



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Provisional Out-turn 2013-14 and Budget
Reductions: Dr Stephen Farry (Minister for
Employment and Learning) and DEL Officials

10 September 2014

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 Phil Flanagan
Mr David Hilditch
Mr Chris Lyttle
Mr Fra McCann
Mr Pat Ramsey
Mr Alastair Ross

Witnesses:

Dr Farry	Minister for Employment and Learning
Mr Derek Baker	Department for Employment and Learning
Ms Heather Cousins	Department for Employment and Learning
Mr Stephen McMurray	Department for Employment and Learning

The Chairperson: Minister, you are very welcome.

Dr Farry (The Minister for Employment and Learning): Good morning.

The Chairperson: Thank you for coming to our first formal meeting to brief us on your provisional out-turn, your update on your budget reduction, as well as your way forward. I welcome Stephen McMurray. It is your first meeting as director of finance. Stephen, you are very welcome. You will find that we are an easy Committee to deal with —

Mr F McCann: Sometimes.

The Chairperson: — as long as you are giving us the right answers. *[Laughter.]*

Mr F McCann: Not according to the Minister.

The Chairperson: OK, Minister, over to you.

Dr Farry: Thank you, Chair. I hope that you all had a nice summer. We have been rather busy, unfortunately, over the summer with some unwanted difficulties to get over.

I propose to take this in two separate chunks. Originally, we envisaged the session to be a bit of a look ahead to the forthcoming Assembly term and an opportunity to explore some of the key issues, but, obviously, the budget issues have come up on the tracks very quickly. So, I propose that we do a first session in and around the budget issues, including the out-turn figures, and then we will do a second round, where we can talk through some of the policy issues and give the Committee an opportunity to ask questions, within the usual parameters of this being unnotified to us. We will do our best to answer today, but there may be issues that we will need to come back to the Committee on in writing, if there are details that we cannot quite provide to you today. If that is agreeable, we will proceed on that basis.

Chair, you mentioned Stephen McMurray. Stephen has taken over as our new finance director, as of 1 September, so this is very much a baptism of fire for him. It is worth noting that, such is the pool of talent within DEL, our directors are very heavily sought after. To give you the fuller picture: Colum Boyle, who was previously the director of the employment service, has been promoted to grade 3 and is now the new chief executive of Land and Property Services. John Smith, the previous finance director, has also been promoted to grade 3 and is now working on a special project in the Department of Education in relation to the Lisanelly shared education scheme. David Sales is the new director of the employment service, and no doubt you will meet him at an early opportunity.

Pressing on in relation to the budget, I think that, over the summer, members will have picked up on the quantum of cuts that are being asked of Departments and a lot of the wider political discussions around some of that and, indeed, the media comments. You may wish to quiz me on some of those later — I am just speculating. People are aware of the figures. The July monitoring round figure is a 2.1% cut, and we have been asked to plan for the October monitoring round on the basis of a 2.3% cut, which amounts to a 4.4% cut. It is worth stressing that that is an in-year cut, happening after the Budget year has started, which brings its own particular challenges and reduces the scope that you have for making adjustments. I have to say as well that that may not be the final in-year position. Members will be aware of wider pressures that have been identified subsequent to the June monitoring round having been agreed by the Executive. So, there may well be more to come during this financial year.

We are also looking ahead to what may well be a very difficult financial situation in 2015-16 and, indeed, for the 2016-2020 CSR period. We are seeking to consider what may be coming down the tracks in how we approach things with respect to the in-year position — you cannot really isolate one year from another, because a lot of budgets have knock-on consequences for other years. Nonetheless, we have tried to adopt a strategic approach to what we are doing in year. We are conscious that we have a responsibility to front line services, in particular, to those who are most vulnerable. We also know that we have a lot of work to do in supporting the economic transformation of Northern Ireland. I have tried to keep both those objectives very much in mind in the approach that we have taken to date, and I think that, by and large, we have achieved that. That said, in the event that we are faced with some new cuts, it may not be possible to maintain that position and approach.

It is also worth stressing that we should not see this as an exercise in cuts simply in terms of a reduction in existing services. We also have to look to the opportunity costs: the things that we may have otherwise wanted to do that we can no longer do. In some ways, those are the hidden costs — the missed opportunities that we can no longer take forward.

Another point that, I think, is worth stressing is the certain inequity in the ring-fencing of the Department of Education's budget and the impact that that has on my Department, the Department for Employment and Learning. At the outset, I want to say that I do not believe that there is a justification for the ring-fencing of Education at all, but that decision has been taken. We have a situation in which some 40% of the young people in the 16- to 19-year-old cohort are availing themselves of services that are provided through further education and training programmes. The money available to support them has not been protected through what goes through my Department, but it has been protected through what goes through the Department of Education with respect to school provision. Also, bearing in mind the different demographic profile of young people who go through the different strands, I think that, alongside the inequity of the decision itself, there is an equality issue. That said, we have sought to protect, as far as we can, young people from the impact, but that comes at the price of cuts and adjustments having to be made elsewhere in our budget.

We have given you a paper that sets out how we are planning to meet the 4.4% cuts, and we are happy to answer any questions you have on that. I stress that we have taken the approach of proceeding to make known the full level of cuts at this stage, because I think that we have to plan on that basis. To do otherwise would be a foolish, counterproductive way of approaching things. I think

that we have to take things in the round. If we are faced with or notified of further cuts, we will have to come back and look at that in due course.

You have the figures for the provisional out-turn, and we are happy to answer any questions you have.

The Chairperson: OK. Thank you, Minister. Starting off with the cuts, I think that that one has hit Committee members the most over the summer, given your announcements via the press and given the fact that there was little engagement with the Committee, which I took exception to. I think that, as a matter of courtesy, there could have been even informal communication with us before you made some of your announcements, but we are where we are.

In regard to the 4.4% cut, you have given us a paper with proposals on the way in which your Department may make savings. What engagements have you had to date with the stakeholders who will be affected?

Dr Farry: First of all, may I comment on the engagement, or lack of engagement, with the Committee? Obviously, this all happened during the summer. Indeed, the quantum that we faced gradually escalated as the prolonged negotiations around the June monitoring round proceeded. All I have said in public over the summer was to talk about the implications at a very high level. This is the first time that the figures that are before the Committee today have been made public, and we are taking this opportunity to show how we propose to address the cuts that we are facing in year.

It is also worth noting that we have taken the opportunity to come to the Committee's first session after the recess. I believe that I am probably the first Minister to make full comment on what is going to happen, although I appreciate that the Health Minister has presented on the options and the impact of the cuts. So, I think that we have acted as appropriately and as quickly as we could in that context.

