Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

January Monitoring Round: DEL Briefing

12 December 2012

NORTHERN IRELAND ASSEMBLY

Committee for Employment and Learning

January Monitoring Round: DEL Briefing

12 December 2012

Members present for all or part of the proceedings:
Mr Basil McCrea (Chairperson)
Mr Thomas Buchanan (Deputy Chairperson)
Mr Sydney Anderson
Mr Phil Flanagan
Mr David Hilditch
Mr Chris Lyttle
Mr Fra McCann
Mr Pat Ramsey
Mr George Robinson

Witnesses:

Mr John Smith	Department for Employment and Learning

The Chairperson: John, you are here to explain all to us, and there are papers tabled for members. At the last Committee meeting, there was some discussion about the announcement of £200 million and what exactly everything meant. We are doing two things here, and John will explain all to us. You are very welcome, John.

Mr John Smith (Department for Employment and Learning): Thank you, Chair. Would you like me to start with the previous correspondence on the jobs and economy initiative?

The Chairperson: Yes, let us do that.

Mr Smith: The Committee asked three questions for clarification. First, you asked whether the additional 150 PhD places were in addition to the 500 places that the Minister announced recently. The 500 additional places were undergraduate places in STEM subjects (science, technology, engineering and mathematics), and, over and above that, we were given the funding for an additional 150 PhD places in the jobs and economy initiative. The two things are distinct from one another.

The Chairperson: Is that recurrent funding for the PhD students?

Mr Smith: Yes, that will cover the life of their course of study, so it will run from now into the next Budget period.

The Chairperson: Next year, are we likely to see a fall-off in the number of PhD students recruited, because that is not core funding?

Mr Smith: We have funding through —

The Chairperson: I know that that cohort of 150 will travel through the system, but you have baseline recruitment for PhDs each year of what, approximately? How many PhD students do we take each year? That is 150 on top of how many?

Mr Smith: I am not sure exactly how many we take, but this is on top of that. It is additional funding, and it is in our baseline for the next four years.

The Chairperson: OK. But let us say that we were recruiting — I have forgotten the exact figure, sorry. Let us say we recruited 500 PhDs each year. This year, we will be recruiting 650, because you put 150 off. But next year, we would go back down to 500 new recruits. In other words, we are not increasing the baseline of PhD recruitment.

Mr Smith: My understanding is that 50 PhD students are to be recruited in year one, rising to 100 in year two and rising to 150 in year three. I will need to check that for you.

The Chairperson: OK. It was only for clarity, John. There is a table in the papers. Was that last week's papers? Was it in the tabled papers last week? Doesn't matter. Anyway, what I want to know is: what are the historical and projected recruitment levels for PhD students in Northern Ireland?

Mr Smith: We will have that information, and we will get it back to you.

The Chairperson: How are those PhD places allocated? Your paper says that it is to areas of economic relevance. Who decides what economic relevance is, and who decides which universities get the places?

Mr Smith: That is one for our higher education policy division to answer. I do not have that level of detail with me.

The Chairperson: Can the Committee have that detail? He is laughing at me. Is that all right?

Mr F McCann: I am not laughing at you.

Mr Anderson: It is a good question.

The Chairperson: Thank you.

Mr Smith: The second question was about the enterprise allowances. We now have funding to fund 150 enterprise allowances, which are for people who are interested in self-employment in growth areas. To be eligible, you need to be between 16 and 30 years of age. Some cash is available to incentivise this, and these people can also avail themselves of the use of the digital hub at e3. There is business mentoring support available.

The Chairperson: How much cash is available? Are enterprise allowances already out there, or is this a new thing?

Mr Smith: It is a new thing that we are promoting over this Budget period.

The Chairperson: This is the first that my Committee has got to hear about enterprise allowances.

Mr F McCann: How will the Department let people know that it is there to claim in the first place?

The Chairperson: Thank you. That is the point that I am getting to. We wrote to the Department about that because I, at least, was not aware of enterprise allowances. What are they, exactly?

Mr Smith: As I said, it is an additional strand of the youth employment scheme (YES). There are young people who are interested in starting up their own businesses, and this is to encourage them to do so. There is money available.

The Chairperson: How much?

Mr Smith: Half a million pounds a year. There will be no money for this year, 2012-13, because, by the time we get the thing up and running, we will not be incurring cost. There is half a million pounds for 2013-14 and another half a million pounds available in 2014-15.

