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Protecting Public Services
Supporting Public Servants

NIPSA Response

to the Department of Finance briefing on the Northern Ireland Budgetary Outlook 2018-2020

January 2018

Introduction

1. NIPSA is the largest trade union in Northern Ireland representing over 43,000 members, employed across the whole of the public service, in organisations such as the Northern Ireland Civil Service and its Agencies, Local Government, Education, Health and Social Care, the Northern Ireland Housing Executive as well as a host of Non-Departmental Public Bodies (NDBPs). NIPSA also represents a significant number of members in the community and voluntary sector.

2. In July 2016 NIPSA responded to the Draft Programme for Government (PfG) Framework 2016-21 (See [On line] Available http://www.nipsa.org.uk/NIPSA-in-Action/Policy-and-Research/PfG-NIPSA-Response). That analysis also applies, therefore, to the echoes of the draft PfG within this Finance Briefing.

An "unusual" and political move

3. As the Executive Summary (p.2) outlines the Department of Finance is taking an "unusual step of publishing information about the broad choices available for balancing the Budget". While it is clearly an "unusual" but not entirely unique political circumstance re prolonged suspension, we are concerned that the nature of this "step" is a deeply political move to increase wider public pressure for the restoration of devolved government i.e. the serious budgetary consequences within the Department of Finance scenarios are presented to generate a reaction to which the leadership of the Civil Service/NIO can respond by saying "if you (the public, civil society etc) don't like it…get 'your' politicians back into government".

4. While the document states that a budget "could be constructed in a number of ways" and "the number of scenarios is limitless" in fact it reads like an attempt to 'bounce' an

Executive or restrict debate to the three scenarios that the Department of Finance has outlined. This view is reinforced by the timing of the document's release - published immediately prior to the Christmas/New Year holiday period without a full public consultation and with feedback sought by the end of January for a "February budget".

5. If this is the approach, then it would be more accurate for this briefing paper to more explicitly outline the political situation the current parliamentary arithmetic at Westminster has left us in. The Department of Finance obviously cannot critique the decision of the DUP to enter into a Confidence and Supply arrangement with the Conservative Party, but insofar as it is an endorsement of an austerity agenda, the Trade Union movement can.

6. It is also necessary to point out that the "extra" monies now promised by this arrangement were obviously available before the last UK General Election yet, at that time, any request for funding was dismissed usually accompanied by a statement that "there is no magic money tree". The Conservative party's lost parliamentary majority, however, has enabled the drawing down of funds/loans, the existence of which was previously denied. Notwithstanding the question of where/when the "£1bn" can be spent and at what Ministerial level (in a devolved/Direct Rule context), without a fundamental, strategic approach to allocation this is merely the tinkering of a hostile ideologically-shaped financial settlement that has damaged and will continue to damage the economic well being of our members, their families and the society in which they live. In this context, when it could not be more explicit that budget decisions are shaped by the *politics* of Westminster not immutable economic rules, the passivity of the Briefing that refers to a Resource DEL Budget that "will decline in real terms over the two years of the Budget" as if this is "just the way it is and has to be", is not acceptable.

Public services are already struggling

7. Furthermore, the language used in relation to the current "pattern of spend" as "simply unsustainable" is in danger of implying that this spending itself was previously or is currently adequate for the investment needs of our society. This is clearly not the case, as emphasised by budgetary discussion at a Departmental level which shows a system currently struggling to cope or failing to meet its targets. For example in relation to the Department of Health (p.73) it is stated that "the budget scenarios do not provide sufficient funding to maintain existing services". Similarly at Infrastructure "in the past three years the baseline position has not been sufficient to deliver the core services the Department has had responsibility for and in-year additions have been needed to sustain services at a basic level (p.79), while in the Department of Justice – the (Scenario One) "reductions … would undermine the delivery of frontline services across the justice system (p.89). This includes the significant impact "on the work and speed of legacy investigations in PSNI and the Police Ombudsman's historic investigations and legacy investigations in the Coroners Service" (p.92).

The need for a progressive policy review

8. These are only a few examples but in this context it is quite hollow to re-state Programme for Government (PfG) ambitions about the sort of society we want to live in when clearly the *central* government resources to achieve it are not being provided. In this context we do not accept "robbing Peter to pay Paul" as the legitimate method of governance. In addition, it is crucial that we do not too easily accept that so called "protection" (meeting inflation alone) of certain areas is enough when the knock on effect of wider cuts (the list of proposed charges discussed below, for example) on the "protected" areas such as Health and Education is dramatic.

