



**Northern Ireland
Assembly**

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

**OFFICIAL REPORT
(Hansard)**

January Monitoring Round

14 December 2011

NORTHERN IRELAND ASSEMBLY

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

January Monitoring Round

14 December 2011

Members present for all or part of the proceedings:

Mr Thomas Buchanan (Deputy Chairperson)

Mr Jim Allister

Mr Sammy Douglas

Mr Chris Lyttle

Mrs Sandra Overend

Witness:

Mr John Smith) Department for Employment and Learning

The Deputy Chairperson:

We will now hear from Mr John Smith, who is director of finance. I thank him for swapping with Ofqual; he was supposed to be with us earlier, but he kindly agreed to swap with Ofqual as some of its representatives had to get away. I appreciate that and ask you to begin.

Mr John Smith (Department for Employment and Learning):

Thank you. You will recall that I was last here on 30 November to give you an update on the transactions that did not need Executive approval. Today's session is to take you through the transactions that will be put forward to the Executive early in the new year in stage 2 of the monitoring round. I will guide you through the paper section by section.

Section 2 gives the strategic context at the block level. Essentially, the position is the same as the one that I reported to you on 30 November. I do not propose to spend too much time going through that. Suffice to say that the Executive's focus this year is clearly to manage the level of overcommitment that they have within the resources available and to seek to avail themselves of the budget exchange system that is available with Treasury.

Section 3 gives the strategic context for the Department. Again, the overall position is the same as the one that I reported to you last time: the economy remains difficult, growth is sluggish and unemployment continues to rise.

Mr Douglas:

On my way up here today, I heard that figures out today show that there has been another increase in unemployment.

Mr Smith:

OK. Section 4 gives the financial outlook for the Department. I draw your attention to paragraph 4.2, which summarises the overall position as we go into the January phase of the monitoring round. Essentially, after we net off the various pressures and easements in the different divisions, using the flexibilities that are open to us in the budgeting rules, and, excluding one reduced requirement of £2.4 million that we have to declare in this round, we have an overall pressure of just over £6 million. It is £6.226 million, to be precise. That pressure is in the employment service's Steps to Work line, and the Minister has agreed that we should submit a bid in the monitoring round. I will talk about a division-by-division split in a few moments.

That is the position as of today. We have until 3 January to put in our final bids to DFP. We keep the budget under close scrutiny, particularly at this time of year. A lot of our services are demand led, so we get better and better financial information as we go through the year.

In parallel, we are also working up a potential bid to fund a variant of the Step Ahead strand of Steps to Work, which would provide a short-term intervention of that programme to run for the remainder of this financial year. However, that is still a live issue, and we do not have the final decision or the details on that yet.

Moving to the division-by-division analysis, there are a number of pressures and easements in the skills and industry division that we can net off. As I said, there is a reduced requirement of £2.4 million on a ring-fenced line in the Assured Skills project. One of the conditions attached to that money was that the budget that we got from the Executive is ring-fenced, which means that any underspends are not available to be deployed elsewhere to meet other pressures of the Department and we have to declare that as a reduced requirement of £2.4 million. That is because it is a joint pilot project with Invest NI, and it is closely related to the demand from industry for financial assistance from Invest NI. Due to the economic climate, demand is weak and that is adversely affecting the number of clients that are put through to the Assured Skills programme. Unfortunately, we have to declare a reduced requirement, and that is what we will do in January. Overall, at divisional level, the skills and industry division (SID) has a net pressure of £220,000 this year, which is only 0.3% of the overall divisional budget.

Moving to the employment service, you will be familiar with the issues in this budget line because we have talked about that in the past. Our best estimate at this stage of the year is that we have a pressure on Steps to Work of £6.6 million, and it is our intention to submit a bid for that pressure in the January round.

The further and higher education divisions together have broadly balanced budgets, and we do not anticipate any major issues for either of those divisions.

The strategy, European and employment relations division overall has a small residual pressure that we can manage across the Department. There is one notable issue as regards employment tribunals, because a court case is ongoing at European level. The omens are not good. It is not a court case against DEL, but one that would affect DEL and other Departments across the UK. It has potential ramifications for us, and, at this stage, it is prudent that we set aside some money for back pay to cover costs if the court case goes against us. It is in respect of part-time judiciary terms and conditions. We are able to cover that pressure within the resources available to us. That is deemed prudent at this stage.

Administration costs are a large part of the departmental budget. We continue to expect that

that area would be on budget or just under, which is in line with what we have previously forecast.

