Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Programme for Government Targets and Savings Delivery Plans: DEL Update

20 November 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 Sammy Douglas
Mr David Hilditch
Mr Chris Lyttle
Mr Fra McCann
Ms Bronwyn McGahan
Mr Alastair Ross

Witnesses:

Mr Jim Russell	Department for Employment and Learning
Mr John Smith	Department for Employment and Learning

The Chairperson: I welcome John Smith, the director of finance, and Jim Russell, the deputy director of employment services. It is over to you for one of our usual updates.

Mr John Smith (Department for Employment and Learning): Thank you. We will start off with the Programme for Government commitments. I will take two of them before handing over to Jim from the employment service to talk about the other two.

The Chairperson: Members, for your information, the latest correspondence on the Programme for Government targets and the briefing on the savings delivery plan are in your packs.

Mr Smith: We have four commitments in the PFG. The first is commitment number 20, which is about increasing the uptake in economically relevant science, technology, engineering and maths (STEM) places at the universities. You will recall that we have committed to more than 700 additional places to be created over the lifetime of the Programme for Government. Progress is on track, and the milestone for the first year, academic year 2012-13, was to deliver 233 places in STEM subjects. We made the funding available to the universities and colleges, and there have been no indications that the places have not been taken up. We will know the actual enrolments for the academic year 2012-13 in January of the new year. Essentially, the position that I am reporting today is the same as we gave you the last time we appeared here. The milestone for year 2, academic year 2013-14, is to deliver an additional 234 places on top of the 233 for year 1, and we have made that funding available to the institutions. There are no indications at this time that those places will not be taken up.

Commitment number 25 is about upskilling, and the target is to upskill the working-age population by delivering more than 200,000 qualifications over the life of the PFG. Again, progress is on track. As I reported last time, the milestone for year 1, the 2012-13 academic year, was to deliver 105,000 qualifications, covering the two years of provision, academic years 2010-11 and 2011-12. We surpassed that target: just short of 140,000 qualifications were delivered in that year. The milestone for year 2 is to deliver 53,000 qualifications, and that is for academic year 2012-13. Again, we will not know exactly how many qualifications will have been delivered until January of the new year. However, based on the track record of the previous two years, we are confident that that milestone will be surpassed. That is the position that Victor Dukelow updated you on in June when he attended the Committee. Those are the two commitments that I want to talk about. I hand over to Jim to talk about the others.

Mr Jim Russell (Department for Employment and Learning): I will talk about the Into Employment target, which is commitment 36. The four-year Programme for Government target is 114,000. As you know, we reported previously on the first two-year target, which was 65,000. As we reported earlier in the year, we beat that by 18·2%. In the current year, the balance of the target is 49,000, and we are still on target to beat that. At October of this year, we had added 23,471 people into employment from April, which is 47·9% of the two-year target and 95% of what we expect in 2013-14. Therefore that target is still on course to be exceeded. By how much, we would not like to predict because, as you know, things can change rapidly. However, as of today's date, we are still on target to beat the figure of 114,000 over the four years. It is just a question of how much we can beat it by. We are on target there.

I have some further background for the Committee. In the November labour market report, published last week, it is 7·3%, which is down two tenths of a per cent on the quarter and four tenths of a per cent on the year. Long-term unemployment is down 50·7%; that is down 2·4% on the year. The unemployment rate for the 18 to 24 age group is 24·7%, which is up 5·5% on the year. However, for the claimant count data — the number of people claiming jobseeker’s allowance (JSA) — the overall total is 6·7% down, that is 4·7% in the year; and for 18- to 24-year-olds, it is down 11·25% on the year.

So from all the data on employment, unemployment, economic growth, etc, we begin to see a bit of an improvement. However, it is certainly not as much as in other parts of the UK, the Republic and other places. Generally, we are still on target to beat the 114,000 figure; it is just a question of how much we beat it by when the four-year period is up. That is commitment 36 dealt with.

Commitment 27 is on economic inactivity. That is proving to be frustrating, as I am sure the Committee agrees. We put papers to the economic subcommittee on 9 September. We tried to do that in July, but the meeting was cancelled. We circulated a draft to the Executive at the end of October and tried to get it to the Executive Committee on 7 November for agreement to go to public consultation. However, it did not make the agenda. We will try again for the 28 November, as the meeting on 13 November was cancelled. We hope to get it on the agenda for next week so that we can get permission from the Executive to go to public consultation. After that, we have recommended that the Minister write to the Committee with the draft immediately. He then wants to make a statement to the Assembly about it and launch a proper public consultation. So, if we get a fair wind next week on 28 November, the Committee should see the draft early in December. I suspect that we will not go to public consultation until the new year, as there is no point in launching a public consultation exercise in the mouth of Christmas. We have suggested to the Minister that it should be a full 12-week consultation. That is where we are.