9. The awareness that investment is needed *first* is not wholly absent with the document, as shown when discussing how the transformation of public services requires actions that "will initially involve additional expenditure" (p.3). However, while this is obviously true, the point is completely undermined if the "initial" actions, far from signalling additional resources, represent significant cuts. In this way the possibility of a progressive basis for "reform" and "delivery" (irrespective of how we might disagree on the definition of these concepts) undermines the possibility of such a strategic foundation being established. For example, how can genuine, positive transformation commence without it being preceded, at the outset, by a comprehensive analysis of the staffing levels needed to deliver services across the public sector? Such an analysis would examine the damage being done (at great public expense) to the re-configuring of public services by the overuse of agency staff. (See: https://www.nipsa.org.uk/NIPSA-in-Action/Policy-and-Research/Insecurity-as-Policy).

10. A thorough overview of "what we have and what we need" at a staffing level should be a key component of any Budget briefing but such an imaginative, systematic/strategic review of expenditure is not included in this Briefing document. Furthermore, if throughout the document "all bets are off" on the question of "what might be cut?" why is no review being undertaken on the contractual liabilities that previous administrations sleep walked into re PPP/PFI? What is being investigated re the full cost/benefit of incentivising transnational companies to locate here? What profits for recruitment agencies/private health providers continue to be underwritten by the public sector? In short, why is such "corporate welfare" never regarded as unsustainable?

Three scenarios in an economic strait-jacket

11. While the document states "the scenarios are not proposed budget settlements. They are an illustrative framework to inform consideration of the issues that will need to be

considered by Ministers. No decisions have been taken, as the strategic choices involved are ultimately and rightly for Ministers to decide" (p.8), the stark nature of the cuts in each "scenario" (pp. 43-46) is clear:

- **Scenario One** (p.43) applies 4% reductions in 2018-19, and then 8% in 2019-20 (both as compared to the 2017-18 baseline), to nonprotected departments/areas and assumes an inflationary increase to Regional Rates (domestic and non-domestic). This approach is similar to that taken in both 2016-17 by the Executive and broadly maintained in 2017-18. The 4%/8% reductions would make available £113.9 million in 2018-19 and £228.2 million in 2019-20 for re-allocation. When combined with additional funding available from the Block Grant and assumed Confidence and Supply funding, the reallocations are limited to the Health and Education departments, given the scale of ongoing pressures in these two sectors. It provides no central fund for new actions and interventions in support of PfG and progress on the Programme for Government would be made through rebalancing of programmes and resources by Ministers.
- **Scenario Two** (pp. 44-45)**.** This scenario begins from the same 4% and 8% areas as in scenario one, with the same £113.9 million and £228.2 million for reallocation in 2018-19 and 2019-20 respectively. The scenario also assumes that funding of approximately £130 million in 2018-19 and £200 million in 2019-20 is made available through either income generation measures or through review of some current policies and services…When combined with additional funding available from the Block Grant and the assumed Confidence and Supply funding, compared to scenario one, this would provide additional funding to support additional investment in other departments (as well as health and education). It also provides a central fund of £40 million in 2018-19 and £50 million in 2019-20 for investment in new actions and interventions in support of PfG (in addition to the funding available through the financial annex to the confidence and supply agreement).
- **Scenario Three** (p. 46)**.** This scenario assumes a larger departmental reduction level of 7% in 2018-19 and 12% in 2019-20 for non-protected departments/areas. The 7%/12% reductions would make available £199.3 million /£342.7 million for reallocation, along with additional funding available from the Block Grant and the assumed Confidence and Supply funding. The scenario also assumes that funding of approximately £40 million in 2018-19 and £100 million in 2019-20 is made available through either income generation measures or through review of some current policies and services. This would provide funding to departments and a central fund for new actions and interventions in support of PfG of £30 million in 2018-19 and £40 million in 2019-20 (in addition to the funding available through the financial annex to the confidence and supply agreement). The further reduction in available resources would have a corresponding impact on the pace of delivery of PfG, and would require greater mitigating measures to rebalance priorities than under scenarios one and two.

12. Wherever or by whoever such scenarios were enacted – senior civil servants, Direct Rule or Devolved Ministers – it would represent a failure of imagination to not challenge this economic strait-jacket of block grant reductions up to 2020 that fails to assess more imaginatively the real material needs of our society. Furthermore we are also concerned that in referencing the PfG and stating "the public sector can frame and lead the new outcomes – focused approach, it will require the active involvement of people and communities everywhere," a false distinction between the "public sector," "people" and "communities" is made as if the public sector was not rooted in the community it serves or that its wages were not sustaining the local economy.

