



Initial thoughts on draft Budget 2011-2014

Social Development Committee.

1 Engaging on the budget

NICVA and our members have been engaging with the NI Executive and Assembly on the budget since June 2010. We first had a meeting with Directors of Finance from all departments and a small delegation from our sector organised by Will Haire DSD Permanent Secretary. We then held a round of separate pre-budget consultation meetings with each government department in the Autumn of 2010. NICVA addressed several Assembly Committees on budgetary issues as well as hosting a special evidence gathering session on behalf of the Social Development Committee.

- 1.2 Following the publication of the draft budget on 15 December, NICVA organised a series of consultation meetings between our members and each government department and these meetings will continue until 1 February. NICVA has also asked PriceWaterhouseCoopers to examine the budget and departmental spending plans on our behalf to help us get a wider and deeper understanding of the fiscal challenges. **The voluntary and community sector has taken this budget extremely seriously. We recognise that the reduction in the block grant in real terms is an unprecedented challenge for government. We are keen to participate in a constructive engagement to produce a budget which will deliver the best possible outcomes for Northern Ireland as a whole and vulnerable people and disadvantaged communities in particular.**

2. The Programme for Government

NICVA believes that the production of a coherent and collegiate programme for Government would have gone some way towards addressing the fragmented nature of the current budget. A Programme for Government which sets out the main social, economic and environmental issues the Executive would like to address and the outcomes they want to achieve should have acted as a robust framework for the budget. The lack of such a document adds considerably to the disjointed nature of the current budget. NICVA believes that the NI Executive **should focus on the collective outcomes it wants to see and the quality of the services it wants to deliver rather than each Minister fighting for their own individual budgets at the expense of their Executive colleagues.**

3. The consultation process

NICVA welcomed the publication of the draft budget in December 2010 and commends the NI Executive for agreeing the budget in such difficult financial circumstances. However, we were disappointed by the lack of detail in the consultation document. It was impossible to ascertain the true impact of the proposed budget on vulnerable people and disadvantaged communities without information on priorities and desired outcomes. As this detail was to be provided in the individual departmental action plans we were concerned that three weeks into the

short eight week consultation process only three plans had been made available.

3.1 On 4 January 2011 NICVA publicly called for all departments to publish their plans and we are pleased they all did so within ten days. However many of the plans are also light in detail and some cannot really be described as spending plans at all. As the plans have been produced individually, the type of information and level of detail in each plan is different, making it very difficult to compare them. The result is a budget which is fragmented and disjointed. It is practically impossible to get an overall picture of the impact of this budget and that is deeply concerning for two main reasons:

- issues which are not the clear domain of one department, such as childcare, will 'fall between the stools' and no department will pick them up.
- people and communities will suffer 'death by a thousand cuts' as the officials making cuts to funding in one department may not consider cuts being made in another department which impact on the same people and communities.

3.2 We have already seen examples of this in the voluntary and community sector, with organisations receiving European Social Fund (ESF) support from the Department of Employment and Learning being asked to find a 25% cut. ESF will only fund 75% of the total cost of a project and many organisations used funding from Neighbourhood Renewal (NR) from DSD as the 25% match funding. NR funded groups have also been asked to find a 10% saving in their programme costs, resulting in some projects having to take a 35% cut in their funding. This is considerably more than should be reasonably expected by any organisation. NICVA is seeking assurances that the NI Executive is fully aware of the cumulative impact of the decisions they are now making. NICVA would have liked to have seen the formation of a Budget Committee in the Assembly to take an overview of the implications of the budget as a whole. **However in the absence of such a group we are asking MLAs and the NI Assembly to ensure they take a holistic approach to the scrutiny of the budget.**

4. 'Salami slicing'

