



Northern Ireland
Assembly

**COMMITTEE FOR
CULTURE, ARTS AND LEISURE**

**OFFICIAL REPORT
(Hansard)**

**Departmental Briefing on the
Comprehensive Spending Review**

2 September 2010

NORTHERN IRELAND ASSEMBLY

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Departmental Briefing on the Comprehensive Spending Review

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Members present for all or part of the proceedings:

Mr Barry McElduff (Chairperson)
Mr Declan O'Loan (Deputy Chairperson)
Lord Browne
Mr Thomas Burns
Mr Kieran McCarthy
Mr Raymond McCartney
Mr David McClarty
Miss Michelle McIlveen

Witnesses:

Mrs Deborah Brown)
Mr Edgar Jardine) DCAL
Mr Michael O'Dowd)

The Chairperson (Mr McElduff):

Good afternoon Edgar, Michael and Deborah. Thank you for appearing before the Committee today. Members, we have before us Edgar Jardine who is head of corporate services in the Department of Culture, Arts and Leisure (DCAL) —

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

Deborah is head of corporate services.

The Chairperson:

Sorry about that. Would deputy under secretary be more correct?

Mr Jardine:

I am the deputy secretary in the Department.

The Chairperson:

OK. Edgar, would you like to introduce the team with you today and their remits in the Department?

Mr Jardine:

Yes. We are very happy to be before the Committee today. The work on the comprehensive spending review (CSR) is one of the most important pieces of work the Department will undertake over the next number of months.

With me today is Deborah Brown and Michael O'Dowd. Committee members will know Deborah. She is the director of corporate services and finance in the Department and Micheal works to Deborah as the head of finance.

We thought that it would be helpful to take a short time to set the wider context of the public expenditure environment. I will then say a little bit about the preparation DCAL has undergone to contribute to the Programme for Government, and Deborah will conclude with a specific overview of the budgeting and saving exercises being undertaken in the Department. We hope to leave some time for questions and discussions after that.

Members have received the slides for the presentation and various other papers that relate to the budget and saving exercises, which will be the key theme for today. Micheal will begin by painting a broad picture and setting the context in which Northern Ireland public expenditure decisions will be taken.

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

Today's presentation is in three parts: the UK background and context; the Northern Ireland

background and context; and the Department's position. In my discussion of the first of those areas, I will give the Committee some context to the spending review process, examine UK borrowing levels and trends in public spending and, finally, examine public expenditure projections in the coming period.

The three-year comprehensive spending review (CSR) process began in 1998 under the previous Labour Administration. The reviews normally cover three years, but, exceptionally, the next review will run for four years between 2011-12 and 2014-15. We are currently in the final year of CSR 2007. Importantly, there is a distinction between spending reviews and comprehensive spending reviews. Every so often, comprehensive reviews are called for, which take a more fundamental look at public spending and tend to be zero-based.

Moving on to UK borrowing, slide 4 of our presentation is a graph. The vertical axis of the graph is labelled “% of GDP”, which is a reference to gross domestic product or measure of the total amount of goods and services produced by the country. There are also two lines on the graph. The red line represents receipts mainly from taxation, and the yellow line represents public expenditure and the area between the two lines is the borrowing requirement.

Spending has increased steadily since 2001 as a percentage of GDP, but receipts have remained fairly static. Therefore, the borrowing requirement has had to increase, and spectacularly so between 2008-09 and 2010-11. Indeed, borrowing has now increased to unsustainable levels, given the amount of interest that must be paid on that borrowing. To reduce that requirement public expenditure is planned to reduce, as a percentage of GDP, over the next four or five years, and the current Budget 2010 exercise is designed to achieve that.

Slide 5 also shows a graph, which is perhaps a little overcomplicated. However, the blue line shows total public expenditure, which is peaking around now and is designed to fall steadily between now and 2015-16. However, although it will fall steadily, it will fall to 2004-05 levels and the absolute decrease is not huge.

Slide 6 details UK projections for resource expenditure. The Treasury anticipates a flattening on spend in that area in cash terms. However, in real terms, and taking account of inflation, that

will translate as a fall. As regards projections for capital expenditure, the picture is bleaker, and the Treasury expects a fall in both cash and real terms over the next four to five years.

I will now move on to the local context and will touch on the following areas: the way in which Northern Ireland is funded; the Departments' current and capital spending; a summary of the current Budget position; and the options open to the Executive. At that point, Edgar will talk about current priorities for the Executive and DCAL's wider contribution to those.

