



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Budget 2015-16: Dr Stephen Farry MLA,
Minister for Employment and Learning

10 December 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 Phil Flanagan
Mr David Hilditch
Mr William Irwin
Ms Anna Lo
Mr Fra McCann
Ms Bronwyn McGahan
Mr Pat Ramsey

Witnesses:

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

The Chairperson (Mr Swann): Good morning, Minister. You are very welcome. Thank you for coming back again to discuss the budget.

Dr Farry (The Minister for Employment and Learning): Good morning. I am conscious that we are back after only a couple of weeks, but we are happy to facilitate the Committee. I appreciate that there have been a lot of developments over the past few weeks. Obviously, the listed timescale around the original evidence session did not work in relation to our timetable around the publication of the draft savings plan, which hopefully now you have all received. You should have received that last week and had the opportunity to study and scrutinise it, alongside a host of other people as well, so it seems. However, we are more than happy to accommodate the Committee with a further detailed discussion, given the enormity of the issues before us.

I thank the Committee for its flexibility around timings this morning. I appreciate that there are a lot of other things happening this week, which may or may not produce results. We remain hopeful.

I do not want to make too long an introduction; I appreciate that there will be a fair number of questions asked. However, I will say a couple of things by way of pointing out the broad direction of travel. First, you will appreciate that the formal cut to the Department, as communicated in the draft Budget, is some £82 million. However, in practice, the difference between our previous baseline from the 2014-15 budget is a further £35 million. That means that the actual cut in the difference between baselines works out at £117 million. That is a much steeper cut in services and reflects the fact that

the jobs and economy initiatives, and some of the funding packages around Pathways to Success, were coming to an end on 31 March 2015. We also have to factor in pay and price inflation, which constitutes a further £15 million. So, in effect, there is probably a difference of £132 million in total. That is the scale of the challenge that faces us.

We will focus, however, on the closing of the formal £82 million challenge that the Executive have set. As you will see from the savings delivery plan, we have identified approximately £33 million to date. We acknowledge that we still have to figure out how we will address a further £49 million pressure. We set out what the impact would be on a number of key areas of the Department's work if we were in the situation of having to pass on cuts of that scale. That said, we are approaching this with a number of issues in mind. The first is that we may get a better settlement from the Executive in the final Budget. Whatever settlement we get, we will also, as a Department, be doing all we can to try to mitigate the impact of cuts on our front-line services.

With that in mind, we are looking at what is most relevant to supporting the economy and what is most relevant to supporting those who are most vulnerable in society. Our ability, however, to work within those two broad principles is fairly constrained because I think that you can make the argument that virtually everything that we do falls into one or other of those; indeed, in many cases, they will fall under both. Within that, there are some areas that we want to try to give a degree of protection to. That includes things like our Assured Skills programme, which works very closely with Invest NI. Only yesterday, we had another good announcement that WhiteHat Security from Silicon Valley will be opening in Belfast. We are also considering how to protect what we term narrow STEM in universities and colleges. What we mean by narrow STEM is maths, physics, computer science and engineering. While all subjects are important, those are some subject areas that are particularly relevant to local companies seeking to grow and inward investors. Our apprenticeship and youth training strategies are also being developed.

Those are some of the most important things, and we are trying to protect them, although everything is of value and some very difficult decisions lie ahead of us.

That is the end of my opening comments, Chair. Over to your good selves for questions.

The Chairperson (Mr Swann): Thank you very much, Minister. As it is such a wide-ranging budget, I would like to keep the discussion under the three main headings so that we can focus and focus your mind and your officials' minds rather than jumping all over the place.

In regard to higher education (HE) and further education (FE), there are the headline grabbing figures, with 1,000 students and 16,000 college places. Those are in your draft proposals. What provision have you made for the 17,000 young people? If you think they are going to be lost to universities and colleges, what are you doing, as Employment and Learning Minister, to provide something for them?

Dr Farry: That is the big problem that we have: there is no fallback position, particularly with reference to FE. Access to higher education tends to be more controlled and regulated around entry qualifications. FE tends to be open to everyone, which is something that we have been very proud of. Frankly, if we end up in a situation where we are removing places, we are denying life-changing opportunities to young people that would help them progress up the skills ladder, access employment in due course and engage with the labour market. So, there are some very real consequences.

The blunt answer is that there is no safety net. The implications are stark, not just for the economy but for individual opportunities. People talk about potential displacement to Great Britain in higher education. Not everyone can afford to do that, but we may not see those who make that choice back in the Northern Ireland economy. So, there are some very real consequences of what we face.

The Chairperson (Mr Swann): To be clear: this is your draft budget proposal. You had no alternatives to losing 17,000 young people's education places that you could have put forward in the draft proposal.

Dr Farry: Let me be very clear about what we are looking at. In the draft savings plan, we have put forward the projection for what a 10·8% cut means for HE and FE. You have to bear in mind that, between the two of them, they account for just over 70% of the Department's overall spend. So, our ability to face up to cuts of £82 million by navigating around HE and FE is next to impossible. We asked the colleges and universities what passing the 10·8% cut to them means for places, and that is the answer that they came back with.

We will be doing all we can over the coming weeks to see how we can work with the colleges and universities to mitigate the impact of a 10·8% cut or to reduce a 10·8% cut, with the primary objective of protecting as many front-line places as we possibly can. That is our objective. We are being transparent as to what a 10·8% cut would mean. Will that be the final situation? Hopefully not, and, if not, it will involve either more money coming on the table or us being as creative as we can be and looking at efficiencies in the colleges and universities to avoid a situation where cuts of that magnitude will happen. That said, I think it will be next to impossible to ensure that we have no cuts in terms of places in universities and colleges.

That is the blunt reality of where we are, and it carries a range of implications for our skills development work and the long-term transformation of the economy. In the context of there being potential for a lower level of corporation tax, what we are doing is utterly counterproductive, but that is the path that we have been set on.

I have one further thing to say, particularly in relation to higher education: I am very mindful that we cannot stretch budgets any further to cover more places at the expense of diluting quality. In higher education, there is already a funding gap of between £1,000 and £2,500 per place, depending on the funding band. We are struggling to keep up with investment in our undergraduates compared with other parts of the UK. I do not think that it is in anyone's interest for us to dilute provision further, because we end up short-changing our young people and future employers.

The Chairperson (Mr Swann): I just want to be clear. When we talk about percentages and savings, things start to get complicated. There are £82 million in savings to be made in your budget. You have identified £33 million, which leaves the Department to find £49 million elsewhere. That £49 million is not 10·8% of your budget, but you have asked universities and colleges to cost the number of places represented by a full 10·8% cut. If you have to find only £49 million, why are you asking universities and colleges to look at it as if they still have to find the full cut?

Dr Farry: The revised planning figure for colleges and universities is 10·8%. You will recall that we wrote to them earlier about a 15% cut, which at one stage we were looking at, and the draft Budget does not factor in welfare reform, one way or the other. The goalposts have moved a little during the autumn with the overall projections of what the Department is potentially facing. You are asking why we are not talking about a lower percentage, given that we have found £33 million. We do not have the freedom to implement a uniform reduction across the entire Department. There are areas where we are formally contracted, and we have to honour those contracts. There are issues with achieving savings in the workforce. When we talk about the workforce, we should remember that it is not just a vague concept. We are talking about people. Our ability to find savings in the headcount at the Department is also constrained by costs. We have been going through the timescales and processes. You cannot just take 10·8% or even more out of areas such as staffing all of a sudden and, therefore, have a lower level of savings for HE and FE, because you do not have that freedom of manoeuvre.

The Chairperson (Mr Swann): I will concentrate on the HE and FE headcount. A percentage of 10·8% is 1,100 staff places, whereas in your Department, you are talking of about 400 job losses. So you are asking the universities and colleges to take a —

Dr Farry: It is probably the other way round.