If we had the opportunity to do this properly, there would be engagement with stakeholders. Indeed, there would be a proper public consultation. There has to be a public consultation on any budget-setting exercise, and that will be the case for the 2015-16 budget. However, this is a slightly different beast in the sense that we are talking about a monitoring round. We are all used to monitoring rounds — over the past number of years in the Assembly, I think, on every occasion — in which additional resources have been allocated. This is the first time that we have been faced with in-year reductions, and the scale of those is, in itself, dramatic. We have had to move very quickly given the in-year pressures.

We took the opportunity in July to notify our arm's-length bodies about what was likely to come down the tracks, so they had a degree of notice and were warned to plan for cuts coming through. Where necessary, we have engaged with stakeholders in advance of making the figures public to notify them of what is going to happen. For example, the reductions in relation to the universities have been communicated to them already.

Mr Derek Baker (Department for Employment and Learning): To reinforce the Minister's point, I will just add that I think that it was the day after the Executive took the decision on the quantum of cuts that we wrote to all our arm's-length bodies putting them on notice and giving them some idea of the scale of magnitude of what was going to happen. I have to say that, for an official as opposed to a Minister, the final decisions on the quantum of cuts came quite quickly. We were talking about one figure, and then it very quickly rose as a result of the decision to protect the Department of Education. So, we had something in mind and then something much bigger transpired. However, we engaged immediately with our arm's-length bodies.

You talked about our stakeholders, quite rightly, and we have many dozens of stakeholders in the community, voluntary and social enterprise sectors with whom we have contractual commitments through letters of offer and contracts. In addressing the budget reductions exercise, we have to protect them, because we have contractual commitments. So, we will not, at this stage, resile from any of those contractual commitments.

The Chairperson: Minister, we spoke about the cut of 4.4%, and you said that there was more to come, potentially within this financial year.

Dr Farry: Yes.

The Chairperson: When or where do you see that coming? If we go to the length of October monitoring, where, post October monitoring, is there going to be a further cut?

Dr Farry: The final October monitoring round position is yet to be agreed by the Executive. As part of the July monitoring round — sorry, I should say "the June monitoring round" but sometimes people lapse into calling it "the July monitoring round" because it was agreed on the last day in July — it was agreed that Departments would plan on the basis of a further 2-3% cut being levied as part of the October monitoring round.

It has since transpired that there are a host of other pressures in the system. I do not want to get too far ahead of what the Finance Minister may say collectively on behalf of the Executive about the overall position that is being faced, but members will be aware of the particular focus that there has been on pressures in the health budget and that public comments have been made by a number of Ministers from different parties on the need to address that in some shape or form.

There are some other pressures in the system. It is not for me to articulate those — that is for other Ministers. While this will have to be bottomed out, there is a danger that there may well be a further cut asked of Departments in year. This is a very deep and serious position that we find ourselves in, as an Executive as a whole and as a Department. What I say in terms of my Department, and I am sure that every other Minister would be saying the same, is that the earlier that we are aware of what we are going to be asked to accommodate in year, the better it will be to manage.

I expect that we will know the final situation with respect to cuts for this year as part of the October monitoring round. The caveat to that is that the June monitoring round was not agreed until the end of July, and if the October monitoring round is not agreed until November, December or January, we will face a next to impossible situation if we are being asked to make further cuts of more than 1% over a three-, four- or five-month window.

Mr Baker: I have a technical but obvious point on that. Even the October monitoring figure of 2-3% is predicated on 12 months of your budget. However, we have already spent over half of our budget by the time we get to October monitoring, so the effect of 2-3% is much deeper. So, as the Minister said, the longer any decision is delayed on a further raft of cuts, the more pain there will be and, in practical terms, the more difficult they will be to deliver and the greater the risk will be to an accounting officer like me of overspending, which is unlawful.

The Chairperson: Unless directed.

Dr Farry: First of all, I will say on the record that I will not be asking or directing the accounting officer to overspend. I want to make that very clear. Even if I was to attempt to do that, there are checks and balances within the system with respect to Ministers. Derek can keep me correct on this, but if I was minded, which I stress that I am not, to direct the accounting officer to overspend, he would be required to notify DFP of what is a contentious direction. In turn, that has to be signed off by DFP. In the context of a highlighted risk of an overspend in the system, which would contribute to the Northern Ireland block breaching its expenditure levels, that would create an extraordinarily difficult situation for Northern Ireland vis-à-vis the Treasury, and DFP would intervene. So, there is a check and balance in the system, so that, even if a Minister was minded to direct an overspend, it would be counterbalanced.

Mr Baker: For the record, I am very grateful for the Minister's assurance that he is not going to give me such a direction. It would place me in a very difficult position. You explained it correctly, Minister.

The Chairperson: Minister, before I go to other members, I want to pick up on a piece of the detail that you have given to the Committee on your reduction. There is a £7.4 million reduction to the annual block grant allocations to the universities and university colleges. In your risks, you acknowledge that that will further erode our competitive position in regard to universities. Also in your briefing, you refer to the potential of hidden moneys that we could be utilising or raising. Has the Department any intention to look at student fees?

Dr Farry: No, the issue of student fees is not on the table for further reconsideration. Indeed, that was a decision taken by the Executive. It is my understanding that there is a lot of support across the board for the freezing in line with inflation of tuition fees for local students at local universities. I think that, for the foreseeable future, that is something that we will wish to maintain. In any event, it will be a decision not simply for this Department but for the Executive as a whole.

That, in turn, probably leads into the first aspect that you cited in your question, Chair — the erosion of the long-term competitive position of the universities. The cut that we have levied against universities in year is about 3.95%, so it is less than the 4.4% that the Department is experiencing. We have had no choice but to pass on a large element of cuts to the universities, but it is coming in at a lower rate than the figure for the Department. That will be for the universities themselves to manage, and, again, they have to face up to that on an in-year basis. That may well pose some challenges for them.

Arising out of that and, as a comment, out of our decision around tuition fees, it is important that the Committee is aware that the amount of money that we are spending per university place in Northern Ireland is less than the comparative situation elsewhere in these islands. There is a situation where universities, through the ability to charge higher level fees, have additional streams of income coming in. We do not; we are in a much more flatlining situation. You will know that there are four bands for the funding of university places: bands A, B, C and D. That relates to the costs that are involved. For example, something like medicine will be at the top because there is a lot of equipment involved in that. A lot of the arts and humanities courses, which are more book-based and Internet-based, these days, are lower cost. The differential with the UK average across those bands between the comparators is about £1,000 to £2,500 per university place.