13. The presentation of the Economic Context (p.15) refers to the 'job-rich' recovery but lacks the proper discussion of the quality/security/terms and conditions of such jobs. It should also reference the scale of in-work poverty in Northern Ireland, exacerbated by (despite limited mitigation) the read across of the assault on social security that "Welfare Reform" represents. This "reform" as newly published analysis from the Joseph Rowntree Foundation report (See https://www.jrf.org.uk/report/uk-poverty-2017) is creating, "an emerging child poverty crisis".

14. In addition the discussion of "private sector services" chooses to ignore the extent to which such services are, in many cases, underwritten by the state (as discussed above re employment agencies and below re the larger providers of public services) with Health and Social Care delivered on the cheap to such a degree that an increase in the minimum wage, can lead to firms providing social care (within residential homes, for example) warning that such an increase in cost may jeopardise service delivery.

The scale of current under-investment

15. As we alluded to above the “we can’t go on like this” tone of the document is correct in one sense but not in the conclusions it then presents to us. It is right that we cannot go on with real terms cuts to the block grant. In this regard Figure 3.1 (p.17) showing current and forecast non-ring fenced Resource DEL failing to provide a budget merely in “line with inflation as measured by DFP” is a picture of current and forecast under-investment. This section should, as a minimum, include the costing for a range of financial settlements that meet such inflationary pressures and move beyond them to look at real term need across society including how even a “ring-fencing” in some areas against inflation is a limited protection, if the consequences (due to withdrawn/reduced services, underinvestment etc.) across wider society dramatically increases pressure on these “protected” areas.

Regional revenue-raising amidst UK austerity

16. The discussion on rates and the comparisons with England/Scotland/Wales continue the consistent failure to look at the unique circumstances of Northern Ireland (in scale alone) that renders farcical the revenue raising approach throughout the Finance Briefing. Given the size and economic base of Northern Ireland this approach is as nonsensical as any impoverished sub-region being asked to revenue-raise to contribute to regional services, rather than looking to the collective necessity of deprived regions drawing on the central funds they need. Furthermore as NERI have pointed out, the District and Regional Rate in Northern Ireland accounts for the same proportion of NI GDP as Council Tax and Business Rates do for UK (GDP - 3%). NERI also point out the “running to stand still” nature of the fact that even if the wish-list of the costed “income-generation” proposals (£12.9m in 18/19 and £126m in 2019/20) plus the maximum regional rate increase were realised, this

would raise £87m in 2018/9 and £277m in 2019/20 - years for which the forecast Departmental expenditure cuts are £96m (2018/9) and £258m (2019/20).

17. This re-enforces the fact that, the bigger picture, the real economic story remains a real terms cut to the block grant that has delivered an 8% reduction in day to day spending since 2010 and a Civil Service, as the document, admits, now 18% smaller than in April 2014" (p. 38). Framing economic questions too restrictively around what "we" at a regional level can do ignores the context of a regional wealth gap *within* the UK (greater than within any other part of the EU) and the complexities of intra-regional funding comparators, not least of which is the "cost" of trying to build a society coming out of conflict. Of equal significance is that cannot ignore the persistent failure – even on its own terms - of the UK wide austerity agenda. For example, those who once promised that their economic miracle would be founded on "balancing the books" by 2015 now "aim" to do so by 2031. Given consistent failure to meet their most significant economic targets and having delivered the worst decade for workers' wages since the Napoleonic wars, what purpose is served by the Department of Finance merely acting as a Treasury echo chamber without challenging the guaranteed economic failure that such "zombie economics" delivers?

A peace dividend and progressive reform

18. As referred to above, in September 2015 NIPSA responded to public discussion on budgetary questions affecting the local economy that arose from the Stormont House Agreement (see: https://www.nipsa.org.uk/NIPSA-in-Action/Policy-and-Research/A-Failure-of-Imagination). In this we criticised inter alia, the economic myopia of the public service redundancies that failed to fully assess the impact on the local economy and the proposed sale of state assets that should, we argued, be used as a revenue stream and

basis for further investment. We also repeated our opposition to the continuing repetition of the proposal to cut Corporation Tax. This, we argued, even before the realisation of a Trump Presidency was an unwinnable race to the bottom. This “crisis” Finance Briefing, in our view, under-estimates the hit to the block grant of a cut in Corporation Tax. It presents this as “£250 million” without detail of how this has been calculated, given previous estimates in the public domain of between of £350m-£700m. Again in the spirit of the Briefing’s “what would you cut?” approach, we believe this is the perfect time to signal the scrapping of this destructive corporate fantasy once and for all.

