



Northern Ireland  
Assembly

Committee for Employment and Learning

# OFFICIAL REPORT (Hansard)

June Monitoring Round: DEL Briefing

29 May 2012



particular pressure on the Steps to Work programme, and we will come to that in a wee moment. Of course, with many of our services being demand-led, there are pressures to manage across the budget.

There is a range of technical adjustments that we need to make in the June monitoring round. Traditionally, this is a housekeeping round for DEL, in which we set right, internally, any misallocations of budgets. There is a whole raft of those. They are small amounts, and it is about putting the budgets right in individual divisions. Those are not disclosed in the briefing document, as they are not pressures or easements, but technical reallocations. Some technical adjustments need to go through DFP, including some outward transfers that are mentioned in paragraph 4.1, and a table shows that about £4.1 million of budget cover will leave the Department for a range of issues. The principal amount is the £3.8 million — it is the top line in the table — which will transfer to the Department of Health, Social Services and Public Safety (DHSSPS) for the condition management programme, which it delivers on our behalf. That forms the bulk of the outward budget transfers.

There is also a range of inward transfers and budgets that are due to come to the Department, and they are detailed in the table on the next page. They total about £3.8 million, and the most significant item is just under £3 million from DHSSPS to help fund the cost of medical, dental and social work students. There is a range of smaller transfers in for IT projects, office kiosks and the knowledge network. There are a couple of paragraphs under each of those items that give a bit of a description, and I will not go through each of those individually.

I will now look at the June monitoring round division by division. There are two major issues in this round. The employment service has entered a bid of £8 million for the Steps to Work programme. That is driven by the upward pressure on the jobseeker's allowance register.

**The Chairperson:** Could you just explain a wee bit about that? We have had upward pressure in previous monitoring rounds. Is this an additional increase?

**Mr Smith:** We start with a baseline of about £35 million a year for the Steps to Work programme. Due to the difficult economy, that is not enough to meet the costs of that programme. Therefore, each year we bid to top-up the baseline in-year. Last year, we bid for that programme and were successful in two or three rounds and got probably £10 million or £12 million of extra budget cover. However, from 1 April, the budget steps back down to £35 million. Therefore, we are bidding again.

**The Chairperson:** So, it is just going round again from the baseline.

**Mr Smith:** Yes. That is right.

There is a bid of about £8 million for that, and the prospect of us receiving that obviously depends on what happens with the bids from other Departments. However, we have a good track record of bidding successfully for the Steps to Work programme in-year, and we always spend the money that we get through the monitoring round process. Therefore, we are cautiously optimistic that, at some point in the year, these bids will be met. That may not be the case in the June monitoring round, because it is early and we do not know what the other Departments may bid for or what other issues the Executive might have to deal with. However, we will hopefully be able to manage that in-year.

The second bid is for the new policy on youth unemployment and to address the issues of those who are not in employment, education or training — the so-called NEETs. We have been working with DFP to produce a business case for that policy —

**The Chairperson:** Is that the £5.8 million?

**Mr Smith:** Yes. It is £5.8 million for this year.

You will recall that the Executive agreed the overall policy in March, and we are now working with DFP to flesh out the fine detail and to work up the costings. The bid is for £5.8 million this year. We will also take the opportunity to put down a marker for next year and the year after, when we will need around £15 million and £20 million, as the schemes get up to a steady state. You will be aware that a wider reassessment exercise of departmental baselines is due to happen. We hope that that exercise will give us some additional budget cover for 2013-14.

**The Chairperson:** I do not want us to take too long; we are really short of time. However, just to be clear, you have talked about that policy. There was an announcement by the Westminster Government of just short of £1 billion, and Barnett consequentials came across as a result of that. If I recall correctly, we were due to receive £26 million. Presumably, that was to be over three years, although it could have been per annum. Are we on the same page?

**Mr Smith:** Yes.

**The Chairperson:** How much would those Barnett consequentials be if we were to take them in full?

**Mr Smith:** First, this is our response to the GB initiative on youth unemployment. The Barnett consequentials came across, but they are what is called unhypothecated.

**The Chairperson:** We understand that. I am asking you what the difference is between the unhypothecated figure and the figure that you are bidding for here. Are we getting all of what should have come across? Have funds been diverted to other areas?

**Mr Smith:** The figures are in the same ballpark. I would need to check the details of what the Barnett consequentials were, but, in orders of magnitude, they are not far out.