You can say that we can do things more efficiently and at a lower cost than elsewhere, which is fine, but, equally, we need to take some cognisance of the fact that there is a danger that we are potentially eroding the amount of money that we are investing and, hence, the quality of those places. I do not want to see a situation where we are providing cheaper education but of an inferior quality to what is available elsewhere. We have to make sure that we are providing easy access to our local students and also ensure that we have a proper product for them. I will be highlighting with the Executive the issue that we have a corroding position in relation to the amount of money that we invest in our university places, but I do not necessarily think that that will be resolved, nor should it be, through reopening the issue around tuition fees.

The Chairperson: Tuition fees are an Executive priority. So was the United Youth programme, but you are taking money from it.

Dr Farry: The money that we are taking relates to moneys that we were investing internally for that. You will be aware that we have reallocated some money from the youth employment scheme to United Youth, and that was given approval as part of the June monitoring round paper. We have taken the decision to ensure that we have sufficient budget in-year to progress United Youth. I regard it as a priority for the Executive. It is also a priority for me in the Department. Through a £0.5 million reduction in United Youth, we have provided a more realistic budget in the context that we are likely to do in this financial year for some pilot projects. It is likely that we will authorise a number of projects later this autumn, and it is just a decision to recognise that we are unlikely to spend the full budget available to us at this point in the year. That, however, does not reflect a rowing back by me or, indeed, the Department in our commitment to United Youth proceeding. It just avoids a situation in which we have an underspend at the end of the year in terms of the sheer logistics of getting pilots off the ground.

Mr Flanagan: Thanks for coming, Minister. There are two cuts: a 2.1% cut and a 2.3% cut. Will you give us the rationale for the first cut of 2.1% and why that has been imposed in your Department?

Dr Farry: I will give the rationale for both figures. The 2.1% cut reflects the decision of the Executive, on the advice of the Finance Minister, to address all the overcommitment that has been built up in the Northern Ireland budget in terms of the assessment that was made during June and also to address a number of pressures that had emerged, such as the historical abuse inquiry and things like that. The 2.3% cut that we are required to plan for the October monitoring round reflects the fact that we will have to return £87 million to the Treasury for welfare reform issues.

Mr Flanagan: The 2.3% reduction, however, has not necessarily been agreed or commenced yet. You are simply planning for it.

Dr Farry: To be very clear: as of now, I am proceeding on the basis of a 4.4% cut in year. If anyone thinks that the situation in October will be any less than that, they are not accepting the reality of what is coming down the road. If anything, the pressure will be greater in October. For me, and, indeed, for Derek as accounting officer, to sit back and proceed only on the basis of 2.1% cuts for now and say that we will wait and see what is agreed by the Executive in October would be the height of irresponsibility. We would be leaving ourselves with potentially two or three fewer months during the

year to absorb those, and we would be doing that in an even less strategic manner than has been forced on us to date. The Executive have agreed that Departments should proceed on the basis of a 2.3% cut. That has to be officially ratified in October, but all accounting officers have been instructed to proceed on the basis of a 4.4% cut. Any responsible Department would be doing the same as us, and I believe that most of them are doing just that.

Mr Flanagan: From a financially prudent point of view, I suppose that that is what you have to do. I do not think that too many would criticise you for it. I take it that you are not very confident that there will be political agreement between now and October.

Dr Farry: I imagine, Phil, that you may be better able to inform me of that rather than my giving my best guess.

Mr Flanagan: I have yet to see minutes of an Executive meeting, so I do not know what you discussed in there. Maybe you could tell us.

Dr Farry: You know that what happens in the Executive is confidential. From what has been discussed publicly, you will all be aware that there are a number of very large debates between the political parties at present.

Mr Flanagan: The 2.3% reduction is around the future of the welfare system and the political differences, and we have seen the implications of a 2.3% cut in your budget. What would the implication be for people who need DEL services and would be impacted if the Executive were to agree to the proposed welfare cuts that are on the table at the minute?

Dr Farry: If the Executive agree to proceed with the reforms to welfare, we will be bringing ourselves into line with what is happening elsewhere. I have no particular appetite for the reforms that are taking place, but I recognise that we do not have the resources in Northern Ireland to maintain an independent welfare system. So our only option is to work on the basis of parity and, in areas where we can negotiate variances from that, that is fine. That is what has occurred until now.

The Executive could make some further decisions, which they will self-fund, but in essence you have to work to a template that is generated in Westminster. The parity system has been deeply embedded in our politics and our governance for the past 60 or 70 years, and it would be folly for us to move outside that.

I will turn your question on its head. If we are asked to make constant cuts to DEL services to fund money being handed back to the Treasury, there will be a major impact on our ability to help our client base, because that means that we will be impacting on our employment schemes, our training schemes, our assistance to those who are unemployed, the investment we make in students, whether in colleges or universities, and our ability to invest in apprenticeships. That is important for the economy as a whole.

It is also important to give people life opportunities. I do not want a situation in which we are simply investing our resources to maintain people in welfare dependency. The best way that we can help people is through making sure that we invest in things like public health, improving life expectancy and early years education, which is identified as being the best strategic way to make sure that people have the best skills in the long run, and through what we do as a Department, which is about getting people who lack skills and are unemployed into the labour market so that they are able to find a secure and sustainable job. That will have a positive impact on a whole host of issues, including their health and their ability to generate a better income than they would do on welfare. There is a real danger that, if we focus on a very narrow agenda of what we do or do not do on welfare, we will miss that much bigger picture.

Mr Flanagan: That is what Ministers always do. They always turn questions on their head, but I asked you the question that I wanted you to answer, not the question you want to answer.

Dr Farry: I know, but I did answer your question first.

Mr Flanagan: No, you told me once again about the impact of a 2.3% cut in your budget, but you did not tell me what the impact of removing £750 million from the pockets of people in our society who

need it the most would be. Do you think that the proposed welfare reform agenda here will actually help people to get back to work?

Dr Farry: With universal credit, it is important that we do not badge all that is being labelled as welfare reform as being counterproductive or a hindrance to people. There are aspects, particularly with universal credit and the benefits trap, that we are seeking to overcome to make going to work, whether on a full-time or part-time basis, more attractive to people. That would have positive benefits to society.

Chair, I am conscious that I am straying into areas of the Executive and, indeed, the Minister for Social Development, but, given that the question has been asked, there is a dispute over what has actually been withdrawn from Northern Ireland. Members will be fully aware of those discussions. I would rather that we did not have a situation in which people were impacted by things like DLA and other benefits, but those decisions are out of our hands. We have to recognise that we are a devolved region of the UK, and while we technically have power over social security, we are in a financial dependency situation. Would I like us to be in a much stronger position with our local economy? Absolutely, but that is the reality of where we are today, and it does not make any sense for us to try to go solo on those issues.

Mr Flanagan: Stephen, we will keep that going until next week.

