Alliance Party of Northern Ireland

Response to Northern Ireland Executive Draft Budget 2011-2015

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Introduction

This draft budget is not necessarily the budget that Alliance would have produced. As an individual party, we have our own ideas and priorities; but respect and acknowledge a process of negotiation and compromise within a five-party Executive.

We do recognise that there is a clear legal requirement and political imperative for a budget to be agreed by end of March 2011.

This response draws upon our paper "Shared Solutions: Proposals for the Northern Ireland Budget, 2011-2015" which we released in November 2010.

Alliance accepts the need to address the national deficit, but we have concerns at the pace adopted by the Coalition Government, with steeper falls in public spending than were arguably necessary. Indeed, the matter of the pace of reduction in the deficit is contested among professional economists.

We have particular concern at the differential impact upon Northern Ireland, due to our overly large dependency on the public sector and continued struggle to rebalance our economy in the aftermath of violence and continued reality of division. Public expenditure accounts for two-thirds of output (GVA – Gross Value Added) in Northern Ireland.

With the announcement by the UK Government of the Comprehensive Spending Review (CSR), the level of funding for the Northern Ireland Executive, with respect to DEL (Departmental Expenditure Limits) has become clear.

Reductions in real terms (adjusted for anticipated inflation), over the four-year period through to the 2014-15 Financial Year, amount to 8% in current expenditure and 40%

in capital expenditure. The cuts to revenue were not quite as steep as anticipated. However, the capital budget suffered much more than expected. Commitments made in relation to a ten-year £18bn funding for capital investment have not been honoured by the British Government.

While the overall level of reduction is clearly problematic and objectionable, it is nevertheless a reality. It is incumbent upon the Executive and Assembly to act in a responsible manner.

That said, Alliance appreciates that cuts in public spending will cause considerable problems and distress for many people, including those who work in the public sector, those in the private sector depending upon public sector contracts or the spending power of workers paid by the public sector, and those depending upon public services.

The budget-setting process should be about more than just addressing cuts arising from the CSR. Rather it should be about setting spending priorities for the next four years in line with a Programme for Government. Neither is it about simply reducing existing spending to manage in a new context. The Executive should consider additional and alternative spending commitments while reviewing existing policies and programmes to ensure that resources are used most efficiently and effectively. In particular opportunities under the 'invest to save' approach should be fully explored.

Alliance believes that the Executive should reflect on the points made in this document and make adjustments to the final Budget to be agreed in March accordingly.

Key Priorities

For Alliance, public expenditure must be maximised to meet a number of core objectives:

1. Rebalancing and restructuring the Northern Ireland economy;
2. Modernising public services;
3. Maximising employment across the public and private sectors;
4. Protecting the most vulnerable in our society;
5. Delivering a shared future.

Rebalancing the Economy

Growing the private sector and creating private sector employment is a core principal of our response to the comprehensive spending review.

Making the most of our assets

At the same time of improving the productivity of the public sector, there is a need for private sector job creation and growth. In Northern Ireland we have the resources and skills to create a dynamic and competitive private sector with our large pool of highly qualified young people, our low cost base, our strong manufacturing base, the current slack within the labour market, our entrepreneurial culture, our research and innovation attributes and our world class telecommunication and IT networks.

Maximising policy levers

In addition to making the case for a reduction in corporation tax we need to ensure continued investment across policy areas that have a strong impact on economic growth e.g., capital investment, energy infrastructure, education and skills and research and development. It is vital that all these policy levers are fit for purpose and can been shown to produce the desired outcomes.

Joined up government

Funding allocated toward business development and growth must be targeted, effective and cutting edge, with support being given to high growth, innovative businesses. Risk and entrepreneurship should be encouraged. There are also a number of relatively cost neutral steps that can support business growth e.g., a reduction in bureaucracy, speedier planning decisions, targeted public sector procurement etc. Our call for institutional reform (detailed later in our paper) is essential to achieving this aim. Currently funding that is designed to support and grow the private sector is spread across a number of Departments and agencies e.g., DEL, DETI, and InvestNI.

Streamlining delivery would allow resources to be pooled; reducing the level of funding spent on administration and provide an easier landscape for businesses to navigate.

The Draft Budget does not live up to its billing as supporting economic recovery.

The rhetoric about the economy is not followed through in any meaningful way. The Draft Budget is hampered in this regard through the absence of the Programme for Government and an Investment Strategy, and more specifically the delay over the Executive's Economic Strategy.

At best, it can be argued that the cuts to the two principal economic facing Departments, namely Enterprise, Trade & Investment and Employment & Learning are less than in other areas. However, considerably more protection is given to Health and Social Services which constitutes over 40% of expenditure.

Specific concerns have been voiced at the reductions in Invest NI and to investment in skills.

The business community have also pointed out concerns at a lack of willingness to confront tough choices around revenue raising and also to reform the public sector. We support this.

Furthermore, the Draft Budget fails to sufficiently redirect money from current to capital expenditure in order to improve Northern Ireland's infrastructure. This may undermine Northern Ireland's competitive advantage.

Finally, it must be borne in mind that Northern Ireland's economy is still struggling to recover from the recession. A Budget that simply seeks to manage cuts is not sufficient.

Modernising Public Services

Alliance maintains a strong commitment to quality public services. The primary purpose of public services is to provide public goods and outcomes beneficial for individual citizens and society as a whole. Alliance does not adopt an agenda of freezing the status quo. Rather, budgetary decisions should be used to fund continuous improvement in the methods of service delivery and end products.

The draft budget comes across as an effort in drawing around the wagons to defend existing policies, practices and facilities, with a retreat to core. There is little evidence of innovation and reform, including a greater emphasis on early intervention and prevention.

Maximising Employment across the Public and Private Sectors

While the primary indicators of economic development in Northern Ireland must be linked to increased wealth and productivity, government must also have a responsibility to maximise the level of employment. This aim should be achieved with a perspective that covers both the public and private sectors. Consideration needs to be given to the inadvertent consequences that choices in the public sector may have on the private sector, and also the potential for the private sector to sustain jobs and develop new job opportunities if sufficient investment is made in the main economic drivers.

There is no evidence in the draft Budget of any formal strategy for maximising employment across Northern Ireland. While attempts have been made to protect employment in the public sector, some of the opportunity costs of such measures may be fewer resources available to helping employment in the private sector. One example of this would be the shortfall in capital funding, and the failure of the Executive to adequately redirect resources. This could see even greater falls in private sector employment, and an even larger negative multiplier effect through the rest of the economy.

Protecting the Most Vulnerable in Society.

Alliance is very mindful that it is the most vulnerable in our society who depend more on public services. Similarly, the raising of revenue can and should be on a progressive basis: were payment is based on the ability to pay. There are unfair subsidies in our society that exist at the opportunity cost of better public services and further investment in economic transformation.

The need to protect the most vulnerable in our society is even more marked given the welfare reform agenda being driven at a Westminster level.

The continued focus on populism around revenue raising in the draft budget leads to services being undermined.

Delivering a Shared Future

Alliance believes that there is a clear relationship between economic transformation and the creation of a shared future in Northern Ireland. The building of a shared future will be helped through growing economic prosperity, while economic growth will always be constrained by division, given the distortions that flow to public finances, investment decisions and labour market mobility, as well as undermining the general image of Northern Ireland.

Alliance believes that shared future considerations need to be mainstreamed throughout the final Budget and have set out the opportunities in greater detail in Annex 1 of this document.

