



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

June 2015 Monitoring Round:
Department for Employment and Learning

20 May 2015

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 Sydney Anderson
Mr David Hilditch
Mr William Irwin
Ms Anna Lo
Mr Fra McCann
Ms Bronwyn McGahan

Witnesses:

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

The Chairperson (Mr Swann): I welcome Stephen McMurray, director of finance; Michael Camplisson, head of further education (FE) finance and funding; and Mrs Maura McKee, head of client offer branch; and Mr Billy Lyttle, head of higher education (HE) finance. Folks, you are very welcome.

Mr Stephen McMurray (Department for Employment and Learning): Thank you. I will kick off with a very brief run through. Good morning, Chair and Committee. I am joined today by my colleagues Billy Lyttle from HE finance, Michael Camplisson from further education finance and Maura McKee from employment services. We will take you through our proposals for June monitoring. Our monitoring return is, again, set in the backdrop of the Minister's priorities to help in the transformation of our economy and social landscape. In particular, the role of skills as a key economic driver is now well established, and access to employment is also a key intervention to address poverty and lack of opportunity.

The first thing to note in the detail of our proposals is that we are planning to submit four non-ring-fenced resource bids in this monitoring round. We also have one non-cash-based surrender. The first bid relates to end-year flexibility (EYF) and a bid of £6 million for further education colleges. The end-year flexibility scheme was approved by the Executive, but to draw down moneys from that scheme, there is a need to apply within a monitoring round. In this monitoring round, we intend to draw down £6 million of that EYF stock to ensure that inescapable pressures are met across the FE sector. There is currently £14.3 million of end-year flexibility stock available for drawdown.

The second bid is for £5.5 million to meet inescapable contractual obligations or residual costs after the pausing of the youth employment scheme (YES) in December 2014 and the costs of the

remodelled employer subsidy for 18- to 24-year olds. Some £4 million of that bid relates to the youth employment scheme, and the remaining £1.5 million relates to the remodelled element.

The third bid is for £2.6 million of match funding for the European social fund (ESF) to meet the match funding requirements of the programme as a whole. That amount is required to bridge the gap in the departmental match funding element.

The fourth and final bid is for £1 million for the economic inactivity strategy. Essentially, it is to develop a range of pilots to see what works best to tackle economic inactivity. That includes approaches and solutions to address the specific labour market barriers faced by a number of groups.

Regarding capital, we are planning to submit two capital bids. One is for the further education colleges of £5.9 million, and the second is a £1.7 million bid for Stranmillis University College. The further education colleges' bid of £5.9 million is to ensure that colleges meet their legal and statutory obligations on health and safety and disability, as well as the costs of delivering on existing contractual commitments.

There is also one ring-fenced resource depreciation/impairment reduced requirement of £1.5 million relating to higher education, specifically Stranmillis University College. The budgeting rules prevent the reallocation of depreciation and impairment of spending in other programmes. The amount stems from the initial adoption of the non-departmental public body (NDPB) status for Stranmillis. The Department received extra budget cover for depreciation, which has now been revised downward. To be honest, we allowed some extra room in there to make sure that it did not go the other way.

We are also working with Queen's University, Belfast on submitting an application in June monitoring of £4 million financial transactions capital funding relating to the development, upgrade and expansion of facilities for computer science at the university.

Finally, there are technical adjustments to be made to other Departments totalling £1.727 million and technical adjustments to be received from other Departments of just over £7 million. The largest of those transfers relates to DHSSPS. The main transfers out relate to the conditional management programme of £0.833 million and the early intervention transactions programme of £0.7 million.

Chair, that was just a very quick run through the main items in our June monitoring. I am happy to take questions.

The Chairperson (Mr Swann): Thanks, Stephen. What are the implications if any of these bids are unsuccessful?

Mr McMurray: It is a mixed bag of implications. Some of them are more critical than others. It is absolutely critical that we get the £6 million for end-year flexibility for FE colleges. We have already allowed in our budget for what further education colleges need. If they do not get that, we will have to seriously look at what the Department needs to do to free up that money, because it is inescapable.

The £1 million for economic inactivity is not inescapable, and we could pull back on it. Obviously, the Executive have endorsed the strategy, and we want to push on with that. Where the other bid for and the remodelling scheme are concerned, the bid for YES is a committed amount, and, again, as a Department, we would have to find that if it did not happen. Finally, the match funding element would have to be found, because we are committed to that. In a nutshell, if we do not get these amounts in June monitoring, there will be significant issues.

The Chairperson (Mr Swann): Would I be safe in saying that most of these bids, because they are either Executive programmes or commitments, are going to be met?

Mr McMurray: It is very hard to tell. I do not know what the overall circumstances are in the monitoring round. When it comes to Executive commitments, however, there is certainly a strong case for them.

The Chairperson (Mr Swann): You said that you were drawing down £6 million in end-year flexibility out of a pot of £14.3 million. Is that a specific DEL pot for end-year flexibility, or is it something else?

