Northern Ireland Assembly

Committee for Employment and Learning

# OFFICIAL REPORT (Hansard)

## June Monitoring Round 2014: Briefing by Department for Employment and Learning

4 June 2014

# NORTHERN IRELAND ASSEMBLY

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**Members present for all or part of the proceedings:**
Mr Robin Swann (Chairperson)
Mr Sammy Douglas
Mr Phil Flanagan
Mr Chris Lyttle
Mr Fra McCann
Ms Bronwyn McGahan
Mr Pat Ramsey
Mr Alastair Ross
Ms Claire Sugden

**Witnesses:**
Mr John Smith Department for Employment and Learning

**The Chairperson:** I welcome John Smith. Good morning, John, you are very welcome. Over to you.

**Mr John Smith (Department for Employment and Learning):** I am here to brief you on the June monitoring position, which is due to be submitted to DFP tomorrow. You will have received a briefing paper in your pack, and the Minister for Employment and Learning has, obviously, cleared this position.

You will be aware of the wider strategic context, in that the Executive, as usual, have overcommitted on the Budget in 2014-15. So, the Executive will be looking to manage that position as we go forward in the monitoring rounds.

What is our strategic context in the wider economy? The economy is showing signs of life again. The labour market is improving, and the claimant count is down 700 over the past month. The Ulster Bank purchasing managers' index is showing that consumer confidence continues to rise. Having said that, demand for our services continues to rise and to be strong, and that is shown in our budgetary position. Section 4 of the paper sets out some technical adjustments that we need to submit to DFP in this monitoring round. There are six outward budget transfers from this Department to other Departments that total £7·955 million. They are detailed in the table. I will then talk about the 10 inward budget transfers, totalling £7·737 million, that we are due to receive from other Departments.

What about the technical adjustments leaving the Department? The first is a small transfer for the Centre for Applied Learning e-project manager, which is our contribution to the costs of a project manager to take forward the e-learning project, which is all about promoting e-learning as opposed to classroom-based learning. We are making a contribution towards that initiative.

There is a small contribution of £42,000 to the central government advertising unit in OFMDFM, and we make that transfer every year. There is some depreciation associated with refurbishment works in the Ballymena careers resource centre that reflects the depreciation costs of that asset. We then have a transfer into DFP of £5·2 million, which is our contribution to the education maintenance allowance (EMA) review. Members may recall that, as part of the tuition fee settlement at the beginning of this Budget period, our Minister and the Minister of Education made a commitment to jointly review the education maintenance allowance. That was concluded a couple of years ago, but it is in the nature of the budgetary process that, each year, we have to put our savings back into DFP. That is a routine issue for us in June monitoring every year.

We also make a contribution to the Department of Health, which runs the condition management programme for us. It supports people with health and disability conditions to self-manage in the workplace. There is a transfer to the Department of Health for the early information transformation programme, which equips all parents in a cohort with skills to give their children the best start in life that they can. There is also a contribution for the development of the new Belfast intensive family support project, which is some £700,000 in 2014-15.

Those are the technical adjustments that are going out of the Department. The table in the papers shows the technical transfers that are to be received. We have a small amount coming in for the HR Connect service management office, and there are corporate overheads for the occupational health service. There is a transfer in from DETI to the higher education (HE) support fund, which is its contribution towards helping businesses to access research and development funding that is available from the EU. That provides a signposting and information service. That is particularly relevant to this Department, because our two universities are big hitters in that regard, as they draw down a significant amount of European funding to support their research and development.

There is a small transfer in for European social fund technical assistance. That is used to help us to close the old European social fund programme and to prepare for the new one, which begins in 2014. We have two significant contributions from the Health Department, which is its contribution to medical and dental work students, and for additional social work student places. Again, those are routine transfers that come in every year.

We have a joint project with DSD on the incapacity benefit (IB) modernisation programme. DSD is contributing to the funding of some 58 staff, which is helping the IB migration project in the Ballymena and Andersonstown jobs and benefits offices (JBOs). There is a small transfer in from DSD in preparation for the universal credit ICT project. There is also a transfer from DFP for the estate modernisation project to deliver a co-located employment service in the JBOs in Strabane, Downpatrick and north Belfast.

