



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Spending Review and Budget 2011-15

10 November 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr David McNarry (Deputy Chairperson)
Dr Stephen Farry
Mr Paul Frew
Mr Paul Girvan
Mr Simon Hamilton
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Bob Stronge) Advice NI
Ms Margaret Kelly) Barnardo's
Mr Seamus McAleavey) Northern Ireland Council for Voluntary Action

Mr Peter Bunting) Irish Congress of Trade Unions
Ms Avril Hall-Callaghan) Irish Congress of Trade Unions, Northern Ireland Committee
Mr Brian Campfield) Northern Ireland Public Service Alliance
Ms Pamela Dooley) UNISON

The Chairperson (Ms J McCann):

I welcome Seamus McAleavey from the Northern Ireland Council for Voluntary Action

(NICVA), Bob Stronge from Advice NI and Margaret Kelly from Barnardo's. You have all appeared before many Committees, so please begin with a brief statement and an update on any new information that you might have. We will then open the session to members' questions.

Mr Seamus McAleavey (Northern Ireland Council for Voluntary Action):

Thank you for the invitation to talk to the Committee. As you said, you received our short briefing paper, so I shall be brief. Margaret and Bob will then comment on specific issues.

NICVA has talked to quite a few members, in various guises, about the recession at large and about the impact that we expect to see in the form of public expenditure cuts. A big concern to our sector is the fact that it takes income from a broad range of sources, a significant part of which — about 45% — comes from government in all its forms, including Departments, their agencies and non-departmental public bodies. Often, we are involved in co-producing services, which are funded partially with public money and partially from other sources. We have been articulating the sort of services that voluntary and community organisations provide and what we see to be the value of them. Some time ago, when the First Minister, Peter Robinson, was the Minister of Finance and Personnel, we asked him whether he would use his new performance and efficiency deliver unit (PEDU) to carry out efficiency scrutiny of voluntary organisations that deliver public services, because we wanted an official view of the value of that provision. PEDU obviously had larger fish to fry at the time and did not take that up, although I think that the Minister was intrigued. Our view is that the services that are delivered by voluntary and community organisations stand up to scrutiny. We are interested in their being treated fairly as we go forward. Our big fear is that if public expenditure reductions are handled badly, those organisations will be hit particularly badly, and their capacity will be put at risk.

One issue for the Committee is the overall view that it takes about finance issues. Members will have seen the report that the Comptroller and Auditor General published in September about creating effective partnerships between government and the voluntary and community sector. It is an interesting report. It refers to how the sector contributes to the delivery of the Northern Ireland Executive's objectives. A key issue that it highlights is the bureaucracy from which organisations often suffer. We are not afraid of accounting for public money and doing that well, but there have been huge issues about the constant checks and changes and the amount of

resource that is taken up in reporting on services that are delivered, so much so that it seems to have taken much away from the front line.

The Department for Social Development is now in a position in which it is willing to take that up. However, it is an important issue for the Department of Finance and Personnel because it has overall responsibility for providing guidance to all Departments and their agencies on the accounting and audit processes. As regards being able to do more with the same amount of money, that is an area in which significant savings could be made.

Ms Margaret Kelly (Barnardo's):

As a children's charity, the focus of Barnardo's is on the most positive outcomes for children in health, education and social outcomes. We focus on the children who are most disadvantaged and try to ensure a fairer chance for them. Our interest in the comprehensive spending review and Budget is twofold: the bigger policy discussions and how decisions that are made here impact on those very vulnerable children and families and what can be done to ameliorate negative impacts; and Barnardo's — the organisation — and our income and contribution. That is my focus this morning.

In the past few months, we have spoken to a number of Departments and have experience of departmental CSR briefings. Our view is that we are seen as a passive recipient of the impact of the CSR; we are not seen as an organisation that can contribute to the debate about how to get the most for the most disadvantaged children. Barnardo's in Northern Ireland has an annual budget of £12 million, so we are not an insignificant player in the field of children's welfare and good outcomes for children. We have over 50 distinct local services, and we work in over 60 local schools. We have a reasonably sized presence in outcomes for children. Of that £12 million, around £3 million is not statutory funding: £2 million comes from publicly raised funds that we generate through fund-raising work, and the other £1 million is money that we lever from charitable or philanthropic institutions. Therefore, we bring an extra £3 million of income when we get that funding from Departments. That is simply our contribution. The contribution of the entire range of charities here needs to be examined and accumulated to get a sense of what we bring to funding.

The services that we provide cover the entire spectrum. We do sharp-end crisis intervention and statutory child protection work, and we also do early intervention work that tries to prevent families and children getting into crisis. Someone would not run a business and look at only one set of funds. Statutory funds and how they are dealt with and changed should not be considered while another substantial income stream is not considered. Trying to make changes for children without taking account of the role of the sector is like a business trying to make changes while leaving part of the funding invisible.

To our knowledge, there has not been a discussion with the children's sector or other voluntary organisations about how we could develop a clear investment strategy for children and young people. We are concerned that if we focus only on cuts to services, we may sustain the wrong services. We want a debate about effectiveness. We want to identify which services deliver for children, what the Executive want for children here, how they will get it and our role in achieving that. That is a crucial role for the sector to be able to play.

Mr Bob Stronge (Advice NI):

Where does one start when dealing with such a complex area? From letters, and so on, in members' constituency bags, I am sure that you know that advice services are in the front line. We have just completed our latest profile report on the level of work coming into our advice agencies, of which we have about 65 across Northern Ireland. This year, an additional 30,000 people came through our doors compared with last year, most of them because they were experiencing unemployment. They had been hit by redundancy and issues around debt, which has increased hugely. Our debt service is dealing with about 1,500 people whose combined total debt amounts to approximately £24 million. Those figures are pretty stark, and we anticipate that they will get worse.

The advice sector's benefit take-up initiatives do well in targeting people and ensuring that they get the right benefits to which they are entitled. Our services are holistic. We look at people in the round from the moment they arrive with an advice need, should that be a money, debt or benefit problem. We try to ensure that we look at all the issues affecting people, refer them to the proper services, do a benefit entitlement check and make sure that they get the additional income. That is good for here, because it does not involve direct expenditure — it comes from the

Treasury not from DEL — and it works for people.

We have found that every pound invested by the Social Security Agency in benefit take-up initiatives raises £8 to £18 in return. That is a huge amount of income. Welfare reform is coming, of course, and we do not know how that will affect people. We think that it will lead to major problems and further work for the advice sector.

Of the 145,000 people with whom we deal, at least 80,000 come to us with social security problems. Last year, we persuaded the Department for Social Development to look at an initiative called ‘Systems Thinking in the Public Sector’, which was considered radical at the time it was published because it tried to show a person’s journey through the advice system. Why did people go to an advice centre in the first place? What issue or problem did they have? We then tried to track the person’s problem back through the system.

Our work uncovered that, in many cases, people who came to us with a social security problem might have been in to see us three or four times. We sat in social security offices and tracked 1,000 such cases, and, in many instances, we found that there were sometimes upwards of 30 different transactions affecting that person, of which only three were relevant to him or her. The rest were bureaucratic and systematic failures. We did not get to complete that work because, let us say, certain barriers — for want of a better word — were put in our way. We are still considering the issue, still talking to the Department and still trying to produce the report.

That is, however, one area in which we think that quite a lot of savings could be made by getting the system right for people first time and by focusing on people’s entitlements, rather than having the negative perspective that they are all scroungers who are out to get us and take money off the taxpayer. That is not the case in Northern Ireland, where we have high levels of deprivation, poverty and disability. Therefore, we think that there is merit in doing that and in carrying out further work in that area.

I was going to leave it at that for now, but I want to say something about contracting. We think that voluntary sector organisations could play a greater role in the delivery of public services, although we are not saying that they should replace public sector organisations or that

there should necessarily be public sector job losses. All hands will be needed.

The Chairperson:

Thank you for those presentations. I think that I speak for all members when I say that the voluntary and community sector's contribution to people, communities and the wider economy is second to none. Before I open the session to questions, I want to ask one myself. In your concluding remarks, Bob, you touched on contracting out more public services to the voluntary and community sector in order to achieve savings. Do you have any specific examples to share with us that would be worth considering?

