Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Savings Delivery Plans — Monitoring Report 2012-13: DEL Briefing

3 July 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Robin Swann (Chairperson)
Mr Thomas Buchanan (Deputy Chairperson)
Mr Jim Allister
Mr David Hilditch
Mr Fra McCann
Ms Bronwyn McGahan
Mr Alastair Ross

Witnesses:

Mr Michael Gould	Department for Employment and Learning
Mr Gerry Lindsay	Department for Employment and Learning
Mrs Siobhán Logue	Department for Employment and Learning
Mr Billy Lyttle	Department for Employment and Learning
Mr Richard Monds	Department for Employment and Learning
Mr John Neill	Department for Employment and Learning
Mr Daryl Young	Department for Employment and Learning

The Chairperson: Richard and Daryl, you are very welcome, gentlemen. If you would like to make a few opening comments on B/7, I would be more than happy.

Mr Daryl Young (Department for Employment and Learning): Thank you very much, Chairman. First, I should make the point that, although this efficiency is under the general heading of procurement, and we are obliged to report it under that general heading, it is not really procurement as you would normally understand a procurement to be. There is no tendering process involved. This particular efficiency arises from the process through which we distribute the recurrent grant to FE colleges annually, so there is no tendering.

The efficiency is expressed in terms of the resources provided to FE colleges through the funded learning unit (FLU) funding model, and Richard will explain the relevant bits of that model shortly. The amount that we provide to the colleges through that model is expressed against the number of enrolments, or the enrolments that the colleges deliver, and how, in turn, that is expressed through the funding model as earned delivery. We do not measure the efficiency through enrolments, because enrolments are variable in nature. Some are much shorter than others. So, as that is not a standard measure, we measure the efficiency by how enrolments translate into resource through the FLU funding model.

I will turn now to the delivery of the efficiency. Between 2010-11 and 2011-12, 2011-12 being the first year of the efficiency, the FE sector's allocation dropped from about £148 million to about £144 million.

That is the £4 million reduction in the delivery plan. In that year, there was about £149 million worth of delivery. For the £144 million of resource, we got about £149 million worth of delivery, so we ended up with an efficiency of £5 million rather than £4 million.

In the current year, which is the second year, 2012-13, we gave the colleges an allocation of £145·9 million and set a target of £156 million worth of delivery. It is too early to say the extent to which that efficiency will be realised, but early indications are that the colleges are well on target to meet it. The efficiency will probably exceed the £4 million target set for us.

This process is negotiated with the colleges annually through the college development planning process, on which, I think, we gave a presentation to the Committee a number a weeks ago. It is the process through which agreements are reached with individual colleges in the sector. I will pass to Richard to explain in a little more detail how the FLU funding mechanism works.

Mr Richard Monds (Department for Employment and Learning): As Daryl mentioned, we were up a few weeks ago in front of the Committee to give a presentation on the colleges' development and planning process, and, essentially, that is where all the planning for the funding starts each year.

In advance of each year, we invite the colleges to submit their bids for funding for the incoming year. On the basis of those bids, we have a discussion, through a series of bilaterals with college principals and college chairs, to identify exactly what their needs are in the coming year. We then assess those needs against the available budget and make our allocations to them based on the funding that we have available.

On top of that, we will also task the colleges to deliver an additional £4 million of savings. Although the colleges are funded to deliver a certain number of funded learning units, their targets are set at a higher level to deliver in-year, and that equates to the difference of £4 million. Therefore, they can demonstrate through their funding that they have delivered that £4 million. At the end of the year, we will take the information from the management information systems and assess whether they have met the targets. Any under-delivery will be added to their targets for the next year to ensure that none of the added requirements are lost. So any under-delivery is rolled forward and required to be delivered in future years. Essentially, that is how we ensure and measure that the colleges are delivering against the savings delivery plans that we required of them.

Mr Young: That is all we have to say, Chair, for now.

The Chairperson: Thank you, gentlemen. Some 61% of the colleges' income comes from the block grant. The major risk that you identified is that two colleges are currently in recovery and may not be in a position to sustain further cuts to their funding. How does that affect your overall savings?

Mr Young: We look at the savings on a sector-wide basis. It is right to say that, in any given year, some colleges will deliver more into those savings than others. It is not a straight split between the six colleges. We take into account their current financial position, including any recovery processes. In some years, some colleges deliver a higher level of efficiency than others.

