



Northern Ireland  
Assembly

Committee for the Economy

# OFFICIAL REPORT (Hansard)

Budget 2021-22:  
Department for the Economy

10 February 2021

# NORTHERN IRELAND ASSEMBLY

## Committee for the Economy

Budget 2021-22: Department for the Economy

10 February 2021

**Members present for all or part of the proceedings:**

Dr Caoimhe Archibald (Chairperson)  
Ms Sinead McLaughlin (Deputy Chairperson)  
Mr Stewart Dickson  
Mr Gordon Dunne  
Mr Paul Givan  
Mr John O'Dowd  
Mr Christopher Stalford  
Mr John Stewart  
Ms Claire Sugden

**Witnesses:**

Mr Mike Brennan	Department for the Economy
Ms Sharon Hetherington	Department for the Economy
Mr David Malcolm	Department for the Economy

**The Chairperson (Dr Archibald):** I welcome Mike Brennan, permanent secretary of the Department for the Economy; Sharon Hetherington, director of finance; and David Malcolm, management services and regulation group. Mike, I will hand over to you if you can hear us OK. I invite you to make an opening statement. Then we will open it up to members.

**Mr Mike Brennan (Department for the Economy):** Thank you, Chair. I will just check that you can hear me OK.

**The Chairperson (Dr Archibald):** Yes, we can.

**Mr Brennan:** I can see my two colleagues on the line as well. That is great. Thanks.

Chair, I will make a few opening comments and then we can get into the budget details. Sharon and David have some slides that will give structure to that discussion, hopefully.

To give you some insight into the scale of the challenge that lies ahead for DFE in 2021-22, it is useful to take stock of where the local economy is at this time. Some of the key economic metrics to consider are as follows: we know that the unemployment claimant count has doubled in less than a year; the employment rate has fallen to 70.6%; the inactivity rate has increased to 27%; and, in terms of overall economic activity, if you look at the economic composite index, you will see that the local economy is still 8.3% below where it was in quarter 2 of 2007. It is a pretty grim picture out there.

When you look ahead, you have to bear it in mind that, as of the end of December, there were, I think, 95,000 workers still furloughed and another 52,000 workers who regard themselves as self-employed on income support from HMRC and Treasury. Basically, 150,000 employees and self-employed workers are reliant on income support. You just have to wonder what the impact on the local labour market will be as we move forward into 2021-22. That gives you a sense of where the economy is and the challenges that lie ahead for the Department, particularly with regard to skills interventions.

I turn to the Department's draft Budget allocation for 2021-22. At first glance — you hear people say it — it is a flat-cash settlement, so really just a continuation of where you were in the previous year. However, that masks a multitude of worries that Sharon and David will take us through shortly in their presentation. My starting position is this: when you think about flat cash for the Department, you must also bear in mind the wide range of inescapable pressures that have to be addressed and cannot be put aside, deferred or postponed. In addition to that, the Department is grappling with and, I suspect, will continue in 2021-22 to grapple with the outworkings of COVID, the health restrictions and the settling down of where we are on EU exit and the protocol.

Overarching all of that is my worry about how the Department is resourced to deliver that. As the Committee will know, we are carrying a staff vacancy rate somewhere in the order of 25%, so we are a significantly depleted Department in terms of staff, and yet we have a significant challenge ahead in maintaining our routine business and in addressing COVID and Brexit.

Chair, that is a quick canter through where, I think, the economy is and the challenge it poses for the Department. If you are content, I will ask Sharon and David to launch straight into the slide pack.

**The Chairperson (Dr Archibald):** Thank you, Mike.

**Mr Brennan:** OK, thanks, Chair. Sharon, David?

**Ms Sharon Hetherington (Department for the Economy):** I will take you through the slide pack, Chair, if that is OK. We have a set of slides to give you a bit of a flavour and an overview of what the Budget settlement looks like for DFE. Mike has given you a good contextual sense in his opening statement.

I refer you to slide 3, which tries to set out the point that Mike made about a flat-cash settlement. In the Budget document that is out for consultation, it may look as though there is a 2% increase in the DFE baseline, but, when you get underneath our figures, which we have tried to set out in the slides, you will see that the baseline for the year we are in is £805 million and it is £805 million next year. We got funding for other things that are set out there. They total £15.8 million, bringing our baseline to £821 million. The funding that we have been given is for specific areas; it is not available to use freely to allocate across the Department.

It also worth noting, as shown at the bottom of the slide, that we have secured £12.2 million for the operation of the Northern Ireland protocol, but, of course, that is for additional work that needs to be carried out in the context of the protocol. As a Department, it is worth saying that we were quite successful in our negotiations with Treasury, through the Department of Finance, and we got almost all of the costs that we bid for for the protocol for next year.

The next slide tries to depict graphically for you the Department's areas of spend. You can see that around £617 million or about 76% is committed to education through universities, further education colleges and our vital skills and apprenticeship initiatives. There is £132 million for economic and business development, with smaller amounts for tourism and representation and regulatory services. The next slide sets out the numbers that have gone into making up the pie chart in the previous slide.

Moving on, the next slide sets out the challenges for 2021-22. You can see that the flat resource settlement results in DFE having to find internally just short of £18 million to address inescapable pressures that are set out in the next slide. Essentially, they relate to around £8.5 million from historic pay and price inflation that is not in baseline, and we estimate a further £2.3 million for pay and price pressures for next year. Also — the Committee will be familiar with this from previous monitoring rounds — there is a baseline deficit in further education of over £5 million. Of course, we then have a public service obligation for the City of Derry Airport. That is not in the baseline either.

In addition, DFE is faced with £31.7 of pressures that relate to year 2 for COVID initiatives. When the Department proposed initiatives last year, you will remember, we said that a number of them would

have COVID tails that total around £37.5 million. The main part of that relates to apprenticeships and skills. There is also over £6 million that relates to the decision to raise the maximum student number (MaSN) cap in higher education, and there is around £5 million for business support initiatives.

One of the things — I refer to it on the slide — is the uncertainty around EU replacement funding. At the minute, nothing is confirmed around the UK Shared Prosperity Fund, but the Committee will be aware that we took action in January monitoring and secured about £45 million of funding for European social fund (ESF) and European regional development fund (ERDF) that, we hope, buys us some time until we can understand what the EU replacement funding system for that looks like and so that we can orientate ourselves towards securing some of that funding.

Obviously — Mike has referred to it — there is a need to focus on rebuilding the economy, so that is a massive challenge for the Department for the next financial year. That is because there is no funding in the baseline to look at how we support our economy and, linked to that, how we develop skills and support the development of those skills in helping our economy going forward.

The next slide just sets out those inescapable pressures for the Committee, so that you can see where the £17.8 million comes from. The following slide gives you more detail on the £31.7 million of the inescapable COVID pressures that I referred to.

As I said, one of the big challenges is how we reorientate the economy back to something that might seem like normal and the journey that we need to go on in Northern Ireland to deliver that. In looking to that, the next slide refers to the high street support scheme and the holiday at home voucher scheme. Those are important to the Department because they are demand stimuli initiatives for the economy. The Department has proposed that they will be taken forward next year. Funding has not been secured for them yet — that is a decision for the Executive — but the Department sees them as important for the economy because they are demand stimuli.

The next slide deals a bit more with economic recovery. The Department has bid for £167 million for the next financial year. The economic impact of COVID-19 is unprecedented, and EU exit adds a further dimension to that. Huge economic impacts that might normally take months or years to unfold occurred within weeks, with lockdown and industry shutdowns. That was the background to the bids of £167 million. It is to try to focus on moving out of survival mode and have the forward sight for next year to think about moving out of survival mode. The Department has been working on a plan to deliver economic recovery and to set out how we would do that. That is what the funding bids underpin. DFE absolutely recognises that more needs to be done to respond to the health and economic crisis. Our bid for £167 million refers to a bid for £50 million for a COVID economic recovery fund and another £50 million for a skills recovery fund. The slide sets out the additional areas on which, we feel, we need to focus in order to take the economy forward. We are building our economic recovery plan around areas that, we think, will make a positive difference to the Northern Ireland economy.

The next slide gives a bit of background about the economic recovery plan that we seek to develop. It is built around four pillars: supporting innovation; a highly skilled and agile workforce; supporting and investing in trade and exports; and supporting a greener economy. Of course, all those pillars are absolutely intertwined and cross-cutting and will support the rebuilding framework. We seek to deliver better jobs and to address regional imbalance. We are looking at people and well-being and resilience. That is why it is important that the Department secures funding to support that plan and its delivery.

The next slide sets out the importance of economic recovery supported through skills. There is a need for investment in skills, and that has been magnified since the COVID-19 pandemic. Individuals who have been affected by redundancies and furlough are more likely to be in sectors with a high concentration of lower-qualified workers. It is important that our strategy addresses that. When you look at the issue of low productivity, you see that Northern Ireland has a disproportionate number of people in the workforce with low skills or no skills and a higher proportion of economically inactive people. We need to be mindful of all of that, and our skills recovery plan needs to understand the context of that, acknowledge it and build on it.