Forward Planning

This budget should be a four-year budget. This would allow for Departments to plan adequately how best to utilise their resources and to give similar considerations to Arms Lengths Bodies, plus community and voluntary groups.

It should be further stressed that even a four-year budget should not and would not be set in stone. Events and the overall state of the economy, including the level of inflation and changes in the property market, would necessitate assumptions being challenged.

While the in-year monitoring process will be in place, it is important that a revised system is considered which better challenges existing policies and practices.

Flawed Process and Consultation

The process of developing this draft budget has been flawed.

Best practice on budget setting has been utterly ignored at a time when it is required to address the exceptionally challenging environment that we operate within.

The Executive should have produced a Draft Programme of Government and Investment Strategy for Northern Ireland (ISNI 3) in advance of the Budget. The decisions of spending and revenue raising should be informed by the strategic direction set by the Executive and Assembly rather than the budget defining long term strategic direction.

The consultation process has been particularly frustrating. First, the Executive failed to agree upon the draft Budget in a timely manner in the aftermath of the release of the UK Comprehensive Spending Review settlement for Northern Ireland. Agreement in mid-December curtailed the best practice of a 12-week public consultation, which was already going to overlap with the Christmas/New Year break. Arguably, the draft Budget, the most important of government decisions - particularly in the current financial and economic context should be the last process to be curtailed as such.

This problem has been further compounded by the delays by Departments in publishing their own Departmental Spending Plans. These were supposed to follow within seven days of the draft Budget agreement by the Executive, and yet only three Departments were able to publish their plans in a timely manner, namely Justice, Finance and Personnel, and Culture, Arts and Leisure.

Consequently, there was an absence of any detail in relation to the workings of the Budget at a Departmental level.

This delay occurred despite Departments notionally working on their plans from July 2010. Each department should have been planning for various scenarios and then only had to finesse its final draft plans when the Executive agreed upon the overall draft Budget.

Lack of Strategic Approach

Again, it is difficult for the Budget to be considered in strategic terms in the absence of the next Programme for Government and Investment Strategy.

Finance should follow policy rather than policy following finance.

In the absence of these documents, the Executive is diverging from best practice in budget making.

Alliance is concerned at the approach to efficiency savings and improving the productivity of the public sector, where there is a lack of strategic approach.

This is often an across the board exercise rather than a weighing up of different priorities and reconsideration of old policies and practices, resulting in cuts in front-line services. Efficiency savings in their purest sense should refer to productivity gain.

Currently levels of productivity within our public sector (departments and non-departmental public bodies and local government) are low. There is an opportunity to 'do more with less' - every penny must secure value. Through effective planning, cutting spending does not necessarily have to mean cutting services. Research has shown that despite unprecedented spending, productivity in the public sector has not improved in line with the private sector and in many cases productivity has been declining – improvements in productivity can reduce spending and support the retention of services. In the light of CSR the following questions should be asked**:**

- Is this something the Government needs to continue?
- Does it contribute to the core priorities of Government?
- Is this something that could be done more efficiently?
- Are the services having an impact, can they be targeted more effectively?
- Can the service/activity be provided at lower cost?

There is considerable variation in the format and detail of the various Departmental Spending Plans. It is also clear that each plan was developed by departments in isolation from one another. There seems little consideration to the potential efficiencies and savings to be found from joined-up government.

In the past the Departmental spending plans would have been contained within the single draft Budget document. That said, even within that format, there would be no guarantee of joined-up thinking. However, the structure of the Budget seems to be quite clearly one of a high-level agreement from the Executive on the distribution of the overall settlement with the individual Departments left to work out the details. Again this aspect would have been helped by a Programme for Government.

Furthermore, there is little evidence of collaboration between Departments over potential efficiencies, and the positive or indeed negative effects of spending decisions in one department upon the operation of another.

Invest to Save
'Invest to Save' is one particular, but not exclusive, opportunity for collaboration. Alliance is concerned at the limited and unimaginative use of the 'invest to save' approach. Many of the proposals seem to have a single departmental focus.

Lack of Attention to Cross-Cutting Themes for Efficiencies and Savings

There are a number of cross-cutting approaches to addressing cost pressures as identified and promoted by the Alliance Party and others. These do not seem to have been followed through at the strategic level in the Budget. While it can be argued that these matters should really be left to the Departmental Spending Plans, there is no evidence, outside of the Department of Justice, of any of these having been considered. In any event, it can be argued that the Executive should be providing leadership around such matters centrally.

Benchmarking & Market-testing
Decisions on public expenditure in Northern Ireland can be informed by the nature of decisions taken in other, particularly neighbouring, jurisdictions, as well as benchmarking delivery intra Northern Ireland (for example at a local authority level). While there are particular circumstances to the local expenditure environment and organisational differences, considerable lessons can be drawn from driving to benchmark expenditure.

This can extend to both the balance of spending between Departments or spending areas and also the balance of spending within Departments or spending areas. The use of the annual Public Expenditure Statistical Analyses from HM Treasury is informative at a high level e.g., for example our prisons are approximately 50% more expensive than other prisons throughout the UK; significant savings can therefore be made through modernisation and implementation of best practice.

There will be areas in which spending in Northern Ireland is greater on a per capita basis than in other jurisdictions, even taking into account increased need, and other areas where spending is much less.

The key question is whether or not these distortions can be justified in light of Northern Ireland's particular circumstances or whether they point to underlying inefficiencies.

Evidence to date from Departments is that benchmarking is at best patchy, piecemeal and small scale. Indeed, some Departments even deny the value of benchmarking at all.

Nevertheless, some important action is being conducted in this regard. Initial work in this area completed by the Department of Justice has resulted in savings in the Northern Ireland legal aid bill of £30m per annum while still protecting the most vulnerable in society.

Alliance does not address the issue of market-testing from any ideological perspective. Instead, our motivation is to find solutions that are cost-effective while preserving service outcomes.

The cost and quality of services delivered should be market tested where appropriate to ensure that they are delivering value for money. Greater competition can often improve cost effectiveness whilst improving or maintaining quality. It is suggested that competitive tendering can result in cost savings of between 10% and 30%. We are not advocating that services should be outsourced, but rather all services should be examined to ensure that they are being delivered in the most cost effective manner – this may involve re-engineering. Partnership with the voluntary, community and the private sector is required.

Focus on early intervention and preventive measures
Such a focus can avoid greater cost pressures after problems develop. The funding of the former tends to be optional while the funding of the latter tends to be statutory. There is a tendency to view early intervention measures as optional extras, but there is a case for shifting the balance of funding, and this means also following through with projected savings with back-end funding. This is not quite a leap of faith as there is already considerable empirical evidence from other jurisdictions of this approach being successful. A focus on preventative measures can ensure savings across a range of public spending areas including health, justice and social care.

Examples include, reducing re-offending rates and improving education and employment outcomes for all. Specific examples include:

- The cost of a child in care of the state costs approximately £100,000 per annum, funding provided to family support programmes such as Home Start and Sure Start cost less than £2,000 per intervention.
- Investment in interventions to reduce the number of young people not in education employment or training can save on average £81,000 over the lifetime of a young person. Investment in interventions such as the Prince's Trust Team programme can progress 80% of young people into employment, education or training

Working in partnership with the voluntary, community and private sector
Smarter and more cost effective solutions can be achieved by working in partnership and drawing on the expertise that exists both within and outside the public sector in Northern Ireland. In a parallel to the opportunities from market-testing, the voluntary and community sector often has the capacity to deliver services more efficiently than the public sector. This often matches a greater emphasis on prevention and early intervention as outlined above.

