



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

October Monitoring Round 2014:
DEL Officials

1 October 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 David Hilditch
Ms Anna Lo
Ms Bronwyn McGahan
Mr Pat Ramsey
Mr Alastair Ross
Ms Claire Sugden

Witnesses:

Mr Michael Camplisson	Department for Employment and Learning
Mr Billy Lyttle	Department for Employment and Learning
Mr Stephen McMurray	Department for Employment and Learning

The Chairperson: I welcome Stephen McMurray, director of finance; Mr Billy Lyttle, head of higher education finance; and Mr Michael Camplisson, head of further education finance and funding.

Stephen, welcome back. You are in the main seat today, so you will not get as easy a ride as you did last week. Over to you.

Mr Stephen McMurray (Department for Employment and Learning): OK, Chair. Good morning to you and the Committee. This is my first meeting in the main chair, as you said. I look forward to working with you all in the future, hopefully in a more settled financial environment than the one we find ourselves in currently.

I am joined, as you said, Chair, by Billy Lyttle from the HE finance side, whom you will have met before, and Michael Camplisson from the further education (FE) finance side. Michael, like me, only joined the Department quite recently. Having been in the Department for a full month now, I have to say that I am very excited about the nature of the work. My last two posts were in economic and social development, so I am in the right place to use my experience, and I look forward to that.

As you said, Chair, I joined the Minister and permanent secretary at the Committee meeting on 10 September. At that meeting, the Minister outlined in detail the steps being taken to implement cuts of 4.4%. That has now happened, in line with the plans that he outlined. You may ask what would happen if the proposed cuts were even higher than that. We are looking at different scenarios for that, and we will be happy to come back to the Committee with further details if that transpires. However, as nothing has been agreed yet overall, I do not intend to cover it at this meeting. We will strictly stick

to the October monitoring return, which is due back with DFP tomorrow. On the monitoring submission itself, I will briefly cover the main headlines and then take any questions.

Our monitoring return is again set against the backdrop of the Minister's priorities to help in the transformation of our economic and social landscape. In particular, the role of skills as a key economic driver is now well established, and access to employment is a key intervention to address poverty and lack of opportunity. The Department's aim, as you know, is to promote learning and skills, to prepare people for work and to support the economy. In that regard, there are a couple of current facts that are very pertinent. One is that the claim count is down by over 900 from last month and down 8,800 over last year. The unemployment rate has fallen to 6.7%. Those are both very encouraging signs.

Going back to the October monitoring round details, the first thing that I would like to point out is that we are not planning to submit any non-ring-fenced resource or capital bids or surrenders in this monitoring round. We have a range of technical transfers to make, and those are detailed in the note that was sent to you last week. In brief summary, these include five outwork transfers to other Departments totalling just over £1.3 million and four inward transfers totalling just over £200,000.

To take a quick skip through each individual area, in skills and industry there are several offsetting budget variances that lead to an overall balance position. For employment services, there is still a pressure of £1.8 million in the youth employment scheme due to the demand-led nature of the programme and increased forecast levels for participation being higher than expected. We are carefully monitoring that position and are confident that it can be managed internally. With youth policy and strategy, we expect the division's expenditure to be within the resources available. Regarding further education, the division's expenditure is again expected to be in line with resources available. The FE colleges have reviewed their non-cash depreciation and impairment requirements in relation to fixed assets and, as a result, there is a ring-fenced easement of £1 million. However, as the Budget rules have that ring-fenced specifically for depreciation and impairment of assets, we will have to surrender that and we are not able to use it for other FE areas.

For higher education, division expenditure is again expected to be in line with resources available. Stranmillis College has reviewed its non-cash depreciation and impairments, similar to FE. Again, there is £0.5 million of an easement there that will be surrendered to DFP, as it has to be. All other expenditure will be managed within overall resources available.

