



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Review of the Efficiency Delivery
Programme: DEL Briefing

8 May 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr John McCallister
Mr David McIlveen
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr Colum Boyle	Department for Employment and Learning
Mr Andrew Hamilton	Department for Employment and Learning
Mr Billy Lyttle	Department for Employment and Learning

The Chairperson: Before the Committee today, we have Andrew Hamilton, the deputy secretary of the Department for Employment and Learning (DEL); Colum Boyle, the director of the employment service; and Billy Lyttle, the head of higher education (HE) finance. Andrew, do you want to make some opening comments before we go to questions?

Mr Andrew Hamilton (Department for Employment and Learning): Yes, I will make a few brief comments. Thank you for the invitation, and we welcome the opportunity to discuss our efficiency delivery plan with you. I think that that is a novel approach.

The Department takes very seriously the need to deliver efficiencies year on year; it is at the heart of our budget process. We want to ensure that we maximise the level of service that is available from the resources that the Executive allocate to us. As well as that, we want to ensure that the services are delivered at the highest quality. So, there is no resistance, if you like, to delivering more efficient services at maximum quality.

We welcome the Audit Office report. We think that it makes a very valuable contribution to the efficiency debate, and we have learned lessons. From our perspective, we concentrated on the identification of the savings and making sure that the budget adjustments were made. However, we maybe did not spend enough time tracking the efficiencies and how they were presented and making the impact as transparent as possible. Those are certainly the lessons that I think we learned from the process.

The Chairperson: The Audit Office found that the guidance that the Department issued was not sufficiently detailed. For example, it did not provide a definition of an efficiency saving. How relevant did you find that guidance from the Department of Finance and Personnel (DFP)? Can you suggest how guidance support in your future savings or efficiency programmes, whatever you want to describe them as, could be improved?

Mr A Hamilton: I think that all Departments will have a very good understanding now of what an efficiency is.

The Chairperson: Did they at the time? Did you have a good understanding at the time?

Mr A Hamilton: Certainly. We fully understood what we were asked to deliver, which was the same level of service at less cost and to the same quality. We knew that, and we knew that we had to avoid an impact on the quality and level of service that was delivered. That was absolutely clear to us. To be honest, the DFP guidance was clear about the requirements. I think that we largely met those requirements, but, again, thanks to the spotlight of scrutiny on the detail of what we presented in some cases, we could have provided more information in the detailed templates that we published on the website.

The Chairperson: Did the Department raise with you any of its concerns about the efficiency measures that the Audit Office reported on? I am looking specifically at the reduction in the HE recurring grant.

Mr A Hamilton: Are you asking whether the Department raised any concerns at the time?

The Chairperson: Yes.

Mr A Hamilton: Billy, can you help me on this? Was there any detailed scrutiny by or engagement with DFP on that in the course of events? I am not sure. Certainly, I am aware that the efficiency delivery plans are discussed now as part of our regular meetings with DFP, but I cannot recall whether that took place in the 2008-2011 period.

The Chairperson: Will you provide us with a written response on that?

Mr A Hamilton: I certainly will.

Mr D Bradley: The Audit Office report seems to have very little evidence of Departments co-operating with each other to achieve efficiencies. The DU — I nearly said DUP —

Mr Weir: It is very efficient. Dominic, you have to get out of that mindset.

Mr D Bradley: DFP has told us that, going forward, these savings are to be achieved more on a cross-departmental basis. Take collaborative procurement, asset management and shared accommodation as examples. Have you given any thought to how you will co-operate with other Departments to achieve efficiencies?

Mr A Hamilton: Certainly, we are part of the procurement infrastructure, and we will be collaborating on any ongoing specific exercises. I think that we have a good track record of collaborative working with other Departments generally, and we certainly subscribed to initiatives that were designed to save money across the patch.

Mr D Bradley: Procurement is possibly the easiest area for collaboration. Have you given any thought to any other possibilities?

Mr A Hamilton: If we look at our capital programme, going forward, we know that a public service site that makes best use of the old Erne Hospital site is one of the options for new further education (FE) infrastructure in the south-west that we will be looking at. That is an example of where we would be making best use of the capital resources that are available to us.

Mr D Bradley: Do you think that there is a need for ongoing external support and monitoring to help your Department to achieve the expected level of efficiencies?

