



**Northern Ireland
Assembly**

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

**OFFICIAL REPORT
(Hansard)**

October Monitoring Round

9 November 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Basil McCrea (Chairperson)
Mr Thomas Buchanan (Deputy Chairperson)
Mr Sammy Douglas
Ms Michelle Gildernew
Mr Chris Lyttle
Mr Barry McElduff
Mr David McIlveen
Mrs Sandra Overend
Mr Alastair Ross

Witness:

Mr John Smith) Department for Employment and Learning

The Chairperson:

I welcome John Smith, who is the director of finance in the Department for Employment and Learning (DEL). What have you done to Andrew?

Mr John Smith (Department for Employment and Learning):

He is not available today.

The Chairperson:

We are interested to hear what you have to say. Steps to Work is an issue for us, and we know a little bit about Step Ahead.

Mr Smith:

Will I take the Committee through my briefing paper one paragraph at a time?

The Chairperson:

Before you start, John, I want to draw members' attention to the tabled paper that they need to look at for points 5 to 8, because we had a bit of an issue with photocopies in the members' packs.

Mr Smith:

The briefing paper covers the overall strategic context on which the Executive made their decisions for the October monitoring round. It gives an update on the status of our bids and the details of a measure with regard to Step Ahead that was agreed by the Minister.

I will set the strategic context for this monitoring round. The Executive have agreed with the Treasury the new arrangements for the Budget exchange scheme, which is the mechanism by which the Executive can carry forward unspent resources from one financial year to the next. In summary, a capped level of 0.6% of the overall resource departmental expenditure limit and 1.5% of the capital departmental expenditure limit are available for the Executive to carry forward to the next financial year. They represent the upper limits of any underspends that we can take forward. In financial terms, that means that the Executive could carry forward up to £50 million in resource expenditure and £12 million in capital investment for use in future financial years.

There is no February monitoring round now, which means that the October round assumes even greater significance. When the Executive were taking decisions in October, they needed to weigh up the strategy for carrying forward resources into next year against the bids that were on the table from Departments. As the Minister of Finance and Personnel reported in his statement to the Assembly, the Executive have agreed that they will endeavour to carry forward the maximum amounts allowable under the Budget exchange system into next year.

After taking into account the position coming out of the June monitoring round and the Departments' declarations of reduced requirements in October, as well as some internal reclassifications and reallocations of the Budget, the Executive had just over £34 million available in non-ring-fenced resource expenditure and £1.7 million available in capital investment to consider for reallocation. That was the overall context in which the Executive considered the bids for resources.

In overall terms, the number of allocations was agreed across Departments and totalled just over £71 million. Some of the more significant bids included £25 million for the Department of Health, Social Services and Public Safety (DHSSPS); £13 million for the Department for Regional Development (DRD); £12 million for the Department for Social Development (DSD); and £12 million for the Department of Education (DE) across a range of capital and resource programmes. There was also £5 million for the Department for Employment and Learning for the Steps to Work initiative. At block level, that means that the Executive concluded the October monitoring round with an overcommitment of about £11.5 million in respect of non-ring-fenced resource expenditure and an overcommitment of just under £24 million in respect of capital investment.

I will move on to the position on DEL's bids. As you will be aware, we made three bids on current expenditure.

The Chairperson:

John, just before you move on, may I just check that it was £34 million in resource expenditure and £1.7 million in capital?

Mr Smith:

That is correct.

The Chairperson:

For example, £13 million has been allocated to DRD for repairs and maintenance. Is that capital or revenue?

Mr Smith:

The figures that I quoted are a mixture of capital and revenue. Normally, maintenance is a

revenue cost, but I do not have the precise detail of the split to hand.

The Chairperson:

It is not clear in the briefing paper, and the numbers did not add up to me, but a fair chunk of that is capital. That keeps us within the £50 million in resource and £12 million in capital for carry-over. Am I right in saying that that seems rather tight? A £12 million carry-over in capital seems to be a relatively modest amount of flexibility.

Mr Smith:

It is only 1.5% of the overall capital departmental expenditure limit, so it is a modest sum. The figures in the briefing paper at the conclusion of the October monitoring round represent the context in which there is another monitoring round to go. Therefore, it is inevitable that there will be more reduced requirements at that stage and the likely position when we come to provisional out-turn in March or April next year. Therefore, in that context, there is a modest amount of overcommitment at this stage in order to maximise the amount that we are likely to be able to carry forward next year.

