



**Northern Ireland
Assembly**

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

**OFFICIAL REPORT
(Hansard)**

January Monitoring Round

30 November 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Basil McCrea (Chairperson)
Mr Thomas Buchanan (Deputy Chairperson)
Mr Jim Allister
Mr Sammy Douglas
Mr Chris Lyttle
Mr David McIlveen
Mr Alastair Ross

Witness:

Mr John Smith) Department for Employment and Learning

The Chairperson:

You are here to explain everything to us, John, and you are very welcome. I am sure that you will know already that you will have to come back to the Committee if there are any significant changes to the monitoring round before the final submission to the Department of Finance and Personnel (DFP). Please take us through what happened and what it means.

Mr John Smith (Department for Employment and Learning):

Thank you, Chair. The paper in front of you sets out the backdrop that will inform our input to the January monitoring round. It begins with a strategic overview and then takes you through some of the process.

As I outlined when I appeared previously to discuss the outcome of the October round, the overall overcommitment that the Executive have at NI block level stands at £11.5 million in non-ring-fenced resource expenditure and £23.8 million in capital expenditure. When they come to consider this monitoring round, one of the key factors to consider is to what extent they need to manage that level of overcommitment and balance that against the new budgetary exchange system that we have in agreement with the Treasury. That is the mechanism to carry forward underspends from the block into the next financial year.

This is the last monitoring round of the financial year. There used to be one in February, but that has now been done away with, so the January round takes on additional significance. This is the last chance that we have to submit bids, and it is the last chance that we have to make any internal reallocations to put the budgets in the right place.

The Chairperson:

Will you speak up a bit? I have a cold and I can hardly hear you. It is not your fault; it is mine.

Mr Smith:

OK, I will turn the volume up a bit.

As I was saying, this is the last round of the year. This far out from 31 March, with four months to go, there is obviously an amount of variability, which makes it that bit more difficult to predict the final position. Therefore, it is key that we make a good, robust assessment and put our budgets where they need to be. As is customary, the outcome of this round will form the basis for the spring Supplementary Estimates (SSEs), which are the legal framework that underpins the Budget. The SSEs are the position against which the resource accounts are judged when we come to do our statutory accounts at the end of the financial year. That is why this round is really critical — it underpins that process.

To facilitate the January round, DFP has decided, this time, to split the input into two parts. The first part is that we need to give, by 7 December, details of the technical adjustments that do not need the Executive's approval. I will go on to discuss those in a moment. The second part, which has a deadline of 3 January, is where we need —

The Chairperson:

You are referring to section 3.1 of the paper.

Mr Smith:

Yes, that is right. We need to give to DFP all the details of Executive decisions, such as bids and significant proactive reductions and reallocations. As usual, Departments have the opportunity to manage internally their own emergent pressures by reallocating underspends to meet pressures within the context of their budget.

Section 4 of our paper deals with the local context for the Department for Employment and Learning (DEL). Obviously, the economic position remains difficult, and that is one of the key determinants on demand for our services, particularly in the employment service, where the continuing rise in the number of people on the jobseeker's allowance register is pushing cost, particularly on Steps to Work.

Page 5 shows that we have five technical budget adjustments to submit for 7 December. There are two budget adjustments out of the Department, totalling £125,000. There are three budget transfers into the Department, totalling £385,000. They are listed in the two tables that you see at paragraphs 5.1 and 5.2. The outward transfers are to do with the running costs and capital investment of the kiosk network in the jobs and benefits offices.

The Chairperson:

Hold on a tick. We are missing that page.

Mr Allister:

I have them all.

Mr Lyttle:

Jim has it. He found a way of getting it.

The Chairperson:

Questions will be asked. Jim, could we get a copy of that?

Mr Allister:

This page?

The Chairperson:

Yes. That would be handy. John, can you go on and come back to that point later?

Mr Smith:

I will move on to section 6, which gives a high-level outlook by departmental spending division. At the moment, we are processing all of the returns from the business areas; that is, all of their reduced requirements and bids and details about how they want to move money between their budget lines. It is quite a job to process that volume of material. At the end of that, we will be able to provide advice to the Minister about the overall position on the round. We are not able to do that today, because we have not finished that piece of work. Therefore, I have given you a narrative overview of what we expect the position to be for each division.

Paragraph 6.2 covers skills and industry. You will recall that, earlier in the year, there were some pressures on the ApprenticeshipsNI budget, but, in the October monitoring round, we managed to make some internal reallocations within that division to meet the pressure on that budget. We do not anticipate any significant new pressures within that division, although I need to point out that, because many of the programmes are demand-led and we are dependent, to a degree, on information being sent to us by the external providers, the position could change. As I said, with four months to ride out in this financial year, we are taking quite a long view at this point.