The Chairperson: You might not be the right person —

Mr Smith: And that is additional money.

The Chairperson: It is additional to the YES?

Mr Smith: Yes.

The Chairperson: You may not know, but this half a million — what actually is on offer to them?

Mr Smith: As I said, it is for people who are aged between 16 and 30. There is an allowance of £65 a week for a year, and there is an initial start-up grant of £500, with a further potential £500 available after six months. There is £250 available per person for accredited training, and they can use the facilities at the e3 digital hub, and business mentoring and tutorial support.

The Chairperson: Thank you, John, that is helpful. We will write and get the proper details. As Fra has pointed out, we need to find out how people are supposed to know about this.

Mr F McCann: How many people have taken it up?

The Chairperson: It has not even started yet. Fra, I agree with your point. I picked this up at the last meeting, and I went, what is it? Is this something I have missed? Actually something new, that we know nothing about? So we will get —

Mr Anderson: Will councils, through their economic development departments, be approached or informed about this?

Mr Smith: In terms of how the scheme will be taken forward, that is one for employment service, the actual operational side of it. I am here to talk to you about the costs. I am not sure of the fine detail.

The Chairperson: We will get that.

Mr Anderson: We need to know how this will roll out.

Mr F McCann: Sydney has raised a relevant point. Many local councils have a hands-on approach to economic development and have the contacts to allow them to do that. That could prove useful if they develop that.

The Chairperson: Let us get a written bit. Your points will be in the Hansard report, and, when you come back with those points, we will invite the Department to comment. If necessary, we will get a briefing on it.

Mr Smith: The final question in connection with the jobs and economy initiative was why no cost was recorded against the youth employment scheme for disabled people. That is because we already have money in the youth employment scheme baseline to cover the costs of this initiative. We are extending the youth employment scheme to create opportunities for young people with disabilities. We have £4 million this year, £12 million next year and £15 million the year after in the youth employment scheme baseline, and we will be funding this initiative out of that money. Therefore, we did not see the need to submit a bid for additional resources under the jobs and economy initiative for this. It is already there.

The Chairperson: OK, so it was confusing. Does anyone else want to say anything before I come in?

Mr P Ramsey: There is always a concern in the House, with all the disabled groups that meet here and all-party groups, about the fact that the likelihood of someone with a disability securing employment is something like one in four. That is extremely bad. In particular, we get that message from parents. That is why we seek an assurance that this will remain a priority and that funding will be sought to target those who are vulnerable and marginalised. Again, it might be something for someone else, but I am flagging that up as a live issue.

Mr Smith: Through the youth employment scheme, we have made a commitment to this. Significant resource is going into that programme over the next three years. Overall, the programme will provide over 6,000 work experience placements of six to nine months over the three years, so there is a significant commitment. I take your point.

The Chairperson: John, what are the main Department for Employment and Learning (DEL) funding schemes for people with disabilities, and not just youth?

Mr Smith: I do not have the detail to hand, but we have a disability employment service, which is part of the employment service, that is focused on that area. It could give you the full breakdown of costs, programmes and levels of activity.

The Chairperson: What is the Department's relationship with Ulster Supported Employment Limited (USEL)?

Mr Smith: USEL is an arm's-length body and one of our NDPBs. We provide it with some core funding to help with its day-to-day running costs. It is also one of our contractors. It provides certain training and other provision for us. The relationship is arm's length. In terms of finance, it scores within our budgetary arrangements and is part of the Department's group of arm's-length bodies.

The Chairperson: Do you look at its financial returns? It is showing negative variances in its factory production, and, in certain elements of the placement, it is losing money. How closely do you, as the finance guru, look at what it is doing?

Mr Smith: We do. Because it is part of the Department's overall budgeting arrangements, we have to monitor its budget closely. If it has a pressure on its budget, it becomes a pressure for us as well. We know that it is in a difficult operating environment and that it is a challenge to maintain its income stream from sales of the products that it makes. We have to manage that in the Department, and we do so.

The Chairperson: Right. Can you give the Committee a financial analysis of its position? Can you come back to us with a paper on that, please? This is my last question. Is USEL the premier or leading employer in sheltered employment that the Department funds? How big is it in the overall context of the Department's commitment to funding work for people with disabilities?