In many cases working in partnership with the community, voluntary and private sector can tackle the problems that are causing the public services bill to soar e.g., community food initiatives and sports activities can fight obesity; advocacy projects improve the mental health of isolated people; and training and employment services impact on unemployment and welfare bills.

Voluntary and community organisations can often provide targeted solutions to local issues more effectively than statutory interventions. People in disadvantaged and marginalised communities are more likely to engage with a voluntary or community organisation. Measures must be taken to encourage such activity.

While it is unrealistic to assume that the reduction in expenditure will not affect the voluntary and community sector it is vital that each Department does not see the services provided by this sector as an easy target for reducing spending. The Executive must think strategically, plan effectively and target resources toward areas of greatest need and into initiatives that are shown to achieve the best outcomes. It is therefore important that the Executive as a whole consider the impact of individual Departmental cuts on the sector. It is vital that the expertise that lies within this sector is not lost. Ongoing partnership with the voluntary, community and private sector is vital to developing efficient and sustainable public services.

Costs of Division/Investing in a Shared Future

The greatest distortions in our local Budget relate to the costs of managing a divided society. Alliance estimates that this amounts to £1bn every year. This is an unjustifiable burden at the best of times, but becomes even greater at times of financial difficulties. By contrast, there are significant savings to be found through investing to save from the creation of a cohesive, shared and integrated society.

While this may take many years to conduct, there is an urgency to start now. These issues are set out within Annex 1 of this document.

One particular area where there are considerable benefits to be achieved through the development of shared education. This has been highlighted by the recent Oxford Economics paper on Shared Education commissioned by the Integrated Education Fund. Not only are there clear benefits to society and young people but there is also the potential to use resources more efficiently and effectively. It is estimated that the benefits of shared education could amount to £300m in the longer term. However, it is important that the budget reflects the fact that the costs of maintaining a divided society manifest themselves across all our departments and spending areas not just education.

These issues are set out within Annex 2 of this document.

North-South Shared Services

There is untapped potential for shared service savings being found on a cross-border or all-island basis.

Such co-operation could happen independent of political considerations and would respect the underlying constitutional agreement that entrenches the Principle of Consent. It could also develop without adding further institutional structures.

Any fiscal or monetary harmonisation on an all-island basis is not realistic; this would mean moving out of the UK arrangements which would not make any financial or economic sense at present. While the large scale of the UK Treasury subvention to Northern Ireland is unsustainable and must be challenged, at present Northern Ireland remains massively dependent on a considerable financial transfer. We also recognise that there will be continued economic competition between the two jurisdictions on the island, especially over investment.

The scope for economic and other co-operation, mutual development and harmonisation, includes:

- Standardisation of regulations;
- All-island marketing, e.g. tourism, green economy;
- Addressing segmentation in markets;
- Infrastructure – energy, transport, telecommunications;
- Culture;
- Environmental protection;
- Barriers to labour market mobility.

With respect to financial savings, work completed within the health arena by Co-operation and Working Together (CAWT) demonstrates the opportunities that can arise from shared service delivery in the health arena. Cross border working has occurred in a range of areas including cross border GP out of hours services. The work has shown that cross border collaboration can result in better planning of services for patients and the ability to sustain high quality provision on both sides of the border.

As well as improvements in service delivery cross border collaboration has also resulted in:

- efficiency savings through the sharing of resources and expertise; and
- a critical mass of population and user group required to justify the concentration of services, leading to economies of scale.

There are other examples of good practice on financial shared services on a North-South basis including the continued commitments of the Irish Government to part funding infrastructure improvements within Northern Ireland.

This initial work can and should be significantly extended with respect to healthcare issues and other matters. It is important that the Northern Ireland Executive and the Irish Government map out all of these opportunities and then follow through.

Raising of Additional Revenue

No government in the world would seek to address such a financial gap through spending cuts alone. Therefore, the raising of additional revenue must be part of a package of measures considered by the Executive. Where additional revenue raising measures are introduced these must be progressive i.e., ability to pay must be paramount, with the most vulnerable in society protected.

The Draft Budget assumes revenue-raising of £842m, unfortunately this is a very speculative figure and Alliance is concerned that this is heavily premised on asset realisation in a very uncertain market. For example the Housing Associations have estimated that revenue generation potential from the Housing Associations is more likely to be in the region of £15m rather than the £80m outlined within the budget.

However, it seems to be the silver bullet for funding a number of pressing needs and relieving pressures in certain areas. Certainty, not speculation is required. There is a real risk in this approach and clearly the executive must consider other routes to rising revenue to support economic development and growth.

Regional Rate
The regional rate is at present the main source of revenue for the NI Executive outside the Block Grant. It delivers an income of approximately £1bn every year to the Executive. After a number of hikes under Direct Rule, the NI Executive has frozen the rate in actual terms for three years running. This freeze in real terms amounted to a cut. This was not justified in the prevailing economic and financial circumstances of the day. A real terms freeze/rise in line with inflation would have generated around £10m in income each year. Cumulatively, the Executive would be over £30m better off today if this limited action had been taken.

We support the inflationary rise in the regional rate, raising an additional £10/£15m per annum for the Executive.

Remove Rate-Capping
Alliance opposed the introduction of the rates cap at household values of £500K and the subsequent reduction to £400K. The overall effect of the rates cap financially amounts to approximately £5m in lost revenue.

The rates cap is a blanket subsidy that assists a wide range of people, including those who can quite readily pay their fair share to society. In economic terms, there is a considerable deadweight to what is being proposed. Although a retired couple, who are pensioners, may benefit a little from what is being suggested, the millionaire who lives in the mansion will benefit considerably more than those whom we are trying to assist.

The people in the middle, those who are paying rates on middle-value properties, will have to fund the subsidy. It is worth pointing out that the average capital valuation — going back to the January 2005 figures — is in the region of £150,000.

There is a problem for the asset rich and income poor in society, who have problems when faced with steep rates bills. However, there are other ways in which those people can find some degree of relief; for example, through extending the current scheme to take into account widows, widowers, or double pensioners. Ultimately, a local income tax would be the fairest and best measure of ability to pay.

Alliance believes that rates-capping should be removed as part of this budget.

Consider Water Charges
So far, Alliance is the only party that is prepared to be frank with the people of Northern Ireland over water charges. There is now an urgent financial requirement to address this deficiency.

While we do already pay for some of the cost of water and sewerage services as part of the regional rate, alongside all other aspects of local expenditure, these contributions do no cover the full cost of running the service (the link between the cost of delivery and charging was broken in 1999). The level of payment is considerably below the level paid by others elsewhere in the United Kingdom and fails to cover the cost of service delivery, resulting in an annual cost of £200m every year. This deferral is not funded through the block grant. Therefore, the subsidy for water results in money being directed from public services or investment in our economy to cover this.

Avoiding water charges means deeper cuts in those public services. Alliance believes that the introduction of water charges is consistent with a progressive approach to revenue-raising and a concern for the most vulnerable for society. By contrast, continued prevarication of this issue is regressive in its effects by hitting the services most vulnerable in our society.

