



Northern Ireland
Assembly

**COMMITTEE
FOR THE OFFICE OF THE
FIRST MINISTER AND DEPUTY
FIRST MINISTER**

**OFFICIAL REPORT
(Hansard)**

**Budget 2011-15: Briefing by the
First Minister and deputy First Minister**

19 January 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Dr Stephen Farry (Deputy Chairperson)
Ms Martina Anderson
Mr Allan Bresland
Mr William Humphrey
Mr Barry McElduff
Mr Francie Molloy
Mr George Robinson
Mr Jimmy Spratt

Witnesses:

The First Minister (Mr P Robinson)
The deputy First Minister (Mr M McGuinness)

The Deputy Chairperson (Dr Farry):

On behalf of the Committee, I extend a warm welcome to the First Minister and the deputy First Minister, and I put on record the Committee's thanks for the regular attendance of the First Minister and the deputy First Minister, and the junior Ministers at the Committee. We look forward to the briefing on the Budget proposals, and a slightly wider update on the Department's work. This evidence session will be reported by Hansard. I invite the First Minister and the deputy First Minister to make some introductory remarks before we open for questions.

The First Minister (Mr P Robinson):

Thank you very much, Deputy Chairman. It is a pleasure to be with the Committee, and I hope that some of the representatives of other parties will join us.

The Deputy Chairperson:

I am feeling very lonely.

The First Minister:

You are feeling lonely; I am feeling snubbed. We welcome the opportunity to speak to the Committee on the Budget for 2011-2015. We have already provided the Committee with details of our spending and savings proposals and outlined our key challenges over the budgetary period. The Committee will also receive more detailed savings plans for each proposal shortly.

We all recognise that these are difficult economic times. The Executive's draft Budget has endeavoured to provide the best outcome for Departments within the significant financial constraints of the 2010 spending review outcome. It is fair to say that you cannot take £4 billion out of the Budget of a region the size of Northern Ireland without devastating the public spending plans for that area. During the course of the general election, the deputy First Minister and I warned of the consequences that would flow if people were to support such policies. We believed that it was going too far and too fast, and we have seen that that is the case. What we find hardest to take is that those who advocated that level of cuts and that speed of cutting are those who are now criticising the fact that we have to professionally look at the money that is available to us and make the best use of it.

The Executive's key goal is to put in place a Budget that facilitates economic growth and recovery to enable our wider society to advance and to prosper. Being able to offer people jobs, attract foreign investment and improve the skills base of young people are the foundations on which regional wealth and prosperity are founded. We believe that the draft Budget reflects that prioritisation.

When the UK spending review was published in October 2010, there was much comment on the negative impact that the cut in capital investment would have on our construction sector. In light of that concern, the Executive have agreed to reclassify in excess of £250 million of current

expenditure into capital investment over the period of the spending review. This will mean that, by 2014-15, capital spending will total some £1.5 billion, reflecting a level of spending that was recorded back in about 2005-06. So we can still take forward a significant amount of capital projects over the next four years. Spending in that area will be well above the long-term trend.

On the international scene, the deputy First Minister and I will continue to use every available opportunity to promote investment, encourage trade and help our tourist industry. Our overseas visits will continue to be focused on the economy. We will continue to be particularly active in securing investment from the United States. We will maintain our close working relationship with Declan Kelly, the US economic envoy. None of us should underestimate the significance of Northern Ireland having its own economic envoy. The United States has not provided that for any other part of the world. We are unique, and it sends a clear message to corporate America that the Obama Administration is serious about helping us to improve our economy. Indeed, the US economic conference is a conference that would have been envied by many states in the United States of America, never mind other countries throughout the world.

If our economy is to grow and prosper, it is vital that we, as the senior Ministers, demonstrate that we are leading from the front on the economic agenda and that we give our backing to the inward investment effort by taking every opportunity to promote Northern Ireland on the international stage. This means that we have to ensure that we carry on making significant time commitments once or twice a year to visit the US, and we have seen these visits pay dividends.

Martin and I will continue to engage politically at the highest levels in the European Union to renew the unique relationship that the Executive have enjoyed with the European Commission and President Barroso in recent years, and, more specifically, to make the case for continued assistance. We have President Barroso's personal support, reflecting most significantly in his renewal of the work of the Barroso task force. A visit by Commission task force officials is being scheduled within the next few months. We very warmly welcome their advice and assistance in taking forward our policy priorities. We will explore how our policies align with Europe's response to the global crisis and its vision for the financial perspective post 2013.

The draft Budget presents challenges for OFMDFM in the delivery of our priorities and commitments in the 2011-15 period. The current expenditure allocation is £79 million for 2011-12, decreasing to £73.7 million by 2014-15. The Department must deliver current expenditure

savings of £13.8 million by 2014-15 while also absorbing funding pressures of £3.6 million in year 1, rising to £6.7 million by year 4 of the Budget period. Our capital budget will fall by 24%, 68% and 27% in the first three years of the Budget in comparison to 2010 baselines. That is a very significant challenge at a time when regeneration activity at the Maze/Long Kesh site and the Ebrington site is increasing very significantly.

Although the additional funding pressures and the delivery of savings will present challenges for us, our focus will remain on our key priorities of growing the economy, tackling disadvantage, protecting the most vulnerable, promoting employment, delivering effective and efficient public services, and investing in the future. We have developed a series of current expenditure proposals that will deliver savings of over £7 million in year 1. Our objective is to realise these savings through increased efficiency and effective delivery of services, rather than cuts to programmes and spending. The restructuring of the Department in 2010-11 will deliver savings in operation costs for OFMDFM in the Budget 2010 period of £0.95 million a year. Arm's-length bodies that are sponsored by OFMDFM will be required to find savings of 3% in their administration costs.