The voluntary and community sector has always been aware that it will not be immune from the implications of the reduction in the block grant. However we have argued that the sector should be treated fairly and not seen as an easy option for cuts. The ESF and NR examples above at 3.2 are also examples of the development of a trend in the 'salami slicing' of budgets to the sector. Funding provision in the Regional Infrastructure Programme in DSD, which supports organisations such as Volunteer Now, The Law Centre, Advice NI and NICVA is expected to reduce next year by 10% across the board. Simply cutting the same amount from each organisation's budget with no analysis of the effectiveness and efficiency of the programme being cut results in

punishing those who are already efficient and rewarding those with 'slack' in their budgets which can be cut more easily. **This is a worrying trend that NICVA would like to bring to the attention of members of the Social Development Committee.**

5. The voluntary and community sector as a resource

An emerging theme in the discussions NICVA members are having with departments is the fact that voluntary and community organisations can offer some effective solutions to the tough financial decisions facing departments. Where the aims and desired outcomes of a voluntary/community organisation converge with government the sector can bring expertise, user engagement and often additional resources to the table. Voluntary and community sector organisations can respond quickly to an emerging problem and are experts in cost saving early intervention measures. **NICVA wants to encourage departments to think creatively about how they invest in and work with the voluntary and community sector rather than viewing the sector as a drain on resources.**

Cutting bureaucracy

6. NICVA agrees with the principle that before any cuts to services are implemented, all publicly funded bodies should ensure they are operating in an effective and efficient way. Further to this, we strongly support the need for financial probity and transparency in the spending of public money. With this in mind we support the finding of the September 2010 NI Audit Office report *Creating Effective Partnerships between Government and the Voluntary and Community Sector*, which recommended that in its funding relationship with the sector government should have “*greater focus on avoiding unnecessary bureaucracy, in all aspects of the funding mechanism (which can increase costs for both funders and funded bodies) – in applications and renewals; timeliness of payments; and monitoring and audit.*”

- 6.1 NICVA and our members genuinely believe that there are significant savings to be found by a root and branch review of how government administers funding to the voluntary and community sector. The NIAO also recommended that audit and monitoring should be focused on the outcomes and the quality of the impact of the funded programme. **The Department of Social Development has commenced a small pilot project on this issue and NICVA would like to see this work progressed as a matter of urgency.**

7. Comments on DSD budget

NICVA will be producing a full response to the budget by the deadline of 16 February and we will make that available to Members as soon as possible. However we are happy to share our initial thoughts on the proposed DSD draft budget.

7.1 NICVA broadly agrees with the Department's proposed strategic objectives.

- Contribute to tackling poverty and social needs experienced by the most vulnerable in society, bringing divided communities together and encouraging social responsibility;
- Create urban centres which are sustainable, welcoming and accessible to all to live, work and relax in peace; and
- Build the foundations for a shared future through access to decent, affordable, sustainable homes and housing support services.

We would like some clarity on the use of the term 'social responsibility'.

Given the crucial role the DSD plays as the champion of the voluntary and community sector we would like to see the first priority expanded to include a reference encouraging participation and the creation of a strong and vibrant civil society.

7.2 We agree with the Department's approach to funding "*that there must be no reduction in vital programmes which target the most vulnerable households, including revenue and capital programmes to address fuel poverty (Warm Homes), supported housing (Supporting People), new build housing, and disadvantaged communities (Neighbourhood Renewal*". We agree with the principle that reduction in funding should be found in administration expenditure. We also agree that voluntary and community organisations should ensure they operate in the most cost effective way possible in order to ensure maximum resources are expended on the organisations' aims and objectives – this is a key cornerstone of good governance in the sector. **However the current approach of salami slicing as described at 3.2 does nothing to encourage good practice in this regard.**

8. DSD budget makes an allowance for the cost of implementing Welfare Reform. We agree that it is prudent to anticipate this expenditure and accept that the total costs are not yet known. NICVA and our members are deeply concerned about the implications of welfare reform in Northern Ireland. We believe the reforms will increase poverty, social exclusion and deprivation, all of which will undermine the economic recovery that the NI Executive has focused this budget on. NICVA welcomes the £20million Social Protection Fund created in the budget and we look forward to more details on how the fund will operate in practice. However, it is a matter of concern that the fund has only been allocated for one year, with the other three years depending on departments generating additional revenue in order to meet the costs. **NICVA believes that this fund is much too important to leave in such a vulnerable financial position.**

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