Dr Farry: I am sure.

Mr P Ramsey: Good morning, Minister; you are very welcome. In the present circumstances, none of us envy you your task, to be honest.

You will not be surprised to hear that the main subject on my lips is a constituency-related matter, which the Chair referred to earlier, and your comments during the summer. In my constituency, there was anger, frustration and despair when you put the dampeners on any movement on Magee. It surprised me, given that your Department was fully aware that a business case was collectively being prepared. There was a unity of purpose in the city from the community and voluntary sector, the business community and the statutory sector, including your officials who were involved in the business plan. Why did you take the initiative to put the dampeners on that, given that it was a matter for the Executive and that the Executive supported the economic regeneration priority in the One Plan? I ask you this in good faith, Minister: was this the right step to take given that there has been — I make this very clear — serious anger? You referred earlier to economic transformation. This would have been the biggest economic regeneration project that the constituency of Foyle had ever seen.

Dr Farry: Thanks for that, Pat. You referred at the outset to the anger, frustration and despair that was felt in Derry and the north-west on the back of my comments. It is worth saying that that pales into insignificance compared with the anger, frustration and despair that I and countless other people feel at the current financial situation that we are having to deal with in Northern Ireland and the implications that will flow from that.

Let me be very clear on a couple of things about Magee. What I have said is a public comment on the implications of my budget. I had informed the universities that significant cuts were going to be coming their way. Our ability to grow the higher education sector in Northern Ireland is going to be constrained until we can begin to reverse those types of cuts. The expansion of Magee is the only proposal out there at this stage for an expansion in a specific location in Northern Ireland. I think that it is a fair and quite legitimate comment for me to say that, in the context of our asking the universities to cut back what they can do due to no fault of their own, the notion of an expansion of higher education is complete and utter fantasy. You cannot cut and expand at the same time; they are mutually exclusive directions of travel.

You say that it is an Executive commitment in the Programme for Government; I say that a myth has grown that the Executive have a commitment to the expansion of the University of Ulster at Magee. There is no reference in the Programme for Government to the expansion of Magee. There is a reference in the Programme for Government to supporting the implementation of the One Plan. The only particular references that flow from that relate to Fort George and Ebrington. As a Department, we have never been asked to report on progress on the expansion of the university. Indeed, when I assumed office — at that time, the Budget had already been struck, and we were moving into a

Programme for Government — there was no drive or commitment being made towards the expansion of Magee.

Through the efforts of this Department, the university has expanded over the past number of years. There are three different strands to how we have gone about that. The first one was on the back of the tuition fee settlement. We bid for resources and ended up with £3 million, which allowed us to do a certain amount of expansion of the higher education sector. However, we took that initiative to address increased demand across the sector as a whole. We then made a further bid in the jobs and economy initiative, which again was about making an investment in higher education as a whole. We have also found money from within our own budget, through redirecting money from different areas, and made some further investments. So all the university expansion has been generated through our initiative as a Department. Some of it has been endorsed by the Executive, but at no stage was there a budget, never mind a Programme for Government commitment from the Executive, for Magee to be expanded. At all stages, it was an aspiration.

I have clarified publicly that we will receive the business case. Indeed, we have received part of it already. We have made a commitment that we will process that business case and be in a position, if the circumstances are right, to make a bid for the investment of additional university places. That will likely be relevant to the 2016-2020 CSR period. However, I have to say that, in the context of facing 4.4%-plus in-year cuts this year, potentially even more severe cuts next year and a potentially catastrophic position against the 2016-2020 CSR period, I cannot conceive how we can make a bid for those places at the same time as we are dramatically cutting back on a whole host of areas including higher education.

In conjunction with that, we are planning to make a bid for the teaching block during 2015-16, which is capital money as opposed to revenue, so we will still proceed on that basis. We will keep the door open on the expansion of Magee, but we have to be clear that people's expectations must be realistic. The money is not there today, and the money is moving out of our budgets fast rather than coming in to enable us to do things like that.

Mr P Ramsey: I appreciate your detailed response, but I do not think that it is helpful to use terminology such as our living on a fantasy island with this project. If we are living in a fantasy, and you believe that to be so, you should abandon the business case. You should tell people up front because I believe, Minister, that the decision is not solely for you. I appreciate that it was never going to come out of your budget. It would have been for the Executive to determine.

I am afraid that I have to contest your assumption that only Fort George or Ebrington were part of the One Plan. The One Plan's key priority was economic regeneration and an expansion of the Magee campus, so I have to contest what you believe was in it. The deputy First Minister has clearly and publicly stated that he still wants the campus to be extended, and he would be entirely supportive of that coming to the Executive.

Dr Farry: Let me clarify a couple of points, Pat. I was referring to the Programme for Government, not the One Plan. The One Plan has targets for the expansion of the university. The Programme for Government refers to the One Plan but in relation to Fort George and Ebrington. We have never been monitored on the back of the Programme for Government on the expansion of the university. That is the interpretation of the language in the Programme for Government that has been accepted over the past three years or so.

I want the expansion of the university in Derry. I understand the importance of the university to the city. I understand the historical context around decisions that have been taken, so all things being equal, I would like it to proceed. However, I also have to be realistic, and if I am using quite stark language, that is perhaps a means of conveying the seriousness of the situation that we are facing with our budgets. There is frustration out there in that, as we are being asked to make these cuts across a host of Departments — Ministers will be saying the same things — we are saying that we cannot do a, b and c. People are saying that they do not want us to cut a, b and c, and we are asking them what they want us to do.

I am losing £34.5 million from my budget this year, and it could be a lot more next year. That involves difficult and painful decisions. We must grasp the reality that we cannot do that type of exercise at the same time as we are proceeding with fresh investments. I said that we have a funding gap in the amount of money that we are investing in our university places. If we were simply piling on more and more places and stretching our budgets to meet some notional target at the price of hollowing out the amount of money that we are investing, we are doing no one a service. We are not doing a service to

our economy as a whole or to students, because we would be providing a poorer quality of university and higher education. I am sure that that is the last thing that the Committee wants.

This time last year, you had a major exhibition in the Long Gallery for the universities. You had a motion on the Floor of the Assembly. The Committee showed leadership on the importance of higher education to our society. To make sure that we are delivering and meeting the expectations of our local companies and inward investors, we have to ensure that we are producing quality graduates. That means investing properly in the teaching around that, so my first priority has to be to ensure that I am protecting the quality in our higher education.

We will seek to expand where we can expand, but that has to be a secondary consideration to ensuring that we have a quality service and are not lowering our standards. If the budget situation dramatically turns around — who knows? That may be the case — obviously, we are in a position in which we can make that bid. At the moment, however, the trajectory on our budgets is dramatic, and I do not think that people quite grasp the scale of what is about to unfold, particularly from 2016 onwards.