Mr A Hamilton: I suppose that picks up on individual Ministers' responsibilities. Our Minister is responsible for the delivery of the efficiencies that he has approved and signed up to. Assistance is more about learning from each other and being aware, through the publication of the efficiency plans and the website, of the sorts of issues that other Departments are tackling. So, I think that that shared learning experience is one way that we can learn from each other.

Mr D Bradley: Is there possibly a role for the performance and efficiency delivery unit (PEDU) in providing support and monitoring?

Mr A Hamilton: If I thought that we were failing in this endeavour, I think that I would be one of the first to hold up my hand and say that we need more help. However, to date, we have delivered largely on the efficiency targets and savings targets that we have been asked to deliver on, and that has been done without the external scrutiny.

Mr D Bradley: One of the criticisms of your Department was that you passed on cuts to the universities but did not monitor how they implemented those cuts and whether they impacted on services that are provided to students.

Mr A Hamilton: We have to look at the formal relationship that exists between the universities and the Department. The universities are not non-departmental public bodies; they are autonomous institutions. We did not provide funding for inflation, pay and pricing or pay increases and things like that, and we deducted resources from the allocation.

So, we have a view that efficiency was delivered within the context and framework of the relationship that exists between the higher education sector and the Department. As I said in my paper, there was an increase in costs, and unit costs did not go down over the period. However, I suppose that that is an illustration of the complexities of the process. We cannot do high-level analyses to determine whether a detailed efficiency has been delivered. In the connection of that additional expenditure of 6.9%, as well as asking the universities to deliver savings, we allocated them additional funds that were ring-fenced for two specific purposes, one of which was increasing the number of PhDs. Billy, what was the second initiative?

Mr Billy Lyttle (Department for Employment and Learning): The second was for an initiative called Strengthening the All-Ireland Research Base, which was a series of projects between both universities in Northern Ireland and in the Republic of Ireland. It was geared towards economically relevant research areas. I think that there were 22 projects.

Mr A Hamilton: Those two initiatives were funded to the tune of about £12 million. That equates to about 7%, which is the percentage increase that the Northern Ireland Audit Office (NIAO) identified. If you strip that out, you will see that the universities have delivered on the same quality of provision on broadly the same numbers and that they have maintained their international standing in the league tables. At the same time, they have absorbed significant additional cost that we did not fund.

Mr B Lyttle: Over the same period, although the funding was held constant, the universities had almost 4,000 additional students on their books. That was despite the reductions in the level of funding.

Mr D Bradley: How would you summarise what your Department has learned from this Audit Office report?

Mr A Hamilton: We have learned that we need to be more careful about how we present this information. We need to ensure that people fully understand the impact of the saving and how it will be delivered. I also think that we need to be able to track the delivery of the savings and how we report on that. At some point in the future when the NIAO comes to look at how we have delivered and the extent to which we have succeeded in delivering the current savings plans, I would hope to be able to reach for a file and say, "There you are". We did not have that ability at the time, and we want to make sure that we put it in place. We also need to clearly reference and explain in the information that we provide on the website any potential or perceived impacts on services.

Mr Weir: Dominic touched on the area that I was going to cover about passing on the efficiencies — or cuts — to the universities. I note that your response indicates that the universities are in an unusual position, in that they are autonomous bodies. Bearing in mind some of the criticism that we hear about that, could that not be regarded as a wee bit of a cop out, in that you as a Department are ultimately responsible for a certain level of efficiencies but you are simply saying that the universities have autonomy and that the cut should be delivered, so let them get on with it? Do you not think that there is a greater need on the delivery side? Ultimately, there is a certain level of autonomy for the universities, so does there need to be more discussion between the Department and the universities about how those cuts are delivered to make sure that the end objectives are not compromised?

Mr A Hamilton: I understand your point. I think that we need to be careful that we respect the universities' status. You may or may not be aware that the Office of National Statistics (ONS) reclassified Stranmillis College, and potentially St Mary's, because of the alleged degree of control, as perceived by ONS, that the Department exercises over those institutions. If we got into the situation where we were managing —

Mr Weir: Sorry, Andrew, the complication in this is that you are assuming that it has to be at either one end of the scale or the other: either something is seen to be so heavily involved that you are controlling or managing their budget; or simply that the thing is passed on to them and they just sort it out themselves. Surely there is some middle way whereby you are not dictating to or controlling the universities but where you have a greater level of dialogue and discussion about how they intend to deliver that efficiency. You would also be trying to reach consensus without handing down a dictation from above. So, surely there needs to be more movement towards that centre ground, rather than simply putting things at arm's length.