However we do appreciate that families and households are under financial pressure and therefore payment must be supported by an efficient and timely service. Any water charge must be fair, and linked to ability to pay and relative usage. Therefore the less affluent households would pay less, while the more affluent would pay more. Also, it is the less well-off and the vulnerable which depend more on public services. The regional rate should be reduced by the assessed amount that is already paid by households through that system.

The problems with the water service in the December 2010 winter thaw bring into stark relief the historical underinvestment in the water and sewerage infrastructure, and the unsustainability of water competing for scarce resources against essential public services such as health and education. Water and sewerage should become self-financing.

Other Revenue Generating Measures

There is a range of options open to the Executive that could offset the impact of the cuts on front-line services, raise revenue to support the reform of the public sector and allow for investment initiatives to grow the economy and create jobs e.g., the Green New Deal, corporation tax etc. Options include:

- The sale of assets e.g., no longer used police stations, assets released through the rationalisation of the school estate and government departments etc
- Consider mutualisation of selected organisations including Northern Ireland Water and part of the Northern Ireland Housing Executive;
- Consideration of congestion charges and car-parking charges / residential zone parking etc would generate funding for investment in infrastructure, with the resultant resources reinvested in the transport sector and a consequent shift from private to public transport.

While the abolition of prescription charges and free travel for the elderly have been mooted as potential areas for revenue savings, these areas would release relatively small levels of funding (£3m in the case of free transport). If replaced by a system of means tested allocation the savings would be reduced even further. Alliance does not believe that it is appropriate to pursue either of these at this stage.

Alternative Sources of Debt Financing and Capital

Using public sector funding to leverage private sector investment is crucial, untapped opportunities include the European Investment Bank, (which forms a central part of the Green New Deal proposals), JEREMIE (Joint Resources for Micro to Medium

Enterprises), this is particularly important given the current state of the baking sector and the lack of private sector investment market for innovative high risk ventures in Northern Ireland. The Executive should investigate opportunities to fully leverage existing funding, and implement cross departmental and area based strategies to maximise the potential of these funds. Decisions on the structure of arms lengths bodies such as NI Water are crucial in this regard.

Health Protection

While there is ongoing under-funding compared to other jurisdictions, full protection of the health budget means almost doubling the cuts in every other Department, and also will mean that the inefficiencies that do exist in health will go unaddressed. However, Health could be asked to find a lower level of savings than other Departments in recognition of its critical importance. Accordingly, it is right that health could receive a considerable degree of protection. But equally, it is important to acknowledge that even this comes at the expense of other opportunities for expenditure including to an extent the economy.

Green New Deal

The growth of the green economy through the implementation of the Green New Deal is a major opportunity for our society, particularly at this time of economic and financial pressure. The green economy can bring a range of benefits to Northern Ireland. There is environmental advantage from reducing the use of carbon. There are financial savings to be made from increased energy efficiency in homes, businesses and the public sector estate. There are also social benefits through a reduction in levels of fuel poverty among households. Crucially, investment can also result in employment opportunities, ranging from high tech manufacturing jobs to maintenance jobs at wind power plants or in sustaining and growing employment in the agricultural sector producing biomass. Targeted investment and growth of the renewable sector could potentially create up to 30,000 jobs.

In the short-term the retrofitting of our existing housing stock, through the implementation of cost effective energy efficient measures, would create and sustain jobs within the construction sector.

A recent report issued by the Green New Deal Group estimates that two thirds of the funding can come from non-governmental sources leaving a commitment of only £70m to be found from the block grant. The release of a small investment today will deliver significant savings within a very short timeframe. Benefits could include:

- a minimum of 2,300 jobs over three years;
- significant funding and investment leveraged off the back of government resources;
- household savings of £320 per annum;
- 50,000 homes lifted out of fuel poverty.

Alliance welcomes the commitment to the Green New Deal in the Draft Budget.

However, the funding of the Green New Deal Group's Housing Project is not actually secured. The allocation of the proceeds of £4m pa from the Plastic Bag Levy is woefully insufficient to address this project. Alliance believes that the final Budget should commit fully to this project.

Alliance is also concerned that there is the potential for many other environmental support funds to be re-directed into supporting this one project. It is designed to supplement other activities not to replace them.

There is not any clear economic and environmental model being employed by the Executive that can assess all of the different policy levers available to the Executive and the Departments to affect change in economic, social and environmental terms.

Reallocation of Monies from Current Expenditure to Capital Expenditure

The continued investment in Northern Ireland's infrastructure is critical to the future development of the economy. There is also a considerable spin-off in terms of work for the construction sector. This is a major element of the Northern Ireland economy and has suffered most from the recent recession.

Concern has been expressed at the steep reduction in the level of capital funding, while the settlement with respect to current expenditure settlement was better than expected. Northern Ireland Departments had been asked to prepare on the basis of a 10% reductions in current expenditure. The reductions amount to 8% on the basis of DFP figures.

Alliance proposes that Departments continue to work on the basis of an average of 10% reductions. (The Executive has the ability to prioritise the distribution of the burden across Departments). The resultant balance could be transferred to the Capital Budget. This would generate well over £100m each year. This could mitigate to an extent the otherwise steep reductions in capital. Other capital receipts could be added to the mix.

In turn, careful decisions would need to be taken regarding the prioritisation of future capital investment to ensure best value for money and strategic investment in the future growth of the economy. Any reallocation of resources should be conducted across the Executive rather than just within individual Departments in order to facilitate this strategic approach. Again a strategic and cross-departmental approach to this issue would providing a clear picture of the impact that the cuts will have on private sector investment and jobs.

While Alliance does welcome the transfers that have been made from current to capital, this is not on the scale as outlined above.

Furthermore, the reallocations are only taken forward within the context of individual Departments. There is no strategic approach.

Alliance is concerned that some Departments, as potentially permitted due to allocations from current to capital elsewhere, are considering moving resources from capital to current expenditure. This is robbing the future in order to avoid addressing the inefficiencies of today.

Contingency for Funding Corporation Tax

Alliance supports the call for a differential rate of Corporation Tax for Northern Ireland, ideally at 12.5%. This campaign is currently led by the Economic Reform Group. Economists argue that lowering the current rate of 28% for large companies and 21% for small companies would best and most quickly facilitate a step change in the local economy. Through attracting and incentivising local high value added companies to Northern Ireland, the productivity gap with the rest of the UK would be closed and there would be an increase in export-orientated growth. A particular argument for a lower rate of Corporation Tax in Northern Ireland is the distortions to competition for investment on the island of Ireland, given the 12.5% rate in the Republic of Ireland. The Irish Government sought to protect this despite having to take other tough measures to fix their public finances. Alliance accepts that lost revenue in the short term from a lower rate of taxation would have to be met from the Northern Ireland Block Grant under the terms of the Azores ruling of the European Court of Justice. This is estimated at around £200m.

In the event that the UK Government does give the NI Executive the power to vary corporation tax levels during the course of the 2011-2015 period, the lost income (in the short-term until investment levels pick up) will have to found within the context of the current budgetary framework.

Resources could be redirected across the board. However, it would be reasonable to expect that resources could be reprioritised from less efficient means of economic support towards the more efficient and effective means that is a reduced rate of corporation tax. While both industrial de-rating and selective financial assistance can be justified in isolation, they fall into the context set out above.