Moving on to the employment service, at paragraph 6.3 —

The Chairperson:

John, I do not know whether this is the right way to do it, but I will ask you this question and you can tell me whether you would like to talk about it now. Is this the budget in which we reduced the number of apprenticeships; in fact, the one in which we were going to do away with them? No, Nuala is shaking her head behind you.

Mr Smith:

We reduced the amount of funding that we were giving to employers.

The Chairperson:

I will leave it; I will let you go through, and we will deal with it at the proper time.

Mr Smith:

We have discussed the employment service at length in the past. As you know, there are particular pressures on the Steps to Work budget. As you are also aware, the Minister had agreed a number of cost-control measures, including a temporary pause on Steps to Work. That should limit the overall pressure on that budget to a minimum of £4.6 million.

However, as with other areas, there is a lead time to knowing how successful that pause is going to be, and we will not know until the beginning of December and into the final quarter of this financial year how successful that measure is. At this stage, we know that there will be a pressure as we go into the January round of about £4.6 million-plus on Steps to Work. That is obviously a significant issue for us. In our deliberations on January monitoring, we will be considering whether we should bid again or, if we have reduced requirements from elsewhere in the Department coming through, we will look at the extent to which we can offset and meet that pressure internally.

Moving on to the further education (FE) division, there is, essentially, no change from the last time that I reported to you. We expect that division's expenditure to be in line with its budget. Although there are pressures in the sector, they are being managed at a local level by colleges. There is a similar situation in the higher education (HE) division. We also expect the strategy, European, employment, and corporate services divisions to be broadly in line with their budgets.

The budget for administration costs is around £26 million. In line with the trend of the past number of years, we expect that to be on budget or, possibly, a small underspend towards the year end.

On capital investment, it is pretty much the same picture that I reported to you in October. We have a capital budget that is balanced for the year. Operationally, we have now started to see a number of business cases coming through from, in particular, the HE sector. It has been bidding for drawdown of the resources that are available to it. We have been turning those business cases round, so we should start to see some spend in that sector in the rest of the financial year.

Finally, as you are aware, we bid for two additional amounts of money from the Executive's social protection fund. When I discussed this with you previously, I outlined what that was about. We have not had an outcome yet of that bidding process, so we await to see whether we have been successful.

I will take you back to chapter 5 of our paper. It contains the details of the technical adjustments that we will submit by 7 December. There are two outward transfers, one capital and one admin, for the kiosk network that is in the jobs and benefits offices. That is for £125,000, and it will go to the IT Assist division in DFP.

There are three inward transfers, two from the Department of Enterprise, Trade and Investment (DETI) and one from the Office of the First Minister and deputy First Minister (OFMDFM). In total, that is £385,000 for a range of initiatives. There is a joint initiative with DETI/Invest NI that gives £100,000 to Steps to Work. It is a joint programme to give assistance to employers who are prepared to take on people who are unemployed. There is a transfer of £250,000 from DETI/Invest NI to enable us to continue the Bring It On IT programme, which is delivered for us by e-skills UK. Finally, there is a transfer of £35,000 from OFMDFM to help us to develop a tracking system for young people not in education, employment or training (NEET). Those budget transfers will be actioned in this round, and that will give us extra spending power for those areas.

The Chairperson:

I brought the matter up in the Committee, so I will ask you about it. Is the £35,000 from OFMDFM for the tracking system for NEETs in addition to funds that DEL was going to put in?

Mr Smith:

Yes, that is right.

The Chairperson:

Is the money being spent on that project ever quantified anywhere?

Mr Smith:

I do not know the answer to that, Chair. I can look back for that.

The Chairperson:

Given that I raised the matter earlier with the Committee, we will write to the Department to ask what the exact spend and detail on the project is. John, I know that that is not your issue and that you are here to deal with the finance.

Sammy, earlier, you mentioned a particular issue to do with Steps to Work. Are you in a position to start with that?

Mr Douglas:

Yes. I do not think that John was in at that stage. There is a lot of support for that programme, which has been successful. When we bid for the programme, are we going into the social protection fund? That is a fund of around £20 million.

Mr Smith:

One bid is still at large, if you like. We bid to the social protection fund for the money to take forward the Step Ahead strand. In parallel to that, there is a pressure on the main Steps to Work baseline of at least £4.6 million as we go into this round. If necessary, we will bid to the Executive in the January monitoring round for money for that.

Mr Douglas:

To my knowledge, a number of Departments would be keen to look at the £20 million programme that we have bid into. I imagine that that will be oversubscribed.

Mr Smith:

It could well be. I do not know who has bid and how much they have bid for. Obviously, we have submitted a bid and we are hopeful. We would really like to get that money.

The Chairperson:

When will the decision be made on the bid?

