Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Programme for Government Savings Delivery Plans: DEL Briefing

27 February 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Thomas Buchanan (Deputy Chairperson)
Mr Jim Allister
Mr David Hilditch
Mr Chris Lyttle
Ms Bronwyn McGahan
Mr Pat Ramsey
Mr Alastair Ross

Witnesses:

Mr John Smith	Department for Employment and Learning

The Deputy Chairperson: John, we are glad you are with us again to give us an update on the savings delivery plans from the Department for Employment and Learning (DEL). I welcome you here. The floor is yours.

Mr John Smith (Department for Employment and Learning): Thank you very much. You will recall that we published our savings delivery plans in March 2012. The plans outline how we will deliver the savings that we need to maintain essential services in light of the Executive's Budget, which covers the period from 2011 to 2015.

We carry out regular monitoring twice a year and report to the Department of Finance and Personnel (DFP) on how we are doing against the plans. The material in your pack gives the position as at 30 September 2012. As you will see, in this current financial year, we need to make savings of £91 million to do two things: to live within the resources that we have been allocated by the Executive; and to create some space to fund emergent pressures. As of the end of September, we were on track to deliver. We delivered £83 million out of the target of £91 million, and we are on track to deliver the balance by the end of the current financial year.

It is worth reiterating to the Committee some of the key determinants that we put in place when we were developing the plans. First, we wanted to squeeze out unnecessary bureaucracy and try to concentrate the resources that we have on maintaining and, where possible, enhancing front line services. We were bearing down on inflation, so across all areas of the budget and into the arm's-length bodies, we were expecting business areas to absorb the inflationary effects in their existing baselines. We were looking in some areas to improve productivity and efficiency in service delivery, while protecting the level and quality of services that we offer to the public.

The material is split into 10 savings delivery plans. The format is a standard one, as is required for consistent reporting across all Departments. Hopefully, that is self-explanatory. I will stop there and invite questions on any of the plans to date.

Mr P Ramsey: You are very welcome, John. We are living in times in which it is necessary to have cutbacks, and for those cutbacks to be more measurable. One of your aims is to have a higher level of productivity and output at the same time as making reductions. How will you measure that? Where do you measure it? What evidence is there that there is a higher level of productivity?

Mr Smith: One example is in the further education (FE) sector, where we have maintained the funded learning unit rate and kept it static over the past number of years. Effectively, we are asking the FE colleges to deliver more output from the same level of resources. We measure that periodically through the numbers of students, the quality of teaching and how the students are progressing through their units of study.

Mr P Ramsey: Is that internal assessment by the Department or is it independent?

Mr Smith: It is mainly internal assessment by the Department.

Mr P Ramsey: Can you share that information about performance levels of the colleges and the other outside bodies that you are funding?

Mr Smith: That is a matter for our FE division. It leads on that. We can take that back to them.

Similarly, the employment service is another area in which we look for productivity gains. As you know, the principal driver of activity in the employment service is the number of people on the jobseeker's allowance register who come across into our employment programmes, such as Steps to Work. Over the past number of years, those numbers have been rising. The employment service continues to deliver that same level of service within a level of resources similar to that which it has always had. Therefore, there are inherent productivity gains, which we deliver year on year.

Mr P Ramsey: Thank you very much.

The Deputy Chairperson: John, the papers that you presented state that savings of £13·1 million were made on lower-priority programmes. What exactly are those programmes?

Mr Smith: The first thing to point out is that, to enable consistent reporting across all Departments, the Executive agreed that there would be a standard naming convention. On the first page of the paper, you will see that we have grouped our savings into four areas: procurement; redundant programmes, which are not to be confused with redundancy programmes; lower-priority programmes; and other. That is the standard terminology. Lower-priority programmes are self-explanatory. They are the ones that we deem to be of a less high priority. As to the detail, there are three particular savings areas: B/1, B/2 and B/3. I can give you the detail on those.

The Deputy Chairperson: What I am trying to delve into is what exactly the lower-priority programmes are.

Mr Smith: They are in a range of areas. There was a general, central budget reduction of £8·5 million a year, which represented a 1% saving on the DEL budget generally. That was across a range of areas. It came out of the machinations of when we were moving from Budget 2007 to Budget 2010, and concerned how the baselines were being carried forward from the end of one Budget year to the beginning of the next. We found that we could save £8·5 million across a range of areas without there being undue hardship and impact on services. There is also a £3 million recurrent reduction. You recall that, when the coalition Government came in in June 2010, one of the first things that they did was to impose some cuts across the Civil Service in the UK, and we, in Northern Ireland, bore our share of those cuts. There was a centrally imposed reduction of £128 million across all Departments, and DEL bore its share of that. Those cuts were for only one year, the financial year 2010-11, but we felt that some £3 million of those cuts could be carried forward recurrently, and so they formed the plank of some of our reductions in the current Budget period. They were various small reductions across all divisions in the Department that added up to around £3 million per annum. That is the bulk of what we called "lower-priority programmes".

Mr Allister: Over one third of the £91 million that you are going to save this year comes from procurement: £32·5 million. Does that mean that that is £32·5 million that, hitherto, we were unnecessarily wasting on procurement?

Mr Smith: No. First, we were required to put all our savings into a box marked either "procurement" or "redundant programmes" to enable consistent reporting across all Departments. In essence, in the box called "procurement", we are buying services from the higher education (HE) and FE sector, and we badged the reductions that we were expecting those two sectors to make as "procurement".