Mr Derek Baker (Department for Employment and Learning): Taken together, the universities employ many more people than the Department. The Department currently employs about 2,000 people. Based on the planning figures that we have, we anticipate shrinking our headcount by 400 posts during 2015-16. About half of those posts relate to existing departmental savings plans — for example, we had to ramp up posts to work with the Department for Social Development on the move from incapacity benefit to employment support. We will shed a number of those posts. We have a number of time-bound posts in specific projects that we have to get rid of. However, over 200 of the 400 posts relate to the proposed 2015-16 allocation, which is a decimation, according to the dictionary definition, of the Department.

I cannot claim that we have gone through the Department scientifically and assessed where posts will be lost and the impact on the services that we provide and the policy that we develop. It is a fairly blunt instrument. We have taken a top-down approach, with the idea that, if the Department is suffering a 10% or 11% reduction in its resource allocation, it will have to try to shrink its pay bill by that percentage amount, equating to just over 200 posts. We are going through the bottom-up

process: colleagues are engaging with each and every business area of the Department, asking how they would cope with a 10% reduction in their pay bill and a 10% reduction in staffing. We have some rational ideas about how to do or deliver things differently. We can quite legitimately shed posts, because we will no longer require them for programmes that we will stop or give to someone else. However, we have not worked through the whole Department and found out where those posts will go. The posts will be shed in the context of the Civil Service-wide voluntary exit scheme, which the Minister of Finance and Personnel has talked about. We are entirely dependent on the Department of Finance and Personnel in developing and implementing that scheme. That is why, in the consultation document, we have made provision only for less than a full year's salary savings — about half a year — because, with the best will in the world, that scheme will not be up and running, with people selected and out the door, until probably October 2015.

Dr Farry: On that, Derek, it is worth referencing the particular challenge of the voluntary exit scheme in the colleges and universities as distinct from the Northern Ireland Civil Service.

Mr Baker: You mentioned, Chair — maybe it was the Minister — our contractual commitments. You should include salaries in that, because they are a contract between the employer and the employee. Our FE colleges and universities spend a very large proportion of their budget on salaries. When faced with cuts, that will inevitably feed through to the workforce. It is just as difficult for the universities and colleges to work up and put in place voluntary exit schemes, because you have to spend up front to get the benefit; there is an upfront investment. Our arm's-length bodies — I include the universities in that as well as the FE colleges — are exploring with us the extent to which they might have access to any central fund that is put in place by the Department of Finance and Personnel (DFP) to facilitate voluntary exits across the public sector. That is pretty fraught at present because, as you can imagine, we are not the only Department. Just about all Departments and their arm's-length bodies are now putting their hands up and wanting access to that, so there will be a real pressure there.

The Chairperson (Mr Swann): Just before I open the meeting up to members, and while we are talking about HE and FE, I want to ask this: how are you getting on with getting the £7 million that you stated the Republic of Ireland Government owe you back into your budget?

Dr Farry: To be straight on that one, Chair, we are struggling. We are constrained by what is possible within European Union rules. I state this as a fervent advocate of the European Union who believes in the free movement of people, including students, across borders. The issue at present is that there is an imbalance in FE flows. It is a very particular issue in relation to the north-west or what we call the Donegal/Derry corridor. I will give the Committee a bit more context. I appreciate that the Chair and the Deputy Chair expressed frustration that this is new information. A number of questions have been asked in the Assembly over the past couple of years, and we have given the numbers of students from the Republic of Ireland accessing FE in Northern Ireland. What is probably new to the Committee are the cost implications of all that. Beyond what I am going to report on today, it would be useful for us to give you a formal note about the background and context. You will have that for your next meeting in January.

I will put some context on the issue. Approximately 4,500 students from the Republic of Ireland attend FE colleges in Northern Ireland. Of those, about 3,200 are in the North West Regional College. Bearing in mind that the South West College and the Southern Regional College are also in border areas, that means that about 3,200 out of 4,500 students — more than two thirds — are in one location. That indicates that there is a particular issue as to why that situation is apparent. People say that we already have a flow of students North/South and ask why we are raising the concern. However, people are mixing up the higher education flows with the further education flows. In higher education, it is still 2:1, with probably twice as many from the South coming to the North as go from the North to the South. IBEC and the CBI have identified some particular reasons why that is working through here. The particular challenge with FE is largely with skill levels 2 and 3. There seems to be an absence of an equivalent provision in County Donegal, in contrast with other border counties in the Republic of Ireland, which leads to a particular flow in that area. To some, it may be that Donegal and Derry are natural partners — a city and its hinterland — and that that has always been the case. If that is the case, we need to intervene to manage a distortion that is caused by the border. If it is a lack of provision in County Donegal, the Government of Ireland are not fulfilling their duty to provide for the training and education of their young people, and we are, effectively, picking up the pieces. The only way through this is probably through political acknowledgement and recognition that the Irish Government need to give us money to meet the cost that we are incurring on their behalf, which I think

will be a challenge, or they invest in County Donegal to address the problem that is leading people to come into the North West Regional College. That, however, will take time.

We talk about £7 million being the overall cost for all the student flows in FE. If you bear in mind that, on the basis of a 10·8% cut, we are projecting a £16 million cut to our FE budgets, and we are talking about a cost of £7 million, you will see how big a deal this is. It is not something that I raise lightly, and I am uncomfortable with it in many respects. Frankly, however, we have no choice but to push hard on this issue.

The Chairperson (Mr Swann): So 4,000 of the 16,000 places that we may lose in Northern Ireland colleges come from the Republic. Will there be a balance of the places to be cut? Will it just be —

Dr Farry: We need to be very careful. We cannot be seen to be discriminating between students from Northern Ireland and those from the Republic of Ireland. Under European Union law, we treat people equally. That is an issue with regard to access. You could, for example, charge fees, as is the case in universities, and state that only local residents are entitled to access the student support arrangements, but that would mean introducing charges for courses that have previously been open. We would end up cracking one problem through creating other problems for our local students. There is no silver bullet, but we continue to explore the issue to see whether we can find a creative solution.

Mr Ramsey: You are very welcome, Minister. You have a mean task on your hands.

There will be cuts to higher education. One of the goals of the Programme for Government is widening participation. My understanding is that these cuts in particular will have an adverse effect on those in the community who just about make it into higher education — those who might not have the credits in their A levels to secure a place. Can you give any comfort to those in our community who will now be part of the NEET bracket because they cannot secure a place?

Dr Farry: It is very hard to give comfort in that regard. We will talk presently about what we can do through the community and voluntary sector, and that will lead to discussions on NEETs. There are real consequences to what is about to unfold for life opportunities. They include access to a university. We continue to have our strategy, Access to Success. Widening participation is an Executive-endorsed strategy, so we are mindful of it. Universities are also very clear about their responsibilities in ensuring that they are encouraging participation. The impact will be the potential loss of opportunity for places. That may have a detrimental impact on those from the less-represented sections of society.

Mr Ramsey: You said that the university cuts are just over 10%. There are proposed cuts to the two key universities, Queen's and UU. Will you explain to us in detail the consequences for St Mary's and Stranmillis?

Dr Farry: At this stage, we are likely to pass on whatever cuts we eventually settle on for our universities to the teacher training colleges. We have also taken the decision to remove the small-scale premia and special institution premia that had been paid to St Mary's and Stranmillis. The proposal in the draft savings plan is to remove that. That will have a major impact on Stranmillis and St Mary's. That has to be taken in the round, but difficult decisions have to be taken. Those are the only premia that are paid to teacher training institutions in the UK. In that sense, we have an anomaly locally. If we are not prepared to address something that, to my mind, is not the front line, we will have to find £2 million of savings from elsewhere. If you pass that on to the rest of the higher education sector, you are probably removing several hundred more university places, and if that money is passed on to further education, you are removing several thousand additional places. So we have a very stark choice. We continue to pay something that, to my mind, is inefficient and not about investing in people, or we invest in as many people as we possibly can on a shrinking budget.