Institutional Reform

Alliance has long championed reform of the political institutions, primarily from democratic considerations. We support both a reduction in the number of MLAs and a reduction in the number of Departments:

- A reduction in the number of MLAs from 108 to 75 would result in direct cost savings of £3.8m per annum with additional indirect savings made through a reduction in other expenses such as travel, committee expenses and Assembly running costs.
- It is estimated that saving of around £10m - £20m per annum are achievable through a reduction in Government departments. Even without a reduction in the overall number of Departments, Ministers should commit to a reduction in back office savings, demonstrating that this has occurred before seeking to cut vital services.

While we support such changes, we are realistic on the level of financial savings that can be found in this regard. Institutional reform can support difficult decisions taken in other respects but in isolation it is not sufficient to address the current financial challenge. There are of course economic benefits from better joined-up government.

Complementing institution reform should be a review of the advocacy and delivery landscape in Northern Ireland. Across the majority of policy areas there is a myriad of organisations (statutory, voluntary and community) that manage, direct and deliver public services. A large proportion of government spending is directed through arms lengths bodies. Tying in with the need for the Executive to take a strategic approach to address the cuts, it is vital that excessive layers of bureaucracy and administration are reduced across all levels. Each Department should assess clearly the value for money, fit with strategic priorities and impact of all funded non-departmental public bodies.

These issues are regrettably not pursued in the draft Budget.

Comments on Departmental Spending Plans

Alliance has a number of comments to make on the individual Departmental Spending Plans.

In general terms, there is considerable variation in level of detail and quality across the plans, making detailed and in-depth scrutiny of the proposals difficult. Furthermore, there is little evidence of collaboration between Departments over their plans.

Finally, these plans will need to be properly reconciled for presentation in the final Budget statement, including the provision of equivalent levels of detail.

Alliance comments in relation to specific spending plans comes in the context of additional revenue being found for the Executive as a whole through the revenue raising options outlined above, and also the particular themes for efficiencies, such as tackling the costs of division, as outlined throughout this paper.

OFMDFM
Alliance questions the rationale for a 3% across the board cut for Arm Length Bodies as well as the core Department. There is no sense of priorities, or reflection of those bodies that are performing effectively and efficiently and which ones are not.

Alliance is also concerned that there is no dedicated budget indications in relation to the implementation on the critical and forthcoming Strategy for Cohesion, Sharing and Integration.

Alliance would like further clarity on the proposed Social Investment Fund and Social Protection Fund, notably (a.) detail on purpose of funds; (b.) their relationship to other policies e.g. neighbourhood renewal and CSI (c.) rationale for falling within the remit of OFMDFM.

Department of Justice
Alliance endorses the overall shape of the Departmental Spending Plan. The right areas in terms of prisons and legal aid have been identified as sources of efficiencies, given that local costs compare most unfavourably with neighbouring jurisdictions. We welcome the desire to invest in early intervention and prevention and to involve the community and voluntary sector.

Department of Agriculture and Rural Development
Alliance is concerned that the Department has adopted a piecemeal, non-strategic approach to the budget making process, for example opportunities for efficiency savings and growth of the sector are not considered such as a focus on the food sector, opportunities to streamline animal and veterinary services and the maximisation of research and development expenditure throughout the sector.

The lack of strategic approach and an unwillingness of the Department to look to modernise services and service delivery means that opportunities for efficiency savings while protecting frontline services is lost e.g., early intervention may be a more cost effective approach to limiting expenditure on animal disease compensation.

There is limited detail on the Capital Grants Programme, plus a lack of emphasis on departmental efficiencies and administration costs, and insufficient exploration of market testing of various areas of service delivery. Market testing and benchmarking of services is vital, especially if the Department is to recoup a greater percentage of its spend from the industry directly.

Department of Culture, Arts and Leisure
DCAL is wrongly seen as a soft target for disproportionate cuts. This could prove to be a false economy in a number of respects.

The Arts Sector is badly hit. This sector is not just important in its own right, but has wider implications for the future of creative industries as a growth sector within the economy. The growth of this sector has been trumpeted by local political leaders. The encouragement of local talent is critical to the competitive edge in this regard.

Alliance believes that investing capital in three separate stadia for soccer, rugby and Gaelic sports rather than in one shared stadium limits the opportunity for investment n other areas and opportunities to improve accessibility to sports for all sections of the community.

Furthermore, the prioritisation of the investment of money in stadia rather than activity may be counterproductive to public health.

There is a need for confidence in the financial support for 2013 World Police and Fire Games.

Department of Education
Alliance is concerned at the overall shape and direction of this budget. We maintain that the current status quo in Education is unsustainable, with the school estate being a particular problem. The opportunities from Sustainable Schools, Areas Planning, the Entitlement Framework and shared and integrated schools are not being sufficiently followed through.

The Education Departmental Spending Plan represents a drawing in of the wagons. It is not a reforming agenda. Indeed, the cause of reform is set back.

The transfer of capital to current funding, without any clear consideration of the impact on the wider budget and the economy, is symptomatic of this.

Alliance explores these issues in greater detail in Annex 2 of the document.

Department for Employment and Learning
The draft budget provides insufficient information on the impact of the proposed cuts. Given this, Alliance are concerned about the impact that the cuts to DEL will have to a policy lever that is vital in creating economic growth and a fair and prosperous society. We believe the skills held by a population have an impact on the competiveness and growth of a country or region and are vital in addressing social inequalities. While we appreciate the ability of the Department to respond is constrained by its overall budget allocation, nevertheless the lack of strategic thinking

and subsequent prioritisation within the budget and a failure to identify areas of spending that will have the greatest impact in terms of social inclusion, employment and economic growth is disappointing and fails to reflect the importance that the activities of this department have on the economy and society.

Given the scarcity of resources it is vital that the Department adopts a strategic approach to ensure maximum impact of the funding available – this requires partnership working, an innovative approach to service delivery, efforts to address inefficiencies and the prioritisation of programmes and initiatives that can demonstrate a tangible impact and represent value for money. This will necessitate closer collaboration with the private, community and voluntary sector and a greater emphasis on output related funding models.

The need to upskill the population (a large percentage of whom are already in employment) outlined within the draft Skills Strategy sits at odds to the end to Adult Apprenticeships announced within the budget. This is a particular example of where the Department has sought to target service delivery without consideration of how the current delivery model could be improved to support its retention while at the same time reducing costs.

The proposed reductions to Employment Services and the impact on the delivery of the Steps to Work Programme is of concern. It is vital that the Department continues to support efforts to improve the employability of those outside the workforce.

We support the rationalisation of the skills advisory infrastructure, it is vital that the skills provided by suppliers matches the current and future needs of employers and the wider economy and employers are confident in how to approach and collaborate with our training and education providers.

Targeted investment in innovation and research to support technology transfer, is a key driver in economic growth, while we accept the need for efficiency savings, where these initiatives demonstrate value for money and a strong return on investment they should be retained. A cross departmental approach is required here.

There is no reference to how, it at all, funding can be used to support priority growth sectors.

It is vital that we retain a vibrant HE and FE sector in Northern Ireland, clearly the HE sector has been asked to make significant efficiency savings. Innovative approaches to future delivery within HE such as remote learning, compact courses and part-time provision are possible alternatives that would maintain levels of provision while at the same time reducing costs.

