Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

October Monitoring Round 2013: Departmental Briefing

25 September 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Thomas Buchanan (Deputy Chairperson)
Mr Sammy Douglas
Mr Phil Flanagan
Mr David Hilditch
Mr Fra McCann
Ms Bronwyn McGahan
Mr Alastair Ross

Witnesses:

Mr John Smith	Department for Employment and Learning

The Deputy Chairperson: I welcome John Smith, the director of finance in the Department for Employment and Learning (DEL). He has come to give us a briefing on the October monitoring round. John, over to you.

Mr John Smith (Department for Employment and Learning): Good morning, everyone. I am John Smith, DEL's finance director, and I am here to brief you on the October monitoring round position. You will have received a paper in your packs, and I will take you through it in a little more detail.

Sections 2 and 3 of the paper set out the strategic context. At block level, the position remains tight and finely balanced, and the Executive's ability to meet any pressures from Departments will be constrained by the level of reduced requirements that Departments declare in this monitoring round. As you know, the demand for DEL's services is tied very closely to the health of the local economy. Although that is showing some signs of improvement, the demand for our services, particularly the employment service, remains very high.

Section 4 outlines some technical adjustments that we need to submit to the Department of Finance and Personnel (DFP) in this monitoring round. There are seven budget transfers out of the Department totalling some £1·4 million. Those are detailed in paragraph 4.1. The largest is £1·3 million to the Department of Health, Social Services and Public Safety (DHSSPS), which is our contribution to the condition management programme. There is more detail on that in paragraph 4.7.

There are six inward budget transfers to be received by the Department in this round, and those add up to around £3·3 million. They are shown in the table that follows paragraph 4.8. The three main transfers include, first, the £1·7 million that we are due to receive from the Department of Health, Social Services and Public Safety for its contribution to the additional costs of additional social work student place. That is detailed in paragraph 4.13. There is £0·8 million from the Office of the First Minister and deputy First Minister's (OFMDFM) Delivering Social Change project that will fund additional activity on the community family support programme. That is detailed in paragraph 4.14. Finally, we expect £0·6 million from Invest NI's contribution to the employer's subsidy expenditure, which is incurred on the Steps to Work Programme by companies that Invest NI supports. There is more detail on that in paragraph 4.11.

Section 5 sets out the overall budgetary position by division. Paragraph 5.3 details the skills division. As you know, the skills division is responsible for the provision of training, apprenticeships and management development programmes. We need to manage that budget very carefully because many of the programmes are demand led, which means that we do not have total control of the activity levels.

One such example is the Assured Skills programme, which works with companies in emerging skills areas to upskill and create talent pools to meet emergent employer demand. The letters of offer on that programme typically span more than one year. That means that there is a degree of uncertainty in the timing at which those companies will draw down their grants and there is typically a lag between the Department issuing the letter of offer and the first claim coming in. We need to manage that over the period of the letter of offer.

The upshot in the current financial year is that there is an underspend of £1·3 million on the Assured Skills budget. As that is ring-fenced by the Executive, it means that it is not available to the Department to reallocate to other programmes elsewhere and it must be surrendered to DFP. So, we will be declaring that as a reduced requirement in the October monitoring round. Obviously, we will need to look carefully at what the impact of that will be on the next financial year and in the future. We need to manage any pressures, and we do that on an in-year basis as the pressures present themselves.

Staying in the skills division, there is a small underspend of £125,000 in the Careers Service. Principally, that is because the costs that the Careers Service incurred creating some publications that it has just made were lower than expected. It has also made some savings on procurement.

The employment service is described in paragraph 5.4. There are two variances in the training and employment budget to disclose. The first is a £1 million reduced requirement on the youth employment scheme. As with the Assured Skills programme, that budget is ring-fenced and must be surrendered to DFP.