Mr Ramsey: I am sure that both colleges, Stranmillis and St Mary's, would challenge you on what you said about investing in people. Your letters to St Mary's in particular explicitly linked the cuts to the review of teacher training. There are those outside the House who will believe that, to use the budget as an excuse, is a deliberate ploy to put a "for sale" sign on the colleges, particularly St Mary's. What do you have to say to that?

Dr Farry: We could have proposed removing the premia at any stage over the previous number of years, but we have held back on doing that. We are now in a situation in which we have to make some extremely stark decisions, with massive implications for the future of our society and economy. That is the context in which that decision has been taken.

You referred to the ongoing review of teacher training. You will appreciate that the two stages of the review are complete, and we are in discussions with the institutions on the way forward. We now have an opportunity. With the impact of the cuts, we have the opportunity for clear mitigating action, which is agreement on a different way to provide teacher education in Northern Ireland. When we look to how we can handle cuts, we also look at any mitigating factors to minimise the impact. We already have a very inefficient teacher training system. The opportunity is there to create a facility that is financially sustainable, as well as internationally excellent, and one with better sharing and integration. I see this as an opportunity for us to move ahead and to try to find common ground.

Mr Ramsey: Chair, I have to try to get a wee bit more information on this. In the Chamber recently, in response to questions, you said that we needed to have a proper discussion among all the providers. You also said that you would need to seek agreement on this most sensitive issue. You are now coming here and telling us that you are using this as an opportunity to put on a further squeeze, without having the discussion with the bodies, which you referred to recently in the Chamber. I am appalled. This is the only Catholic teacher training institution in Northern Ireland. It seems to be a personal ambition of yours to close it down. I am saying that directly to you, because that is a sense that is felt outside the House. It is felt that there is a determination to use the draft Budget as an excuse to close down St Mary's.

Dr Farry: Let me say very clearly, Pat, that I did not say that this is an opportunity to squeeze the teacher training colleges or St Mary's. The record will very clearly reflect that. I am saying that we have an opportunity to mitigate the effect of the cuts to premia that we are proposing to take forward as part of our savings delivery plan. We need to be very mindful that we have a very inefficient system in Northern Ireland. If anything, we are still training too many teachers relative to other sectors of the economy. It costs more to train a teacher than an engineer, and we know where the pressure points lie in society. We also have to factor in the fact that the Department of Education is contemplating making thousands of teachers redundant over the next number of years. That is the context in which we are having this discussion.

I also remind you that we engaged an international panel of educational experts to examine the issue. Their report was independent, and it recommended a series of options for change. Those experts very clearly said that the status quo is not sustainable.

I have an open mind about where we go with those discussions. I want them to intensify in the new year. In light of the current financial situation, there is a greater impetus to have those discussions, because we need to find a more sustainable way forward. However, the context in which we are addressing the reductions is the fact that we have to make stark choices about how we spend a declining budget for the Department. I have made a commitment that I want to protect the number of places that we can provide for our young people as far as possible. If I end up having to continue to pay premia, I will have to pass on bigger cuts to universities and colleges, which, in practice, will mean fewer places being offered locally. That is our very stark choice, and it is all about choices.

Mr Ramsey: I will finish on this point. This is a hugely important issue for so many people outside the House. I believe that you are using this as an opportunity to tell St Mary's that it is no longer wanted in higher education. That is the message that is being received by those who represent the college. Would you be minded to host a meeting with me and some of those who represent Stranmillis and St Mary's to discuss the issue in further detail? How you expect those institutions to survive with cutbacks of over 30% is beyond me.

Dr Farry: I stress, Pat, that Stranmillis and St Mary's are arm's-length bodies of the Department, although there are somewhat different governance arrangements. The opportunity is there if the boards of governors or the principals of either institutions want to have meetings in advance of the meetings in the new year that we have requested with them. However, that is part and parcel of the normal engagement that the Department would have with the institutions that we respond to. We do not need to go down that particular avenue.

Mr Ramsey: Will you have a meeting with me?

Dr Farry: There is no difficulty if you want to request that. We can have a more detailed meeting. If the colleges want a meeting, they know that they can ask for one. In turn, we have asked for meetings with the colleges.

On the wider point, I reiterate that it comes back to a very stark choice between what we are doing about protecting our economy and the life opportunities of our young people, and we have to make very difficult decisions. We will end up cutting a whole host of areas that will cause real pain across vast areas of society and will deny opportunities to people in a whole range of different areas. I cannot stand over the payment of premia.

Let me be very clear that there is no set outcome from any process of engagement with the colleges. We recognise that we will continue to have a pluralist system of education for the foreseeable future in Northern Ireland, and we will have to train teachers for that. A range of different institutional designs can facilitate that, which does not necessarily mean that we will have autonomous colleges. A whole series of examples are cited in the stage 2 report that references international best practice and practice elsewhere in these islands. I encourage you to return to that and see the issues that are explored and the opportunities that lie through reform.

Mr Ramsey: I worry that you are closing the door on a Catholic institution in Northern Ireland and are trying to frustrate it from developing.

Dr Farry: No doors have been closed to anyone.

Mr Flanagan: Thank you for your presentation and for coming back, Stephen. This is a comment; you do not have to respond to it. You said that there is no silver bullet to the problem of students from the South coming to the North and you not getting any money. You might not have heard, but we have a solution for it.

Dr Farry: Yes. How is that going, Phil?

Mr Flanagan: It is going all right; it is not going too bad. I am fairly confident that we will get there soon enough.

I am still sympathetic to the wider plight of your Department, and I am supportive of your efforts to get money into the sector; I think that we all are. The Executive's number one priority was growing the economy and tackling disadvantage. It is a twin-track approach, and we need to remember that. Education is the best route to get people out of poverty.

On the issue of the proposed cuts to university places, I hope that you are painting the worst possible picture and that it might not come out as badly, but sometimes I am an optimist.

You — maybe not you but your Department and the arm's-length bodies — are talking about 1,000 university places and 16,000 FE places. What advice would you give to a year 14 student with a conditional offer from one of the universities for a first-year place in university in September next year? What are they supposed to do?

Dr Farry: In very broad terms, they should carry on if they have an offer. A lot of this will be settled in January when many other offers are made. Let us be clear: our colleges and universities are not being shut down, and they will continue to function and to be first class. We will take difficult decisions about how best we can protect the colleges and universities.

Mr Flanagan: Is there a chance that, if those cuts in places are brought in, people who have received conditional offers will receive revised offers? How will that work?

Dr Farry: That has yet to be bottomed out. Not everyone will have received offers at this stage, and I would expect that the offers will continue to be honoured in most cases. I think that there will be clarity in January. I am very mindful that we need to get it settled one way or the other within the next few weeks and probably no later than the end of January. The lead-in time for people getting offers and accessing universities in September is quite long, and people will need certainty. We are talking about the potential of 1,000 university places, which is incredibly serious. That is not the removal of all opportunity, and places locally will continue. If anything, we should be seeking to increase the number

of places in universities, and Pat omitted to reference Magee and the expansions there, but no doubt that is still on the agenda.

Mr Flanagan: Do not forget that we have our own proposals in Fermanagh.

Dr Farry: Yes. We will see what happens there.

I need to challenge you, but first I will say that I welcome your saying that education is the best way out of poverty. I fully concur with that, but we need to look to the decisions that were taken on welfare reform. I have long said that there is more than one way to help people who are in poverty. Welfare payments are one aspect of that, but we must also look at how we can facilitate and enable people to improve their situations, to access employment and to go into training and education on the pathway to accessing it.

Mr Flanagan: Are you telling me that, if Sinn Féin rolled over and said, "Implement the welfare cuts", there would be no cuts to your Department? Is that what you are trying to tell me? Is welfare reform the solution?