Mr Monds: We monitor the colleges in recovery monthly. We look at their financial position and targets to ensure that any required efficiencies will not drive them into further financial difficulties, so it is a balancing act to a certain extent.

Mr Young: You mentioned 61%, Chair. That is purely the FE recurrent grant. The other main areas of income for colleges come through the Department's training programmes or Steps to Work and some cost-recovery work that they do with employers and others. It is a mix, but the largest proportion certainly comes from the recurrent grant.

The Chairperson: The recovery process is fluid, and I am aware of colleges moving in and out of recovery over this financial time frame. Are the savings based solely on what the colleges say they will save or are they targeted?

Mr Monds: The required savings, the £4 million, are based on the allocation of grants. Belfast, for example, is our largest college, and it receives just over 25% of the block grant. Therefore, it is required to deliver around 25% of the £4 million as its target for the year. We will take that into account in their monthly monitoring to ensure that they are able to deliver those efficiencies while retaining their financial stability.

Mr Buchanan: Have any of the colleges raised concerns about the savings delivery and efficiencies that they are being asked to make?

Mr Monds: We have asked the colleges to deliver efficiencies for a number of years now, and, in the early years, there were certainly efficiencies to be made. The funded learning unit resource has not increased in the past five or six years, and colleges are also under inflationary pressures. Staff costs are going up, as are the costs of goods and services. The longer it goes on, the tighter the situation gets, and colleges are finding it more and more difficult to squeeze efficiencies out of their operations.

Mr Young: We are confident that the colleges will continue to meet their efficiency targets in the four years over which the savings delivery plan stretches. Beyond that, as Richard said, it will be increasingly difficult for them. For the colleges, part of the process of meeting their efficiency targets is making their operations leaner. After a certain period, that becomes unsustainable, or at least less sustainable.

Mr Buchanan: Are there any concerns that this will affect the future delivery of the service?

Mr Monds: The efficiencies are tied to the colleges' outcomes: they are required to deliver more enrolments. So there is a direct correlation between efficiencies and the delivery of front-line services, which are the courses. We can monitor that so that there is clear visibility of the additional saving required of them and the additional outcomes being delivered by the colleges. That is part of the reason for doing savings delivery in this way.

Ms McGahan: Given that one third of the economically inactive have no qualifications, have you any concerns about the requirement for colleges to deliver increasing savings indirectly impacting on their capacity to deliver more level 2 and level 3 courses to the public? If so, how are we supposed to deal with the problem?

Mr Young: There is a balance to be struck. First, the delivery of the savings has not, so far, been at the expense of the provision delivered by the colleges; savings have been delivered through making a number of other operational efficiencies. It may also be due to the fact that the colleges can increase the enrolment on a particular course. There are all sorts of ways in which the colleges can make these efficiencies.

That is the experience to date, and our FE curriculum policy is increasingly to encourage the colleges to deliver at level 2 and level 3 into the priority sectors for Northern Ireland. So it is a balance between delivering that and delivering provision at the lower levels, which will help to bring people into the FE sector. The Department has other programmes through FE, such as the learner access and engagement programme to encourage that type of learner to come back into the education process.

Mr Monds: People may have childcare arrangements or other requirements that make it difficult for them to access further education. So, over the past couple of years, in an attempt to increase participation and break down barriers, we have also increased the support funds that we provide to colleges through FE awards and college hardship funds.

Mr Allister: Sorry, I was out of the room for a moment. Are we on procurement?

The Chairperson: We are discussing B/7 on the third page of the briefing paper, which is page 188 in members' packs.

Mr Allister: When will we discuss the first page of that paper, which is our page 186?

The Chairperson: In a minute or two, I think, although I am not sure that we are discussing that today.

Mr Allister: I had a question about the procurement savings. I do not know whether these are the right gentlemen to ask about that.

The Chairperson: We are at B/7 and B/8. What programme does your question come under?

Mr Young: Chairman, this is one element of the broader category of procurement. The FE colleges and, I think, higher education and some other elements are lumped together under a very general heading of procurement, which really does not give a very accurate description of where we are.

Mr Allister: I am looking at the table on page 186, which details the expectation of procurement savings of £20 million, £32·5 million, £34 million and £35 million. The first two have been attained. How has that very significant cutback on procurement manifest itself in the colleges?