On the capital side, in this monitoring round, as I said, we are not planning to submit any capital bids or surrenders. All of our capital projects are being carefully managed, and this is obviously a risky area, which I know from experience needs to be managed carefully, and that is what we are doing to make sure that it is in line with budget. It may involve moving moneys around within capital projects, but we will ensure that it will all be spent.

That was a quick run through the October monitoring round. I am happy to take any questions.

The Chairperson: OK, Stephen, thanks. I suppose it is not the most surprising one. The Minister presented to us with all the areas where he thought that it would be necessary to cut back, and there have been news headlines again on those. However, no bids at all?

Mr McMurray: No bids, Chair, no. I suppose that resources being so tight is a factor in the whole thing, so the chances of any bids being met are close to zero. That is what we are getting in our feedback from DFP. That having been said, we do not see any particular areas where there are huge pressures that we need to bid for either. It is a combination of the current climate of money just not being available for bids at all and our being able to manage ourselves internally.

The Chairperson: I suppose I have a concern to clarify whether the Department just takes the view that there is no money there so you are not going to bother bidding, or whether it is genuinely the case that you do not think that any of the programmes where there are financial cutbacks are worth bidding for?

Mr McMurray: If we have to find cuts, we have to find them. If we then turn round and bid to replace those moneys, there is no chance of that being found if the overall pressures on the block are similar.

The Chairperson: Did you not even feel that there would have been any Executive support for bidding for the £0.5 million cut from the Together: Building a United Community budget?

Mr McMurray: Not in the current climate of moneys available.

The Chairperson: OK. Why are you surrendering £1.5 million?

Mr McMurray: The surrenders are all down to the ring-fenced funds related to depreciation and impairments. Under the accounting rules, we have to surrender those. We are not able to use them for other purposes; we have to hand them back to DFP. It is just a strict use of the rules, Chair.

The Chairperson: With Billy here, it may be opportune to get your views on the UU's £3.1 million or £3.4 million reduction. When the Minister presented, he said that £7.4 million was going to be removed from all four higher education institutes. What is the breakdown of that, Billy, across the other ones?

Mr Billy Lyttle (Department for Employment and Learning): The breakdown for that is Queen's, £3.9 million rounded; University of Ulster, £3.1 million; St Mary's, £186,000; and Stranmillis, £186,000 — total, £7.4 million.

The Chairperson: How were those figures —

Mr B Lyttle: How were they arrived at? We were asked to make a reduction of 4.4% in the Department. The Minister wanted to protect higher education as far as possible, and we were able to come up with a 3.95% cut. That was applied equally to all four institutions on the basis of their annual block grants from the Department.

The Chairperson: So it was straight across all four institutions.

Mr B Lyttle: Yes.

The Chairperson: Have you had any formal feedback from the four institutions?

Mr B Lyttle: We have had no formal feedback as such. However, from talking to officials in the institutions I know that they are disappointed, obviously, that these cuts have come about. It is a factor that we always flag to the institutions. Every year, when we give them their annual grant letter, we say clearly in each letter that there is always a possibility that reductions may be required in-year for unforeseen circumstances. In this case, this is one that we did not foresee prior to agreeing the funding for them for the 2014-15 academic year.

Mr P Ramsey: Good morning. You are very welcome. Following on from the Chair's comments about the cuts at third level, it is surprising that, given that the Executive are protecting the education budget and ring-fencing money for it, there would not have been the justification to ring-fence third-level education money. Is there a reason for that or was an effort made to ring-fence that money?

Mr McMurray: The overall cut is 4.4% and, as Billy says, that is 3.95%. It is a bit less than the overall average. We are having to find even more out of other areas to make up the 3.95% versus 4.4%, so, to some extent, it has been protected. Overall, if you protect one area, something else has to give. There is nothing else within our overall remit that we could give up to protect HE fully.

Mr P Ramsey: I understand that we are in difficult times. Is there a suggestion that these cutbacks are generally because of the financial situation that we are in or are they related in any way to the penalties that are being imposed as a result of welfare reform not being introduced?

Mr McMurray: There is an element for welfare reform within the 4.4%.