More than 90% of Northern Ireland's funding comes from the Treasury. The next largest element of funding comes from the regional rate. As the Committee is probably aware, EU funding has decreased. That demonstrates how critical the Treasury allocation is to the total amount available for spend in Northern Ireland and how the UK-wide spending review will affect that. The Committee should note that the Department of Finance and Personnel's (DFP) current planning scenario assumes that no funding will be available from domestic water charging.

I now move to current expenditure by Departments. Members will see the relative size of Departments' budgets in the chart provided. The important point to note is that the Department of Health, Social Service and Public Safety's (DHSSPS) expenditure accounts for almost 50% of the Budget. Therefore, if some areas of the Health Service were to be protected, any additional savings burdens on other Departments would be that much greater. In fact, they would be very substantial.

On the issue of capital investment, Members will see from the chart that the Department for Regional Development will have the highest percentage of capital investment, because of its transport infrastructure plans, followed by the Department for Social Development. However, DCAL's contribution is quite small with around 4% of capital spend. We know from previous Treasury projections that capital spend over the next four years will be drastically reduced. We also know that there will be strong competition for what remains in the pot. Deborah will briefly discuss that issue later.

In summary, NI faces a real-term reduction in funding from the Treasury. Against that, we also face inflationary cost pressures. To some extent those pressures will be offset by the public

sector pay freeze and lower than expected construction price inflation. What options are open to the Executive in that scenario? They can increase income by increasing the regional rate, finding more assets to sell and introducing domestic water charges. They can also attempt to find further savings by further reducing administration costs, increasing efficiencies and prioritising services. Members will remember from the previous chart that funding from the regional rate accounts for about 6% of local expenditure. Therefore, the option of substantially increasing revenue is limited. We have also gone through a period of identifying surplus assets in the NICS, so there are limited options there. Obviously, the introduction of domestic water charges has been debated recently.

As regards additional savings, Departments had to look for savings of 3% and 5% year on year throughout the current CSR period. Therefore, room for manoeuvre there is probably also limited. We have to face the fact that front line services will inevitably be affected by any Budget cuts throughout the next Budget period. Edgar will now discuss the Executive's priorities.

Mr Jardine:

I hope that the Committee is not too depressed to listen at this stage. As Michael was saying, DCAL's expenditure accounts for a very small proportion — about 1% — of the overall Budget. Therefore, when it takes the cuts that it will have to take, make no mistake about it, the effects will be immediate and noticeable. The slide illustrating the current priorities shows the economy at the centre, surrounded by infrastructure, public services, health and well-being, and the environment. The overarching theme is a peaceful, fair and prosperous society. Clearly, we will be moving to a new set of priorities in the new CSR period, but those have not yet been agreed by Ministers. However, even the arrival of the Department of Justice in the Executive means that there will be some changes. However, we can assume that the broad themes for the next CSR period will have resonance with what has gone before. In whatever emerges over the next four years, we will be able to recognise the sorts of things that we were looking at before.

When thinking about DCAL, there is a temptation to think of the issues that it deals with as peripheral to the bigger issues concerning health, education and so on. It is easy to regard DCAL's work as separate from the economy. However, in the next slide, I want to reflect the arguments that we are making within the system about DCAL's contribution in four areas; the

economy, health, education and social inclusion. There is a very persuasive argument about DCAL's impact in those four areas.

One aspect of the economy is cultural tourism. If people are coming to Northern Ireland as tourists, cultural infrastructure is critical. We reopened the Ulster Museum last October. Since then, it has had some 600,000 people through its doors. DCAL accounts for three of the top 10 tourist attractions in Northern Ireland.

It is important to offer tourists things to do during the day and in the evening. In that regard, we have made a very significant contribution to the arts infrastructure in Belfast and Londonderry. I am sure that our contribution was not insignificant in the success of the Derry/Londonderry bid to become UK City of Culture. I doubt that that bid would have been successful without our investment. Waterways are another source of cultural tourism. So, cultural tourism is a DCAL and Department of Enterprise, Trade and Investment (DETI) interest, and it is an economic issue.

The creative industries account for the employment of 36,000 people in Northern Ireland — just under 5% of the workforce. That area of the economy grows at twice the rate of the other sectors and is recognised as having significant potential for growth and wealth creation. Again, the work that DCAL does through the Arts Council, museums, the Public Records Office of Northern Ireland (PRONI) and so on is central to those creative industries.

On the health side, there is increasing evidence that sport and physical activity have a long-term impact on improving health. If we can tackle the £1 million a day that we spend on diabetes in Northern Ireland, make inroads into the rate of coronary heart disease and do something about obesity and cancers through increased recreation and engagement in physical activity, funding our Department's activities will not be a cost; it will be an investment that pays dividends down the line.

