Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

October Monitoring Round: DEL Briefing

26 September 2012

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
Mr Phil Flanagan
Mr Fra McCann

Witnesses:

Mrs Nuala Kerr	Department for Employment and Learning
Ms Maryann Smith	Department for Employment and Learning

The Chairperson: Nuala Kerr and Maryann Smith from the Department for Employment and Learning (DEL) are here to talk to us about the October monitoring round. Given that the papers have only been tabled, I have not had a chance to look through them. They were e-mailed on Friday, but we were up to our oxters on Monday and Tuesday. Nuala, will you try to explain to us what is going on?

Mrs Nuala Kerr (Department for Employment and Learning): Thank you, Chair. I apologise for the way in which you received the papers. From the main paper that we sent on Friday, you will appreciate that we are working against tight deadlines to try to meet the cycle. We also sent you a summary spreadsheet on Monday, which we have been working on to try to make the figures more —

The Chairperson: Is that the spreadsheet that is in the papers?

Mrs Kerr: Yes.

The Chairperson: Right. Sorry, Nuala. I beg your pardon. I was just checking.

Mrs Kerr: That is no problem, Chair. In that paper, we tried to make the information that we present to you clearer. We will walk you through the paper quickly and then look in more detail at the divisional positions and the figures that are in the table that you got on Monday. I hope that that position will be clearer by the end of our conversation.

The briefing paper is intended to provide the Committee with a backdrop to inform it about the Department's input to the October monitoring round. Our deadline for that to go to the Department of Finance and Personnel (DFP) is 3 October. Following the outcome of the June monitoring round, the remaining level of overcommitment at the Northern Ireland block level stands at £6·5 million in non-ring-fenced resource expenditure and £12·7 million in capital investment. The Executive's focus in the round remains on managing the level of overcommitment while ensuring that they make full use of the funds that are available. That is particularly important in the context of the current economic climate and the Budget flexibility arrangements. That means that the capacity to address any existing or emerging pressure will depend heavily on the extent to which Departments surrender reduced requirements promptly. So, DFP has asked for reduced requirements, bids and technical issues to be addressed in the round.

For us in DEL, the strategic issues continue to operate in a very dynamic environment. That is reflected in the 2012-13 Budget. One of the issues that we wish to highlight is that the Office for National Statistics (ONS) has decided to reclassify further education colleges and Stranmillis University College as non-departmental public bodies (NDPB). That has some implications for us through a number of additional budget allocations that reflect how those institutions will be treated in the Budget context. The Executive's June monitoring decisions have also given rise to the programmes that you heard about today, such as the youth employment scheme (YES) and Pathways to Success. As we enter the October monitoring round, the departmental expenditure limit controls are, from a resource point of view, £831·5 million and, from a capital point of view, £16·4 million. The key strategic budgeting issue will be managing expenditure in the context of increasing demands in a number of schemes, such as Steps to Work.

The issue, of course, is that the economic conditions remain difficult. The economy has been steadily contracting since 2011 and is expected to shrink further by 0·4% this year. Consequently, the Northern Ireland jobseeker's allowance (JSA) claimant figure grew by 100 to 63,100 in August, and, over the past year, the count has increased by 2,900. If JSA moves in line with the UK forecasts, that figure will grow to 67,000 by the end of 2012 and to 69,500 by the end of 2013. So, the Department has been busy implementing various schemes, including YES and Pathways to Success. The summer period has been spent setting up the schemes' infrastructure. We are working closely with the FE sector and Stranmillis alongside all that to manage the transition to NDPB status. That will involve public expenditure changes, as well as governance and procurement considerations.

As we enter the third quarter, we will begin our annual engagement with the Treasury to obtain budget cover for our notional loan subsidy. The Department's budget and resource accounts must reflect the fact that student loans are not provided commercially. It is customary for that discussion to take place against the Executive's in-year monitoring regime. A balanced departmental budget, which is what we are reporting today, is partly dependent on the successful delivery of our departmental savings delivery plans. The Department continues to pay close attention to that issue and to the progress that is being made there.

Finally, the Department has five commitments in the Programme for Government, and although those are not specifically financial issues, they are central to the Executive's economic recovery plan and, indeed, the social agenda. The delivery of those commitments continues to be monitored closely.