Mr P Ramsey: How much is it?

Mr McMurray: The overall figures are for roughly £200 million. Of that £200 million, £87 million relates to welfare reform. It is a significant amount. It is not the only amount —

Mr P Ramsey: How much of the 4.4% is it?

Mr McMurray: I suppose that if you take it that way, what was taken in June monitoring was 2.1%. None of that related to welfare reform at all. The 2.3% that is being proposed for October includes a substantial amount for welfare reform. I imagine that it is just under 2%.

Mr P Ramsey: So, 2% is definitively as a result of welfare reform.

Mr McMurray: Yes.

Mr P Ramsey: OK. I have a further question that is similar to one that the Chair raised. In the June monitoring round, a bid was made for the teaching block at Magee. It was not out of the Executive money, as I understand it. It was out of Exchequer money. It came in the economic package. I was told that it would come back again in this monitoring round. Is there a reason why it did not?

Mr McMurray: Do you know what the nature of that bid was? Was it resource or capital?

Mr P Ramsey: It was capital for a teaching block.

Mr McMurray: On the capital side, as I was saying earlier, we are monitoring our capital profiles very carefully and feel that we have enough capital to cover what will be required overall. I think that, with Magee, it is still tied in with the business case being looked at. On 10 September, the Minister indicated his support for it. That is ongoing. If it needs to be built into the profile of our capital expenditure, it would have been built in.

Mr B Lyttle: The bid that was made last year was in the context of the 2013-14 financial year. The bid was not successful, as you know. At present, we are going through the process of agreeing the business case with the university itself. That is not complete yet, but we do not see any problem with having that completed in the next month or so. What we need to understand when we are talking about capital expenditure is that, once the business case is approved, the university then has to go out to procure that construction. That will take several months. If we were to put in a bid in the current year, there would be a risk that we would have millions of pounds given to us — we are looking for a £10 million fund to give the university for that — and that money would have to be used by 31 March. Realistically speaking, that construction will take several years and there is no chance that £10 million will be spent. The university itself, in its own capital plans, is expecting the first tranche of money from the Department in 2015-16 and a further tranche in 2016-17. So, at this time, let us say that it would not be prudent for us to bid for that, but it is one that we support. We will put in a bid for it in the 2015-16 year. That is when the university expects to receive the funding.

Mr P Ramsey: I appreciate the detail that you are giving me, Billy, but I suppose that the question is this: why did you put it in the bid the last time round in June when the same circumstances prevailed? I will not labour that point. I take your point.

Mr Buchanan: I am sorry for missing your presentation. How much further can the Department go with cuts or in reducing the percentage of funding before you get into real problems? With the financial belt tightening and the squeeze happening, what strategies do you have in place to take the Department forward in the light of all the percentage cuts that are coming?

Mr McMurray: It is difficult to plan for what might happen; that is even more so for next year, as figures of 10%, 15% and 20% are being looked at. For this year, 4.4% has been a very difficult amount to find, and it could not really go much above that before even more pain is felt. It is hard to say. It is speculation, as no final figure has been agreed. Certainly, the potential size of the cuts that are being talked about for next year would have a significant impact on the Department. We will come back to the Committee and talk about those when they have been worked up.

Ms Lo: You said that you have not received any formal feedback from the higher education institutions. However, have the officials given you any indication about whether there will be job losses as a result of the £7.4 million cut to their grant?

Mr B Lyttle: There has been no indication to that effect. The position is that the universities are responsible for implementing those cuts as they see fit. We have no input to that. Over the last number of years — three years at least — all the institutions have been quite good at making efficiencies across the board. Some of that was in the staffing area, but that was mostly on early

retirement severance schemes, freezing posts and not filling posts etc. We have had no indication of staffing cuts this time round.

Ms Lo: What about within the Department? Will you have to let some staff go with the cutbacks there?

