**Written evidence submitted by Northern Ireland Public Service Alliance (NIPSA), relating to the funding and delivery of public services in Northern Ireland inquiry (FPC0033)**

## 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.

## The lack of an Executive and budgetary management

2. While the Northern Ireland Affairs Committee (NIAC) examination of "the funding and delivery of public services in Northern Ireland" refers to the impact of "the lack of a functioning Executive on budgetary management and strategic decision-making across Northern Ireland Departments", and we fully support the need for such an Executive to be in place, the danger of such a focus is that it implies that the lack of a fully functioning Executive is wholly abnormal or that its operation/restoration in and of itself would readily address the scale of budgetary crises it faces. Secondly and more importantly, the question of funding, however "efficiently" it might be administered locally, cannot ignore where the real (financial) power lies. Good or better "housekeeping" can only scratch the surface of Northern Ireland's key strategic problems. A genuine reset requires a new relationship between the NI Executive and the Treasury to rebuild a post-conflict society. NIPSA believes that we need to break out of the self-imposed confines within which the economic debate operates. For example, even if we were examining future finance in the context of a stable, functioning, power-sharing Executive in Northern Ireland any decision that a local Executive made would either be wholly shaped or damagingly limited by the UK Treasury's longstanding political ideology.

3. We do not, however, have to speculate about what the consequence of political dysfunction and financial shortage *might* look like, we are already experiencing it. For example, the Secretary of State for Northern Ireland announced that the NI Executive Ministers had overspent by £660 million and accused them of fiscal mismanagement. He then instructed senior Civil Servants to immediately implement cuts of £330 million and stipulated that any Barnett Consequential that might come as a result of additional spending announced in England and Wales would not come to Northern Ireland but would be taken off the so-called debt of £330million left by outgoing Assembly Ministers. Amongst the immediate cuts in education alone were the so-called 'Holiday Hunger Payments' (payments to low-income families during school holidays) and the Extended Schools Programme and places for children with special needs. Another example of the cuts is the budget for Discretionary Support Payments to benefit claimants. In 2022, the Department for Communities (the Northern Ireland equivalent of the DWP in Britain) paid out £40 million in these hardship payments. The budget for 2023, amidst a worse cost of living crisis, is £20 million.

4. The extremity of this action is not unique and the NIAC will have heard from a range of stakeholders about the crisis throughout our public services. The political response to the absence of an Executive therefore has been cynical and cruel with the tactic of the "punishment budget"[1] seemingly deployed to kill two birds with one stone – punish the general population and thereby hope they also exert pressure on politicians who are blocking the formation of an Executive and also revisit the NIO/Treasury's longstanding wish list of public service areas upon which a charging regime can be imposed.

5. This shows how far we have come from the COVID pandemic's proof that our public services are the spine of our society and the popular expression of the view that there should be "no going back" to the failures of the neo-liberal order that had enfeebled it. Instead, public servants, their families and wider society are force-fed a new age of austerity. This is exemplified by how NI Civil Servants are being treated at the moment. This group of workers, who between 2016 and 2023 have had a real term pay cut of 26% and work in a service carrying 3,000 vacancies, have been offered a flat rate payment of £552 for the year. This

[1] https://www.bbc.co.uk/news/uk-northern-ireland-66400722 4/8/23.

represents a rise of approximately £7 per week after tax and National Insurance contributions. In percentage terms it is worth less than 1% to the majority of civil servants (excluding Administrative Assistants - the lowest paid civil servants who had to receive a 10% uplift to keep them in line with the Living Wage). This continues the NICS' long-term failure to protect its employees from inflation and, therefore, real-terms pay cuts over the last six years. In June 2022, AAs on the maximum of the scale were **12% below**, and all other grades (from AO to Grade 6 on their maximum) **16% below**, where an inflation matching award would have taken them. The subsequent spike in inflation after this date has significantly worsened their position.

6. Whilst the employer states that the current pay offer "will cost around £26.8 million or 2.7% of paybill,"[2] the fact that "spend" on pay is a virtual circle of recirculation within the local economy and a return to the paymaster via tax should not be ignored. By contrast to this positive investment, the failure of workforce planning continues to feed the profits of agency providers at the public's expense. In Health and Social Care in 2021/22 alone, this was £320 million.[3] Similarly, if paybill pressures are problematic, why tolerate a two year spend on agency staff of £46 million[4] in the NICS or a three year contract "to provide a range of generic learning and development services"[5] at the cost of £425 million? Meanwhile Whitehall spend on agency staff over a three year period was £3 billion.[6]

## "Budgetary pressures on the delivery of public services"

7. As we have outlined, while the "budgetary pressures on the delivery of those public services" the NIAC refers to are a fact, the broader narrative forcing them upon us is an alleged "black hole" in public finances that now "has to be filled". This is the economic illiteracy of discussing a sovereign state with its own currency as if it is a household on a fixed budget. NIPSA believes that the