As members are aware, the scheme is relatively new. It is voluntary, and the underspend in the current financial year is simply because we are rephasing the financial profile to match the forecast demand pattern in 2013-14 and 2014-15. Employers are very supportive of the scheme, and demand from young people continues to grow. To date, employers have offered over 2,600 opportunities, and, since the scheme launched just over a year ago, 600 young people have gained full-time permanent employment. In the context of the overall budget allocation over three years for the youth employment scheme and because it is new and voluntary, it is entirely routine to expect this kind of turbulence at the margins. As such, we just need to rephase the budget to take that into account. I understand that Colum Boyle, the director of the employment service, is talking to the Committee Clerk about what date in the near future would be suitable to brief you in more detail on the youth employment scheme.

The second budget variance is a pressure of £1·8 million on the Steps to Work programme. You will know that that programme is tied closely to the numbers of people who are on the jobseeker's allowance register. The good news is that we can meet that pressure in full internally from the resources that are at our disposal, principally from savings in corporate costs and administrative functions. That means that we will not need to submit a bid to DFP in this monitoring round.

Paragraph 5.5 sets out the position for the further education (FE) division. There is a pressure of £1·3 million on the budget for support to the education and library boards. The Department provides funding for a range of student support services, including home-to-college transport. That pressure reflects the continuing high demand for those services. However, the majority of that pressure can be met by internal reallocations from the further education division budget and from the small amount of money that the division set aside to meet a range of other demand-led pressures that may or may not arise. There is £0·9 million available, which means that the overall further education budget is broadly balanced. We can meet the residual pressure of around £400,000 from the resources that are available in the rest of the departmental budget.

The higher education (HE) division is detailed at paragraph 5.6, and the most significant issue there is a saving of £1·1 million in the running costs of the of the Student Loans Company. That is principally due to the fact that there has been a period of relative stability in policy development, which means that we are not asking the Student Loans Company to incur as much expenditure on new projects and policy development. When that saving is available to us, we will reallocate it to meet the pressures elsewhere.

Of the remaining business areas, the most significant variance is in corporate services. We are continuing to drive down staffing and procurement expenditure. That will release just under £1 million, which, again, is available to meet the pressures that I described.

Finally, on capital expenditure, the budget is balanced overall. That is dealt with in paragraphs 5.9 to 5.12. We have allocated some £17·2 million to our higher education institutions to contribute to various teaching and infrastructure projects. All those projects are in progress, and they include major improvements to the engineering faculty at Queen's and the University of Ulster's Coleraine campus rationalisation. We are also contributing just over £7 million to a range of smaller projects in the further education sector, and, at this stage, all are on track.

That is a brief run through the departmental position for the October round. I will now take any questions that you may have.

The Deputy Chairperson: Thank you, John, for that. You talked about the pressures that the Department faces and said that you hope to live within them. In the June monitoring round, the Department made a bid for £5 million to help to ease the pressure with employment programmes. That bid was unsuccessful, and the Department said that it would resubmit it in the October monitoring round. I see no record of that in your briefing. What is the situation with that?

Mr Smith: That is correct. The pressure was £5 million on the Steps to Work programme, and we said at the time that we would look again in October, and that, if we needed to bid, we would bid. Put simply, in the four months that we have had, we have got more information about the likely levels and forecasts. The forecast pressure is reduced to a large degree because we have better information and because we are able to reallocate some of the reduced requirements that we have from the existing budget in corporate and administrative services. That will meet the pressure, so we do not need to bid.

The Deputy Chairperson: So, are you saying that, if the Department had been successful in its bid in the June monitoring round and got that £5 million, it would now be paying it back to DFP?

Mr Smith: We could have been in that position, yes.

Mr F McCann: The briefing mentions an overcommitment of £27·3 million — £16·8 million in non-ring-fenced resource and £10·5 million in capital. Does the fact that there has been an overcommitment have an impact on this year's budget?

Mr Smith: That is the position at the overall Northern Ireland block level. The overall Budget is £10 billion for the year, so those figures are small. Obviously, the Finance Minister will want to take that into account when he is deciding what to do in October monitoring.