The Chairperson: Of all those, I suppose that the last was the most significant for the Committee. For what length of time altogether has it been delayed by the failure of the Executive to meet and discuss it?

Mr Russell: When I was here in May or June, I had hoped to get it to the Executive by the end of June. However, because the Department of Enterprise, Trade and Investment (DETI), the Department of Health, Social Services and Public Safety, the Department for Social Development, and ourselves were all in the working group from April trying to agree drafts, that slowed it down. We cannot run with this without the agreement of our partner, DETI. It is not just a DEL commitment; it is a DETI commitment as well. So everything that we do must be in step with DETI. In a sense, therefore, we do everything twice to get the Ministers' agreement. I am frustrated by that because, since June, there has been no substantive change to what we have in the draft. It has all been about making sure that each Department's interests are properly reflected in what they have done and are doing rather than what we are proposing we might do in future. However, we have got the four key Ministers content now, and it is up to the Executive to take the decision.

The Chairperson: Do you think that you have got all Ministers content?

Mr Russell: Yes.

The Chairperson: So it is just the last stage.

Mr Russell: It has to go on the agenda at the Executive to be agreed and then go out to public consultation. However, we will certainly come to the Committee first.

The Chairperson: I remember your frustration at our conversation in June. At that stage, we said that the Committee would do whatever we could to facilitate the process. Is there anything that you think we could do at this stage?

Mr Russell: The agenda of the Executive meeting on 7 November was so long that they just could not get another paper on to it. This time, however, I would like to think that it will be well up the agenda. I was an optimist in May and June; maybe I should say nothing. Perhaps I am the one who spoils it all. However, there is no reason why the Committee should not see this before Christmas unless something serious happens between now and 28 November, such as somebody taking real exception to it.

The Chairperson: You do not foresee that?

Mr Russell: I do not foresee it, no.

Mr Buchanan: It is disappointing that this has dragged on so long. It still has not been tabled at and seen by the Executive to get it moving. It is important that we move it on.

Under commitment 36, 37,970 people moved from welfare into employment in 2011-12 and, to date, another 30,000 have done so. I am interested in these fairly high figures. What length of time was that for? For instance, how many of the 37,970 in 2011-12 are still in employment and many are back on welfare and benefits? It is all right getting the figures, but it can give us a wrong impression because some of those things may be only for a few weeks before people are back on welfare and in the benefits system.

Mr Russell: It could be fixed-term contracts or short-term working. You are right: 2011-12 is two years ago now, and some people included in that data might have lost their jobs subsequently.

Mr Buchanan: Were all those 37,900 in long-term employment?

Mr Russell: They were all in full-time employment of over 16 hours a week.

Mr Buchanan: They were all in full-time employment.

Mr Russell: We do not know whether that full-time employment was for a fixed-term contract of three months, six months or a year. We do not have that data. Nor do we have readily available data to tell us how many of those 37,000 have subsequently lost their jobs and reclaimed or moved on to another job.

Mr Buchanan: I welcome the fact that we are getting people moved on from the benefits system into the workplace even if it is only for short period. We are talking about meeting targets, and, yes, we are meeting the targets, and, from what you said, you are confident that we will meet the target over the four-year period. Meeting targets is all well and good, but if doing that gets somebody into employment for three months, I am not sure that it is doing the job that we are looking for. We want to get people into long-term employment. I am not knocking it, but I am not satisfied that it is delivering what we really want it to. Using short-term employment to meet targets skews the figures and does not give us a clear picture of how many people are off the benefits system and in long-term employment.

Mr Russell: That is why the other data is important. It is why you have set it in the context of the unemployment rate, the long-term unemployment rate and all the other statistical information available. You must look at it in the round to see whether things are moving in the right direction. Many of the signs are positive: unemployment, long-term unemployment and claimant counts are falling. In a sense, that assures us that the data that we are reporting against the PFG target is doing the right thing.

Mr Buchanan: They indicate that something is working.

Mr F McCann: Thank you for the presentation. To follow up on what Thomas said, there has to be a better way of attracting people. The talk is of 37,000 people going into employment last year and 30,000 this year. That sounds brilliant, but you are right to say that there are different aspects of employment there. I think that there was an announcement a couple of weeks ago that hundreds of jobs were coming in, but many of them would be for only six weeks.

Mr Russell: The shipyard.