Dr Farry: I am trying to communicate that choices are being made, and when we put so much emphasis on not moving on welfare reform, distasteful as it may be, it has knock-on consequences. It means that, in practice, there is less money across the piece, not just for my Department but for other Departments and for a host of interventions that we would like to make to provide opportunities for the most vulnerable in society, but we will be curtailed in that. While we may end up having a more generous welfare system than elsewhere through one means or another, that comes at a price and the opportunity cost of helping people to have different set opportunities.

The Chairperson (Mr Swann): Phil, can I bring you back to HE or FE? That is what this section is about.

Mr Flanagan: I am trying to —

The Chairperson (Mr Swann): Never mind "trying to", can I bring you back to it? Other members want to ask questions.

Mr Flanagan: What responses have you got from your Executive colleagues about the need to protect the further and higher education sector in any Budget settlement?

Dr Farry: It is fair to say that we are getting a good hearing in that regard, and, indeed, the wider business community and civil society fully understand the points that we make. The issue is how exactly more money can get on the table. I am not saying that the way to do it is to take money off other Departments to fund DEL; we need a more realistic approach to the Budget. That means addressing how you manage a divided society and whether there are better ways of investing in shared facilities, for example. Teacher training may be one aspect of that. There are aspects of what we do with responsible revenue raising that is fair and progressive but which brings more money to the table. That in turn will ease the pressure on budgets. We are probably the first Government in the world who are trying to address a huge funding problem through almost 100% spending cuts as opposed to revenue raising. Even the Conservative-led coalition in London —

Mr Flanagan: That your sister party is in.

Dr Farry: — never went for 100% cuts. The approach that your party and the DUP are taking in trying to manage the current financial pressures is several steps to the right.

Mr Flanagan: Come on now, Stephen, or Robin will tell you to get back to HE and FE. We will give you this under the other section at the bottom.

One of the big things that we are told is that, if we reduce student places here, we will see an increase in the number of students going to England, and that that comes with a knock-on impact of increased cost to support those students over there. What are we doing to make sure that, by cutting student places, we will not actually increase departmental spending on students if more people go to England?

Dr Farry: The knock-on consequence to student support for students not going to Northern Ireland but to Britain is not as big as most people think, because the vast bulk of the cost implications would be logged against annually managed expenditure (AME) money, rather than the Northern Ireland block grant, outside the context of the maintenance grant. So, in some respects — this sounds slightly counterintuitive — it is actually cheaper for students to study in Great Britain than it is to study in Northern Ireland. However, that outcome would have massive implications for our economy, because we would end up exporting our talent, so there is a very strong reason why we want to educate our young people locally. However, the cost implication of students going to Great Britain is not as big as people think.

Mr Flanagan: Not directly on the block grant anyway. In terms of the argument that you have started about trying to get the £7 million for students coming from the South to the North, can students from the North attend universities in the South to off-set that cost differential?

Dr Farry: Yes. When we talk about off-setting, that is a reference to further education. In terms of the balancing in further education, our colleagues in the South are trying to collate the data to assess it. They do not collect data on the number of Northern students who happen to be in FE equivalent in the South; we are fairly clear that it is minimal. In further education, the student flows are largely in one direction: South to North. In higher education, the student flows in both directions on the island are still considerably underdeveloped, but it is still 2:1, with more students from the South studying in the North than vice versa.

Mr Flanagan: The FE sector is very well developed here, and as a result there is not that much demand for students to go to the South for FE, but in HE there are opportunities in the South for Northern students to avail themselves of. Is it a different pot of money or a different line on a cost spreadsheet if students in the North want to go to the South to access universities compared to students from the South coming to the North for FE?

Dr Farry: Yes, they are entirely different budgets. The £7 million figure is a reference to further, not higher, education costs. The price for higher education is higher; it is closer to £10 million.

Mr Flanagan: Would it save your Department money if we could encourage more students from the North, particularly those living in border areas, to avail themselves of opportunities in Louth, Sligo or Letterkenny?

Dr Farry: It would be progressive in a whole range of areas if we had a better balance of flows on the island, yes.

Mr Flanagan: Is that something that you are trying to pursue?

Dr Farry: There is a host of barriers to that, which we are trying to work through; one concerns careers advice. There are issues with the recognition of A-level grades in Northern Ireland. We are not getting any general response. Your colleague John O'Dowd leads on that aspect. Some universities have relaxed their criteria for students from the North, but there is no general change in policy across the entirety of the higher education sector in the South in that regard. There are issues with funding. It is still cheaper for students from the North to study formally in the South in terms of registration fees, and we provide student loan support for that. However, there are issues around the cost of living, which is slightly higher and can be a deterrent.

Ms McGahan: I will follow up on some of Phil's issues regarding the FE sector. You stated that you are looking at how you reduce spend without actually impacting on front-line services. Can you elaborate on that? Does that include wage cuts, for example? Can you elaborate on the use of shared services between colleges? What are the potential savings from that?

Can we also have a detailed breakdown of the £60 million that goes to students who study in Britain? What we are hearing is that, if universities are reducing student places, the £60 million figure will substantially increase. I would like a detailed breakdown of what the Department pays and what comes from the Treasury. That is a follow-up from the last meeting that we had with you.

Dr Farry: That information either is, or will be, en route to you; we have a commitment to send it to you. In the short run, those costs tend to fall to the UK Treasury rather than to the Northern Ireland block grant. However, if we had a considerable change in policy that had knock-on consequences for

the Treasury, they would quickly call us out on it. So, we need to be slightly careful in that regard. However, the bulk of the higher education costs that will fall directly to the Department relates to maintenance grants for students going in that direction.

You put your finger on the issue of how we take opportunities to do things differently in further education colleges; shared services is one. There are procurement practices that could be done differently, although there may be other functions that could be provided on a shared basis on behalf of all six colleges. To be clear, we are not proposing to merge or do away with colleges. That is probably a bit of a dead end at this stage.

There may be functions conducted through the Department, particularly business interfaces, that could be more efficiently delivered through the colleges as well. So, there may be areas of responsibility that we could build into colleges. Equally, there are issues around us developing strategies on apprenticeships and youth training, where colleges will be key delivery partners. So, in future, there may be support from those to balance out other reductions that have to be made. Those are all ongoing discussions, so we cannot be much more definitive at this stage. However, that is the rough plan of work ahead as to how we try to address those issues.

What was your third point?

Ms McGahan: The £60 million and the shared services.

The Chairperson (Mr Swann): Bronwyn, information on the £60 million was actually tabled this morning; it is at page 6. We have received that.

Dr Farry: Aha; so we have fulfilled our duty in that regard. At least that one anyway.

Ms McGahan: Just this morning. *[Laughter.]*

Mr Baker: I will pick up on the shared services point. We are working with the colleges, and the colleges are working together, to identify the scope for better shared services. For example, one college, South East, I think, has developed an online enrolment facility that has saved it quite a bit of money because it does it all electronically. However, not all colleges do that, so we might roll it out. Some colleges have developed innovative solutions in financial transactions, HR, IT and management information, but they are not coming across all colleges.

A really, really crude estimate is that we might be looking at a saving across the sector of up to £1 million in those areas. We are working that through with them. However, I would not like to say that that is a fixed amount; it could be more, and it could be less. I am jumping the gun a wee bit and may be stealing a march on the Minister, but we are even thinking about whether it would be worthwhile making a bid, through the change fund being highlighted in the draft Budget by Minister Hamilton, to invest a wee bit in that so that we can save down the line. That is work in progress.

Ms McGahan: Finally, I will make a comment as a parent whose daughter is going through the UCAS system. As a parent, you are worried. One of the concerns that has been raised with me is that students at that age who may be looking at plan B — for example, an apprenticeship route to accountancy where they will have to go to an FE college one or two evenings a week — will also be affected by these Budget pressures. I do not expect you to have an answer, but I am simply drawing it to —

Dr Farry: But we do. *[Laughter.]*

Ms McGahan: Right, OK.