Those are the transfers in and out. I will move on to the overall position in the different divisions. As usual, our approach is that we try to meet all our own pressures internally from existing resources. We seek to bid to the Executive only where necessary. That is the position that we have traditionally taken. We optimise the flexibility that we have in the budgeting rules to enable us to do that. The big picture is that, in the June round, there are no resource or capital bids to submit to the Executive this time. There are no reduced requirements on capital or resource. There is one function reallocation that we need Executive approval for, and that is to set up the new youth policy and strategy division in the Department, primarily to take forward, amongst other things, the United Youth programme.

Paragraph 5.3 onwards in the paper gives the position division by division. As you know, the bulk of the skills and industry division expenditure is on youth training schemes, such as ApprenticeshipsNI. Those are demand-led schemes, which means that they can be volatile and difficult to manage at times, because we do not control totally the demand for those areas. At this stage in the year, we can live within the resources that we have available to cover all those schemes as planned. You will be aware that the employment service is the one area of the Department that really reflects the prevailing economic conditions. Although the economy is recovering now, the demand for employment service programmes, such as Steps to Work, remains high. We have enough budget to cover the demand for those programmes. There is a budget transfer out of the employment service into the new youth policy and strategy division to take forward, as I said, the United Youth programme. There is a small pressure of £300,000 that the employment service cannot meet — that is on the travel and translation service — but resources are available in the totality of the Department's budget that we can offset to meet that. So, there is no issue there.

As I said, there is a new youth policy and strategy division, as well as the United Youth programme. That division has been set up to manage the outworkings of the reviews of apprenticeships and youth training and to take forward with DETI the development of the economic inactivity strategy. We have set aside some £2 million of baseline this year to set up that division and to enable it to develop those programmes and to start some pilot projects.

The further education division's budget is balanced, albeit that there is a relatively small pressure of half a million pounds on the expenditure that we incur with the education and library board services. Again, however, we are able to meet that from within the totality of the budget that is available to the Department.

The higher education division includes not only the grants to the higher education institutions (HEIs) but student support costs. Overall, there is a small pressure of £300,000 on the budget for funding the Open University, which we can meet from available resources.

Finally, our strategy, European, employment relations, corporate services and finance divisions have relatively small budgets. The expenditure will be managed, and there are no pressures or easements to declare there.

Moving on to capital investment, I will say that, this year, we have a budget of £55·1 million, the bulk of which is aimed at the further and higher education sectors. In higher education, there is an allocation of around £34 million in total that will continue our contribution to schemes that started in previous financial years and that span several financial years. We continue to contribute to live projects, including developments at Queen's University's engineering and health sciences faculties and a big estate refurbishment development at the University of Ulster's (UU) Coleraine campus. There is a scheme this year at Stranmillis University College to remove asbestos and to make improvements on disability access, as well as some refurbishment to the main building. We are helping St Mary's University College to install a biomass heating system.

I will turn to the further education sector. There is an overall allocation of around £20 million, and, in 2014-15, by far the single biggest investment is the continuation of the performing arts, technology and innovation centre at the South Eastern Regional College in Bangor. You will recall that that scheme began in the previous financial year and that it continues into this year. We are investing around £9 million this year in that centre. Subject to the approval of satisfactory business cases, we also have funding this year to commence the design works for some significant newbuilds in the FE estate in Banbridge, Armagh, Enniskillen, Coleraine and Springtown, as well as an allocation for small and minor works across the sector.

As I said, further and higher education take up the vast bulk of the budget, and we hold about £1 million for smaller departmental IT projects and for funding our other non-departmental public bodies (NDPBs). At this stage, the capital budget is balanced, and we have enough resources to continue the projects that we want to do this year. We expect that we can live within the resources that are available at this stage.

That is a quick overview of the June monitoring position.

