lottery. Clearly, the Department has a requirement to service the Minister in the Assembly. Finally, we have tried to offer some protection to our smaller bodies in the sense that, if we were to make significant cuts in that area, it would not really add an awful lot to the overall room to manoeuvre.

The general pattern that emerges from the revised allocation of savings is a measure of protection for payroll heavy bodies, such as libraries and museums. The bulk of those bodies' resources are used to pay their staff, rather than to give grants. I am conscious of the Committee's representations in that respect. As a consequence, bodies such as the Sports Council for Northern Ireland and the Arts Council of Northern Ireland will be exposed to greater savings requirements. I will look in more detail at the implications for various services shortly.

It is clear that no area will escape the pain that results from the budget cuts. The Department and its arm's-length bodies will face considerable challenges in maintaining the level and quality of front line services in that financial context. The Committee will be aware of that from having seen the savings delivery plans provided by those bodies.

I will go into individual areas in a little more detail. Libraries NI will lose about 2% of its budget across the four years. The interesting thing is what we lose over the four years of the Budget compared to the current baseline and then the 2014-15 baseline compared to that of 2010-11. That is because the cuts and differences do not follow a straight line. In some years Libraries NI will do slightly better and in others slightly worse. Nevertheless, Libraries NI will lose about 2% over the four years and its baseline will also be 2% lower in 2014-15 than in 2010-11. That

does not take account of inflation, which, if added, makes the libraries position slightly worse.

In 2011-12, there will be a marginal increase in the libraries budget, but year three, which is 2013-14, will be slightly difficult because the budget will be down by just over £2 million. We were also able to allocate a little more money to Libraries NI for 2014-15. However, I make the point that Libraries NI has already managed to take out £1.2 million in efficiency savings.

The Deputy Chairperson:

May I ask a not-quite-technical question about that? Looking at all those budget figures, I find the oscillation strange, given that one would expect revenue funding to be in a pretty straight line. Will you give a broad answer to that?

Mr Jardine:

That is an important point and one to which the only answer is that we have got what the Department of Finance and Personnel (DFP) has allocated to us. It looks as though year three is, generally, quite a difficult year across the piece; everybody is taking a bigger hit in that year. Quite late in the day, we were advised of some additional resources for year four, which meant that we were able to repair some of the damage.

The Deputy Chairperson:

OK, thanks.

Mr Jardine:

Libraries NI has indicated that the cuts will probably result in the closure of around 10 libraries over that period. In addition, there will be a 15% to 20% reduction in opening times and other implications. Particularly in year three, the purchase of book stock will be minimal and will not meet the targets that we would want.

National Museums Northern Ireland will lose 5.4% over the four years of the Budget. However, if we compare the 2014-15 baseline to that for 2010-11, it is down by 10.6% — a significant drop — and that will undoubtedly result in vacancies not being filled, a freeze on recruitment and so on, as well as a reduction in events and exhibitions.

Over the four years, the Sports Council budget will reduce by about 7%, and that is also the difference between its current and 2014-15 baselines. It, too, will have a small increase in 2010-11. In looking at the criteria for determining allocations, I mentioned the potential for additional funding. We anticipate some progressive increase in lottery funding over the four years. That is a result of three factors: first, the size of the lottery cake is expected to increase; secondly, in that cake, the share of funding allocated to sports and arts will increase; and, finally, lottery resources that are currently directed towards London 2012 will, after 2012, be redirected to other causes. Therefore, although there is a difficult Exchequer situation with sport, there will be significant mitigation of that by lottery funding.

The Arts Council is in a similar position to sport in that it will take a hit of about 7.7% over the four years. However, the fact is that it will be down by almost 12% in 2014-15 compared to its baseline this year. As I said, it will also benefit from potential increases in lottery funding over that four-year period. However, as you will have seen from its savings plan, it will be able to fund fewer of its annually supported programmes. There will also be cuts in other aspects of its budget.