Dr Farry: First, I would not regard your daughter doing an accountancy apprenticeship as a plan B; in some respects, it could be a joint plan A. We want to see parity of esteem between the more traditional higher education routes and apprenticeships. However, higher-level apprenticeships are often tied up with a foundation or, in due course, a bachelor's, degree. They are just a different way of getting higher-level skills. We have a strategy for that, as it is of strategic importance to the Department.

In my introductory comments, I was keen to stress that we are seeking to protect what we are doing on apprenticeships. We have to be innovative in how we use the scarce resources that we have to go as far as we possibly can. Investing in apprenticeships is a more cost-effective way of providing higher-level skills, and it often works out better for employers. The more we can shift employers and potential students into that pathway, the better. We will actively seek to pursue that very keenly.

Mr Hilditch: Thanks for your attendance this morning, Minister. It is a difficult task before you and the Department. I think that it was Derek who spoke about voluntary redundancies potentially flowing into the universities as well. Can you clarify whether the Department has any responsibility for actions that universities take at that level?

Mr Baker: The universities would run their own schemes in accordance with their contractual terms and conditions for redundancies. Universities have run voluntary exit schemes in the past, as have FE colleges. They have a separate scheme that is not the Civil Service scheme. However, as I said before, there is a bit of a scramble for access to the central pot — if there is to be a central pot — and that is where the difficulties arise.

Mr Hilditch: I heard you mention that, so I just wanted to pick up on it and have it clarified.

Mr Buchanan: Minister, thank you for coming again this morning. No doubt we are looking at a very bleak picture, but, hopefully, that will change slightly and we will have a bit of light at the end of the tunnel. A lot of issues have been touched on regarding FE and HE. I want to ask you about one issue that people may be afraid to look at. Have you any plans, at any time, to open up discussion on student fees?

Dr Farry: We have no immediate plans in that respect. We are looking to have a large engagement with stakeholders once the draft Budget is finally agreed and is being implemented. First, the lead-in time around changes in student support does not lend itself to our finding any savings in the forthcoming financial year. So, in practice, we will be talking about down the line. That said, there is a choice to be made in this regard. In England, they have gone for fees of up to £9,000; there is even a debate there about whether they will go higher than £9,000. In Scotland, they have gone in completely the opposite direction: for Scottish students, it is free; there is no fee at all. The Scottish Government decided to direct funds to higher education at a much higher level than we in Northern Ireland. There is a very clear choice for us to make.

However, one way or another, we need to come to a more sustainable solution for higher education. In particular, as we talk about transforming the economy and look ahead to potentially having a lower level of corporation tax, the need for higher-level skills will become ever more acute. We have to make sure that we are doing all we can to provide those skills. That means, as well as apprenticeships and what we do in colleges, a strong stream of university graduates. So, we will need to discuss ensuring that we have greater financial stability for the institutions. However, there is a range of different ways that we can go about that.

Mr Buchanan: One other issue: are we still training too many teachers?

Dr Farry: In my personal opinion, yes; however, those numbers are set by the Department of Education. At times, the numbers are quite openly presented as being of a level to help the viability of institutions as opposed to what is a proper assessment of long-term labour force planning. What we are now looking ahead to, with potential redundancies in schools, makes that picture ever more acute.

Mr Buchanan: So, if the Department of Education, which sets the number of teachers to be trained, got its house in order we could have savings as well in teacher training.

Dr Farry: Many people would benefit from a reconfigured approach to teacher training. There are a lot of wins in that regard, including training a more realistic number of teachers. In some ways, it is unfair to train people who have hopes and dreams of becoming a teacher in what will be an ever more constrained market. We need to be mindful of giving our young people the best advice. Some will want to be a teacher and nothing but a teacher, and it is not for us to curtail that; equally, however, we need to be realistic as to where opportunities are opening in the future economy. We know that we need a lot more computer scientists and engineers and people with good analytical skills who can work in companies that are expanding and investing in Northern Ireland.

Mr Buchanan: It is a challenge for our careers service.

Dr Farry: I hope that you had a good session this morning in that regard.

Mr F McCann: I thank the Minister and his officials for coming along this morning. Like everybody else, I know that it is a difficult time. I want to go back to one of the questions that Pat Ramsey asked. Did you consult St Mary's about the proposal to withdraw the premia?

Dr Farry: That was a decision for us to take, and we were well aware of its views on the matter.

Mr F McCann: So, you had no discussion regarding the premia. Did you discuss the cuts that would be coming with the universities?

Dr Farry: We have had discussions with the universities about the scale of cuts. In that context we are talking about huge amounts of money, so we have had meetings with the vice-chancellors. We have had discussions with all the future education and teacher training providers over recent months in that regard.

We also had the Grant Thornton report, which looked at finances. It was clear, in the context and effect of the premia, that it was leading to a situation where the cost of teacher training is well in excess of that elsewhere in these islands. That is largely due to the payment of premia. The landscape in this regard has been clearly articulated over the past number of years.

Mr F McCann: There is an argument that, while universities are to be given a certain cut, the withdrawal of the premia could lead to a 31% cut to St Mary's and Stranmillis over the next year. The direct consequence could be the closure of both institutions.

Dr Farry: Let us be very clear, Fra. First, we are talking about a draft savings plan that is out for consultation. Secondly, the premia themselves are not an investment in the front-line delivery of services; they are geared towards the institutions in question and they are a reflection of the fact that we have small-scale institutions. In the context of extremely severe — indeed, unprecedented — cuts, we have a very clear choice to make.

Do we continue to pay the premia, which, I would argue, are a luxury, to the teacher training colleges and cut out several hundred more university places or several thousand more further education places? Alternatively, do we take the difficult decision, with the mitigating factor that we have the opportunity to agree a reconfigured form of teacher education that provides sustainability for our teacher training system and, in doing so, mitigate the level of cuts to our universities and colleges that we would otherwise face?

In that way, we maximise our scarce resources to ensure that we can provide as many places as we possibly can for our young people and prevent them having to leave Northern Ireland or go on the dole with knock-on costs elsewhere. Those are the stark choices that we face. When you sit there making an argument for the retention of the premia, this is not magic money that we can pull down and keep. It comes at the consequence of a different choice being made elsewhere and deeper cuts being experienced, which means fewer opportunities for our young people. I am very clear: I want to protect and maximise the number of our young people who can go to college and university in Northern Ireland. That is my central objective.

Mr F McCann: I listened to the points that you made to Pat. Many in my constituency believe that you have led a personal crusade against St Mary's; it has always been your intention to push for the closure of that Catholic education facility. I think that you near enough admitted that the consequence of the removal of the premia and the cuts will lead to its closure. Have you even looked at the impact that that will have on wider society in west Belfast?

Dr Farry: You are very good at putting words into people's mouths, Fra.

Mr F McCann: I am just picking up on what you are saying.

Dr Farry: I did not make any of the comments that you have relayed to me.

This is not a personal crusade. In this morning's 'Irish News', there is an attack on us for presiding over so-called apartheid in teacher education from no less than the Conservative Party. In my answer to Pat, I referenced that we have commissioned a report from international educational experts who said that the current system in Northern Ireland is not sustainable. Those are not my words or views; they are the words and views of international experts. They say that we have to look at a different model of providing teacher training infrastructure. Financial sustainability is one of aspect of that, but it is not the only aspect.

Secondly, in any future configuration, we need to look at how we recognise that there will continue to be pluralism in our education system. However, to be very clear, that does not necessarily mean that you have an autonomous Catholic teacher education college. There is a host of institutional designs that can achieve the same outcome. We have to have an open-minded discussion about those objectives.

Thirdly, you made reference to higher education in west Belfast and the impact on the local community. There is a range of outcomes for a reconfiguration as to whether teacher training continues on that site or whether some other form of higher or further education provision could continue on it. A lot of assumptions are being made. We need to have a discussion amongst all the providers to see where the grounds are for a sustainable way forward.