Mr McMurray: The idea is similar within the Department. We are looking at things like overtime, temporary staff and agency staff, and promotions maybe not taking place in certain areas. Those are the sorts of things that we can do quite easily and quickly if required. However, nothing has been done about overall job losses. Something like that, and how it would apply across all Departments, would be looked at by the centre.

Ms Lo: Thank you.

The Chairperson: Stephen, I want to clarify something. Will it be a cut of 3.95% or 3.59% for the universities?

Mr McMurray: It is 3.95%.

The Chairperson: Billy said that it was 3.59% at one stage.

Mr B Lyttle: Sorry.

The Chairperson: That is all right.

Mr McMurray: We get hit with so many figures.

Mr Douglas: I have just one question. Thanks very much for your presentation so far.

When the Minister was before the Committee on 10 September, I asked him a question about welfare reform and its impact on the Department. I asked him what the potential would be for the restoration of the fines, which are currently about £100 million, if we were able to reach an agreement among the parties on welfare reform. Hopefully, we will have talks that come to some sort of agreement. I understand that there are other cuts, but, if that is the case and that money is restored to us, what sort of impact would that have on your budget?

Mr McMurray: If the reductions were to be not as high as anticipated, we could move fairly quickly to turn around things that we have put in place on overtime, the non-recruitment of staff and not filling posts. We have also looked at areas where we have had unallocated resources — the Minister mentioned those on 10 September as well. We would utilise those where possible. We would bring them back on the table and allocate them to the priority areas that we had thought about before. We have thought about that and have tried to keep things as flexible as possible so that we can change them as quickly as possible. However, the longer that it goes on, the more difficult it becomes.

Mr Douglas: I understand.

Mr McMurray: If we do not get clarity until November or December, we will be left with only a few months to play about with.

Mr Douglas: Stephen, I suppose that, in the event of that scenario, you would come back to us and say, "We have had restoration of this money and these are the sorts of things that we will do".

Mr McMurray: Yes, absolutely.

Mr Buchanan: There is one other issue. You talked about the situation that you are in and said that, if it gets much worse, part-time staff and overtime and all that will have to be shed, in a sense. What impact will it have on the work that the Department is doing when you get rid of staff who are already in place working part-time and overtime?

Mr McMurray: We are trying to minimise the effect of that as much as we can. As it stands, we do not see any major target not being met. That said, as you say, if it gets higher, it becomes more and more difficult.

Mr Ross: The planning that you are doing at the moment is based on Education and Health being ring-fenced. There is obviously a lot of public pressure around health because it is one of the emotive issues and there is an identified shortfall in the Health budget. If the Health shortfall that has been identified by the previous Minister, and presumably by the new Health Minister, is to be met, what percentage of cuts in year are you looking at then? When you come back to us, it will obviously be much worse than the 6% in-year cut. What sort of number are we looking at then, and what will that mean?

Mr McMurray: The current figure that we are looking at is 4.4%. If it does go to 6%, that creates a bit of an issue for us.

Mr Ross: Is the 6% based on ring-fencing Health and Education or is it on the basis that Health would get an increased allocation from the Executive?

Mr McMurray: Good question.

Mr Douglas: From what I know, I think that it is just Health.

Mr McMurray: It is certainly Health at the minute. All that having been said, nothing has been agreed.

Mr Ross: But the 6% must be based on something.

Mr McMurray: Yes, the 6% is certainly based on Health being protected. I am not sure about Education to be honest. I can come back to you on that.

Mr Ross: We are hearing that Education is to be ring-fenced, and we are looking at an increased reduction of 6%. If there were to be a further allocation to Health, we could be looking at 10%. Is it as high as that?

Mr McMurray: It is hard to know what way the figures will come out. I think that you are right that the 6% is based on Education not being protected.

Mr P Ramsey: I will go back to the universities one. The Committee has been a long-standing champion of the universities, particularly at the beginning of this mandate when there were real pressures on them. We all participated in the debate and at a showcasing event. We were led to believe that universities in Northern Ireland are receiving much less per student than universities in England, Scotland and Wales. Anna Lo made the point about staffing. According to an email from Richard Barnett, £2 million of the additional pressure will be for staffing cutbacks, which would put the university, irrespective of whether it is Jordanstown, Coleraine or Magee, under severe pressure. When were the universities notified of these recent cuts?