We will examine the potential to release further savings through rationalisation of the structure and functions of our arm's-length bodies, which will focus on the potential for greater sharing of back-office functions across sponsored bodies. Improvements in data, the move towards a needs-led approach and the establishment of the new victims and survivors service will enable savings of £1.7 million per annum to be made in the victims and survivors programme, without impacting on the support provided to the sector. However, we draw the Committee's attention to the fact that, across the Budget 2010 period, over £50 million will be made available for victims and survivors, maintaining the average annual spend on victims at the level of the last CSR period.

As set out in the paper to the Committee, we also plan to make other savings. Those include, for example, reducing the budget for the Strategic Investment Board (SIB) in recognition of the prevailing capital constraints and winding up the Economic Research Institute of Northern Ireland (ERINI). I will ask the deputy First Minister if he will now make some introductory comments.

The deputy First Minister (Mr M McGuinness):

Thank you, Peter. Thank you, Deputy Chairperson and all of the members for the invitation to come to the Committee. I do not feel snubbed, but I feel disappointed. Last night, a political

party that has three representatives on the Committee said that there is no real opposition up here, and that the situation is dominated by two parties, yet that party does not even show up when it has the chance to query, or even interrogate, the First Minister and myself. It is particularly disappointing because the Chairperson is new to the post.

The Deputy Chairperson:

I put it on record that the Chairperson is at a funeral and plans to join us later. There are personal circumstances. Personally, I share your frustration.

The deputy First Minister:

I am disappointed that other members of his party who are members of the Committee have not turned up. In addition, this is the second occasion when we have been here that the SDLP has not turned up. None of that lends itself to taking our responsibilities seriously in the work that we all need to be engaged in and in recognising the key role that Departments have to play in coming here to be accountable, effectively, to Committees that have been established as a result of agreements that were made in the past.

I will move on. In bringing forward our Budget, we are mindful of the Executive's priorities, which are growing the economy for the benefit of all of our people, tackling disadvantage and delivering effective and efficient public services. With regard to tackling disadvantage, we are currently leading the development of the social investment fund and the social protection fund programmes, and, shortly, when a finalised Budget has been agreed, we will bring proposals to the Executive for them to consider.

The specific spending areas to be addressed from the social investment fund and the detailed mechanisms to agree the associated logistics will be for the Executive to agree, following further advice based on the strategy paper that is being developed. The investment fund will be targeted at tackling disadvantage. Funding of some £20 million per annum has been allocated across the Budget period.

One of the principles embodied in the social welfare reform agenda is that of making work pay and incentivising people into the labour market, and that is the logic behind the proposed earnings disregard pilot study. That pilot will assess the impact of increasing the earnings disregard threshold as an anti-poverty measure for low-income families and lone parents. That

project will also require sourcing suitable jobs for participants and providing support to enable them to gain experience of work. The cost of that pilot is estimated at £500,000 in year 1 and £1 million in year 2.

Complementing our efforts on creating opportunities and tackling disadvantage is our draft programme for cohesion, sharing and integration (CSI), which, as the Committee is aware, has recently been the subject of extensive consultation. We are currently considering the next steps in that regard, which will include a leadership role for us in taking forward cross-departmental programmes around priority areas such as interfaces and contested spaces, intervention for youths at risk of violence, respecting cultures, and tackling hate crimes. We will, of course, discuss the proposed way forward with the Committee.

It is expected that good-relations funding will amount to a total of over £30 million over the four-year Budget period. It is hoped that the ministerial panel that is proposed under the CSI programme will enable Departments to better align resources in a more strategic way to achieve positive good-relations outcomes for people and places here.

The Budget commits us to increased access to EU funding and programmes. OFMDFM's EU funding across the Budget 2010 period will increase by £48 million in comparison to funding levels in the Budget 2008-2011 period. Additional funding of £29.7 million has already been secured. That additional spending capacity will be focused on the needs of victims and survivors and on good-relations programmes.

On the subject of EU funding, we are aware that the Committee is interested in the progress that has been made in relation to the application for EU funding for the peace-building and conflict resolution centre project. An application for funding of some £18 million was submitted on 17 January to the Special European Union Programmes Body (SEUPB). We anticipate a decision on that application by the summer of this year. Maze/Long Kesh (MLK) represents a unique opportunity. It is a 347 acre site that is adjacent to the main transport corridor, and we are committed to realising the full potential of the site and creating jobs. That will require resources to make good the site for investment, including a significant infrastructure and utilities upgrade. If we are to reap the benefits, we obviously need to invest.

Children and young people will remain at the heart of our agenda. We will continue to

support the work of the ministerial subcommittee for children and young people to improve the integration of policy and service delivery on cross-cutting issues. The appointment of a Commissioner for Older People will be made as soon as possible to ensure that a voice is provided for older people, and that awareness is raised of their needs and the positive contribution that they make to our society.

OFMDFM must manage funding pressures and new priorities at the level of £3.6 million, £4.61 million, £5.99 million and £6.66 million. Funding pressures include the operating costs of the Attorney General's office and the running costs of the Maze/Long Kesh development corporation. A further significant pressure that we face relates to an inquiry into historical institutional abuse in the North, which the Executive recently agreed to hold. An interdepartmental task force, chaired by OFMDFM, will consider the nature of the inquiry and bring forward recommendations to the Executive on how it can be taken forward. It is likely that that work will be taken forward by OFMDFM, and it is forecast that that will cost £0.45 million in years 1 and 2. We have written to the Minister of Finance and Personnel to seek additional funding to address the cost of that Executive priority.

We are committed to growing the economy. That will require investment in opportunities when they arise. OFMDFM's capital allocation was reduced by 30% in the Executive review of the 2010-2011 spending plans to £12 million. The draft Budget proposes further capital reductions in years 1 to 3 of the Budget 2010 period, with capital allocations of £9.1 million, £3.8 million, £8.8 million and £25.6 million. The details of the allocation to Maze/Long Kesh, Crumlin Road jail and Ebrington Barracks are contained in the paper that we forwarded to the Committee. It is vital that momentum is maintained across all three sites, and, in particular, that progress on the regeneration of the Ebrington site continues in preparation for the 2013 City of Culture. Those allocations will allow the proposed development corporation to complete site remediation works at Maze/Long Kesh in 2011-12 and then undertake a phased programme of essential infrastructure works that will prepare the site for development by the private sector.