The bids from the June monitoring round were met in full. The Executive agreed to additional allocations of £8 million for Steps to Work and £5·8 million for Pathways to Success. On this occasion, there are no bids to submit to DFP. There are two potential reduced requirements in ring-fenced resource areas: £4·9 million for further and higher education depreciation charges on fixed assets; and up to £1·8 million for the assured skills programme, which is subject to any consequences of the economic situation.

The Chairperson: I just want to check something before we move on. Is the Minister of Finance and Personnel going to flag up the capital, or the depreciation, as a surrender by the Department? Is that going to give us a black mark? That is a technical issue, so I am wondering about that.

Ms Maryann Smith (Department for Employment and Learning): It is technical. The depreciation came about as part of the reclassification of the FE colleges, and the new set-up of the budgets means that we have to report the depreciation by the colleges and Stranmillis in our budgets. They have reviewed their forecasts over the past while, and there is the potential that that will be surrendered, but it is a ring-fenced resource so has to go directly back to DFP. We cannot use it as —

The Chairperson: Is the Minister of Finance and Personnel going to stand up and say, "Here are the bad boys who have gone and done this."? Internally, I know that it will be a technical issue, but externally, it looks as though we are not spending the money. Is that right? Will there be a list saying that we are not going to spend £6 million in this quarter?

Ms Smith: It cannot be put against a programme, as such. It cannot be changed over and used in that way, so it is depreciation and is used for that purpose.

The Chairperson: I understand that you are correct. I am asking from a political point of view how this is coming out. I just want to make sure that we have it on the record that this is a technical adjustment.

Ms Smith: Yes.

The Chairperson: I am sorry; I just want to be clear on that.

The other issue is the assured skills. Is that for inward investment projects that did not materialise?

Mrs Kerr: The pipeline has greatly reduced on that. There is likely to be a reduction in the need for funding for assured skills as a result.

The Chairperson: Is that because of the change in Northern Ireland's status in the EU in 2013 and Invest NI's ability to offer support packages to foreign direct investment?

Mrs Kerr: I do not know exactly whether that is related to that issue, but we understand that the number of schemes in the pipeline is much lower than our expectation would have been for this year. So —

The Chairperson: Was your expectation based on information supplied by the Department of Enterprise, Trade and Investment (DETI)?

Mrs Kerr: We receive information about schemes that are in the pipeline, but that is based very much on our expectation of expenditures that are based on their expectation of projections. We do not know project by project until much closer to the time.

The Chairperson: I agree that you do not know project by project, but you are working hand in glove with DETI on your budgeting, and it will have given an indication of what it hoped to achieve. We know that it is having difficulties. Anyway, I have the general gist.

OK. Is there anything else?

Mrs Kerr: Stranmillis proposes to reclassify £900,000 from its resource reserve to capital reserves to help to finance capital works. There have been a number of smaller pressures and easements that are capable of being offset against one another. We —

The Chairperson: Who drives that change in capital works? Do the colleges apply to you for approval?

Mrs Kerr: Yes.

The Chairperson: So, do we not know whether that meets the maintenance and capital expenditure that the college was looking to put forward in a plan? When we were talking about these issues, there was some concern that it felt that it could be with a capital injection in certain areas.

Mrs Kerr: I suppose that reflects, to some extent, its wish to progress particular aspects of capital works, and that is what it is seeking to do.

The Chairperson: Are you hands-off as far as that is concerned? At the moment, it is just going through it and asking you to approve it.

Mrs Kerr: We do approve it, but the accounting change to an NDPB means that there is now a requirement for us to have a closer recognition of that. Although we are aware that it wishes to progress its capital works programmes, it affects us from a budgetary point of view from now on.

The Chairperson: With the Committee's agreement, I will ask that we write to the colleges to ask them about their capital works programmes and how this affects their ongoing plans.

Mr Flanagan: Do you mean minor capital works or any capital programmes at all?

The Chairperson: It does not matter, as long as it is capital. We will write the letter in a way that covers both points.

Mrs Kerr: We are recording the current position. We will move on to look at the Department division by division, so I will ask Maryann to take us through that. We will pick up some of your other queries there.

Ms Smith: I will take the skills and industry division first. Overall, there is a potential easement of £1·8 million in that division. The big changes in that division were that we met a demand-led pressure on the Training for Success programme line of about £1·9 million through an easement from the critical sector initiative programme. That has come about because it has been slow in starting, given that we are reviewing it in light of our successful bids for the Pathways to Success programme and youth employment scheme in the June monitoring to make sure that there was no internal competition —

The Chairperson: I do not quite understand that, Maryann. I am sorry; "critical sectors" what?