There are many uncertainties within the draft budget and the Department must provide more information on these before a clear analysis of the budget and its impact can be made, these include:

- The future of EMA
- The position of the Department on tuition fees and the subsequent impact of this decision on other areas of the budget

- The potential for and the impact of efficiency savings within the HE and FE sectors
- The collective impact that the proposed cuts in adult apprenticeship and Steps to Work will have on the FE sector
- The outworking of the £71million deficit within the budget
- The lack of detail on the various strategies for reducing expenditure listed on page 10 of the budget notably *greater contributions from service users and beneficiaries*

Department of Enterprise, Trade and Investment
Alliance has a number of concerns in relation to how money will be invested. The plan inevitably suffers due to the absence of an Economic Strategy.

There are concerns over the future funding of Invest NI as the main actor in relation to inward investment.

There is also a lack of clarity regarding investment in renewable energy projects, and delivery of renewable and sustainability targets. The Strategic Energy Framework is a core policy commitment and its implementation needs to be securely implemented.

Finally, the deep cuts in tourism may be counterproductive

Department of the Environment
There is a lack of any strategic approach to the development of the budget and a failure to consider the long term impact of many of the cuts being proposed. For example cuts to funding for the protection and enhancement of built heritage and the natural environment will have negative knock on effects both in terms of our natural environment and heritage as well as the economic potential of these unique assets. It is vital when designing the final budget that the Department seeks to prioritise funding and has fully investigated the impact of cuts on these important assets and on the skills base and expertise within our population.

There needs to be greater consideration of the impact of the budget on NGOs and the wider voluntary and community sector, many of which deliver government responsibilities in relation to habitat restoration and protection and leverage significant additional funding to meet these responsibilities. It is vital that the budget considers and reports clearly the knock on impact of these cuts. Cutting funding without considering value for money may be highly counterproductive.

Income raising from environmental damaging operations should also be further developed and there is a need for clarification over the role of the plastic bag levy.

The impact of cuts and the risks that they may create in terms of infraction proceedings from Europe must be considered.

Department of Finance and Personnel
Alliance welcomes the increased financial support for the Land and Property Service. This addresses the recent false baseline for the LPS. However, it can be argued that even this uplift may not be sufficient. The efficient and effective performance of LPS is critical to maximising the rates intake. Failure to properly fund the LPS could be regarded as a false economy.

Department of Health, Social Services and Public Safety
There is a considerable lack of transparency in relation to this particular plan, perhaps deliberately. There is no certainty for many of the aspects funded by the Department, including the community and voluntary sector. Even core services such as the Northern Ireland Fire and Rescue Service are operating in the dark.

Alliance understands the funding challenges facing the Health Service, and indeed the pressure in relation to Social Care.

Health spending in Northern Ireland is now falling behind the level of spending in all other UK regions, having in the recent past been ahead. This situation is worse when the higher levels of needs are taken into account. Increased costs from changing demographics, new treatments, more expensive drugs and improvements in technology. All those areas create pressures.

All other things being equal, this funding gap could be £1bn by 2014-2015. However, the status quo is again unsustainable. That means that we have to change a whole host of policies and practices in the health sector.

Although the Health Minister makes the case that there has to be parity in health spending across the UK, he is not prepared to be honest in saying that the same UK standards should be followed in terms of revenue raising. Public services in Northern Ireland cannot not be run on the cheap.

Any full protection that could be given to the full Departmental budget would come at a major cost to a whole host of other spending priorities across government, including the economy. It would effectively condemn Northern Ireland to be an economic backwater forever dependent on a massive financial subvention from the UK Treasury.

Full protection would also minimise the challenge the health sector on inefficiencies. The notion that there are no inefficiencies in a Budget in excess of £4 billion is completely false.

Efficiencies should be pursued. Examples of how different approaches to delivery can lead to savings within the health sector include:

- Reducing reliance on accident and emergency services – redesign is required as too many people use A&E as an alternative to visiting their GP, or using an out-of-hours doctor or a minor injuries unit.
- Directing patient to appropriate level of response as efficiently as possible

- Emphasis on prevention and early intervention, and use of the community and voluntary sector as outlined above.
- Focus on improving public health (quality of diet, exercise, smoking etc) could reduce hospital admissions.
- Better use of technology, e.g. to support people in their homes, monitor and manage prescriptions and remote care.

There are also areas within the health sector where increased spending is required, notably mental health. Some of the proceeds of efficiencies should be redirected accordingly.

It is also worth noting that the Health Minister can re-direct resources to provide greater investment in social services

Department of Regional Development

The draft budget indicates a backward step in the Department's policies, especially in relation to sustainable transport, public transport reform and rural and community transport.

While we understand the importance of infrastructure to private sector growth and development, the continued emphasis of spend on roads versus public transport fails to address the long term needs of the population. We argue that in order to provide a sustainable transport solution for the population, the balance of funding must shift in favour of public transport. A disproportionate 86% of the Department's capital budget goes towards roads. Of the total roads allocation, 70% is going to two projects: the A5 and the A8. The scale of those schemes means that there is no scope for allocation towards other necessary major road schemes, such as the A2, A6 and the York Street flyover among others. A clear rationale and economic argument must be presented for these investment decisions. It may also be possible for the Department to reconsider specifications, timings and project costs to ensure maximum value for money at this time of economy prosperity.

A reduction on the subsidy for public transport is likely to lead to increased fares and a decrease in services. Many people who do not have access to cars and indeed the rising cost of operating a car will result in escalating social exclusion because they will no longer be able to access trains or buses. This is compounded by the proposed cuts to community transport where a commitment to working in partnership with the sector may help the Department meet the needs of the population in a cost effective manner. Sadly, public transport cuts will have an obvious and far-reaching effect on the most vulnerable in our society, namely, older people, disabled people, young people, women, and the unemployed.

It is vital that the budget considers the balance of costs versus benefits of a reduction in public transport funding, pedestrian walkways and cycle lanes versus road building. Reducing the RTF by £1.7 million will, alone, result in as much as a 30% reduction in passenger trips; a small amount of money, but a huge impact on people.

There is a clear need for joined-up thinking, to find new solutions to transport problems and target resources in the most effective and efficient manner. DHSSPS, DE and DRD must work together to conduct a cross-departmental review of all transport expenditure in order to identify potential for sharing resources. Sharing resources creates clever and innovative solutions without the need to invest in capital purchases, saving money for the three Departments while improving access for all.

The budget also fails to address the on-going underinvestment in NI Water and sewerage infrastructure in Northern Ireland. It is vital that decisions taken by the Department do not increase the opportunity cost of continuing to subsidise an inefficient and aging infrastructure.

Department for Social Development
The ability to comment comprehensively on the draft budget is limited by the lack of clarity and detail within the draft budget. Nevertheless, we welcome a number of aspects of the budget, such as funding to address fuel poverty and energy inefficiency; continued support for supporting people projects, voluntary and community sector projects including Neighbourhood Renewal Partnerships; co-ownership housing; private sector grants and funding to support independent living.

A focus within the budget on reducing inefficiencies before looking for service level cuts is also welcome. Prioritising support for the most vulnerable in our society should be paramount.

However we have a number of concerns including the budget allocation to the Social Housing Development Programme, which has accounted for 4,000 new homes over the budget period representing only 50% of the estimated need.

We are also concerned that a number of potential capital raising opportunities outlined within the budget are unrealistic and an inability to realise these may have a further impact on service delivery. In particular the ability to draw down reserves from Housing Associations is questionable and as is the estimated £100m in receipts from house and land sales.

The ability to deliver urban regeneration/masterplans must also be factored into the budget.