Major restorative schemes that have recently commenced in Crumlin Road jail will continue. One will restore the gatehouse and the governor's corridor and will cost something like £2.7 million, and another will restore the jail walls and roof, and will cost something like £2.3 million. That restoration work will help to promote the jail as a location of international significance and act as a catalyst for social and economic regeneration in north Belfast. Also, the completion of

the first phase of the development of the parade ground at Ebrington will ally with the opening of the new footbridge next summer and other capital work.

Those will support the Ilex regeneration plan, 'One City. One Plan. One Voice.', which aims to deliver economic, physical and social renewal and build a competitive economy with increased prosperity for the city and region. We are aware that you are meeting the chairperson and chief executive of Ilex later today. They will be able to update you on the plan.

We hope that we have provided the Committee with an overview of our proposals in the Budget 2010 period. Peter and I will be happy to take any questions from members.

The Deputy Chairperson:

I thank the First Minister and deputy First Minister for those useful opening comments. I will kick off with some questions, which I will run together and give you an opportunity to respond, rather than dealing with each in turn.

My first question relates to the specific Budget spending and savings plans. Will you comment on the variation in the levels of detail between the different Departments? OFMDFM's was one of the shortest. Can we expect any more detail of the savings proposals in addition to what has been tabled already?

Will you provide an update on the next Programme for Government? My understanding is that it is good practice for the Budget to follow a Programme for Government, in which we have set out our policy priorities. There does not seem to be any firm indication of when we will see a Programme for Government. Obviously, we are moving ahead with the Budget, as we are legally required to do.

I also want to ask about further work of the Department. Will you give an update on the timetable of the new victims and survivors service and the needs-led approach? Will you also give some indication of the timescale for completion of the cohesion, sharing and integration strategy? In light of your comments about the importance of economic leadership, what economic interface do you see with the cohesion, sharing and integration strategy? How do you see good relations helping our economic future?

The deputy First Minister:

That is quite a number of questions. We will do our best.

I will deal first with Budget 2010 current expenditure allocations. OFMDFM has not received any additional current expenditure funding for year 1 of Budget 2010. Additional allocations of £3.6 million, £5.2 million and £6.8 million were received for years 2, 3 and 4. We must manage additional funding pressures and new priorities of somewhere in the region of £3.6 million, £4.61 million, £5.99 million and £6.66 million in the Budget 2010 period. In addition, OFMDFM must deliver savings of £3.8 million, £6.9 million, £10.3 million and £13.8 million. That will present challenges for us, but our focus will remain on the effective and efficient delivery and protection of public services, the growth of the economy and the tackling of disadvantage.

We have to manage additional funding pressures and new priorities of the sums that I identified. The task force has forecast the operating cost of historical institutional abuse as £0.45 million in years 1 and 2 of Budget 2010. It is likely that that work will be taken forward by our Department; no baseline provision exists for it. We have written to the Finance Minister seeking additional funding to address the cost of what I think everyone agrees is a major priority for us as an institution.

We do not have baseline provision for £1.7 million annual operating costs of AGNI. Current plans assume, for example, that the parades and assemblies adjudication body will be established as a non-departmental public body by 1 April 2013, within an operating cost of £3.2 million in years 3 and 4 of the Budget period. The earnings disregard pilot programme will assess the impact of increasing the earnings disregard threshold as an anti-poverty measure for low-income families and lone parents. That project will also require the sourcing of suitable jobs for participants and provision of support to enable them to gain experience of work. The cost of the pilot is £0.5 million in year 1 and £1 million in year 2 of Budget 2010. The inescapable cost for OFMDFM of paid progression, which is assumed as 3% per annum over the Budget period, is £0.57 million, £1.18 million, £1.8 million and £2.46 million.

Over the past couple of months, our focus has been on the development of a four-year draft Budget, which the Executive agreed on 14 December 2010. It will be consulted on until 16 February, as the consultation was extended for a week. Our officials have been working with Departments on a draft Programme for Government and the associated equality impact

assessment during that period, and we and our Executive colleagues need to consider the most opportune timing for consulting on a draft Programme for Government, bearing in mind the forthcoming elections in May of this year. In light of the delay in publication of a Programme for Government and the associated equality impact assessment, we have advised the Department of Finance and Personnel to consider producing an equality impact assessment for the Budget period as soon as possible.

The public consultation on the CSI strategy closed on 29 October last year. There were 288 written submissions to the consultation, and they were analysed in addition to all the material that was collected at the public and sectoral consultation events. The analysis report was completed in December 2010 and will shortly be submitted to us to inform our considerations on how best to strengthen and build on the existing document. At that point, the analysis will be shared with the Committee. We look forward to hearing its views on the further development of the programme. Obviously, it has been a very wide-ranging consultation. There has been no shortage of contributions to that, in written form and on the airwaves. Peter and I have been listening to and following the debate very carefully. We are very open to ways in which we can improve and strengthen the CSI consultation process and the outcome, which is of critical importance to all of us as we move forward as a united society, removing the divisions and barriers that have been to our detriment for far too long.

The First Minister:

I will pick up one or two of the points, although Martin dealt with most of them fairly fully. On the savings plans, it is expected that officials will provide our advisers with the detailed savings plans during the remainder of this week. We all know how expeditious and industrious our special advisers are, so we hope that, very shortly after that, we will be able to submit them to the Committee.

Work is progressing in the Department towards the establishment of a new victims and survivors service. We are currently working through the design of the service. Once this phase is completed, we will move into implementation. A decision on the organisational model for the service will be made very soon. The completion of a business case exploring all of the options is at an advanced stage, and it is hoped that that will be sent to DFP for approval in the next few weeks. A phased approach to the introduction of the service is anticipated, with individual assessments starting during 2011 and interaction with victims' groups following in 2012. That

timeline is in line with the two-year transitional funding arrangements that were agreed with the victims' groups.