**The Chairperson:** Thanks, John. It is good to hear that you are balancing your budget, as always. In the June monitoring round, I note that the Department is still funding the condition management programme, which the Department of Health administers. Has the Department decided yet whether that programme is going to continue or whether there will be any changes to it?

**Mr Smith:** No, I do not think that a final decision has been made on that. We are putting the budget cover across to the Health Department this year, which will allow the programme to continue until at least 2014-15.

**The Chairperson:** Is the Department for Employment and Learning meeting the full cost of that now?

**Mr Smith:** Yes. We meet the cost of that, and DHSSPS and trusts deliver it on our behalf.

**The Chairperson:** OK. I want to move on to the Estimates and the £18 million reduction. Have you got on to that yet? Do you want to go on to it? Sorry; I am just getting ahead of myself.

I will ask you, then, about the depreciation of the property at Linenhall Street in Ballymena. Of all the assets that you own, why are you showing a depreciation on only that one?

**Mr Smith:** We depreciate all the assets that we own. This is a non-cash charge to reflect the fact that, over time, buildings and equipment depreciate in value. Whenever you refurbish assets and invest in them, that increases their value, which means that you have to adjust your depreciation charge accordingly. That reflects the fact that we have refurbished Ballymena careers resource centre and that the depreciation charges have gone up. Although they are non-cash charges, that does not mean that another spending programme has to be reduced to enable us to carry that cost. It is non-cash, and we could not use that budget elsewhere to fund spending areas. So, it is a routine matter.

**The Chairperson:** I will turn to paragraph 5.12. Some £20 million is to be spent on the further education sector, allocated to:

> *"significant new builds at the Banbridge, Armagh, Enniskillen, Coleraine, and Springtown campuses".*

You said that those are subject to business cases. Do you know where the business cases for those are at?

**Mr Smith:** They are subject to business cases; that is correct. A number of them are already with the Department, and the likes of the Southern Regional College is with DFP. We are engaging with that Department on queries. We await other business cases from the colleges, but we know that they are being actively worked on, and we expect that, during this financial year, those business cases will come through and will be approved, enabling the design works to begin.

**Mr F McCann:** I have just a couple of points. The paper states that there will be a transfer of £500,000 from employment services to the United Youth programme. You are right to say that there has been some improvement in employment, but there is still a serious problem with youth unemployment. How will that impact on the ability of the employment services to deliver a full programme?

**Mr Smith:** It will not impact on its ability. We are setting up the division, and the £500,000 is primarily to cover staff costs. These are staff who were in the employment service division but have moved across to set up the new division. So, there is no impact on that.

**Mr F McCann:** So, there is no impact at all. You mentioned the migration of IB staff across in Ballymena and Andersonstown. What does that mean?

**Mr Smith:** Staff in the Ballymena and the Andersonstown jobs and benefits offices have transferred over from DSD to this Department. DSD held the budget for their salaries, so this is just the transfer of that, because they are now on our payroll.

**Mr F McCann:** How many staff are you talking about?

**Mr Smith:** There are 58 staff members.

**Mr P Ramsey:** Thanks very much, John. You talked about the new youth unit that is being set up. It is not referred to in the briefing paper, but you referred to economic inactivity. Has there been an allocation of money towards that, or is it just generalising what is being set aside for it?

**Mr Smith:** The economic inactivity strategy does not have a budget yet, other than that for the cost of the staff to develop the strategy. Once the strategy is developed, we will need to assess what we need to implement whatever actions come out of that.

**Mr P Ramsey:** On a separate point, are there any financial implications as a result of the review of maximum student number (MaSN) within the budget lines?

**Mr Smith:** Not as part of the June monitoring. I am not aware of any wider issues to do with that at this stage.

**Mr P Ramsey:** This is my final question. You said that there were no capital bids. Was there not a capital bid for a new teaching centre at Magee College? That was maybe not bid for in the rounds.