Mr Stronge:

Some benefit take-up contracts are helpful because the sector can get to the hard-to-reach people. I am sure that the panel will have other examples. We also have some concerns about the dangers of contracting and tendering for the voluntary sector. Recently, we submitted a bid for a big tender from the Financial Services Authority on money guidance. It was a huge contract issued from London, and we thought that we had it in the bag. However, we lost it to a private sector company, which simply undercut us in order to deliver the service. You could say that that was good because it was cheaper than we were; however, in such cases, I wonder about the quality of service delivery. Nevertheless, we can be effective in those areas, and there are many examples of our effectiveness.

Mr McAleavey:

The big issue is that voluntary and community organisations work more on prevention than cure. Generally, cures are very expensive, so the state puts them in place only when it absolutely has to. We highlight organisations such as Home-Start, which works with families for whom the next stop for their children is to be taken into care. Taking a child into care is very expensive — £2,500 a week — and it is not a good outcome or solution. Home-Start might work with 40 children, and the main thing is to turn that family situation around. It is not a question of offering people a cheap option or of denying them services but of getting a much better outcome.

The same applies to older people. For every year that we are able to keep older people out of residential or nursing care, we save £28,000 per person. Consequently, we have organisations

that work to keep people in their own homes and to provide them with the wherewithal to stay there comfortably. Therefore, it is not about neglect or denying people services; it is about giving them a win-win situation. People do not want to go into care, whether at an early or later stage of their life, so we help them to avoid that. Many of our organisations work in that type of area.

Ms M Kelly:

A balance has to be achieved between contracting, cost and effectiveness. Barnardo's provides the Dr B's service for young people with severe learning difficulties or for those who have been down an offending or care route in order to get them back into employment or learning. We put £200,000 a year into that, which is the profit from the café that we run. In addition, the Department for Employment and Learning (DEL) and European funding accounts for another £200,000 a year. For all those young people, we achieve an 85% into-employment rate, compared with the New Deal employment rate of 31%. There is an issue about cost, but effectiveness is a bigger issue.

The Chairperson:

Early intervention has proved to be cost-effective in determining outcomes later in people's lives. It works.

Mr McAleavey:

Public bodies tend to go down the contracting route, which makes it more difficult when organisations bring additional resources to bear. Contracting to voluntary organisations leads to a very transactional service. Therefore, it gets more difficult to co-produce. It is a bit rich to contract with us and then offer 70% or 75% of the costs.

Ms M Kelly:

Barnardo's has had that experience with trusts. In one example, Barnardo's was willing to put up £50,000 to examine the refocusing of a family centre service towards early intervention. We wanted to consider putting in that service as a proven family partnership model. We were happy to put in £50,000 a year for the next three years to trial that model to see whether it worked. The trust's position was that it wanted to take £100,000 out of it, so it simply refused and walked away from that extra £50,000. It said no. It was not prepared to try to test that element of that

model. That trial did not happen here.

Ms Purvis:

Thank you for the paper and the presentation. I have an ideological difficulty with the contracting out of public services. That said, we are where we are, and I know the contribution that the community and voluntary sector makes in Northern Ireland, particularly during such recessionary times, when the demand, particularly for advice, crisis intervention and support services, is constantly on the increase.

It is important for the Committee to scrutinise Budgets and departmental budgets. The Executive have made a commitment to protect front-line services, but we know that, over the past couple of years, the so-called efficiency savings have been passed on as blanket cuts, mostly to the community and voluntary sector. Although we have no hard evidence of that, all the anecdotal evidence is that community services have been cut.

Some good points are made in your paper, particularly on what type of questions should be asked around decision-making and the options for savings. I cannot speak for other Committees, but as a member of this one, that is the type of question, and the type of scrutiny, that we would pursue with the Department of Finance and Personnel. I share your concerns about other Departments and Committees. This Committee has raised with departmental officials the issue of an absence of any Executive mechanism to oversee the Budget and to ensure that it is implemented in a way that protects front-line services. There is no such mechanism. Therefore, when each Department gets its budget, it will be up to that Department and its officials to implement it.

In light of that, the Committee can do what it can, but what are your thoughts about what should be done by other Committees or Departments to try to ensure that level of scrutiny and a degree of protection for front-line services?

Mr McAleavey:

We talk about that quite a bit, including asking Ministers, first, how they define front-line services. Some people think that front-line services are delivered only by the public sector. The

reality is that, here, front-line services are delivered by many organisations.

Voluntary and community organisations are not interested in simply contracting with government to deliver more services for it. We are not private sector organisations in which winning the contract and the bottom line are all-important. For us, the issue is about co-producing. The objectives for voluntary and community organisations are making a change and having an impact on certain parts of society.

It is sometimes appropriate that we deliver certain services. Therefore, take my advice: the public want to talk to independent people without statutory responsibility to advise them; they are not afraid to take their advice. For instance, some pensioners do not receive their full entitlement. I was shocked when the organisation A2B: Access to Benefits found that some pensioners were missing out on £37 a week, which is quite a significant amount. Pensioners are afraid to talk to social security staff in case they poke into all their other affairs. Even though those affairs may be entirely correct, pensioners are afraid that they will end up worse off. That is why they want to talk to organisations such as A2B. There is a key role for our sector, and it is not competing with the public or private sectors.

Treasury guidance offers three ways for government to involve itself with the voluntary and community sector. It is by contracting, which is appropriate sometimes, and it is also by grant and granting aid, by which we try to achieve the same sort of outcomes. The current fashion is to move everything towards contract. That is where we may lose out because it will not solve all the problems. The danger is that organisations will lose a lot of capacity if matters are simply moved in one direction, and then, in three or four years' time, they hope to pick them up again. Much damage was done in England.

Ms M Kelly:

There is anecdotal evidence. We have experience, even in the past number of years, of efficiencies that will not show. A health and social care trust will not show that it has taken £25,000 out of early years autism services that it previously gave to us to engage early with parents about diagnosis, help and support. When the trust took that out of the service, it said that it would bring it in-house. Our experience is that that simply disappeared because the trust did

not have the in-house capacity to deliver it. A problem for us is that that becomes quite invisible. The services simply begin to disappear, and they are not seen.

Ms Purvis:

Home-Start is another case. Have you engaged with other Committees?

Mr McAleavey:

We have engaged with quite a few. We noticed that Tom Elliott piped up on the Committee for Justice about scrutinising some of the proposed savings. He noticed one of the issues that we mentioned: the savings proposed were quite often aimed at cutting back services from external voluntary organisations. When he raised that point, he was told that, effectively, the centre was being protected. That is a big worry for us. We engaged with other Committees, and they are starting to notice some of those issues.

Ms Purvis:

From your discussions with other Departments, do you get the sense that they are also protecting the centre?

Mr Stronge:

We always think that the tendency in government in that sense is to circle the wagons.

Ms Purvis:

I have one final question. We have had previous discussions about monitoring and auditing. I am well aware of the level of audit that is required in the community and voluntary sector. You state in your paper that you will work with the Department and others to establish and promote practical guidance for monitoring or auditing sector organisations. I do not know how far you got with those discussions, but there was an attempt previously to grade community and voluntary sector organisations by giving them a star rating or something for their financial management.

Mr McAleavey:

It was low, medium and high risk.

Ms Purvis:

Is there some way that that could be promoted and implemented across the board so that organisations do not have to jump through hoop after hoop when it comes to auditing and monitoring?

Mr McAleavey:

That is an important issue in which significant progress has been made. There is agreement at the highest level from the Audit Office and senior people in Departments that the system has got out of hand. We have an organisation in your constituency of East Belfast. We had a look at one of its projects, and it believed that 30% of the resource was being put into the accounting process. That does not protect public money very well. It certainly could be streamlined and could give much more benefit. It is recognised that there is a real problem at the high level. It is almost impossible to drive change through the system to tackle that. The Department for Social Development said that it will make that a priority. What DFP does is hugely important because it sets the standards for other Departments and tells them what to do. There should be a link that begins to deal with that. I think that there is some commitment to that at the highest level.

I believe that there is some commitment to that at the highest level. However, making it happen is another matter. We find that it is easy to add bureaucracy; on the other hand, people just do not like removing things. They are afraid to do so.

