Northern Ireland
Assembly

COMMITTEE
FOR EMPLOYMENT
AND LEARNING

OFFICIAL REPORT
(Hansard)

Draft Programme for Government and Draft Investment Strategy for Northern Ireland

11 January 2012

NORTHERN IRELAND ASSEMBLY

COMMITTEE FOR EMPLOYMENT AND LEARNING

Draft Programme for Government and Draft Investment Strategy for Northern Ireland

11 January 2012

Members present for all or part of the proceedings:
Mr Basil McCrea (Chairperson)
Mr Jim Allister
Mr Sammy Douglas
Mr Chris Lyttle
Mrs Sandra Overend

Witnesses:

Mr John Smith	)	Department for Employment and Learning

The Chairperson:

I invite John Smith to talk to us about the draft Programme for Government (PFG).

The BBC has asked me to step outside and say a few words. We cannot brief with only three Committee members present, so we will have to suspend for five minutes. I do not mind if you all want to come out and stand with me. You can come along and say your piece.

The Committee stood suspended.

On resuming —

The Chairperson:

Sorry, John. It is no slight on you, but we have had some news today that we are all trying to digest. You are welcome to the Committee. Fire ahead, and we will get through the evidence session as quickly as we can. With fewer members, you will not get as many hard questions. I am not saying that the questions will not be hard, but there will not be as many of them.

Mr John Smith (Department for Employment and Learning):

Thank you. I am here to give the Committee a brief run-through on the draft Programme for Government, in so far as the Department for Employment and Learning (DEL) has input into that, and on the Executive's draft investment strategy for Northern Ireland (ISNI). Both are out to consultation, and, hopefully, my evidence will help to inform the Committee's response to that process.

The draft Programme for Government highlights the actions to be taken to deliver the Executive's number one priority, which is to rebuild the economy and transform our society. As the Executive point out, the most immediate challenges lie in supporting economic recovery and in tackling disadvantage. We need to build the local labour market following the impact of the economic downturn and rebalance the economy to increase living standards.

The Executive's overall vision is for an economy that is based on a sustainable and growing private sector with a highly skilled and flexible workforce operating in productive and innovative firms, with a global dimension attached, in that the economy will compete in global markets. Clearly, the Department is central to that aim, given its locus on skills and education.

DEL has four commitments in the draft Programme for Government, the first of which is to:

> "increase uptake in economically relevant Science, Technology, Engineering and Mathematics (STEM) places."

The second is to:

> "upskill the working age population by delivering over 200,000 qualifications"

over the four years. The third commitment is to:

> "support people ... in to employment by providing skills and training."

The fourth is to:

> "ensure there are no increases in student fees beyond the rate of inflation for Northern Ireland students studying here."

I will take you through each of the four commitments in more detail, beginning with the commitment to increase the economically relevant STEM places. There is an acceptance that there is a shortage of graduates in economically important STEM areas, and that is why it has been included in the target. The detail is that the commitment is for an additional 540 places to be created by 2015. In fact, a total of 700 will be achieved. That is because the Executive made an additional £3 million available to the Department to meet the target and by not counting GB students in the overall student numbers definition. The additional places will be shared between the two universities and our further education (FE) colleges. Should evidence emerge that the demand for places here is greater than we expect, we may go back to the Executive to ask for more funding to create more places, as appropriate.

On the second commitment — to upskill the working-age population — we all recognise that to deliver the Executive's commitment to rebalance and rebuild the economy it is vital to upskill those in work with the skills that the economy needs. That commitment will be taken forward through the FE and higher education (HE) sectors and local training providers. It also includes our essential skills programmes on literacy, numeracy and IT. In the FE sector, the college provision is focused strongly on meeting the needs of local employers. Indeed, the sector skill councils (SSCs) have been involved with DEL in developing the framework and vocational qualifications needed to deliver in that sector.

As part of meeting the third commitment, which is to support people into employment, we have a detailed target to move 114,000 benefit claimants into work by March 2015. That will be taken forward by the employment service and reflects its efforts to assist benefit-age clients off benefits and into work. The target is based on a robust statistical analysis in which we modelled the trends, inflows and outflows of people on benefits, such as jobseeker's allowance. That approach is similar to that we applied in the previous PFG. In that PFG, we had a target of 70,000 people for the period 2008-2011. We exceeded that target and assisted 90,000 into employment over the period. Over this period, we are going further and have targeted 114,000.