**Mr Smith:** That is not in our capital programme for 2014-15.

**Mr P Ramsey:** Are you aware of the bid?

**Mr Smith:** I am not aware of the detail of it. It would be subject to UU submitting the usual business case to the Department. If the business case passed muster, we would need to try to find resources to fund it.

**Mr Ross:** Just very quickly, what scenario planning has gone on in the Department in case welfare reform does not go through? What impact will it have on the budget in the Department?

**Mr Smith:** As you know, there is the issue with welfare reform, and Treasury is on record talking about penalties that it will apply to the block Budget. At this stage, the Executive have not decided whether they will ask Departments to make any reductions to cover that cost or whether it can be made in-year. So, we are doing some internal scenario planning just in case, but, at this stage, it is nothing more than looking at scenarios and at what we might do.

**Mr Ross:** It was suggested last month that there may be a 1·5% decrease in budgets for all Departments. If that were to happen, what would it look like? What work that is committed to at the moment may be in jeopardy if that were to come to pass?

**Mr Smith:** I think that, yes the 1·5% is the Finance Minister's assessment of what it would take. If that was levied equally across all the Departments, the impact on this Department would be a reduction of just under £12 million on resource. That is 1·5% of our resource departmental expenditure limit (DEL).

**Mr Douglas:** John, thanks for your presentation so far. You said that there will be no capital bids. Paragraph 5.10 states that there is an existing baseline of £55·1 million on the capital investment. Money is allocated to Stranmillis University College and St Mary's. Given that there is a review of future training in Northern Ireland, will that just proceed with that work being carried out, never mind the outcome of that review?

**Mr Smith:** That is the case, particularly for Stranmillis. There is asbestos in part of it, so there is obviously an obligation to do that. So, yes, we are proceeding to invest and are not pre-empting the outcome of any review. The works need to be done. Cases have been made that there is an urgent need for that kind of work. Electrical wiring works need to be done in Stranmillis's main building. So, it needs to be done, irrespective of the outcome of a review.

**Mr F McCann:** Alastair asked about welfare reform and preparations. When you look at that, will you also factor in the possible upwards of £500 million of cuts to people's benefits and the impact that that will have on those who are most in need? Would that be factored in, given that DEL has a front line service through the benefits offices?

**Mr Smith:** I think that we will need to wait and see what the Executive decide to do and react once we know what those decisions are.

**The Chairperson:** OK, John, the Main Estimates then.

**Mr Smith:** What was the question? *[Laughter.]*

**The Chairperson:** Do you want to go on to them?

**Mr P Ramsey:** Is there any slippage?

**Mr Smith:** I am aware that the Finance and Personnel Committee has circulated a paper to you on the Main Estimates 2014-15 and the Budget (No. 2) Bill. This comes round every year at this time. The issue is that the 2014-15 Main Estimates and the Supply Bill really put in place the legal authority for Departments to spend their budget. You will recall that, back in February, there was the Vote on Account in the Assembly, and that gives Departments an allocation of up to 45% of their incoming year's budget. So, the Budget (No. 2) Bill completes the loop on that and gives the full authority to spend. It is about putting the right amount of funding in the right place at the right time to enable

Departments to fund their business objectives. It gives that important element of accountability and scrutiny to the Assembly.

The Bill itself makes provision for the cash and the resources that will be available to Departments to carry out their business, and, as I said, it gives Departments the legal authority to spend. It is important to know that Estimates are limits; they are not targets. The target is essentially the Budget, and, whilst the Estimates and the Budget are separate things, they are reconcilable. For example, the main difference is that the Estimates are to do with the departmental resource, whereas the Budget covers the Department plus non-departmental public bodies.

The table at the back of the paper that the Committee for Finance and Personnel gave to you sets out how each Department's headline budget has moved from the Budget 2010 document to today. You will see reflected there various decisions that the Executive made after the original Budget 2010 was agreed and where they agreed additional resources to Departments. So, for this Department, you will see additions to the economy and jobs initiative, the outworkings of the tuition fee settlement, the capital review exercise, which the Executive carried out last September, and the additional money that was given to the Department for the youth employment scheme and Pathways to Work. There is also a reflection of the additional resources that we got from Treasury, when the FE colleges, Stranmillis University College and St Mary's were reclassified by the Office for National Statistics (ONS) as being NDPBs. For that, the Department needed additional budget cover. I understand that the main Assembly debate is on 9 June, and the briefing is to help to inform that position for you.