Mr McLaughlin:

My concern, which is reflected in the Assembly, is where the community and voluntary sector features when it comes to examining the delivery of services and allocation of resources. In many instances, the sector is seen to be at the bottom of the food chain, particularly by those at strategic policy level. How do you approach that difficulty in circumstances in which Assembly parties must wrestle with tough questions? There will be a smaller cake to share out, and sustaining the level of services to which people are entitled will be challenging.

I will not rehearse my position. The community and voluntary sector is part of my political background and I do not need to be convinced of its value. However, given the present pressure, it seems to me that we need to ensure that that sector is coherent in providing more than an advice

service, which is generally recognised as adding value in reaching significant numbers in the community who need support and help in accessing their entitlements. Those entitlements are often presented in the form of benefits, but they can be misunderstood or pejoratively misrepresented. Nevertheless, such entitlements exist, and, whatever emerges in time, the centre will release resources if you make representations, but it will not seek out people to tell them what they should do to get this or that.

How much engagement and discussion is there in the sector about how it can protect and enhance its role? The statistics cited by Bob Stronge indicate what will become the trend in the current circumstances. The burden on the advice sector will continue to grow, but the community and voluntary sector also provides a range of other services that would not be provided by the centre due to the cost and pressure on its resources. That must continue to be addressed, or more and more people will fall through the safety nets.

Even that will not be sufficient. We have to move into the area on which Dawn Purvis voiced her ideological difficulty: the franchising out of public services. I do not have such a difficulty if doing so preserves the community and voluntary sector. In some instances, the services could be provided better and with greater value for money, which, at least in theory, are the cornerstones of departmental spend. As a group, or a network, have you considered those areas in your consultations with the Department? More discussions will be held in the course of preparing the Budget and in examining its proposals, but have you considered areas in which you feel that you can make a proposal to the Government and the centre? Have you said that you can do a job and provide a service more efficiently, cost-effectively and reliably?

Mr McAleavey:

Our sector has been discussing issues arising from the recession for the past couple of years. A fairly deep dialogue is ongoing, and we have a degree of unanimity that we do not often get, because we are a very —

Mr McLaughlin:

I know. I have been there. It is difficult to get unanimity.

Mr McAleavey:

As you know, Mr McLaughlin, most of our organisations operate in almost permanent recession: they respond to adversity. Generally, community organisations are thrown up in very difficult times. Given the area that you come from, you know about the so-called social economy organisations that were thrown up to respond to real difficulties, such as when there is a market failure and the private sector does not want to step in, even to build shops. Organisations are often born in response to extreme difficulty, and they respond quite well.

Our sector needs to focus on prevention and on shifting government thinking so that it intervenes a bit earlier in the process. The difficulty is that people always intervene too late. For instance, by the time that I need a hospital, it must be there. If we intervene to prevent people from needing those services — not keep them away or close the door on them — society will be more efficient and effective and will cost less to run. Organisations in our sector have always been at the leading edge of plugging gaps and finding new things that need to be done. We also tend to throw up innovators; people who do things when everybody else tells them that they cannot be done.

Mr McLaughlin:

I have no difficulty with that theory. However, I do not see the argument being completed successfully in time for the Budget. Your ideas may be right, but they are conceptual. Society may not have reached that point, let alone government, which is nowhere near that stage. Are any services being provided by conventional means that you could tell the Committee about? If you cannot answer today, perhaps you will respond in writing. I would like an indication of the type of service that could be provided in a more cost-effective way and that we could argue for in the Budget process.

Mr McAleavey:

You will hear about children's services, services for older people and, definitely, mental health in the community. In the Health Service, mental health tends to be the Cinderella service, and community services are often provided by voluntary organisations.

Ms M Kelly:

In Northern Ireland, about 40,000 16-year-olds to 24-year-olds are not in education, employment or training, and most of them will not have reached that point by age 16. One can identify those young people as they are going through the system, sometimes at age eight, certainly at age 11 and definitely by age 14. They cost £160,000 each in lost tax, benefits paid, lack of input and in mental health provision.

We are saying that we have good evidence to support a piece of preventative work that could be undertaken with those young people. By going into schools early, we could shape a model that would identify those young people at age eight. We already run risk assessments in quite a number of schools. Consequently, because we know all the factors that lead them to that position, we can say, for example, that a particular school contains 10 or 15 young people who have a 75% risk of becoming NEET.

Let us put in the kind of intensive support that will mean that those young people do not become NEET by the time they leave school at age 16. That is the kind of work that this sector could take up. It is quite difficult for schools to provide that support mainstream. However, it could be done by our working with schools. There are quite a number of issues across children's services that could be approached in the same way.

Mr McLaughlin:

The crude analogy is that, at the very least, we have to deliver the same for less. I suspect that the community and voluntary sector will need to offer the same cost saving propositions as Departments, regardless of whether they can deliver them in practice. We will get a series of recommendations from Departments about how they will cut overheads and identify efficiencies, and they will put prices on those recommendations. Indeed, we heard some of that earlier, although delivery over the next four years may turn out to be problematic as well. Nevertheless, with your sector coming in as the Cinderella sector, politicians and senior officials will operate on the basis of inescapables, giving a big list of around 80% to 85%.

They do not see you as being an inescapable. Therefore, I think that your propositions for the current services also need to be augmented by almost a business equation. You should state that

you can do something for government less expensively and with better quality control than someone else can and save money in the process.

Mr Stronge:

That brings us to the number of knives in my back from the trade union representatives who are sitting behind me.

Mr McLaughlin:

There are a few coming in my direction, too.

Mr Stronge:

We accept that point. However, we do not want to shout it from the rooftops because we believe that the quality of services needs to be maintained. Although we can get to the bits that the public sector often cannot get to — and we would like to concentrate on those areas — I have suggested that the voluntary sector could be more involved in delivering the employment-related programmes under the new welfare reform initiatives. We could do that a lot better than anybody else. We have also suggested that, if things get bad, we may need to look at employment schemes, such as the old ACE scheme. The sector can do things like that well.

Mr McLaughlin:

The general line has to be concentration on social outcomes as opposed to profit outcomes. There are opportunities in these circumstances. You may well find that you receive more attention from the politicians and some of the people at the centre than may otherwise be the case. In a perverse way, in times of plenty, they are not interested in you. They would give you the stuff that makes you go away, but they would not drill down into the issues.

The Chairperson:

We need to be out of this room for 1.15 pm and we have a session with the trade unions after this one. I ask members to try and be focused in their questions. Perhaps we can follow up some issues in writing.

Mr McLaughlin:

I am sorry about that. I did not know that we were going to be evicted.

Mr McNarry:

The recent news from this place has been about subsidised meals. I put on record that I very rarely use those. There is no such thing as a free lunch in my world. I know that you will appreciate that whatever we are talking about has to be paid for by somebody. My concern is for the casualties that will be unearthed. We can put the wagons in a circle. However, media attention is on cuts, job losses and so on. There will be a list blow a certain line to which people will not pay attention and my concern is that the things that are below that line are likely to be forgotten. In many ways, politicians need to focus on that and try and identify what is below that line.

I am glad that you mentioned Home-Start. It is an organisation of which I am very supportive in my constituency of Strangford. Simon Hamilton and I represent an area that is perceived to be very affluent, but that is deceptive. As the focus is not on the type of area that we represent, I sometimes feel that people there are more disadvantaged. No attention is drawn to their situations because, usually, a community of disadvantaged people will be right up against a very affluent area, and nobody notices them. Home-Start has a tremendous record in the Ards, Comber and peninsula area for the demand and use of its services. Lately, the trusts have called on Home-Start's services, which shows that they are abandoning people because they cannot afford to look after them. However, they that there is a freebie down the road, so they hive people off to Home-Start, which cannot cope. As I said, on the basis of value for money, Home-Start in our area is on its knees. I am not sure that it will survive until the end of the year; and that will be a disgrace. If I can find out whose head I should chop for that, I will chop it, providing I can get a ransom for the head, which will go to Home-Start.

Dr Farry:

Michael McGimpsey?

Mr McNarry:

No, it is not Michael McGimpsey: that is a stupid remark, Stephen.

Dr Farry:

It is Michael McGimpsey.

Mr McNarry:

It is not Michael McGimpsey. What I wanted to say is that we do not have a contingency-fund mentality in anything that we do here. We do not seem to put anything away for a rainy day. Perhaps you will think about the following; and I do not need a reply today. Do you think that the collective of organisations that you are working with could come up with a suggestion for a contingency fund that could be used for the type of thing that I am talking about, such as Home-Start? I think there will be a lot more of them, and they will be at a level that people do not really focus on.