It is fair to say on the CSI issue that it is proposed that there will be a ministerial-led group to co-ordinate CSI across the Executive. Good-relations priorities must be integrated within the new targets in the Programme for Government. It is important that all Departments regard this as a priority issue. It is essential that we have that level of co-ordination and integration of the proposals.

Mr Spratt:

I thank the First Minister and deputy First Minister for briefing us. It is disappointing that the Chairperson and none of the members from two parties are here because we hear an almost weekly call for both of you to come to the Committee simply, as a sound bite, and then, when you come, none of them attends.

It is also particularly disappointing for those of us sitting on the Committee that the Chairperson was able to discuss the draft budget with the press and that there was speculation and comments in the press this morning before both of you had given your briefing.

Some £21 million has been allocated for the Maze site over the four-year period, and indeed there is a bid with the European Union for that. Will additional money be needed for that? Can you explain what the money will be spent on, rather than some of the misrepresentation that is in the press about the site? What is your view of the economic benefits for the entire region of Northern Ireland from the Maze site, and what will it mean in economic terms?

The First Minister:

I am sorry that the Chairman is not here, because he made comments on this, and I would like to have spoken to him about those. I was absolutely staggered when I heard his remarks. The suggestion was that the kind of funding that we are putting into Maze/Long Kesh, around £20 million, is somehow throwing money away. The money in those financial years will go to the infrastructure of what is a site that has massive potential for regenerating the whole area. Indeed, he queried the figures for the Maze, but not for Ebrington, which are slightly higher. He was right on only one thing: the bid for the peace and reconciliation centre is submitted to Europe and is not included in that funding, although part of the bid to Europe includes further moneys for the

infrastructure around the site.

The funding should not be a surprise to anybody. Indeed, anybody who has even a minimum high-school level of knowledge about the regeneration of sites will know that significant investment has to go in to make the site ready for investment purposes. Not only is there the peace and reconciliation element of it, but we are hoping that we can attract the Royal Ulster Agricultural Society to the Maze. I am surprised that a farmer is querying the funding that will allow the infrastructure to be in place for such a development. This is wise spend. It is on roads infrastructure in the Maze/Long Kesh site and on roads improvements that are necessary outside the site, which will not only be valuable to users of the site, but to the surrounding area. That has an enormous jobs potential for Northern Ireland.

There are very few places where there are hundreds of acres of ground where major economic development can take place. We have a good site in Londonderry on which Ilex is moving forward, we have the Maze/Long Kesh site and we have the Titanic Quarter. There are a number of key projects across the Province in which we need to invest, and we need to ensure that they move forward, rather than carping or whingeing about the funds that are necessarily spent to ensure that they are ready.

The deputy First Minister:

I share Peter's concern that someone who is in a key leadership position in a political party in the Assembly would oppose the investment in what is a very strategic site for the whole of the North and, indeed, for the whole island of Ireland. When I attended the Balmoral show, I was lobbied extensively, as, no doubt, others were, by officers of the RUAS. They spoke about how anxious they are to get onto the site. I am lost for words that someone who has a farming background opposes what is seen as one of the major shows in the whole of Ireland. It is almost as if the Ulster Unionist Party has adopted a position of opposition to everything, and that is very disappointing. It is a key site, and it is our intention that the investment will provide thousands of new jobs for people who badly need them.

Mr Bresland:

Thank you for your presentation. How many staff were in OFMDFM in 2007 compared to the number that is expected in 2015? Are we doing all that we can to reduce administration costs?

The First Minister:

We used to get those kinds of questions when David Trimble was First Minister because he employed more people than the White House, and more than Dublin and London put together. It was a somewhat unfair comparison at the time because there are departmental responsibilities in OFMDFM that the White House, London and Dublin do not have in their Prime Ministerial or President's offices. Nonetheless, since the new Administration has come in, those figures have been cut very considerably. In 2004, after the Trimble/Durkan era had passed, there were something like 460 staff in OFMDFM. At this moment in time, there are somewhere in the region of 350. At the end of this period, the total will be 305. It can be seen that OFMDFM has played its part. We have been doing that not on the basis of making people redundant but of natural wastage, people retiring and so on, or people going to other posts in the Civil Service. I hope that we can continue to do that because our objective is to save jobs in the public service, not to lose them.

Ms M Anderson:

Thank you both for your presentation. Following what Jimmy said about the other two parties not attending, those of us who are attending is a demonstration of the parties that are serious about addressing need and protecting jobs and services. I have a particular interest in what was said about Ilex given that it is in my city. It is welcome news to hear that the momentum will be maintained despite the difficulties that you will face. Could I have some details about the social protection fund, particularly to clarify my understanding of whether it will be targeted at disadvantaged areas, as opposed to the reference that was made to income disregard? Will that fund and the social protection fund be targeted more at individuals and families who will be affected by the Tory cuts?

The deputy First Minister:

A key issue for the Executive will be the need to protect the most vulnerable in our society. We are very conscious of our responsibilities, particularly at a time of world recession. Cuts of such a draconian nature that are being imposed on us by a Tory-led Administration in London will present real difficulties for the most disadvantaged in our society. We are leading the development of the social investment and the social protection fund programmes, and we will shortly bring proposals to the Executive for consideration.

The specific spending areas that will be addressed through the social investment fund and the

detailed mechanisms to agree the associated logistics will be for the Executive to agree following further advice based on the strategy paper that is currently being developed. The SIF will be targeted at tackling disadvantage. Funding of £20 million a year will be allocated across the Budget period, and the draft Budget proposals are subject to a public consultation period with views being sought from interested parties. The Executive expect to publish a final Budget document in February 2011. Peter and I and others have discussed this matter extensively over recent times because there are linkages to the International Fund for Ireland, for example.

We have had discussions at the US Department of State and the White House with people, such as Hillary Clinton, who are taken by the argument that as you move forward in a peace process, people, particularly in the most disadvantaged areas, need to see the benefits of peace and dramatic improvements to their lives. That is precisely what we hope to do.