[2] https://www.finance-ni.gov.uk/news/department-makes-civil-service-pay-offer
[3] See Robin Swann's statement to Assembly: "In 2012/3, the HSC spent approximately £69m on agency staff and by 2019/20 this had risen to £255m. The total expenditure in 2021/22 had increased further to £320m." 13/10/22.
[4] Vacancy crisis sees NICS agency staff spending hit £46m a year (civilserviceworld.com) 27/11/20.
[5] https://www.finance-ni.gov.uk/articles/provision-temporary-agency-workers-northern-ireland-civil-service-agencies-and-non-departmental
[6] Government spent over £3 billion on temporary agency staff to do civil service jobs | The Independent 9/10/22.

framing of economic discussion around this projected economic “black hole” in the government finances is a deliberate, reactionary deceit founded on the “there is no money” lie. This is merely a pretext to reintroduce austerity, presenting political choices around it as unavoidable and non-ideological, when they are quite the reverse.

8. There are numerous examples that rebut the “there is no money” lie and show the vast “treasury” that can and should be called upon to meet our society’s needs. For example, we note: the amount the UK government wasted on PPE contracts (“the Covid pandemic [spawning] one of the greatest wastes of public money, running to many billions of pounds, in modern British history”);[7] the £11bn then Chancellor Rishi Sunak wasted by not insuring against interest rate rises on the Government’s Qualitative Easing debt;[8] the continuing laxity in relation to non-dom. tax avoidance that currently costs the Exchequer over £3bn a year; and former Health Secretary Hancock in April 2020 writing off hospital debt for 100 hospitals in England/Wales[9] equivalent to nearly thirteen and a half billion pounds. **The latter figure of course is larger than the full annual Treasury subvention to Northern Ireland.[10]** This emphasises the key point that while we can discuss local (devolved) financial management, ultimately “debates about the proper funding of NI public services are a discussion best directed at UK revenue and expenditure levels.” [11]

## Weakening our social fabric

9. A further problem arising from a debate framed by artificially created shortage is that by narrowing it to “What would you cut?” we deliberately encourage short-termism and value today’s “costs” over the more significant long-term “cost to society” of negligence rather than investment. This is most explicit in terms of how, in the broadest sense health and social care (what used to be called “social security”)

[7] Private Eye Issue No. 29/10/21-11/11/21.

[8] https://www.theguardian.com/politics/2022/jun/10/rishi-sunak-wasted-11bn-by-paying-too-much-interest-on-uk- debt 10/6/22

[9] https://www.gov.uk/government/news/nhs-to-benefit-from-13-4-billion-debt-write-off 2/4/20.

[10] See NIPSA https://nipsa.org.uk/publications/O40313.pdf. p. 20. While the source of political contention about how this is most appropriately measured, it is estimated at between (£9-£10 billion). It was “calculated” at £9.2 billion in 2013/4 according to Fact Check NI https://factcheckni.org/fact-checks/how-dependent-is-stormont-on-westminster-subvention/

[11] Ibid.

cannot be delivered by an individual Department but starts from the fundamental acceptance that “there is such a thing as society”.

10. Even the “Bengoa”[12] report, sometimes quoted as a shorthand for a “health delivery” cure-all, acknowledged that “only about 20% of health outcomes are related to clinical care: 10% is related to physical environment (air and water quality, built environment etc.); 40% is related to socio-economic factors (education, employment, social support, community safety); and 30% is related to “behaviours”.[13] This also reinforces how such pooling of risk, resources and delivery can only be done at a “national” level. This was the very reason why a “National” Health Service was necessary in the first place and why its fragmentation (via the stealth privatisations of certain services within it) has been so destructive. It is also why inter-regional scrabbling for resources distracts from the key fact that the UK has “one of the lowest population-adjusted levels of public expenditure in Northern Europe.”[14]

## The “new Barnett” debate

11. In terms of the NI Executive’s relationship with the Treasury, it is important to note that it is a “credit facility”, not a “cash transfer”, and one that that operationally creates the perverse incentive for Officials to make “spend or reallocate” financial decisions driven by the inflexible requirement to surrender funds not spent ***in-year***. Such practice obviously does not lend itself to the strategic thinking that might inform a planned, coherent, properly funded, multi-year budget approach.

12. Discussion of the inadequacy of this status quo, therefore, reinforces the need to revisit the Barnett formula itself. As the Nevin Economic Research Institute (NERI) points out “the current arrangement is a bad advertisement for devolution because it gives devolved government the appearance of authority without the financial clout…at no point does the formula seek to take into account any unique or extenuating circumstances that exist within a region. In fact, the Barnett formula is

[12] https://www.health-ni.gov.uk/topics/health-policy/systems-not-structures-changing-health-and-social-care
[13] [On Line] Available: https://www.health-ni.gov.uk/sites/default/files/publications/health/expert-panel-fullreport.pdf p.15.
[14] Paul MacFlynn https://www.nerinstitute.net/sites/default/files/research/2020/NI%20Fiscal%20WP%2026-08.pdf p. 20, August 2020. p.17.

designed specifically to avoid discussion over special regional circumstances…while no one is arguing for the return to annual bargaining, it is possible to construct a mechanism that takes into account special circumstances whilst preserving the uniformity of a formula."[15]

13. Such a view reflects the growing consensus that "Barnett" needs to be replaced by a model that delivers a "needs-based" assessment. NIPSA believes that this is a more useful debate than a narrow look at **"alternative options for increasing revenue in Northern Ireland"** that fails to: address the adequacy of the current financial "settlement"; presupposes the local population can afford new charges for public services; and narrowly measures cost but does not recognise the exponential "value" of investment.