The Chairperson:

I know that you have a narrative and that we have run on a wee bit, John, but will you hit the bullet points of your presentation for us?

Mr Smith:

Absolutely.

The Chairperson:

I am sorry. Normally, we would give you the time that you need, but things have just drifted away from us a wee bit. Hit the bullet points, and we will get some questions from members.

Mr Smith:

That covers the third commitment.

The final commitment, which is quite short, is to:

> "ensure there are no increases in student fees beyond the rate of inflation"

over the next four years. You will all be aware that the Executive took that decision in September, so this commitment is just to implement that policy. That is all that I had planned to say at this stage.

Mr Allister:

I have just one question. The Programme for Government is meant to hang together, be thought out and be built on a strategy rather than move forward on an ad hoc basis. Where within it do we find any indication that the Department, which you have described as being vital to building the employment base, would, on a unilateral basis and not as part of a wider restructuring of government, be liquidated? Where in the Programme for Government is the thinking that indicates that that would happen?

Mr Smith:

I am not aware that that is in the Programme for Government and in the eyes of the Department.

Mr Allister:

Does that not confirm that what we are dealing with today is not the product of a strategic, thought-out process but sheer political expediency?

Mr Smith:

If we look at the document, we can see that it does hang together in that it is clear that there are five overarching Executive commitments that aim to tackle the problems faced by society today. We aimed to put DEL centrally in that, and we have our four commitments, which cover the key things that we are about as a Department. When it was written, it was based on all the different strategies that we have published or intend to publish. Therefore, our commitments in the document are grounded in overall DEL strategy.

Mr Allister:

I am sure that you did all that in good faith, but, if the topography has now changed, does that mean a rewrite?

Mr Smith:

Of course we did it in good faith. As to whether there will be a rewrite, that will be a decision for the Executive and not one that I can offer a view on at this stage.

Mr Allister:

It is not indicative of good government that they set out their stall and then suddenly divert in a totally different direction in respect of one Department that is supposed to be central to the attainment of their goals.

The Chairperson:

Before you answer that, John, can I say, Jim, that I am quite happy for you to make the political points that you want to make. I understand that. However, John is not in a position to answer.

Mr Allister:

I appreciate that.

The Chairperson:

I am absolutely happy for you to make those points, but I do respect that John will answer in a non-committal, departmental way.

Mr Smith:

Absolutely. Given the news that has just come out, we need to wait for the detail on what the outworking will be of any decision that the Executive make. At this stage, we have a draft PFG.

Mr Allister:

OK. I have made my point.

The Chairperson:

You have indeed.

Mr Douglas:

John, you highlighted the issue of STEM subjects, which we all believe to be very important to developing the economy in Northern Ireland. I want to quote from a letter from Richard Barnett of the University of Ulster. Although he recognises the importance of STEM subjects, he says:

> "Whilst these include the STEM areas they also include subjects such as finance, economics, the creative industries and modern languages. Thus we would support the use of 'economically relevant' rather than simply 'STEM'."

Do you agree with that? I certainly agree with that. STEM subjects are very important, but there are other subjects as well. I said at the previous meeting that I was reading Steve Jobs's autobiography. He was one of the greatest entrepreneurs ever, and yet he was very much moving towards saying that it was not just about STEM subjects but also others, such as the creative industries. If you look around the Titanic Quarter, you will see that it is a symbol of the creative industries.

Mr Smith:

Broadly speaking, there is a realisation or acceptance at large that STEM subjects are where the growth area is and where we need to increase the numbers of places. As to quite what we define in detail as being STEM or outside STEM, I am not party to that discussion. We would need to take that up with our higher education policy colleagues as to whether that includes certain subject areas or not. Broadly speaking, STEM is the overall umbrella of science, technology, engineering and maths. That is where the focus is.

Mr Douglas:

So, will you take that up with your colleagues?

Mr Smith:

I will reflect that back to our HE colleagues, and maybe we can come back to you in writing if need be.