As the Committee will be aware, the budgets for North/South bodies require agreement with the Department of Community, Equality and Gaeltacht Affairs (DCEGA). Our proposals will result in a reduction of around 15% in the budget over the four years. In 2014-15, it will be down by around 9% from 2011. Clearly, the figures for North/South bodies require agreement with DCEGA, but, equally clearly, any reduction in those savings will have to be reflected in increased savings elsewhere in our budget.

I will move on to some of the smaller bodies. We have tried to spare the Armagh Observatory and Planetarium from cuts because of its size. The Museums Council will lose around 5% over the four years, and Northern Ireland Screen will lose around 9.4% and its budget will be down by around 14% in 2014-15 compared with that for 2010-11. That will have significant implications for the ability of Northern Ireland Screen to fund its services.

The Department itself will lose around 6.6% of its budget over the four years, and that has to

be seen in the context of it already having implemented 5% year-on-year cuts in administration over the current comprehensive spending review (CSR). There is a fixed cost around servicing the Minister, the Assembly and discharging the Department's governance function of its 10 sponsored bodies. As the Committee will be aware, we have been putting additional resources into governance over the past number of years as a result of the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) report and others. Over the past three years, we have had a reduction in the number of staff, and we expect a further reduction in staff, which will be managed either through natural wastage or through redeployment in the Northern Ireland Civil Service (NICS).

At the beginning, I mentioned that we had some success with our bids, and that has alleviated the position quite significantly compared with what it might have been had we not done that. For example, we have bid on behalf of the Executive for £6 million for the World Police and Fire Games, and that has been supported. DCAL is taking the lead on that, but a number of other Departments will also be involved.

The very successful creative industries fund ends this year, and we bid for that and were successful in finding £4 million for that — £1 million a year over the four years. That emphasises the Department's contribution to the creative industries and, equally, the role of the creative industries in future economic development.

We bid for £2 million for the Ulster-Scots academy. That was reduced to £1 million each year, and that will give us a basis to go forward. Quite a lot of work has been done in the past months to set up a series of projects and programmes for the next four years.

Finally, on the resource side, our bid through the invest to save fund for libraries and sport was successful in attracting £13 million over the Budget period. That reflects the good work of Libraries NI in driving out inefficiencies from its business, and I am pleased to say that it is recognition of the future health benefits that current investment and support at a local level can achieve. That allocation is reported against current resource for the moment, but, because of its nature — it can be spent on capital — it will be transferred to the capital budget in due course.

I can deal with the capital side quite quickly. Overall, we were disappointed with the outcome on capital. We have £142 million over the four years, which represents a very small proportion of the Northern Ireland Executive's overall capital budget. The proposed capital allocations from 2011-12 to 2013-14 provide Departments with the capacity to fund contractual commitments. We have major projects that must be completed, including the 50-metre pool in north Down, the metropolitan arts centre (MAC) and a number of sports, museums and arts projects.

We were pleased to secure money for regional stadium development, and that work can now proceed. The sports initiatives will allow us to provide community facilities that will help to target underrepresented groups and increase participation. Investment will be made to complete important library projects in Belfast that are already under way. It is also planned to invest in the necessary replacement of the libraries' operation system, provide for essential maintenance and four new mobile libraries. The operating system, which is called electronic libraries for Northern Ireland (ELFNI), will run out next year. It is critical for the whole library operation that it is replaced.

Although we will be able to make significant investment in stadiums and continue to address essential maintenance, there are a number of things that we will not be able to do. For example, under current circumstances, we will not be able to take forward the 2012 legacy sports projects, with the exception of the pool. The replacement of Belfast Central Library with the Northern Ireland regional library is a high priority for us, but we will not be able to do it. Museums sector capital projects at Omagh and Cultra will not go ahead in this scenario either. There is good news on the stadium front, but, otherwise, it is a very tight capital budget.