Mr P Ramsey: I do not want to take over the meeting with the subject of Magee; I appreciate the time that we have had on it and the Minister's contribution. The positivity that I have taken out of that contribution is that you are personally committed to it, Minister.

Dr Farry: Yes.

Mr P Ramsey: We want a sustained delivery of the business case so that you are in a position to make that bid to the Executive to conclude that business.

I want to move on to some other points. You referred to the teaching block. Are you confident that the capital moneys for the teaching block have been sustained in the business case?

Dr Farry: I cannot give any assurances. All that I can say is that it is my desire that we will be in a position to make a bid for that in 2015-16. That is for the Executive as a whole to respond to but, with a fair wind, hopefully that will happen.

Mr P Ramsey: Is there a sustained business case for the teaching block?

Dr Farry: There is a business case. I am not sure of its exact status and whether we have received it formally or are about to receive it, but we will progress it as quickly as we can.

Mr Baker: I will add to that, Chair. We have been working with the university to refine the business case and get it into shape. I think that we are almost at the point of receiving a final business case. As the Minister said, the teaching block is on our list of capital projects that we want to proceed with, so we will be making a bid. There is full commitment on the part of the Department. We do not have the budget this year, and it will depend on the situation in 2015-16. The only thing that I would say by way of comfort is that capital has not been affected in this year's cuts. I do not know what will happen in 2015-16.

Mr P Ramsey: Chair, I have two other queries. What specific programmes in the Department have been identified that will be detrimentally impacted? We are aware of a number of strategies that the Department has developed, certainly over recent times. They are very good strategies that will have an impact. A bid was to be made to the Executive, for example, to fund the economic inactivity strategy. Where does that stand?

Dr Farry: You make a very valid point. By way of introduction to my response to you, we are trying to take a strategic approach to the way in which we are addressing things, but whether we can sustain that in the long run remains to be seen. We are seeking to avoid impacting on, for example, our new apprenticeship strategy and our work in youth training. In response to the Chair, I explained what we are doing with the United Youth programme and that we still want that to proceed.

I have to say, Pat, that there is no budget assigned for economic inactivity. It had been our assumption that we would be making a bid for resources from the Executive for that. The financial context has moved very dramatically, and while we may still make such a bid, I think that its prospects will be much the poorer.

Mr P Ramsey: I may come back to the Minister on that.

And finally, hardship funds have been getting a lot of media coverage recently, and a number of colleges are setting up food banks for vulnerable students. What position is the Department in? Will there be further reductions in the hardship fund this year?

Dr Farry: My colleagues may want to come in on that issue, but I have to say that that is a very big "and finally", given the controversy about it at present.

What people are saying publicly about the hardship fund is a source of huge frustration to me. The hardship fund is a demand-led scheme. It is there to invest in students in the further education sector. We have been moving our resource to further education awards, and the overall budget that combines further education awards and hardship funds has actually increased over the past five years. So, as a Department, we are spending more money on support for students. As a result of the investment in further education awards, less money is now being drawn down for hardship funds. We have front-loaded the system through the FE awards, which are a more strategic way of investing in student support in further education.

We are being accused of having made a cut to a budget that we have not made. I say that very clearly and categorically: we have not cut the budget for hardship awards. Less money has been drawn down from that; it is a purely demand-led scheme, and when someone is eligible for a hardship fund, we will make the award. The amount of money that we have invested per student across FE awards and hardship funds has increased, in addition to the overall increase in the moneys available for support for students in further education. We are doing this in a responsible way, but that is not to deny that individual students may, nonetheless, be in difficult circumstances. We are happy to see what we can do to signpost people better in that regard. Also, the comments made about there being food banks across our colleges is a bit of an exaggeration. There has been a particular initiative in the North West College, but to say that we have food banks across all of our colleges to alleviate students' hardship is a gross misrepresentation of the situation.

The Chairperson: Finally, Pat.

Mr P Ramsey: At our away day last week, we had research papers suggesting that a number of colleges had had dramatic cuts in their moneys available for hardship. Can we have clarity over the moneys that were bid for each college and how much money was submitted? The Minister is suggesting that the moneys that were requested were granted, but that was not in the papers that we were getting, unless I am misinterpreting the information that was in front of us.

Mr Baker: I am more than happy to provide as much detail as we can to the Committee. I will make three points. The total amount of money available to alleviate student hardship has increased. It is demand-led. And here is the important point: we have asked, and we have yet to find any student who was eligible for support having been refused. That is a really important point.

Mr P Ramsey: If we could have the information for the last five years on the bids that were made and which were granted, Derek, that would be really helpful.

Dr Farry: We will provide you with the full figures at a Northern Ireland level and broken down college by college.

Mr Baker: On the last point I make, the point that I am making is that there has been no rationing of the support made available to students in hardship. Anyone who has applied and has met the eligibility criteria, which are all set out, has been supported. We will provide the details.

The Chairperson: In one of the savings indicators that you have put forward to the Committee in your paper, there are reductions in resources available centrally to enhance further education provision. There is a reduction of £5.5 million. Part of the detail on that is a reduction in FE awards, free meals and home-to-college transport. Surely that will have a knock-on effect there as well.

Mr Baker: Do you want me to take that, Minister? First, the reduction for FE is taken out of money set aside this year for use in future years. It is a special provision called end-year flexibility, which the further education colleges received when they got non-departmental public body status. It is money that we have set aside for future investment, so that will really bite in future years. This goes back to

the earlier point. We have looked at the actual budgets required for certain elements of our student support where demand has actually been less than the budget that has been made available, so we will be reducing the budgets available for those in future years. However, reducing those budgets carries a risk for the Department because, if demand increases — and it could — or we have got our forecasts wrong, we have a pressure on the Department that we in the Department will have to meet should we retain our commitment not to turn away any student who applies and who is eligible to receive support. That is what that element of it is concerned with.

Dr Farry: To be very clear, that is a budget forecasting line. It is not an issue in terms of a reduction of available funds. In the event that demand exceeds what we have put aside in a revised budget line, we will honour that. That means having to find the money elsewhere in the departmental budget and reallocating it across through our own adjustment. This is a more realistic budget line that we are setting at this stage in line with the forecast drawdown at this point in the year.

Mr Baker: And it will affect the next financial year, not this financial year.

Mr Ross: Thanks, Minister. I do not want to talk too much about welfare reform. That is not what we are here to do, but generally I agree with the Minister's assessment of where we are. I think that the cost of not proceeding with welfare reform is less than it will cost us if we do not. Some of us have been warning for months that that will be the case, but people have chosen to ignore that. Of course, the irony is that those who claim that they are blocking welfare reform to protect people will end up hurting them more.