Mr F McCann: So those people will be back to being unemployed. I watched a programme last night that showed people working in Bangor who said that they could not survive on the wage that they were getting, although they have no option other than going into that type of employment. At this stage, you would think that you would be able to track over a period, say, 100 long-term unemployed who got employment to show that, say, 40 of them went back on the dole and 30 went elsewhere. What people think is skewed by the announcement of short-term jobs. Although it is a good-news story, when you drill down into it there are all sorts of problems there. Some information on emigration came out a couple of weeks ago, and you spoke about 18- to 24-year-olds. Where I live, a considerable number of 18- to 24-year-olds are leaving, which also affects the figures.

Mr Russell: Absolutely. You talk about how long people are staying in or out of work. Of the 7·3% who are unemployed, half — 50·7% — have been unemployed for a year or longer. That is down 2·4% in a year. Hopefully, that data will be consistent over a number of months and years. We are bringing the long-term unemployment figure down as well, so we need to look at all those things in the round. There is data about average earnings and so forth, Fra; however, it can mask some of the issues that you flagged up. You have to drill down into some of this stuff and take it apart to see what it really means. The risk of being long-term unemployed — this goes back to the other target, that of the economically inactive — is that you reach a point where you no longer feel able to work or your health deteriorates, and you move from being economically active and actively seeking work to being economically inactive and not seeking work. The real test, as we go forward, is not whether we bring down the unemployment rate, which will fall — it is starting to fall — but how far we can get it down. However, if we do that, we must not leave behind more people who are economically inactive than we started with. That is why it is important that we get the other strategy out into the public domain and start to tackle the issue.

Mr Lyttle: Jim, I want to ask about the other strategy, just to clarify a few things. You had a draft strategy finished in June this year.

Mr Russell: Yes, we had a draft, probably before June.

Mr Lyttle: You are staring at a six-month time lag since the Executive gave you clearance for that to go to public consultation.

Mr Russell: No. We had the draft agreed between DEL and DETI, but because we brought the Health Department and DSD onto the working group after April, they had to spend some time going through it as well, and we brought their comments on board. As I said, those were not substantial and did not take the strategy in an entirely different direction from that in which DEL and DETI thought it should go. We got that sorted out between the four Departments in the summer. We had that draft pretty well signed off in August. It has just taken time now to go through the process of feeding it through the Executive's economic subcommittee, which DETI wanted to do, and then to bring it to the full Executive.

Mr Lyttle: So it has been three months.

Mr Russell: Yes.

Mr Lyttle: How many cancelled economic subcommittee meetings or cancelled Executive meetings have contributed to that three-month delay?
Mr Russell: Just one.

Mr Lyttle: Of the economic subcommittee or the Executive?

Mr Russell: The Executive.

Mr Lyttle: The strategy is meant to implement improvements in skills provision, training provision and job creation, but it has been sitting waiting for clearance, effectively, for three months. That is pretty shocking, to be honest. It shows the problems that are created when the Executive is not meeting and doing what it should be doing. I appreciate the clarification, Jim. I hope that you get clearance as soon as possible, given its importance and the work that has gone into it.

Mr Russell: We were really hopeful, in the first week of November, that we were there, but there was just too much business for that meeting. We thought that if we missed out on 7 November, we would have 13 November, but 13 November was cancelled, and now it is on 28 November.

Mr Lyttle: I hope that you get the response that you deserve as soon as possible so that you can progress the strategy. That is an insight into the workings of the Executive that we do not always get in the Assembly. It is pretty concerning that a strategy of that importance has been held up, even if for three months, given the current climate.

Mr Russell: If we get clearance on 28 November, we will write to you immediately.

The Chairperson: Will you do that in the event that you do not get clearance?

Mr Russell: You will have to ask the Minister about that one.

The Chairperson: If we do not get a letter from you, we will know.

Mr Douglas: Thank you for your information to date. John, you mentioned commitment 25 and said that, going by the experience of the past two years, you were confident that you were going to meet the targets. Is there an alert system if that is not the case? I know that you are going on experience, but if there were a major problem, would you be alerted if those targets were not going to be met?

Mr Smith: I think that we would know through the normal monitoring of divisional business in the FE sector and through the skills and industry division. If we knew that numbers were falling, that is how it would come out.

Mr Douglas: Jim, you mentioned a number of figures. I would like you to clarify the situation on 18- to 24-year-olds. You mentioned an increase of 5·5%.

Mr Russell: Yes, it was 5·5%.

Mr Douglas: Could you explain that to us?