The claimant count at December 2020 stood at over 58,000. As we know, there is also a significant number of workers still on furlough, and notifications of redundancy have been at their highest level in 10 years. All of that builds up a picture where we know that there will be a further —

**Mr Brennan:** I think we have lost Sharon, Chair.

**Mr David Malcolm (Department for the Economy):** I will be happy to pick up where Sharon left off.

**The Chairperson (Dr Archibald):** Thank you, David.

**Mr Malcolm:** Sharon was saying that the claimant count has doubled in the last year, and forecasts indicate that it will rise. It is just under 60,000 at the moment, and forecasts predict that, once furlough ends — we know that there are still approximately 150,000 people on either the normal furlough scheme or the self-employed scheme — that number will top out at, maybe, 100,000. Long-term unemployment is already at 31%, and youth unemployment is at 9.6%. We know that, if we are to improve that situation, we need to put funding into a skills academy that will look at lifelong learning and address some of the problems that we have had in skills. We need to put as much focus on the over-50s as we do on the 18-24 category, because the people who are losing their jobs will need to be retrained for new industries and new opportunities that are coming forward. That is why we believe that we need to invest in skills and bring back open-age apprenticeships that will create opportunities for people to reskill and skill up in order to aid economic recovery.

Sharon was going to end on a slightly more positive note about our capital draft allocations. Unlike our resource position, our capital position is much more positive. Over 70% of our bids have been met. That will allow us to meet all our contractual commitments, and 69% to 70% of our high-priority projects were submitted as part of the bidding process. All our financial transactions capital (FTC) bids will also be met. We are quite optimistic about the capital side, if not the resource side. Funding for the New Decade, New Approach (NDNA) city deals has still to be confirmed and has not yet been allocated. However, there are ongoing discussions with the Finance Minister and the Executive on how those allocations will be made. We are not in a position at this stage to announce that we have received any funding specifically for any of those projects.

I will end that quick canter at this point. I am fairly confident that you will have plenty of questions for us, and Sharon has come back in perfect time to answer them.

**Mr Brennan:** Thanks, David.

Chair, as David has said, that was a quick canter through the budget position. I draw members' attention to Sharon's point that investment in skills is, in real terms, 14% lower than it was a decade ago. When you look at the challenges that lie ahead in the labour market next year and thereafter, you can see that it will be a difficult environment.

**The Chairperson (Dr Archibald):** I thank all three of you for the briefing. It has been a useful overlay of where we are. As you have said, the Committee is very aware of the challenges that we face and the likelihood that they will continue for some time and potentially get worse, as has been alluded to, when furlough and the other support schemes end. In that context, a flat-line budget is a significant challenge, and there is the difficulty of moving away from the multi-year Budgets promised in November and the non-funding of some of the NDNA commitments from last year. Therefore, it is a challenging picture, and the Committee is aware of that. Obviously, even over the past year, while significant funding came in for COVID supports, it came in dribs and drabs, and that has made it difficult to plan. If that continues, planning interventions will continue to be a challenge. It is a difficult context, and the Committee recognises that.

I will pick up on the final point about skills. The Committee will be supportive of investment in skills. How developed are the new strategy and any skills intervention plans and programmes that may be in place? What are the proposals? Has that been bid for in this Budget, or will you seek to secure further funding for that?

**Mr Brennan:** As you know, the Department has been working up its skills strategy for some time. Ideally, the strategy will set out proposed policy interventions in a range of areas from level 0 to level 7. The Department thinks that some areas deserve prioritisation: for example, apprenticeships level 0 and level 1. The challenge we face is trying to progress the skills strategy while grappling with COVID-19. I say that for two reasons and two difficulties that have to be addressed. There are practical difficulties with staffing and getting the resources to move ahead with the skills strategy when our staffing resources are spread so thinly, and that has meant we have had to divert resources away from the delivery of key strategies such as the energy strategy, which have suffered as a consequence. We also have to factor it in that COVID-19 will have profound impacts on the local labour market not just for 2021-22 but for the years thereafter. That will require some revisions of where the skills strategy needs to go. The skills strategy is well advanced, and we need to revisit it in

the light of COVID-19 and where, we think, the Executive will want to go with an economic pathway out of COVID-19 and into a longer-term economic vision.

**The Chairperson (Dr Archibald):** Thanks for that, Mike. You referred specifically to apprenticeships, and there were bids made and funds allocated for the apprenticeship recovery and retention programmes. There were some practical difficulties, as you said, with additional restrictions being put in place. Is that something that you intend to bid for again in the new financial year?

**Mr Brennan:** Yes, I will bring in Sharon or David to go into the detail, but, obviously, some of the apprenticeship recovery packages that we put in place have significant financial tails that go into 2021-22. In the budget, we need to find the resources to honour them, as Sharon set out in her slides. It is a certainty that we will need further apprenticeship interventions, starting in the new financial year 2021-22, on the three dimensions, namely returning apprenticeships, retaining apprenticeships and getting results from apprenticeships. The way that I look at apprenticeships in the context of COVID is that what we have in place is not the end of it; we will need new interventions in 2021-22 in apprenticeships. That may mean a massive expansion in, for example, the challenge fund, but that is undoubtedly where we will need to go. Sharon, do you want to say something about the funding of apprenticeships, legacy tails and where we might go in 2021-22?

**Ms Hetherington:** Yes, as I highlighted with the slides, we estimate that the tails from the initiatives that we have started in the current year will require a bid of £18.5 million. Obviously, we will bid for that from COVID funds as they become available to the Executive. The sooner we can get certainty that we have that funding, the better. We were clear with the Executive when we were setting up the initiatives that that was absolutely the right thing to do this year and that we needed to support apprenticeships when we were bidding for that money but that the consequences would be those financial tails.

**The Chairperson (Dr Archibald):** OK, thank you. I want to go back to another point that you referred to in your presentation on the £12 million that has been secured for the operation of the protocol. Will you talk me through that a bit? Did you say that that money has come from the Treasury?

**Ms Hetherington:** Sorry, you broke up a little there. Are you asking about the protocol?

**The Chairperson (Dr Archibald):** Yes.

**Ms Hetherington:** OK, sure. All Northern Ireland Departments had to submit detailed bids to the Department of Finance, which reviewed them and negotiated with Treasury on their behalf. DFE was very successful in the work that it did to convince Treasury that it needed the extra funding. In total, we bid for £12.5 million and got £12.2 million, so we were pleased that we had done a good job and got a good outcome to help us with that work.

**The Chairperson (Dr Archibald):** What, specifically, is that funding for?

**Ms Hetherington:** A policy area could give you much more detail than I can, but that funding is for a number of posts in the Department and initiatives to support business as we seek to implement the Northern Ireland protocol and deal with its outworkings for Northern Ireland.

**The Chairperson (Dr Archibald):** OK. Going to the breakdown of the non-ring-fenced resource, economic and business development receives £132 million and InterTradelreland receives £3 million. Both of those are significant reductions from the previous year: I think that it was £142 million for business development last year and £4 million for InterTradelreland. InterTradelreland's budget will be cut by a quarter to its budget for this financial year, despite the significance of the cross-border work that it does in helping businesses develop. A Manufacturing NI survey this week showed that 25% of businesses had reorientated supply chains locally or into the EU. That area of work is significantly important in the current context of implementing the protocol and the new difficulties being faced in response to Brexit. What is the justification for the reduction in those two budget areas?

**Ms Hetherington:** What we set out there is the baseline allocation, and there is actually no reduction in the baseline allocation from previous years. The difference between the baseline and the budget that InterTradelreland got last year is as a result of additional funding from different pots that it bid into. The baseline for InterTradelreland is £3 million. It was £3 million last year, but InterTradelreland then accessed EU exit funding, in-year additional funding, additional COVID funding and Northern Ireland

protocol funding of, I think, £130,000. The baseline in all those areas was the same as it is in the current year. We have had no change to our baseline at a top level, and we have made no change, as it sits, to the baselines throughout the various bodies that we fund. The difference is a result of additional funding that becomes available, and all the organisations, InterTradelreland included, will be able to bid for funding as pots become available during the year.

**The Chairperson (Dr Archibald):** I was looking at the budget document that was published in May last year. It has those figures in relation to both InterTradelreland and economic and business development, and all the other budget lines, as you have indicated, are the same. It is just those two that are different. Are you telling me that those two reflect additional money that was directed from other funding streams?