As part of this and previous Budget exercises, the Department and its arm's-length bodies have prepared savings delivery plans that detail the actions that will be taken to deliver budget cuts and the impact of those actions on front line service. The Department has taken those into account in determining where allocations should be placed. We are reviewing those at the moment and intend to publish them shortly. A high-level impact assessment of the Department's spending proposals has been prepared to further inform the consultation process. That exercise's function is to ensure that equality and good relations are embedded in the Executive's setting of priorities. The document will be published alongside the delivery plans to which I referred.

I do not want to underestimate the challenges of the draft Budget settlement for the Department and its arm's-length bodies, but the part contribution to our bids is clearly helpful. The procurement of contributions to pay and prices, resources to take forward the World Police and Fire Games in 2013 and to continue the creative industries fund, and significant capital investment in regional stadium development are all very welcome. My colleagues and I will be very happy to take members' questions.

The Deputy Chairperson:

Thank you for that very useful and structured summary.

Mr Hilditch:

You may have touched on it, but there was a wee bit of confusion about the sports budget. Sport NI has indicated that its allocation over the four years is around £42 million, but the draft Budget states that it is £53.23 million. Is there confusion there? Can you explain the two different figures?

Mr Jardine:

We may be taking into consideration the additional money from the invest to save programme. I am not sure whether that is the right answer. I can clarify that for you and come back, if that would be helpful.

Mr Hilditch:

Yes. The unit of sport has been allocated £66.58 million over and above Sport NI. Have you any idea what the additional funds are for?

Mr Jardine:

We would retain some money at the centre for a three- or four-year period for projects that we need to deal with quite quickly. I suspect that that might be an explanation for that.

Mr Hilditch:

Are you saying that that is a contingency fund?

Mr Jardine:

Yes.

Mr Leonard:

You are welcome. Thank you for your briefing. I do not want to take up too much time, but there are so many items to address. You referred to the ability of arts and sports to attract funding from elsewhere in comparison to some other bodies. Taking the Olympics bulge out of it, is there a difference between sports and arts in DCAL's thinking that is reflected and protected by their history and ability to get lottery funding? Will the cuts that the Department is imposing make it hard for arts as opposed to sports, or vice versa, to bridge the gap?

Mr Jardine:

We see a potential significant increase in lottery funding for sports and arts. With regard to the current allocations, the Minister's view is that sport has significant capacity to get into communities and to contribute to social inclusion and to the health agenda. Colleagues in the Health Department also recognise that. However, we see lottery funding as a significant contribution. Arts will benefit perhaps from private sponsorship through Arts and Business Northern Ireland.

Mr Leonard:

These are difficult times.

Mr Jardine:

Yes. Absolutely.

Mr Leonard:

Has the Department examined arts as being able to attract x million pounds of lottery funding in percentage terms and sports to balance out *[Inaudible]*?

Mr Jardine:

It is a formulaic thing. Whatever the allocation is to good causes, a percentage will be made

available to arts and a percentage will be made available to sport.

Mr Leonard:

I know that it is highly dependent. More specifically, you referred to work that would enable different sporting organisations to play catch up, but, in 2011-12 the capital expenditure allocation to sport is £9.14 million, and then it drops to £4.75 million. I am not complaining about front-loading, but is there any specific reason for such heavy front-loading? Are organisations ready to avail themselves of the 2011-12 bulge? I know that I am fishing at this stage, but my fear is that, if all the £9.14 million is not taken up, we will lose it just because of columnisation of figures in budgets?

Mr Jardine:

Some of that amount is contractually committed. For example, the Bangor swimming pool is the big one in sport, and the metropolitan arts centre is the big one in arts. Therefore, effectively, when you take the contractually committed stuff out of the budget for 2011-12, there is practically nothing left.