Mr Allister: Does that mean that we are buying fewer services or buying the same services or more at a cheaper rate?

Mr Smith: The latter: the same services or more at a cheaper rate.

Mr Allister: Why were we not hitherto buying them at a cheaper rate?

Mr Smith: Do not take it as procurement in its more traditional sense of going out to tender and procurement gains. We had to badge the savings as something, and the best way to describe them was as "procurement".

Mr Allister: You are saying that it is the buying of services.

Mr Smith: We have reduced the amounts of funding to the HE and FE sectors —

Mr Allister: But we are buying the same amount of services for less money.

Mr Smith: — and we are expecting the same, if not more, than —

Mr Allister: Does that mean that, hitherto, we were being overcharged for services?

Mr Smith: I would not put it like that.

Mr Allister: We can buy the same and more services for less. Therefore, someone is getting less for the services that we are buying off them. Does that mean that they were previously overcharging us?

Mr Smith: No, it does not.

Mr Allister: What does it mean?

Mr Smith: We have reduced the amounts of block grant that we give to the universities and the FE sector, and we have expected them to deliver the same, if not more, services and to make efficiency gains locally to deliver those services that we require of them.

Mr Allister: They are selling us the same services that they sold us last year at a cheaper rate. Is that right or wrong?

Mr Smith: Not necessarily. They could be making up that shortfall in their funding by generating additional income.

Mr Allister: Did I not ask you whether that is accounted for by the fact that we are buying less or buying the same at a cheaper rate? You said that we are buying the same or more at a cheaper rate. Does it inevitably follow, therefore, that they were selling us the same services at a higher rate last year?

Mr Smith: That is something that I would have to take back and have a look at it. I do not have that information.

Mr Allister: What is there to look at?

Mr Smith: I would like to know what the outputs were, what we were asking the institutions —

Mr Allister: You come to us with figures and say that we are making a £32·5 million saving on procurement, and we start to press you on how we are doing that. Are you saying that you cannot really tell us?

Mr Smith: We reduced our block grant to the FE and university sector.

Mr Allister: Yes, I understand that.

Mr Smith: We asked it to deliver levels of service to us on numbers of students and on curriculum. The sector is delivering those. How it has made those efficiencies is a matter for it locally.

Mr Allister: It is delivering them to you at a cheaper price than last year.

Mr Smith: Yes. We have reduced —

Mr Allister: Therefore, you are getting the same service or better for less money. That takes me back to my original question: hitherto, were we being overcharged?

Mr Smith: You are saying that. I am not saying that. I do not know whether we were being overcharged. I have no evidence to suggest that we were being overcharged.

Mr Allister: But we are certainly getting the same or better for £30 million less?

Mr Smith: That is correct, yes.

Mr Allister: And you do not think that that might point to overcharging?

Mr Smith: I am not making any judgement on whether —

Mr Allister: Next year, we will save £34 million on procurement by buying the same services or better for £34 million less. Does that mean that we are being overcharged this year?

Mr Smith: I do not think that it does.

Mr Allister: What does it mean?

Mr Smith: It means that we are getting a better service for less, which has increased value for money.

Mr Allister: Are these just figures on a page? Are we just moving money around to create the appearance of something, but, when you begin to probe it, it may not amount to that at all?

Mr Smith: We have reduced the amount of block grant funding that the universities and the FE colleges get.

Mr Allister: What I simply do not understand is this: we can buy the same services this year for £32 million less, with no suggestion that we were being overcharged last year. Next year, we can buy them for £34 million less again, with no suggestion that we are being overcharged this year. The year after that, we can buy them for £35 million less, with no suggestion that we have ever been overcharged anywhere in that chain.

Mr Smith: Year on year, those institutions are getting better and more efficient at delivering their services, and they will be doing what we are doing in other Departments, which is bearing down on inflation and asking their local managers to go out and source things at a better rate. I do not think that it follows that, just because we can get the same service cheaper next year, we are overpaying for it this year.

Mr Allister: I confess that I just do not understand that. I will leave it there.

The Deputy Chairperson: What is the potential impact of the implementation of the savings delivery plan on the delivery of front line services for DEL?

Mr Smith: Sorry?

The Deputy Chairperson: What is the potential impact on the implementation of the savings delivery plan on the delivery of front line services? How will front line services be affected by the savings that are being made in DEL?

Mr Smith: By and large, front line services are not being affected, because we have sought to minimise them, and we are doing things more efficiently. We have trimmed areas in which we think that we can get better value for money, while maintaining the level of service that we are delivering. It is not the case that there are significant reductions in the quality of the service that we are delivering. We are better-targeting the resources that we have.

The Deputy Chairperson: Yes, but John, I have a letter from the Department of Finance and Personnel that should, members, have been in today's pack, but it was missed. It states:

> *"I can advise that as part of the September 2012 Savings Delivery Plan monitoring exercise, the following departments have indicated that implementation of Savings Delivery Plans may have an adverse impact on the delivery of frontline services in certain areas".*

DEL is one of the Departments mentioned.

Mr Smith: You say that that letter came from DFP.

The Deputy Chairperson: It came from DFP.

Mr Smith: I am not party to that letter, so I cannot comment on how it has arrived at that. That is something that we can look at.

The Deputy Chairperson: Will you find out, or can we go back to the Department on that?

The Committee Clerk: We can write to the Department.

The Deputy Chairperson: We will go back to the Department on that issue. Are there any other questions? None?

John, thank you for coming and sharing your thoughts with us today.

Mr Smith: Thank you very much.