Mr Young: The budget allocation in the first year of efficiency savings went down by £4 million, but the level of delivery that the colleges provided was worth an additional £5 million. So we were, effectively, getting more service provision for a lower budget.

Mr Allister: The other way of asking the question is this: what does that tell us about the balance between procurement and delivery before the efficiencies?

Mr Young: It tells us a number of things. It could be argued that any organisational efficiency kicks off from the period when the efficiency programme started. You could argue that starting the programme earlier could, to a certain extent, have produced savings earlier.

Mr Allister: The procurement savings achieved are about £20 million or £30 million, so it is not that the colleges had been buying too many paper clips.

Mr Young: No, it is not. The colleges have been doing a number of things to try to make themselves more lean and efficient. They are, for example, trying to use a shared services approach to their procurement and a number of their other business processes to try to make their organisations more efficient. As I said earlier, they can also deliver this type of efficiency by enrolling more individuals on courses, if the nature of a course makes that possible. There are various ways that colleges have been going about making themselves more efficient through this process. You are right to ask about the period before an efficiency drive begins. That is a historical question. I guess that, if efficiency drivers had started earlier, efficiencies might have accrued earlier. However, we are taking it forward from when this programme of efficiencies kicked in.

The Chairperson: Gentlemen, thank you very much.

Members, I just want to be clear that we are not covering B/1, B/2, B/5 or B/10 today; we will cover those in September. We will move on to B/4 next, which is the reduced commitment to training, and we will hear from Michael Gould on this.

Mr Michael Gould (Department for Employment and Learning): Thank you, Mr Chairman. First, I apologise for the late announcement that I was attending as opposed to two colleagues. I also apologise to you and members for my late arrival. A road accident on the Sydenham bypass caused major delays.

The Chairperson: You are more than welcome, Michael. We were able to keep going until you arrived. I invite you to make your opening statement.

Mr Gould: With your permission, I propose to go through the savings and then take questions from members.

The Chairperson: Go ahead.

Mr Gould: On B/4, we have indicated total savings of £7·5 million. That is made up from two divisions: the skills and industry division; and the strategy, European and employment rights division. The smaller amount is made up from latter, which indicated savings of £0·6 million. The remainder comes from the skills and industry division.

The first item is the reduction, or maintenance of 50% funding, for adult apprenticeships. That began in 2008 when the Department had a policy of removing the age limit for apprentices from those under 24 to an all-age situation. That led to an increase in demand for apprenticeships for those already in the workforce. It is important to say that many of these individuals had skills but were being put on to full apprenticeship frameworks. We reviewed the decision in 2011, and the policy suggested was that we reduce the funding for those who were adults, which was put forward as a savings measure. The policy was reviewed again in 2012, and the Minister decided that he would retain 50% funding only for those in the priority sectors. We are meeting those savings through that reduction in funding for apprenticeships. We have provided alternative methods of training adults in the workforce, principally through the skills solutions service and its customised training, whereby it works with employers to upskill those already in the workforce. Since 2010, some 6,192 people have been trained in 293 companies.

We have also used the Bridge to Employment programme, which affords unemployed people the opportunity of pre-employment training focused on an employer's needs, with an identified job vacancy. To date, through that programme, 1,187 people have moved into work in 128 companies.

We have also provided management and leadership training for those in the workforce. To date, 366 companies have used our management analysis and planning (MAP) programme, and just over 1,800 individuals have received a bursary for our management leadership development programme.

We have been able to achieve savings by drawing in additional European funds through the European social fund in our claim for programme-led apprentices (PLAs). These were a contingency measure developed and introduced by the Department for apprentices in sectors most affected by the recession, principally construction and the motor and vehicle trades. It is college-based, and individuals are put on to the full framework and given opportunities for work-based learning through work placements, and they are then assessed on that. We are eligible to claim from the European social fund (ESF). As part of the apprenticeship framework, we can claim 40% back through the ESF. This was an opportunity to put the programme-led apprentices on the same footing as Apprenticeships NI, and the savings delivered to date are £1·54 million.

Other savings were realised in workforce development forums; sector skills councils; educational guidance service for adults and future skills action groups; and science, technology, engineering and mathematics (STEM) through the alliance of sector skills councils. Individual projects operated by the Department collectively identified savings of £1·35 million. I am happy to go through the individual items now or, if you are content, I can move on to the next item.