Mr McMurray: I will hand over to Billy on that in a second. You are right; the differential between us and the rest of the UK is between £1,000 and £2,500 per student.

Mr P Ramsey: It is a lot.

Mr McMurray: This will impact on that further. I will hand you over to Billy about the dates.

Mr B Lyttle: We wrote to the institutions on 1 August this year warning them of potential cuts over the summer and later in the autumn. Following that, the Minister had a discussion with both vice chancellors separately.

Mr P Ramsey: We were made aware that there was that likelihood. Richard Barnett made reference to that when he presented to the Committee on initial teacher training recently. When were they definitively told that the cuts were coming in?

Mr B Lyttle: As far as I know, the letter was sent to them on 1 August telling them that they were coming in. The actual amount of the cuts was subsequently confirmed to them within a week of that.

Mr P Ramsey: You used the language "potential cuts" and then —

Mr B Lyttle: Well, they were potential cuts at the beginning of August and, within a week, we actually quoted the figures that I quoted earlier to each institution.

Mr P Ramsey: What about other strategies in the Department? There is a cost implication to them and that includes the initial teacher training strategy. Is it likely that that will be abandoned now, given the revenue or additional costs that might be involved in some of the options?

Mr McMurray: We have options on the table at the minute, based on the 4.4%. If that increases, we will have to look at everything across the table.

Mr P Ramsey: Is one of the options to abandon the strategy on initial teacher training that is being brought forward?

Mr B Lyttle: I do not think that that is an option at the moment. The Minister is still in the process of engaging with the institutions to find a way forward on that strategy. I know that the institutions have presented to the Committee, as well as to the panel. However, I do not work in that area so I am speaking at second hand. As far as I know, the next step is that the Minister will go back to the institutions and discuss with them collectively the way forward. I do not know, but I do not think that it is off the table.

Mr Hilditch: My apologies for coming in late. I have a wee enquiry about the situation as regards the further education colleges. There has been a lot of discussion about the universities at this stage, but what is the situation with the further education colleges?

Mr McMurray: Broadly, with further education, it is the same idea: cuts will be applied. We have moneys that we were holding to carry forward into next year, which we are able to utilise this year. So, that is one port of call on the FE side; but all that does, to be honest, is to transfer a problem into next year, because those moneys were set aside for certain things. I will hand over to Michael, who may know more detail.

Mr Michael Camplisson (Department for Employment and Learning): I will build on what Stephen said. With the colleges, we have been able to find some of the savings from unallocated reserves. Stephen mentioned the end-year flexibility (EYF) fund. That is money that colleges have to spend between the two financial years. However, dipping into that is short-termism, in that there are pressures that we would have had to take out of the EYF next year. We are basically postponing problems until next year. That is where it is with the colleges.

Mr Hilditch: There have been no announcements on the issues at this stage. I am aware of some up-and-coming problems in my area, and I was wondering what the outlook was on it.

Mr Camplisson: Some colleges will struggle financially more than others this year, but my sense is that, for the colleges, it will be far, far worse next year.

Mr McMurray: Again, we will come back to you with details about next year when that firms up.

The Chairperson: Michael, you say that it will be "far, far worse". The universities seem to be taking a gradual cut in their funding. Are we going to see the colleges hit with the large percentage cut next year?

Mr Camplisson: The problem is that we do not really know what the depth of the cuts will be next year, in any part of the Department.

Mr McMurray: They are quite wide-ranging. There are figures of 10%, 15% and 20%. When you get up to a figure of 20%, it is a complete horror story, right across.