19. In addition while this briefing (pp.21-22) outlines the monies/plans for Fresh Start’s implementation plan it would be useful if the Dept. of Finance did more than present Fresh Start funding “available” and presented some analysis of the impact of such funding, including a post-audit discussion of VES that highlighted (as the audit did) the dangers of short term budgetary decisions having priority over longer-term strategic workforce planning.

20. As alluded to above the general discussion in Chapter Four: Balancing the Budget discusses the need for “transformation” yet fails to address properly that existing allocations do not meet existing need, let alone prepare for such change. Comparators with other regions, even the most deprived within the UK fail to deal with the nature of a segregated, post – conflict society – the transformation of which requires what was once promised post– Devolution – a “Peace Dividend”. The distance from this to the financial picture presented in this document is dramatic and would be better informed by a fuller discussion of the appropriateness/strategic adequacy of funding (merely) listed as centrally-held items (Annex B) - including Paramilitary Strategy Match Funding and Shared Future Funding. The

£12m a year allocated to the latter offers a clear contrast and presentation of Dept. of Finance priority when compared to the financing of RRI debt discussed below.

21. As we have previously argued the duty of "Government", devolved or otherwise, is to protect and enhance the spine of society that public services offer. This document fails to present a progressive way this might be funded. In particular the "long-term and short-term choices" do not explore how the latter can, and do, subvert the former in the limited scenarios offered. In this way despite reference to "transformation" the starting point should be the presentation of transformative investment needed to address a society still living with the legacy of conflict. Whether it is in the discussion of Health (p.26) or any other area, any re-configuration that is not matched by investment in staff/resources is a false promise offering reduced services and privatisation by the back door (see: https://www.nipsa.org.uk/NIPSA-in-Action/Policy-and-Research/Transforming-Your-Care). The "never let a crisis go to waste" approach of predicting catastrophe without "radical reform" and then using such reform as the excuse to subvert or hint at the threat to the principles of publicly funded, free at the point of use public services, while not new, is not acceptable and underscores the approach taken within much of the Briefing.

22. We also need to be aware of the damage done to public services and public servants of them being in "permanent transformation" mode. We only need to look at Health, the Education Authority or the state of local government (post the cost and upheaval of RPA) to see the consequences of this. In addition to the huge question of "legacy", on Brexit the document would benefit from some detail beyond "recognition" of its local implications that Departments are "working through" (p.16). Given the controversy around an initial promise from Brexit Secretary David Davis of 58 papers containing "excruciating detail" of Brexit's sectoral economic impact that (subsequently were only found to exist in his

imagination) reassurance/detail of *financial* preparedness and flexibility at a local (NICS) level in response to Brexit (including drawing on the extra resources that the Treasury has dedicated to this purpose) is essential.

Charging proposals have no mandate

23. We also note the threat to our members offered by the reference to the fact that "as more than half of the Resource DEL is spent on pay, any significant reductions to pay budgets would require pay controls, potentially to include recruitment controls or Voluntary Exit Schemes". This flows from the decision to limit debate to the options in Figure 4.1. Notwithstanding the change offered by the phrase "review of existing policies" that as we refer to above leaves the failure to argue for appropriate investment and staffing, this suggests that exchanges between the Department of Finance and the No 10/Treasury are less "conversations" as passive acceptance of an inadequate financial settlement or offer. In addition, simultaneous to the claim that scenarios are infinite, we instead have a reprise of the "charges wish-list" (rates, dentist, car parking, concessionary fares, Home to School Transport, Higher Education fees, patient transport, prescriptions, etc) that **officials** have decided to put at the centre of the budget debate despite these proposals having been consistently rejected by the Executive and the electorate that put them there.

Defending public housing

24. The contradictory nature of some of the proposals in the document is also exemplified by the reference(s) to Housing Executive rents. Instead of a Briefing that refers to the need to deal with societal priorities holistically and acknowledges the centrality of public housing, delivered by a publicly funded/accountable public body in achieving such an aim, reference is made in the document to increasing NIHE rents to align them with those in Housing Associations. At the same time the Briefing acknowledges the knock on effect this would

have on Housing Benefit costs and how it would 'hit' the (Assembly) Executive budget. This Briefing and a future Budget must face the obvious fact that the long-term solution on housing is to deal with the failure to build enough houses. We have the advantage locally of being able to draw upon the expertise and public accountability of an existing body (the Housing Executive) that can oversee such a task with the "where's the money to do this?" question answered, as we have previously outlined, by allowing the Housing Executive to borrow the funds it needs. (See https://www.nipsa.org.uk/NIPSA-in-Action/Policy-and-Research/Our-Homes,-Our-Future-Protecting-Public-Housing).