In education, organisations such as W5, which Committee members will be aware of, and the Armagh Observatory and Planetarium are at the cutting edge of the STEM agenda. The report published by the Department for Employment and Learning (DEL) a couple of weeks ago recognises the contribution of those facilities, not just as visitor attractions but as complements to

the education side. Our creative learning centres are at the cutting edge of digital media, supporting the curriculum in schools and helping teachers to engage in that sort of work and train others.

Finally, there is the whole area of social inclusion and equality. Our libraries, of which there are over 100 throughout Northern Ireland, are recognised as neutral venues where people can enjoy the available facilities. Libraries do tremendous work in rural locations by getting books and other materials to people who cannot travel into towns.

In community cohesion, we do work on reimagining through the Arts Council and we do work through sport to bring communities together. So, the argument is really that, although DCAL accounts for only 1% of the Executive's resource budget, its contribution has a disproportionate impact on Programme for Government objectives. That is the message that the Minister is trying very hard to promote within and outside the system.

I shall now hand over to Deborah Brown, who will focus specifically on the implications for DCAL of the proposals for savings.

Mrs Deborah Brown (Department of Culture, Arts and Leisure):

I shall set out the timetable, which was also covered in the briefing paper that you received. We had to identify departmental pressures and place resource and capital bids by the end of July. We will be in the process of developing our savings delivery plans from now until the end of October. Ministerial bilateral meetings were held in August. The outcome of the national spending review is due in mid October, and the draft budget and supporting documentation, including our savings delivery plans, will be issued at the end of October, followed by a period of public consultation in November and December. A revised Budget is due to be issued towards the end of December.

DCAL was required to submit its capital and resource spending proposals by 30 July — members will have received our submission on that — and to identify where it would allocate its savings by 26 August. DFP granted us an extension on that date until today.

Turning to the current budget, bids were invited against pressures that were inescapable and

unavoidable, and they were to be assessed against their alignment with the Executive's priorities and their impact on the public service agreements (PSAs) for equality, good relations, poverty, social inclusion and sustainable development. Members will have received the specific proposals that DCAL placed with DFP at the end of July. It should be noted that funding for resource bids is very limited, so some or all them may not be met. If they are not met, the Department will need to consider how to meet them, and it may need to increase the amount of savings that will have to be found.

Bids were placed for the Ulster-Scots academy in order to reinstate the commitment that was made in 2005, when a budget of £12 million was allocated for the establishment of an Ulster-Scots academy in line with the 2003 joint declaration by the British and Irish Governments to encourage support for an academy.

The second bid is for the electronic libraries software, which is needed to replace the current software. It is a business-critical piece of work; the network hub provides the library book stock system, the stock security system, public internet access, the website, the library management system and the network for corporate back-office functions. If we do not replace that investment, the Library Service will be unable to operate after April 2012.

The third bid is for the World Police and Fire games. Although it is a single bid led by DCAL, it is supported by the Department of Justice, DETI and DHSSPS, through the Northern Ireland Fire and Rescue Service. The games will have an impact on sport, and the event will create a strong image for Northern Ireland internationally, boost tourism, improve social cohesion, create a legacy effect and promote the reputation of police and fire and rescue services at home and abroad.

The fourth bid is for the creative industries innovation fund, which is a tangible and overt DCAL contribution to economic development in Northern Ireland in 2008-2011, and it contributes significantly to the Executive's top priority of growing the economy, which is a key Programme for Government goal.

The fifth bid was placed in respect of the North/South Language Body, with regard to

pressures that are arising as a result of exchange rates.

The sixth bid is for the adventure activities licensing scheme, which is designed to regulate outdoor activity centres and providers and to ensure better safety standards and facilities, thus reducing the potential for severe injury or death among those taking part in adventure activities.

The seventh bid is in respect of equal pay. That is a potential impact of the Northern Ireland Civil Service settlement on equal pay, which could impact on our arm's-length bodies and would, therefore, be an inescapable cost. We have also placed a bid for pay and other costs to do with the required inflationary and pay progressions.

The Department compiled its capital bids from a zero-based approach, although no Departments have been allocated any capital moneys at this point and are bidding for all capital. We have placed 56 bids, and the Committee has a copy of them all. I do not propose to go through each one, but am happy to take any questions on them. They have a total value of £485 million over the four years. They are ranked in priority order, and we have taken into account those that have contractual commitments, those with statutory health and safety considerations, and ministerial commitments.