Annex 1: Alliance Proposals for Addressing the Cost of Division

Building a Shared and Prosperous Northern Ireland Through Tackling the Cost of Division

Modified Paper from June 2009

The Financial Costs of Division
Alliance has regularly talked about the financial costs of division being in the region of £1bn each year. This figure has been substantially validated by the Deloitte Report (2007) which placed an upper estimate of this at potentially £1.5bn per annum.

The costs of a divided society are apparent in four respects.

First, there are the direct costs of policing riots, other civil disturbances and parades, the distortions to policing that arise from the security threat, and the costs to a wide range of agencies in repairing damaged buildings and facilities.

Second, there are the indirect costs of providing duplicate goods, facilities and services for separate sections of the community, either implicitly or explicitly. This includes: schools, GP surgeries, job centres, community centres, leisure centres, and even bus stops. These costs are borne not just by the public sector, but by the private sector too.

Third, related to the second aspect, there are hidden factors, linked to divisions, which impact upon the cost environment that Departments and agencies have to respond to.

Fourth, there are the opportunity costs of lost inward investment and tourism. While the Northern Ireland economy has performed better in recent years, it is still performing well below its potential capacity.

The theme of the cost of division is not something that the Alliance Party has made up. It is a major structural problem that has been recognised by academics and other commentators. Furthermore, it has been formally recognised within Government circles.

The theme was arguably first explored by Jeremy Harbison in the background paper provided to OFMDFM in January 2002 which was intended to be the precursor for a new policy on community relations – what eventually became 'A Shared Future'.

When 'A Shared Future' was finally published in March 2005, under Direct Rule, it recognised that there was a strong financial and economic imperative to build a shared future. Indeed, it declared that the concept of separate but equal was unsustainable.

'A Shared Future' argued that:

- Separate but equal is not an option

- Parallel living and the provision of parallel services are unsustainable, morally and economically
- Policy that simply adapts to segregation, rather than challenging it, results in inefficient resource allocations

Within the first triennial Shared Future Action Plan, launched in April 2006, OFMDFM was committed to commissioning some detailed research into the cost of the divide. This led to the Deloitte Report which was finalised in April 2007, just before the restoration of devolution. Its terms of reference were to:

- Identify and quantify the broad range of costs arising from/attributable to the divisions in NI
- Examine the pattern and scale of public expenditure in NI in response to this division
- Assess the efficiency or otherwise of the current system of service delivery

Despite indicating some potentially significant savings, the Deloitte report was effectively suppressed by OFMDFM after devolution, and it was stressed that it would not form a basis for policy. The report only became public as a result of a Freedom of Information request. Currently, addressing the costs of division is not an aspect of either the current Programme for Government or the current Budget. Furthermore, it is not a feature of any of the Departmental Efficiency Delivery Plans.

Indeed, in response to ministerial questions, most ministers do not seem to acknowledge either the potential for savings within their respective portfolios or their responsibility to search for them.

At best, there was a commitment from the then Finance Minister, Peter Robinson, that the new Performance and Efficiency Delivery Unit (PEDU) would examine the issue.

The Way Forward: Alliance Recommendations

Financial costs and distortions are in many respects a symptom of a divided society. In the longer-term, they can be addressed through tackling the underlying causes of divisions. However, there is also a financial imperative to addressing the symptoms of a divided society directly, and furthermore ensuring that the provision of goods, facilities and services at least reflects the changing attitudes to and preferences for sharing and integration.

It is difficult to give precise figures of savings at this stage. This document points to the opportunities for efficiencies to be made, identifies the cross-Departmental nature of those savings, and indicates whether further work is required.

Recommendation 1

The NI Executive and Assembly should acknowledge the financial and other cost implications of divisions in Northern Ireland, and commit themselves to addressing such matters within both a revised Programme for Government and Budget and in particular subsequent successor policy and spending frameworks.

Recommendation 2

The CSR announced on 20th October has resulted in a 8% cut in expenditure by 2014/15 and a 40% cut in capital expenditure over the four year period. It is vital that the necessity of addressing the costs of division is recognised, and a start is made.

Recommendation 3
There should be accompanied a commitment by the NI Executive and Assembly to an overarching meaningful regional good relations strategy. This could either be 'A Shared Future' or a successor document, such as a revised 'Programme for Cohesion, Sharing and Integration'. The key requirements include an acknowledgement of the need for a Northern Ireland–wide strategy, and an action plan covering all Government Departments, Agencies and Public Bodies, including targets, timetables and resourcing.

Recommendation 4
The Executive should begin to act upon the conclusions of the Deloitte Report 'Research into the financial cost of the Northern Ireland divide'. This report should inform the initial steps to tackle the cost of division.

Recommendation 5
Given the limited scope of the Deloitte Report, OFMDFM and/or DFP should commission further research in this area. The Executive should ensure that there is cross-Departmental audit of patterns of use based on communal background of goods, facilities and services provided through public money.

Recommendation 6
All Departments should have an obligation to actively encourage de-segregation and to promote cohesion, sharing and integration, within their policies and spending plans. Proposals which are communally confined should undergo a cost benefit analysis alongside an integrated alternative. A new form of policy proofing, called Policy Appraisal for Sharing over Separation (PASS) should be introduced. This would ensure that the impact of any new policy upon community divisions would be assessed and taken into account. This could be a ready extension of the current requirement for Equality Impact Assessments.

Recommendation 7
There should be an acceptance across Government that there may need to be further investments in resources to support sharing, either through the provision of shared goods, facilities and services to meet demand or provide support and security for those making the choice to mix, share or integrate.

Recommendation 8
PEDU could play a central role in encouraging Departments to assess the costs related to managing a divided society and to identity the opportunities to be found for savings from investing in a shared future.

Recommendation 9
The Executive should ensure that public sector agencies build new leisure, educational, health, social and community facilities with an explicit objective to encourage mixing. Best practice should also be developed, regarding the design of the urban environment, in order to maximise cross-community integration.

Recommendation 10
The Office of First Minister and Deputy First Minister should ensure the production of an over-arching regional community relations policy for Northern Ireland, and monitor the delivery of commitments from other Departments and agencies as part of an action plan. Within specific Departmental responsibilities, it should fully integrate good relations considerations into anti-poverty strategies.

Recommendation 11
The Department of Agriculture and Rural Development should fully research the extent and consequences for service provision of segregation and isolation within the countryside.

Recommendation 12
The Department of Culture, Arts and Leisure should explore the costs involved in providing elements of its services on a differentiated basis to different sections of the community, and explore the potential for promoting greater sharing in culture.

Recommendation 13
The Department of Employment and Learning should launch a comprehensive study into the effects of segregation on the structure and mobility of the labour market.

Furthermore, the Department should audit the use of its job centres for different relative uses by different sections of the community, and explore the options for increased sharing.

Also, the Department should examine the potential for greater rationalisation within teacher training. An integrated approach to teacher training would be more in keeping with the demands of a diverse society.

Recommendation 14
The Department of Education should more aggressively pursue its policies on area planning and sustainable schools. These two aspects of policy should be better linked. Inevitably, there will be a greater level of rationalisation within the school estate.

Recommendation 15
While it should be accepted that different sectors will continue for the foreseeable future, opportunities for sharing and collaboration between and within schools should be progressively pursued. Integrated education should be actively promoted as the most sustainable form socially, educationally and financially. It should be regarded as at the top of a pyramid of options for sharing.

The development of integrated schools, usually by transformation, should not be regarded as a further fragmentation of an already fragmented education system but a solution. Particularly when two schools, from different sectors, in a particular locality are under threat, a movement to an integrated school or an alternative form of sharing may provide the most sustainable and most local solution.