Obviously, as a result of challenges that that imposes on us, we took a decision, which, at the time, was wrongly reported in some newspapers, and which was put there by representatives of the SDLP, that it was an attempt by Peter Robinson and me to give money to loyalist paramilitaries, to use their words. Absolutely nothing could be further from the truth. In fact, we kept the Committee fully informed of our intentions. A political party went out and quite deliberately misrepresented what we had said. It is disappointing that people feel the need to, effectively, go out and misrepresent a programme that will be funded by the Executive and is designed to help people right across the community who have experienced real difficulties in their lives.

Obviously, the social protection fund has come about as a result of real difficulties that disadvantaged people will have in the face of the imposition of draconian cuts that have come from London. We would fail in our duties and responsibilities if we did not proactively encourage programmes that reach into disadvantaged areas where people endure real hardship if we were not to assist them during what is a difficult time for the entire community, particularly for those who have fewer resources than others.

The First Minister:

Martina Anderson asked whether that was based on location or individuals. Perhaps that is a reasonable division between the two funds. Obviously, the social investment fund will be location-based. However, we have considered whether there are specific themes, such as drug

abuse, alcohol abuse or suicide, that we might want to deal with outside of specific locations. The social protection fund is very much based on individuals. In the past, we did similar work when we looked at fuel poverty, for example. We recognised that there were particular difficulties in one financial year. We made funds available. You want to get money to where it is really needed because of difficulties that have been brought about by savage Tory cuts in the Budget.

We need to be honest and say that we started talking about the investment fund a long time ago; long before it became a public issue. We looked at it because we recognised that our Programme for Government had, rightly, indicated that our priority was to ensure that we got economic growth. Our policies had been designed to include that. However, when we reflected on matters, we felt that the benefits of the process in which we were involved were not flowing down to people who really needed them and who were in greatest deprivation, and that there were areas throughout Northern Ireland that needed to be pulled up by their bootstraps — areas where there were very high levels of long-term unemployment, low levels of educational attainment, and real physical deprivation in streets and estates. We wanted to do something so that there would be physical and tangible change in an area and so that people would see that devolution can work for them.

On that basis, we started to talk. When we indicated publically that we would do something, to the extent of discussing it and giving details to the Committee, we were accused of having a secret fund, even though we had indicated openly what we had in mind to do. What was important to us became essential when we were faced with the economic crisis, because those who were in difficulty and vulnerable prior to that become all the more so at a time of economic constraint and public expenditure cuts. That was the thinking behind the fund. I must point out that it was endorsed unanimously by the Executive when they met at the agricultural college for a think tank meeting. Therefore, there should be cross-party support for the kind of proposals that we have. They may have originated with the deputy First Minister and me, but, since then, they have been endorsed by all of the other parties.

Mr Molloy:

Thank you for the presentation. I would be surprised if anyone were to try to put a spanner in the works of getting more European funding. Is there a target for what we can reach and draw down through the Barroso task force? I am told that the Irish Republic, for instance, draws down

around £600 million, while we draw down around £60 million. Will there be a Peace IV programme? When the Committee took hearings on European funding, David Trimble, as you referred to him, or the Tory Lord, as he is now, indicated that they would not support a Peace IV application. Is there any indication from Europe, from Barroso, that there will be a fund in the future?

The deputy First Minister:

On the second point, the budget commits us to increased access to EU funding and programmes, which, in the past, have been vital to our economic, social and community development, and which will continue to be so in the future. It was for that reason that Peter and I met President Barroso and other senior European political leaders when we went to Brussels just a few weeks ago, in December. We used the opportunity to highlight the continued challenges that we face and the continued importance of European funding, including a further Peace programme, to our future prosperity.

At the time, a massive negotiation took place between the powers that be in Brussels and other Governments throughout western Europe that are part of the European Union. In fact, on one occasion, Peter and I were lobbied by a very senior person at the European Parliament to put pressure on the British Government to, effectively, up their funding to the pot in Brussels. That was a bit bizarre, given that we were there to try to extract as much support as we possibly could for our region.

I was very surprised when I heard that Lord Trimble had come out against Peace IV. There will be much disappointment in the community and voluntary sector at such a suggestion. I do not know whether that represents the policy of the Ulster Unionist Party, but that should be clarified by someone in its leadership. Lord Trimble should understand more than most the journey that we have come through over recent times and the fact that we are not yet where we want to go, and it is particularly disappointing that he came out and opposed further funding for the North.

As I said at the beginning, growing our economy remains a huge priority, and that aligns generally with the Europe 2020 strategy objective to promote smart, sustainable and inclusive growth. We continue to use European policies and funding programmes to further those aims, and the comprehensive spending review has increased significantly the pressure on our block

grant. That will make the external resources of the EU, including structural funds, increasingly important to us as we seek to maintain the funding of many of our economic and social projects.

From our visits to Europe, we have learned that Europe is very receptive to us as a region. In fact, we probably have better access to the higher echelons of the European Union than any other region in western Europe, and we need to continue to develop that. It is quite clear to us, particularly when President Barroso came here in advance of the establishment of the institutions, that he saw that as a huge priority for him. When Peter and I met him just a few short weeks ago, he reiterated the importance of the work in which we were engaged and how much he takes an interest in the ongoing progress that is clearly being made.

All sorts of doors were open to us. We met all sorts of Commissioners, and we had a particularly interesting engagement with Commissioner Máire Geoghegan-Quinn, who is, effectively, Europe's Minister for innovation, research and development. We learned a lot from that, and it is quite clear that we can do more. We believe that we have to up our game in relation to our contacts in Europe and how we can gain benefit for the people whom we represent by strengthening those contacts in a way that will see real delivery.