Mrs Overend:

I thought it significant that DEL had only four of the 76 key commitments. I wonder why this Department did not have more key commitments.

Mr Smith:

We had identified around half a dozen through the drafting process. As you can see, four made it to the final cut, and that was what the Executive settled on in the decision-making process. I cannot comment on whether that is indicative of importance.

Mr Lyttle:

They are very significant as targets for job creation and moving from benefits. They carry significant weight, but —

The Chairperson:

John, I have already said that we understand your position and you do not have to comment, but, as a general comment, I do not think that we do not have the real focus on a skills-led, innovation-led economy. I think that, rather than DEL being subsumed into DETI, it should be the other way round. This is where the engine of the economy comes from, and I am not sure that we have a really joined up view.

I wanted to know about practical things that we were going to do; how were we going to get more, for example, level-4 and level-5 apprenticeships, which Marie-Thérèse McGivern says we do not have any of in Northern Ireland. There are issues there. Having said that, John, and given that we had some news last night that we are trying to assimilate, and we will see where that goes, it is probably not productive to go on any more about these particular issues.

Does anyone want to say anything else on this? No. Well, thank you very much.

Oh, you are addressing the investment strategy for Northern Ireland now. I thought you were going to get away lightly there, but I see you reaching for another piece of paper. Back to you.

Mr Smith:

Yes. I was asked to come and talk about the investment strategy. You will be pleased to note that this will be briefer than the PFG presentation.

A consultation on ISNI was launched at the same time as one on the PFG. It sets out the Executive's capital investment plans from the period from this year through to 2021. It is a long-term document that mirrors the Budget. The figure work in there is consistent with the Budget allocations, but it provides a narrative context. It is really a link piece between the PFG and the financial detail of the Budget. It details the progress that has been made over the period of the previous Executive, and talks about investment plans and schemes that should be delivered between now and 2021. All this is in the context that, over the life of the Budget period we are currently in, there is significantly less capital money around than there was in the last Budget, and indeed, less money than was envisaged in the previous iteration of the ISNI for the period that we are in.

DEL's input is limited to a section called "Skills", which is on page 22 of the strategy. I am not going to talk specifically about that page, but, if you are interested, that is where we are. Over the four years, we have been allocated £128 million gross of capital investment, which, although it is a significant amount of money in absolute terms, in relative terms it reflects the fact that DEL is not a big player when it comes to capital. Indeed, it is only around 2% of the overall pot that is available across the piece for the four years. The majority of that, as you would expect, is split between the FE and HE sectors, with only a minimal amount kept back for departmental infrastructure. We have allocations over the four years that have allowed both the FE and HE sectors to strategically plan forward, in the medium term, to invest in their estates and infrastructure needs.

One thing that we would point out for the Committee to be aware of, which is pointed out in the investment strategy, is that the allocations beyond this Budget period — those for 2015-16 and beyond — are indicative only. We are keen to point out that the figures that are included for DEL for 2015-16 and beyond are merely a roll forward of the resources that we have available in this Budget period. The fact that we are underfunded in this Budget period means that that underfunding is built into the longer period. When we were being consulted on this, we pointed out to the Strategic Investment Board that it is clear that the Executive need to sit down at the beginning of the next Budget period and reallocate capital on the basis of the priorities that prevail at that time and not just follow the indicative allocations that have been set out in here.

The Chairperson:

John, what capital projects do you have in mind? If Barry McElduff were here, he would go on about the need for a campus in Tyrone. Is it Dungannon?

The Committee Clerk:

Enniskillen.

The Chairperson:

There is a project for that. Why are you saying that you will be short of capital in the following Budget period? What projects are there that you want to do?

Mr Smith:

Particularly in the FE sector, there is still a lot of work to do, although we have invested a significant amount in the past number of years. Some colleges have not had the benefit of that investment, and the money is not available for them in this Budget period, so, if that is extrapolated, there is a danger that there will be an underfunding going forward. We know that there is an underfunding in the HE sector against the UK-wide sectoral norms for the amount that the universities ought to be investing.

The Chairperson:

Is there a paper on what the capital underspend will look like?

Mr Smith:

There could be. There is not one in finance division, but I can check with our HE colleagues.