Mr Leonard:

I understand. That is perfectly safe. You referred to administration costs. From the briefing and the information that we have looked into, there is a subtle difference between administration and programme costs. I know that this is quite general, but it has specific implications for what happens with programme costs. When you refer in your briefing to administration, are you including programme costs, because there is a fear of front line jobs going as a result of programme costs being hit? Sport NI's reaction to some of the budgets is that they made a significant difference between what was going to go on at the front line and what was going to be taken back into other areas. In other words, they wanted to protect the front line. The big worry is the distance between the Department and the arm's-length bodies. Are you all singing from the same hymn sheet that front line jobs will be protected, as opposed to other items, which, in difficult times, may have to go?

Mr Jardine:

If you look at the Arts Council and Sports Council submissions, you will see that both

acknowledge that they have taken a hit in admin costs. As for the gap between the Department and ALBs, over the next two weeks, the Minister plans to meet all the larger ALBs to go through their savings delivery plans in some detail and to look at their business priorities for next year. Essentially, we are interested in the extent to which our ALBs are ensuring that, as far as possible, front line services are protected. As for the scale of the reductions, even with the best will in the world, there will be reductions in front line services.

Mr Leonard:

I appreciate your point that everybody is being hit. However, can you assure the Committee that the Department will do everything possible, itself and in conjunction with the arm's-length bodies, to protect as far as possible front line services and jobs? Will there be a mechanism in place throughout the Budget period that will continue that thrust?

Mr Jardine:

The Minister is very much on that page and is very sensitive to that issue.

Mr K Robinson:

Thank you, Billy, for asking most of my questions. That was very helpful. *[Laughter.]* Thank you for your answers, Edgar.

There is a concern, which has been flagged up by the Arts Council, that there has been a breach of lottery directions, and that lottery funds cannot be substituted for government moneys. Will you comment on that? That may impact on the sports bodies, which may be expecting some money to come from that.

There was a feeling amongst the football fraternity that funding should have come from the safety in sports grounds legislation that went through in England some time ago. There was a great push in England to upgrade all their stadia. Here, we are finding that, given the Department of Justice's potential proposals and given the lack of improvement to safety, the capacity of some grounds has been cut dramatically, making clubs more dependent on government funding, when, in fact, they could be generating much more funding themselves if all the bits of the jigsaw could be brought together.

Mr Jardine:

Clearly, we could have used more capital resources on stadium safety if those had been made available to us. However, very often, capacity has less to do with the physical state of a stadium and more to do with the preparation that clubs make for stewarding and so on. In some cases, grounds can increase their capacity quite significantly if they do the soft work of preparing plans and training stewards. The lack of resources for stadium safety is a disappointment.

Mr K Robinson:

That is one part of my question.

Mr Jardine:

I will ask Arthur to deal with the other part, about the lottery.

Mr Arthur Scott (Department of Culture, Arts and Leisure):

As mentioned earlier, the increased lottery will provide additional funding opportunities for the Arts Council and arts bodies. However, an overarching principle of lottery funding is that it cannot be a substitute for Exchequer funding. Therefore, if, for example, a body does not get Arts Council funding, it cannot simply swap lottery funding for Exchequer funding. That is not to say that lottery funding cannot be used to complement or add value to Exchequer-funded or Exchequer-supported projects in which additionality can be demonstrated. The Department expects the Arts Council to work alongside bodies and, indeed, by itself to exploit the additional funding opportunity that will become available.

Mr K Robinson:

Is it a realistic opportunity, not just pie in the sky?

Mr Scott:

Yes, I think so. Certainly, there is work to be done around it, but it is a realistic opportunity.

Mr K Robinson:

You will undertake to work with the Arts Council.

Mr Scott:

Absolutely.

Lord Browne:

You stated that you are fairly confident that you will be able to honour all the contractual agreements already made in the capital investment. However, according to the Arts Council, there will be insufficient resource to complete the MAC project, which is a major programme, after year one. What is your understanding of that?