Mr Russell: Yes. In the November labour market report, the unemployment rate for 18- to 24-year-olds was 24·7%. That was up 5·5% on the same period last year. The 18- to 24-year-old rate and the numbers that we are talking about can be volatile. Next month, in December, it could be back down by 2%. Those are the numbers that you are talking about.

Although there are a lot of indicators that things are moving in the right direction, others maybe suggest that we are not out of the woods yet. However, generally, we are travelling in the right direction. Hopefully, that will be confirmed over the next three or four months, and we can come back with more data, perhaps at the end of the year, when we see where we are.

The Chairperson: Jim and John, thank you very much for the update on the Programme for Government targets.

John, will you take us through the update on the savings delivery plan?

Mr Smith: This is the position at the quarter to the end of September. To balance the budget this financial year, we have had to save £109 million in expenditure in 2013-14. When we last looked, at the end of September, we had achieved savings of just under £105 million. With six months of the year to go, we are confident that we will achieve the remaining £4 million. All 10 plans that we set out at the beginning of the year are on track to deliver.

The way that we work this is that, at the beginning of the financial year, we take the savings off divisional budgets at 1 April. Through the year, the divisions then have to implement the agreed actions to make sure that the expenditure on those programmes stays within the reduced budget.

I will take you through each of the 10 plans and give you an overview. You were given a lot of detail about this in September, so this will be brisk.

Savings measure B/1 is savings of £3 million recurrent. That was a legacy of the coalition Government's 2010-11 Budget cuts exercise, when we had to make savings. Fortuitously for us, those savings carried on and were recurrent throughout the Budget period. They are very small reductions across a range of business areas.

The Chairperson: Do members have any questions on B/1? We will take the plans step by step, John. Are members content?

Members indicated assent.

Mr Smith: Savings measure B/2 was a central budget reduction of £8·5 million recurrent. That represents a saving of about 1% on the budget generally. It was slightly opportunistic in that we entered the Budget period with a small amount of money that was not allocated to programmes, so we were able to offer that up as savings without affecting any services.

The Chairperson: Are members happy enough?

Members indicated assent.

Mr Smith: Savings measure B/3 reduced commitments in employment provision amounting to £4 million recurrent. Employment services are key to what we are about, so we try to protect the employment services budget and limited its reduction to £4 million a year. Those were achieved largely through better targeting of elements of the Steps to Work programme.

The Chairperson: Are members happy enough? We have discussed B/3 in the past.

Members indicated assent.

Mr Smith: Savings measure B/4 relates to reduced commitments in training. That is delivered largely by the skills and industry division. We were saving £7·5 million a year there. The bulk of that, around £5 million, was due to changes in the adult apprenticeships programme where we prioritised funding on certain priority sectors, and we fund those programmes at 50%. The balance of the £7·5 million comes from a range of other smaller areas across that division.

The Chairperson: I understand how the 50% savings come from the adult apprenticeships programme. In the review of apprenticeships that the Minister is undertaking, there will be incentives and vehicles, and no budget has yet been assigned to that. Do you see these savings being brought back out and into play again?

Mr Smith: We will move into implementing the successive programmes to Apprenticeship NI and make the policy changes. The other side of that will be to look at the budget available to fund those programmes. The starting point for that is the current Apprenticeships NI budget. We will need to take decisions. If the future provision is going to be more expensive, we will need to find room to manoeuvre. However, that is well ahead of us. Once we get the detail about what the schemes are going to look like, we can start to cost them in more detail.

The Chairperson: Are members content?

Members indicated assent.

Mr Smith: Savings measure B/5 is pay and price restraint. It will tot up to about £46 million a year by 2014-15. When you are moving into a budget, one of your big pressures is price and pay inflation.

Given the tightened financial climate that we are operating in, we decided not to pass on uplifts of that to our divisions, so that money was available to contribute towards our savings plan.

The Chairperson: Are members happy enough?

Members indicated assent.

Mr Smith: Savings measure B/6 is for higher education budget easements of £8 million recurrently. As we started in this Budget process in 2011-12, various programmes in the universities were coming to a natural close, and they were expected to be self-sustaining as we moved into this Budget period. So it is not the case that we ceased any of those programmes midstream. They were coming to an end, and, fortuitously, that enabled us to take that money to contribute towards the savings.

The Chairperson: Is there a budget for new programmes?

Mr Smith: A large proportion of our university block grant goes towards research. Obviously, it is a key driver of the economy and a key element of the universities' work. We put a significant amount in there to take forward that research programme.

The Chairperson: Are members content?

Members indicated assent.

Mr Smith: Savings measure B/7 is for £4 million recurrently in efficiencies in the further education colleges' block grant. That was representative of roughly a 3% efficiency gain that we expect colleges to deliver. They are doing that without any impact on services. Some general trimming and more efficient operations are enabling them to deliver their current services within a reduced budget.