Those are the two big bids that we are proposing to make. At this stage, we have no reduced requirements to declare. All the other business areas are able to live within the resources that have been allocated. There were two small pressures that we can manage internally. One of those is in the employment service for translation costs and the other is in the Construction Industry Training Board, which is facing a reduction in the amount of levy income that it gets from industry and which has put a small pressure on its budget.

That is a high-level summary. I will stop there.

**The Chairperson:** OK. Gentlemen, are there any questions?

**Mr Allister:** The third item in the outward transfers is £50,000 for the government advertising unit. Is that a new requirement on the Department?

**Mr Smith:** It is very recent. I think it started in the last financial year. They have had a look and have reconfigured a more corporate approach across the entire Civil Service to placing adverts. It is run centrally by the advertising unit of the Office of the First Minister and deputy First Minister (OFMDFM), and each Department makes a contribution.

**Mr Allister:** Is our contribution £50,000?

**Mr Smith:** Yes. That is right.

**Mr Allister:** Is that meant to cover our share of all the advertising throughout the year?

**Mr Smith:** Yes.

**Mr Allister:** Will it?

**Mr Smith:** It is based on our expectation of the campaigns that we will run. It is a fair reflection of what we expect to incur.

**Mr Allister:** The very last item on the inward transfers is £40,000 for depreciation on a vehicle. I know that depreciation is a problem but £40,000 seems a lot for one year's depreciation on a vehicle.

**Mr Smith:** I think we have two vehicles available to us.

**Mr Allister:** Two vehicles?

**Mr Smith:** Yes, £40,000 is a lot for one vehicle.

**Mr Allister:** How have we two ministerial cars?

**Mr Smith:** I think there is one, plus a reserve available for us. That is my understanding.

**Mr Allister:** Has every Department got that?

**Mr Smith:** I am not sure.

**Mr Allister:** We may have two to spare. Do we get to sell them?

**Mr Smith:** I could not possibly comment.

**Mr Allister:** So, it is £40,000 depreciation on two vehicles. Even £20,000 depreciation for each is a lot of money, is it not?

**Mr Smith:** Yes, it is. Normally, you would depreciate a car over maybe three or four years, so I am not sure whether DFP has rolled up last year's charge and this year's into one and are giving us the whole lot. At the end of the day, however, it is extra budget cover that is in —

**The Chairperson:** Can we take it, Jim, that you have that issue and you need to find out some details, so we will move on?

**Mr Allister:** OK, that is fine. It is just that those two issues puzzled me.

**Mr Douglas:** I did not see it in the information pack, and maybe it does not need to be there, but we raised before, John, the issue of the youth contract scheme. Do you remember the £1 billion that was put in by the UK Government?

**Mr Smith:** Which one, sorry?

**Mr Douglas:** The youth contract scheme.

**Mr Smith:** That is the youth unemployment policy that we are talking about here.

**Mr Douglas:** Is that money coming through now?

**Mr Smith:** We have the Barnett consequentials in the block.

**Mr Douglas:** Has that money come to Northern Ireland?

**Mr Smith:** It has come to Northern Ireland.

**Mr Douglas:** Can you tell us how much we got?

**Mr Smith:** That is what Mr McCrea alluded to earlier on. I think there is around £26 million over three years. That is in the block and it is for the Minister to decide —

**Mr Douglas:** OK.

**Mr Smith:** As I say, it is not hypothecated to DEL, though, so it just forms part of the overall consideration.

**The Chairperson:** But we would like to know what difference if any there is between the unhypothecated amount and what you are getting.

**Mr Smith:** Buried deep in one of my old files is a page with the figures on it. That is all I have for you.

**The Chairperson:** We will let you come forward on that. Tell me a wee bit more about the end-year flexibility. You said that the Finance Minister would be talking to us about that in the House today. What is that exactly?

**Mr Smith:** Yes, what do you want to know, the DEL position or the overall position or the —

**The Chairperson:** Let us start with DEL and then tell me the overall position as well.

**Mr Smith:** OK. With regard to the overall position, I cannot speak for the Department as I am not party to where they finished. What we do know is that the Treasury has capped the level of underspend that can carry forward from one year to the next. It is called the Budget exchange system.