Ms McGahan: Thank you for your presentation. In options for dealing with the situation that we face, I assume that considerable thought will be given to the whole area of supply and demand. I am sure that you are aware that the Committee conducted an inquiry into the provision of careers education. Numerous employers attended the Committee and stated that we do not have the skill set to fill certain occupations because we have too many graduates in certain disciplines and an undersupply of graduates in the area of science, technology, engineering and mathematics (STEM), for example. I assume that that will be a key feature in the consideration of options.

Mr McMurray: Absolutely.

Ms McGahan: I am also aware that jobs that are deemed as low-skilled or requiring no qualifications are increasingly filled by people who are highly skilled, thereby reducing the opportunities for those who fall into the NEET category to get a foot into the employment market. I think that that is a real issue. There are also concerns that key skills level 2 is not really recognised by employers or seen as being equivalent to a GCSE. All of that needs to be looked at in the round.

Mr McMurray: Absolutely. In the Minister's priorities, he has made it very clear that helping the most vulnerable back into employment is absolutely key. All the work being done around apprenticeships and youth training is treated as a priority in the Department and will be treated as a priority in budget allocations.

Ms Sugden: Thanks for the presentation. Apologies for missing the beginning of it.

I have been working with stakeholders on exploring the option of having a veterinary school in Northern Ireland. I understand that the University of Ulster, along with Norbrook, is preparing an economic appraisal. In light of the impending situation, is it almost fruitless for them to go ahead with that, or is it an option that could still be on the table for the near future?

Mr McMurray: I will hand you over to Billy in a second. He might know a bit more about it. If it is a capital project, we would have more scope to manoeuvre with it, although any revenue consequences down the line would impinge on it. I am not sure whether Billy knows much more about it.

Mr B Lyttle: It would be a capital project, but it would also have significant revenue consequences, because the cost of training a vet is significant; believe it or not, it is higher than the cost of training a doctor. The university is going down the road of preparing the economic appraisal. We have engaged with it to some extent so far, but we have not seen the full appraisal yet. That appraisal has to make the case in two areas: first, that there is a need for veterinary training in Northern Ireland and, secondly, that there would be the demand for it and that Coleraine would be the place to put it, among the campuses of the university. The case has not been made yet.

The university wants to expand in several areas. The veterinary school is one, Magee is another one, and it has already committed to the Belfast campus. There is a lot going on at a time when we are looking at shrinking budgets. I would not say that it is fruitless. It is good that the business cases are developed, because, if they prove the case, we know that there is something that we can take forward in future. At this time, we cannot say that funding will be available for it. Having a business case approved is one thing; finding the funding is a separate issue.

The Chairperson: There are a couple of small technicalities. There is a £1.8 million pressure in the youth employment scheme (YES). Are you confident that you will meet that pressure internally?

Mr McMurray: Yes, Chair. The £1.8 million has started to come down a bit in the forecasts since the letter was sent last week. There are other areas where some money is being freed up in the employment service, so those two are getting very close to each other to enable us to say that they can be balanced within the whole year.

The Chairperson: If that money is not needed for the YES, is there anywhere else that you can move it to, or is that restricted or ring-fenced in any way?

Mr McMurray: I do not think that it is restricted, so it could potentially be used, but we are optimistic that those will be balanced out this year.

The Chairperson: On your transfers and the condition management programme (CMP), £1 million was transferred to Health. What is Health's contribution to the CMP?

Mr McMurray: I am not sure what it is, Chair. I could find out for you.

The Chairperson: I think that there was a query at one stage about whether Health was continuing to finance that even though it was a health programme, so I would appreciate clarification on that.

Mr McMurray: We will check that one out for you.

The Chairperson: There is an assets transfer to DFP.

Mr McMurray: Again, sorry, I am not aware of the specific details of that, but it happens regularly, when pieces of property or land that are surplus to requirements are transferred.

The Chairperson: Stephen, that is two of the six technical adjustments in your main paper. A bit of detail would be appreciated if you are coming up again, because there was not an awful lot in the paper. They are just minor queries, but it would be helpful.

Stephen, Billy and Michael — you got a bit in at the end, Michael; I was worried about you — thank you very much.