As many of you will know, we expect the task force to return here in a few weeks — I do not think that it is months. That will give fresh impetus to that work. We are very conscious of the fact that huge gains have been made in the South in respect of financial investment as a result of moneys that come from Europe. We believe that we still have more to do and can do more to gain benefits for the people whom we represent. We can obviously do that by strengthening our contacts with Europe. We have a new office in Brussels that is used extensively by all sorts of groups from here, whether they are people who make representations on behalf of fishermen, farmers, or the community and voluntary sector. There was a huge attendance at the opening of that office. A lot of people travelled from here, including many people from the Assembly. We believe that there is considerably more that we can do, and we are presently engaged in discussions about how we can up our performance and gain the benefits that are clearly there if we were to do that.

The First Minister:

The first part of your question was about whether we are getting as much as we can out of Europe. The answer, quite plainly, is no, we are not. We have underperformed in Europe, and

there are reasons for that. We were an objective 1 area, and money came to us, but we now have to compete with others to get funds from Europe. That is not a criticism of our office in Europe. It was very much set up to facilitate, and it does that excellently. As has been indicated, it now has new premises. It is a very good venue to facilitate people from Northern Ireland who have business to do in Brussels.

Nonetheless, Departments have not made the number of submissions that they should have. I will not be specific, but that was fairly clear from our discussions with a number of the Commissioners. Departments are faced with making submissions, which can be a daunting task, not just for Departments but for sectors, universities or companies, because the processes can be difficult. Indeed, in our meeting with Commissioner Máire Geoghegan-Quinn, we were told that they are looking at changing the application system to make it more user-friendly, which will help our people. However, there is a significant uplift that we can get in our funding from Europe if we start to be more proactive in Departments and ensure that we submit those applications.

We came back very clearly of the view that there was a lot of work that needed to be done. We will try to gear up the European office not to move away from the facilitation that it does, but to take on the other strand much more vigorously. However, that requires every Department here to go after the opportunities, rather than holding back because they do not like form-filling.

Mr Humphrey:

Thanks very much for the presentation. Given the £4 billion cuts that have been foisted on Northern Ireland by the Tory establishment at Westminster and the threats that they provide in relation to the establishment of a shared and better future for Northern Ireland, there are a number of opportunities that we need to explore. Europe is one of those.

Effectively, we have international goodwill and good relations because of the relationship that Northern Ireland has with those that are beyond these shores. Those have created trade opportunities. I visited the Discover Northern Ireland Smithsonian exhibition a number of years ago and visited the Northern Ireland Executive office there. I think that Tim Losty was in charge at that time. Norman Houston and his team do a great job. On behalf of Belfast City Council, I recently attended the opening of the new offices in Brussels. The First Minister mentioned the relationship with the American Administration and Declan Kelly's involvement, and the effect that the Brussels office can have respect of trade and tourism, which is vitally important to

Northern Ireland.

Cultural tourism is particularly important in that 50% of the people who come here are cultural tourists from our diaspora who come because of their roots, history, genealogy, and so on. We need to exploit that and, recently, I was given figures that the Republic draws down €600 million while we draw down €25 million. We heard about the resource and opportunity that the European office provides. What is your assessment of the effectiveness and the value for money that that office and the Washington office provide, given the opportunity that the United States and also Canada provide internationally to Northern Ireland?

The First Minister:

Your commentary is spot on. You are absolutely right about the potential that is there. When we look at offices, we need to remember that we are Northern Ireland plc and that, although there are some places in which we do not have a Northern Ireland bureau or a Northern Ireland office as we do in Brussels or Washington, Invest Northern Ireland has either an office or a team that circulates in an area. We spread ourselves across the world, depending on where the best opportunities are, and we have fixed offices centrally as an Executive in those two places. Norman Houston does a tremendous job in our Washington office, and he is well supported by a team there. At one time or another, all of the Departments make good use of our offices out there, some more often than others.

Even in the midst of the economic difficulties that have been faced globally, we have been provided with opportunities, and jobs have been coming to Northern Ireland. During our visit to the west coast, we met representatives of HBO and Universal Studios and brought both of them back for projects in Northern Ireland. HBO is now producing a series here, and, indeed advertisements state that it will start to be screened on our televisions in April or May. You will see a series on HBO, which is the top television station in the world for those types of series, that is based in Northern Ireland. You will see the Tollymore forest park, Larne's quarry and the Paint Hall Studio, which HBO is using. That employs hundreds of people in Northern Ireland. The creative industries, which were given very little regard by previous Administrations, are now serious players in our economy, and, as you know from the Budget, we are looking at how we might develop that further.

Jobs with the New York Stock Exchange came to Northern Ireland, and Citigroup increased

its potential. We reckon that, if we can get companies here, they will expand their operations. Of the companies that have come to Northern Ireland from the United States, 75% have gone on once, twice or more times after their initial investment to increase the number of people that they employ in Northern Ireland. Therefore, there is massive potential.

Cultural tourism also has massive potential. Of course, Nelson McCausland, the Culture Minister, has been out in the United States to look at where he can tap into some of that. We have two good offices, but, when we go beyond those areas, we can still pick up from Invest Northern Ireland and its contacts in an area. The offices provide very good value for money.

The deputy First Minister:

The United States is critical for us as we move forward. I remember that, before Peter and I went to the United States, some commentators and, indeed, some politicians said that we would not get one single job. The visit to the west coast, for example, came at a very difficult time in the aftermath of the killing of the two soldiers in Antrim and the killing of Stephen Carroll. At that time, people were looking at our situation, and I suppose that they could have been forgiven for having reservations about whether they should come here. We believe that, as a result of the submission that we made to them, we convinced them that they should come. Since then, we have had Universal Studios and HBO at the Paint Hall. For a period of around a year, upwards of 600 people who would not otherwise have jobs have jobs as a result of that.

More importantly, as Peter said, is the very real prospect that the work that went on at the Paint Hall will continue because of the commitment of HBO well into the future. That is absolutely fabulous for us because it gives jobs to all of our talented people, not just in Belfast or people who live around the Titanic Quarter but from all over the North who are interested in film-making. There are many aspects to film-making; it is not all just about putting things on celluloid. It is about people who provide plants, costumes and all sorts of skills. It was gratifying when we toured that place and saw the immense amount of incredible work that takes place as a result of very creative people who live among us in our society. Hearing Mark Huffam, who is one of the key people down there and someone who was very much involved in the making of 'Saving Private Ryan' and 'Mamma Mia!' with Meryl Streep, say that a film-making campus could be established in the Titanic Quarter was very encouraging.