We have heard this morning about some of the programmes that will not be able to be funded. Can we get into some detail about how bad this is going to get? You have outlined the cuts that are already in place and the potential in the future. You said that you are opposed to ring-fencing education. I am quite sure not just that there will be ring-fencing of health but that there is a bid from the Health Minister for additional funding for health. I am quite sure that the officials in the Department have done quite a bit of work in terms of planning in that area. How bad would the cuts to your Department be if the Executive agree not only to ring-fence health but to meet the demands of the Health Minister when he says that there is a gap in his budget? If that gap were to be filled by the Executive, what would the cuts look like in DEL?

Dr Farry: There are a number of different scenarios that we need to mention. Again, the October monitoring round will be the first opportunity to see a revised position. There are a number of different factors that are imponderables at this stage, such as how much, if any, the Executive will seek to meet the pressures identified by the Health Minister, whether the ring-fencing of education will continue into the future and what other pressures are likely to emerge in-year. We could very easily see an extra percentage or more going on to the cut that we have already been asked to make this year and being imposed on an in-year position.

I have made a public comment that we are making contingency plans for future years. That is the only responsible thing that we can do as a Department. We cannot simply do this from a standing start every year. While I am sure there is a hunger to see what we are planning in that regard, this is very much an exercise that officials are still conducting. I certainly have made no decisions, and nor will I be making them until I better know the situation. Nonetheless, people are being asked to think through a range of scenarios. That includes trying to anticipate what a cut in a subsequent year — not this year — of potentially more than 10% would mean for this Department. When I talk about a cut of more than 10%, I am not talking about 11% or 12%; it could be even more than that. Once we are in that sort of territory, it will have a catastrophic impact upon our ability to invest in skills and employability.

In the wider situation that the Executive are facing, the pressure around welfare reform is only one of many pressures, but that is one that is set to escalate in future years. Once we lose access to a UK-wide computer system and are faced with having to design and maintain our own, the costs around welfare rise very dramatically and, at that stage, the system really becomes utterly unsustainable, to be perfectly blunt about it.

Mr Ross: Can I ask the last two questions together? Obviously, the in-year cuts are particularly difficult because you have either spent money or signed contracts and things like that. Can you give us an idea of which areas you currently have flexibility in and would have to look at, because you have no choice? In terms of the opportunity costs, if indeed a budget reduction of in and around 15% happens, is it possible for you to continue to run your Department? Rather than outlining what we will

lose, what programmes would you keep? We will lose many of them. You talked about the opportunity costs at the very beginning, and the apprenticeship programme and all the stuff that we have been working on for the last number of years will be gone. What will the core of your Department be if you are facing a 15% reduction?

Dr Farry: The key issue is to what extent, first of all, we have an opportunity, as an Executive, to take a strategic approach in so far as we are taking a strategic approach when big issues are not being addressed and, within the parameters that we face, to what extent the Executive can take a strategic approach to this. I am not particularly wishing to scaremonger, but that means issues such as whether there will be a collective approach across the Executive towards redundancy issues in terms of headcount in the Civil Service and potentially our arm's-length bodies. Those are the types of issues that people will have to begin to contemplate.

There can continue to be a Department for Employment and Learning. We can continue to deliver services in the context even of a 10%-plus cut, but some very difficult, tough decisions would have to be taken over what is and is not prioritised, and you may well find that you are dropping entire programmes at that stage and severely curtailing others.

I will give one very clear example of that. We are probably no longer talking about whether we expand Magee or higher education elsewhere. Instead, we will be discussing a situation in which universities will have no choice but to reduce the number of places they have. That has major implications for our ability to grow the economy, because we all know how important skilled graduates are, particularly in key areas. So we will continue to have some apprenticeships and some university places, and we will have our FE colleges, but they will all be doing a lot less than has been the case to date.

Mr Baker: Mr Ross is correct: we have a lot of contractual commitments in areas such as Steps to Work, Steps 2 Success, Pathways to Success and so forth, and we will honour those. The discretionary areas of spend are shrinking, and that largely falls on FE and HE in-year, but it is the opportunity cost too. Yesterday, the Minister was involved in a great job announcement: 300 high-level, high-salary jobs in Deloitte. The reason why that project came was, largely, that DEL was able to respond quickly and put in place an academy for pre-training. We will lose the ability to provide that investment. We will also lose the ability to put in place a welding academy at short notice to work with employers. Ironically, those are the very kinds of projects that we need to grow the economy to provide jobs, so we get into a vicious downward cycle.

The Chairperson: Minister, you said that the Department could survive a 10% cut. If you balance the equation, is there any need for a Department for Employment and Learning? Should we go back to divvying up the responsibilities between education and DETI?

Dr Farry: I did not say that the Department could survive the cut. The Department would survive in the context of the cut, but the impact would be massive, and I do not think that we should underplay or underestimate that in any shape or form.

I am open to a proper rationalisation of Departments. That is my party position. I have advocated that myself. There can be a more joined-up way in which we can deliver a whole host of services across a range of different government functions. The Executive as a whole need to take a view on what is the best configuration in that regard. No doubt this Department would play a major role in that. I have to say, though, that we as a Department have developed a very coherent narrative around the skills and employability agenda. It is important that the Department's functions would stay together should any restructuring occur.

I stress that the amount of financial savings you would get from rationalising Departments would be fairly minimal. I think that there are tough decisions on the table elsewhere about what Departments need to do to try to meet any mass savings. The logic of rationalising Departments is about service delivery and the way in which you can build stronger linkages between service areas, rather than necessarily the financial savings that will come directly from that type of reorganisation.

Mr Buchanan: I think, Minister, that we are just beginning to see the tip of the iceberg and the pain that will be felt because of the lack of agreement by some parties on welfare reform, but that is what we are facing. In light of all this and all the cuts and so forth that are coming and looming out there, how do you propose to protect front line services? I see here that there is a reduction in demand-led skills and all of that type of thing. How do you plan to protect that and hold on to the situation that you talked about, where we say 300-plus jobs being announced the other day because of work that the

Department was able to do quickly? We need to hold on to that. How do you propose to do that in light of all the cuts that are coming?

Dr Farry: I very much concur with your points, Tom. It is worth noting that what we have sought to do this year is to try to protect the front line and to take a strategic approach to protect the most vulnerable. I will give some examples of that. Beyond our contractual obligations, we have sought to protect, for example, what we are doing through the Employment Service. We have not impacted on that so far. The same applies to our investment in disability provision. Again, we have sought to protect it, but I have to include the caveat "so far".