Mr Scott:

The funding issue that the Arts Council is referring to is the ongoing revenue costs. The Minister and the Department have already indicated to the Arts Council that one of its strategic priorities will be to ensure the continued sustainability of the significant capital investment that we have made in the arts infrastructure, which is, of course, the revenue costs.

Those aspects were carefully considered in the determination of the business cases and the prospective business plans for the new events. The changed economic circumstances since those plans were produced will come into play, but that is a priority that the Arts Council will have to address. Otherwise, the significant investment that the public sector has made into the facilities, as well as some of the private sponsorship that the likes of the Lyric has attracted, would be undermined. Therefore that would have to be a key priority. They will have to factor that into their decision-making process when they look at individual applications. However, that is not a matter for the Department; we will simply set the strategic steer. We will work with them to ensure that the public sector investment is protected.

Lord Browne:

With regard to the stadia development, it seems that most of the money would be available only in year four. There would be no likely commencement of any new stadia before that.

Mr Jardine:

I think that £10 million, £20 million and £80 million are the proposed budgets for years two, three and four. So there will be £30 million in years two and three. We will also be expecting

contributions from public bodies. We have been talking to some of them about whether there is a possibility of phasing or re-phasing where they will put their money. However, it is not ideal. Over the next year or so, we will want to try to work to see whether we can smooth it out a bit more. It will be quite a challenging year.

The Deputy Chairperson:

I will ask you about one or two matters. Overall, this is a terrible outcome for the Department of Culture, Arts and Leisure. Despite the difficult circumstances that I know we are in, I am surprised that we are where we are. The Department of Culture, Arts and Leisure receives a very small part of the overall Budget; it is only 1%. Just as you talked about giving protection to the small bodies in your budget, I would have thought that a sensible Executive approach would have been to recognise that, even if they were to do a savage job on DCAL, the gain would be so little that, overall, they would be very little further forward. There are very good reasons for being concerned about this Budget.

I want to ask you about a figure in your document, which I raised previously, over the phone, with Michael O'Dowd. I am slightly surprised that that figure —

Mr Jardine:

Sorry?

The Deputy Chairperson:

I spoke to Michael O'Dowd on the phone about a figure in your published document, which was wrong. I am disappointed that the document that has come before the Committee still contains that error. Whether that was an error at your end or our end, I do not know, but it is certainly an error in the document. I believe that it was on 4 January. It relates to the paragraph:

“The baseline in Current Expenditure falls by 9% by 2014/15 and in real terms, ie taking account of anticipated levels of inflation, by almost 13%.”

That is the published version. I thought that that was odd, and I sought clarification. I was told that 13% was an error. It was a misprint, and it should be 18%. Mr O'Dowd told me that that would be corrected on the website immediately. I have not checked whether it has been changed, but the document that came to the Committee contains the erroneous figure.

Mr Michael O'Dowd (Department of Culture, Arts and Leisure):

That is true, and we apologised at the time. We made the correction on the website immediately. We also checked with the Committee Clerk that members had the updated figure in their dossiers.

The Deputy Chairperson:

There may have been a mistake at our end, and, if so, I accept responsibility for it on behalf of the Committee. It is an important figure. This is no technicality, because it relates to the point that I am making. I think that we have got a very poor outcome for Culture, Arts and Leisure. When you look at the reductions in real terms across all the Departments, you will see that DCAL is the second worst. Regional Development has a reduction of 20.6%, and Culture, Arts and Leisure has a reduction of 17.7%, which, in your document, is rounded to 18%.

What went wrong? I do not know, because the Finance Minister has not told us on what basis he made the allocations to the Departments. Obviously, there were many conversations and discussions between officials and Ministers. However, there is nothing stated as to why one Department got such and such a reduction and another got another. I do not know the basis of those relative priorities. Why did DCAL end up in such a bad place?