The Chairperson:

Part of giving evidence is to highlight where there are potential issues, and capital expenditure is one of those things for the longer term. It would be useful for us to know about that. I do not know whether it has to come through the Minister, but, if you are making representations to the Strategic Investment Board to say that there is a bit of a problem, we would also like to know what that problem is so that we can go and argue for some more capital.

Mr Smith:

We can put some flesh on that.

The Chairperson:

I get the idea that one or two FE colleges are left out because they are not all as modern as this one. That has to be done. I also understand why the amount of capital investment that has been put into the higher education system here could be different, given the different fee structure in the rest of the United Kingdom. I need a quantum on that, and I need to know what the comparative figure is. If you could do something for us on that point — provide a paper or a note — it would be useful.

Mr Smith:

I should point out that, over the four years, the FE sector will receive £62 million in capital investment. In itself, that is a significant amount, but, as in all of these things, you could always do more if more were available.

The Chairperson:

Just to be clear, people tell me repeatedly that what you have done in the South Eastern and Southern Regional Colleges, Belfast Met and a number of other colleges is great. The FE sector — thanks to the sterling work, I should add, of Sir Reg Empey and Danny Kennedy — did really well to get a huge rebuild. I reckon that around 80% of the sector got a new college, but there are areas that are not up to standard, and the costs of those priorities will need to be identified. When you look at that, you are looking at whether the allocated £62 million is sufficient, given that there has been investment. I want to know whether the £62 million is enough to bring the other colleges, on the basis of equality, up to the same standard.

You raised a point that I was suspicious of but on which I had not quite clarified my thinking. Our higher education facilities face a challenge in meeting the investment strategy that their counterparts in Great Britain will have because of the differential in fees. It would be interesting to see whether we are losing money. I get worried about tuition fees that are largely paid for through revenue, but I also want to deal with capital expenditure. Sorry, I have gone on too much, but you know where I am coming from.

Mr Smith:

Yes, I know.

The Chairperson:

The Committee would be pleased if you could shine any light on that.

Mr Smith:

As I was going to say, the profile of the £62 million is heavily loaded towards this year and the next. That is so we can meet our obligations on, for example, this building and the other PPP schemes for other colleges. Thereafter, for the final two years of this Budget, the FE allocation tails off to a smaller amount. Clearly, there are colleges that have not had the benefit of significant investment. Michelle Gildernew has mentioned that issue in the past, and we are aware of it.

By contrast, the HE sector has a relatively small allocation this year, but, over the final three years of the Budget, its allocation will ramp up as the FE sector allocation starts to diminish.

The Chairperson:

Is that against specific projects?

Mr Smith:

The way in which we allocate to HE is slightly different. We have given the two universities and the university colleges a four-year funding envelope or allocation, and we have invited them to bring forward proposals to reflect their investment needs. They will bring forward business cases for specific schemes that will be approved or otherwise. That is how it will happen.

The Chairperson:

I know that that is the process, but it is unlikely that you will come up with a number that will be just plucked out of the air. You will have had some discussions. For example, the University of Ulster will have wanted to talk about its proposed new campus across the water from here. I am unaware of what other capital schemes the universities may bring forward, but there must have been some debate in the Department to decide roughly how much money to allocate to those schemes.

Mr Smith:

There has been, and a number of business cases have passed across my desk in the past few weeks. Those are going through the internal quality review process for such schemes. We can come back to you with that kind of detail.

The Chairperson:

Can you give us a top line? It does not have to be the full business case. We just want a rough estimate.

Finally, it is not usually clear to members — I think it is an accounting issue — what it means when we see PPPs or PFIs on a spreadsheet. Those go down as capital expenditure and members may think that you are buying something. However, instead, you have already got that, and you will just be paying for it for the next 25 years. It is always interesting for us to know what is new money that will produce something different. I know that there are accounting rules. However, what we are trying to get at is how much is committed and how much extra money we have to do something new.

I have gone on a wee bit. As there are no other questions, I want to thank you, John. I am sorry that we have depleted numbers, but that is what happens when all this excitement is going on. However, it is probably a good thing as far as you are concerned. Thank you for your time and your responses.