**Mr Brennan:** I think that we have lost Sharon again, Chair.

**Mr Malcolm:** I can come in. InterTradelreland's baseline for the last three years has been £2.9 million, and it will be exactly the same this year. Last year, as Sharon said, it bid for additional funding and got it from quite a few pots. There was EU exit funding, in-year funding and COVID funding, and that brought InterTradelreland up to a total budget last year of £5.2 million. The baseline this year will start exactly the same as it was last year, but InterTradelreland will then have access to bid for other funds when money becomes available. Depending on what sort of work InterTradelreland is doing, it can tap into additional funding, if that is available or if EU exit money is required. The position has not changed from where InterTradelreland started last year. Where it ends this year and next year will depend on what happens in the next year.

**The Chairperson (Dr Archibald):** Thanks for that. In that context, does InterTradelreland get additional money allocated every year? In 2018-19, the out-turn was £4.35 million, and then, last year, according to the Main Estimates in October, the provision was £4.65 million. Does InterTradelreland consistently have additional money allocated throughout the year?

**Mr Malcolm:** Yes. Since 2018-19, its baseline has been flat at £2.931 million. However, it got significant EU exit funding in that year, which, as you say, boosted its end-year position. I can happily send you a table, Chair, if it would help, to outline the last five years of funding for InterTradelreland and the mixture of where it has come from, but you will see that the baseline has been constant and InterTradelreland's ability to bid for other funding during the year has boosted the end-year total.

**The Chairperson (Dr Archibald):** David, that would be really useful. I emphasise the importance of that work to support businesses to take advantage of any protections that the protocol offers. I will bring in some other members to ask questions.

**Ms McLaughlin:** Good morning, everyone. Thank you very much for your presentation, Mike, and thank you for the context that you have given. Obviously, there are many things to be worried about at the moment. One of the main things that we all have to do is to plan for the future and be optimistic about that future in many ways, because, if we were not, we would all feel very down at the moment.

There are multiple concerns. I am concerned, first of all, about what Mike said about his Department and the fact that there is such a high level of staff vacancy. This is a time when we need the Department for the Economy to be well resourced and well staffed. Can he give me any insight into why there is such a high level of staff vacancy in the Department? Does the lack of staff in the Department or a workload that is difficult to undertake impact on some of the grants not getting out as quickly as we would like?

**Mr Brennan:** Thanks for that question. The two issues are directly related. As I said, the Department sits with a vacancy rate of 25% at the minute. Other NI Departments are sitting with vacancies as well. I think that, across the Civil Service, there are something like 4,500 vacancies out of a workforce of 23,000, so you can see that DFE as a Department is not unique, but the picture is probably most acute in DFE.

One of the reasons why the vacancy rate is so high is that we largely have to rely on corporate recruitment competitions across NICS and they have been constrained significantly over the last year. NICS processes and HR Connect are constrained by COVID in not being able to have assessment centres, and there are issues like that, particularly at grades like executive officer (EO) 1 and 2, staff officer and deputy principal (DP), which are probably the most important in terms of being the

bedrocks of how Departments [*Inaudible*] deliver that. As I said, DFE is probably the most acutely exposed in carrying that vacancy rate.

That goes to your second point, Sinead, about problems in the Department and grants. Your staff numbers are down 25%, and then, all of a sudden, you find yourself having to engage in COVID recovery exercises, spending £600 million to £700 million on grant assistance that you did not envisage doing. At the same time, political expectations are that the routine functions of the Department, as set out in the business plan, continue as normal. I will be quite open about it: the staff in the Department are under significant pressure. They are covering for the vacancies. They now have to deliver at pace grant schemes that they did not really have any expertise in doing. There was no business plan set out to give a structure to how they would do that. What has been achieved over the last year in getting out that degree of spend across a wide range of sectors is quite marvellous. It has generated a significant amount of frustration, because, on the one hand, we have found ways to get the schemes up and running and payments made to the various hard-pressed sectors, yet, almost at the same time, officials are getting hammered because so-and-so got two payments in two different schemes, one in the Department of Finance and one in the Department for the Economy. Basically, there is a perception that they cannot win. They are under pressure to get the money out as quickly as possible. That is the whole reason for asking for ministerial directions. There was always the recognition that there would be some degree of error, but, the minute that errors are identified, the officials get hammered.

As the accounting officer for the Department, I am particularly worried about where the Department's officials are at this time. They are under significant pressure; indeed, last night, one senior official had an emergency admission to hospital because of the consequences of the pressure of work in delivering one of the schemes last week. That is not unique. That has been happening. I can give you other instances of that, where staff are under significant pressure to deliver because public and political expectation is there. There needs to be a recognition that these guys are doing their best to do this as quickly and as professionally as possible. The vacancy rate is not helping; I admit that.

**Ms McLaughlin:** You have a duty of care, obviously, Mike, to your staff. I am concerned when you tell me that, because I believe that, as the Committee for the Economy, we have a duty of care to staff as well. I get emails on a Sunday evening from officials about grants, so they are working over and above their time. I realise that there is a lot of pressure from the public, and we, as public representatives, are also putting a lot of pressure on the Department; I accept that. However, stress levels are so high across society because people are wondering how they will put food on the table and make ends meet. It is really stressful right around. I hope to goodness that the official who had to go into hospital is OK. It is a stressful situation all round, as I say, and we need to find a little hope at the end of it.

Is there any additional support that you could be given that would help to support your Department? Are there other Departments that are over-resourced from where staff could move to where the need is greatest at this time? Are there even any council areas where staff are underemployed and could move into central government? Are there solutions that we need to find in order to take the pressure off those who are having to work way above and beyond and are still not getting the job done? It is like the inbox that never empties. Once you think that you have something done, something else comes crashing along and makes the job even more difficult. Have you identified any solutions that we could work on together to resolve the issue?

**Mr Brennan:** It is an issue that has been discussed between permanent secretaries; indeed, I raised it with the head of the Civil Service recently. As I said, all Departments are carrying vacancies. However, the Department for the Economy and, I would say, the Department of Health and the Department for Communities are at the real sharp edge of this in addressing COVID-19. I will continue to raise the issue. There must be some scope to divert resources from the less-pressurised Departments towards Health, Communities and Economy. That just has to be done.

The worry that I have is that, looking ahead to what 2021-22 holds, it is probably inevitable that we will have a further raft of new grant schemes or existing grant schemes being extended. As I said, that poses two problems: how do you resource and deliver that to public expectations; and what does it mean for what I would call the "routine work" programme that the Department is expected to deliver in 2021-22?

Rest assured that I will continue to raise the issue with the head of the Civil Service; indeed, I will have a discussion with the Minister later today on the point.

**Ms McLaughlin:** In relation to the Budget and the presentation by Sharon, I was going to ask about details of the protocol, but the Chair dealt with that, so I will leave it. She also dealt with InterTradelreland. Those are areas of opportunity for us. We are in a unique position in and around the protocol. We need to manage those opportunities. Therefore, investment in InterTradelreland and Invest NI are really important now, because we have to grasp whatever competitive edge we have. I would like to speak, probably to you, Mike, in much more detail about how we drive those opportunities. There were two articles in 'The Belfast Telegraph', last week in which Kevin Holland spoke of more enquiries regarding the Northern Ireland marketplace. That is really good news, and we have to grasp the pieces of good news.

The other issue that I would like a little more detail on is higher education funding pressures and that 5% phased increase of the MaSN. That is unfunded, so you are trying to find the money for that. Is that not imperative in looking at our skills strategy and our education strategy right through from the 14-19 strategy and on to higher education? We need to have more investment in our people and to stop the brain drain, and that is the way to do it. It is one of the inescapables. Do you have any more detail on the 5% phased increase? Is that year-on-year? Are we thinking of that going forward into the next five years, for example, each year?

**Mr Brennan:** Sinead, I will bring in Sharon and David in a second. The additional MaSN cost incurred was a direct consequence of COVID and the impact that it had on the universities last summer. I expect, therefore, that the requested funding for 2021-22, again, is a direct COVID cost. I have a high expectation that it will be covered as part of the COVID bid that the Department will put to the Executive in the coming weeks. Sharon or David, do you want to come in on that?

**Ms Hetherington:** Mike, there is not much to add. I agree with what you have said and that we have a high expectation that those costs will be met.

Sinead, you talked about investing in our people and asked whether it goes on for a number of years. That is the difficulty with running one-year budgets, but we are where we are with the UK Government's decision to have a one-year spending review. That increase will not go away, because students in the first year of their degree will need to finish their degree. I expect that we will be looking at that cost for a number of years.

**Ms McLaughlin:** OK. I have other questions about the COVID grants, but I will let it go and see how everybody else gets on with the questioning. There is a multitude of questions that we could ask, to be honest.

**The Chairperson (Dr Archibald):** Thanks, Sinead.

Mike, before I move on to the next member, on behalf of the Committee I offer our best wishes to your staff member for a speedy recovery. Last week, when Paul briefed the Committee about business support, a number of members reflected their appreciation of the efforts that staff are putting in. I want to reflect that to you also. We know that there is significant pressure in relation to that.