Mr A Hamilton: I agree with that. I alluded to the lessons that we learned, one of which is that we need not simply take the money off the universities. However, we need to know how they have responded to that. We do not want to influence it, because it is their decision; we simply need to know.

This is highly conjectural, but if a university sought to reduce significantly the services through which it provided support, such as welfare support, that is where we would engage. However, management action, how the university is structured, and so forth, are, I think, a matter for that institution's management.

Mr Weir: Would you say that one of the lessons is greater interaction?

Mr A Hamilton: One of the lessons is to have more information on how their savings are being delivered.

Mr D McIlveen: Andrew, we are not going to let this point go. I am a little bit confused about that sort of relationship, because a higher education institution can be short of cash. That situation obviously happened last year. You will know that, in my time on the Committee for Employment and Learning, I was very supportive of the Department stepping in and plugging that gap. However, it seems a little bit odd to me that, whenever universities are short of money, all of a sudden, they are considered to be dependent on the Department, yet, when they are asked to cut services, they are cut out on their own. It seems a little bit odd, for want of a better word, which I probably would not want on record. We should bear in mind that, from the public's point of view, if a particular service or course in the university were cut, merged or reduced in student numbers, the focus would be very much on the decision-makers in the establishment.

So, how do we square that circle? Ultimately, I think that the public look very much to the Department as the manager, certainly in a financial sense, of how money is spent. I know that the Audit Office was concerned about what was almost a lack of scrutiny of universities on how they ultimately managed the cuts that were imposed upon them. I know that answers have been given, but I am just not sure that I have heard yet whether there is any plan in place or any work that you feel is still to be done to ensure that that lack of confidence in how the cuts would be made in the institutions would be better managed.

Mr A Hamilton: OK. There were a number of points in that, David. The first thing that I would say is that, as part of that tuition fee settlement, the universities themselves are finding efficiencies of £30 million in round numbers. It was not really that they came to us saying that they would be short of money; they were saying that, if they had to find the balance of the money that would not be available

as a result of keeping tuition fees at the same level, we would have to make significant reductions in service. The issue for the Executive was ensuring the universities' continuing quality and contribution to the economy, and so forth and, hence, to determine the contribution from ourselves and other Departments.

Have we got this right? We are learning all the time. The universities generate most of the cash that they spend themselves. We are a minority funder so we cannot dictate. Nevertheless, we have to have a system that properly reflects the universities' autonomy but still respects the taxpayer's interest. We acknowledged that point in our higher education strategy, in which we said that we would look at the governance system and the relationship between us and the universities. We do not want to create a system here where the public sector controls the universities; civil servants are not competent to run universities. So, we need the universities to have the freedom that they have to exploit opportunities and pursue research and all the rest of it, because we know that that makes a really good contribution to the economy. We have to be sensitive to that.

I hear what the Committee is saying about this issue, and we will certainly reflect on that. We need to know in more detail where the universities are making efficiencies so that we can assure ourselves, on behalf of the taxpayer, that this is not having an impact in a material way on the quality and level of services that are provided.

Mr B Lyttle: It might be worth saying that the funding that we give to the universities is for very specific purposes and for specific numbers of students. Each year, that is monitored. We are very careful to make sure that, if the universities go one way or the other, we adjust that in our funding. They must report to us that they have achieved the activity levels that we asked for. In the current Budget period, the additional funding that has been given to the universities for undergraduate places has all been identified as having to be in the science, technology, engineering and mathematics (STEM) subject areas. We will be watching that very closely to make sure that that number of students has been delivered in those areas. So, when we are talking about activity levels and what they do, we look at that. We cannot dictate the range of subjects that the universities may offer. For their own reasons, universities may decide to drop or reduce the resource that they put in to specific areas.

Mr D McIlveen: That is where we, as public representatives, might find that we have a problem. To the best of my knowledge, the German department in Queen's was closed about three years ago. I received letters as late as two weeks ago asking how I, as a public representative, could let that happen.

Mr Weir: That is the post for you. *[Laughter.]*

Mr D McIlveen: Perhaps the issue is about the presentation of information, which Andrew mentioned. We need to get that message out there better.