Mr F McCann: An underspend of £1 million in the youth unemployment scheme is mentioned. You would think that there are plenty of worthy groups that may have made applications to allow them to deliver some youth employment schemes. Would it not have been better to look at those and to use that finance? I always take the view that, if you hand £1 million back, you may have £1 million less to play with the next year. What does rephasing mean?

Mr Smith: It is ring-fenced, so we are bound to hand it back. We got the money from the Executive to do specific things, and we cannot use that money to do new things without seeking re-approval. However, we are doing as much as we can to stimulate demand on the youth employment scheme. Demand is strong, and, as I said, more than 600 young people have moved into full-time permanent employment since the scheme started. Overall, over the three years, we are looking to spend over £25 million on this scheme. Given that it is new and we have never done it before, it is inevitable that you will get some fluctuation in demand patterns. We just need to ensure that the budget reflects that.

Mr F McCann: It is not inevitable for us when we are looking at a scheme. Youth employment is one of our priorities. If the Executive have tasked you to deal specifically with youth employment, there are plenty of schemes that would have been delighted to receive money like this to help them with the youth employment schemes that they are involved in. I want to make that point, because when you sit on Committees you see things like this, you know that it all adds up and has an impact. I know that you said that there were 600 permanent jobs, but we have argued here about how permanent a permanent job is. I think that that is one of the difficulties that we need to get into.

Mr P Ramsey: I wanted to make a similar point. You made a fairly safe presentation this morning, John, but it is hugely disappointing. I concur somewhat with the Chairperson's original point that we were expecting to hear about additional October monitoring round bids for youth unemployment. It is disappointing to hear that we are handing money back.

Can we analyse the difficulty? Was there not enough buy-in from employers here? If you are rephasing, we need to know why. Were the priorities not right? It was reasonable enough to say that there were 2,600 participants, with fewer than 25% becoming full time. Fra made the point about permanent jobs. Are they are permanent, or are they still under one year's grant-aided assistance? My understanding is that employers get the subsidy for three months, six months and then a year.

As Fra said, there are huge models of good practice across Northern Ireland that are articulating and training young people and are able to service them through small businesses. Are we availing ourselves of those opportunities and being creative and innovative enough in doing that?

Mr Smith: I am sure that we are doing our very best to do all that.

Mr P Ramsey: Are you sure?

Mr Smith: As I said, Colum Boyle, who is the employment service director, is looking to come to brief you in more detail on exactly what the scheme is doing and on developments that we are going to take forward. So, I think that it is best to leave matters of policy on that to the policy division.

Mr P Ramsey: Setting aside the policy, £1 million has been handed back. Was that because there was not enough buy-in from employers?

Mr Smith: The employers are supporting the scheme. The demand is strong, and it is growing. However, as I said, we are managing this over a three-year time span and it is voluntary in nature, which means that the forecasting of the budget requirements is not an exact science. We have received money for this year and next year, and we are simply rebalancing between this year and next year. We expect to have to supplement the budget over and above the baseline that we have, because we forecast that the demand patterns were on a rising curve.

Mr P Ramsey: Is the anticipated growth in demand above what was estimated? Is that what you are suggesting to me now when you say that there is continuing growing demand?

Mr Smith: I am sorry, Pat; what was the question?

Mr P Ramsey: You are suggesting to me that there is a greater growth in demand in this area.

Mr Smith: Demand is growing. I do not have figures about whether demand will exceed our initial expectations, but we know that it is growing.

The Deputy Chairperson: Members, we need to stick mainly to the finance issues. We will have a departmental official here on 9 October to discuss the particular schemes. To be fair to John, he is here to focus on the financial end of things. So, we cannot expect him to have the other figures that we would maybe like to have today.

Mr Flanagan: I am sorry for being late and for missing some of your presentation, John. Perhaps you could clarify what the £16·8 million non-ring-fenced resource expenditure and £10·5 million in capital investment was actually planned for.

Mr Smith: I am sorry, Phil. Which figures are you referring to?

Mr Flanagan: They are at paragraph 2 in your briefing.