Mr Smith: As far as I am aware, it is the only government-sponsored sheltered employment workshop. It is certainly the only NDPB that we have in that line of work, but within our other employment programmes, we possibly give funding to other organisations that do similar things. We will come back to you on that.

The Chairperson: Cathie, there are two things that I want. I want, from John, an analysis of that body's financial status, because it is getting into trouble with Steps to Work and things like that, and the different funding things going back in. It is effectively a DEL body. I also want a breakdown of the funding mechanisms to get people with disabilities into work. Does the Committee agree?

Members indicated assent.

The Chairperson: I cannot get my head around how USEL is making profits in certain areas but making losses elsewhere. We balance backwards and forwards, but we really need to get more people with disabilities into work. They seem, to me, to be a prime asset. If you could explain to me in a paper how it works, that would be very useful.

Mr Smith: I will move on to the December/January monitoring position. I sent through a paper late last week, and hopefully that is in your packs. Do you want me to take you through paragraph by paragraph, or pull out the key points?

The Chairperson: Tell us what you think we need to know, John, and we will then ask you questions.

Mr Smith: The paper gives you the backdrop to the January monitoring round. The Department of Finance and Personnel (DFP) has split the round into two, as it did last year. The first stage is for us to submit to DFP any technical adjustments and switches to budgets that do not need Executive approval. We had to do that by 7 December. The second stage of this round is due by early January, and that is when we will put in our bids and reduced requirements. I will talk to you today about the technical adjustments, the overall financial outlook and the position as it stands as to what is likely to be there in January when we come to stage 2.

In the strategic DEL context, as you know, a lot of what we do is linked to the wider economy. I do not need to labour the point that the economy is in a difficult position: construction and private sector activity fell in the first six months of 2012, and jobseeker's allowance is growing. There are now over 64,000 people on the jobseeker's allowance register, and that impacts on the employment service through the suite of employment programmes that it runs.

We have put some technical adjustments to DFP. There are four outward budget transfers in this round, totalling £436,000. This is where we are giving money up for transfer to a different Department. Principally, we are doing some work on the Cookstown jobs and benefits office. DFP is the landlord there, and it will take charge of working with a contractor to get the work done. So we are transferring some capital and some —

The Chairperson: It is £400,000 to DFP?

Mr Smith: Yes.

The Chairperson: OK. Right, next. What about inward transfers?

Mr Smith: There is £950,000 coming in to Steps to Work and the FE colleges from the jobs and economy initiative, and we have discussed parts of that already.

The Chairperson: Does that figure tie up with when we announced the £200 million? This is the whatever it was — the one and a bit million?

Mr Smith: The £1 million that we will get in 2012-13 is the £1 million coming in there.

The Chairperson: So, in the following year, we will see a bigger figure than that? I cannot remember what it was now.

Mr Smith: It is about £14 million in year 2.

The Chairperson: Yes, that is what I was going to say. Will we see that flagged as an inward transfer for next year?

Mr Smith: Probably not, because we will get those baselines adjusted prior to the start of the financial year.

The Chairperson: That is OK. It is on the record that it will be done as a baseline. OK, got that. Fair enough. Move on.

Mr Smith: There are two smaller transfers in: one from the Department of Enterprise, Trade and Investment (DETI) for the jobs fund, which is a joint Invest NI/DEL initiative, which provides money to us each year; and a small rebate from DFP on the cost or HR Connect.

The Chairperson: What is £0·01 million?

Mr Smith: That is £10,000. Every little helps.

The Chairperson: Thank you, Mr Tesco. We are really getting down to it when we have £0·01 million.

Mr Smith: Overall, as we approach any monitoring round, we want to work within the budgeting rules to meet our pressures using any emerging underspends. Beyond that, we will submit bids or reduced requirements to the centre, and that allows the Executive to reprioritise their resources across to other Departments.

I will give you a division-by-division breakdown. With skills in industry, we have continuing high demand for the training and apprenticeships programmes, including Training for Success and ApprenticeshipsNI. That is leading to some budget pressures, and we are able to meet those internally because we have underspends on some management development programmes where, because of the weak demand from the economy, client demand is lower than expected in those areas. We can reallocate underspends from those areas to meet the pressures on Training for Success, and that is what we will do. There is one underspend on the Assured Skills project of £0·3 million, and members will recall that, in the Budget, a sum of money was ring-fenced for the Assured Skills scheme. That means that, if there are underspends, we are not allowed to —

The Chairperson: Is Assured Skills about the support for investment? That is, if a new company is coming in, we assure them of skills? Have we not had enough?