**Mr Brennan:** Thank you, Chair. Many people in the Department will be watching the session. It is not just one individual; we have lost others, and I am particularly worried about a few who are on the ragged edge. Your comments are much appreciated.

**Ms Sugden:** Good morning, everyone. Thank you, Chair. I want to come back to the comments about rebuilding the economy and skills. I entirely agree that one almost follows the other. In light of the pandemic and as a consequence of it, are you finding yourselves having to review what skills will now be required in Northern Ireland? How do we respond to that as quickly as we need to in trying to rebuild the economy? I noticed that the apprenticeships that you have been offering recently seem to be more digital-based. That has long been a skill set that is required in Northern Ireland and that, indeed, attracts big business from across the world. How are you engaging with the various businesses and with those who are potentially interested in Northern Ireland for other reasons to meet the demand for the skills that they need, so that, whenever individuals are upskilled, there will be jobs for them?

**Mr Brennan:** Thanks, Claire. We have close relationships with, for example, the business organisations, the further and higher education providers and the apprenticeship providers, so we have a good awareness of what their needs are for the next year and beyond. You are right: we constantly have to reassess where we go with policy. Sharon mentioned in her presentation that, in

October, our economic recovery work was pretty well developed at that stage. We had five pillars set out around tourism, innovation, skills, a green economy, and investment, trade and exports. That was costed at around £165 million or £170 million. Things have changed significantly, and some sectors out there have been profoundly altered since that position last October.

We now have a sort of parallel process. We are working in considerable detail on an economic pathway to recovery that covers what is needed in the next 12 to 18 months. Hopefully, the Minister will release that in the next week or two. There is also a longer-term economic strategy or vision that covers where we want the local economy to be many years down the road. Hopefully, the recovery pathway paper will evolve and merge into that longer-term document. For example, what we need in the labour market — skills, apprenticeships and areas like that — will change over time. A lot of the interventions on apprenticeships and skills over the next 12 to 18 months will be remedial and will be about making sure that the skills that businesses need just to get through the next year, in particular, can be provided. In the longer term, you could see a slight change in focus, where you might want to shift, for example, apprenticeships and what they are to higher value-added sectors and more of an investment in the skills base that an individual can accrue over their lifetime. In summary, there are two pathways. There is the short-term recovery pathway that will embrace skills and apprenticeships and the longer-term vision, which, hopefully, will see a morphing towards a higher value-added economy and higher-value skills invested in people.

**Ms Sugden:** Thank you for that. I very much take that on board.

You commented earlier about lifelong learning, and I entirely support that. That brings me on to a conversation about inclusivity and trying to ensure that we upskill and give as many people as possible in our communities the skills to help them to develop and to get them into work.

Sharon, you talked briefly about the EU replacement funding, specifically the ESF. I declare an interest: I work with an organisation that runs such a programme. I am concerned that there is uncertainty. You have no confirmation about that pot of money, which helps an awful lot of people who may have other challenges in their life to get into work. I am keen to know what the Department is doing for a backup plan should that money not be available. You talked about £45 million: how long will that last? When will those mainly community and voluntary organisations get that assurance to know how they can plan and help those individuals?

**Ms Hetherington:** Claire, about £19 million of that £45 million related to ESF for the likes of the community and voluntary groups that you refer to. The real criticality for the EU funding was ERDF, because Invest NI was actually out of money. In the January monitoring round, we made a bid that essentially allowed us to use national funding this year and to move the funding that we would have used this year on the EU side into next year. On the ERDF, that gave us a year. The ESF had more money, so there is a bit more certainty for a little longer. If memory serves me right, it will take it up to about 2023.

I assure you that, just because we have been able to extend the EU funds, we are certainly not resting easy. One of my colleagues who leads in that area is very active in her engagement with DOF and its onward engagement with Treasury. We absolutely need to understand clearly what the parameters are for the Shared Prosperity Fund and what that will mean for our funding. We are pressing as hard as we can to get that clarity. We need it as soon as possible. Once the financial year starts, we all know that it runs on and, before you know it, you are into the next one. We really need to use the time that we have bought ourselves and use it wisely.

**Ms Sugden:** OK. Thank you. This is my final question, Chair, if you will indulge me. It is about the high street support and holiday at home schemes. It was always going to be challenging to fulfil those schemes and to ensure that the money for them was spent by the end of this financial year. I understand that it will require the Northern Ireland Executive's support if we were to take that forward into the next financial year. Is there any indication that any of that money will be rolled over? I asked the First Minister this question in the Assembly. They were chatting to Treasury to see whether any of those moneys could be rolled over. Will it remain unspent and be sent back? We are in mid-February, and trying to utilise any surplus at this point to ensure that it is spent by 31 March will be difficult. Therefore, is there an opportunity to roll that over or *[Inaudible]* budget? That may be a general question about all funding as much as about those particular schemes.

**Mr Brennan:** There have been some developments in the last day or two, and the Finance Minister will make a statement on this in the next day or so, if not today. I will bring Sharon in on the detail of

that. It is important to differentiate from the routine carry-over under the budget exchange scheme, which you referred to, that is always there. That allows for up to about £85 million or £90 million of resource DEL to be carried into next year for normal Executive and Assembly business, which is fine on the resource side. As you know, there a significant pot of money related to COVID, and that is ring-fenced. As I understand it, some of that will be available next year, and we expect further allocations from a Budget announcement — I think that that is on 4 or 5 March. I will bring Sharon in, because she has been liaising with Finance colleagues on that.

**Ms Hetherington:** Claire, we expect that there will be a reasonable amount of carry-over. I do not want to go into figures, because that is probably for the Department of Finance, and I cannot be sure that we would give you the correct figures. We know that the Finance Minister has been engaging with Treasury around carry-over. They are concluding on spring Supplementary Estimates and in understanding where the Barnett consequentials have left Northern Ireland as a block. However, that is for Northern Ireland as a block. DFE will still have to bid into any pots that can be carried over or are available. Mike referred to the significant amount of money at the centre, and the Executive's intention is that, where that can be utilised effectively this year, Departments should continue to do so. DFE is still looking, as, I expect, other Departments are, for areas in which that can be utilised in year. Mike also referred to the various pots of money, and that affects what you can use it for.

In summary, I do not know whether we will be able to carry it all over. I think that it is unlikely if that unspent amount remains quite high. However, I expect there to be a reasonable amount of carry-over next year. It is just my view, but it is probably reasonable to say that some restrictions will be with us as we go into the next financial year, and you would, therefore, expect some further money to come from Barnett consequentials. I have high expectations that the Department's COVID tails would be met. We are also saying that, to reorientate the economy, we need money for the economic recovery plan and the skills plan, which need to be funded. COVID has really impacted on the skills plan. We would be trying to use those pots of money, because they are not baselined at the minute.

**Mr Brennan:** The other factor that it is important to bear in mind, Claire, is that, with the two schemes that you referred to — the high street voucher scheme and the tourism scheme — it all depends on where we are in regulations, with the same old comments yesterday about the restrictions being likely to continue into next year. The sectors most likely to be exposed to those restrictions are the likes of tourism, hospitality and retail. Therefore, there is no point in rolling out tourism recovery or retail spend, if they cannot actually hit the ground and have an impact.

**Ms Sugden:** That is a fair point. You have answered my question, Sharon, in that, because the economic recovery is somewhat linked to the COVID restrictions, we can utilise the COVID money to stimulate the economy and any recovery plans that you may have. Thank you for that.

**The Chairperson (Dr Archibald):** Sharon, I have a quick question that picks up on what Claire said about ESF. A few weeks back, our briefing on January monitoring indicated that the ESF would be extended to March 2023. Has it been confirmed to those projects that they will be able to be extended for the year?

**Ms Hetherington:** Sorry, I am not sure whether that information has made its way to those projects yet. I will need to get the policy lead to come back to you.

**Mr Malcolm:** While the funding is there, we are in discussion with the EU about how we extend that and whether we can simply allocate it as it is to the 66 existing projects or whether we need to retender or do a small-scale exercise. That is why we have not engaged with the projects yet. We are still seeking clarification from the EU on how we will allocate that spending.

**The Chairperson (Dr Archibald):** Thanks, David. That is really helpful.

**Mr Dickson:** Thank you for the information that you have all given us this morning. I appreciate that the current financial year has been a nightmare for you to operate your way through, particularly with all the schemes that have come and gone over that period, many of which required you to work very fast.

What lessons have been learned from the current financial year, which is about to end? Going into the next financial year, how will you be able to improve the circumstances in which you found yourselves in this one?

