Northern Ireland Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Enterprise Bill Legislative Consent Motion: Departmental Briefing

2 March 2016

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Members present for all or part of the proceedings:
Mr Robin Swann (Chairperson)
Mr Gerard Diver
Mr Alex Easton
Mr Phil Flanagan
Ms Anna Lo
Ms Bronwyn McGahan
Ms Claire Sugden

Witnesses:

Mr Michael Gould	Department for Employment and Learning
Mrs Joyce Rutherford	Department for Employment and Learning

The Chairperson (Mr Swann): I welcome Mr Michael Gould, assistant director of the youth policy and strategy division, and Mrs Joyce Rutherford from the new initiatives unit. The Committee received the legislative consent motion (LCM) and the table late last night, so if you could talk us through it and the implications, we would appreciate it.

Mr Michael Gould (Department for Employment and Learning): Thank you, Chairman, and thank you for agreeing to have the briefing at such short notice. The Department is grateful to the Committee for its understanding on the issue. There is no disrespect intended by the Department regarding the processes and procedures to bring these matters to the Committee's attention, but, like other devolved Administrations in the United Kingdom, Northern Ireland has been brought into this legislative process at a relatively late stage.

I am joined by Joyce this morning, and we continue to work with DFP to ensure that Northern Ireland obtains a fair return on the new tax on employers. With your consent, we will outline why we need a legislative consent motion, what it will involve and the time pressures that we are experiencing, and then we will be happy to take questions from members.

We need a legislative consent motion so that we can obtain data from Her Majesty's Revenue and Customs (HMRC), which is the organisation that will lift the levy from all employers from April 2017. The apprenticeship levy was introduced by the UK Government, in particular by the Chancellor of the Exchequer. They wish to raise a levy on all employers in the private and public sector to pay for apprenticeships in England, and they will then give the devolved Administrations a return on their investment or the investment that has come from those regions through, we hope, the Barnett formula. However, in order for us to understand how much Northern Ireland has paid into the UK levy pot as a whole, we have to have the powers to share data with HMRC. That will require an adjustment to a clause in the Enterprise Bill, which is going through the House of Commons and the House of Lords.

Therefore, we need a legislative consent motion in Northern Ireland so that we will have the powers to share data with HMRC.

In many ways, it is a technical issue, but it is an important issue because without those powers we would be disadvantaged. Scotland and Wales are in the same position as we are and are putting legislative consent motions through the Welsh Assembly and through the Scottish Parliament. I hand over to Joyce to talk about the detail involved and how it relates to the levy, but it is mainly focused on the Enterprise Bill.

Mrs Joyce Rutherford (Department for Employment and Learning): As Michael said, the Enterprise Bill will be the legislative framework to take the data sharing forward. A small number of clauses relating to Northern Ireland are being proposed to extend powers to us to data-share, as Michael said. The data sharing will be predominantly from HMRC to the devolved authority in Northern Ireland, which will, in turn, be the new Department for the Economy. We may need to give HMRC some information in order to get the data that we require back, so it is important that the clauses be included in the Bill so that we are not disadvantaged in any way when accessing data relating to what our employers put in.

The data-sharing clauses in the Enterprise Bill relate to apprenticeships, so we are comfortable that the information will be beneficial to us and that there is no scope for HMRC to interrogate the Department for data, but it is more of a one-way transfer.

Mr Gould: We are under considerable time pressure because the Enterprise Bill will go through Parliament in London and is scheduled for Royal Assent in April 2016. If we do not have the clauses approved through the legislative consent motion, they will be removed in the next few weeks, and we will not be in a position to gain the data and we will not have transparency on what Northern Ireland employers in the public or private sectors have contributed to the levy pot as a whole. Therefore, we will be unsighted as to exactly who has paid what and how much we can get back so that we can get a fair redistribution of the levies back to those who have contributed in Northern Ireland.

The Chairperson (Mr Swann): Michael, just so that I am clear, I do not know whether you did so inadvertently, but you described the 0·5% as a tax. It is a tax on employers. We have no way out of it; it is coming.

Mr Gould: It is set by the Chancellor of the Exchequer. He has decided that the best way of raising money to add to the Exchequer as a whole is to put a tax on employers. It will be on private-sector and public-sector employers. There will be a levy of 0·5%: those with an annual pay bill of more than £3 million a year will end up being net contributors, and those with a pay bill of less than £3 million a year will be able to draw down money for apprenticeships. The tax is predicated on a target that the Chancellor and the Secretary of State for Business, Innovation and Skills have set in England. They wish to have 3,000,000 new apprentices in this Parliament — by 2020 — and they want to use the levy to pay for the training of those apprentices in England. To go back to your original question, it is a reserved matter and therefore not in our gift.

The Chairperson (Mr Swann): The LCM is so that we can see how much is collected from Northern Ireland employers and how much we get back. My understanding is that it will come back as a Barnett consequential.