Mr Smith: The pipeline of clients coming through from Invest NI has a knock-on demand for skills training. So, the activity on Assured Skills is closely linked to —

Mr Anderson: What is the reason for the £0·3 million underspend? Why did we not try to spend that rather than lose it?

The Chairperson: Sydney, I will do it. The issue was that it was tied with DETI and Invest NI investment projects. They did not get enough projects coming through. They had to surrender money as well, and, because not enough companies came down, we could not provide skills for them. Because the money is ring-fenced, it has to go back to DFP, and there is nothing that we can do. That is not even a criticism of DETI; it is just that the projects did not materialise.

Mr Smith: There is no interest for us in holding on to the money, because we cannot use it elsewhere. However, it is not only that demand is weaker than we want it to be. The nature of the Assured Skills letters of offer is that they run over two to three years. So, we issue a sum of money to an organisation, and it lasts more than one year. It is not an exact science as to how quickly they will draw down and spend the money that we give them. We are managing the Assured Skills programme over multiple financial years, and that also creates a challenge for us.

Mr F McCann: I thought that any money that is underspent goes back to DFP, and you then have to bid again.

The Chairperson: It is for that. You will have seen earlier, Fra, that certain technical things can be done on an interdepartmental basis. Not everything has to go back to DFP.

Mr F McCann: I remember from the Department for Social Development (DSD) that, even when you transfer money that is underspent across your Department, you still have to get permission from DFP to do it.

The Chairperson: Let us get John to tell us exactly what happens.

Mr Smith: You sometimes do. It depends on the amount of money that you want to move. Within the Executive's budgeting framework, we have delegated authority to move a smaller amount of money.

Mr F McCann: What is a "smaller amount", John?

Mr Smith: If it is over £1 million, you have to declare it as a reduced requirement and then bid back if you want to move from it from a to b.

Mr F McCann: My point is that it is not quite as simple as saying that there is an underspend of £300,000, because, if that service was essential and, for whatever reason, was not met, it means that the next time you bid for it, you may not get it. An element of a service might be lost.

The Chairperson: OK, but there are two bits in terms of this. You have to understand what this scheme is. Through the Assured Skills project, say you have a firm that comes in from America and needs 500 welders, but, when we do an analysis, we do not have 500 welders. As part of the package to induce the company to come in, we say that we will train up 500 welders. I take from John that the problem is twofold. First, if the firm that was going to come from America does not appear — Invest NI thought that it was going to get this firm, but it is delayed or is not coming — you will not need the 500 welders because the firm did not turn up. So, that money would go back. Secondly, John is also saying that, when you do give the moneys out, it is not an exact science, because you do it over multiple years. So, for example, if the firm had turned up, you do not know whether you are going to train all your 500 welders on day one or whether you will take 250 this year and 250 next year. Am I right about that, John?

Mr Smith: That is correct.

The Chairperson: There is a bit in here where the scheduling is not just right. Fra, you might want to concentrate on the other bit.

Mr F McCann: I asked the question on the back of the point that Sydney raised. I understand that John is here to speak purely from a budgetary point of view. In other Committees, I got the impression that money could be freely moved, or moved within a Department. That is not exactly the case.

The Chairperson: You are absolutely right. Some things can be moved.

Mr F McCann: Anything over £1 million.

The Chairperson: That is the de minimis rule. That is a general rule. Can you explain for Fra — I do not know, anyway — whether any departmental transfers are permitted between the various divisions?

Mr Smith: Yes, under a million pounds.

Mr F McCann: Under a million pounds?

The Chairperson: No, forget about the de minimis.

Mr Smith: All Departments work under the same framework, by the way, so it is not —

Mr F McCann: I raised that because there were constant arguments over it when I was on the Committee for Social Development. A project there might have had £5 million allocated to it, but the Department could not spend it, so it had to go back. When the Department bid for it again, it was not allowed. There was, therefore, for whatever reason, underspend in what could have been a very good project, but it was lost, and the project was lost.

The Chairperson: The point is absolutely correct. On a technical point, not every budget is like that, but, in general terms, you are right, and we will leave it at that. Money goes back. Pressure on training and apprenticeships, due to high demand, has been mitigated by reallocating underspends on various departmental programmes. That is money that is being transferred within the Department, Fra, without having to go back to the centre. John, can you tell us what quantum we are talking about for that reallocation of underspend? Do we have a list of the underspend? This is exactly the point that Fra is making. What are the underspends in the development programmes? How much are we talking about?