Turning to capital, we have a balanced budget and there are no major issues to report. We are not a big player in capital investment. We have just over £41 million available to us this year, much of it tied up in contractual commitments that have already been incurred and we expect that budget to be balanced.

The Deputy Chairperson:

Thank you again for your presentation and for taking us through the paper today. One of the issues is the position, which you say may change between now and 3 January 2012, and it is important that the Committee is kept fully au fait with any changes that take place regarding bids made or anything similar. One of the other issues is the set-aside for the court case. Do we know how much is being set aside by the Department for that?

Mr Smith:

It is round about £2 million, because the case relates to potential back payments covering a number of years, stretching back.

Mr Allister:

Expected to be paid before 31 March 2012?

Mr Smith:

The actual cash payments will not be made before 31 March 2012, but we expect that, between now and when we come to finalise our accounts, the position with regard to whether there is a cast-iron liability will have been clarified, in which case, under the accounting rules, you incur the cost — the expenditure — in the accounting period to which it relates. At this stage, that is a matter of judgement, but the omens are not good and it is prudent that we put money aside, while we can, to cover a potential liability of that nature.

The Deputy Chairperson:

Does that affect other Departments?

Mr Smith:

My understanding is that it affects at least one other NI Department, but there could be more.

The Deputy Chairperson:

Will it have a part to play in that as well? Will it have a payment to make? DEL is setting aside £2 million to cover that; will the other Department take a financial hit as well?

Mr Smith:

We cover only the amounts that accrue to DEL; what other Departments do is a matter for them. If they are in the same position as us, that could be an issue for them too, but I cannot speak for them.

Mr Allister:

So yours is the employment tribunal money?

Mr Smith:

That is right.

Mr Allister:

And the other would be Department of Justice money?

Mr Smith:

I am not sure, Mr Allister, which other Departments could be implicated.

Mr Allister:

Is there any surplus in the capital?

Mr Smith:

No. The capital is balanced.

Mr Douglas:

I have a couple of questions. Thanks for the presentation, John. In relation to capital, there was an announcement recently by the Chancellor, and we have raised this before, that there is £1 billion, and there is the potential that £150 million or £250 million of it might come to Northern Ireland. It will not come before March, but have you anticipated it? The majority of that funding is for capital. Will you make a bid for that sort of money?

Mr Smith:

You are right that the capital money starts to flow, not this year, but in the remaining three years of the Budget period. At this stage, we do not know the process by which the Executive propose to allocate that. One way could be to wait until the next monitoring round, which is in June, and invite bids on a year-on-year basis. At that point, if we have capital bids in the pipeline that we could spend money on, yes, we will submit a bid. However, until we know how the Executive want to deal with it, we cannot say what we will do.

Mr Douglas:

You mentioned the Steps to Work programme. We have previously raised the issue of the Step Ahead programme. Anecdotal evidence suggests that it is one of the most successful programmes targeting young people who have been unemployed for at least 30 months. Is that still a priority? I know that the Minister was very keen on that, and we have all said that it is an excellent programme. If anything, we need to roll that out to other areas as well. Is it still very much a part of the Steps to Work programme?

Mr Smith:

As I said earlier, the Minister has asked officials to work up options for a temporary reopening of Step Ahead, if we can find the money and if, operationally, we can do it. Clearly, it is still a priority for the Minister; yes.

The Deputy Chairperson:

John, you will be aware that the Chairperson has been asking for monthly updates to the Committee. Can you give us an indication as to why the Department is not providing those?

Mr Smith:

As we said in our correspondence, we need to balance the frequency and level of information with the needs of the Committee. We would be concerned that a monthly exchange would lead to an overly prolonged amount of resources on administration and bureaucracy, which would divert staff from the priority tasks in the Department. Our Minister has agreed to make available a quarterly update along those lines. That will, at least, give the Committee a regular snapshot of the issues that are facing the Department. If you are getting those updates with the benefit of a two or three-month gap in between, you get to see how things are moving, whereas, on a monthly basis, the movements would just be at the margins. There would be a risk that I would be sitting here with not a great deal of new information to give to you.

Mr Douglas:

I want to follow up on your point, Deputy Chair. We discussed European funding and the fact that Wales is doing much better than us. Can you give us a European update at some stage, John? That would be helpful.

Mr Smith:

Yes.

Mr Douglas:

There may be an opportunity for us to lobby in Europe through our MEPs for some of those programmes.

The Deputy Chairperson:

John, thank you very much for coming today.