If any country in western Europe has taken advantage of the relationship with the United

States of America, it is people down south and the Dublin Government. There has been extraordinary foreign direct investment. The big advantage that they have had over us, which, obviously, we have been very focused on, is the 12.5% corporation tax rate. That puts us at a huge disadvantage. During the course of the economic investment conference at the State Department, that raised its head in relation to the multinational companies that are seriously considering investing in the North. They made the case that if we were able to get that rate down, it would make it much easier for them to contemplate investing with us. That is why the ongoing discussions in which we are involved with the Conservative Government and the Treasury are so important.

It is very important that we get a level playing pitch. Obviously, we have to look at the pros and cons. There is a big debate around how much it would cost in respect of the block grant. Figures have fluctuated from something like £120 million or £140 million up to £300 million. That will all be part of very hard-nosed negotiations. We are not prepared to do anything that would in any way endanger the economic prospects of the people whom we represent. If we are given that power, we will take a decision on that only if we are satisfied that it will bring major economic benefits and jobs to our citizens.

The member who raised the issue is correct: the relationship with the United States is absolutely vital. Numerous investments have been made by HBO, Universal, the Dow Chemical Company, New York Stock Exchange, Citigroup and others. That investment is of vital importance. Invest NI also recognises the importance of Canada. It puts a major focus on trying to attract investment from there also.

Mr G Robinson:

I thank the two Ministers for coming to the Committee. How will the Budget and the savings plans affect the Department's capital projects? That is a very important issue.

The First Minister:

The capital projects are based around the work that we are doing with the sites. We bid for more than we received. We sought about £30 million for MLK and got £21 million. We looked for about £19.7 million in relation to Crumlin Road jail and we got £2.8 million. As for Ebrington, we looked for £25 million and we got £23 million. We are obviously impacted by the cuts, which means that we probably have to spread out some of the work over further years. It does not

remove the need to do the jobs, but, sadly, it means that we may have to wait a year or two for some of them to be completed. However, the capital budget cannot be reduced by 40% without there being an impact. We worked exceedingly hard to try to supplement that block grant capital figure by looking at other areas in which we may be able to raise funds.

We have an initial tranche. We wanted to be safe when putting figures in the draft Budget. Therefore, we are content that we can realise those figures. We are not convinced that there is no more money to be gained. On 19 January 2011, at our Budget review group meeting, again, all of the parties agreed unanimously that we would have a separate meeting to start to look at where we can get additional funds above and beyond what we have in the draft Budget. If we can identify those areas before we finalise the Budget, we can start to tweak figures. If we identify them after that, we will deal with it in a supplementary way.

The deputy First Minister:

There is no disguising the fact that the effective withdrawal of £4 billion from the Budget over the next four years — from all Departments, not just ours — is a difficult scenario for us all to deal with. It poses real challenges for us in the time ahead. We are not the sort of people who lie down under challenges. Those challenges exist. The way in which they have been sprung upon us was not of our making. Those decisions were taken in London. What is most disappointing for those of us who are part of the Administration here is that those decisions were supported by a party in the Assembly. I was interested to hear Margaret Ritchie, when she made her most recent speech at the SDLP annual conference, say that she believed that the SDLP's future was to cosy up to the Ulster Unionists — the very party that canvassed with the Conservatives and that imposed those £4 billion cuts on our Administration, which affects Departments right across Government.

As Peter said, we have tried to deal with that through raising vital funds. As a result of the published draft Budget that the Finance Minister has put out for public consultation, we showed that the establishment of the Budget review group managed to raise considerable funds in the region of over £800 million, which will be distributed among Departments. However, all that that does is help us to reduce the pressure that would have been on the Executive as a result of the £4 billion cuts. We are now challenging ourselves to see what more can be done to help Departments out. We know that all Departments are finding it extremely difficult indeed.

As we said in our Programme for Government, we are determined to try to continue to develop the economy. Developing the economy can have real benefits for people in society through keeping them in employment, protecting front line services and helping the most disadvantaged. Those are our key priorities. We are now challenging ourselves further to see whether we can explore how other funds can be raised to ensure that there is minimum impact on the people whom we represent. That is why, at this stage, we have made it absolutely clear that we believe that the imposition of water charges would be a mistake. We believe that that would put a further burden on an already overstretched community.

As we go forward, we must recognise that although challenges clearly exist, there is more that the Executive can do. We are not powerless. We believe that further funds can be raised that can be distributed among Departments, such as the Department of Health and the Department of Education. Job creation and apprenticeships are critical at this time. The Department of Employment and Learning will be important in the creation of job opportunities in the time ahead. If the North does not have a trained workforce to capitalise on foreign direct investment, which can come as a result of our trips to the United States and other places, we would do ourselves a grave disservice. Therefore, right across all Departments, we must ensure that we make the best fist of what we have. That is precisely what we are doing at this time.

Mr McElduff:

Wearing my other hat, as the Chairperson of the Committee for Culture, Arts and Leisure, I endorse what the First Minister and deputy First Minister said about HBO. Not to be too parochial, a girl from Omagh is there, managing a wardrobe budget of £3.5 million for a 10-part series, 'Game of Thrones'. It is like a factory line of embroiderers. It is fantastic. I know that NI Screen appreciates the central involvement of the First Minister and deputy First Minister in US visits to deliver that production, and that appreciation is well founded.

In the absence of Tom, Danny and Dolores, maybe I should be more critical. You have not provided enough detail on the additional revenue-raising options. You said that we are at £800 million, but are other options, beyond the plastic bag levy, being explored? Is there any detail on that?