Mr Smith: Annex 1 at the back of your paper has the numbers.

The Chairperson: Let me get to that. It has very cunningly been put in such small print that nobody can —

Mr Anderson: Chair, would you read that for us?

The Chairperson: John, explain what is going on.

Mr Smith: Under the skills and industry heading, you will see that it is forecast that the Department will underspend £2.525 million in development programmes and industry by the year end. That is shown in the variance column and covers various schemes. The programmes in the development programmes and industry line are those that are demand-led and on which we are working with the industry. Since the economy is weak, the demand for those programmes is not as great as we would like it to be. Management development programmes, for instance, underspent by £1 million; there was an underspend in skills development of £0·9 million; and there were various other, smaller underspends. That adds up to the £2.525 million.

You will also see that the total budget for training and apprenticeships is £64·391 million. That is the ApprenticeshipsNI and Training for Success schemes. The variance column shows £2·410 million in brackets. That means that those budgets are under pressure by £2·410 million, due to excess demand. Within the budgeting rules, we are able to net the pressures with the easements and balance the books.

Below that, you will also see a figure of £300,000 in the variance column. That is the net position on skills and industry division. After netting off all the pressures and easements against each other, we have an underspend of £300,000. That is the Assured Skills underspend. It is ring-fenced. We have no interest in holding on to it, because we cannot use it to meet or expand activity in any other area, and we have to give it back.

The Chairperson: You say that that £300,000 is ring-fenced. Is that specifically ring-fenced, or is it because you are not allowed to transfer from skills and industry to employment services?

Mr Smith: It is specifically ring-fenced.

The Chairperson: I remember that; that is OK.

Mr Smith: It is worth noting, though, that come 1 April 2013, we will have a baseline of over £3 million on Assured Skills, and so on the year after that. Although we are giving up money this year, we will still have £3 million next year to carry on the programmes.

The Chairperson: OK, got the point.

Mr F McCann: I want to pick up on some of the figures as they are relevant to an inquiry that we are doing. I take it that that is a £185,000 underspend in the Careers Service.

Mr Smith: We have been bearing down on a number of baselines in the Careers Service; for example, our marketing budget. We have managed to deliver the marketing programme that we wanted at lower cost than we thought. The Careers Service was going to buy some diagnostic and assessment tools to help it in its work. It has delayed buying those until next year. So, it is about general run-of-the-mill operating expenses in the Careers Service.

Mr F McCann: I do not know what that terminology means or how it applies to the £185,000 underspend in a careers budget. I do not mean to give John a hard time on this. It would probably be better if the people who run the Careers Service could tell us why they did not spend the money. It runs through all of it. There are pockets of underspend, and we do not get a sense of the impact that it has on the services.

The Chairperson: I am with you 100%. That is what I am trying to do. That is why we bring John up to go through this in more detail than we might have done in the past. You are absolutely right to say that. We can get more info on it, Fra. I think that John was saying to you that the £185,000 underspend can be explained by the fact that the advertising was done cheaper and the fact that it does not need to buy a piece of software.

Mr Smith: It relates to the assessment tools that the Careers Service uses. When the Careers Service is working with young people and working out what is best for their future career, it uses various techniques and tools. It has delayed buying whatever it needs to buy. However, let us look at this in the overall context. A £185,000 underspend is about 3% of the Careers Service's budget. It is small. It is not large enough to cause a huge issue in respect of delivery.

The Chairperson: You are not talking here about your financial control aspect. I understand that it is a modest sum from a financial and accountancy point of view. However, if you take it that the Careers Service is, say, 80% staff, the 3% reduction underspend that you have taken out of the 20%, which might be marginal in respect of investment, is significant. Fra is quite right to pick that up and ask the question not about financial control — because you are doing your job — but about why we are not buying whatever widget it is that we wanted. What is the reason for that? We ask that because we are concerned about careers.

Fra might also ask about the £2·5 million reduction in spend on the development programmes that you mentioned. That is a fairly big underspend. It is a 25% reduction, approximately, in development programmes, which is a big downturn. We might ask this question: was that done to facilitate training and apprenticeships getting more money, or was that money available because the demand was not there? You are probably not the person to tell me, but that is the question.