DFP has advised that the amount of the Budget available on capital will be limited, and it is estimated that there may be as much as a third less of the capital than was reported in the investment strategy. A significant amount of the remaining two thirds is already contractually committed across the Northern Ireland block. Therefore, our expectations on our capital are limited.

I want to set out the main planning assumptions of the savings exercise, which operates on current budgets. Michael outlined the flat cash settlement. Account has also been taken of reducing adjustments for the emergency Budget effect on the baselines, which was the £128 million that we had to take out of the baselines in 2010-11, the funding for Executive policy initiatives, unavoidable cost pressures, and the constraints on the access to the end-year flexibility.

Those reducing adjustments together generate saving targets across the block of £429 million in 2011-12, £770 million in 2012-13, and £1,163 million in 2013-14 and £1,555 million in 2014-15. In percentage terms, current budgets fall between 4% and 5% in each year, resulting in an overall fall by 2014-15 of 18% on the current 2010-11 baseline.

Two further considerations are important. The planning scenario assumes that budget cuts will be made pro rata across all Departments. Michael's presentation demonstrated the amount of funding that is already allocated to health and education. If some measure of protection is afforded to some of those areas, there will be a disproportionate effect on other Departments, and a much larger amount of savings having to be found by those other Departments. The other final planning scenario is we assume that there will be no contribution from water charging at this stage.

I now turn to what that means for DCAL. Against the DCAL opening baseline of £109.57 million, which has already been adjusted by DFP for the deficit reduction exercise — if you recall, DCAL has already been hit with a £5.9 million reduction in resource in that exercise — DFP has already removed time-bound funding so that it does not include the £2 million in the 2010-11 baseline for the creative industries innovation fund, and it removes the £1.4 million that we were allocated in 2010-11 for invest to save, which we allocated to libraries for their redundancy scheme. So, against that revised opening baseline of £109.57 million in 2010-11, we are required to find £5.2 million in 2011-12; an additional £4.23 million in 2012-13, which means that the 2012-13 baseline falls by £9.43 million against the 2010-11 baseline; a further reduction of £4.72 million in 2013-14, which means that the 2013-14 baseline falls by £14.15 million against the 2010-11 baseline; and in 2014-15 the reduction of an additional £4.72 million will be a reduction of £18.87 million against the 2010-11 baseline of £109 million. We must find a total of £47.65 million of savings, and our baseline will fall to £90.7 million by 2014-15.

I will discuss how the Department has approached allocating that level of savings. The initial allocation is based on pro-rating the requirement across the Department and its sponsored bodies according to the size of their opening budgets or their baselines. I refer members to the table that we provided with the letter of 27 August.

Some factors complicate the matter. We must recognise that smaller bodies have a limited ability to absorb cuts and that departmental administration costs have already undergone a 5% year-on-year reduction during the current CSR period. We need to be careful not to impose cuts that may impact on the delivery of our statutory functions. Bearing that in mind, savings have been allocated so that budgets will fall by 18% across the four years in our sponsored bodies and by 14% in the Department. Overall, the budget will fall by 17% by 2014-15.

The way in which we have allocated those savings recognises that sponsored bodies' ability to deliver those savings in the short and medium term will differ. Grant-giving bodies such as Sport NI and the Arts Council will probably be able to accommodate budget reductions more quickly, whereas bodies such as museums and libraries will need more time to realise any savings because the majority of their costs are associated with staff and buildings. The phasing of the budget reductions tries to take that into account. For the purposes of this exercise, savings have also been allocated to the North/South bodies. However, I should emphasise that no agreement has been reached with the corresponding Department in the Republic of Ireland. Furthermore, this is only a starting point to help us begin to assess the impact of this level of cuts and to help to inform how we could begin to deliver our savings and, subsequently, feed that into our savings delivery plans.

As I said, the Department is developing its savings delivery plans, and, given the size of the budget reductions, it is not surprising that the front line consequences will be widespread and unpalatable. However, we must manage those financial pressures in the short and medium term and put public finances in a state where they can withstand long-term pressures. Therefore, we are faced with some very difficult choices.

In particular, I draw members' attention to the potential impact that this level of cuts will have on libraries and museums, where closures or a significant fall in the level of service will be necessary to meet the required level of cuts. In that context, the wider impact on tourism and the economy of deep cuts to some of Northern Ireland's largest visitor attractions requires very careful examination. The argument has been made that, reversing these kinds of actions in the future may also be very costly, with associated redundancy costs, and may be expensive to rectify for future Administrations. Therefore, in order to mitigate some of those consequences, one

option is to depart from the pro-rating principle that has been applied elsewhere. A reduction in the savings requirements on libraries and museums needs to be balanced against additional savings in other areas across the Department, such as arts and sport, which will have to deliver more savings. The amounts of money involved are considerable. The relative impact on the operations of arts and sport are going to be significant. The Department is carrying out further work in that area. We would welcome the opportunity to discuss that further at the end of the presentation.