I am not one to miss an opportunity, so how will future efficiencies impact on Stranmillis University College?

Mr A Hamilton: We will be looking with interest at the outcome of the comprehensive spending review (CSR) in England. We are looking forward to seeing the Northern Ireland results in June and how those impact across Departments. So, I would not like to anticipate where the savings will have to fall. I think that it would be wrong of me to do that without having done any informed analysis or without our having developed our strategy on that. If you do not mind, David, I will try to sidestep that question.

There is maybe one point that is worth making. Our experience of the 2011-15 period is that we, with the Minister, took some time to work out our strategy. We did not simply salami-slice everything; we looked carefully at the environment that we were entering and at the increasing demand for our services on the employment service and our further education colleges. We took a view that we wanted to maintain those services at the highest level. As we worked through the system, we found that it meant that the focus had to be on the universities sector. We came to that as part of a strategic decision that was based on an assessment of priorities and the impact of demand in the environment. So, that approach is embedded in the way in which we approach this strategically. That will also inform our future approach to 2015-16 and subsequent rounds.

Mr Mitchel McLaughlin: I also want to return to the universities. I acknowledge that the Audit Office review concluded that, in the samples that it looked at, you identified four areas of genuine efficiency. I think that that should be noted.

I found it interesting to read the report on the universities. You basically fixed the allocation and then measured the success of that approach by the fact that there were no issues about uplifts in pay or pensions or national insurance. That clearly indicates that there were sufficient resources. I just wonder whether that indicated that there might have been even more, had the search for efficiencies been best —

Mr A Hamilton: I would be the first to say, even now, that public sector organisations could still deliver some efficiencies. I would not be very popular in saying that, but I think the low-hanging fruits have been identified and addressed. That is still the challenge. It takes longer to identify them and deliver them. We have heard reference to the cross-departmental approach. There is still scope to deliver more savings in shared services and things across the public sector. So, we will still be pushing that agenda.

I will go back to the higher education sector. In hindsight, rather than us saying to the universities, "We are not funding you for pay and price inflation and VAT increases and the increase in energy costs or ERNIC increases," we should have asked them to quantify the cost of those at the outset and then said to them that we were not funding them for those. That would have demonstrated, if you like, that they had to find their own resources to deliver on those efficiencies, because their cost base was increasing in real terms.

Mr B Lyttle: We do not directly control universities; they are autonomous bodies. However, we have got to strike a balance and allow the universities to grow and expand. They generate most of their own income. We do not want to damage their ability to respond and grow and increase their research areas, because, in the long term, it is the universities that will produce the workers of the future and draw in foreign investment to Northern Ireland. You are probably right that more efficiencies could be dragged out of that, but at what cost? It is very difficult to assess what that might be.

Mr Mitchel McLaughlin: That is precisely my point, because we do not want to damage them. Should we proceed on the basis of deference to their autonomy or on the basis of guesstimating how much pressure they could take? Or should we sit down and discuss their revenues, their programme costs, the expansion programmes, their response to the demands of, say, the Executive's number one priority of rebalancing and growing the economy, and the crucial role of the universities in all of that? In a sense, there was an arbitrary process. We said that we were not paying for this, that and the other. They absorbed that. We can extrapolate from their performance statistics that it appears that there was no impact on the output, so maybe we should have asked for more.

We have to proceed on the basis of information; that is what I am getting at. The autonomy of the universities does not mean that their revenues and the finances that they function on are a state secret. The Department is entitled to all of that information, and entitled, on that basis, to lay down certain directives that are designed to drive out efficiencies without impairing performance.

Mr A Hamilton: Mitchel, it is worth adding that the focus of the report is a savings plan for 2008-11. The savings plan from 2011-15 asked for another £30 million on top of that.

Mr Mitchel McLaughlin: Was that a guesstimate, too?

Mr A Hamilton: That was, I suppose, an informed estimate of what could be delivered in the time frame, without undermining the infrastructure. There was an attitude of, "How far can we push this?". We were very, very aware of the impact of the settlement.

(The Deputy Chairperson [Mr D Bradley] in the Chair)

You might remember that there was a huge reduction in university costs in England. It was more than replaced by the introduction of tuition fees. My understanding is that it allowed for a 10% level of growth over the period. We were not in that position. As you know, there was no support at all for increasing fees to that level. Nevertheless, we demanded a contribution from the universities towards the cost of maintaining fees at the same level. The issue was exactly that: how far can they go? We pushed it as far as we could. We needed the money early in the settlement, so it was 6% a year in the

first two years of the CSR period. That was probably the highest efficiency level that any sector was asked to deliver in that time frame.