Ms Smith: Critical sector initiative programmes. That has been slow in starting because we are reviewing it in light of the —

The Chairperson: Is that like the IT business? Does it focus on those areas? Is that what the programme is?

Mrs Kerr: Yes. There are specialist initiatives.

The Chairperson: They did the software code checkers or testers or something like that. Is it a lack of uptake?

Ms Smith: It has been slow in starting, because they are reviewing the programme internally in light of the youth employment scheme to make sure that there is no internal competition between the two schemes. We used an easement in that to meet the pressure on the Training for Success programme. The other piece is the potential of up to £1·8 million against the Assured Skills programme, which we just spoke about.

The next division is the employment services division, and following the successful June bids, there is no pressure on that at all.

There is a potential £3·6 million in further education, which is because of all the resource depreciation and impairment that we spoke about. Having reviewed the forecasts, NDPBs are forecasting that potential easement.

There is also a potential easement of about £2·4 million in higher education, £1·4 million of which is a resource depreciation from Stranmillis. The other easement is £0·9 million that we wish to reclassify as capital to allow Stranmillis to use its reserves on its capital investment programme. The other divisions are reporting a balanced position at this stage.

Mr Flanagan: Can I ask a question specifically about the higher education sector? There is a £21·5 million variance for student support, but by the end of the year, we are looking to be at about £900,000. Is there a reason why it is so far off now? Is it because universities are only getting up and running?

Mrs Kerr: It is timing issue. The NDPBs are in a process of transition, and that is why we will see those technical adjustments. At this stage, there will be a process of change as the further education colleges and Stranmillis move into alignment and into the accounting treatment that you will see for those kind of institutions in the departmental situation. That is why those technical adjustments have come to light, and, eventually, when they are fully aligned, there should not be those kinds of problems.

The Chairperson: I appreciate that, Nuala, and members may wish to look at that at another time. It is useful for us to go through those issues, because when you hear about a couple of million here and a couple of million there and it is all easements, you have no idea what the actual expenditure is. I accept that you are doing that work, and I understand why, but I was hoping that we were doing a wee bit better with the critical initiative thing. It is fair enough to do an internal assessment for a quarter, but I would not expect you to do it for ever. Eventually, those critical sectors need to be invested in.

I have only one matter that I really wanted to ask you about. Steps to Work is demand led, so you go back and look for money. The money came back out in the June monitoring round, and, at that stage, there were Barnett consequentials from the £1 billion investment in youth unemployment in the rest of the United Kingdom. I am worried about whether we got the whole transfer of those. I realise that those Barnett consequential moneys are unhypothecated, but, at the same time, I want to know how much of the pie we got. Also, did we just use the money as a demand-led cost overrun? In other words, did we just take the money that we were given and say, "This is handy; we have a pressure here."

We were looking for more of a kick-start for youth unemployment. Is the Department just carrying on doing more of the same? Is it making an argument, which I think the Minister has made, and which you will probably bring us back to, that we already have very generous initiatives in place and that, therefore, the Barnett consequentials are almost irrelevant to us?

Mrs Kerr: I will deal with the first aspect of what you have said and ask Maryann to come back on the second.

There are two aspects concerning the critical sector initiatives. One is that, as you say, the work that goes on there is that future skills action group type of work that you are talking about in IT and other sectors. Some schemes have been delayed and are not moving forward as quickly as we would have wished. However, a number are new and are gathering momentum as we speak.

Maryann, will you talk about the full Barnett consequentials?

We believe that the Minister —

I am sorry, Maryann. I asked you to speak and then I talked. My apologies.

The Chairperson: I do that as well, Nuala. It is all right.

Mrs Kerr: It is a bad habit.

Ms Smith: You are right. We have healthily funded schemes already in place, so I do not believe that lack of further financial adjustments has inhibited their development.

As you have heard, we have made progress on the employment service scheme and the young people not in education, employment or training — NEETs — initiative. The various elements of those have been funded. For example, the education maintenance allowance initiative and community support framework schemes are about to go live in the next couple of weeks. We talked about that last time I was here.

So, the initiatives are funded and are ready to start developing, and I do not think that they are inhibited by lack of funding at this stage.