**Mr Brennan:** There are so many lessons to be learned that I struggle to identify where to start. On the management of schemes, in the early stages of COVID — March, April and May of last year — trying to identify how to implement schemes was quite chaotic. Delivery schemes and legislative vehicles were complex and tortuous. Also, engaging with Invest NI, for example, to create a payment mechanism was difficult at the start. Now, when we are told by the Executive to do something, it is more of a command, and we say, "Right, this is what we are doing", rather than trying to encourage people to help us along the way. It has been a bit more hard-headed, and our understanding of how to use things like ministerial directions has been a bit more pragmatic. Normally, such things should be very precious and rarely used, but COVID-19 has taken us to a completely different place, one that 'Managing Public Money' probably never envisaged. Over the past couple of months in particular, we have learned a lot from the way in which we engage with the Minister and the Executive on ministerial directions. Those are probably the biggest lessons that I have learned.

The only other thing I have to say is that my frustration at the financial process that has accompanied COVID-19 is ongoing. It really has confused and disorientated the finance officials trying to manage things like headroom under the Estimates, trying to construct monitoring round positions and trying to separate COVID and non-COVID ring-fencing. Those things are still quite complex, and, to be honest, I am not sure how David and Sharon have managed to keep themselves sane as they plotted a course through the past 12 months. Even now, almost daily, we have to get straight in our own minds where we are on things like Estimate headroom. I still struggle with those frustrations, and I tip my hat to Sharon and her team for getting us to this point. David and Sharon, do you have anything to add from your perspective?

**Mr Malcolm:** Re formal lessons, obviously, we carry out post-project evaluations (PPEs) on all our schemes. We capture the official and formal learning from that evaluation. However, as we have moved through the schemes, informally we have taken the learning from the first schemes that were rolled out at pace in March and April. As new schemes have come online, we have informally built in that learning.

We have also learned how important it is to work collaboratively with colleagues in the Department of Finance, Land and Property Services (LPS) and Invest NI. They operate the vast majority of the schemes, and they now have regular conversations with us on the issues that they find. We are all in the same position of trying to start up schemes and create things that were not there before. In many ways, we are reverse engineering the rating system that was built to collect rates, to collect money from people. That is being reversed to pay money out. We are all learning and talking together, and we are sharing our experiences better. We will formally capture all this in post-project evaluations when the time comes when we can finish these schemes and do the formal learning.

**Mr Dickson:** That is helpful, thank you. This morning, you have given us two figures: 95,000 people are currently furloughed, and 52,000 people are self-employed on a variety of other income streams. That brings me to the area of skills and, perhaps, the area of reskilling. It would be naive to suggest that all 95,000 who are on furlough will go back into employment or, at the very least, go back into the same employment as they were in prior to going on furlough. It is a large cohort of people, and we hope, of course, that as many as possible go back to their employers and pick up where things left off.

What are the Department's plans and what budget does it have, to cope with supporting businesses that survive the COVID pandemic and to recognise businesses that simply will not survive? How does that work forward into upskilling or reskilling the workforce?

**Mr Brennan:** I will make a few headline observations. You are right to identify a concern about how COVID is likely to impact on the 150,000 people on furlough or self-employment support. Earlier, David said that the forecasters expected unemployment to hit 100,000. Already, the latest count is 60,000. Only 40,000 from the 150,000 on income support are needed to hit the 100,000 unemployment mark. Therefore, interventions in the labour market are critical.

You ask how we will address the most vulnerable. The funding will come from two streams. We have already touched on this. The ring-fenced COVID funding will be available for tails into 2021-22 and for new schemes that we want to bring forward. There are also the normal "pre-planned interventions" that the Department was always going to make, such as apprenticeships, Training for Success and essential skills, which will continue. David and Sharon, have you any other observations?

**Mr Malcolm:** It is interesting that, in 2011, we invested £99 million per annum in skills programmes. Last year, we invested £75.5 million, which is almost £25 million less. What does that mean? We are

not doing management programmes. All-age apprenticeships have stopped. We are unable to do the sectoral initiatives because of that funding gap. That is why we will bring forward significant plans. With our current budget, we will not be able to do what we do currently. It will not wash. You could argue that it barely did what needed to be done when we had high employment. We face massive unemployment. We already have that, and we need only think about what might come down the line. We need to look at all-age apprenticeships and at putting more funding into reskilling and retraining. That is why, as I mentioned, we put a lot of focus on our young people, and, of course, it is really important that we do not lose generations of people coming onto the labour market on leaving school.

I declare an interest: I am in the over-50 category. We also need to recognise that many in the over 50 category are being made redundant. We know that redundancies are at record levels, and we need to reskill those people for the new opportunities that are coming. That is why we talk about a culture of lifelong learning, upskilling and reskilling. That will be a vital part of the investment in skills that we bring forward as we seek to redress the situation and get us back to where we were 10 years ago, when we were investing £25 million a year more in our skills programmes than we are able to invest today.

**Mr Dickson:** My final question is on the number of vacancies in your Department and across the wider Civil Service. What is happening to plug the gaps? Sinead referred to moving staff around internally, but there has to be some sort of long-term, strategic planning to fill those vacancies. After all, the private sector is managing to fill vacancies at the moment. What is the Northern Ireland Civil Service doing? Is there a plan to fill those vacancies and to get the appropriate people in place?

**Mr Brennan:** I will let David go into the detail on where NICS HR is in its corporate recruitment plan and on the difficulties encountered over the past year or so.

**Mr Malcolm:** As members will be aware, an Audit Office report on challenges faced by NICS recruitment and lessons learned from the renewable heat inquiry (RHI) was recently published. A lot of work has been done centrally to pick up some of the issues arising. Unfortunately, COVID has prevented certain actions. Last year, for example, a staff officer and DP competition was launched, which are our ranks at middle to senior management. They are important ranks for developing and starting strategies and policy development. A new approach was taken to that competition whereby we intended to run assessment centres. As part of that, there would be an initial test and then assessment centres. Those assessment centres had to stop during COVID and could not be carried out remotely. Some things could be carried out remotely, but they could not, and that has caused a problem in the system, because that is a crucial grade for us. There was an administrative officer (AO) competition, which is a grade at the start of the administrative ladder, to which an innovative approach was taken. We decided to scale. People had passed a battery of tests, and the final stage would have been the interview. Since we needed to recruit quickly, consideration was given to waiving the interview for the top so many on the list. To be fair to colleagues in NICS HR, they have been trying to respond. Historical problems and challenges to recruitment in the NICS are recognised in the Audit Office report, and it states that we need to be more agile and move at a greater pace. Unfortunately, doing that in the middle of the COVID crisis has been challenging, and, as long as the current restrictions remain, the likelihood is that things will get worse before they get a chance to get better.

**The Chairperson (Dr Archibald):** Can we bring John O'Dowd into the spotlight, please? *[Pause.]*

**Mr O'Dowd:** I had some technical problems. Thank you for your presentation and information. The Executive and the Department are entering a difficult financial era. It had been hoped that the Tory Government would spend their way out of a recession, but it appears that they plan to cut their way deeper into a recession. That will cause huge difficulties for the future economy.

I want to concentrate on skills and investment in skills. I have raised this before, Mike, with some of your officials, but maybe not with you or the officials who are with you today. Sometimes, I am concerned that, when we talk about the skills strategy, we are talking about high-level skills in IT, finance and those sorts of services. Not everybody will work or want to work in IT or financial services or wherever it may be. There is still a strong economy in what were known as vocational skills. Previously, I mentioned the fact that, when I look out of my office window, even in these difficult economic times, I see different job sets, skill sets and tradespeople operating around the town. They need support as well. That brings me on to my concern that the failure to support students in FE colleges who are not studying higher-level degrees demeans those courses and might create a two-level education system in which young people will not be attracted to those courses. Are there any

plans to extend the COVID support that was given to higher-level students last week — a welcome intervention — to students not studying degree courses at university?

**Mr Brennan:** John, it is my understanding that the £500 payment was also made to students in FE colleges who are doing the higher education-equivalent courses. Various financial assistance packages are in place for many of the other courses. I do not have the detail. Unless David or Sharon knows more, I suggest that we write to you, John, and to the Chair with details of the packages that, we think, are appropriate for the non-higher education element in the FE sector.

**Mr O'Dowd:** I am aware of the packages that are in place, Mike. My point is that, if we do not support students who are studying what are referred to as "non-higher level courses", we will demean those courses and the skills being taught through FE colleges will be undermined. We will not attract students to those courses, and we will undermine an important sector of our economy. I ask that the Department look at offering COVID disruption payments to those students as well. I understand that tourism is under pressure at the moment, but tourism will come back and be a growing sector of our economy. Skills in the building and other trades will come back and be an important part of our economy. If we demean those and other courses offered by FE colleges by not offering COVID disruption payments, we undermine our skills strategy.

**Mr Malcolm:** John, we can check that. However, my understanding is exactly the same as Mike's, which is that the equivalent was the £500 COVID payment to those in full-time higher education. We will certainly come back to you on those who are on vocational courses.