There is another thing that I would like you to consider — again, I do not need a response now. Should Home-Start have the ability to charge the trusts for the referrals that they are making, because all they are doing is passing poor families that they cannot cope with down the line? I have a second point, but I know you are pushed for time. Margaret, did you say that £2 million was raised from public giving?

Ms M Kelly:

Yes; in Barnardo's we raise that on a UK basis. We are located in England, Scotland Wales and Northern Ireland, so we might not raise the total £2 million here, but we bring that in from Barnardo's UK.

Mr McNarry:

It was just a general question. Have you been assessing the impact of a reduction in that public giving? I can see in churches etc the stress and strain on all people who give. I hope that it does not affect the poppy campaign, which is on the go at the moment, but I can see it hitting hard, and I wonder what contingency you and organisations like yours are thinking about for covering a reduction. You said that it was UK-wide, etc; does that mean that you cannot tell me what the benefit is for Northern Ireland? Is it just doled out from a general fund?

Ms M Kelly:

No. Every year, Barnardo's in Northern Ireland has £2 million of voluntarily raised funds. I cannot tell you off the top of my head, but I will be able to tell you how much was raised here and how much extra we got from Barnardo's organisationally. Every year, we put in £2 million. At the moment, that overall fundraising profile has held fairly steady. Given that the Budget will mean that most middle-income families are set to lose about £10,000 per year for the next four years, our expectation is that that will start to drop, and that we will have to respond to that.

Mr McNarry:

I know that it is a massive exercise, but public giving is almost an essential part of our economy because it has so many dependencies. I do not know whether one can find out the total amount of public giving in Northern Ireland.

Mr McAleavey:

NICVA monitors those sources of income. Public giving in Northern Ireland is quite high, averaging at £12 per person per month. It is slightly higher than the UK average, so Barnardo's might be getting a significant amount of that £2 million here. The other thing that we know is that a lot of public giving goes to the Churches, which are organised in relation to tax-efficient giving, etc. Children are the next biggest area, followed by health-related groups. We can monitor that. On your question about —

Mr McNarry:

I am just talking about the impact. My worry is —

Mr McAleavey:

Last year, it went down by 11% across the UK. The interesting thing is that, of all the sources of income, the most resilient is public giving. If the public feel the need to cut back, charitable giving is not the first to be reduced. People cut back on discretionary spending such as going out and entertainment. Hence, public giving remains strong until it takes a real knock. The UK figures probably showed that people were in difficult circumstances and dropped back. We expect that to pick up once employment levels out again. The two million regular, tax-efficient givers in the UK tend to be middle-aged and middle-classed. If they keep their jobs and maintain

their circumstances, they tend not to cut their donations.

Mr Stronge:

Funnily enough, people make other kinds of donations. Last week, because we were interested in finding out about it, we issued an e-mail asking people whether they were aware of organisations that were distributing food hampers. We learnt that about a dozen organisations are now preparing food hampers for vulnerable and poor families. We saw hardly any of that activity a year ago. Therefore, people give in different ways.

Mr McAleavey:

The trend is that people shift what they spend their charitable donations on. They react to what is happening in the economy.

Mr McNarry:

Will the witnesses come back to me about Home-Start?

Mr McAleavey:

We will.

The Chairperson:

Is that OK?

Mr McNarry:

That is fine with me.

The Chairperson:

We are a bit pushed for time.

Mr McNarry:

If you could send a cheque down to Home-Start, Chairman, that would be useful.

Mr Hamilton:

Like others, I recognise the huge contribution that the community and voluntary sector is making. I also want to put on record my thanks for the mature and responsible contribution that the witnesses are making to the debate about the Budget; it is a difficult discussion for us all.

I concur with colleagues and you about retrenchment by the centre. A senior official told me with pride a couple of weeks ago how, during a previous round of reduced budgets, he managed to save every member of staff in his purview. He told me that he had had to let some programmes go but had preserved every member of staff. I do not advocate losing staff, but that shows the mentality that operates in the centre of government, where personal fiefdoms are protected rather than the services being delivered, largely to vulnerable people.

Your submission states that you do not believe that the sector should or even wants to be immune from inspection. I am all for the sector getting contracts to deliver services when and only when such services are delivered efficiently and effectively. However, in accepting that you should not be immune, do you also accept that there is a need for the sector to look at itself and at how it delivers services? Are you looking at how it collaborates, pools resources and, in effect, merges functions if not organisations? Is NICVA at the centre of that, trying to pull people together? Are you doing that? If so, how successful is it proving to be?

Mr McAleavey:

You have looked into a crystal ball, because NICVA has just agreed to provide resources for the Building Change Trust to help organisations on the merger and collaboration bid that will be announced shortly. It is not yet fully in the public domain, but we have been doing quite a lot of work on the efficiency and effectiveness of organisations that are very much up for looking at how they deliver services and how their delivery can be improved.

It is also right to say that we have not come with a begging-bowl approach. The Assembly wants to get the best results possible for people in Northern Ireland, so it is after the value of the outcome. We are happy to be compared on that level. That is really important.

A big worry for us, and both of you put your finger on it regarding Home-Start, is that

perverse decisions quite often get made down the chain because budget holders are left in a position thinking that they cannot square all the expense and cannot afford some of the outside bodies, so they cut the money to Home-Start. However, it may be the most valuable thing that could have been done. As I said, we tend to backload everything rather than think about that. The budget holder, not deliberately, thinks that they have to square some of that, so they protect some of those things and cannot afford the grant to Home-Start. No serious thought is given to the real benefit that may be delivered. You are right: people in the public sector send people to Home-Start because that is where they will be really helped.

Dr Farry:

In the interests of time, I will make a very brief comment. I fully understand the approach that you are advocating, and I fully endorse it. Like Simon, I commend the approach that the community and voluntary sector has taken by trying to set out some realistic options. The main theme of this discussion has been about supporting early intervention and prevention. In the past, government would have funded pilots to see how they worked and possibly reviewed service provision afterwards. In the current climate, we are essentially asking government to take a leap of faith and back early intervention and prevention, and, as a consequence of redirecting money up front, look at reductions in back-office functions.

Ms M Kelly:

There are clear examples of how Birmingham and Nottingham have already taken that leap of faith. We do not have to take that blindly; those examples show that they pooled resources across their children's services budget, education, health and social services. They front-loaded upfront prevention and they are starting to see something of a slide in crisis intervention.

Dr Farry:

That is even more encouraging; if there is real empirical evidence —

Ms M Kelly:

There is very clear evidence. If members want some clear examples of that evidence, we could certainly follow up on that.

Dr Farry:

That would be very useful.

Mr McAleavey:

The system in Nottingham was taking up to 160 days to process a housing benefit application, but the legal department of the council was prosecuting people for not paying their rents. When the system was looked at, they brought the housing benefit payments down to five days and they saved a fortune.

Mr O'Loan:

I will try to be very brief. You have set out the case for what the community and voluntary sector can do very strongly, and I support that case very strongly. When we think about creating a reconciled society here, we tend to think of the traditional Protestant and Catholic division. However, the whole socio-economic division is equally as important. It is critical to our economic development and to our moving forward together as a society. I am sure that you agree that the community and voluntary sector has a major role to play in tackling division. You outlined a lot of that already. Have you done much work on establishing priorities in that area? Given the many challenges in tackling socio-economic disadvantage, where is best to enter that arena? What will be most effective given the pressure on resources?

Mr McAleavey:

We learned, from programmes such as neighbourhood renewal, that community and voluntary organisations can take the lead in driving change. However, unless the whole system begins to change and piles in, we will not be able to do it. The most annoying thing about the areas that are most disadvantaged is that they have remained so over a very long period despite various pilots being tried. We need to get beyond that and think about the bigger part of the system. Quite often, in neighbourhood renewal, we will be running things for children like homework clubs and giving them additional assistance.

The education and health systems will become hugely important. If we continue to do the same things, we will get the same results. Therefore, we need to think about how to begin to redirect services. People continue to talk about wanting to rebalance the economy. However, if

we do not make any leaps of faith and make decisions, the situation will not turn out any differently. Therefore, we need to begin to move beyond pilot mode. When we use tried and tested methods, their translation into the delivery of bigger services becomes really important.