The Chairperson: Just move on to the next item, Michael.

Mr Gould: Savings were made by ending funding for Leaders for Tomorrow and Meridian Funding, which were two programmes that ran for a long time, and a reduction in funding for the Northern Ireland adviser on employment and skills. Leaders for Tomorrow was based at Harvard University, Massachusetts, and had been running for well over 10 years. It was an all-island programme with public and private sector places from Northern Ireland and the Republic of Ireland being taught together at Harvard. It had changed significantly from the original 10-week programme to a one-week programme.

In reviewing the programme, the tuition was seen to be very US-based ,and the Harvard University folk were unwilling to broaden that to make it more applicable to Northern Ireland. Our Department and the Republic of Ireland decided that the demand for these places had reduced, particularly from the private sector and, therefore, the programme was no longer worth funding. With the agreement of Harvard, it ceased.

Meridian Funding was a programme for the private sector, public sector and third sector. It was a peer-based learning and networking opportunity, which had also run for over 10 years. In reviewing it, it was decided that it was one that we could afford to let go, principally because of falling demand from the three sectors that provided the delegates.

The Northern Ireland adviser on employment and skills was unique among the commissioners on the UK Commission for Employment and Skills, in that he had a staff complement of six with separate office accommodation in Belfast, and they commissioned and published research reports. That was quite different from the role of the UK commissioners across the other devolved Administrations and in England. We felt that we had an opportunity to bring the adviser back in line with the other UK commissioners and effect cost savings through the release of the office and absorption of the staff into the Department. That happened, and those savings were delivered.

The Chairperson: Thanks, Michael. Will the cessation of PLAs affect that savings model?

Mr Gould: We will be able to claim on the PLAs that involved tuition to date — that is a retrospective claim. We are validating the PLAs that are in progress. We have to validate each individual on the PLA and what tuition they received before we can make the claim from Europe. However, we will be able to claim the £1·54 million for tuition to date.

The Chairperson: What delay is there on that claim?

Mr Gould: I am not totally au fait with that, but there is a reference to N+2 figures, so we have two years after the end of a programme to make the claim.

The Chairperson: So there are another two years' worth of that money to come in.

In the past, the Committee expressed concern about the reduction in apprenticeships and in support for the 25-plus group, especially given that the Minister and the Department seem to be championing apprenticeships. Why are we taking away that support?

Mr Gould: We are taking away the support because we do not think that it was the most effective way to deliver adult training for the workforce. We have a situation in which we are putting people through a technical certificate, the NVQ and essential skills. These are skilled adults: our oldest apprentice was 82 years old. We have a complete range of ages over 25.

Mr Allister: He was certainly not an apprentice boy.

Mr Gould: We feel that the other methods, such as the customised training, Bridge to Employment and the management and leadership training that we offer through Skills Solutions and management development are a much more cost-effective way to deliver focused training for the employers' needs and those of the individual.

The Chairperson: Will that still focus on the over-25's specifically or will it be generic?

Mr Gould: It is available for anyone in the workforce, but, principally, we want to encourage new jobs — new posts and new people in those posts. The Minister wants the review to look at that. Apprenticeships seem to be an entry level to gaining employment rather than encouraging companies to draw down money to pay for their existing workforce.

A particular example in England was the Morrisons supermarket chain. Something like 18,000 of its staff were on apprenticeships at any one time. It was simply seen as a way for the company to fund its own in-house training, or as a substitute for in-house training using the apprenticeship route.

For over-25's in GB, in England in particular, there are plans to use student loans or apprenticeship loans so that individuals have to bear the cost. The Minister has not gone that far; he has retained 50% funding for over-25's in the priority sectors in recognition of their importance to rebuilding and rebalancing the economy.

The Chairperson: What are the priority sectors?

Mr Gould: They are business services, principally ICT; financial services; retail; advanced manufacturing; and manufacturing including food and drink. Also included are emerging sectors such as the creative industries and renewables as well as hospitality and catering in support of tourism.

The Chairperson: No other members have indicated that they wish to speak. Thank you very much for your time, Michael.

We will now move on to savings plan B/3, the lower priority programmes. I invite Siobhán Logue and Gerry Lindsay to the table.