In particular, the Department should (a.) set targets for the development of integrated education; (b.) replicate the existing duty on the Department to promote and facilitate integrated schools under the Education and Skills Authority; (c.) run community audits to explore prospects for new integrated schools; and (d.) relax the current viability criteria for the creation and the maintenance of integrated schools.

Recommendation 16
The Department of Enterprise, Trade and Investment should ensure that the effect of division upon tourism, investment and labour mobility is fully factored into the current review of economic development policy.

Recommendation 17
The Department of the Environment should ensure that the scope for shared space is fully reflected within its planning policy statements.

It also has an incentive to ensure that any aspect of segregation that contributes to Northern Ireland's carbon footprint is addressed as part of efforts to meet carbon reduction targets.

Recommendation 18
The Department of Finance and Personnel should use its overall responsibility for co-ordinating public expenditure to drive the agenda of achieving efficiency savings in relation to addressing the costs of delivery. PEDU (Performance and Efficiency Delivery Unit) should be made available to Departments in this regard.

Recommendation 19
The Department of Health, Social Services, and Public Safety should audit the use of its health and social services facilities for different relative uses by different sections of the community, and explore the options for increased sharing.

Recommendation 20
The Department for Regional Development should further explore the costs involved in providing public transport within the context of residential segregation. It also has responsibilities through its strategic planning function to ensure that opportunities for sharing are fully realised in regional planning documents, including the current revision of the Regional Development Strategy.

Recommendation 21
The Department of Social Development should more aggressively promote and develop mixed housing. Indeed, it should be viewed as the default model for the provision of social housing. People should have a real choice over where to live, irrespective of their religious, political or racial background. Social Development also has an important role in promoting, in developing and in maintaining shared space as part of its urban regeneration responsibilities. Shared space provides an environment for maximising positive interactions and also minimises the opportunity costs from blighted or segregated land.

Furthermore, the Department should audit the use of its social security offices for different relative uses by different sections of the community, and explore the options for increased sharing.

Recommendation 22

The Department of Justice should ensure that shared future considerations are fully taken into account within community safety strategies, offender management programmes, and community engagement structures, in addition to future hi-level policing plans. Justice has an important role in ensuring that opportunities to create and maintain shared space are properly supported and protected through the upholding of the rule of law.

Recommendation 23
While this paper focuses largely on actions to be taken by the public sector, ultimately building good relations in this society cannot just be a matter for Government, it is a responsibility for civil society and indeed every person in society. This wider theme should be addressed by an overarching community relations policy for Northern Ireland.

Implementation of the above recommendations would significantly address the cost pressures faced by government.

Annex 2: Shared Education

Inefficiencies in the system could amount to around £300m per annum. In the immediate term, the potential for collaboration between schools and across sectors could realise between £16m and £80m.

Across the education sector, there is a slow awakening of the problems of over provision of facilities and massive surplus of school places, especially with falling rolls. Current issues include:

- There are currently almost 70,000 empty school places.
- Falling school enrolment, notwithstanding the short term demographic blip.
- Inefficiencies in school estate leading to excessive maintenance and running costs.
- Inefficiencies in school support services e.g., school transport, catering and cleaning.

As a result of these problems and a failure to move toward a shared system, Northern Ireland has the highest level of spending on education per capita of any part of the UK. However, less is actually spent per pupil than anywhere else. Too much money is being eaten up through over-administration, and the over provision of partially empty buildings. Budgets are becoming skewed, and with too much money locked up in capital, the pressure for cuts falls on teachers, pupils, transport, support and special needs.

There needs to be a very clear commitment to shared education. The opportunity to move in this direction is provided by the emerging policy framework around Area Planning and Sustainable Schools.

For the foreseeable future, there will remain a number of different education sectors. Alliance is not proposing that these are abolished.

Rather, Alliance sees a menu of options for developing shared education. Integrated Education in the pure sense is only one aspect of a range of options including shared schools and shared campuses.

The benefits of shared education are twofold; it can deliver both economic/financial benefits and social/moral benefits.

Financial/economic benefits include:

- Addressing the cost of maintaining around 70,000 empty school places.
- Enables funding to be directed toward pupils rather than sustaining a divided estate.
- Makes schools more sustainable and makes it easier to justify capital in modernising the school estate.
- Savings from the mainstreaming of community relations work in schools.
- In the medium to long term reduces the wider costs of division and managing a divided society.
- Creates a modern education system fit for the 21st century.

- An Education and Skills Authority would be part of shared education. This creates substantial savings in term of administration and management.

Social/moral benefits include:

- Better opportunities for local interaction with the community and business.
- Reflects our society:
    - more and more people are defining themselves differently
    - growing number of ethnic minority families in Northern Ireland
    - growing number of mixed marriages and mixed relationships and children thereof
    - strong evidence of support for change/mixed education from opinion surveys – both parents and young people
- Allows for children and young people to experience a wider mix of relationships and friendships to develop both inside and outside school that benefits society as a whole.
- Allows children to develop their own identity as opposed to developing an identity as a result of their schooling.
- Wider benefits to society, through maximising contact between children from different backgrounds. This helps to address the wider pressures of a divided society e.g., rioting.
- Makes it easier to standardise the quality of education and therefore to address inequalities.
- Would create an incentive to consolidate teaching training and make teacher training shared.

Shared education would also result in a modern education system fit for the 21st century. Benefits to education include:

- Protects local provision, especially where separate schools are under pressure.
- Allows for stabilisation of enrolment numbers.
- Makes it easier for a wider choice of subjects to be sustained / makes it easier for the delivery of the entitlement framework.
- Wider choice for pupils in terms of leisure, cultural and sporting activities.

With reference to integrated education, Alliance is concerned that the Department of Education treats integrated education as part of the problem rather than part of the solution. Rather integrated schools can be considered as the most sustainable form of education, economically, financially, socially and in terms of education.

Feeling the pressure to draw in the wagons to protect schools with falling enrolments, the introduction of integrated schools is seen as a further threat or at best a distraction.

Every year, many children are turned away from over subscribed integrated schools and forced to attend segregated schools.

The provision of integrated education is linked to efforts to develop and maintain shared space. The building of new integrated schools to service new housing developments can help to anchor a mixed local population.

Alliance would recommend the adoption of the following plan to expand the provision of integrated education in Northern Ireland, in line with demand:

1. Government should continue to support the creation and maintenance of new-build integrated schools.
2. Government should set a minimum target of 20% of children being educated in integrated schools by 2020.
3. The duty on the DENI to encourage, not merely to facilitate, the development of integrated education should be extended to Education and Library Boards (and eventually the Education and Skills Authority).
4. Where new schools are being built in Northern Ireland, for example to service new housing developments, the Department should survey local residents regarding a presumption that they will be integrated or inter-church; as far as possible, new schools should be sited to service mixed catchment areas.
5. Government should encourage the transformation of existing schools to integrated status and review the current procedures to make this easier.
6. Government must reform and relax the criteria for the creation and maintenance of integrated schools, giving recognition to those children of mixed, other or no religious background.
7. Government should give formal recognition to the contribution being made to the process of reconciliation by 'mixed' schools, those with a mixed enrolment but no formal integrated status.
8. Government should advocate the de-segregation of teacher training courses and facilities, and the familiarisation of integrated education policies and practices in such institutions.