The Chairperson:

I am sorry for rushing you at the end, but we are really pushed for time. The Committee leads the Assembly scrutiny of the Executive's draft Budget, and, to help to inform our thinking, it would be useful if you put down some of those proposals on paper and send them to our Committee Clerk, including the longer-term preventative measures that you talked about and the specific areas of policy delivery that you feel could be delivered more efficiently and by the community and voluntary sector.

I welcome Peter Bunting, the assistant general secretary of the Irish Congress of Trade Unions (ICTU); Avril Hall-Callaghan, the chairperson of the Northern Ireland committee of ICTU; Pamela Dooley from UNISON; and Brian Campfield, who is the general secretary of the Northern Ireland Public Service Alliance (NIPSA). I know that you have had conversations and meetings with Committee members already. However, given that you did not submit a paper, you should give a presentation, after which we will go into questions. I am not rushing you, but we are behind time and had to cancel an evidence session. I want to go to questions as soon as possible. You are very welcome.

Ms Avril Hall-Callaghan (Irish Congress of Trade Unions, Northern Ireland Committee):

Our preamble will be fairly brief, and we will then concentrate on the questions. Given the campaign that ICTU has been running here, I am sure that most members are aware that we are opposed to the scale of the cuts and to the basis on which they have to be made. We believe that they will have a disproportionate effect on the most disadvantaged in our society, and I know that some political parties concur with our view.

We are also concerned about how to rebalance the economy. If we hit public services strongly, it will have a halting effect on the growth of the economy. The private sector cannot grow if there is no money in the economy. We are heartened by the fact that the First Minister

and deputy First Minister have said that they will go back to Westminster to seek further funding on the capital side. However, the alternative that has been suggested is to put some of the revenue spending into capital. That will not help the situation.

At the outset, I want to state very clearly that we do not feel that it is our role to identify where cuts should be made. We are certainly prepared to consider where efficiency savings could be made in the public sector, although that process has been ongoing for the past few years anyway. Given that we have already taken £700 million out, it will be difficult to find those efficiency savings. However, we do not want to give the impression that the unions will reject everything absolutely. We are prepared to sit down and talk about that, but there should be a different emphasis on how to manage the cuts. I will pass over to Brian, who will talk about capital assets and outsourcing.

Mr Brian Campfield (Northern Ireland Public Service Alliance):

I will generally supplement what Avril said. I note that, at the end of the last session, you invited the witnesses to send in written material. We will also send you some written material.

As to providing alternatives to what is happening in order to resolve any public spending issues, our view is that, with £4 billion to £5 billion being taken out of the public sector economy — or the economy generally — over the next four or five years, any proposals for alternatives are likely to be very much in the margins.

Our difficulty is that we do not see ourselves as providing solutions to the overall problem. In some respects, the problem can be addressed by prioritising. In view of the scale of things, when £5 billion is taken out of the economy, we can come up with all sorts of alternatives, but they are unlikely to meet the challenge presented by the absence of that £5 billion. It is like a teacher asking a pupil to solve an almost insoluble puzzle. With the best will in the world and co-operation among the parties, it is not political insight that is needed; people would almost need to be in the magic circle in order to square the circle of the £5 billion worth of cuts, given Northern Ireland's limited powers to raise revenue. Even if it were possible to raise revenue to a greater extent, the big question is: what is the wealth base in Northern Ireland from which to raise that? That is a separate question.

I want to pick up on a number of points in your questions to the previous witnesses. There is the issue of potential savings from outsourcing public services to the private and voluntary sectors. You will not be surprised to hear that we do not see outsourcing — which is privatisation, basically — as something that we can support. That applies even to work transferred to the voluntary sector.

We are in favour of the voluntary sector filling existing gaps. That is how the voluntary sector cut a niche originally, by filling gaps in services to local communities for which the public sector did not provide. Some of our organisations have members working in the voluntary sector, and we support their work. However, we draw the line where the voluntary and private sectors take on work that is currently done by the public sector. We do not think that that provides a better service. It generally means that there is a race to the bottom in employment levels, pay, and terms and conditions of employment. The voluntary sector in Northern Ireland is characterised by less favourable pay and terms and conditions of employment than the public sector. It probably could do things more cheaply because of that. It is also characterised by much temporary working, fixed-term contracts, uncertainty in the workforce as to whether jobs will be there in two or three years' time. To transfer work away from the public sector to the voluntary or private sectors will result in driving down terms and conditions of employment. We will not support that.

There is an argument about the balance between the public and private sectors in the Northern Ireland economy. People say that the economy must be rebalanced. One way to rebalance the economy is to grow the private sector by trying to develop it. However, we do not rebalance it by transferring public sector functions to the voluntary or private sectors, because the public purse still has to pay for those services and functions. The fact that they are being delivered outside of the public service makes no additional contribution to economic development or to achieving the proper balance between the private and public sectors. Therefore, we see outsourcing, be it to the private or voluntary sector, as a race to the bottom.

We view privatisation generally as being part of what has been described as the neoliberal agenda, which kicked off in the mid- to late 1970s with Ronald Reagan, Margaret Thatcher and

the Chicago school of economics with Milton Friedman. That economic agenda was a disaster for ordinary people. It de-industrialised large areas of the UK and resulted in the whole liberalisation of the economy, which allowed the private sector to become involved in the public realm and in areas in which there is a need for more accountability and democracy. However, we did not see that.

I know that the Committee may be concerned with what might appear to be rhetoric. However, we have views on a range of financial and economic measures that could be used to address that, and Peter will talk about those measures.

One specific measure that is close to my heart— it was referred to in some of the papers that have been issued and in the Varney review — is allowing the Housing Executive to borrow on the back of its assets and rental income. The Housing Executive has been seeking to do that, and although the power exists to allow it to do so, it cannot because of public expenditure rules. The Housing Executive is quite capable of borrowing and is in a position to do that in order to upgrade stock and to provide additional social housing in Northern Ireland. However, it is being prevented from doing so. The Housing Executive has almost been forced out of the public sector. However, if it were a registered social landlord, it would no longer be on the public accounts system and would, therefore, be able to borrow privately and generate income in that way. The public financial rules are almost forcing the Housing Executive out of the public sector in order that they can borrow money to meet housing need and other social need. We think that the Housing Executive should be allowed to remain in the public sector and to use its assets and income stream to borrow. That would allow it not only to meet social housing need but to provide much-needed employment in the construction industry. We are in favour of that.

The other measure, which Peter Robinson mentioned last Monday, concerns the port of Belfast. We are opposed to the privatisation of the port. In the past, we called for the port to be given full commercial powers so that it can generate more income and profit. We, of course, believe that any profits or income generated from that should be at the disposal of the Northern Ireland Executive.

We support a range of proposals. However, I will go back to my first point: those proposals

will not square the circle of the £5 billion that will be taken out of the block grant over the next four years.

Ms Hall-Callaghan:

We have huge concerns about equality issues and how they will impact differentially on different groupings. Pamela will speak about that.

Ms Pamela Dooley (UNISON):

There are a number of other strategic budgetary considerations that the Committee should take into account. The coalition Government face a judicial review on their failure to apply their statutory equality duties to the Budget spending review. The Executive have a legal and policy obligation to give due regard to the promotion of equality in producing a Budget and consequent Programme for Government.

The last time that high-level equality assessments were carried out, most of them were kept confidential. However, the ones that we saw involved no consultation. No one established what impact it would have on equalities and what could be done about it. Equality assessment is part of the law and the agreements on which the Executive and the Assembly are based. It is now clear that all UK Ministers, including the Chancellor, received clear advice on giving due regard to the relevant equality duties from the Home Secretary in her capacity as Minister for Women and Equalities. That advice was specific to the 2010 UK Budget.

The apparent absence of due regard to the duties and principles of equality assessment is now subject to judicial review from organisations representing women and ethnic minorities. The Executive can and must do better than that. They should confirm and publish clear guidance to Ministers and Departments on the application of due regard to equality as a requirement of law and policy. That guidance must emphasise the strategic case for, and benefits of, equality impact assessments, the need for comprehensive research and consultation, the fullest consideration of doing things differently and minimising the damage.