We have protecting what we are doing with investment in apprenticeships — again, so far. In taking this forward we have looked at where the biggest impact is on people who are vulnerable and what the most critical area is for the economy. However, as this escalates, there can be no guarantees. As much as I can try to juggle things and protect those areas that have the biggest impact on people, there comes a point where that becomes impossible.

Another good example of that is in the further education sector, which the Chair has already mentioned. We have sought to manage what we have had to pass on to the FE sector by impacting on the end-year flexibility and money that we were holding back to invest in some additional FE projects instead of necessarily hitting their agreed budgets for this year. That will no longer be an option in terms of further education next year: we will be eating into the front line in FE the minute that any further cuts are levied against us. We cannot avoid that. That is my honest assessment of where we are.

Mr Baker: I just want to add a point that is slightly facetious but gives you an idea of the scale of magnitude. I am not going to do this obviously, but if I decided to shut the Department down today, told everybody that they were redundant, turned the lights out, turned the IT off and stopped paying everybody from now until the end of the year, it would save about 1% of our total budget. We have in-year cuts to make of 4.4%. Obviously, I am making a silly suggestion, because everything would stop, but that is where we are. Protecting the front line is going to get increasingly difficult.

Mr Buchanan: You are really issuing a warning that front line services will be affected in some way or another. Where does that leave the Department's commitment to the economic strategy and Programme for Government?

Dr Farry: We are hopeful of continuing to meet our targets in that regard. With respect to the Programme for Government, the targets have, by and large, been met. There is a certain vulnerability over the timescale around the production of the strategy on economic inactivity. That has, to be frank, slipped, although we are expecting to have a strategy before the Executive around November and something in place for the beginning of April next year.

Our targets for moving people into work and the numbers of qualifications will be met as things stand. I am very conscious that there were particular recommendations in the economic strategy, and we have sought to be strategic around protecting our investment. A key example in that regard is our Assured Skills programme, which Derek has mentioned. That is critical to supporting the efforts of Invest Northern Ireland in attracting jobs. People will be familiar with how successful we have been, particularly over the past 12 months, in attracting jobs. Skills is now an even greater element of the attractiveness of Northern Ireland, as is the package of support that we can provide to companies that wish to intervene.

We have a budget for Assured Skills which is ring-fenced but expires at the end of this financial year. We are going to have to replenish that budget next year if we want to continue in that area of work. At this stage, there is no budget — there is no baseline for a budget — for Assured Skills going into next year: we are going to have to start from first principles, which means taking money from elsewhere if that is what we choose to do. To meet the economic strategy, those are the types of investments that are absolutely critical alongside the deeper structural changes in our skills landscape around apprenticeships.

Mr Douglas: Thank you, Minister, and the rest of your staff for coming this morning. As Pat said, it is a very difficult task that you are faced with, and I wish you all the best. A very depressing picture is being presented this morning, but I am sure that it will be the same in all the Committees, because people are having to look at cuts.

Going last means that most of the questions that I was going to ask have been answered, but there are a couple of points that I want to make. You mentioned growing a sustainable economy and the impacts of that. Have you had any assessment of job losses that will occur as a result of the cuts, be they in higher education, university or wherever?

Dr Farry: Nothing has been formally communicated to us by the universities or colleges in relation to job losses that may arise specifically from this, though that may well be something that does emerge. The universities, in particular, are autonomous bodies. While we give them a grant, it is for them to manage that in-house. We would need to be very careful in making any assumptions or disaggregating actions that they may take around their headcount and drawing conclusions as to what particularly triggered those outcomes. I hope that people can manage their budgets in-year in the same way that we, as a Department, are seeking to do. However, pressure on headcount is going to come as this situation tightens over the coming months.

Again, it is worth stressing that job losses come with a price. It is not just something that you can just eliminate from your bottom line. In addition to the human costs around all of this, there are additional financial costs that have to be borne. That is why it is important that the Executive — and I encourage this — have a strategic approach to how we are going to manage those types of issues. That, in itself, is a huge statement to be making in relation to Northern Ireland. The situation around welfare reform and the desire to protect people who are vulnerable is driving the approach being taken to cuts. However, if, on the flip side of that approach, people are going to lose their jobs, join the unemployed register and have less income, that has a major impact on society. It is important that we take that in the round.

Mr Douglas: Minister, it is ironic that we are talking like this this morning. As Derek said earlier, 338 jobs at Deloitte were announced yesterday, bringing it up to something like 700 jobs in the future. You know yourself that, over the past number of months, there have been announcements of thousands of jobs. So, in one sense, we have been doing very well. However, we are coming to the point where this is going to impact on our potential to train and educate people for those jobs.

Dr Farry: Again, Sammy, this is an opportunity for me to stress that, as much as I understand the pressure around health and people's desire that the absolute first duty of a state is to invest in a health service and provide policing, justice and security to people, we also have to be conscious of our opportunity to transform our economy. As we are now emerging from recession, that opportunity is probably as big as it has ever been. Now is the time that we need to invest in our key drivers to really capitalise on this moment. There is a danger that we are going to stumble if we end up de-funding our economic levers to meet pressures elsewhere in the economy. I really do not want to go down that line, but that is the path that we are on.

Mr Douglas: You may remember — you may be too young to remember — the Ian Dury song 'Reasons to be Cheerful Part 3'.

Dr Farry: Yes.

Mr Douglas: Are there any reasons to be cheerful this morning? We have talked again about welfare reform and, potentially, £87 million from October, £120 million in the next year and £200 million. I think that, in a sense, the British Government are saying, "A plague on both your houses", until we get our act together. Again, this is hypothetical, but, if we have some sort of negotiations and there is some sort of agreement, which hopefully could happen, is it possible that all those penalties could be clawed back and that the British Government will say, "OK, you have come to an agreement; here are all your fines back again"?

Dr Farry: I suspect not.

Let me rise to your challenge on reasons to be cheerful and maybe introduce a little bit of optimism to the situation. First of all, sometimes times of great stress can also be a trigger for times of even greater innovation. We should maybe look at things in that respect.

Secondly, over the past number of years we, as a Department with the support of the Committee, have achieved an awful lot in a whole host of different types of interventions. Quite a lot of those interventions are not necessarily about investing a lot more money. They are about doing things more sensibly and more rationally. The current review of careers building on the report of the Committee is a very good example of that, whereby we can do a much more efficient matching of supply and

demand within the economy without pouring more and more money into it. We can try to build on those types of interventions and that type of approach.