Mr McMurray: It is, yes. When the status of FE colleges changed, it was agreed at the time that to allow more flexibility there would be a special scheme that would allow us to carry moneys forward.

That having been said, as I understand it, the moneys were not specifically set aside, so they would be a pressure to the Executive as a whole. The money would have to be found as a whole; there is no special pot.

The Chairperson (Mr Swann): There is not a pot with £14 million sitting there. The ESF bid has been high in this Committee's priorities. Do the implications of not getting the £2.6 million match funding put under pressure any projects that have already been offered funding or support?

Mr McMurray: No, they do not. We would honour those commitments. We would have to find it from somewhere else within the Department, and that is the problem.

The Chairperson (Mr Swann): You said a couple of times that you would have to find it from somewhere else. Where and how would you find it?

Mr McMurray: We have started some of that work already on moneys that are not already legally and contractually committed and on the flexibility that we have there. Ultimately, it will be the Minister's decision on a range of options that we might present to him.

The Chairperson (Mr Swann): I am just trying to tease this out. What is the sort of pot of money in the Department that is not legally or contractually committed?

Mr McMurray: It is just across the board, and it might not be a huge amount of moneys individually, but, taken collectively out of our total budget of £707 million, we would have to find it.

The Chairperson (Mr Swann): I am trying to get you to give me an example of what moneys would not be legally or contractually committed. Wages are legally and contractually obligated, as is capital funding. Give me a budget line that would not be legally or contractually committed.

Mr McMurray: I will hand you over to some of my colleagues.

The Chairperson (Mr Swann): Billy, do you want to come in on that?

Mr Billy Lyttle (Department for Employment and Learning): I will give you one example. In higher education finance, we give the block grant funding to the institutions under legislation, but that is couched in terms that say that the Department "may" provide grants. Although we provide grants on an annual basis, we are very clear that we say in the offers, "This is the amount you are getting, but, if circumstances dictate during the year that we need to claw it back, we will".

The Chairperson (Mr Swann): I was just trying to find an example of that. That is helpful.

Mr Hilditch: Thanks, Chair; I think that you touched on most of the issues, to be honest. I am looking at what you referred to as the inescapables. Are some of these just one-off bids for this monitoring round, or will they be repetitive over the course of the other monitoring rounds?

Mr McMurray: Some of them could be repetitive if we did not get them this time round. Again, we would have to have plans in place to find it just in case, because the next monitoring round would not be until October, so we would need to have more certainty by then. We would certainly need to, at the very least, firm up on contingency plans to find that somewhere else.

Mr Hilditch: Because they are inescapables and have not made it into the budget as such, obviously that is one of the gambles you would take in the hope that you get it. Is it fair enough to say that?

Mr McMurray: It is, but, as the Chair rightly said, there needs to be a contingency plan to find it from somewhere else if we do not get it. Our overall budget is £707 million. Not all of it is committed, but a very high amount of it is. It could be that circa 90% of our budget is legally and contractually committed, but that still leaves some room for manoeuvre.

Mr Hilditch: Obviously, we have other speculations going on out there about what may or may not happen in the coming weeks. Have there been any discussions in the Department about how we get through if there are issues in the next few weeks?

Mr McMurray: Absolutely, and, again, that is back to the contingency planning of what we need to do if those bids are not met. If they are not met, it will be a serious issue.

Ms Lo: Again, on the possibility of not getting them, I am looking at the capital bids for Queen's, Stranmillis and FE colleges. You are saying that £5.9 million is for FE colleges and Stranmillis. What will happen to the £1.7 million if we do not get that money?

Mr Michael Camplisson (Department for Employment and Learning): The £5.9 million that Stephen referred to is broken down into lots of small individual projects. It is not one big project, so I will give you some examples. I will not read them all out, because the list is quite long. The amount for Belfast Metropolitan College's new classrooms in the e3 building to facilitate further assured skills work is for £880,000. That is one element. Northern Regional College's installation of disability access lifts in Newtownabbey is for £50,000. Also in the Northern Regional College, essential LED lighting to meet health and safety requirements in all campuses is for £150,000. The South Eastern Regional College's (SERC) industrial training facilities is for £100,000. Finally, in the South West College, provision of science and technology equipment in Enniskillen and Dungannon is for £120,000. It is a big list, but I am just giving you some examples.

Ms Lo: Can they wait for the next round if they are not urgently needed or if you need to complete the building or something?

Mr Camplisson: Some of them are in our health and safety or Disability Discrimination Act (DDA) requirements. Some probably could wait, but a quite lot are health and safety or DDA-type issues.

Mr McMurray: Again, we would have to look at all our capital projects — the whole £33 million — and see which ones could be held back if essential ones needed to be done.

Ms Lo: What about Stranmillis? What is the £1.7 million for?

Mr B Lyttle: The £1.7 million is to cover four projects. Two have already started, and two are new. Of that £1.7 million, we require only £58,000 of cash. Stranmillis has the bulk of the £1.7 million to do those projects, so it is waiting to spend that. However, because it is an NDPB, the Department needs budget cover to allow it to make the spend. If we did not get the money, two of those projects would not proceed until we got the cover, despite the cash resource being available. For the other —

Ms Lo: I do not understand that. What do you mean by that? They already have the money, but do they still have to apply for £1.7 million?