The Chairperson: John, within the key risks of B/7, you state:

> *"Two colleges in particular may not be in a position to sustain further cuts in their funding".*

Is there a threat that the other four colleges will be put under additional pressure to make up the saving that was expected from those two?

Mr Smith: No. We look at the issue sector-wide, so the overall 4% is on a sector-wide basis. We try not to limit it to one financial year. If a college is falling back in one year, we expect it to be recovered in future years. Within that, if the overall 4% was not going to be delivered, we would manage that within the totality of the Department's budget. As we are at this stage, that has not happened. The savings are relatively modest. We tried to protect the FE sector, and there is no indication that it is not delivering. Indeed, it is delivering higher levels of provision from within a reduced budget. That is how it is delivering the savings.

The Chairperson: Is there also a problem if, for instance, two colleges say that they cannot sustain further cuts? In such a situation, why do the other colleges have to maintain a programme of cuts?

Mr Smith: The cuts that have been agreed for this Budget period run through until 2014-15, and all the colleges are living within their reduced baselines in the current budget. In 2015-16, when we enter the next Budget cycle, we will need to look again to see what cuts we might need to make, depending on the results available and what the Executive ask us to deliver. At that point, we will need to look at how the colleges could do that. I am sure that that will be tricky when we get there, but that is ahead of us.

Mr Lyttle: If we are not doing so already, will we be corresponding with the colleges to get their take on things?

The Chairperson: Are members happy to do that?

Members indicated assent.

Mr Smith: Savings measure B/8 is for operational efficiency in the HE sector. Some £30 million is to be saved this year. That is about 12% of the block grant that we give to the universities across all four higher education institutions. Again, services are being maintained through a variety of operational efficiencies and the generation of extra student fees from non-domiciliary students.

The Chairperson: You will be aware of yesterday's debate about the importance of our HE sector. One of the main issues raised was the allocation of the block grant. Do you foresee any further reductions or easements in that area?

Mr Smith: We will need to see what the 2015-16 Budget position is before we look at that, so I cannot really say to what degree we would be able to protect the university sector. We know that cuts in 2015-16 will be more likely than not. We need to work through how we can manage to afford that within the budget that we have.

Mr Buchanan: I have a concern about this, and we debated it yesterday. The higher education sector is right in the middle of this, seeking to drive us out of the economic situation in which we find ourselves. The economy is the Executive's top priority, but yet and all, we are continually cutting back on one of the sectors that is seeking to drive us forward and rebuild the economy. If we continually ask it make savings and so forth, it will not be in a strong position to deliver the skills that are required to drive us out of the economic situation in which we find ourselves. The more cutbacks, the more difficult it will be for the sector. So I have a real concern about continual cutbacks. An organisation can make efficiencies to a certain level, but it cannot really go much lower than that. It can come down to a certain threshold, but it cannot really go much lower than that. I suppose that we will have to keep a tight eye on the situation.

The Chairperson: Are members content?

Members indicated assent.

Mr Smith: Savings measure B/9, which relates to the notional loan subsidy, will save £7 million this year. That is tied into the Executive's decision not to increase student fees to £4,500. Effectively, that has freed up money that we would otherwise have needed to top up the notional loan subsidy. That decision made money available for us to contribute to our savings plan.

The Chairperson: Are members content?

Members indicated assent.

Mr Smith: Finally, savings measure B/10, which relates to staffing and accommodation, will save £3 million this year. We could not impose reductions on our providers without imposing some austerity measures on the Department. So those savings reflect some of the reductions in posts and some small accommodation savings.

The Chairperson: You are estimating a saving of £5 million next year.

Mr Smith: Yes.

The Chairperson: Is that achievable?

Mr Smith: It is achievable. We regularly monitor it, and we have detailed plans on how to do it.

The Chairperson: Are members content?

Members indicated assent.

The Chairperson: Regarding your overall savings, there is a target of £109 million, and you have saved £105 million in the first six months. I understand that that has been achieved through management actions and so on. When you hit £109 million, will you continue to bank your savings, or will there be a mad rush to spend it to make sure that you do not return any moneys?

Mr Smith: No, we will keep going. As I said, it is a fluid situation in that you take the budget out on 1 April, and then you deliver management actions to stay within the budget. It is sometimes like trying to land a jumbo jet on a postage stamp. We will keep going with the policies that we have set, and if that frees up resources that we can divert to other pressures, that is how we will manage it.

The Chairperson: Anything else, members? John, thanks for your time.