Mr Smith:

We are not sure. We know that OFMDFM is looking at the applications now, but we do not have a timeline for when we will hear back.

Mr Lyttle:

When was it submitted?

Mr Smith:

I do not have the exact date, but it was at least two months ago.

The Chairperson:

We would like to know more on that, given the points that Sammy and Chris have raised. We would like to know the detail. Will you drop us a note with that detail, please? It is a key part of what we are talking about.

Mr Douglas:

I want to ask about a general point. Where does the potential for other funds come into it? Thinking about the likes of the A5, there was talk of £450 million, and yesterday, after the Chancellor's statement, they were saying that there could be £150 million. Is that in the

future, or will that be factored into the present review?

Mr Smith:

At the moment, we are not close to what is happening with that particular issue, other than we know that the Executive are looking at the implications of the A5 decision and how they might recycle or use the public expenditure money that we have.

The Chairperson:

John, I understand that we are helping members to understand your position and the role that others play. You are dealing strictly with the finance, and we know that. But at the same time, when the announcement was made, Sammy Wilson was on the media saying that Northern Ireland was going to get £200 million because of the autumn statement —

Mr Douglas:

£150 million.

The Chairperson:

Sorry, £150 million.

Mr Douglas:

I think that, at one stage, he reckoned that we could maybe lose £200 million to £300 million.

The Chairperson:

The issue is that he said that there was no doubt that Departments would be coming forward with schemes that would save money in the longer term. What is the process for that? We understand that, presumably, you do not just use your initiative and phone people up, so how do you get contacted? How quickly does that happen? Or is it handled in the monitoring rounds?

Mr Allister:

It is not for this year, is it?

The Chairperson:

No, it is not for this year, but how is that additional money made available?

Mr Smith:

It is generally through the monitoring rounds. The Executive will ask for bids in the usual

way, but when all the bids are being considered by the Executive, they will look at factoring in any additional spending power that they have through the Barnett consequential and balancing that against any overcommitment that might exist at block level. The process generally happens through the monitoring rounds; that is the way that the Executive effectively review the Budget three times a year.

Mr Lyttle:

I want to supplement Sammy's comments on the Step Ahead programme. There are aspects of the Department's work that I disagree with and aspects that I agree with. This bid is for the Step Ahead programme, which involves six months' work experience in the community and voluntary, public and private sectors for young people aged between 18 and 24, lone parents, and those moving to jobseeker's allowance as part of the welfare reform agenda. In my opinion, it is an excellent programme. There are people in mine and Sammy's constituency who were making significant progress utilising the programme. I would like to think that the Committee will support that bid, and I hope that OFMDFM is able to process that decision as quickly as possible.

My question may be less of a financial question and, if that is the case, fair enough. In relation to the jobseeker's allowance, how exceptional is the current level of jobseeker's allowance claims relative to the level that the Department had originally budgeted for? What has the collective Executive response been to this issue, which is of economic relevance?

The Chairperson:

John, are you in a position to answer that or is it something that we should pursue with policy colleagues?

Mr Smith:

I would not know the detail.

Mr Lyttle:

OK — fair enough.

Mr Smith:

I would need to go back and check what the underlying assumptions about the numbers on jobseeker's allowance were when we set our budgets. I do not have that information with me.

The Chairperson:

Chris, I think that that is the question that exercises us all. There must be something that we can do to get people some form of job or work experience. Just before you arrived, Chris, we were talking about the fact that this is probably the issue that the Committee will want to focus on. We will take your comments, and the Committee Clerk will speak to the Department. We really need to get to the bottom of this and get full support on that.

Mr Lyttle:

OK.

Mr Allister:

I want to return to the point about the impact of yesterday's announcements by the Chancellor. I assumed that, in the main, those are for the upcoming financial year, but maybe I was wrong. If they are for this financial year — mention of the Barnett consequential suggests that they are — that will impact quite significantly across the board on the monitoring round. Can you tell us whether what was announced yesterday affects the current spend year or is it for the next financial year?

Mr Smith:

I have not had the chance to read the detail of what was announced yesterday.

Mr Allister:

If it affects this year and there is more money, it will have a significant effect on the monitoring round.

Mr Smith:

If more money is available this year, that will be taken into account in the January monitoring.

Mr Allister:

If there was suddenly more money, it would set everything on its head, would it not?

Mr Smith:

It could well do.

Mr Allister:

Most of it is capital money, though, and DEL is not a big capital spender.

Mr Smith:

If it is capital and it did come this late in the year, it would be difficult to spend it, because there is obviously a lead time.

Mr Allister:

That is why I asked the question.

The Chairperson:

Jim, I think that you are right. It could not be done in such a short time, could it?

Mr Allister:

I do not think so.

The Chairperson:

We will check that out. I think that it must be for the forthcoming year, but that is a fair question for us to ask.