The First Minister:

I notice that when it comes to choosing who will be in opposition, somebody always adopts the

mantle. We probably met the lady he was referring to when we visited. The one thing that you can say is that, whether people have been sewing mistresses, carpenters or in landscaping, they have all enjoyed the experience of doing it on sets so much more than doing it in day-to-day life. It really has been a new life and career for many people, and I hope that that level of activity can continue in Northern Ireland. There will potentially be seven series of that HBO programme, which means that, if we can attract HBO to make the remaining series in Northern Ireland, we will have it for another six or seven years, which would be very worthwhile.

On potential revenue-raising, as I indicated, the Budget review group met yesterday. We need not go into detail on each every proposition, although some were mentioned in the draft Budget documentation, but we literally had pages and pages of suggestions from all Departments, and the figures that we put down for departmental revenue raising were a very small percentage of the proposals that were brought forward. Some of them were barking mad, some were well off the wall, and some would not be able to be realised in time —

The deputy First Minister:

It is called brainstorming.

The First Minister:

Some of them, quite frankly, would not be supported generally in the community. There are plenty of ways to raise money, but you want to do it in a way that does not cause massive pain to any particular section, particularly those who cannot afford to have pain imposed on them, and that is why I agree entirely with Martin about water charging. I know that you have your own views on that, Deputy Chairman.

The Deputy Chairperson:

I am a lone voice in this.

The First Minister:

You want to burden everybody with more cost, but, quite frankly, people are finding it tough enough at the present time without having to look at water charging, and most people feel — at least 50% of the way — that they are already paying for water, because it is part of the regional rate. I am sure that we will come back to that issue.

We are looking at plenty of proposals, on both capital and current expenditure, but I am reluctant to throw out any ideas in case doing so causes a crisis somewhere in the community linked to something that we have not examined yet or, indeed, in case it raises hopes that there might be funds from something that, ultimately, we do not proceed with.

The deputy First Minister:

It is fair to say that we have taken the issue by the scruff of the neck, because we understand absolutely that we are not powerless; there are things that we can do and we can raise substantial funds as a result of being imaginative and looking at the resources available to us. I agree with Peter that, at this stage, it would not be productive to go into detail, except to say that, as he said, the Budget review group met yesterday, it will meet again shortly and it will continue with the work of exploring what more can be done. All parties are represented on the Budget review group; it is probably the best attended committee in which I have had the honour to participate over the course of, maybe, 10 years, since these institutions were first established. People recognise that we are in a fight against the imposition of deprivations on the people whom we represent. It is our job to challenge ourselves. We did that in the course of the draft Budget, and we came up with around £840 million extra.

We believe that we can do more that will allow that money to be distributed among Departments that are finding it difficult at this time. That is why, even at this stage of the consultation, as we move towards the finalisation of the Budget, it is a big mistake for parties in the Assembly to adopt a negative approach. They need to rise to the challenge with the rest of us and stop the petty point-scoring, sniping from the sidelines and attempts to gain political advantage. They need to play their part constructively, recognising that we are not powerless and that there are things that we can do to ease the burden on a society and a community who are our people.

We are the political representatives of the people, and it is our job to do the best that we can for all of them against a backdrop of looking consistently at our institutions, Departments and arm's-length bodies. If we use wisely the resources that are available to us, we can gain benefits for the people whom we represent. Although people might be critical now of the draft Budget, they have to be fair and recognise that it is happening against the backdrop of £4 billion being withdrawn from our economy over the next number of years, and they have to recognise that it is much more productive to roll up their sleeves and do the work with the rest of us than to sit

outside trying to gain advantage.

It shows particular brass neck for a party to try to divert attention from the fact that it was up to its neck with the Tories in an election campaign, the outcome of which visited the cuts upon us. That party is trying to divert attention from the role that it played in that election, and it is now trying to shift the blame for what has been imposed on our Administration to those of us who are doing our best to deal with the mess that they and others have created.

The First Minister:

We have spilled well over our time in the hope that some of the absent parties might have come along, but unfortunately they have not. I respect fully the fact that the Chairman has a funeral to attend. I also had to attend a funeral today, but I went to the house to pay respects instead, because I was invited by the Chairman to be here.

I want to defend one of my ministerial colleagues, Danny Kennedy, because I note that the Ulster Unionist Party put out a press statement yesterday saying that it “requires” the deputy First Minister and I to meet formally with Tom Elliott and his representatives on all aspects of the work of the Budget review group. Of course, the Ulster Unionist Party is represented on that group by Danny Kennedy, and I resent any suggestion that he is incompetent in the way that he has performed his duties or that he is incapable of being able to report back to his party leader what has been discussed at those meetings. I put up a strong defence of Danny in those matters. We had a formal opportunity today to discuss those matters with Tom, but, unfortunately, that has not occurred.

The Deputy Chairperson:

I will say three things in conclusion. First, I will not rise to the bait on water charges. Following on from the First Minister’s comments, I accept fully that Tom’s reasons for not being here are genuine, and it is his call on what his priorities are. I am not sure what the reasons are for the absences of the other members from the Ulster Unionist Party and the SDLP, although, from my party’s point of view, I appreciate and understand fully the frustrations that have been expressed by the Ministers and a number of Members about comments that have been made about the Budget process in the widest sense.

Secondly, I thank the First Minister and deputy First Minister for their attendance. We have

had a useful and productive session. I appreciate that we went a little over time but, clearly, this is the most important issue facing the Department and the entire Executive and Assembly.

Thirdly, I wish you both every success not only with your Department's budget process, but with the overall Budget process for the Executive. Everyone in the room appreciates that we have been dealt an extremely difficult hand by the British Government in the shape of the comprehensive spending review settlement. Indeed, difficult choices need to be made in Northern Ireland. All of us, as individual MLAs and parties, have our own ideas of what should be priorities and how we should strike a Budget. Ultimately, however, we are in a power-sharing arrangement, which involves negotiation and give and take. That is the process in which we are involved. We all respect that. We certainly look forward to seeing the product of your endeavours in coming weeks. We wish you every success in that regard.

The deputy First Minister:

Thank you very much.

The First Minister:

Thank you.