Mr Jardine:

That was the Executive's decision. Like the Committee, we made representations and had meetings; however, those were the decisions that were taken, and we have been left to live with them. As I said, when we came to you in September, we faced a potentially worse scenario, but we were able to argue that up through partially securing a number of our bids. I fully accept that the settlement figure is very challenging for some of our arm's-length bodies, but we must work with the hand that we have been dealt.

The Deputy Chairperson:

In a moment, I will come back to you on a couple of the specifics as to why I think it is such a bad outcome, and the point about just how unfortunate it is, because the Department's overall package is so small, and how little gain there has been for the Executive cannot be reinforced enough. When you talked about the bases on which allocations were made across the various sections of the Department, including the arm's-length bodies, you named as number one the

Minister's priorities. What were those priorities?

Mr Jardine:

There were a number of priorities. The first was participation; ensuring that a broad range of people could participate in culture, arts and leisure activities. There was also recognition of the contribution to the economy, and that was instrumental in helping to secure our creative industries bid. In addition, there was recognition of the contribution to the tourism industry in Northern Ireland. Then there was the fact that we see our facilities as having a very strong educational dimension. For instance, the Armagh Observatory and Planetarium, W5 and so on secure significant numbers of school visits each year. The Minister is also committed to a shared and better future, and that was a factor. There was an issue around our contribution to the quality of the environment, and, finally, there was the contribution of our programmes to healthy lifestyles through greater participation in sport and leisure activities. Those are the priorities that the Minister set.

The Deputy Chairperson:

What do you mean by participation?

Mr Jardine:

It is different for different aspects. For sport, it is actually playing and being involved. For culture and arts, it might be attending performances.

The Deputy Chairperson:

Are we talking about maximising participation?

Mr Jardine:

Yes.

The Deputy Chairperson:

Will you elaborate on how a shared and better future colours the outcome?

Mr Jardine:

The traditional definition that is used is promoting equality, diversity and interdependence. Think of some of the work that we have been doing through the Arts Council on re-imaging communities. Think of the role of sport, which is another aspect, and think of the role of museums in interpreting our past. All those factors have a contribution to make, and the Minister will meet the arm's-length bodies in the next week or two, when, again, he will reinforce that for them and go over business planning for next year.

The Deputy Chairperson:

We come now to a couple of specifics. What you said about the Minister's priorities is very helpful, because, ultimately, many of them are mine. I have been writing down priorities, but where I feel that they have not been delivered. In a couple of areas, such as National Museums, there are real-terms reductions. Looking at real-terms reductions is the most effective way to consider things, because we need commonality of discussion and to be clear about whether people are talking about cash- or real-terms reductions using standard deflators, and I find it most helpful to look at it in real terms.

National Museums' funding is down by 15% in real terms. It says that the consequences for it will be a reduction in jobs from the equivalent of 310 full-time posts to 234. For any organisation, that is massive. I do not know how you can protect service quality with that level of reduction. In its immediate response to us, it listed a number of areas where service will be reduced.

Many people see the budget for culture, arts and leisure as some sort of froth. When times are hard, we want to concentrate on the economy and protect the Health Service and education system, and, if something has to go, some people think that the "fluffy stuff", namely culture, arts and leisure has to take a bigger hit. I challenge that very strongly indeed. I expect that the Department will agree with me. Clearly, in the political system, that is not recognised at all. What museums do with regard to their huge contribution to quality of life, a shared future and a feeling that we all know and understand one another is fundamentally tied in with their major contribution to the economy. You related that to tourism.

The whole idea of critical mass is important. We were getting to a stage with museums and the arts, which I will come to in a moment, where it looked as though Northern Ireland would get to that critical mass and would become a place to be reckoned with internationally. There is a danger of throwing all of that away if we ruin the ship for the price of a pint of paint, to use an old phrase. If we do not sustain something, we destroy it. Therefore, any potential investment into the Ulster American Folk Park and the Ulster Folk and Transport Museum at Cultra, is lost. There has been a fantastic achievement at the Ulster Museum, which is internationally recognised. Northern Ireland is on the verge of becoming a force to be reckoned with.