Mr F McCann: I have one final question: have you discussed this with your Executive colleagues? Does the final decision rest with you or —

Dr Farry: This is a decision in relation to my management of the budget; however, it is also consistent with the Programme for Government and the economic strategy. We have a Together: Building a United Community strategy, which talks about the importance of shared education. If you ask any business leader what is important for our economy and what they expect the Executive to do about the economy, it is to protect the skills pipeline as best we possibly can. If we cut ourselves short in that regard, the consequences for our economy will be dramatic. Question marks are already being raised about our sustainability for inward investment because we are playing fast and loose with our skills pipeline. I do not want to make that situation any worse than it is at present; I want to reverse it as far as possible. Frankly, your argument about teacher training is putting us in the opposite direction and undermining our ability to support the economy.

Mr F McCann: First, that is your opinion; secondly, you did not answer my question. It is a yes or no answer. Did you discuss this with your Executive colleagues, and is it —

Dr Farry: This is the DEL draft savings plan.

Mr F McCann: Whose decision is it? Is it an Executive decision —

Dr Farry: I have discussed the detail of my draft savings plan with the rest of the Executive in exactly the same manner as every other Minister has.

Mr Irwin: I welcome the Minister's openness to the Committee. Cutting places for our students in FE and HE colleges would be a backward step; every effort must be made to avoid that. In the overall cuts, you talked earlier about £82 million and about £15 million inflationary. That seemed quite high in inflationary terms. Can you explain that?

Dr Farry: First, we are talking about actual budgets. Every time we freeze the fixed level of resource, we are living on an ever tighter issue because of inflation. Stephen, do you want to elaborate on our basis for 15% as our inflationary rate? Sorry, it is £15 million, not 15%. We are not back in the 1970s.

Mr Stephen McMurray (Department for Employment and Learning): To be honest, it is a very broad estimate based on current thinking about price increases and inflation in general. It may be a bit more or a bit less, but I imagine that it will be a ballpark figure of £10 million to £15 million. The point is that we have to find that ourselves from our existing budget; that is the main issue.

Mr Baker: If I can add to that, Chair, an important point is that it is not £15 million just for departmental inflation. It is £15 million across the totality of our budget, which has to be absorbed by all our arm's-length bodies as well, but we are not giving them any relief at all for price inflation. So, if we were funding them for inflation, that is what it would amount to across the piece.

Mr Irwin: I hope that, if there is some agreement in the days ahead, things will not be just as bad.

The Chairperson (Mr Swann): Do you have an inside line, William?

Ms Lo: There are a couple of issues that I want to pick up on. Minister, I am sure that you will agree that we are very proud of our record of wider participation, particularly in communities where young people traditionally never went to university and now we are seeing them going to universities. Cutting such drastic numbers in HE and FE will impact negatively on those communities. Wealthier parents can probably send their children to England where the fees are £9,000 and not worry too much about accumulating the loan. The Executive need to think about the social impacts in our communities and how we can help people who, for generations, have never accessed higher education.

Another issue is teacher training colleges. Do you agree that, at a time of severe cutbacks, we need to be pragmatic? We are training teachers. I know a young man who has been qualified for two years from Stranmillis who could not find a job. Eventually, he applied to become a fireman. What a waste of his time. We train excessive numbers of teachers who cannot find a job here, and we end up exporting them to other parts of the UK, Australia and other countries. Does the Minister agree that that is a waste of our resources?

Dr Farry: Often, the rationale used for continuing to train teachers in Northern Ireland is that there are job opportunities overseas, but we want to train people and invest our resources in the needs of our local economy, on the assumption that we try to encourage young people to stay in our economy. We need better labour force planning for what we are doing. That leads naturally into other discussions on, for example, how we plan effectively through further education and higher education. There will be difficult decisions for colleges and universities, as their approach will need to focus on what is relevant to the economy.

That is round one.

The Chairperson (Mr Swann): You have done all right; you are still standing. In round two we want to concentrate on the voluntary and community sector and how the draft Budget will affect that. I am sure that you are aware that we met the Northern Ireland Council for Voluntary Action (NICVA) and other organisations this morning in regard to their concerns, which have been well aired. It all comes down to the utilisation and availability of the European social fund. At Question Time, I said that organisations that I have experience of and which use the collaboration and innovation fund, which is ceasing as part of your draft budget, have been told to apply to the European social fund. With the guidelines that are in place now, the organisations that are currently utilising the ESF funds find it difficult to meet the criteria and apply, never mind organisations that do not have experience of the ESF. The members who met NICVA and the organisations this morning heard that those responsible for the guidelines should hang their head in shame, because they have now moved the goalposts of ESF completely away from the majority of the voluntary and community sector. I am not putting words into their mouth, but they see that as ring-fencing by the Department to make ESF funding unattainable to the voluntary and community sector so that the Department can utilise it itself. I suppose that they are taking that from the draft Budget, where you state that there should be better and more strategic utilisation of ESF.

Dr Farry: There are a whole host of issues going around at present, and a lot of that is a misunderstanding or a misconception of what we are trying to do on ESF. There may well be some practical difficulties around interpretation of the guidelines, which we will return to and see whether we can address them better. However, I will first explain our thinking around all of this.

First of all, contrary to some comments from NICVA, we are not trying to be non-strategic with ESF but trying to be more strategic with ESF. We recognise that the community and voluntary sectors are very important partners in that regard. In some aspects of delivery, they are more efficient and effective than those equivalent services being delivered through the Department. At present, we are trying to make the best possible use of the funds available to us to have the maximum impact in terms of front-line interventions to support people, whether it is those with disabilities, those trying to engage with the labour market or those who are NEET, and what we can do around apprenticeships and youth training. The ESF is a big resource and a big opportunity. In so far as I may have been viewed as being somewhat critical of one aspect of the European Union and its outworkings in the north-west, the European social fund is of massive assistance to us.

It is also worth stressing that in terms of the forthcoming period for ESF, we are talking about a bigger pot of money. What we currently have on offer for Northern Ireland from ESF — keep me right on this, Heather — is 20% higher than the outgoing period, so there is more money available across the board.

The Chairperson (Mr Swann): What is that in figures?

Ms Heather Cousins (Department for Employment and Learning): It was £165 million in the previous period, which was also topped up by €24 million from the European regional development fund (ERDF). In this particular period, it is £205 million, so it has effectively gone from £165 million to £205 million.

Dr Farry: We are talking here about a bigger pot. You mentioned the collaboration and innovation fund and that people are being asked to apply now under ESF. Strictly speaking, the collaboration and innovation fund was a time-limited intervention that expires on 31 March, and that was an Executive decision and a very discrete funding programme. That is the natural way of things. We are encouraging some functions that would previously have been directly funded by the Department or through other funds to look to the European social fund for support; for example, local employment intermediary service (LEMIS) providers and those who were receiving money under the collaboration and innovation fund. There are some very limited areas that fall under the work of the Department — for example, through the further education colleges — where we will encourage the potential use of ESF to support.

In that respect, we have a more strategic understanding of how we can support different aspects of the skills and training ladder, and there may well be opportunities to concentrate level 1 provision within the community and voluntary sector. Naturally, anyway, a lot of the level 2 provision is already conducted through the further education colleges, other training providers and some existing contracts. There is an opportunity for a slightly cleaner division of labour, where we are addressing some areas where there is duplication of provision, and in that way we end up helping more people with the resources that are available and achieving some better outcomes. That will never be an absolute; for example, we are encouraging the disability sector to engage much more with level 2, because we want to see an employment pathway opening up for people. Things are never completely black and white in that regard. In turn, some level 1 activity may continue in mainstream FE provision. Equally, it may well be that a lot of level 1 can be consolidated within the European social fund. Within that, there will be fresh opportunities for the community and voluntary sector.

In practice, the quantum of resource available for the sector should be a bigger pot. If there are issues around how the guidance is being interpreted, we are happy to take a fresh look to ensure that we are facilitating. This is not about the Department having a power grab around this money and trying to stop the community and voluntary sector from getting it. If anything, it is the opposite. We want to facilitate, but we want to make sure there are good projects and proper audit trails that comply with European Union rules. Where we can facilitate that process better, we will seek to do so, and I think there are discussions that we can have in that regard.