The Chairperson: OK. I take that point. Maybe it would be appropriate, given that the Minister announced it, for you to give us a short paper to explain what happened to the Barnett consequentials that came out of the transfer. I am not saying that we needed more money — it could be that we are well funded — however, I would still like to know what happened. So, I would like a paper for future reference.

I will just finish what I was saying with regard to the critical sector initiatives. I accept that there may be a delay, but I would not like us to be looking at the most recent monitoring round and saying, "There is another delay." Delay means that we are not doing anything. I just want to say to you that we need to keep our eye on this.

Mrs Kerr: It takes a while to establish these initiatives, but I think we are starting to get traction on them. We will bear your comments in mind.

The Chairperson: If you have finished what you needed to say, I want to see whether members have any questions.

Mr Flanagan: One of the points raised was about the predictions for unemployment. I want to get further clarification on that before we discuss the monitoring round. By the end of 2013, unemployment will go up to 69,500. Where did that figure come from? Who calculated it?

Mrs Kerr: We rely on statistical advisers in the Department.

Mr Flanagan: So, does that come from within DEL, rather than from ONS or anyone such as that?

Mrs Kerr: We rely on ONS for national information, but our statisticians help to refine it for our purposes.

Mr Flanagan: Is that prediction based on a target for jobs to be created set by the Executive or on a forward work programme from Invest NI? What way are jobs to be created factored into that target?

Mrs Kerr: I do not think it includes the specifics of the forecast. It is based on historical projections and trends.

Mr Flanagan: Is it really just looking at trends?

Mrs Kerr: Yes.

Mr Flanagan: I will move on to the monitoring round. I presume that the Committee thought that it had heard the end of the discussion about the Enniskillen campus of the South West College when my predecessor left, but unfortunately it has not. No bids have been submitted to DFP and there is a lot of discussion about the redevelopment of the campus in Enniskillen. Have no bids been submitted because there are no additional funds in the Executive for circulation? Is it because it is not seen as a priority, or has the college not come forward looking for funding at this stage?

Mrs Kerr: We received funding for the two programmes we sought funding for following bids submitted earlier this year. We received that from bids in June monitoring. I will have to come back to you on the specifics of the South West College, as I just do not have that information to hand.

Mr Douglas: I thank Nuala and Maryann for their presentation. We have had a couple of presentations about the fact that the team in Europe is trying to increase European funding. I assume that that has not been factored into this? How successful has it been? Will it help our budget in the future? I notice that the paper talks about the strategy for European employment rights.

Mrs Kerr: In respect of our relationship with the Brussels office, a big focus of our activity is under framework programme 7 (FP7) and Horizon 2020. As you know, we have targets for that.

Mr Douglas: Will that be outside this review?

Mrs Kerr: Yes. That is not reflected in these budget figures. It is the primary focus of our current interest in that matter. I am sorry, you had a second question that I missed.

Mr Douglas: Obviously, we are going to end up with some sort of budget after the review. Will that include increased funding from Europe?

The Chairperson: Remember that this session is on the monitoring round.

Mr Douglas: Perhaps my question is for further down the line.

The Chairperson: I think that it probably is. We are just dealing with the monitoring round now, but I am sure that Nuala will be quite happy to answer your question later. I think that there is an issue about FP7 and Horizon 2020 and the way that we get meaningful funds from them, but we will probably leave that until later. I will do some work on it and make sure that it is ready for you when you get back, Sammy.

Mr Douglas: OK, Chair. Thank you.

Mrs Kerr: We are happy to report back on our activities in that regard. We are working closely with Debbie.

The Chairperson: When you report back on your activities, bear in mind that our concerns about FP7 and Horizon 2020 are about money in and money out. The schemes do not provide for the recovery of overheads in our R&D institutes. Although they will fund a person to do a short period of research, we will not get recovery of overheads for buildings and those sorts of things. I think that that is remiss of the schemes. I got quite excited about FP7 and Horizon 2020 for a while until I discovered that that is all they did. They appear to offer short-term funding that keeps a few people occupied but does not really strengthen our R&D position. That is just a statement; it may be right or wrong. That is just what I have heard. You might want to consider that when you are coming back with your response on the matter.

Mrs Kerr: Thank you, Chair. We will take that on board.

The Chairperson: Thank you both very much. It has been helpful. We will have a look at that. We got the answer, and we will talk more about the finance.