Revisiting Public/Private contracts

25. The discussion on Capital DEL begins with outlining the distinction between conventional Capital and Financial Transactions Capital (FTC). The further definition of the limitations that apply to this outline how the FTC can "only be used to provide loans to, or equity investment in, the private sector". That such a restriction applies – to the point that FTC can remain unspent and "untouchable" amidst the "financial crisis", the rest of the document unsubtly implies, that pushes us to a regime of service charges – clearly reinforces the ideological foundation of the current budgetary arrangements – surrendering the political/economic control of conventional government borrowing that meets society's needs in preference to the market models that, far from accepting transferred risk, allow the largest private sector concerns to gamble recklessly with *our* money, walk away when they fail and leave us, as taxpayers, to pick up the tab. At the time of writing the name of Carillion has provided the most exploitative/destructive example of where surrendering public service delivery to the market leads. Given this is not a one-off and there is a long history of oversight failures when the private sector is brought in to deliver public services, it is essential that in relation to the Northern Ireland

Investment Fund (p.111) that starts with a £40 million tranche to CBRE to manage the fund, public accountability mechanisms are transparent and robust.

26. Again, as discussed above, far from evidence of the private sector's failure to deliver leading to a thorough reappraisal of the economic models that created such costly failure, public resources are diverted to feed inappropriate demands. The Briefing illustrates this approach as it outlines how outstanding RRI debt has "first call on the Regional Rate income…reducing the amount of funding that can be directed towards other public services" (p.106). This slavish/passive acceptance of such a political priority – servicing debt over serving public need – should cease with a real "review of existing policies" beginning with a re-negotiation/restructuring of this debt. This 'line in the sand' should also offer the chance to look at all public sector contracts with the private sector including its arrangements for "shared services" that, traditionally, starting from a position of no properly presented public sector/in-house comparator, promise more than they deliver either in savings or delivery.

Unacceptable approach to equality

27. The real starting point on forthcoming budgets is an assessment of our needs in the **unique** context of a post-conflict society. This should be complimented by recognition of the centrality of action beyond minimalist monitoring for equality impact. The Finance Briefing (p.135) refers to:

> a cumulative impact assessment will be prepared, based on information from departments and any other feedback, to allow incoming Executive to take fully informed budgetary decisions. Once Ministers have made decisions, these decisions will continue to be subject to specific equality screening and, where appropriate, full Equality Impact Assessment (EQIAs) by departments, their agencies and relevant statutory authorities, as part of their respective equality schemes and in accordance with the criteria set out in the guidance produced by the Equality Commission for Northern Ireland. In that contest the NICS Board alongside any incoming Executive, will ensure that departments, government

agencies and relevant statutory authorities continue to meet their obligations under Section 75 and Schedule 9.

This approach, subordinates a true assessment of equality impact as it places it in a sequence of “analysis” *after* the scenarios are outlined. The lack of a full EQIA compounds the absence of the appropriate consultation we criticised above. This approach, we believe, is in conflict with the Equality Commission opinion that “proposed or adopted policies” are not outwith the definitions subject to the application of S75 simply because they have been re-defined. This view is echoed in the Department of Finance’s own Equality Scheme. The Briefing document, therefore, with the dramatic impacts it forecasts is clearly within the broad definition of ‘policy’ and should warrant the necessary screening for impact on S75 groups. If the Dept. does not do so it would be more honest and transparent for Senior Civil Servants/Ministers (devolved or otherwise) to make clear which equality concerns they are prepared to de-prioritise.

Conclusion

The picture that the Finance Briefing presents is of a system already in a funding crisis now expected to at best “manage” future decline within a new regime of regional charges. The consequences of this approach to our members and society in general are dramatic and unacceptable. NIPSA believes the starting point must be, inter alia, a rejection of the Treasury’s inadequate financial “settlement” for the Northern Ireland Executive; a genuine reappraisal/re-structuring of the punitive debts incurred under previous Executives; a re-examination (with a view to returning services in-house) of existing private sector contracts for public service delivery, an end to “corporate welfare” and a genuine approach to “reform” that commences from the necessary investment in staff and resources to meet public need.

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