Mr Smith: That is simply at the Northern Ireland block level; it is not the DEL position. The block itself has a slight overcommitment on resource expenditure. There is a small overcommitment on the money that is set aside to deliver programmes. On capital, essentially that means that the Executive have agreed allocations to Departments of £10 million more than they have at their disposal. Given that the overall block Budget is £10 billion, I suggest that those figures are small and manageable. However, it is really an issue for the Finance Minister. I put those figures in just to give you the context that the block position is tight. As we go into the October monitoring, the Executive's ability to meet bids will need to take into account that there is a slight overcommitment to manage already.

Mr Flanagan: Was any pressure put on DEL to hand money back to fill that gap?

Mr Smith: No, because the amounts are small, and I expect that they would be manageable in the normal course of events.

Mr Flanagan: Do you have any idea what the Department tried to do to get the Assured Skills budget of £1·3 million and the youth employment scheme of £1 million spent in other areas or in other ways in those schemes, instead of handing it back?

Mr Smith: As you know, it is ring-fenced, so we cannot move it to programmes that are outside those two areas. However, we have given those areas a hard look to make sure that we are not handing back money that we could spend there. We have been prudent in that, and we do not do it lightly. However, we need to take a corporate view so that we can hand money back and then, at least, it could be reallocated around the Executive. However, we do that only when we are pretty sure that the demand is not there this year.

Mr Flanagan: I appreciate that the resources are ring-fenced, but did DEL do anything to try to find another way to spend the money in that programme? For example, the youth employment scheme is paid to an employer as an incentive to take somebody on for a fixed period of time. Did you look at another way of managing that by giving the young person a bit of an incentive, or did you look at keeping people who were already in a placement in it for another three or six months as another way spend that £1 million?

Mr Smith: I think that a range of new initiatives are coming into the programme, and Colum Boyle is coming to talk to you about those in due course.

Mr Flanagan: I will let you away with that one, John.

Mr Hilditch: I share the concerns on both issues that have been raised so far — the employment service and the skills industry. There is the reduction of £1 million in the employment service, and you say in your submission that that will be balanced by an increase in expenditure in 2014-15. What is the detail of that? Is there much of an increase? What is the balance?

Mr Smith: Based on the forecasts that we have at the moment on demand and costs, for 2014-15, we expect that we would have a pressure of the order of about £1 million next year. Obviously, when it comes to June monitoring next year, we will look again at the figures to see whether we can meet that ourselves, or, failing that, we will bid to the Executive. However, that is an issue for June 2014 at the earliest.

Mr Hilditch: Are the Assured Skills programmes delivered in-house with the companies bidding, or do they make use of our academic facilities in Northern Ireland?

Mr Smith: That is delivered in a range of ways. I know that we use academic facilities to deliver the training.

Mr Hilditch: Most courses start in September, which would give you some indication of what to expect.

Mr Smith: We issue a letter of offer that will span three years. It is then up to the companies, Invest NI and whoever will be delivering the training to work together on a training programme. However, because the letter of offer spans three years but our budget is managed on an annual basis, it means that we do not have total control of when they are going to deliver the training and when the costs will be incurred. So, you get some volatility in the budget because of that time lag. However, it is probably the best way to run a programme such as Assured Skills, because you could not issue a one-year letter of offer and expect the companies to do everything by 31 March. That would be too short term. So, we accept that there is a risk in there, and we manage it as best we can; that is the upshot.

Mr Douglas: Thank you, John, for your presentation. Can you explain a wee bit about strategy, European and employment relations division (SEERD)? Obviously, the Committee is going to Brussels in November. Is there anything that the Committee needs to know about that budget?

Mr Smith: It is a small budget for that division, and the overall position is a £200,000 forecast underspend, which we will use elsewhere. At this stage, the bulk of the budget is European social fund money. It accounts for about £10 million of receipts that we get for the community and voluntary sector programmes. Other than that, it is well managed, and we continue to keep a close eye on spend.

The Deputy Chairperson: Thank you, John, for your time and for taking questions from members today.