**The Chairperson:** Is that the same as what used to be called end-year flexibility?

**Mr Smith:** That's right, yes. It is now called Budget exchange. It is capped at a percentage of your resource budget and capital budget, so it applies to only the departmental expenditure limit. In total, the Executive can carry forward I think around £63 million in total from 2011-12 into 2012-13. That is the overall envelope. As far as DEL is concerned, I supplied you with a briefing paper last week. The highlights are that overall on the departmental expenditure level, which is the key measure and informs the carry forward, we underspent by 0.15%, which is £1.4 million on a budget of £981.2 million. So, we did quite well and spent out 99.85% of the resources available to us. That compares favourably with previous years. There were small underspends in various business areas —

**The Chairperson:** OK, we are not worried about £1.4 million. The issue is that it now goes back into the centre.

**Mr Smith:** That's right.

**The Chairperson:** So, are we bidding for any of that? In the Finance Minister's announcement this afternoon, he will presumably be reallocating his £63 million.

**Mr Smith:** What he will do this afternoon is report on the overall position for last year and how Departments did against their final budget for last year. That level of underspend will then be available for consideration in the June monitoring. The returns are due into DFP on 6 June. So, at some point in June, they will consider how that money will be deployed.

**The Chairperson:** For members' benefit; this afternoon, the Finance Minister will run through how much cash is available to be redistributed. You are saying that your contribution to that is a relatively modest £1.4 million.

**Mr Smith:** I will put it into context. We account for about 8% of the NI block. If every Department underspent by the same amount that we did, there would be a total block level underspend of round about £18 million.

**Mr Allister:** We are allowed £63 million.

**Mr Smith:** We are allowed £62 million.

**The Chairperson:** Did you say £18 million?

**Mr Smith:** It would be £18 million, if everybody underspent by the same percentage that we did.

**The Chairperson:** I did not bring my paper down with me, but it was usefully provided. The Committee Clerk has just helped me; what a wonderful Clerk we have. Let us talk through the DEL budget, which is always confusing in these issues. We start off with an opening position in April 2011 of £790 million in DEL. By the way, DEL is not the Department. It is the resource budget, is it not?

**Mr Smith:** It is the departmental expenditure limit. It is the longhand for the budget.

**The Chairperson:** OK. You have £790 million, but you end up with £880 million.

**Mr Smith:** That is correct.

**The Chairperson:** You said that you were quite pleased about your £1.4 million, but you have got an additional £90 million. Is that right?

**Mr Smith:** Yes. Our budget on 1 April 2011 was £791 million. We got bids met in the year, and inward budget transfers.

**The Chairperson:** Has everybody got this paper? I am sorry, John, go ahead.

**Mr Smith:** We got bids met in the monitoring rounds, and there were budget transfers into and out of the Department. After the January monitoring round, we ended up with a final budget of £880 million, and we spent 99.85% of that.

**The Chairperson:** The big figure in there is the notional loan subsidy, which, if I am correct, is the offset we have because student fees were not put up by as much as we thought they would be.

**Mr Smith:** No, that is not connected to the student fees.

**The Chairperson:** OK. What is the notional loan subsidy figure?

**Mr Smith:** It comprises two elements. First, it is to recognise that the loans that are made to students are not made at commercial rates; they are subsidised. So the student does not pay the same amount of interest they would if they were borrowing the money commercially. From a financial management perspective, we are required to reflect that cost in our budget. That is what the notional loan subsidy is.

**The Chairperson:** So why is it in as an additional?

**Mr Smith:** It is in as additional because we do not bid for it in the monitoring rounds. We have an agreement that the block will deal with Treasury directly on the notional loan subsidy. We bid in-year and get the money topped up into our baseline on an in-year basis.

**The Chairperson:** Is that because it is de facto agreement that Westminster knows, because it will be dealing with their students in the same way?

**Mr Smith:** That is probably part of it, but it is also to recognise the fact that we cannot control the cost of the notional loan subsidy, because it is linked to the numbers of students who take up their loans, it factors in the Bank of England base rate and the rate of inflation. The figures are so big that it is not something that the block can deal with on its own, so there is an agreement with Treasury that we bid in-year and get the money topped up. The £70 million was the top-up that we needed. That money is ring-fenced by Treasury. We cannot use it to fund anything else. I suppose the clue is in the title. It is a "notional" loan subsidy; the word "notional" is the key word. It does not buy us anything; it is not spending power that we could use to divert into Steps to Work or to buy things. It is almost like a book entry that recognises the fact that student loans are made at preferential rates.

**The Chairperson:** It goes into the accountancy bit. We have six minutes left. No one else wants to ask a question. Thank you for that, John. We will rattle through the rest of the business fairly quickly. I think I have got my head round some of what you told me, so that is good.