Equivalent funding in the Arts Council is down by 23%. Great new buildings are being built at that the Lyric Theatre and the MAC. However, unless we put the revenue funding into that, the benefit, again, will be lost. You mentioned that arts will suffer the same pain as sports. We need more figures on that. The Arts Council says that it is carrying 30% of the DCAL reduction, which strikes me as being incredibly heavy. We know that Northern Ireland is low in the international league table of contribution to the arts. We are going to look at the technicalities of that issue.

I am worried about lottery substitution, because the lottery was not created for that purpose: it was intended to provide extra funding. I would like you to respond specifically on whether the lottery can provide substitute funding in the same way. Arts Council funding can be used for core support for an organisation. However, I am not convinced that lottery funding can be used in that way. The draft Budget creates a mess for the arts, museums and sports sectors.

Mr Jardine:

I will ask Arthur to deal with your last point. Before I do so, I want to say that I agree violently with your previous contention. We are saying that strongly through our bidding strategy. Colleagues in the Health Department agree. Even the Chief Medical Officer has said it is easier to deal with public health upstream than downstream. The role of sport and activity in disease prevention is well recognised. That is why participation is critical in the Sports Matters strategy.

Similarly, on the economy, one area where we want to see economic growth is in cultural tourism. We believe that much of our work in DCAL is at the heart of cultural tourism. Again,

we expect significant growth in the creative industries during the next five to 10 years. We see the work that we do through the Arts Council, Northern Ireland Screen and so on, as nurturing, feeding into and developing that sort of talent. I could go on. We see the work that is going on in DCAL's arm's-length bodies very much as the corporate glue that is crucial in holding society together.

The Deputy Chairperson:

OK, thank you for your agreement.

Mr Scott:

To pick up on the lottery point, it is correct to say that lottery funding cannot fund core running costs. It must be used for programme costs, events or projects. That, again, is the additionality to which I referred earlier. The annual support for organisations programme is where revenue funding comes from for those organisations that will deliver and manage the capital projects to which I referred.

As part of its approach, the Arts Council has considered reducing the number of funded organisations to a minimum, ensuring that those organisations that depend on that source of funding for their revenue will, perhaps, be afforded a higher priority than those that do not. A number of organisations that are supported annually provide services to the sector, and I know that the Arts Council has already discussed with the sector the possibility of merging such services because of the added value. Do we need three or four organisations doing something broadly similar in support of the arts? Again, this goes back to the point made earlier about trying to minimise the impact on front line jobs.

The strategic view that we give to the Arts Council is that it will have to endeavour to sustain the core infrastructure to the point where there will still be potential for growth in future years. The various bodies that operate the facilities may have to scale back their programme to live within lower than expected means. Alternatively, as we outlined, they may to look for additional funds beyond the lottery. Some of those organisations have been extremely successful. I am not, for a moment, suggesting that all arts organisations would have the success that the Lyric Theatre has had, but the Lyric has raised more than £5 million from sources other than publicly-funded

ones. So, it is a challenge, and that, I think, will be a key focus for the Arts Council as well — providing help and support through the arts in business initiative to help organisations lever other funds. It will, clearly, be a challenge.

Mr Leonard:

One of two points that I wish to raise comes from the Deputy Chairperson's line of questioning. You said that the 2012 legacy sports projects have gone. If that is final, after consultation, the word needs to be put out. I declare an interest as a member of Coleraine Borough Council. Councils, NILGA and other organisations have committees that are looking towards the 2012 legacy. If, as you said, that is one area that has been hit, we do not want such committees to work in vain.