In the necessary jargon of case law across the UK, advanced consideration of equality duties is required, not a rearguard action following a concluded decision. There must be a conscious

direction of mind to the obligation. A budgetary deficit in itself cannot be justification for modifying statutory duties on equality. Rights must not be removed because the UK grant has been cut. Equality schemes, as approved by the Equality Commission, set out requirements that cannot be set aside.

I will move to the other strategic budgetary considerations. We need to protect crucial long-term initiatives, such as nutritional school meals and investment in literacy and numeracy. We must not lose sight of our duty to future generations. We need to look within and beyond the devolved policing and justice budgets to end the harm and cost of domestic violence. The best immediate response to the pressures and joys of an ageing population is to invest in statutory domiciliary care services and work to minimise hospital admissions, which are a personal disaster and a disaster to the health budget.

Ms Hall-Callaghan:

Finally, Peter will say a few words about alternative strategies.

Mr Peter Bunting (Irish Congress of Trade Unions):

I want to quote from a certain speech, and if you can guess who made it, I will give you a tenner:

“If our skill base continues to decline, there will be no growth. If our infrastructure remains poor, there will be no growth. If we don’t support our businesses, there will be no growth. If we don’t improve our education, for everyone, our country will become more unequal, more unfair, less prosperous. So we will give priority to spending that supports growth in our economy.”

George Osborne said that; I had thought that it was a trade union speaker.

As my colleagues already suggested, we find ourselves in a difficult position because, on one hand, we are totally opposed to the cuts and the ideology behind those cuts, yet at the same time, we are being asked and tasked to come up with mechanisms or processes to determine where the cuts should take place or how the reduced money should be allocated. That proves to be difficult for us; it is a contrarian position in many senses. That said, we do have certain views.

The difficulty that I sometimes have in dealing with politicians is that we believe that our

views are good, but they do not filter through until a number of years later, and then somebody says that it was a good idea. For example, we opposed public-private partnerships (PPPs) from day one, but despite our opposition, they were implemented. We are now paying a huge cost out of our current expenditure for the bad decisions that were taken. For example, Balmoral College has closed down, and we will still be paying for it out of the public purse for the next 25 to 30 years. Even Victor Hewitt agrees with us that it puts a huge burden on how we spend public money in Northern Ireland. It is difficult for us.

However, we maintain, as we have done over the past number of years, that the rates freeze was another poor decision. It took money out of the public purse when it was needed to stimulate investment. We advocate that the rates — domestic and non-domestic — should be increased and that the cap at the top rate should be removed. In many senses, they are small figures in relation to the problem that we are attempting to confront. A 1% increase in the domestic rate would generate £2.83 million, and a 1% increase in the non-domestic rate would generate £3 million, which would give us £5.83 million a year, depending on the size of the percentage point rise. How far do we raise it? The difficulty is that taking money out of the disposable incomes of families reduces their spending and has a huge adverse impact, particularly on the services sector across Northern Ireland. However, that is one way to raise finance.

We also advocate the use of our public assets as revenue streams. For example, our forests could be used for orienteering, paintballing and other activities. That would allow the private sector to invest, but a fee would be paid to the public purse for utilising those public assets, whether our lakes, forestry or whatever. Listening to the Confederation of British Industry (CBI) reminds me of Will Hutton's famous comment that an entrepreneur is somebody who risks his or her own capital, not the public's capital. Let us see where the entrepreneurship is in Northern Ireland.

We agree with Mike Smyth about taxing mobile phone texts. We believe and have advocated that the Assembly or the Executive should seek the Treasury's consent to issue a Northern Ireland bond. When county councils across the water can do that, it is strange that the Northern Ireland Assembly cannot. We believe that finance from such bonds could be allocated to stimulating and growing the private sector. The difficulty in Northern Ireland is that its private sector is small,

not that its public sector is too big.

We believe that there is scope to increase jobs in HM Revenue and Customs (HMRC) to target, specifically, tax evasion, tax avoidance and welfare fraud. The trouble with that is that, under the current circumstances, any money recovered could be returned directly to the Treasury. Our solution is to require that Northern Ireland retain, by way of bounty, say 50% of the money recovered by the new revenue staff dedicated to targeting such evasion, avoidance and fraud. The 50% retained would fund private sector development, and the other 50% would be returned to the Treasury.

I emphasise: we are talking about evasion and not simply welfare fraud, which costs the United Kingdom about £1.1 billion. Tax evasion and tax avoidance cost £123 billion, and we can provide the Committee with the relevant statistics. There is a lot of money to be had somewhere out there. Why the entire emphasis is placed on the cost of welfare fraud beats us.

We have always proposed the use of the European globalisation fund for upskilling purposes. We have consistently argued that the Assembly, and particularly the Department for Employment and Learning (DEL), should seek money from that fund towards upskilling people who have been made redundant over the past few years. For example, Dell in Limerick — the employees, not the company — was able to utilise €14 million for upskilling out of that European fund. We have not claimed a cent, despite the fact that 1,000 Seagate workers were made redundant, and we had redundancies in Visteon, Nortel and Reid Transport. Not only can employees from a particular company bid for that money but suppliers, who might also be made redundant, can avail themselves of it. There is a Treasury difficulty with that. I do not think that Northern Ireland has the power to request that money itself. However, most other EU countries, including Portugal, have applied for it. A fund — a big bank of money — is sitting in Europe to be used for upskilling people who have been made redundant, from which we have not claimed a penny.

I do not know whether that suggests that the parties here are anti-Europe. However, in that sense, some people should swallow whatever principles they have and utilise the public money like everybody else does. We have advocated an approach whereby a Minister or another person should be responsible in the Assembly for exploring where European funding is going and

whether we are availing ourselves of that funding to build the economy. There are linkages, and money is available between Scotland, Northern Ireland and the Republic of Ireland. I wish that we could create a link-up there to build, to some degree, for new economic projects. Brian has already mentioned the ports.

More generally, we suggest that the Assembly, along with our Scottish colleagues and the Welsh devolved Administration, pass a motion to take to Westminster to seek the imposition of a wealth tax on the richest 10% of people in the UK. That would generate a huge sum of money. Furthermore, we support the introduction of a Tobin tax. Such a form of taxation was agreed, in principle, by the leaders at the last G20 meeting. It is also called a Robin Hood tax; it is a tax on financial transactions. That would generate £32 billion across the United Kingdom, and, if we take tax avoidance and tax evasion into account, there is scope to generate another £40 billion or £50 billion. Therefore, the money is out there, and we do not have to go through all this pain. Even a fraction of that amount of money would eliminate the current deficit, which is not the highest ever in the history of the United Kingdom.

We can provide the Committee with documentation about that and with evidence of a Nobel Laureate economist's view that the coalition Government's proposals are totally and utterly wrong and will lead us into a depression that will take 10 years to get out of. The justification is that the private sector will create 2.5 million new jobs. However, given that it could not create one million jobs over a 10-year period at the height of the boom in the early 2000s, how will it create 2.5 million jobs in the next five years? It is absolute and utter nonsense.

I have much empathy with Assembly Members because they have been set a difficult task. It is not of your making. None of the people who voted for Members voted for the proposals. Therefore, it is difficult. However, there are alternatives, and they are mostly fiscal. Members have to give a lead to the people and, perhaps, pass a few motions to send to Westminster to get our parliamentarians there to stand up and represent the people in Northern Ireland on those issues. That is how we need to move to address the deficit in the UK Budget.

The Chairperson:

I need to move straight into questions. We have to be out of the room by 1.15 pm, and I do not

want to rush out at the end. I want people to have the time to talk and to ask questions.

Mr O’Loan:

My own time is very limited; I need to leave shortly. Thank you very much for your presentation and ideas. As you know, the SDLP is keen on social partnership. What is your view on that? None of us likes the cuts one little bit, and we all have our own views, as economists do. Do you think that, after we have made our case — we do not know, ultimately, where that will go, but we have our fears — you will reach a stage at which you are more prepared to engage in a social partnership model, provided the Executive are willing to meet you halfway; or do you feel that you will be caught in endorsing measures that you do not want to endorse and, therefore, will stay outside the tent?

Mr Bunting:

In many senses, it is Hobson’s choice for the people whom we represent. We do not deal with social partnership in Northern Ireland, primarily because the involvement of the employers’ associations is needed, and we do not think that that will happen.