My final point concerns deliverability, of which there are two aspects. First, the scale of the budget reductions means that staff losses are inevitable. Although some of those losses can be managed through recruitment freezes and redeployments, it is likely that, at some stage, redundancy programmes will be required in some of the sponsored bodies. There is no budget currently available to fund those redundancies at a departmental level, and the deliverability of the savings that depend on staff cuts is going to be challenging. Secondly, further cuts to the Department's administration budget will place at risk its ability to carry out the full range of its functions, given the effects of the 5% year-on-year reductions that have already taken place through the current CSR period.

The Department would welcome the Committee's views on where savings should be made. We appreciate your comments and discussion on the issues that we have presented. The Department realises that the Committee will want time to consider the implications. Perhaps it might be more appropriate to receive final comments in two weeks' time, by 16 September. We could feed those comments into our savings delivery plans and discuss them further with our arm's-length bodies. I am happy to take questions from the Committee.

Mr Jardine:

We have painted the scenario as we see it at the moment. We may tweak it one way or another. However, I will not demur from Deborah's conclusion that the scale of reductions is going to be significant, with potentially large impacts across the services that we provide.

Mr O'Loan:

We all know that the situation is stark, and it is important that it is being addressed in the best

possible manner. I know that another member is going to address the issue of the funding of the Special Olympics; I will not ask about that, but I will endorse that point.

I have a number of questions, but I do not expect you to have an answer to all of them. I was surprised that Edgar said that the absolute decrease is not huge. It seems to contradict Deborah's presentation in which she talked about an 18% reduction after four years. That would seem to be huge.

Mr Jardine:

I am not sure that you have taken me up correctly —

Mr O'Loan:

I am happy to be corrected.

Mr Jardine:

Michael O'Dowd made the point that expenditure, which went up quite steeply after 2004-05, will go down again to 2004-05 levels. However, the reduction is very significant. I do not recall a time in my career in the Civil Service when we were hit with such reductions, even in the recessions back in the 90s.

Mr O'Loan:

We need to be under no illusions about the task in front of us. That brings me to my second point. What guidelines were being used in the Department and in its arm's-length bodies to prioritise bids? More generally, what are the principles underlying that? My criticisms would apply not just to what the Department of Culture, Arts and Leisure is doing, but to what appears is being done across the other Departments. You referred to pro-rata cuts across all Departments. I would describe your outcomes as salami slicing with a slightly bent knife. It is not just straight salami slicing, but there is a slight corrective. As you say, some areas of business are capable of standing a reduction better than others. That, and only that, modification has been made. There needs to be a much better process. We are talking about a fundamental review, but I do not see such a review at the root of this, or anything that could be thought of as zero based. The challenge is immense but, if used correctly, such a challenge is an opportunity. Making crude

cuts across a range of services over a four-year period is not the right process. The task is so big that it cannot be done within that four-year time frame. Crude salami slicing is the only way of making such cuts in such a time, but it is not the right approach. There needs to be a far deeper analysis, with political and community involvement, in order to make the process of government work better. I do not see that coming out of this process. Really, I am challenging the basis of the process. I will go back to what I said earlier: what were the underlying principles of your work?

Mr Jardine:

That is a good question. You raised a range of issues. As Deborah said; this work was a “starter for 10”; it looked at the implications of pro rata cuts. We concluded that a number of areas, particularly libraries and museums, are quite difficult to close, and that, once closed, are even more difficult to open again. Therefore, pro rata cuts may create difficulties in those areas.

Every area hit will absorb significant cuts. The Department’s arm’s-length bodies absorb more than 80% of its expenditure, and libraries account for about a third of that. Essentially, if libraries take a smaller slice of the cuts, sport and the arts will be impacted disproportionately. The annual support programme for the arts supports about 96 bodies. Therefore, any pro rata cuts would reduce that number to the high seventies. If further cuts are made, more bodies would proportionately lose funding. The programmes make an economic contribution, and we have been looking at the contribution that DCAL’s activities make to the wider economy. To some extent, we have tried to protect the areas that make the greatest contribution. That must be a fundamental principle going forward.

Mr O’Loan:

We can certainly continue that discussion later in the session. I will not go back to it now, but that is not because I do not think that there is a lot more to say. I wish to ask you a few other questions.