Mr Gould: We are working with DFP and Treasury to see how exactly it will come back. They have said that there should be a fair and equitable redistribution to the devolved Administrations, and in our initial discussions we agreed that the Barnett formula would be the most advantageous for Northern Ireland. We continue to work with DFP on the detail.

The Chairperson (Mr Swann): When the money comes back to Northern Ireland, it will not be ring-fenced for apprenticeships or traineeships; it can be used for anything. Is that correct? It will be central government money.

Mr Gould: It will not be hypothecated, so it will not be ring-fenced. However, the intention or spirit of the levy is that it will be used for training and apprenticeships.

The Chairperson (Mr Swann): Private and public?

Mr Gould: In government, public bodies and arm's-length bodies. For the Department, it will include the further education colleges and universities. All public- and private-sector bodies will be levied.

The Chairperson (Mr Swann): Bombardier has just announced the cessation of its apprenticeship programme. It will then be levied at 0·5% of its wage bill but have no apprentices to draw down the money.

Mr Gould: That is correct. That is the danger. Bombardier typically recruited 40 apprentices a year. On the amount that it will be levied and pay in, it would probably have to take on three times that number just to take back the amount that it has paid in for training.

The Chairperson (Mr Swann): That can be used by the Central Procurement Directorate. I suppose that central government can use it, but when it comes back to our Executive they can use it for whatever they want.

Mr Gould: We have to work that out. We are in discussions with DFP colleagues about how the money would be redistributed to the private and public sectors. England will use a digital voucher scheme. A private-sector company will have a digital account and be able to see how much it has paid in. However, those digital vouchers will have a shelf life. After a certain time, if they are not used, the money will be used to pay for others.

Mr Flanagan: I wanted clarity that we were only discussing the provision of information and that there was no commitment for the Department on what the money would be spent on. I think that you have answered that in response to Robin.

In your briefing paper, at paragraphs 10 and 11, you say that this will "allow" HMRC to disclose information to the Department: does it place a duty on HMRC to give the information, or does it merely enable the Department to request it?

Mr Gould: It will give us the power to share data with HMRC. At the minute, we have no power to do that; they cannot disclose any information to us. This will provide the legislative power to share information, and they will be under an obligation to do so, along with Scotland and Wales.

Mr Flanagan: OK. There will be a duty on them to share data.

Mr Gould: That is my understanding.

Mr Diver: Thanks for the briefing, Michael. Obviously, as this is a reserved matter, it is predetermined and we do not have a lot of control over it.

I suppose that you would be concerned when you hear the words "fair and equitable return". Given the levels of disadvantage here and the challenges we have in getting young people into apprenticeships and employment, it is important that we do what we can in the Executive to ensure that the money, when it returns, is earmarked and ring-fenced for people in that area. It is about us doing whatever we need to to make sure that we shape that from our end within the constraints of what has been determined. As you said, the sharing of information is something that has been dictated from above, and we have to do it. We just need to be sure that it is truly fair and equitable and that it meets our need to get people into apprenticeships. It is so important.

Mr Gould: Clearly, that will be a matter for the new Executive. However, with the new apprenticeship strategy, we are keen to see apprenticeships expanded, both by raising the standard that they are taught at and by allowing them to go into the higher-level apprenticeships. We are keen to see more apprentices taken on, particularly by employers in new sectors of the economy, such as the knowledge economy.

Mr Diver: There would be something inherently wrong about money effectively being taken as a tax. I am pleased about the three million apprenticeships or so that there will be in England, but there is an acute need, particularly in my constituency of Foyle, where there is a very high number of economically inactive people. We desperately need those apprenticeships to get young people into employment, and, in my view, there is a moral imperative on us to do that. We have to give the most powerful statement that any money that comes back should be used for that purpose.

The Chairperson (Mr Swann): Michael, do you have a gut feeling yet of how much we are talking about?

Mr Gould: We have made some estimates. DFP is working with the public-sector Departments and their arm's-length bodies to get a more accurate understanding of how much we are talking about. Our initial estimates from DETI and DEL economists suggest the total could be in the region of £42 million a year, but we will have a much more accurate understanding once we do the analysis.

Ms Anna Lo: Does that mean that we should get £42 million back to Northern Ireland to support apprenticeships?

Mr Gould: Our understanding is that we would get at least that. This is where it becomes very technical, because it depends on how they model the Barnett formula. That is why we are working with our colleagues at DFP to maximise the return for Northern Ireland.

Ms Lo: OK. I presume that we do not have a large number of private companies in Northern Ireland that will have to pay the 0·5%?

Mr Gould: Our calculations are that, if companies pay the median wage, any company with about 125 employees or more would be eligible. If they pay the minimum wage, we think that the company numbers are about 225, so anybody employing more than that. I think that there will be quite a few. If we look at sectors such as information technology, where there may be fewer people but higher wages, those numbers change again.

Ms Lo: Right. So it is not based on the number of people; it is about their pay.

Mr Gould: Yes, it is based on the annual pay bill.

Ms Lo: Oh. Thank you, Chair.

The Chairperson (Mr Swann): Michael and Joyce, thank you very much.