You are right that not everybody is studying for a PhD or to go into digital. One of the skills gaps that we have had because of the funding over the last number of years is that we have not been able to develop all-age apprenticeships or sectoral initiatives. We do a lot of Essential Skills work. I encourage members to look at a really good Northern Ireland Statistics and Research Agency (NISRA) report on our website. NISRA's evaluation of our Essential Skills provision over the last 18 years shows that over 53% of enrolments are of people from the two areas of highest deprivation. There is a direct correlation there. Pupils enrolling in Essential Skills courses are those who need numeracy, literacy and ICT skills at entry level, level 1 and level 2, which are the significant levels that we support. We recognise that our skills strategy has to tackle the fact that there are more workers in Northern Ireland with no formal qualifications than is the case elsewhere. We recognise that we have to tackle that from entry level. Our essential skills strategy looks to do that and to continue it through to higher education. There is a commitment to do all those things in our new skills strategy, which is being developed.

I am happy to come back to you on the issue of the £500 payments for those on vocational courses.

**Mr O'Dowd:** I appreciate that. You made a point that I have made previously. Students who are not receiving a COVID disruption payment are more likely to come from a socially deprived background than those who, quite rightly, are getting such a payment. I ask for that to be looked into.

**Mr Brennan:** We will come back to you with more detail on that, John, but mechanisms are already in place, and there are plans for more. For example, for those groups in FE that you talk about, things like the digital hardship fund have been put in place to be rolled out. There are other plans as well. We will come back to you with the detail of that.

**Mr O'Dowd:** Mike, I am more interested in you coming back to me with the detail of how you will square the circle and support FE students with the COVID disruption payment, but we will have that discussion another day.

I want to discuss how Departments approach the COVID disruption payment. You make a valid point, Mike, in the sense that Departments, including sections of your Department, were never equipped or skilled to issue such large-scale payments to industry. That was never part of your business make-up, and it has caused huge problems for your Department and, as you mentioned, your staff, who are under extreme pressure. However, there is still a tendency to try to put a square accountancy peg into a round hole. There has to be an acknowledgement — we as politicians have to give you the political cover to do this — that it is as much about there needing to be an emergency response to the accountancy role of Departments as it is about getting finances out the door. I fear that, sometimes, the balance has gone the wrong way because of the, at times, unfair criticism of officials about certain sectors getting payments that they should not have got. I said at the start of the pandemic that the rule book should be ripped up and thrown out the window. The Minister has said the same to me in the Chamber in response to some of the criticism, which, I have to say, was not from me. I do not think

that I am on record as criticising any Department for trying to get money out the door. If problems arise, they can be looked at another time. This has to be looked at through the prism of the emergency that we are responding to. At departmental official level or even permanent secretary level, are you still of the view that there has been unfair criticism of or unfair pressure on you to get every accountancy boxed ticked, rather than getting support out the door to businesses?

**Mr Brennan:** Yes. I have no hesitation in answering that, John. I believe that there is unfair pressure to comply in the current environment, and I will give you some examples of why that is unfair. As I mentioned, we are creating new processes to get money out the door as quickly as possible, yet we are still getting clobbered left, right and centre about payments going from DFE to an individual or about payments going from the Department of Finance to the same company or whatever. We are trying to claw that money back under the mechanisms in place, and we will try to rectify that. We are acutely aware of how that plays out in the public domain, with the perception of departmental officials being incompetent and not knowing what they are doing. In parallel with that, there is a requirement to be seen to comply with 'Managing Public Money', and we will always do that — we will always do that. However, it becomes frustrating when other stakeholders decide to become involved and ask for an investigation, a report or some sort of inquiry into what is going on. I find that particularly frustrating at this time, when we are still frantically trying to get money out the door through a range of schemes, be it the COVID restrictions business support scheme (CRBSS) or the large tourism and hospitality business support scheme (LTHBSS). We are trying to do that through a range of schemes. At the same time, the same staff are being asked to down tools to deal with requests for information from a host of organisations investigating what went wrong previously.

I will be honest, John: I find it incredibly frustrating that we are being asked to comply wholeheartedly with financial reporting requirements while there is an expectation that we will do things as quickly as possible. As I say, I have had, I think, 11 ministerial directions already this year. That is wholly unheard of, and it puts accounting officers in an incredibly difficult position.

**Mr O'Dowd:** I will end on this point because I am aware that other members are looking to come in. I agree with you in the sense that, of course, we have to monitor, be cautious of incompetence and ensure that there is no fraud. Those are the minimum standards. I do not believe that those are huge problems at this time. As politicians, we have to give the Civil Service the space to react to the emergency in front of us and ensure that businesses receive the financial support that they require. We can look at this at another time, but that must be from the perspective that we were dealing with an emergency, not simply as an accountancy role.

Thank you for your and your Department's help thus far.

**Mr Brennan:** Thank you.

**Mr Stewart:** Mike, Sharon, and David, thank you so much for your presentation. I echo the comments made by other members about the members of your staff who have become unwell. I acknowledge the massive pressure that you and the staff are under in these really difficult times, especially being understaffed, as shown in the numbers that you are talking about today. These are difficult times, and there is huge pressure on them. I thank you and the team, especially those who are listening today, because any time that I have come to the Department for assistance at a lower level, they have always come back to me quickly.

As John correctly said, in rolling out grants, you are dealing with things that the Department was never designed to do, but we are thankful that you are doing that. Sometimes, it is about managing expectations. I am less concerned about the delays — we understand that due process and due diligence have to be followed — than about the lack of communication. In the absence of communication, businesses and individuals who are waiting for grants might start to panic and contact individuals in the Department, which adds further pressure on the staff dealing with those calls. We heard that last week from Invest NI. If there is one thing that we can get across, particularly to the Minister, it is that there should be the ability to communicate more regularly with the public who are waiting for the grants. That would be helpful from my point of view and that of others.

Echoing John O'Dowd's comments, I find it frustrating, especially given what Mike said, that some of those calling for the grants to be delivered as quickly as possible are the first to jump up and be outraged when it transpires that 0.1% of those grants were sent out incorrectly. Down the line, there will be a time to look at that, but that time is not now. Anybody getting in the way and impeding the work of the Civil Service, the associated organisations and Departments is not being helpful.

Today, you told us that £167 million had been submitted in bids for the financial recovery. I am trying to get my head around that. Your submission mentions that it will be to deliver the economic recovery plan. However, that plan is still in development. I assume that it is far enough down the development road to know how much money is needed. What comes first: the money or the plan? Can you give me an idea of when the economic recovery plan will be published or, at least, come to the Committee for consultation? Is the £167 million a speculative figure based on what might come out of the plan?

**Mr Brennan:** The £167 million was the costing that we put against an economic recovery plan in October last year for the 2021-22 financial year. Things have moved on considerably since then with our costings, the coverage of the economic recovery plan and the range of interventions within that. That is a work in progress. The plan is nearing completion, and the Minister would like to bring it into play in the next week or so.

Sharon touched on elements of the plan: for example, the £50 million fund for skills remediation in 2021-22. However, it is constantly changing. The reason why I am reluctant to give you a date is that, hand on heart, I do not know when economic recovery starts. Certain sectors are holding their breath, the obvious ones being tourism and hospitality, and we cannot give them a date for when they can start to plan to recover. Similarly, other sectors are thinking about their approach to investing. With apprenticeships, for example, they wonder whether they should take on apprentices in April or wait until they know that the market has started to reopen. Those are questions that we are still grappling with, but the plan is pretty well advanced.

Sharon, I am not sure whether you have a more up-to-date figure for where, we think, the pathway costings for 2021-22 will go.

**Ms Hetherington:** No, Mike, we do not at the minute. As you outlined, things are still moving. When we put those bids in, they were marker bids because we realised that we would need significant funding to deal with those two areas. Things have moved on, and, yes, the plans have been refined, but we do not have a final amount at the minute.

**Mr Stewart:** OK. Thank you for that. It is good to hear that the economic recovery plan will come in maybe the next week or so. No doubt, the Committee will get to look at it very quickly. That is helpful.

There is one other aspect that I want to discuss. We have been talking about the impact that the pandemic is having on jobs and livelihoods here. Hopefully, as part of that recovery, those who have lost a job will have the opportunity to go into self-employment and start their own business. We have seen in previous recessions and downturns how people, unfortunately, lost their job but came back to start their own enterprise. I should declare an interest as the chair of the Assembly's all-party group on micro and small businesses. What plans and support will be directed towards the likes of our enterprise agencies and programmes to get people back into work through entrepreneurship, given that over 90% of the economy is based on microbusinesses and SMEs?

**Mr Brennan:** The first observation that I will make is that the key players in all this will be Invest Northern Ireland and InterTradeIreland. It will be for them to shape the bids that they want to take forward. Obviously, some schemes are already in place, but the other key players, which probably have not been brought in as much as they should have been up to now, are the 11 councils, and they have a role to play in economic development. We may need to think about getting them more joined up at the microbusiness level, as you call it, John, with where Invest NI and InterTradeIreland are going.