Mrs Siobhán Logue (Department for Employment and Learning): We are here to talk about savings measure B/3, which is one of the lower priority programmes relating to reduced commitments in employment provision.

In 2011-12, we set out to achieve savings of £2 million and, in the past year, £4 million. We undertook three key actions to achieve that overall position. We improved the targeting of our resources to ensure that the measures were most effective through the Steps to Work programme. I will take you through each of the three elements.

First, we reduced the back-to-work strand of Steps to Work from 13 weeks to eight weeks. The back-to-work strand is, in essence, a work experience placement for an individual, the purpose of which is to give an unemployed person an opportunity to get work experience in an area related to their job goal. In reducing it from13 weeks to eight weeks, we were content that the focus was to allow an individual sufficient time to get experience in an area, but our priority is to assist clients to move off benefit and into employment as quickly as possible. So, we set out to achieve savings of £1·35 million, and, at the end of March 2013, we had achieved £3·27 million.

The second key action in this measure was our reduction of the fee limit for short accredited training courses in Steps to Works. Previously, the limit had been £2,000, and we reduced it to £1,000. By way of illustration, short accredited training courses are used when we identify that individuals will improve their prospects of obtaining employment or competing successfully for a job if they undertake particular training. We reviewed the amount of money that most people required, and we found that reducing it to £1,000 was sufficient. However, we have left it flexible, in that if there is a business case for an individual and the training costs will be above the £1,000 limit, we can deploy that. We set out to achieve savings of £0·15 million, and we achieved £161,000 by March 2013.

The third element of this savings measure was the introduction of greater flexibility for core gateway clients. Whenever clients join Steps to Work, they undertake core gateway training, primarily to help them with their job search skills, CVs and interview preparation. For some individuals, that involves identifying and assessing whether there is an essential skills need. Traditionally, the core gateway provision was mandatory for 10 days. We reviewed that and identified that, for the vast majority of participants, five days of tailored provision was sufficient to meet their needs. So, by reducing it from 10 days to five days, we reduced any dead weight. We have also left that flexible. A lot of people who come into unemployment are graduates or have a recent employment history, and they may not even need five days. We ensure that the amount of support that they get is tailored to their needs. We set out to achieve savings of £0·5 million, and we saved £569,000.

By those three actions, we were able to achieve the overall required savings of £4 million.

The Chairperson: Thanks, Siobhán. You spoke about the core gateway. To start, there was a full 10-day compulsory course, and you are now saying that, if graduates come in, they may get only a one-day or a two-day course.

Mrs Logue: The general standard is that it will be for four or five days. We have reduced it from10 days to five days.

A lot of what we try to do in developing and improving is based on customer feedback. So, if you are a client of the employment service, we try to ensure that you avail yourself of services through your employment service adviser — your personal adviser in the office. If you are either mandated or volunteer to go on to Steps 2 Work, you will avail yourself of core gateway and other provision.

Even before someone enters provision, which is costly, we try to ensure that our local offices increase the client offer. We have established job clubs in the vast majority of our offices, so that, by the time that someone is referred to core gateway or to Steps to Work, they can have availed themselves of tailored intensive support with job searches, CVs and interview preparation. That is increasingly how we are trying to go forward in the employment service.

In preparation for Steps 2 Success in particular, we are trying to make sure that in the initial months that you spend with the adviser — if you are a young person it will be nine months — we provide more focused and increased interventions that are tailored to meet your needs and address your barriers. In that regard, we are trying to engage with employers who can help us to do that necessary preparation.

The Chairperson: Your first action point was to reduce Steps to Work from 13 weeks to eight weeks. Who decided that eight weeks was enough?

Mr Gerry Lindsay (Department for Employment and Learning): We reviewed the provision in consultation with our staff, our contract providers and clients. The feedback was that eight weeks was a sufficient duration.

There is a mandatory requirement for participants who reach certain trigger points on jobseeker's allowance to participate in Steps to Work. The back-to-work provision, which was 13 weeks, is the minimum duration that is necessary to meet that mandatory requirement. So, effectively, we are saying that we are reducing that mandatory requirement to a shorter period to reflect that there were clients who perhaps did not need the full 13 weeks but were required to do it. Now we are saying, "If you don't need it, there is no point in us providing it."