On the Deputy Chairperson's point about what you referred to as cultural tourism, I do not see that coming out of this Budget. When we think that the Dublin Administration have got Imagine Ireland, and everybody is referring to recession and the difficulties in Dublin, my politics are that you should be involved in Imagine Ireland and get on with it. Their attempts to promote culture as a vehicle for economic growth is a tremendous idea, and I am sorry to say that that degree of imagination does not seem to exist here. My politics would say get involved there, but the harsh reality of this Budget is that I do not see cultural tourism getting a lift.

Mr Jardine:

I can respond by saying only that I do not think that DCAL can do all of the heavy lifting in cultural tourism.

Mr Leonard:

I appreciate that point.

Mr Jardine:

That having been said, over the past years, we have revitalised arts and culture structures in Belfast and Derry. The Public Record Office will open in the Titanic Quarter this spring, where DETI has the signature project to come on stream. We also have the city of culture in a couple of years' time. Therefore, I would not be too pessimistic about cultural tourism.

Mr Leonard:

I am not pessimistic, Edgar. I appreciate what you said about those types of signature projects, or, maybe, they are not all classified as signature projects, but you know what I mean by that. I am talking about the ongoing and the depth of cultural richness and all the rest of it that is not even tapped.

Mr Humphrey:

I thank Edgar and Arthur for their presentation. The financial mess that the Labour Party has left this country in is beginning to dawn on people. It is beginning to bite, and we have to realise that there have to be savings and cuts, the gravity of which is becoming obvious to everyone.

It is important, not least from a human perspective, that we try as much as possible, whether in Government, the Civil Service or wherever, to protect jobs and front line services. However, organisations also have to be fit for purpose and have to drive efficiency savings so that we can offset some of the cutbacks that obviously have to be implemented, without getting into specifics.

Another example that I am hearing today is the over-governance in Northern Ireland. Chairperson, you referred to the size of the Department's budget and the effect that the cuts in a small Department will have on the overall budgetary situation. It is time to look at the number of Departments that we have and whether we need the structures in place to have those Departments. Clearly, when there are difficult economic times, everything has to be looked at, root and branch. I think that that needs to be looked at in this place.

One area that has not been touched, and where I think we could do much better, is Europe. I attended a meeting about this in Belfast City Hall the other day. I understand that, next year, Northern Ireland will draw down something in the region of €25 billion. The Republic of Ireland, our nearest neighbour, will draw down something in the region of €650 billion. I have made that point in the Committee for the Office of the First Minister and deputy First Minister, and I make it again here. There needs to be a sense that there is a joined-up approach across government as to how we try to draw down money from Europe, so that we maximise the amount of money. Because we are region of the United Kingdom, we do not maximise the money that is drawn

down, and that could be of so much use. Because we are not a sovereign nation and are part of one of the largest economies, we will suffer in that context. The Republic has an advantage in that and also because it has a Government that have been drawing down so much. What we need to do is to work across the Civil Service and Northern Ireland plc and councils as well, because the only council that had a European unit was Belfast City Council, though I understand that Londonderry has now established one as well. Clearly that is an area that we need to look at, not just in the area of culture, arts and leisure, but across civic society in Northern Ireland. The economic situation that now prevails will mean that we have to focus on that as a means of drawing down moneys to fill the gap left by our own budgetary situation.

The Deputy Chairperson:

The Committee will shortly have a briefing on EU issues, and some of that may be answered there. Do you wish to come back on any of those points?

Mr Jardine:

We will pick up on that in a couple of weeks.

The Deputy Chairperson:

The Minister has told us that he is still having discussions with Departments on Special Olympics Ulster. Hopefully, those discussions will go somewhere. If they do, has funding been set aside within the DCAL budget to enable it to do its bit?

Mr Jardine:

I think that is moving quite quickly at the moment, and will be resolved shortly.

The Deputy Chairperson:

That sounds positive. Thank you very much for your attendance. We may come back to you with some questions on the sports funding side of things.

Mr Jardine:

We will take a note of that. If the Committee Clerk wants to give us a note on that we will deal with it.

The Deputy Chairperson:

Thank you very much indeed.