Ms Cousins: We have had to change some aspects of the guidance because of changes from the Commission. For example, a requirement for the cash reserves that an organisation needs to have comes in because we can no longer fund in advance in the way that we used to under the previous programme. There are some changes that are outwith our control. I know that those have caused concerns to smaller organisations, but we have been recommending collaboration partnerships, pooled resources and bidding as a bigger consortium.

The Chairperson (Mr Swann): I think, Minister, there seems to be a misunderstanding with the voluntary and community sector with regard to the guidance, because they are under the impression that it is level 1 and level 1 only; there is no opportunity for the voluntary and community sector to continue delivering a level 2 or above. Are you saying there is now an option?

Dr Farry: We are saying that these are not absolutes, but we see some opportunity. From our point of view it is, if anything, actually opening up the level 1 opportunities more to the community and voluntary sector. We see maybe a cleaner division of labour.

From our point of view, it is more a case of trying to move more opportunities in level 1 in that direction than curtailing the level 2 offer. A lot of level 2 would not be delivered through the community and voluntary sector at present. Changes in that may well be on the margins, particularly in the disability

sector. That is more of a distinct issue in that we are not seeking to reverse that at all. If anything, it is something we are trying to encourage.

The Chairperson (Mr Swann): So there will be level 2 under ESF; they can still apply.

Dr Farry: Yes.

The Chairperson (Mr Swann): Another thing that was mentioned was a cap on the amount that can be provided — £2,000 per head in level 1 training. Does that ring a bell?

Dr Farry: That does not ring a bell with us. If any particular issues have emerged, we can return to them in writing. We are proposing to write formally to NICVA in the next 48 hours on behalf of the community and voluntary sector, and to make clear exactly what is happening in relation to ESF. There has been a lot of comment and rumour going around. We recognise that we need to provide reassurance and greater clarity as to what is happening with that.

The Chairperson (Mr Swann): Coming from our meeting this morning, that is —

Dr Farry: And we will ensure that the Committee receives a copy of the correspondence, as well.

The Chairperson (Mr Swann): I appreciate that.

Mr Ramsey: Yes, the Chair is right, Minister. This morning the Public Gallery was packed here. We were expecting two or three people to a meeting, and there were quite a few representing and reflecting opinion across all areas of Northern Ireland. They certainly appeared to be bruised, and they were hurting. They were using language that suggests maybe there is not that information. They were saying that the proposals were an absolute disgrace. There is a fear that the Department is going to be much more selective of the subject matter of programmes that are applied for. The level of matching funding may not be there, which will exclude a lot of the community and voluntary sector. Can you shed any light on that?

Dr Farry: We are in a competitive process and will award money based on how applications score. To reiterate, we are looking to a bigger pot. We are looking to facilitate the community and voluntary sector as delivery partners, and we value them in that regard. Hopefully the assurance that we will issue in the next couple of days will provide answers and detail to some of the questions that people have been raising. We are aware of some of the themes which, no doubt, were reflected this morning. I hear them as well, when I am out and about, so we are going to try and pick up on those.

Mr Ramsey: The biggest worry I have is that this Committee, yourself and the Executive have looked pretty favourably on a NEETs strategy and the outcomes from that. The Chair referred to one of the major organisations. A lot of these groups are working with those who are furthest away from the work market. They are working with those who have disabilities and learning disabilities. Until now, they were getting £8,000 per head for youth training. However, someone in the Department has told them that, going forward, they will only get £2,000. It is very difficult for them; they are dealing mainly with those young people who have not even achieved level 1. They are leaving school quite marginalised and vulnerable. Some are leaving care; some are coming out of prison; and some become estranged from their families. So there needs to be an absolute clarity about this, because it is causing deep distress. They were talking, for example, about redundancies in the high hundreds in the community and voluntary sector, if the proposals that they say were outlined to them are introduced.

Dr Farry: We are not sure where those figures are coming from, Pat. We will look into that to try to provide clarity in that respect. It does not sound right to me that those figures make total sense.

Mr Ramsey: That is what they told them.

Dr Farry: We will bottom that out and come back to you.

The Chairperson (Mr Swann): Minister, I received an email from the Northern Ireland Council for Voluntary Action (NICVA) this morning:

"There are 137 ESF funded projects in voluntary and community sector. We have information returned to us on 44 of them and ESF directly supports 443 jobs. That could be extrapolated to assume that over the 137 projects the number would be around 1000."

Mr Ramsey: I think that it is important. As a society, we cannot afford to cause further marginalisation of those young people who are out. That is the concern. The community and voluntary sector organisations which presented to us have very good outcomes. They are the models of good practice that you tell us about. If they fail now, and, as a result, the work that they do collapses, then all the good work that you and your Department and others have done will also collapse.

Dr Farry: Absolutely. I fully concur with that. It is one of the major consequences of the draft Budget that we have before us. That is why it is so important that we agree something that is going to be sustainable going forward. That means that difficult decisions have to be taken on a whole range of other areas. In my introductory comments, I clearly stated that the protection of the most vulnerable is one of the two key principles that guide how we approach finding savings within the Department. The other is how we best support the economy. In some respects, the two are the same thing. So, of the two guiding principles, one is how we best support the vulnerable. It is not a case that we are seeking to support everything else by abandoning a lot of the stuff that we are doing; we are seeking to ensure how we can make what is now a scarce resource go as far as it can and maximise our impact around those who are most vulnerable.

Ms McGahan: Most of my points have been touched on. Minister, you recognise the importance of the voluntary and community sector. Issues have been raised with us regarding the criteria. I know that, in my constituency in Dungannon, which is a neighbourhood renewal area, there are quite a number of people who go, for example, to the First Steps women's centre but would not go into an FE environment, because they get that one-to-one attention which they need because they are vulnerable. I ask you to get the balance and address the concerns that have been raised here this morning.

Mr F McCann: Minister, one of the difficulties that you have with the community and voluntary sector in the Department, even as far up the ladder as you, is the terminology that is used. There are many within that broad sector who have always believed that government and Departments do not recognise their worth in delivery within many communities. I think that people here have touched on the subject: they provide for the most vulnerable.

On the point that Bronwyn made, there are many, certainly within the NEET sector, who prefer and feel more comfortable being educated within a community setting rather than in a further education setting. A lot of stuff that this Committee has done has pointed in that direction. From what you are saying, Minister, it seems to me that there is a misunderstanding between what the Department has laid out and the voluntary and community sector. Rather than writing to them, would it be a better idea to bring the key people together — to bring together the people who were here this morning to talk this out and discuss it. We should do it at ministerial level rather than departmental level.

Dr Farry: There are some meetings planned in that regard. I am not sure whether the people our officials are planning to meet over the coming days are the same people who are here, but I suspect that there is probably a fair overlap. We will take that forward to see what the best way of engaging is. We recognise that there is a need to provide clarity. My priority at this stage is to ensure that we get that circulated as quickly as possible. We will then see what needs to be followed through afterwards.

Mr F McCann: I appreciate that, but the point I am making is that your clarity on the situation and the clarity that the Department is providing may be two completely different things. That is —

Dr Farry: Ultimately, I and the Department tend to be the same thing.

Mr F McCann: So you attend the meetings —

Dr Farry: I do not attend every meeting, but I do make sure that what goes out from the Department is something that I am content with.

Mr F McCann: I think that you have already accepted that we are in difficult times. Your direct input would —

Dr Farry: Yes. Indeed, in some respects, we are sending a signal to the sector that we see an opportunity to consolidate a lot of the level 1 within the community and voluntary sector. We are saying that there is an opportunity here to do things more efficiently. To our mind, that involves, in some ways, greater use of the community and voluntary sector rather than taking things away from it.

Mr F McCann: That message needs to be delivered on.

Dr Farry: That is one of the key things to be communicated.