Mr Smith: It is the latter.

The Chairperson: You are saying that the demand was not there?

Mr Smith: That is right. When the economy is under pressure, one of the first things to go is training, as firms start to cut their training budgets. We have a raft of different programmes, and the demand is not as strong —

The Chairperson: OK, I do not want to take too long. Could we write to the Department to ask for details on the reduction in demand for the development programmes? I want to move on, but could we also ask for a breakdown of the reasons for the underspend in the Careers Service that Fra brought up? We understand where you are coming from, John, but it is appropriate for the Committee to enquire.

Mr Smith: The next division is the Employment Service, which reflects most directly the prevailing economic conditions due to Steps to Work and other programmes. The number presenting to the Employment Service continues to increase. It now has 18,458 clients on Steps to Work. We have a statutory responsibility to provide that service to those people. You will remember that, in June monitoring, we submitted a bid for around £5 million. That enabled us to balance the budget at that stage, which was good because it gave us certainty over finance for the remainder of the year. While there is still a modest pressure — just over £1 million — in respect of Steps to Work and other employment programmes, we can meet that from within the Employment Service's own provision through underspends in other areas. In particular, we have been bearing down on staff costs. We are able to reallocate some underspend, primarily in staffing, to deal with that pressure.

The Chairperson: We have got that; you are saying that it is OK. Further education (FE) looks like a big issue.

Mr Smith: You will be aware that the Office for National Statistics (ONS) made a decision to reclassify the FE sector and Stranmillis University College as NDPBs. That has a range of impacts on how those organisations operate. As regards financing, it means that they are part of the Department's budgeting regime. On initial adoption of the change to NDPB status, we bid for depreciation cover. Previously, we did not need to include depreciation on FE sector assets in our books. However, we do now, and we got additional depreciation cover for that. We have now worked out with the colleges the exact amount that they will need. As a result, there is an easement of £3·2 million on depreciation.

It is important to point out that depreciation is what is called a non-cash budget. It does not buy anything. It is to reflect the fact that buildings, vehicles and so on are worth less over time as they get older. We need to reflect the change in that value in the Department's books. We could not reallocate any excess depreciation cover to boost activity on other spending programmes such as Steps to Work. It is a different kind of budget. We do not have any other depreciation pressures on any other assets, so there is no strategic interest to the Department in holding onto this money. It is not even money anyway — it is budget cover.

The Chairperson: Tell me why the Department has not raised with DFP the non-departmental public body status of FE colleges.

Mr Smith: We have raised the issue with DFP. When the outworkings of the ONS decision were clear, we had various conversations and discussions with DFP about what it might mean. However, DFP's hands are tied in this regard. ONS is an independent body. It is not influenced by Departments or politicians. It decided on the evidence that it had seen that FE colleges across the UK were NDPBs in status. It is a natural consequence of that that we have to budget and account for them in that way.

The Chairperson: Except that England and Wales no longer have the ruling that FE colleges are NDPBs, and they are no longer NDPBs. Neither do Scotland or Wales, although they are further down. So, the only place where FE colleges will be NDPBs is Northern Ireland. I have written to the Minister of Finance and Personnel about this. I cannot speed read his response, but I will just say that I got a response back from the Minister to say that he is awaiting a second application from DEL to revert the status of FE colleges to non-NDPBs. So, he is waiting for DEL to reapply to bring the matter into line with the rest of the United Kingdom.

Mr Smith: My understanding of the situation in England is that the Department for Business, Innovation and Skills changed the law and whatever other governance arrangements they needed to change to enable the ONS to reverse its decision for England. That is why the FE colleges in the English FE sector are not NDPBs. As regards our overall FE policy and the future direction of the sector, whether FE colleges are NDPBs or not is something that we need to look at, and the FE —

The Chairperson: Could you look at that for me? The colleges are not happy. They are not saying that, but I am saying that the colleges do not appear to be happy with the changes. They were supposed to be independent bodies. I have written to the Department anyway, but could you, on behalf of the Committee, undertake to find out exactly what the relationship between DFP and DEL is on this issue? DFP tells me that it is waiting for you to make the case again.