14. While this reassessment for a new Barnett would be across the regions, the huge and obvious difference is that no region has been through Northern Ireland's experience of intercommunal conflict with its continuing, intergenerational, repercussive effect. Given this reality of a society still shaped by division[16] it would be more appropriate to stop framing the discussion around the language of "super-parity" that presupposes: comparison to English funding models are valid; that the change in delivery they necessitate are successful (the history of water privatisation in England would refute this idea on its own as would the problems caused by the lack of coherence generated by the separation of the health and social care system in England/Wales); or that the so-called "super-parity" (funding differential) **even if "raised" by a local Executive** would meaningfully address long-standing decades of underinvestment. It is clear that this would merely trigger the next phase of "robbing Peter to pay Paul" with new, locally raised revenue on a scale wholly inadequate to meet both these and the (narrowly defined) ***"sub-parity"*** gaps that attract much less attention.

## "Increasing revenue" – not just in or for Northern Ireland

15. The discussion of "alternative options for increasing revenue in Northern Ireland

[15] Paul Mac Flynn https://www.nerinstitute.net/sites/default/files/research/2020/NI%20Fiscal%20WP%2026-08.pdf p. 22, August 2020.

[16] See Paramilitaries: Housing intimidation 'rife' in Northern Ireland - BBC News 23/11/22

which could be open to the NI Executive or UK Government in bringing NI's finances onto a more sustainable footing" again needs to shift focus to the key question of "who can afford the heavy lifting?" in terms of tax. This would lead to examining central government practice with the Treasury currently choosing to facilitate employers not presently matching the equivalent responsibility expected from their European counterparts[17] and the UK having one of the lowest levels of revenue per population, especially regarding employer social insurance contributions.[18] We should also question: the tax breaks for a mere 70,000 individuals that costs £4 billion;[19] the failure to collect £42 billion in tax;[20] and tax fraud that cost the supposedly "cash-strapped" Treasury £20 billion in 2018/19 alone (more than nine times what is lost through benefit fraud).[21]

16. In this way, if we want public finances to be more sustainable, we should follow the guidance of Tax Justice UK and protect "public spending by taxing wealth properly". By doing so: **£37 billion** could be raised by equalising capital gains with income tax rates (raising £14 billion a year); £8.6 billion a year could be raised by applying national insurance to investment income; a 1% wealth tax on assets over £10 million would raise £10 billion a year; ending the inheritance tax loopholes that benefit the already wealthy would raise up to £1.4 billion a year; and reforming the rules on non-domiciled status could raise up to £3.2 billion a year.[22]

## Conclusion

17. NIPSA contributes to this debate on "the funding and delivery of Northern Ireland's public services" from the starting point that, as a society, we need to look at the whole picture of tax and spend decisions and then decide how we most fairly fund publicly owned/democratically run universal public services. In the workplace this vision starts with the basic building blocks of investing in having a sufficient number

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[17] See ICTU no_going_back_final_document_may_2020-1.pdf
[18] Reforming Tax and Spend in the United Kingdom and in the Republic of Ireland Paul Goldrick-Kelly, Paul Mac Flynn & Tom McDonnell NERI Working Paper Series No. 67 June 2020. https://www.nerinstitute.net/sites/default/files/research/2020/Tax%20and%20Spend%20WP%20no.67%20FINAL. pdf
[19] https://www.resolutionfoundation.org/press-releases/five-terrible-tax-breaks-are-costing-taxpayers-4-billion-a-year/ 12/1/23.
[20] https://www.theguardian.com/politics/2023/jan/11/tax-collectors-lack-ambition-say-mps-as-42 billion-remains-unpaid 11/1/23.
[21] https://www.taxwatchuk.org/tax_crime_vs_benefits_crime/ Feb 2021.
[22] https://www.taxjustice.uk/blog/five-policies-that-could-raise-37-billion-in-tax 12/1/23.

of appropriately trained/rewarded/publicly accountable staff across our public services. Thereafter their expertise is drawn upon to shape the service they deliver for the society they serve. This investment is the true basis of “reform”. As for its funding, these decisions are about political choices protecting, not inflicting “punishment budgets” on, those most in need and progressively taxing those currently enriching themselves at the expense of general society through their profit-gouging speculation.

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