The Chairperson: I am not being cynical, but were the number of days for the core gateway and the number of weeks in the Steps to Work programme reduced solely to meet the savings, or were they reduced to meet the clients' needs?

Mr Lindsay: I think that we have to recognise that, over the past number of years, the client population that is coming to unemployment has changed significantly. Historically, there was a much more challenging client base. Now, people who are much closer to the job market are coming in, and they may need a shorter-term duration. So, there was no point in our locking them in for a 13-week course or a 10-day course when, in fact, they did not need it. Therefore, it was actually targeting more to the individual's needs.

The people who perhaps need a longer intervention could have availed themselves of, and can still avail themselves of, other strands of the programme. We have a 26-week strand, for example, that a person who feels they need more support can opt for, and, during that period, undertake a qualification. So, it is not as though there are no other options for them; there are.

The Chairperson: Under Steps 2 Success, how many weeks are people required to stay in work until it is proven that it is the right work for the client? For how many weeks will they be locked in?

Mr Lindsay: Steps 2 Success is the new programme that will replace Steps to Work.

The Chairperson: How many weeks will they be required to attend?

Mr Lindsay: The programme will last for 12 months of support. The fundamental structure of the Steps 2 Success programme is different to that in Steps to Work.

The Chairperson: So, there is no requirement there —

Mr Lindsay: There is no prescription to do work experience or to get a qualification. It is more about the individual, so the duration is different. It is longer. Furthermore, the funding model, or the money that we pay to providers through Steps 2 Success, is structured differently.

Mr Allister: Your target was £4 million savings. Out of what size of budget were you saving £4 million?

Mr Lindsay: About £35 million.

Mr Allister: Key action 2, and reducing the fee that was payable from £2,000 to £1,000, saved you £161,000. Does that mean that only 161 people were on that scheme?

Mrs Logue: No, we had imposed a fee limit. The idea is that an individual client agrees with their employment service adviser on what particular accredited training course suits their needs. For a number of people, it could be something very basic. If someone has been in employment, which a significant number of the unemployed register now has been, to re-enter employment, they might need to get some new health and safety certificate or qualification that they did not require in their previous job. So, only a very small amount of money was required for a lot of the courses. That is why we reviewed it. Having set it at £2,000 initially, we reviewed it and identified that virtually no individuals needed that kind of funding for a short accredited training course. A lot of them wanted a couple of days, or it could have been for the likes of forklift truck driving.

Mr Allister: How many people would be taking advantage of that scheme?

Mr Lindsay: Overall, you are probably talking about several thousand. That saving is made up of a range of smaller amounts. The more expensive type of courses could be those that are not available in Northern Ireland. If a short course has to be delivered in England, it can be quite expensive. Although we want to try to cap the level of expenditure, as Siobhán said, where it is clear that the intervention will directly help the person into employment, we will still go up to £2,000.

Mr Allister: You will still go to £2,000?

Mr Lindsay: Absolutely, but that would be more an exception than the norm. There are not huge numbers going to the more extensive provision. In overall budgetary terms, the £161,000 is a modest sum.

The Chairperson: Gerry and Siobhán, thank you very much for your time.

We will move to our last session on the savings delivery plan. We are joined by Mr Billy Lyttle, head of higher education finance, and Mr John Neill, head of student finance policy in the Department. Gentlemen, you are very welcome. Do you have an opening statement?

Mr Billy Lyttle (Department for Employment and Learning): Will we start with B/6?

The Chairperson: Yes.

Mr B Lyttle: The savings audit, or B/6, represents relatively straightforward savings. It is about funding for activities that were ongoing in 2010-11 and that would cease or be finished by 31 March 2011 so were no longer required. That means that the funding that was associated with those activities was removed from the higher education baseline. The largest single item under that category was the strengthening of the all-Ireland research base. That was a series of projects that were financed or funded under the previous comprehensive spending review (CSR) programme, which, when we moved into this programme, were no longer required. That funding was removed from the baseline and was not carried forward.

The Chairperson: That is £8 million in the category B/6. Members, are there any questions on that?

Ms McGahan: Why was it no longer required?

Mr B Lyttle: It was a joint initiative, and, as I understand, 20 projects were funded during the period. At the time, funding was delivered under the funding for innovation initiative in the previous spending review period, and that was not there following that period. So, the projects came to a natural end and were funded only during the previous budget period.

The Chairperson: Gentlemen, we will move to B/8.