The Chairperson:

The key question is: will we be ready in the next monitoring round if cash is available, because it will probably have to be spent this year?

Mr Smith:

That is correct. All expenditure will need to be incurred in this financial year for it to score against this year's budget.

The Chairperson:

It depends on how it works out, but, because we have already used our flexibility, the Department needs to be ready to grab resources if they are available. Members might want to ask about that.

Mr Smith:

If we are submitting bids in the next round, our Department, and all Departments, will need to be careful that we can expend the money in this financial year.

The Chairperson:

In that timescale.

Mr Smith:

Within the three or four months that will be left of the financial year.

The Chairperson:

Yes, and I suspect that there will be problems with that. I am sorry for interrupting, but I wanted to be clear.

Mr Smith:

I return to a question that you asked a few minutes ago. In total, £71 million worth of bids were agreed by the Executive, and the split was £46 million for current expenditure allocations and £25 million for capital expenditure allocations.

The Chairperson:

That is why you have the overspend.

Mr Smith:

You will recall that DEL submitted three bids, all for current expenditure and all in the employment service. We submitted a bid of £9.2 million for the pressure on the Steps to Work budget. We submitted a bid of £3 million for Step Ahead 4-2, which is a component of Steps to Work. Individual Place and Train had a bid of £1 million. In total, we bid for £13.2 million.

As I said, the Executive agreed an allocation of £5 million for Steps to Work, and although that additional money is welcome, it goes only part of the way to addressing the pressure. To help to control costs and to keep a lid on the pressure so that we can live within the Steps to Work budget, the Minister agreed that there would be a temporary pause to recruitment to one element of Steps to Work — the Step Ahead measure.

As we go into the December monitoring round, we are looking very closely at the budget and our cost projections. At this stage, we intend to submit a bid for the outstanding money in December. Bearing in mind that that bid might not be met, we are also looking to see what we can do to meet any pressure in our existing baselines.

It is worth reporting on the impact of not getting the Step Ahead 4-2 and the Individual Place and Train bids met. Before the October monitoring round, we submitted bids to the Executive's social protection fund for both those initiatives. We felt that, in the October round, it would be prudent to bid for resources in the round as well, so we were bidding in parallel. Obviously, we were not successful in the October round, and we still await the results of the deliberations on the social protection fund. If we are not successful in getting those bids met and do not have those additional resources, those programmes will not proceed in this financial year.

The Chairperson:

Did you say that those programmes will not proceed in this financial year?

Mr Smith:

Yes; unless we get the extra money that we need, we cannot afford to run them.

That is an overview of DEL's strategic position. I am happy to take questions.

Ms Gildernew:

Thanks, John, for the presentation. The paper is clear and easy to understand. My question is about what is not included. I am thinking back to the previous mandate and a meeting of the ministerial subcommittee on children and young people. It was before your time, John, so I am not blaming you. The Department was putting up its hand to say that responsibility for NEETs could go to the Office of the First Minister and deputy First Minister (OFMDFM). I get the impression that the most vulnerable people are not a priority for the Department. I accept the fact that budgets are tight and that the Minister has to do certain things. Yesterday, for example, Basil's question was diverted from DHSSPS to DEL. The briefing paper sets out the case clearly that some pressures that we were told were inescapable before the October monitoring round have not been met. Where does that leave the over-19s, for example, who leave special schools with no employment, training or day-care places? There seems to be a wee bit of batting back and forth among Departments, and I worry that some people are not a priority within either Department. I thought that a wee message was given yesterday, when the DHSSPS bounced the question back to DEL. I know that the Minister for Employment and Learning will be tempted to bounce it back to the Health Department when it eventually reaches him. What is your sense of that, John?

Mr Smith:

I am not across all the details of that particular issue, Michelle, but we can come back to you. You are right; it is a question of the prioritisation of resources in this financial year. We have to live within the resources that are available to us. The Minister has taken the decision to try to maintain a broad and consistent programme of support and services across the piece. That has driven the decision to create a pause on Step Ahead.

We have submitted a bid to OFMDFM's childcare strategy fund, which will provide some additional funding for childcare places. We are awaiting the results of that bid.