**The Chairperson:** Is the £55·8 million of additional resource allocation in that summary table mainly from the NDPB change of status?

**Mr Smith:** Primarily, some £27·8 million of that was to do with the reclassification of FE colleges and the HEIs as NDPBs. It was to cover, first, depreciation. Before they were NDPBs, depreciation on their assets did not score in the Department's budget, but now it does. Unfortunately, it is non-cash depreciation, so it does not enable us to do anything more. We also got budget cover to allow the colleges to spend their accumulated cash reserves. That is because one of the other implications of NDPB status is that an NDPB that wants to spend accumulated reserves needs to have the equivalent budget cover from the Department to enable it to do so. So, we submitted a bid to Treasury, which came through. As I said, in 2014-15, £19·6 million was allocated for the youth employment scheme and Pathways to Work, £15·2 million for the economy and jobs initiative and £21 million for tuition fees.

**The Chairperson:** What about the £18 million reduction?

**Mr Smith:** The £18 million reduction is on capital. Again, as a result of the initial adoption of NDPB status in the FE sector, we bid for some £28 million of capital spending power to cover the colleges' anticipated spend of their cash reserves. The settlement that we got from Treasury covered only the three years of this Budget period, and we knew soon after we got that allocation through that we would not need the full £28 million within this Budget period. That is because we needed to spread it out along the lines of when the time frame for the actual capital investments were going to take place. So, we worked with DFP and agreed that we would give £18 million back to the block in 2014-15 in return for £18 million when we needed it in future financial years. We expect that to be made good when we bid for 2015-16 and 2016-17 Budget rounds. So, it is a rephasing of resources that are available to the sector.

**The Chairperson:** The column on the transfer with ROI/GB Departments shows £29 million of resource and £28 million of capital. What is the breakdown or make-up of that?

**Mr Smith:** Unfortunately, DFP did not furnish us with the full details of that table. I will need to get back to you on that, because I am not sure what it comprises. We have a full reconciliation back in the Department, and I can get that to you.

**Mr P Ramsey:** I want to come back to a question that was raised about capital bids. The University of Ulster made five bids, presumably last year. Two were approved: one was for £36 million for Belfast; and one for £6 million for Coleraine. There was also a £10 million bid for the new teaching unit block at Magee. Where is that bid in the system? Has it been disapproved? Is it on the radar?

**Mr Smith:** It was among the bids that we put forward under the Together: Building a United Community initiative, if I recall correctly, last September or October. Treasury is taking the lead with the Northern Ireland Office on those. There is quite a strict definition of what will qualify for that funding. At this stage, we do not believe that the bid will have been successful in that bidding round.

**Mr P Ramsey:** Can you supply me with further information on where the bid was in the system? Was it prioritised in a list that the University of Ulster had supplied to the Department? You said that £35 million was approved for greater Belfast development, which came through the Office of the First Minister and deputy First Minister and the Strategic Investment Board.

**Mr Smith:** Yes. That £35 million was financial transactions capital, which was a new capital funding stream made available to the Executive from Treasury to enable Departments to provide assistance to private organisations in the form of bonds or loans to help them to carry out capital works. For that scheme, we worked with the UU on its greater Belfast development project. It fitted the criteria, and the Executive decided that they would make the money available for it. That is why it was funded. So we have a scheme to invest £35 million with the UU to help it to move from Jordanstown into the city centre.

**Mr P Ramsey:** I am trying to find out definitively where the UU bid for a new teaching block is.

**Mr Smith:** I can come back to you on that, Pat.

**Mr P Ramsey:** Thank you very much.

**The Chairperson:** John, thank you very much.