Mr Mitchel McLaughlin: Yes, but who is actually in charge? At the end of the day, are the universities regarded as a sacred cow, so that you do not go in there and demand precisely what resources they require, as opposed to what resources they are controlling? Is there a difference in the £30 million?

I want to come back to a point that Billy made, because it has intrigued me. Did you indicate that there were 4,000 more students from 2008?

Mr B Lyttle: Exactly, yes. That is the statistic for what is called full person equivalents.

Mr Mitchel McLaughlin: Yes, and it covers all the part-time students.

Mr B Lyttle: Yes.

Mr Mitchel McLaughlin: Yes, that is an interesting question as well. In circumstances in which there were cuts in the baseline funding, not only was it the case that no pressures emerged in respect of salary increases, pension contributions, national insurance, VAT increases, etc, but there were more students. Does that not tell you that there seems to be a considerable amount of room for manoeuvre here? It seems to be staring us in the face.

Mr B Lyttle: The public funds about 25,000 undergraduate students and some postgraduates. Between them, the two universities have 48,000 to 50,000 students enrolled, so you could say that roughly half of their activity is outside what we fund, and that is all charged to the user. So, they have substantial income that is not publicly funded, and they have substantial income from other sources, such as research contracts with different bodies and charities, etc.

Mr Mitchel McLaughlin: When all the other services and spending programmes are under intense pressure, we need to have an informed balance, at the very least, between public and private funding for the higher education sector. We need to know that —

Mr A Hamilton: These are valid questions, and we would expect to be able to answer them. The issue of whether they are too highly funded would reveal itself in exceptionally high surpluses in their financial accounts. The analysis that we did at the time of the tuition fee debate showed that that was not the case. There is an expectation that universities across the UK should be generating surpluses of a certain level in order to finance investment themselves in the infrastructure and the whole quality of the student experience. When we looked at the level of surpluses, both universities were at the lower end of what was deemed to be the acceptable benchmark. So we are not overfunding, but that is not to say that we can still squeeze efficiencies. The universities will be pursuing that agenda, because they will want to make best use of their resources as well.

Mr Mitchel McLaughlin: From 2008 to the present day, we have seen the fairly stupendous developments at Yorkgate in Belfast city centre. To be honest, they seem to have more resources than the Executive.

Mr A Hamilton: We contributed to the University of Ulster's capital programme in Belfast to try to get it off the ground quicker than would otherwise have been possible. That project is largely being financed through borrowing and through the sale of assets, and it is affordable within the university's forward finance plans. I suppose that that makes my point in some ways. We can strip back all the resources from the universities to the extent that they will not make surpluses, and then, when the infrastructure becomes simply not fit for purpose, they will turn to the public purse for financing. The University of Ulster has done that without coming to the public purse, and it is being financed through the small surpluses that it makes through its annual operations.

Mr Mitchel McLaughlin: I will finish with this point. Is it the case that we could, even inadvertently, create that nightmare scenario that you have described because we do not have the basic information as opposed to making a finely judged intervention on the appropriate level of funding to sustain and to continue to develop and expand the opportunity for further and higher education? We appear to say, "Well, we do not know, they are autonomous, we do not audit their efficiency programmes. We will set what has to be a safe guesstimate on the level of efficiency costings that we will apply, but we know in

advance that it will not do any damage because the information indicates that they can continue to develop their profile." I am sure that if you were to negotiate or have a preliminary evidence-based discussion, they could satisfy you as to whether you have applied the appropriate level of efficiency saving.

(The Chairperson [Mr McKay] in the Chair)

Mr A Hamilton: The annual results that I have referred to, which show them making surpluses at the bottom end of what is acceptable, are part of that evidence base.

Mr Mitchel McLaughlin: I have just had a facetious note here that says that perhaps Departments that are struggling should make bids for the University of Ulster's funds during the monitoring rounds. I am sure that you would not support that.