Ms Gildernew:

There is an element of childcare within the DEL budget. Previously, I challenged DEL officials about getting the message out to people who are going into training or back to college that there is a childcare fund into which they can tap and which is often underutilised. It will be interesting to see what you are doing with DEL's current childcare budget. Thank you, John.

Mr Douglas:

I have just one question, but I am not sure whether John can answer it. I think that we all agree that Step Ahead is a smashing programme. The various deliverers of the programme were informed of the freeze by e-mail. I raised that issue in Committee, and I think that it was four or five days before we got a letter from the Department. I am a bit annoyed. People were ringing me, but I knew nothing about the freeze. There is a question about communications and informing the Committee about what is happening. When something such as that happens, constituents and organisations are on to us right away. I thought that we would have been informed of the freeze before the organisations were. An e-mail went out to all the organisations stating that the Step Ahead programme was frozen.

The Chairperson:

Sammy, I am going to intervene. The actual correspondence was received by us. It went out in the normal pack, rather than the normal way. So it is an internal matter for us, which we will look at.

Mr Douglas:

Maybe not an e-mail as such.

The Chairperson:

We will look at that. I was surprised to read about some of the issues in the 'Belfast Telegraph', but that came from other sources. The issue that you raise about Step Ahead is still a concern for you.

Mr Douglas:

Absolutely.

The Chairperson:

The general point that Sammy and Michelle raise is that we need to find a way to get people some experience. If we cannot get them qualifications, we need to get them something. That is what Step Ahead 4-2 did. I think that the Committee is of the opinion that that is a priority that the Department needs to examine. Will you note that, please?

Mr Smith:

I will take that back, Chair.

The Chairperson:

Is that OK, Sammy?

Mr Douglas:

Yes.

Mr Buchanan:

I want to ask a question on the same issue. The pause in recruitment of the Steps to Work programme and the follow-up is a matter of grave concern because of the work that it was doing. Last year, enrolment in the programme increased by 75%, which equated to 16,000 additional people, so it was working and delivering. The Department states that it is sensitive to the impact of the decision. Has the Department worked out the real impact of the decision? Was the real impact put to the Executive when you were bidding for the programme? If the real impact of the decision formed part of the bid, that could change the situation slightly.

Mr Smith:

When we put in the bid, we gave plenty of detail about the needs and why extra money was required. The Executive had to weigh up the priorities and resources available across all Departments. We got £5 million, which is good, but it does not go all the way. I would need to ask my policy colleagues to come back on the point about the assessment of the decision to pause Step Ahead, because I am not across that level of policy detail.

The Chairperson:

We understand your point, John. We know that you are here to talk about the numbers. The Deputy Chair raised policy issues that we will pick up on.

Mr McElduff:

Are the capital requirements of regional colleges in the further education (FE) sector likely to feature in upcoming monitoring round bids? I am aware of a recent visit to the Strabane campus of the North West Regional College. It has particular requirements such as mobile provision, for which it has set aside an area that is ready to go if money became available. I know that Michelle previously raised the issue of the Enniskillen campus and its capital requirements. Is that likely to feature in an upcoming bid by the Department?

Mr Smith:

Before answering the detail, I want to say that we have budget allocations for the next four years on the capital side that have, by and large, been fully allocated. As you will be aware, we have a lot of contractual commitments for private finance initiative (PFI) and public-private partnership (PPP) schemes that we need to honour.

The Executive review their Budget three times a year. If a scheme in the FE sector is ready to go — by “ready to go”, I mean that a business case has been done and approved — and a college has gone some way to working up the pre-procurement aspect of that scheme so that it is spade ready, we can submit a bid in the monitoring round. If we can demonstrate that a scheme is ready to go, we can improve the chances of getting a bid met should money become available to the Executive.

At this stage, all DEL’s resources are committed, so I am not able to say what the chances are

of being able to re-divert resources within what we already have. However, we can always bid in-year. So it would be advantageous if colleges had all the preparatory work done because that would maximise our chances of success.

The Chairperson:

John, I might be able to help here. Colleagues are getting to grips with the fact that you are here to talk about the numbers and that those other issues are for policy people. We would like you to take back a message — we will drop a note as well — that in anticipation of the February monitoring round, we think that the Department should encourage people to have spade-ready proposals for capital, be they for Strabane or wherever. We think that we should be in a position to deal with that, given that we have only three or four months to make the expenditure. The same principle applies to revenue issues. We will ask the Department whether it has off-the-shelf projects ready to go in the event that moneys are made available.