So there are things that we can and will continue to do that will make our economy better. However, there are other things that do require an investment of resources. It is in that area that we are in danger of shooting ourselves in the foot. However, it is not all doom and gloom on everything that we do across the board. There are things that we will continue to do on the economy that will make life better, but there are others where we will need —

Mr Douglas: Just finally, one small reason to be cheerful, certainly for east Belfast and beyond, is that you certainly took a leap of faith with the welding academy. I was down with Harland and Wolff recently and they were saying that there is potential for more oil rigs coming in, so it is good to be able to train local people to access those jobs.

Dr Farry: Absolutely, and it is worth stressing that that is a certain leap of faith because it is speculative training. My dear friend Derek here could get his knuckles rapped at some stage in the future by the Public Accounts Committee if this all comes to nothing and work does not come to pass. Hopefully you will all go easy on him when he appears in future years and people ask that question. Sammy and Chris were instrumental in arguing that we would go down that road, but it is a good example of how we can respond flexibly.

It is also a good example of how devolution works because that type of intervention might not have happened under direct rule. I share your optimism that the work will come, because a very good job was done on the last piece. It was much more complicated than people originally envisaged, but Harland and Wolff did step up to the plate in that regard.

Mr Douglas: Fair play to them.

Dr Farry: Based upon that track record, they should be in a good position to get more work.

Mr F McCann: I had hoped to start off at the beginning of the meeting to talk about youth unemployment, apprenticeships and teacher training.

Dr Farry: Well, we are coming to that.

The Chairperson: That is next.

Mr F McCann: You would have thought the Minister was fully expecting the comments coming from the DUP and had the answers ready in terms of welfare cuts that are coming up, given the fact that there have been no cuts at present. What we are dealing with, which has been put to the side, is the £4 billion cut that we took a number of years ago that is still playing itself out across the local budgets. Obviously, I would like to just deal with the effects of the cuts that are affecting us now and then start to deal with some of the problems that may come down the road.

I can understand Alastair, because Alastair has been at this for months now, coming in and talking about the cost of not implementing welfare reform. I am quite surprised at Sammy buying into the idea, given the work he has done —

Mr Douglas: Especially when a thousand million —

The Chairperson: Fra, can you get straight to the question for the Minister, maybe?

Mr F McCann: Yes, that is OK. There are a number of things that have not been taken. I have asked a question a number of times at this Committee. NICVA estimated that there will be a £750 million withdrawal from the economy through welfare reform, and that was a fairly low estimate. That has not been taken into consideration when you are working out how budgets will impact on communities that already suffer from high unemployment and social deprivation.

People here — and especially you — spoke about the roll-out of universal credit. There are huge difficulties and problems with universal credit in England. As a matter of fact, it started off saying, I think, there would be a £2 billion budget for the roll-out. It is now up to £12.5 billion. They said that over 1.5 million people would be dealt with through universal credit. To date there are 7,000, most of

them single males. They talk about the roll-out of DLA or PIPs. I think disability organisations are talking about a 20% cut in DLA that will affect people on disability.

There are huge difficulties and problems facing people and those most in need in society. I understand when you talk about the better education and better training; we all agree with that. But we also have a duty and obligation not only for those who are sitting on benefits at the minute but for those who are going to be directly affected by the welfare cuts that are coming. One only needs to look at England and the disasters in working class communities as a result of the introduction of welfare reform there.

What we are saying is that, as a Government, all the political parties need to stand up and defend that section of our population that has been forgotten in all of that. There are major problems. People continuously roll out the difficulties that not implementing welfare reform will cause, but what they do not raise is the impact that will have. Last week, we talked about the fact that one of the problems in employment is the number of people who are coming on as self-employed and are only getting one or two days' work. They may rely on housing benefit that will be cut through welfare reform. The over-25s that they are now talking about will be taken off housing benefit altogether. That is where the real problems are, and that is what we need to concentrate on.

Dr Farry: That was more of a statement, Fra, than anything.

Mr F McCann: I know it was. I am trying to catch up with three or four people, including you.

Dr Farry: Let me say a couple of things. First, what I have said today has in no shape or form been coordinated with anyone else in the room, including my party colleague Chris.

Mr Lyttle: I have not asked a question yet.

Dr Farry: Absolutely. I am in trepidation about what he will ask in a minute.

Mr F McCann: He shook his head that much that I thought it was going to fall off his shoulders.

Dr Farry: Obviously, the parties here have very clearly articulated positions that have been rehearsed in the media over the past number of months. So, nothing has been said today that is in any way surprising. Let me repeat, Fra: first, it is not for me to comment on those NICVA figures. It is a DSD issue, but my understanding is that that is about the projection of the rate of increase as opposed to a withdrawal of the amount of money out of Northern Ireland. That is where that figure —

Mr F McCann: A billion pounds over four years in total.

Dr Farry: — has been generated.

I reiterate the point that there are other ways in which we are helping vulnerable people in Northern Ireland, and those are in jeopardy. Let us remind ourselves that we have the employment service and the actions of our front line staff in that regard. We have now awarded the contracts of the new Steps 2 Success programme. I appreciate that not everyone is convinced of the approach that we have taken in that regard, but the bottom line around that is to improve our ability to help people who are long-term unemployed into work. We are investing in our disability employment strategy. For the first time anywhere in these islands, we as an Executive are developing an economic inactivity strategy. That comes on top of our training programmes where we are trying to work with young people and others to get them the skills to engage in work. So, there is a whole host of things that we are doing that are designed specifically to help vulnerable people to invest in skills and to gain the employability skills to engage in the workplace.

Ultimately, the best way that we can help people who are vulnerable, where it is appropriate, is to facilitate them into work. The vast majority of people who are out of work want to be in work, for a whole host of reasons. Ultimately, that is what we are about. It is a balance. There are aspects of welfare reform that I personally do not support. I think that virtually every party in the Assembly does not support them, but that battle was fought in Westminster. The financial reality is that we are dependent on the subvention and support for our welfare provision in Northern Ireland. You may wish that to be otherwise, but the facts in terms of the financial flows suggest that that is where we are and that we have very little room for manoeuvre outside of that framework.

Mr F McCann: We have said all that needed to be said. At many of the meetings that we have had, there has been a discussion around the impact of welfare reform. I have attended a couple of meetings, one with the trade unions and one with others, where it was estimated that, in total, over £750 million will be withdrawn through welfare reform. Our argument has been that it will affect not only the people in most need but people on low income. I believe that over 30% of the workforce are low earners who rely on some element of welfare. If they are directly affected, they may have to leave work, so it is swings and roundabouts. We need to take that into consideration.

Dr Farry: The debate will continue.

The Chairperson: Members, thank you. Minister, thank you for your briefing on your out-turn.

Dr Farry: That was part 1.

The Chairperson: Part 1. We have, necessarily, strayed into the discussion on the term ahead as well. Minister, thank you for facilitating the ongoing conversation.