**Mr Stewart:** OK, thanks for that. I have one last question, but I am conscious of time and that other members want to come in. Has the Department had any consultation with the Treasury regarding the prospect of funding from the new Shared Prosperity Fund? What predictions do you have about the impact of the absence of EU funding if that fund is not replaced by Treasury?

**Mr Brennan:** I will ask David or Sharon about that. We touched on it briefly.

**Mr Malcolm:** Treasury has confirmed that it expects that, when it is up and running, the Shared Prosperity Fund will comprise a £1.5 billion programme as part of its levelling-up agenda. We would need to tap into just under 5% of that to meet where we currently are. As I said, it is in its exceptionally early stages, but we know that it will be delivered on a UK-wide basis. Our Minister and the Finance Minister are still attempting to get in there, as are the other devolved regions, to shape and influence the direction that it goes in. There has been a commitment that the same amount of money will be put

back in, so we are trying to understand where we need to be to bid in order to make sure that we get at least the 5% so that we are not losing out.

**Mr Stewart:** OK. Thanks for that, David. I have other questions, but I will thank the witnesses and let other members get in.

**Mr Dunne:** Thanks, everyone, for the presentation. I want to make a couple of quick points. A lot has been covered, and we all appreciate the work of the Departments on the handling of grants, including the Department for the Economy, Invest NI and the Department of Finance. All of us who are proactive on the ground have been involved in chasing a lot of the grants, and, yes, sometimes they are slow in coming. However, we appreciate that a number of staff are working from home as well, so communication can be difficult. It is important that we put on record our thanks and appreciation to the staff who have gone the extra mile at work. As the Minister said the other day, £370 million has been paid out, which is a significant amount of money. It has been so important in sustaining businesses through the pandemic.

The point about the 25% vacancy rate has been well covered, but what are you doing about that and what has been done? We are a year into COVID; that is the reason that has been given for why recruitment has not been processed. Surely, however, there are ways round that, such as using online facilities for interviews etc.

My other point is on the high rate of vacancies in the Department's energy branch. Has the problem with getting people recruited to that branch been addressed?

**The Chairperson (Dr Archibald):** Can I ask anybody who is on StarLeaf and not speaking to mute themselves? There was a bit of feedback that interrupted Gordon.

**The Committee Clerk:** I am not sure that we have Gordon in the spotlight. Can we make sure that he is brought into the spotlight, please?

**Mr Dunne:** Did you hear the points so far, Mike?

**Mr Brennan:** Yes, Gordon. I got those. Thanks. David touched on the difficulties with vacancies that the corporate centre and Civil Service HR are encountering because of COVID, and, as a Department, we rely on them to deliver staff. As I said at the start, we are having a conversation with the Minister shortly, but we are getting to a position where we will have to take a decision to ease back on the pace of delivery or to stop doing some things in a non-COVID space because, unfortunately, COVID interventions will be with us for many months to come. I think that we will stop doing some things and we will ease back on the pace of doing other things to free up staff to reallocate to the higher-priority areas.

You mentioned the energy vacancies. There are a considerable number of vacancies across the energy group. I will bring Sharon in because she is probably closer to the detail of it, but that gives you a perfect insight into our frustrations with filling vacancies. Back in November, the energy group engaged with the HR process to fill 17 vacancies. Is that right, Sharon?

**Ms Hetherington:** Yes, that is right.

**Mr Brennan:** Recruitment ran interviews, but I do not think that we have a person yet, do we?

**Ms Hetherington:** I do not think they have a person yet, no.

**Mr Brennan:** In four months, despite interviews having been concluded, we still do not have a person in. That is at DP grade. Those 17 vacancies were at DP grade, which is a pretty important grade to get filled, as David was saying. That is our frustration. We have tried all sorts of innovative approaches, such as engaging with the Strategic Investment Board, bringing people in on secondments and a raft of alternative approaches, shall we say, to try to alleviate some of those pressures. You will maybe get one person here or one person there, but you certainly do not get 330-odd people.

**Mr Dunne:** I appreciate that. At least you are looking at alternatives. It is important that you are, because problems arise and then we are told at our level that, because of vacancies, the work was not

addressed and issues were not dealt with. We do not want to hear that at a later stage, but we appreciate the difficulties that you have.

I have a couple of points. The economic and business development section of the pie chart in your slides talks about £132 million. Part of that — £100 million — is for Invest NI. Something that I have raised before is the need for continued support for existing businesses that are working their way through the pandemic. A number of their staff are on furlough. What are we doing to support those existing businesses through the pandemic to ensure that, at the recovery stage, they will be able to maximise their use of resources, get back into full production and bring people off furlough and back into work? My point is basically about sustaining those businesses, which are quite large, that we have sustained and supported over the years through Invest NI. What is being done to maximise that to reduce the impact of the return to work?

**Mr Brennan:** The larger businesses, particularly those in the manufacturing space, and businesses in general have had significant relief already, for example, through the rating mechanism, where they have been exempted from rates, and there are a wide range of schemes available that are either reserved or devolved. One scheme that we are looking at is some mechanism to assist companies through, for example, a possible top-up for their overhead costs for staff on furlough. The rates scheme is already in place and has been since the earliest stages of COVID. That is worth a considerable amount of money to businesses large and small, but we continue to look at new schemes that we can bring along, particularly to assist with the costs of furlough. I am not sure if David or Sharon want to add anything further to that.

**Mr Malcolm:** The schemes have already helped nearly 40,000 businesses across Northern Ireland, as the Minister outlined the other day, with £360 million or £370 million having already been paid out. We appreciate that, for some businesses, that might not be enough. However, alongside furlough and those sorts of initiatives that we have taken locally, that is the level of help that we can put in at the minute. Hopefully, it will help some businesses to survive through to when restrictions are eased. As I say, we are always open to looking at other opportunities, should there be the funding and bandwidth in the Department to actually do that and to make it happen.

**Mr Dunne:** Good. I am glad that you are looking at that top-up scheme as well. We have talked about it here. It is a bit of a reality check when you realise the costs that are accumulating for businesses that have staff on furlough. They still have to meet a lot of overheads. It would be great if that could come through.

This is my last point. There is £19 million for tourism. We are very aware of the initiatives that were planned last year but did not happen. Are we hoping to reinvigorate those plans this year, all being well — if the health restrictions are lifted, obviously — and to focus on tourism and holidays at home while trying to attract visitors in a limited capacity? Will there be schemes and support to try to drive those initiatives forward?

**Mr Brennan:** Indeed, Gordon. As you know, the Minister chairs the tourism recovery steering group. In fact, the next meeting is planned for 24 February, which takes us into phase 2 of planning. Obviously, the difficulty is that we do not know when to start implementing measures because we do not know when the sector will be in a position to start to reopen to commercial activity. At the minute, the plan is grouped under seven themes, which include creating consumer confidence; trying to stimulate demand in the local market; trying to keep some businesses on what I would call life support, or business survival, with things like grants to the B&B sector; trying to protect air and sea connectivity; trying to ensure that the local market remains competitive for the time when markets reopen; and trying to encourage debate about the strategic direction of tourism and which key opportunities need to be exploited in a post-COVID environment.

**Mr Dunne:** Thanks, Mike, David and Sharon.

**The Chairperson (Dr Archibald):** Thanks, Gordon. Can we bring Paul into the spotlight, please? Paul, can you hear us? I think that you might still be on mute.

**Mr Givan:** Is that better now?

**The Chairperson (Dr Archibald):** Yes, we can hear you now.

**Mr Givan:** Great. Thank you for your welcome earlier in the meeting, Chair.

Mike, I have some quick questions. What baseline measurement will you use to assess the key priority area under outcome 6 of the draft Programme for Government, which is to have more people working in better jobs?

**Mr Brennan:** I will hand over swiftly to my colleagues on that one, Paul. The reason why I hesitate is that I know that there has been ongoing discussion on what the indicator means with the definition of "better jobs". We may have to come back to you in writing on that. If David or Sharon know, that is grand, but I would prefer to come back to you with the detail on where we are in negotiations with the analytical services team in TEO.

**Mr Malcolm:** Paul, just yesterday, I saw a report published by NISRA that touched on that. I did not read it and have not yet read and studied it. I have so many emails in my inbox. We will write to the Committee to draw your attention to the report. It has a number of indicators that we have been working up. That is not a new indicator in the draft Programme for Government; there has been something about better jobs for some time now. We have been talking to NISRA and working up a range of data that might fall into that judgement. Let me send you the report. I am happy to take any further questions that might arise out of that, if that is helpful. Apologies; I have not had a chance to look at the report, as it is, literally, hot off the press.

**Mr Givan:** You are OK. Obviously, PFG outcomes often dictate to a Department where its spend will be and all the strategies flow from that. I raise that in the context of the increasing numbers of unemployed people, the cliff edge that is coming with the end of the furlough scheme and the potential figure of 100,000. Obviously, there is no point in putting a draft PFG indicator that is not realistic in a document because it will only become a rod that will be used against the Department, which will be unfair, given the circumstances that you have had to deal with.