Mr Smith:

Absolutely. By the way, there is no February monitoring round.

The Chairperson:

When is the next monitoring round?

Mr Smith:

It is in December/January, and there are two phases. We are already undertaking preparatory work for the December round. That is exactly the sort of message that we are giving to colleagues. We are asking them to be ready to submit bids, and that if they have bids ready, let us make sure that we can spend any money.

The Chairperson:

The point is that we need to be ready, from a financial point of view, to take advantage of any opportunities.

Mr Lyttle:

Thank you for your presentation, John. I have two questions. First, the Steps to Work programme is not only DEL's but the Executive's key back-to-work programme. Obviously, given the scale of unemployment that we face, it is a priority to try to get people back into work.

Why do you think that the Executive's October monitoring round did not award the full bid that was requested for the Steps to Work programme? Will you give us an idea of the scale of pressure that the non-award of that full bid has put on programmes that get people back into work?

Secondly, will you give us your assessment of the likely success of the bid to the social protection fund for the Step Ahead programme? Members have rightly acknowledged that programme as contributing significantly to getting people the experience that they need to get back into work. How does your bid meet the criteria of the social protection fund? What is the likely timescale for a response to that bid?

Mr Smith:

Essentially, the question of why we did not have our full bids met in the October monitoring round is for the Department of Finance and Personnel (DFP) to answer, because it advised the Finance Minister. However, we made the strongest bid that we could. We recognise that we are in a competitive environment. We are up against all the other Departments that are also submitting bids, but I cannot second-guess why DFP or the Executive thought that the other bids were of a higher priority than ours. However, we also recognise that some Departments did not have any of their bids met, so we are thankful that we got the money that we did. It was a significant allocation, but, unfortunately, it was not enough.

We lodged a bid to the social protection fund a number of months ago, but we have not yet received the results. Again, that is a challenge fund, and we are in competition with other Departments. I am not party to the bids that were made by other Departments or their level, so I am unable to hazard a guess as to whether we are likely to be successful. Clearly, we hope that we will be successful, because the bid that we entered was in keeping with the terms of reference for the fund. There is no reason why our bid should not be met, but I cannot hazard a guess as to its success or otherwise at this stage.

Mr Lyttle:

You said that the application was made to the social protection fund a number of months ago. Is there any indication of the likely timescale for a response? Do you have any concerns about the time that it has taken to respond, given the crucial programmes that that potential funding could help to keep active?

Mr Smith:

Deliberations are ongoing, and the Finance Minister mentioned that in his statement to the Assembly on the October monitoring round. I am unsure of the timescale. However, an early decision is clearly in everyone's interest so that we can ensure that we get the money spent and get the outcomes that we want.

The Chairperson:

John, I have a couple of quick questions for you. I will probably not get the budget heading right, but perhaps you can help me with that. We have received representations from the colleges about a £3 million fund that was designed to help hard-to-reach communities. However, much of that fund has not been drawn down, because of bureaucracy and suchlike. Are you getting any sign of recognition of what I am talking about yet?

Mr Smith:

No.

The Chairperson:

I think that it might be called Training by Choice; it is in the correspondence. There is a fund, apparently to the tune of £3 million, which was set aside when we used to give grant aid directly to community groups for numeracy and literacy. Some years ago, it was decided, for accounting reasons, to bring that fund into the FE colleges for them to administer and to subcontract it out to other bodies. Apparently, that has not worked terribly well, and there is a fund of £3 million, which has not been spent on reaching our most vulnerable people. We would like to know about the state of that fund, so I will write to you about it.

I have another point, which is not directly connected to the monitoring round, so I accept that you may not want to deal with it now. The financial accounts of Belfast Metropolitan College were laid before the Assembly on 4 November, and there are some issues even now with the financial control of the college. What is the Department's view on that issue?

Mr Smith:

I am aware of the generalities of the issue. We made a disclosure in last year's statement on internal control of issues across a number of areas, including Belfast Metropolitan College, and I

know that our FE colleagues are working closely with the college to iron out issues around procurement and financial management. Good progress is being made, but, clearly, there is still more to do.

The Chairperson:

I mentioned that because financial control is important in times of tight finances. The Committee will probably want to have a look at that issue in the new year on the basis of those accounts. I just wanted to mention it to you, but we will deal with the matter later. Thank you very much for coming along.