Mr Smith: I can tell you what the relationship is on that issue. If we wish to have the Office for National Statistics reverse its decision, we need to change the underlying statute — the FE order — and make whatever other changes need to be made to the relationship between the Department and how we interact with FE colleges. Once we have made those changes, we would need to submit an application to the Office for National Statistics, which will review all of the revised changes, the new governance arrangements and the new legislation. It will determine whether we have done enough to put enough distance between ourselves and the sector. We make that case to ONS through DFP. In that sense, DFP is merely the interface between England and the Department. It has no role in —

The Chairperson: OK. This may not be your remit, but it is not clear to me why we would want FE colleges to have changed their status to non-departmental bodies except in response to an ONS determination. Given that we can challenge that ONS determination, should we not be going back to the original status of the FE colleges being independent bodies?

Mr Smith: If that is a direction in which we need to go, as I said, we need to change whatever we need to change in statute and then make a case to ONS to have a review.

The Chairperson: I understand the methodology by which it happens. You made that clear. From a financial control point of view, what is the benefit of having the additional levels of bureaucracy? Why would you, as a financial controller, want FE colleges to be NDPBs? Are there any reasons why you would say that this is a good idea, or would you say that it does not matter to you one way or the other?

Mr Smith: From a financial perspective, the budgeting and the accounting arrangements are secondary to the overall decision on the governance side. It is a natural consequence that, as NDPBs, we have to budget for them and account for them in a certain way. The finance is not the driver for the decision by ONS; the change in the budgeting is just a consequence.

The Chairperson: OK. I will leave it at this: I do not like additional levels of bureaucracy coming in to anything. You have had to explain to financial directors of FE colleges what you need to get from them as a non-departmental public body. There is an overhead in there that I cannot see the benefit of.

John, this is not for you. Colleagues, there was a letter from the Minister that states that he is minded to initiate a consultation on whether, at some stage in the future, we should seek to have our colleges classified as private organisations. That is reverting to the status quo. We should write to the Minister to find out why he feels the need to go to consultation on that basis, given that we could make a quicker decision. Can I have your agreement on that?

Members indicated assent.

The Chairperson: Moving on then, John.

Mr Smith: OK. We are now into the higher education (HE) division. There is a similar issue to the one in FE, and it is in relation to Stranmillis University College. We have an underspend in Stranmillis's depreciation budget of £1·4 million. The circumstances are analogous to those in FE. We have no reason to hold onto —

The Chairperson: What about St Mary's?

Mr Smith: St Mary's was reclassified as an NDPB at the same time as Stranmillis. However, the financial memorandum that we have with St Mary's is slightly different from Stranmillis's. We were able to change the terms in that financial memorandum. We put the case back to ONS, through DFP, to have it review its decision on the basis of the new information. For that reason, we have taken the decision that we will not treat it as an NDPB, pending the review by ONS.

The Chairperson: So, you changed the financial memorandum of understanding with St Mary's to accommodate it not being an NDPB.

Mr Smith: There were certain clauses in the St Mary's financial memorandum that had been there for many years, and they were never actually used. I hesitate to use the words "loose drafting" — that is probably not the way to put it — but we never operationalised the clauses that were there, so it did not make any difference whether they were there or not. So, with St Mary's, we have removed the clauses, and we believe that doing so will enable the Office for National Statistics to reverse its decision and classify St Mary's back into the private sector. Given that, it would not have made administrative sense to start treating it as an NDPB with all of the changes to budgets that that would have meant, alongside the other governance arrangements, only to have it change back again in a short space of time.

The Chairperson: What I cannot understand is this: if it is advantageous for whomever that St Mary's is not an NDPB, why has the same position not been taken for Stranmillis and for the FE colleges? I am not saying that it is your policy call; it is the Minister's. If NDPBs are a good thing, we should do that for all. There are reasons why we do these things, but I do not understand why we do not have a common approach across the sector.

Mr Anderson: Can we seek clarification on that?

The Chairperson: We can.

Mr Anderson: That will maybe shed some light on it.

The Chairperson: Sydney has asked for clarification, and that is a good point. We will do that. That is helpful. We understand the issue about depreciation.

Mr Smith: There are no significant issues in the strategy, European and employment relations division, the corporate services division and the finance division.

The Chairperson: OK. Next.

Mr Smith: The capital budget is balanced. We have an investment allocation of £17·2 million this year. The bulk of that is in the HE sector. We work closely with the universities on their business cases, and they are ploughing ahead with various big schemes. The FE sector has a smaller allocation in 2012-13, and that is being used to fund a range of minor works at various college sites. A very small amount, less than £1 million, is allocated for the three other NDPBs; the Labour Relations

Agency, the Construction Industry Training Board (CITB) and Ulster Supported Employment Ltd (USEL). The Department itself has an allocation of £50,000 for minor capital works.