Mr Smith:

My gut reaction is that it would be for next year —

Mr Allister:

Again, the A5 redistribution is capital money that will be redistributed as capital, whereas most of your expenditure is resource expenditure.

Mr Smith:

Yes, that is right. For example, this year, our capital programme is £41 million, and the current expenditure budget is closer to £900 million. We are not a big capital spender.

Mr Allister:

Could DEL bid for some A5 redistribution capital in order to refurbish some of the buildings at Stranmillis that they tell us are in need, for example?

Mr Smith:

It absolutely could. We know that there is also a need for capital investment in the FE sector.

Mr Allister:

The point that I really wanted to ask you about is a more generic one that arises out of paragraph 2.2 in your paper. The indication is that DFP's desire is to maximise the carry-over, as it were. Last week — it may have been the week before that — we had an interesting discourse in the Assembly from the agricultural side about how moneys that had to be returned to Brussels — £69 million — were, in fact, effectively covered by underspend. Of course, thereto there is an ongoing threat and an anticipation of further moneys having to be returned. Are we building up a cushion — a nest egg — by restricting the amount of money redistributed in the monitoring rounds so that we can set money aside for the Agriculture Department in relation to those issues? Is that beyond your knowledge?

Mr Smith:

I would not say that you could draw a line between any carry forward and Agriculture. The Executive are conscious that next year is tight. It is tighter financially than this year. If there is underspend in this financial year and we can carry it forward to alleviate a bit of the pressure next year, the Executive agreed that that is what they need to do. How they deploy that level of carry forward and where it goes is a matter for the Executive to discuss and agree at that time in the monitoring rounds.

Mr Allister:

The £69 million, which we know about, was money that came from underspend. It was set aside to meet that contingency. The very act of setting it aside to meet that contingency meant that it was not available for other use, which it would have been put to under monitoring. Is money still being set aside from across Departments to meet that future contingency because of the continuing difficulty from agriculture?

Mr Smith:

The detail of that is a matter for the Agriculture Department, but the Department for Employment and Learning is not setting aside money to meet the Agriculture Department's future pressures.

Mr Allister:

Except in so far as the pot for redistribution in monitoring is being restricted by the compulsion to carry forward as much as you can.

Mr Smith:

Under the terms of the agreement with the Treasury, yes. It is for the Executive to decide

how to deploy the money that is being carried forward. I am not aware that it is being ring-fenced for any particular Department.

Mr Allister:

That must be how it is being met.

Mr Smith:

Again, that is a matter for the Agriculture Department to answer.

Mr Allister:

Finally, there is not a lot in the paper about where your bids are likely to be. The closest you get is where you say that there might be a bid of £4 million or £5 million for Steps to Work. There is not a lot of information to the Committee on whether there will be any bids or where they might fall.

Mr Smith:

That is right. That is simply because we are coming at it relatively early. This is the first time that DFP or the Executive have agreed that there will be a two-stage monitoring approach.

Mr Allister:

And yet, bids have to be in with DFP by 3 January.

Mr Smith:

They do, yes.

Mr Allister:

So, they have to be settled this month.

Mr Smith:

We need to settle this within the next two to three weeks. At the point of writing our paper and coming today —

The Chairperson:

We understand that. I have spoken with the deputy permanent secretary about ensuring that the Committee is fully conversant with the detail of the bids. The time for you to come back to talk to us might be the Committee meeting of 14 December.

Mr Smith:

It could be, if, by 14 December, we were to have a settled position and the Minister was to agree the input for 3 January. However, at this stage, I do not wish to commit to a date, because I do not know how long it will take to get the figures worked through.

The Chairperson:

The last meaningful date for us is 14 December. That is the last Committee meeting before recess. We urge you to bring whatever you can to the Committee. I know that you are working through some things, but you could even talk us through the issues. John, I know that there is a danger that you are up here talking finance to us while your policy colleagues are trying desperately to give us information. We might have more than one of you at the table so that we can get information on the range of things that are coming forward. The Committee is trying to understand and be supportive. This Committee and the Department are at the very forefront of the challenges that face us in society. We really need to know and understand what we are trying to do and where we might apply helpful pressure. On that basis, we really would like you to attend on 14 December. Clerk, perhaps you will drop a note to the Minister to urge that, if at all possible, some information be made available on 14 December. That would be greatly appreciated.

Mr Smith:

That is fine. Obviously, we welcome your support on monitoring rounds. The support of Committees for bids can be really effective and useful. We want to work with you to get that information. As I said, at this stage, we have Committee dates and DFP deadlines, so we have to work these things through. We will do our best.

The Chairperson:

We understand. Thank you very much. As members have no further questions, we will let you go. We will see you on 14 December, hopefully.