The Chief Medical Officer (CMO) made announcements yesterday that the lockdowns would continue for the rest of the year and maybe into next year. Mike, what engagement was there with your Department and the Department of Health before those announcements were made? Does that mean that retail and hospitality will now be closed for the foreseeable future? What will be the impact on the financial support packages that the Department will seek?

**Mr Brennan:** There are a number of cross-departmental working groups on COVID. The civil contingencies group (CCG), which will meet this afternoon, is chaired by the head of the Civil Service. Health is on that with the other key Departments and key services, like the PSNI and councils. As you know, there is the Executive COVID task force, which also meets regularly. Lots of work is going on on recovery, communications and resilience, and Departments are feeding in. The difficulty is that, while we, Communities and others can input where, we think, we need to go for social and economic recovery, as you know, there is not a definitive timeline attached to the health side of this. We are reliant on Health colleagues setting out milestones that the rest of our work can be shaped around.

I was not aware of the comments that the CMO made yesterday until last night. As I said, The CMO gives regular updates to the Executive on where we are with COVID and on his understanding of what lies ahead. The CMO has not set out a definitive map with dates that we can start to work to, as I said.

**Mr Givan:** Thank you, Mike. I appreciate the environment that you are working in. I know that the CMO's comments sent a shock wave through a lot of businesses that have been closed for several months now. There is despair as a result of those remarks, particularly in light of the rapid decrease in transmission rates and hospital admissions, that there does not seem to be any light at the end of the tunnel, and hope has been extinguished as a result of those comments. It is important that the Department for the Economy continues to champion that the crisis is about protecting lives and livelihoods, because the economic distress that rolls into the financial, physical and mental distress in people in the business community and those who depend on those jobs is significant, and it is a big issue for a lot of people.

Small businesses in particular have been hit hard by the restrictions while big business has been able to continue, and that has created inequality of treatment in how the regulations have been applied. Is there a plan to try to instil confidence in the entrepreneurs that we rely on to create new businesses? What confidence will they have that the Government will have their back in the future?

**Mr Brennan:** We do not have a definitive work stream set up that focuses solely on entrepreneurship, but that comes under the pillar of investment and trade opportunities. The best that we, as a Department, can do at this stage is to create a policy environment that is conducive to entrepreneurship growing and new businesses starting up and expanding. We can assure them that the agents of delivery, whether they are Invest, Tourism NI or InterTradeIreland, have policy interventions in place, such as financial assistance or guidance, that create an environment that is conducive to growth for entrepreneurs. The worry — this goes back to your previous question, Paul — is that it is all about timing now, given the uncertainty of COVID. As you know, at the start of last summer, the Department for the Economy published its plan for economic recovery. That was warmly received throughout the business community and beyond as a road map. The difficulty was that we went too early last summer in releasing that and making it public, because along came the second wave of COVID, and everything was derailed and we lost momentum. That is the concern that I have about how we start to have a debate about economic recovery and where we go when we have no certainty about where the health dimension of COVID recovery ties into it. That is the point that I was making about having no definitive milestones.

**Mr Givan:** Finally, let me commend the Department, because the number of schemes that have been developed, given the short lead-in times, is significant. I recognise that the pressure that will have created on the system and on your staff will be significant, so let me commend you for that work.

**Mr Brennan:** Thank you.

**Mr Givan:** I take on board the wider point that you made about collective resources being pooled. It is in that context that there is one other scheme that, I know, the Economy Minister is supportive of that is targeted specifically at travel agents in the tourism industry. The Finance Minister has indicated that he supports that scheme. I know that the First Minister has asked the head of the Civil Service to assist in pulling together a bespoke scheme for travel agents. In light of continued restrictions and the impact on that industry, is that a scheme that can be developed to support travel agents?

I say that in the context of knowing that the Finance Minister released his statement today — the embargo was lifted at 11.30 am — and that we still have £250 million of resource available to be paid out before the end of the financial year. I know that you have gone the extra mile already. Some in other industries are still asking for more, so is that a scheme that can be developed by pooling the collective resources of the Civil Service in order to deliver it before the end of the financial year?

With that, I will conclude and thank Mike and the team for their time.

**Mr Brennan:** Thanks, Paul. Just to pick up on your last comment about travel agents and tourism, there is an issue for the Department there with communication. There has been a lot of misunderstanding, shall we say. If you take travel agents, for example, you will see that a lot of them have benefited from various schemes that are already in place, whether it be the rate relief scheme or, if you remember back to last summer, the £10,000 and £25,000 schemes. However, there seems to be a lack of awareness among some of them that they could have applied.

We have some papers going to the Minister that she will take to the Executive about making people aware that there are schemes that they could apply to. For example, we are looking to do further work on the COVID restrictions business support scheme. It is about making explicit to travel agents that they can apply to such schemes.

**The Chairperson (Dr Archibald):** Can we bring Christopher into the spotlight, please?

**Mr Stalford:** Can you hear me all right?

**The Chairperson (Dr Archibald):** Yes, we can. Go ahead.

**Mr Stalford:** Good. First, I associate myself with what Paul Givan just said about the recent comments by the Chief Medical Officer. It seems to me as though, every time it looks as though we are getting to the light at the end of the tunnel, someone builds more tunnel. That is concerning, because our priority as an Economy Committee has to be rebuilding the economy of Northern Ireland on the back of all this.

I am also mindful of the fact that, when we talk about getting money out to businesses, that is borrowed money that will have to be paid back and the only way that that can be done is if we have a strong economy. What assessment has been made of the number of businesses that are likely to collapse when the funding runs out and we are no longer able to get it out the door to them?

**Mr Brennan:** I am not sure that we have an analysis on that basis [*Inaudible.*] To this point in time, we have assisted somewhere in the order of 40,000 across the schemes. [*Inaudible.*] the furlough scheme is due to end at the end of April [*Inaudible.*] I am not sure that we have a detailed analysis of the macroeconomic impact on, for example, the labour market. I am not sure whether David or Sharon might be aware of anything [*Inaudible.*]

**Mr Stalford:** I am sorry, you are breaking up there. I did not really catch the end of that.

**Mr Brennan:** I am not sure if we have a bespoke piece of internal research for the precise metric that you are looking for, but I will ask David or Sharon to comment. If they do not know the answer, I will ask our analytical services team in the Department. It has a lot of research under way, and it might have something that I have not seen.

**Mr Stalford:** OK.

**Mr Malcolm:** Mike, I do not think that that exact analysis is available. If you look at the major accounting firms, you will see there have been a lot of forecasts about where the economy will go. The trouble is that, because nobody yet knows when the recovery will begin, it is difficult to be precise about who will survive it. The longer the current situation develops, the harder it will be for companies to recover. I do not think that that precise level of detail exists. Just recently, the Ulster Bank reported that business activity in Northern Ireland was still at its lowest. The National Institute of Economic and Social Research (NIESR) published a report a couple of days ago that suggested that the long-term effects of the downturn will be more profound in Northern Ireland than in other regions in the UK. The forecasts do not make for good outcomes for the Northern Ireland economy. With regard to exactly what that means, we need the timetable that Mike talked about on when recovery can begin before we can make any reasonable assessment of who might come through that recovery, who might need to diversify or who, unfortunately, might stop trading.

**Mr Stalford:** I know that an assessment has been provided of the likely level of unemployment. Anywhere between 30,000 and 100,000 jobs have been lost, so, if you meet those in the middle, you are talking about 70,000. That figure is accurate, is it not? Information on that was released about three or four weeks ago.

**Mr Malcolm:** We already have 60,000 unemployed, and, by quarter 2 and quarter 3 this year, that could rise to 100,000 once furlough ends.

**Mr Stalford:** I appreciate the work that has been done — other members talked about it — on getting the money out the door. Has any assessment been made of the number of people who are still waiting for support or who have fallen through the gaps? It is the nature of things that people will fall through gaps, and I understand that. Has any assessment been made of those numbers?

**Mr Brennan:** No. The only metric that we have is that we know how many companies are eligible to apply across the various schemes and how many applications have come in. One observation that I will make about the most recent schemes is that, over the past month, we have been getting many fewer applications than we expected. That is generating some of the underspend that has been retained at the centre. It is difficult. We do not have a counterfactual by which to assess that. All that we can say is that we know how many businesses, we think, will apply, and that number has been diminishing over recent months.

**Mr Stalford:** OK. That is fine. Thank you.

**The Chairperson (Dr Archibald):** Thank you, Christopher. That is everybody.

Mike, Sharon and David, thank you very much for the update this morning. The Clerk might be in touch for some clarifications in the responses on the briefing. Thank you, and I am sure that we will see you soon.

**Mr Brennan:** Thank you, Chair and Committee.