On resource bids, I noticed that the intriguing phrase “inescapable unavoidable” was used in the document provided. Donald Rumsfeld would have had fun with that phrase: can there be escapable unavoidable or avoidable inescapables? If we take the point that only vital and

essential services stand any chance of getting extra funding, then I question the funding for the Ulster-Scots academy. It has proven difficult to define that concept and make it a reality. Is that not the sort of project that must come under fundamental scrutiny in times of serious financial pressure?

Mr Jardine:

The Minister regards the Ulster-Scots academy as a priority because resources were allocated to it as part of the joint declaration. They were not taken up at that time for a variety of reasons. The Minister has put a lot of effort into moving that work on. There is a business case being completed at the moment. He believes that the academy should appear in the inescapable and unavoidable category.

Mr O’Loan:

We will mention the Special Olympics later. Leaving that one aside, are there other significant projects that have not been submitted as bids?

Mr Jardine:

We have tried to press down very hard on our arm’s-length bodies by saying that it is pointless to come up with new things to do if we are not able to sustain the things that we are doing already. There are projects across the piece that will be worthwhile doing. However, putting in bids was considerably discouraged. We tried to interpret the “inescapable and unavoidable” term pretty narrowly.

Mr O’Loan:

Across Departments, the capital side seems to be facing a bigger attack than the revenue side. What is the rationale for that? We need to consider the contribution to Executive priorities of every pound that we spend. Our capital spend may make as great a contribution as our revenue spend. Therefore, to what extent is it an open choice between revenue and capital? What has been the Department’s rationale and, as far as you are concerned, the rationale coming from the Department of Finance and Personnel for that choice?

Mr Jardine:

It is not a choice. The two budgets are pretty well ring-fenced, but it is not easy to —

Mr O’Loan:

Where does that ring-fencing come from?

Mr Jardine:

It comes from the Treasury.

Mr O’Loan:

Are there two blocks?

Mr Jardine:

Yes.

I agree about the role of capital. I mentioned the City of Culture bid, which, without capital investment over the years, would have had much less chance of success. However, capital very often has revenue consequences also. You have asked whether anything has come up that we did not take on board. There is a view, for example, in the Arts Council that a key bit of infrastructure missing from Belfast is an art gallery. However, even if we had the capital and resourcing for that, it would put extra pressure on an already declining budget. There is interplay between the two.

Mr O’Loan:

The phrase was used that front line services will be affected, which, to me, is a counsel of despair. The right tack from across the Executive would be to say how services can be protected and what adjustments need to be made to how business is conducted. I am under no illusions about how major a project that is, which is why the rush job of across-the-range cuts is not the answer. You can take that as a comment, a question or a repetition.

Mr Jardine:

I will comment on it. Libraries and museums are very staff-intensive and account for 80% or

90% of the budget. Even the grants that we pay out through Sport NI and the Arts Council create and generate employment. When one has to make the cuts that we are being required to make, it is inevitable that there will have to be a reduction in staffing. One cannot cut out that amount of resource from non-staffing elements.

Mr O’Loan:

If you take longer to work it out and ask the fundamental questions about how we do our business, we may find ways. That is the challenge.

Mr Jardine:

I agree. Nothing that I have said today precludes the need to push for efficiencies across the board.

Mr McCarthy:

What we have heard this morning is horrendous. We know that there will be cutbacks, but an awful lot of people will be affected by what we have heard this morning. Special Olympics Ulster made its bid and got the approval of the Treasury green book. Everything is in order, and yet you say that it has not been deemed to be an inescapable or unavoidable project, and, therefore, funding will not be available. That is horrendous.

Perhaps it is an easy target not to fund, but the Committee is totally opposed to the Special Olympics going under, based on what it has heard today and the correspondence it received during the summer recess. Is there any glimmer of hope that the games can be saved?

Mr Jardine:

The requirement is for £2.6 million over four years. The Department recognises that there is a sporting dimension to the games, but there are many other dimensions including health, education, disability and social inclusion, and although the business case presented provides value for money, there is an obligation on other Departments to put their hands in their pockets.

The Department is not opposed to the bid, but it is of such a scale that there is no way that DCAL could take it on alone. The Minister has written to colleagues in other Departments to

draw their attention to the issue and seek support. If money can be pulled together from those Departments, the games could still go ahead, but it depends on other Departments with — it must be said, policy interests that are much greater than those of DCAL — being prepared to step up to the mark.

Mr McCarthy:

Does the future of the Special Olympics depend on co-operation from the other Departments?