Mr B Lyttle: For cover, yes. It is to do with government accounting vagaries. I will ask Stephen to comment on that.

Mr McMurray: It is a technical accounting thing. It is what happens when you become an NDPB. You have to have the cover within the Department, as well as the body having it.

Ms Lo: Is that without actually needing the whole £1.7 million?

Mr McMurray: Yes.

Ms Lo: It just does not make sense to me.

The Chairperson (Mr Swann): They have to ask to spend their own money, basically. Is that it?

Mr B Lyttle: That is basically it, yes.

Mr McMurray: The overall position with capital is maybe slightly easier than resource, going by what we hear from DFP.

Ms Lo: Am I right to say that it is fairly easy for Queen's to get the financial transactions capital because there is a pot of money there?

Mr McMurray: There is a pot of money, but it is actually already committed to projects. We are hoping that there will be some slippage in other projects. That would allow it to be availed of. It will be a good landmark for Queen's to avail itself of that type of funding, which would suit its cash flow etc.

Ms Lo: So, it is just an expansion of the computer science block. Is that right?

Mr McMurray: Yes.

Mr B Lyttle: Yes, it is a refurbishment of the whole facility.

Mr F McCann: We have been given this paper and been told that, one way or another, the Department is going to have to get the money to deal with it but that you may have to go back to the grants or money that was given and that that is not legally binding. Why would you not do that in the first place and apply in a monitoring round for the amount that will cover that? I cannot understand that.

Mr McMurray: Why would we not —

Mr F McCann: Take care of the matters that you are going to have to do and take it off the grant that has been given, or apply for it through the monitoring rounds but deal with the ones that you are going to have to deal with anyway.

Mr McMurray: Part of the operation of the monitoring round is to balance your books and to come forward. I suppose the priority for us is to meet our inescapable commitments. The case can be made very strongly.

Mr F McCann: It certainly seems like there are wee pressure points along the way. In the monitoring round, you are more apt to go for inescapables and things that you are going to have to get anyway, rather than get it out of a grant that you are not tied to.

Mr McMurray: From experience of other monitoring rounds, that is the right tactic to use.

Mr Buchanan: I have no doubt that you are working on this at the moment and that you are looking the possibility of this not coming, but in the event of not getting the money that you are applying for in the June monitoring round and in the context of some of the issues where you are saying, "If I do not get it, I will have to look somewhere else" will FE suffer?

Mr McMurray: Yes, potentially, in that scenario. There is a significant £6 million end-year flexibility, and if that was not drawn down, there would be issues. At the end of the day, the Minister will have the final decision on the range of options that we present. The moneys are significant.

Mr Buchanan: There is a concern about FE. Let us remember that FE is leading the way in a lot of areas and issues. Obviously, if FE is going to stand to lose, that is going to be a big blow for it.

Mr McMurray: Absolutely, and we will have to take all those factors into account.

The Chairperson (Mr Swann): Stephen, in your technical adjustments, although they are technical, is there ever any threat of the Departments not paying DEL or transferring, or is that all handled by DFP?

Mr McMurray: There is always the risk of that happening. I think that we have firmed it up with the Departments that all these will happen. Hopefully, there will not be any surprises for us, because we have already agreed that. However, there is always the risk that, if a Department faces severe pressures, even with us transferring money to other people, that might not happen.

The Chairperson (Mr Swann): Maura, I am conscious that you have not spoken. Is there anything that you want to contribute at this stage, or are you happy enough?

Mrs Maura McKee (Department for Employment and Learning): I will just say that, as you will all be aware, the youth employment scheme was very successful. I suppose we were a victim of our own success in that we need the moneys for the tail, and we have done a significant amount of work to look at what we can deliver for young people going forward in the light of the constrained budgets. We

have come up with a realistic bid. It is around £1.5 million, which will allow us to continue to offer work experience to young people, as well as the subsidy, with an element of upskilling. We think that that is a good solution. We are happy to come back at any time to give a comprehensive update on what we propose.

The Chairperson (Mr Swann): I appreciate that.

Ms Lo: Can I come back to ask a question about match funding? The last time the Minister was here, he talked about a problem with match funding for ESF from other Departments, and he said that it might cause problems for some of the organisations that are not getting the money. You are asking for £2.6 million. Do you talk to other Departments to see whether they are putting up bids for match funding for ESF?

Mr McMurray: Yes, it is my understanding that we stay close to other Departments. You are right: there is a real risk that, from other Departments' perspectives, it might not be forthcoming. That will all unfurl over the next few months.

Ms Lo: I have been hearing from organisations that they may not get the funding, as they did previously, from other Departments. There needs to be coordination between Departments to make sure that there is match funding for ESF to go through.

Mr McMurray: Yes, I think we are in discussions with them.

The Chairperson (Mr Swann): Stephen, Billy, Michael, Maura, thank you very much.