The Chairperson: Sydney will, no doubt, be interested in this. According to the college in Craigavon, there is potential for capital expenditure for a new campus there. It would be a joint campus. Given that capital funds are becoming available from the Barnett consequentials that were announced in the recent statement by the Chancellor, how many projects do we have that are shovel-ready and of which we could take advantage if there is an opportunity to bid for capital?

Mr Smith: Not many are shovel-ready today. Across the whole sector, we have a range of business cases that are in various stages of maturity. I am aware that the block has the extra capital money, and we are waiting with interest to see how the Executive want to deal with that. Obviously, before we bid for capital, we need to make sure that all of the prerequisite work is in place. That means business cases being done and planning permission either being secured or on the way to being secured, because there is no point bidding if you cannot spend. In a lot of our projects, we are focused more, in the latter part of this Budget and the next Budget period, on heavy investment in the sector. You will recall that, over the past five to 10 years, expenditure has been cyclical. In the FE sector, we had a lot of heavy investment towards the early part of this decade. In the past two years of this Budget period, the HE sector has received the lion's share of the capital that we had. We will push on into the next Budget period, and that is when we expect to spend big on FE again.

The Chairperson: When is the next Budget period?

Mr Smith: After 2014-15.

The Chairperson: Given that capital may be becoming available in the short term because of decisions made by Her Majesty's Treasury, we would be interested in what opportunities there are in the FE colleges, or anywhere else, to take advantage of such short-term availability of capital.

Mr Smith: We will do what we can. If there are schemes that are ready to go that we can spend on, we will be putting in bids, and we will make a judgement nearer the time, when we know precisely what is available and when.

The Chairperson: Will you be in a position to tell us at some stage how close the Craigavon campuses, for example, are to being ready to take advantage of any available capital?

Mr Smith: Yes, we can give you an update on that.

Mr Anderson: You are doing a good job, Chair. You are doing better than I could do.

The Chairperson: I knew that we talked about that, Sydney. That is OK.

Mr Anderson: We are talking about this money becoming available in 2016.

Mr Smith: Do you mean the extra money from the Treasury?

Mr Anderson: Yes.

Mr Smith: I am not sure. I am aware that we have got over £100 million of capital, but I do not know what the profiling is or when it is coming. Earlier, I was talking about the focus of when we will want to invest heavily again. At this stage, that will be in the next Budget period, when we get fresh capital allocations from the Executive. That will be from the 2015-16 financial year, and beyond.

The Chairperson: Sydney, you would be looking to see if there is an opportunity to do something.

Mr Smith: Clearly, if money becomes available in-year, we would need to be ready.

Mr Anderson: We need to have concrete proposals and agreements going forward. There has to be engagement to get the capital for the projects. That is something that we need to look at in the next year or so.

The Chairperson: It would be really helpful to get a response for Mr Anderson on that.

We are going through it line by line. Is there anything else we need to deal with?

Mr Smith: No. I will sum up what I have just said. At divisional level, there are some offsetting, demand-led pressures and easements that we can meet. At this stage, we do not anticipate submitting any bids to DFP. After doing all of that and meeting our own pressures, we have a forecast underspend of £5·1 million on resource. To recap, £0·3 million of that is on assured skills. It is ring-fenced, and we have no interest in keeping it. The balance of £4·8 million is depreciation.

The Chairperson: But £5·1 million will come across as a headline figure that looks bad, so we need to get the story out.

Mr Smith: Given that £4·8 million of that is depreciation, there is not as much focus on that as there is on the real cash spending budgets.

The Chairperson: OK. What about capital?

Mr Smith: The capital budget is balanced.

The Chairperson: I am looking at FE capital receipts. Annex 2 shows half a million quid. What is the FE capital receipt for?

Mr Smith: Belfast Metropolitan College has surplus assets on College Square East and Brunswick Street in Belfast. We have had those on the market for some considerable time. We had anticipated that they would sell this year, but the deal has fallen through. That is the issue there.

The Chairperson: Everything else is balanced. OK, that is dead on. Anybody else have any questions? Thank you very much indeed, John. I appreciate your time.