Mr Jardine:

Yes.

Mr McCartney:

What contact was made with the arm's-length bodies during the consultation process?

Mrs Brown:

The Department has been through a number of iterations with its arm's-length bodies. Even before it knew the level of the cuts, the Department worked closely with those bodies on various scenarios about what different levels of cuts might mean for them and how they would start to deliver them. That information is currently being examined.

As has been articulated, the Department is aware that the pro rata cut is only an initial cut and that some areas will feel more pain than others. The Department welcomes the Committee's comments to help inform its thinking and it will be working closely with the arm's-length bodies to develop the savings delivery plans between now and October.

Mr McCartney:

Where did the definition and rationale of "inescapable" come from? Was it from the Department?

Mrs Brown:

No. DFP defined it. It stated that bids had to be inescapable and unavoidable on resource.

Mr Jardine:

When one speaks to arms-length bodies, their definition of what is inescapable or unavoidable may be different from that of the Department. Therefore, the Department must make the final assessment after undertaking an independent review of all the bids received.

Mr McCartney:

If what you have described as inescapable does not deliver in one or two years, how will the Department review that?

Mr Jardine:

Sorry?

Mr McCartney:

There has been a history of the Ulster-Scots academy not being able, for whatever reasons, to put together that project, yet the funding it receives has been described as inescapable. In one or two years time, when we tell other people that what they are doing is no longer required because of the efficiency drive, how do we explain it if the money set aside for the Ulster-Scots academy is not enough?

Mr Jardine:

Any major investment is subject to ongoing monitoring and evaluation on its performance.

Mr McCartney:

Yes, but with its history, it is hard to understand how the funding given to the Ulster-Scots academy is inescapable.

Mr Jardine:

The Minister is committed to making that project work.

Miss McIlveen:

I thank the witnesses for their presentation. In particular, I thank Michael, because his simple explanation of the context and current state of play was very useful. Obviously, the scenario is

bleak, but I am thankful for his honesty in presenting potential impacts on the Department and its arm's-length bodies.

I know that DFP has asked the Department to present savings, but I also know that not all Departments have done so. Indeed, the Department for Regional Development will not be presenting savings until it is absolutely necessary to do so and when it has been presented with a definitive percentage of savings. Why has DCAL done this work up front?

Mr Jardine:

We always believe in working with colleagues in DFP and OFMDFM. They have an extremely difficult job, and I know that from working in the centre myself. It is also important that members of the Committee are under no illusions about the types of choices facing us.

To reiterate something that Deborah said; it is horrendous for the Department to try to get its head around the situation. We genuinely want to take the views of Committee members over the next couple of weeks on the balance of the cuts and how they might be phased in. The Deputy Chairperson talked about taking a more radical view of how to approach situation, and we are happy to take such ideas on board.

Miss McIlveen:

What concerns me is that you might not get the co-operation from other Departments where there may be particular requirements that are of assistance to yourselves. I am very worried about the library situation, bearing in mind that we have really just got our heads around libraries, are starting to invest in them, and are seeing the impact that they have on communities. We are also beginning to see co-operation with other bodies, which is very positive.

Deborah, you mentioned the likely impact of cuts on the Department's ability to carry out core functions. Will you elaborate on that?

Mrs Brown:

The Department has already taken 5% hits in administration, year on year, but, as you know, it has also carved out additional posts to fund the governance support unit, which was created to

ensure that we had adequate governance over our arm's-length bodies.

The Department may have to make 17% or 18% cuts solely in administration. There are about 294 members of staff in the Department, the majority of whom are in resource. Discounting the staff who work in PRONI and those who work in the inland fisheries branch of DCAL, the administration department has a core of 138 people. Therefore, if we are hit with an 18% cut and have to absorb pay and price costs, we estimate that we will probably need to lose 40 staff, which would have a significant impact on our ability to continue to support our arm's-length bodies and deliver on our statutory functions. Those are very broad figures.

Miss McIlveen:

Is any work being done to look at collaboration between arm's-length bodies in the areas of human resources to address duplication in that area?

Mr Jardine:

There is no active work on that, but we are meeting the arm's-length bodies later in the autumn, and one of the issues that we will be considering with them will be whether there is a possibility of sharing resources, such as human resources.

The situation is not entirely straight forward. For example, the library staff are subject to joint negotiating committee (JNC) conditions, whereas Sports Council and Arts Council staff have conditions that are based more on those of the Civil Service. So, there is quite a wide variation in conditions, but that is an issue that we will want to look at.

Miss McIlveen:

It is likely that savings could come from that.