Also, of course, social partnership, as it emerged in the Republic of Ireland, was built around deals to moderate wage demands as against reductions in taxation. As we have no fiscal powers here, it is that bit more difficult to replicate it here. What we mean by “social partnership” will determine what sort of model we will get.

With regard to engaging at some stage, one assumes that whatever decisions are taken in the future will have an impact on employees in the health sector, represented by Pamela, the education sector and the general public sector service by Avril and the private sector by Unite. Obviously, by its very nature, there will be engagement. We will try to moderate the extent of it. There will be negotiations, as there have been negotiations over the last number of years on efficiency savings.

Ms Dooley:

My union works in partnership. It may not be a social partnership as such, but we work in partnership with the trusts as an equal partner around the table on a number of projects to ensure

better efficiency on things such as domiciliary care. We have a project whereby each of us around the table has an equal voice, and we look at making the service more efficient. We look at how our members can envisage a more efficient service and how they are prepared to deliver on it. That is what I call partnership.

Ms Hall-Callaghan:

In the education sector, we have been working up to a strategic forum. We are nearly there. We have agreed terms of reference and that is the kind of forum in which partnership will take place in practice.

Mr Campfield:

I reiterate what Peter said. If a social partnership approach was on the table, the first major difficulty that will present itself is lack of sovereignty on a whole range of matters that require the power to deal with taxation and so on. We would want things out of a social partnership which the Northern Ireland Government is unable to deliver. That militates against a social partnership.

From a trade union point of view, our bread and butter is engagement with employers and trying to negotiate solutions to problems. I expect that we can do that in dealing with Departments, the Executive and whatever. However, we have to retain our independence.

If a consensus develops in the Executive around a Budget, and how it will be distributed, it will be important to have an opposing voice, from the point of view of maintaining a healthy democracy. If there is a consensus among all the political parties running the show, there will be a need for an alternative voice to keep people on their toes.

We have to have a free hand to represent our members' interests and defend jobs and services. We are not in the position of a political party, which has seats in the Executive. We have a separate and independent role to play in the democratic process of how the Executive might want to proceed with respect to Budget reductions.

Dr Farry:

I welcome all the witnesses and I regard the unions as a key partner in all of this.

I must clarify a few points of realism. There was some movement in what was said. Leaving aside the rights and wrongs of who caused the recession and what has happened at a UK level, is there now an acceptance that the Northern Ireland Executive has to strike a Budget for the next year, based on the figures given us by the Treasury? If that is the case, we can talk about how to do it, the issues of fairness and how that burden is distributed.

I agree with Peter about what we can do to raise revenues locally, and as regards rates and rate capping.

Why do the trade unions continue to oppose the introduction of water charges? Any water charge, as far as I am concerned, must be linked to ability to pay. It must be based on people's income. If we are to be progressive in how we do it, we must ask those who are better off to pay most, so that we have more money to protect those who depend most on public services. I do not understand the logic of what has been said. Most people objectively understand that a water charge can be made to be progressive.

I have a final comment for Brian to address. Around half of the overall current expenditure in the public sector goes on wages and salaries. Ultimately, the purpose of the public sector is not to provide employment but to provide services, and employment is a consequence of the provision of those services. Nevertheless, we are hugely sympathetic to people who work in the public sector, but there are choices to be made and we cannot duck those choices, whether they are about wage freezes and at what threshold those wage freezes apply, about redundancies and whether those are purely voluntary or whether there are going to be some compulsory redundancies, or about how we split that up.

If the unions are not prepared to take a stance on that issue, the decisions will be taken by the politicians and the Civil Service without the input of the unions, and those decisions will essentially be imposed on people, thus creating difficulties. I am at a loss as to why the unions are not prepared to engage on that issue to work out the most advantageous approach to maximising the retention of employment and that spending power in the rest of the economy.

Mr Bunting:

I will make two points. First, although you might think that it is history and that we should not argue over it because it is irrelevant —

Dr Farry:

We can do both at the same time.

Mr Bunting:

To me it is very important, because it is the future; not history.

Dr Farry:

We can do both.

Mr Bunting:

The future is for all children, our grandchildren and our nieces and nephews in this society. The question of who caused the economic crisis is not history, because we are going to pay for it in the future. The other point is that there is an acceptance that one has to introduce a Budget — says who? [*Interruption.*] Hold on a second, guys. You can all get upset —

Mr Hamilton:

Live in the real world.

Mr Bunting:

I am in the real world, Simon: I have been living in the real world for a long time. There is a school of thought — though we do not share it — that the Assembly was taken down for less important reasons in the past.

Dr Farry:

If we do not strike a Budget, a Budget will be imposed, which will mean even deeper cuts in the public sector.

The Chairperson:

Stephen, you have to let him finish.

Mr Bunting:

I have at least provoked a few people and got some reaction. Stephen, I would like to make the point about why we oppose water charges. We do not oppose paying for water: we actually pay for water already.

Dr Farry:

To an extent.

Mr Bunting:

Yes, to an extent. We do not oppose an increase in what we currently pay. It is how we differentiate what we currently pay when it was assimilated into the rates. That was the difficulty, and the issue was confused when John Spellar said — quite disingenuously — that the public did not pay for water, and never had, yet those of us of a certain age remember going to the Water Office with our parents to pay the water bill. We have been paying for water for a long time. The difficulty is that it was assimilated into the domestic rates and none of it was then allocated to Northern Ireland Water. That is the problem.

We are paying for water, and we accept that there should be an increase in that, but we do not accept that there should be a separate water charge of £200 per house. The other reason we oppose it is that there is a need to get the balance right between, for example, increasing the domestic rates and adding water charges on top of that. The disposable income in society is needed to retain jobs in the private sector. One cannot keep taking disposable income out of family purses. Where did that money go in relation to keeping small businesses going — the restaurants, the shops and the retail sector? That is the difficulty I have with all of that. Again, it is not easy, but how much can one actually suck out of household budgets? One has to judge what adverse impact that will have on the private sector. That is the difficulty that I see.

Mr Campfield:

I will pick up on the issue of wages. It is a fallacy that high wages are problematic in the

economy. That has been dispelled over the years. What you are presenting is a situation where there is a certain amount of money, some of which is paid out in wages, and if that is increased or maintained, it will lead to job losses. The difficulty with the logic of that is that it is a formula for a wage freeze every year. I have been involved in the public sector for over 30 years, and there has never been a time when there has not been pressure on public spending.

Using your logic, if our members had been presented with that argument back in 1979 or 1980 when the Conservatives were elected, Margaret Thatcher came to power, and there was big pressure on public spending and cuts in public expenditure, they would have accepted either no pay increase or a freeze in wages for 20 or 30 years. That is where the logic of focusing on wages takes us to.

Everybody can do the mathematics. Members will appreciate — and the Executive have looked at this — that the biggest majority of public servants in Northern Ireland have their wages determined by reference to UK pay settlements. There are contractual and statutory elements to those, so the Northern Ireland Executive do not necessarily have the power to interfere with them. George Osborne's June statement introduced a pay freeze for those earning above £21,000. Although he said that people below that would get £250 a year, local government across the UK, for instance, said that there is a pay freeze this year and that people earning below £21,000 will get nothing as well. Therefore, local government has already imposed a pay freeze over and above what George Osborne said.

We hope to be involved shortly in negotiations with the Department of Finance and Personnel about Civil Service pay. We have produced a booklet — all members should have received a copy — that demonstrates that pay increases for civil servants since 2003 have fallen drastically behind the retail price index inflation measure and our colleagues in the Health Service and local government. We are then being asked to either freeze pay or take a reduction. We argue that people have to be paid a proper rate for their jobs. It needs to be ensured that there is sufficient morale in the public sector. We made a pay claim for civil servants. We know that that will not be conceded, but we want a fair wind and fair treatment of civil servants in comparison to all other public servants.

There is a fallacy that the private sector has universally taken wage reductions or freezes. Quite a number of private sector operations have done that, but that is not universally the case. In fact, even now, the income data services documentation indicates that pay increases in the private sector are starting to pick up again because it is coming out of recession. The increases are around 2% or 3%. The point that we need to make regularly is that people say that the private sector has taken its hit and now it is the turn of the public sector. One does not follow the other. We are a mixed economy in Northern Ireland: the private sector and public sector do not inhabit two different geographical zones. People who work in the public sector and the private sector live in the same communities. People in the same families rely on public sector and private sector wages. In fact, there is more of an argument for public sector wages to be increased because thousands of people in the private sector in Northern Ireland rely on the breadwinners who work in the public sector to get by, because they are unemployed. I have friends who are unemployed because the firms for which they worked in the private sector made them redundant, but their spouses are part-time workers in the Health Service or in education and they rely on that income from the public sector to get by.