Mr B Lyttle: The savings in this category were branded under the heading "Procurement: operational efficiency". To achieve the savings, the block grant that was payable to the four higher education institutions in Northern Ireland was reduced by 6% in 2011-12 and by a further 6% in 2012-13. The savings were applied equally across the sector, and all four institutions sustained the same level of savings. However, in achieving the savings, the institutions were able to maintain their services, and that has been demonstrated by a number of indicators, which I will go through for you. In 2011-12, the number of full-time Northern Ireland domiciled students gaining a first degree qualification at a Northern Ireland institution increased by 11·8%. That went up from just over 6,700 individuals to 7,500 individuals, and that was during the first year of the reductions. In 2011-12, the number of Northern Ireland domiciled students gaining a postgraduate qualification remained the same at 1,605. In that first year, 2011-12, the number of first degree enrolments of Northern Ireland domiciled students at a Northern Ireland institution increased slightly by 0·09%. Those three indicators are taken from 2011-12 and indicate that the level of activity remained the same or was slightly higher.

The comparable figures for 2012-13 will not be available until January 2014, so I cannot comment on them. All those figures come from the Higher Education Statistics Agency

Figures produced by UCAS for 2011-12 show that the number of applicants accepted by Northern Ireland higher education institutions was 10,042. That is an increase of almost 3% on the base figure of 9,751 for the 2010-11 academic year, which is the year prior to the introduction of the savings.

I would like to mention a few other indicators. One could cite the percentage of young, full-time first-degree entrants from National Statistics Socio-economic Classification (NS-SEC) classes 4 to 7 in institutions in 2011-12. That stood at 39·1%, compared with the UK average of 30·7%. In that year, all Northern Ireland institutions performed above the UK average.

You could also look at the satisfaction rates of the customers of higher education — the students. All four institutions performed very well in the national student survey in 2012 compared with 2011. St Mary's University College in particular registered a satisfaction rate of 98% in 2012 compared with 93% in 2011. Stranmillis University College increased its satisfaction rating to 83% to 91%; Queen's University increased its satisfaction rate from 83% to 87%; and the University of Ulster increased its satisfaction rating from 82% to 86%. All the institutions attained satisfaction ratings that were above the benchmark UK-wide average.

The Chairperson: OK, gentlemen; thanks. Billy, those are impressive statistics, I suppose. Recruitment and attainment have not been affected by the budget cuts. What about job losses?

Mr B Lyttle: There have been ongoing job losses at both universities. I know that Queen's University introduced an early severance and retirement scheme as far back as, I think, 2009-2010. Again from knowledge, the University of Ulster is outsourcing across its campuses, and I think that that is due to kick in in August this year.

The Chairperson: Are there any projections for that? Will these savings force universities to take the direction of travel of redundancies and job losses?

Mr B Lyttle: That is entirely at the universities' discretion. We have passed the savings to them, and, as autonomous bodies, they are expected to manage their own affairs. Each university will take forward a suite of efficiency savings or activities.

We will monitor that, because, one of the strategy projects in our higher education strategy focuses on the achievement of at least £30 million savings by 2015. Going forward, we will gather information on exactly how the institutions achieve those savings. However, we have not done that yet.

The Chairperson: What is the budget that those savings will be made from?

Mr B Lyttle: The overall starting budget for both universities was about £220 million or £230 million.

The Chairperson: When you were talking about the performance indicators, you discussed the numbers of students. Will this issue be looked at if those numbers start to decrease dramatically?

Mr B Lyttle: It would have to be looked at. From our point of view, the objective is to have a strong and robust higher education sector that can compete both in the UK and internationally for students and funding. Both universities and both university colleges have the intention or wish to remain top-class and world-class institutions. I do not think that they are all there yet, but that is what they are striving towards. If their indicators begin to decline, particularly quality indicators, serious questions will have to be asked. We do not have any quality indicators yet, because QUA's last quality review was done prior to 2011-12, and the next review will not be for another year or two. So, we will be looking at that very closely.

Mr Allister: Can you tell us how the universities tightened their belts to make savings of £30 million, or did they make it up simply by recruiting more students?

Mr B Lyttle: They did recruit some more students. However, we have the MaSN control in Northern Ireland, and we are very aware of where the universities openly recruit. Both universities have plans to recruit as many international students as possible, because students coming into Northern Ireland from outside the EU bring funding with them and do not impact on Northern Ireland resources.