Ms Lo: I am heartened by the commitment from the Minister to engage with the voluntary and community sector. As Seamus from NICVA said earlier, they are not here with a begging bowl. They have a proven track record of producing outcomes and exceeding targets. You keep on talking about level 1. They are telling us that they do not want to be restricted to level 1 and that they encourage people to move on to level 3. Their fear is that you are pushing all these people into FE colleges and only letting the voluntary sector concentrate on level 1.

Dr Farry: We are not going to be absolute in that regard. There is an opportunity to have a much cleaner distinction and consolidate level 1 in the community and voluntary sector. The vast majority of level 2 is already through FE and training organisations anyway, not the community and voluntary sector. However, we recognise that there is a very particular issue around disability at level 2 and level 3 progression. That is one that we will seek to develop further. In the new year, we are going to be publishing a draft disability and skills strategy for public consultation. That will also make clear and reinforce what we are seeking to do through the European social fund.

Mr Buchanan: I just want to make a comment, Minister. It is important that you communicate with the community and voluntary sector. I have a letter here from Action Mental Health, and it seems to have some real concerns. Perhaps some of those are misplaced fears and maybe it is just a matter of speaking with them to try to allay those fears.

The Chairperson (Mr Swann): Minister, this is the last round; a catch-all.

Dr Farry: I am like a groggy boxer at this stage.

The Chairperson (Mr Swann): I have just a quick question on the number of bids you are making to the change fund. What is the total amount of those bids?

Dr Farry: We have not yet decided exactly how many bids we are going to make. That is a discussion that we were due to have an hour ago at official level. However, the Committee has taken on a life of its own. We see the change fund as an opportunity, and a number of different areas are under consideration. United Youth is one. The economic inactivity strategy is another, but that will be a collaborative bid with other Departments, such as DSD and DETI. We are potentially looking at bids around apprenticeships and youth training, and there may well be some other areas. Stephen, do you want to outline the scope in that regard? It is a £30 million fund.

Mr McMurray: Yes, there is the £30 million fund, apprenticeships and youth training, United Youth, community family support, a collaborative and innovation fund, economic inactivity, a revised model for Investors in People and FE colleges' shared services. That is the sort of flavour of it. It could be a sizeable bid.

Dr Farry: We may not choose to make all of those bids. We may choose to be strategic and select the ones that we believe are most likely. We will get an assessment from DFP about the quantum that it is expecting. The process around it is that you need to have a sense of what level you are pitching at in those discussions. We could bid for several hundred million pounds' worth of projects, given the scale of cuts, but, equally, you have to be realistic in that regard. We do see it as an opportunity. There is some very clear guidance from DFP about what type of bids it wants to see coming through. They are expected to be innovative. They look for things that are cross-cutting and that will deliver savings in the long run. It is not just a case of shifting what was previously the expenditure of the Department on to that as a different way of maintaining the status quo. It has to drive through change, funnily enough.

Mr McMurray: As you say, Minister, a big aspect of it is preventative — stopping something happening in the future. We see keeping people in employment or creating employment for people as a big hitter in terms of that preventative criterion.

The Chairperson (Mr Swann): I am just aware that the £30 million is across all Departments. I am sure that all Ministers and Committees are going to —

Dr Farry: Indeed. They are all under the same pressure.

The Chairperson (Mr Swann): Barnett consequentials?

Dr Farry: To date, Barnett consequentials are unhypothecated — if I get my lingo correct — so they are entirely in the gift of the Executive to determine. We are hopeful that we will get a good hearing, but, equally, there will be other Departments making similar cases in that regard. We make the point that, while they may have been, in the main, generated by health spending in England, we have already done that in our draft Budget, with redistribution from other Departments to assist the health budget, so in some ways we were actually ahead of the game in that regard. It copper-fastens the point that we do not necessarily need to automatically transfer all of that money into health. We should get a good hearing for our own particular plight.

Ms Lo: I just want to pick up a couple of points you made earlier, Minister. You said that you have already identified £32 million of savings within your Department. Is that all with the 400 job losses, or are there any other areas? What are they?

Dr Farry: That would be one factor. About £18 million of those are savings that we are rolling forward from the current year. You know that we have £34.5 million to find in-year. Some of those are one-off savings and some are structural, so we can roll those forward. They also include some additional savings, including things like reduction in support towards management and leadership, so we are already impacting on the economy. Those are tough decisions that were taken. Management and leadership is an area where we are deficient in skills, and our ability to support that is going to have to be constrained.

We are going to have to find a couple of million pounds from our skills solution service. Again, that affects what we can do for in-work training, so there is already an impact on the economy and what we are doing. Those are not the easy things; those are just things that we have already made decisions on. As you know, no matter what happens, we will still have difficult cuts. That also includes the teacher training premium that we have discussed already. The employment service will make some savings in that regard. We are also factoring in what we call a planned overcommitment of £2 million, which is a practice that the Northern Ireland Executive use to manage their Budget overall. It is a technicality. That gives you a flavour of some of those areas. I reiterate that those are real cuts that we have already settled on, but we have a lot more to do.

Ms Lo: You have not mentioned capital cuts, but I can see from your paper that you are getting something like a 50% cut in your capital spend. You said that you are going to identify alternative funding mechanisms. What will those be?

Dr Farry: Probably the primary one that is most readily available, particularly for higher education, is the financial transactions capital.

Ms Cousins: That is a form of borrowing as opposed to a grant, but it can be at low or very low interest rates, so we are exploring all of the potential uses of that going forward into the future.

Ms Lo: That is in partnership with the private sector.

Ms Cousins: The higher education institutions, as third parties, are eligible for that kind of funding. We already have a successful scheme with the University of Ulster and its greater Belfast development. Some of the funding for that is through financial transactions capital.

Mr McMurray: We have started that conversation with them; they are keen to hear about that as well.

Ms Lo: There is big money there, too. There is quite a big pot of money.

Ms Cousins: There is quite a big pot of money, but there is some difficulty in spending that because it has to be through third-party organisations. You have to have an assurance about their financial stability. You can do that with a large institution like a university, but if you are talking about a larger voluntary organisation, you need to make sure that there is no risk of the money not being repaid.

Mr F McCann: Anna spoke about 400 job losses. Is there a breakdown of how many of those are jobs that are already there? How many are positions that have not been filled?

Mr Baker: I will try to answer that one. It is a hard question. As I said earlier, we have not systematically worked through which individual posts will go. We aim to shed 400 posts. As things stood last week in the Department, we had 70 unfilled vacancies. You can see the balance; there will still be a significant net reduction in the posts in the Department even if we absorb 70 surplus individuals into those posts. We will look for volunteers as part of the NICS voluntary exit scheme.

Mr F McCann: Are you able to work out how many people? It is usually older people. It has always been a concern that people are trained and have the expertise and experience. The Minister spoke about that moments ago. You end up losing all that experience. Have you been able to estimate how many will take up voluntary redundancy?

Mr Baker: We have not. It is a really good question, because the terms of the Civil Service compensation scheme changed fairly radically within the last 18 months or so. We have no experience of how attractive it will prove. In the past, there was always a lot of interest. I do not know whether there will be as much interest this time. The Department of Finance and Personnel will have to nail down the criteria for this and engage with the trade unions. Obviously we will not be able to discriminate on any grounds of age. We could, and it probably will, build the criteria on grounds of least cost, which is perfectly legitimate. You are right: an exit scheme of that size and magnitude to any Department will cause huge upheaval. It will be difficult to stop people with good experience going. The people who put their hands up to go may not always be the ones you want to let go. There is all that to manage. That is a big risk to our business over the course of the next year.

The Chairperson (Mr Swann): Minister, thank you and your officials for coming and for being so frank and open with the Committee.

Dr Farry: We are happy to come back in January to talk about what is next after we see the final figures for the Budget, if and when they are agreed.

The Chairperson (Mr Swann): OK. Again, thank you very much.