There are certainly real issues, and we will have to discuss them if they are put on the table. However, we are not in the business of volunteering a wage freeze or cut. Staff have to be treated reasonably, including on the wages front.

Mr McLaughlin:

You are very welcome. Peter said that the unions are in a very difficult position. I profoundly agree, and I will not add to those difficulties in any way. Speaking on behalf of my party, I also agree with the view of the ideological force that is driving the British Government policies, which is reflected in the CSR statement. Furthermore, I agree with the point about fiscal powers, which has been the standing position of my party.

We can have a view of the British Government, but there will be no resolution that will be to our satisfaction between now and the end of this financial year or the beginning of the next CSR period. I hope that it will be resolved as some stage. Neither will we get those fiscal powers between now and March; at least, it is very unlikely that we will do so.

We have to adopt an approach that reflects the current position. Our strap line is that this is about managing the economy, not the cuts. We are adopting that approach and are looking at a cocktail of responses, including efficiencies and new sources of revenue, some of which were mentioned in the presentation. There are bound to be other and wider contributions to that discussion. Can we eliminate the impact of the arbitrary removal of £4.5 billion? Can we cope with the consequences of over £300 million of end-year flexibility stocks being removed at the stroke of a pen? My point is that it is a difficult time for all of us.

I strongly welcome the succinct and helpful statement about equality-proofing the policies. The Executive should reflect on that in every decision that they take on policy priority.

You indicated that you will provide a response. This is an invitation more than a question, but I look forward to that submission. If we do not agree a Budget, people in the wider public sector whom your organisation represents will face real challenges. If we relinquished control to the extent that we had limited powers of local accountability, we would not be able to escape your attention. If you wanted to talk, you would find us and be as blunt and to the point as you have been in your presentation. However, the fact that that can happen is a helpful, mature and progressive development. We could surrender that, but the impacts would still be the same as the ones that we are all worrying about. The potential for us to fight about this is strong. However, if we want to manage the situation better than it would be managed for us, we better get together.

Mr Bunting:

We will put our ideas on paper for you. However, it will be difficult to get the time to do that. We are a very democratic organisation, but sometimes we say feeling like saying boohoo to democracy, because it is a terrible bother, and because it is very hard to get many different views from 34 different trade unions and reach an agreement about what to do.

For the purposes of clarity, we are not advocating that full fiscal powers should be surrendered from Britain to Northern Ireland. I say that in case you got that impression.

Mr McLaughlin:

No, I did not get that impression. However, you mentioned the possibility of not striking a

Budget, which is clearly an option, and more than one political party has thought about that. However, one must think about the consequences of that.

Mr Bunting:

Sorry, I thought that you were talking about the bond.

Mr McLaughlin:

No, I was referring to the little kerfuffle that happened when you mentioned the Budget.

Mr Bunting:

OK, so we are clear on that.

Mr McQuillan:

I agree with some of the comments that have been made. I agree with Brian that the Housing Executive needs to be run more like a business. There are so many housing associations now that people do not even know who their landlord is. They think that it is the Housing Executive, when it is actually one of those housing associations.

I also agree that we need to get a handle on fraud across the board from tax fraud to diesel laundering — the whole works.

A rise in rates will hurt people working in shops, businesses and in the local public sector. Those are the first people who will lose their jobs, so I disagree with rates being increased in any shape, form or fashion. I also disagree with water charging. I agree with you: we are paying for our water consumption through our rates, and there should be a more detailed breakdown of the rates to show that we are paying for water in that way.

The unions need to live more in the real world, rather than in this wee fantasy world that they sometimes live in.

Mr Bunting:

Let me assure you, Adrian: we do not live in any fantasy world; we live in the real world. We have a difficult job to do. People may not like what we have to say, but we say it because we

represent people.

Mr McQuillan:

So do we.

Mr Bunting:

Exactly. In fact, in many senses, it is a dual constituency. We represent the same people whom you represent. However, our members do not go to their MLAs about wages or whatever; that is where our difficulty lies.

Mr McQuillan:

I get a brave wheen of them.

Mr Campfield:

We will send you a few more then.

Mr Bunting:

You are just reiterating the dilemma that we are in. Does one increase rates, or what? Irrespective of where one cuts, they have an impact somewhere? I was looking at the TUC. We work in collaboration with our sisters and brothers in the Scottish TUC, the Welsh TUC and the TUC. Last Thursday and Friday, I attended the meeting of the Council of the Isles in Derry, and women from the TUC suggested that 72% of the cuts will impact on women, which is fascinating. By the way, I am quoting empirical evidence; it does not just come off the top of our heads. For instance, Richard Murphy made the business case, to which I alluded earlier, for investing in staff for HM Revenue and Customs. More staff would bring in additional revenue. Money is out there, so we should not have to deal with cuts when people are evading their obligations to the state.

Mr Girvan:

Thank you for your presentation. If we follow your line of argument, the cuts will reflect primarily on private sector capital spending. The majority of capital spend is associated with private sector firms, which deliver buildings and so forth, and they are already suffering greatly.

Indeed, a number of them have already paid staff off or they are taking big pay reductions in order to sustain themselves. How will focusing just on the revenue aspect of the argument help the overall process?

As far as I can see, we are looking at cuts. I appreciate that we all want to see whether we can pull more money from the general grant into our Budget, and, if we can, it would be brilliant, because it would minimise the impact of cuts. We do not want public sector job cuts either. We want to retain those jobs and ensure that we get value for money from them. To do so, it is important that we get buy-in for, and ownership of, the decisions that have to be made. It is a two-way street, because, at the end of the day, we have to take the pain of making those decisions and the unions cannot pull everybody on to the streets willy-nilly.

We all oppose some of the cuts, but we live in the real world, so we realise that they are coming and that we have to deal with the outworkings. Yes, we can adopt other fiscal measures, such as identifying money that is being defrauded from the system and bringing the people responsible to book, and that work is ongoing. Nevertheless, how do you view the revenue aspect, because our understanding is that it will be cut by roughly 8% over four years? How will that impact on the thousands of public sector job losses that are being portrayed, as opposed to what we are being told, which is that there will be thousands of job losses in the private sector and that, in effect, they will drive the economy down further?

Mr Bunting:

I think that both of those things will happen. In one sense, you are quite right: the public sector in Northern Ireland purchases goods and services from the private sector totalling £3.28 billion a year. Therefore, even cutting down on the revenue end will have an impact. I agree totally with your other point. In our meetings with the First Minister and deputy First Minister, and even in our meeting with the Secretary of State, we argued robustly about the Secretary of State reneging on the St Andrews Agreement and on the capital expenditure that we were promised. Initially, that will probably have greater consequences on the private sector and on how we grow the economy. Of all places and regions, Northern Ireland cannot afford to lose one private sector job, because, as a small, local economy, the private sector is our weakness. That is hugely important.

Equally, it is forecast that we will lose in the region of 30,000 public sector jobs, which, by their very nature, will impact on the private sector, because the removal of 30,000 disposable incomes from our economy will result in huge economic drops for retailers, hairdressers, pubs and restaurants etc.

That is why I am emphasising the fact that doing it in the manner in which it has been put upon you will end only in a depression, as opposed to a recession. Furthermore, over the next number of years, I cannot see any green shoots emerging in Northern Ireland or, for that matter, in the rest of the United Kingdom.

The Chairperson:

I have to cut things short, because we were given a 1.30 pm deadline to get out of here.

Mr Bunting:

Are you sure that it was not 1.45 pm?

The Chairperson:

No. Deadlines keep getting moved. Thank you very much for coming along, and if we have any other questions, we will write to you. We understand your difficulty in producing a paper, because we asked you to come only two weeks ago. Nevertheless, if members have questions that they did not have time to ask, is it OK to write to you for answers?

Mr Bunting:

Feel free.

Dr Farry:

In due course, a follow-up meeting might be possible.

The Chairperson:

That is true. Thank you.