Mr Allister: Do you not restrict that?

Mr B Lyttle: That is non-restricted. It is a free market.

Mr Allister: Has there been growth in that end of the market?

Mr B Lyttle: There has been some growth in that end of the market.

Mr Allister: Is that how they are making up those losses?

Mr B Lyttle: It is part of that, yes. They have to look to alternative income streams to replace the funding that was taken out of the system.

Mr Allister: Is that the one area of student recruitment that is wholly unrestricted?

Mr B Lyttle: Wholly unrestricted, yes.

Mr Allister: Do you have any growth figures or figures of how that is going?

Mr B Lyttle: There are figures, but I did not bring them with me, unfortunately. They have increased, and, over the two years in question, we are talking, I think, of increases of hundreds of students. We can provide those figures; they are available.

Mr Allister: Does that mean that hundreds of students would soon manifest into millions of pounds?

Mr B Lyttle: It could. Again, it is up to the universities to charge the fees and other related costs. So, there is no fee regulation whatsoever.

Mr Allister: Is there a knock-on negative effect at any point on the recruitment of indigenous students?

Mr B Lyttle: There may be in future if the universities reach a capacity, in that if they take on more students they would need to invest in their physical infrastructure. However, at this point, there is no indication or evidence that they have reached that capacity.

Mr Allister: It sounds as though the Department does not strictly monitor any of that.

Mr B Lyttle: We do not have information on the number of students that a university can take before the services that it delivers begin to degrade and quality goes down. We do not have that information, and we have never had to look for it. If international recruitment proceeds and becomes a very good story in Northern Ireland, and if we felt that a number of Northern Ireland students were being displaced by the number of international or non-EU students who were coming in, that is a question that we would need to address.

Mr Allister: Do you have any measures in place to monitor that growth?

Mr B Lyttle: At the moment, no. We count the number of students and where they come from; that is it. Although I do not have them with me, those figures are available in the higher education statistics section of the Department's website.

The Chairperson: Jim, we will get those figures and furnish the Committee with them.

Mr Allister: Thanks.

Mr Hilditch: Did you say, Billy, that you will look at the suite of efficiencies from the four universities?

Mr B Lyttle: Yes. That forms one stream of work in one of the projects under the higher education strategy.

Mr Hilditch: Cheers; thank you.

Ms McGahan: Going back to B/6, will you forward a list of the 20 projects that were funded and those that have ceased?

Mr B Lyttle: Yes, we can do that.

Ms McGahan: Thank you.

The Chairperson: OK, gentlemen, we will move on to category B/9.

Mr John Neill (Department for Employment and Learning): The saving in that category relates to the notional loan subsidy. That is the subsidy that the Department has to pay for student loans that it issues over a given period. That effectively means that, for every loan that is paid out, we do not expect to ultimately get all the money back from the student.

There are various reasons for that. One is that there are interest subsidies. That is a charge that a student does not have to pay, because their charges are less than the commercial rates. People ultimately do not earn enough money to be able to pay back their loans, so they will never achieve full repayment over their lifetime. So, that is what that saving measure refers to, and it is an ongoing subsidy that the Department has to cover on an annual basis.

The savings that we note in this section relate to the pre-current CSR period when tuition fees of £4,500 were being considered for Northern Ireland students. As you know, the Assembly agreed to freeze tuition fees in Northern Ireland, apart from inflationary increases. For 2012-13, tuition fees were £3,475 as opposed to the £4,500 that was expected. That meant that the Department, in anticipating £4,500 for tuition fees, built up a profile for the subsidies that would be incurred over the next three-year period. Those subsidies never materialised and never will, so those savings are sent back to the centre. They are simply not incurred.

So, that was a brief summary of how the savings in that category arose.

The Chairperson: How do you get a savings forecast of £12 million for 2014-15? That is a fourfold increase on 2012-13.

Mr Neill: Yes, it is increasing as you go along. That is because the increase in fees would have been a transitional arrangement. In the first year, only the first year intake would have been expected to pay the £4,500, so you have a saving of only one year. After that, there is the second year and so on and so forth, until by year three, you would have your full three-year enrolment of the student cohort.

The Chairperson: Gentlemen, thank you very much for your time.