Mr Girvan: I appreciate that great emphasis has come on the universities and what is going on. The fact that they were able to create a war chest, if I can use that term, to purchase property at peak prices in north Belfast brings that back to the point that, business case or not, we will wait to see whether it ever stacks up or not. We know that the Jordanstown campus may be difficult enough to market and get all sold off. We know the case; we have seen it. I have spoken to people who have been involved in that industry and have had all sorts of issues. They have made very good use of exploiting — I use the term because it was mentioned earlier — their arm's-length approach. How can we be sure, if we do not have all the information? That is the point: we do not have all the information about the so-called 45,000 or 50,000 full-time students in university in Northern Ireland. I take it that is between the three campuses?

Mr B Lyttle: Yes. Both universities and all campuses.

Mr Girvan: I will take that as 50,000, of which a large percentage are still receiving public funding through another source, including through student loans, which are dealt with by another Department. There is a lack of joined-up approach.

Mr A Hamilton: No, we are responsible for the student loans.

Mr Girvan: OK. I appreciate that. I want to work out where we stand with getting all the information. If we are only seeing part of the picture — the universities are precious about a lot of things and are not willing to let us know about them — how can we have any reliance on the audit report, which has some glaring holes in it because of lack of information? Insufficient information is reported throughout it. That point seems to come out regularly; that there is insufficient information. If it is public money — and I know, with some groups, whether it be £20,000 or £200 million or more — we need to know a business case for it. It cannot just go into a white hole to be spent wherever you determine that it is important for it to be spent. Saying "There is the money you are getting this year, with the top-slice of the reduction; make your own efficiencies" — I think we need to put a spotlight on them to ensure that we are getting efficiencies.

Members at this table have met the universities about crises with staff and how they are working out all sorts of issues associated with that. I know many members have met them recently, and there are all sorts of horror stories of what is going on with their funding. Perhaps their private stream funding is not coming through; we do not even know what the level of that is. I would like to know exactly what that is. It just says "generate most of their income"; if that is the case, we would like to see how much that is and make it accountable. How sure are you, as a Department, that the quality of the front line services will not be affected by the efficiencies that have been put in place?

Mr A Hamilton: The student satisfaction surveys, the Quality Assurance Agency for Higher Education analysis, which looks at the quality, and the position of the universities in the league tables for research all demonstrate good and improving performance by our higher education institutions. They are doing that without our interference; they are delivering on the agenda. We want to know that they are educating the number of students that we want them to educate; that they have got the right balance of student offering across STEM subjects and other areas; that the retention rates are high; and that they are held to account for the level of support they provide for students. That all happens, and so we would say that there is a degree of control that reflects the taxpayer's interest. We have taken the learning point from this report and, when I next appear before you, I hope to be able to present you with a detailed table to demonstrate where they have actually made their savings, but that

is their management responsibility. I can understand the interest that you are expressing as public representatives.

Mr Girvan: On another Committee, we have been dealing with a body that is connected to a Department but works outside it, where its interpretation of certain things allowed it to go ahead and do whatever it wanted, or so it seemed. That was evidently its interpretation of what was given to it — that it does not matter what anyone else says, we can do whatever we want. I get that impression having spoken to universities. I get the impression that they think "This is ours, we will do what we want with it", to such an extent that they do not even bother communicating some of their decisions to the people who are directly affected. I have a personal gripe about this because the University of Ulster, which was based in Jordanstown, made the decision to move from there into Belfast without any consultation at all. It had made that decision because it had already purchased the properties. Now, after getting all the hardware in place, it is involved in a consultation. I believe that there must have been some accounting mechanism put in place. I know that publicly funded bodies must make sure that they do not use public funds to build up a war chest. They have to ensure that they spend the money that they receive. However, if they build and save funds that they receive from the private sector, not out of other public bodies, that is fine.

Mr A Hamilton: Maybe I can provide the Committee with some more details on this. My recollection, going back to when we were involved in sorting out the tuition fees issue, is that there was not a war chest and that the levels of surplus generated by both universities were within bounds. As I say, they were at the lower end of what was deemed acceptable. If that had not been the case and they had fallen below the acceptable level, the university would have been identified as being at risk, and there would have been a formal review by an independent body — HEFCE, is it?

Mr B Lyttle: Yes; the Higher Education Funding Council for England.

Mr A Hamilton: So they are subject to those controls. If they fall below that level of surplus, HEFCE will say that they are at real risk, because they are not generating and reinvesting sufficient funds into their services to sustain high-quality services in the longer term.