Lord Browne:

It appears that the at-length bodies, particularly the Sports Council and the Arts Council, will suffer dramatically from the cuts. You said that redundancy programmes might be required, yet you also said that there is no budget in the Department to fund them. We all know that redundancies will cost a considerable amount of money, particularly in the public sector. How

can those bodies deliver redundancies without the money for redundancy packages?

Mr Jardine:

The bodies will not be able to deliver redundancies, because making people redundant costs more than it would to employ them for that year. It will depend on the overall budgetary process. This is not unique to DCAL, which is probably a small player compared to some of the other Departments. However, the situation will require some money being set aside in the budgetary process, specifically on an invest-to-save basis.

Lord Browne:

It is going to be very difficult.

Mr Jardine:

Yes.

Lord Browne:

We all have to face that challenge. The timetable for the budget is pretty tight. How do you intend to keep the Committee involved between now and the submission of the draft proposals to the Executive at the end of September?

Mr Jardine:

We are always available. We are happy to make ourselves available whenever the Committee thinks that it is useful for us to come up.

Mr Burns:

This is the first time that the Committee has got to grips with these cuts. Cuts are unpleasant, and everyone wants to see expansion. Given the areas in which the Committee is involved — sports, arts, culture, libraries and new facilities — dropping projects one by one is not something that the Committee wants to see. However, it seems impossible that you will not do that if the money is not available. I looked through the Department's 56 priorities. How will anyone else get onto that list? If these are the priorities for four years, will anything else get onto that list in those four years?

Mr Jardine:

Matters are reviewed annually. However, looking at the context, around 80% of next year's capital programme is already committed. Therefore, the opportunity to bring new projects onto the list is very limited: in fact, it is very unlikely unless, for some reason, a project attracts a high priority. I cannot envisage in our set-up at the moment, apart from that very long list, that new stuff has any chance of coming onto it in the foreseeable future.

Mr Burns:

That is very disappointing. People will feel that some projects did not make it onto the great list and that you are telling them, more or less, that they have missed the boat for quite some time.

Mr Jardine:

That is the reality. There is no point in fudging the issue. We have very difficult days ahead, and very difficult decisions to take.

The Chairperson:

If a limited amount of funding is available to cover the Department's bids, it appears that the Department's planning scenario assumes that its resource bids will be met. Do you have other planning scenarios in the event of resource bids not being met?

Mrs Brown:

Yes, we have figure work in case the Executive do not find those resources for the Department. We also examined how the figures may look if the cuts are greater than the 17% that DFP issued. We have prepared a number of scenarios, but we have not drilled down into what the implication of the cuts will be, because 17% is stark enough.

Mr Jardine:

Michael and Deborah made the point that if a decision is taken to protect areas such as health, education or environment, cuts elsewhere will become increasingly greater. Because of the scale of, for example, health and education, which account for about 70% of the block grant, if protection is offered there, which the Executive may or may not decide to do, that will rebound

significantly on the other, smaller Departments.

The Chairperson:

My impression of today's presentation is that there has been an under-appreciation of sport and the arts. That is a personal response. Edgar's presentation on DCAL's contribution to the wider Government agenda was a strong part of the presentation. However, under the title "economy" I kept thinking that you had not mentioned sport and the arts. I also kept thinking that recently in my own local town of Omagh, there was a very big Gaelic football match in the evening, Fermanagh and Western soccer matches in the afternoon, and a 10km run, which brought thousands of people into Omagh on a Saturday.

I thought that sport and the arts should have featured more prominently in the presentation with regard to their uplift to the economy. Now, it is clear that sport and the arts will be the big losers if these cuts proceed. Some people are suspicious that pet ministerial projects are assuming top priority. So, you would love to think that there is a lot to play for yet.

Mr Jardine:

Yes. I could write a book on how we contribute to government priorities, including sport's contribution to the economy. However, given the time that is available to the Committee today, I kept the discussion short and high level. I did not mention the impact of Northern Ireland Screen and the two major productions here, which bring millions of pounds into the Northern Ireland economy. We discussed the Grand Opera House in different circumstances previously: it makes a contribution to the number of hotel beds and jobs. There is a huge economic contribution throughout.

The Chairperson:

I know Wallace raised the issue, but will you be clear about how the Department will engage further with the Committee as we progress the budget discussion?

Mr Jardine:

We have been focusing on preparing today's presentation. We hope that the Committee will give us its views by the middle of September, and we will build those into our continuing discussions.

We are happy to come back to the Committee at an agreed time to give an update.

The Chairperson:

OK. I thank Edgar, Michael and Deborah for coming along today.