The other point that I would make is that, strategically, the universities work very well with us. We had their full co-operation in developing our HE strategy and the widening participation strategy. They have bought into the direction of travel, which, ultimately, is to provide a more responsive higher education service to meet the needs of industry and to ensure higher quality, better student experience over time — they have bought into all those issues, and they are working with us on 20 different projects to deliver the strategy.

Mr Cree: Good morning, gentlemen. It is good to hear that your Department understood what savings and efficiencies are, because quite a few did not. Indeed, the report is very amusing in some places, given what some Departments considered to be a saving. Not spending money, for example, was seen as an efficiency saving.

I would like to explore with you how, in fact, you go about these types of jobs on a wider departmental basis. Do you have, for example, a robust baseline to measure anything from? When you did your savings delivery plans, did you have a baseline, and did you know the unit cost of activities? Did you have all that in place?

Mr A Hamilton: At a strategic level, yes, but for some individual projects, you have to go down a level below the information that you have to hand. I understand your point: you need firm identification of the baseline to be able to demonstrate that efficiency has been delivered. As part of the process, having identified the area in which you want to make a saving, there is sometimes additional work to firm up the baseline because that information is not readily to hand.

Mr Cree: Do you have the information systems in place, as well, to monitor that?

Mr A Hamilton: You need to look at each project individually in order to determine whether that is the case. Some of the information that we have at a departmental level would be relatively high level, so you may need to produce more detailed information in order to demonstrate that an efficiency is being made.

Mr Cree: I listened to you talking about the universities. Perhaps it is unfair, because the other education system is equally important, but you were handing over a cut, as it were. You had not negotiated — I do not want to spend too much time on universities; we have flogged it fairly well to death — to see how they were going to use that money in an efficient manner. It is doing the same job, at the end of the day. They all do an excellent job, but they are doing at least as good a job at a reduced cost. You were not able to do that with universities, as such.

Mr A Hamilton: Again, we looked at that at a strategic level to establish whether they were delivering what we wanted them to deliver in the number of students being educated and the quality of the student experience, the teaching experience and all of that. We satisfied ourselves that that was the case. I hear what the Committee is saying. There is an issue about asking the universities for more detailed information on the savings that they are making. We do not want to influence that or intervene in a management process, but, from a reporting perspective, we want to be able, at events such as this, to give the assurance that this has not led to a service reduction or a reduction in quality of service.

Mr Cree: Finally, do you recognise the need to ensure that the impact of the savings on the service users is monitored as well?

Mr A Hamilton: That applies across all the efficiencies. If we look at the work that our skills or further education providers are delivering, they are subject to detailed quality assurance reports by the Education and Training Inspectorate. That also applies to the services provided for Steps to Work initiatives.

Mr Colum Boyle (Department for Employment and Learning): We do programme evaluations that show the before and after comparison. You asked earlier about baselines; sometimes the baselines are not set out in the detail that we would require them to get down to unit cost per participant of a programme. It might take a bit of extra digging to do that. We do not have a macro system that does that for us; you are into spreadsheets and numbers and drilling down to get that. It is a bit labour-intensive. That was one of the issues that the NIO picked up with us when we were running through this. As Andrew said earlier, we did not have all the information at our fingertips; we had to dig for some of it.

It can be difficult, as well, when your programme structure or your funding model for your programme is set one way and you move the participants on to a totally different programme that has a different funding model. It is like trying to compare apples and oranges. It can be quite difficult. The only way to drill that down is to get right down to unit costs.

Mr Cree: That heads up the removal of the training provision for Enterprise Ulster. Were you able to monitor what that delivered?

Mr C Boyle: I do not think that we did a particularly good job with monitoring that. We knew how much money the programme was costing. That programme amount was removed from my division's baseline. My division had to then work within that for the clients who were left. The participants who were on the training for work programme, which is run by Enterprise Ulster, were switched on to New Deal. We were able to look at the cost of New Deal. The unit cost for someone going through New Deal for a year was £1,300. There were 80 participants going through that, which is about a £100,000 cost. Did we track that at the time? No, we did not. However, it was a very easy calculation to do. The Audit Office asked us whether we tracked those 80 participants through New Deal. A large amount of money would have been required to do that, and 80 people was a very small amount — 0.6% — of the total going through New Deal. We did not track them to find out whether they got into work; they were treated as part of the New Deal cohort. We would not have tracked them in any other way.

The Chairperson: Thank you very much.