

DEPARTMENT FOR EMPLOYMENT AND LEARNING
BUDGET 2015-16: SAVINGS DELIVERY PLAN 2015-16

Saving Delivery Plan

Introduction

1. An integral part of the Department's Budget 2015-16 is the delivery of savings which are required to ensure that the Department lives within the resources agreed by the Executive. The purpose of this paper is to outline the Savings Delivery Plan for the Department for the Budget 2015-16 period.
2. Budget 2015-16 takes place in a very difficult fiscal environment. The final Budget incorporates significant reductions in the allocations for the Department which are unprecedented. This presents the Department with the twin challenge of making very significant savings in order to operate within its budget allocation whilst identifying the necessary resources to continue to deliver and develop business-critical services over the 2015-16 Budget period.

Current Expenditure Savings Requirements

3. The Department's resource budget for 2015-16 is £694.7 million excluding the Change Fund. This represents a reduction of £61.5 million compared to the Department's opening resource budget position of £756.2 million. The Department also faces an inescapable pressure of £1.8 million to meet a requirement for European Social Fund Departmental match funding, giving a total budget reduction of £63.3 million. This represents a total one-year budget reduction of 8.4%.
4. The Department also received some £13.2 million that will be funded from the Change Fund. The Department's Change Fund allocation is ring-fenced and not available for any other purpose. With the inclusion of the Change Fund the Department's final resource budget allocation is £707.9 million.
5. In addition, there is a £34.8 million reduction in the Department's 2015-16 budget for time-bound initiatives:

- Economy and Jobs Initiative £15.2 million;
 - Youth Employment Scheme £15.0 million; and
 - Pathways to Success £4.6 million.
6. These programmes have yielded significant economic benefits on which the Department needs to build. Executive funding for these programmes has ceased from 31 March 2015 and efforts will need to be made to accommodate elements of these programmes in 2015-16, which are core to our policy agenda and have proved to be effective, within the reduced budget allocation.

Strategic Context

7. Against the backdrop of unprecedented reductions in the Department's budget allocation, the Department will focus on two broad priorities, to maintain programmes designed to contribute to the growth and transformation of the Northern Ireland economy through the skills agenda and to protect programmes for the most vulnerable in our society. These two priorities are closely linked as the provision of jobs and employment opportunities for those who need them most is best achieved by growing the economy, and ensuring opportunity for all. These priorities in turn lead to a focus on attempting to protect a number of programme areas from the worst effects of these budget reductions, such as: ensuring the continuation of a skills pipeline to support economic growth; continued provision of youth training; development and implementation of the new youth training employment and learning model; maintenance and development of Assured Skills Programme; development and implementation of the new employer-led Apprenticeships system; and support for the most vulnerable.

Approach

8. The Department embarked on a major consultation process which included a very wide ranging engagement with key stakeholders. A wide range of views

have been taken into account in arriving at this final position. In developing its proposals the Department has:

- rigorously examined all areas of expenditure to identify any spend which, because of the magnitude of the budget reductions now being imposed on the Department, can no longer be justified;
- removed unsustainable inefficiencies across the Departmental budget;
- taken account of previous expenditure levels in terms of year-on-year trends and revised demand forecasts;
- considered alternative options for delivery, including rationalisation of provision into a more streamlined set of programmes, for example, in the area of youth training;
- sought to reduce Departmental administration costs through changes to the way some services are delivered;
- reviewed how further education colleges could operate more efficiently through, for example, the development of shared services facilities;
- considered how to make better and more strategic use of European Social Fund money by minimising duplication between the programmes funded;
- worked with the higher education sector to identify and address any inefficiencies in their operations and permit greater flexibility in the use of their budgets to ensure that priority needs can be met; and
- explored alternative funding mechanisms for capital projects, for example, through greater use of Financial Transactions Capital.

Summary of Savings Delivery Measures

9. The Department's high level plan is summarised below; a full list is included at Appendix A.

Savings Measure	Savings Measure Title	Amount (£m)
1	2014-15 Savings Brought Forward	17.8
2	Departmental Efficiencies and Reductions	17.4
3	Further Education Colleges	12.0
4	Higher Education Institutions	16.1
Total		<u>63.3</u>

Savings Measure 1 – 2014-15 Savings Brought Forward

10. Savings identified in 2014-15 that are deemed to be recurring and will be made in 2015-16 are £17.8 million and are detailed in the below table:

2014-15 Savings Brought Forward	Amount (£m)
Unallocated Funds	13.1
Skills Programmes	3.0
Departmental Efficiencies	1.7
Total	<u>17.8</u>

11. The principal areas in which savings of £17.8 million were identified are:
- unallocated funds in respect of resources that would have been available for investment in priority areas;
 - reductions in funding for demand-led skills programmes, due to reduced numbers of participants; and
 - departmental efficiencies arising from savings in the Office of Industrial Tribunals and Fair Employment Tribunals, reductions in advertising costs, alternative delivery mechanisms and other efficiencies.

Savings Measure 2 – Central Departmental Efficiencies and Reductions

12. A summary of the savings identified are included in the table below:

Central Departmental Efficiencies and Reductions	Amount (£m)
Contract management savings	1.5
Alternative delivery mechanisms	0.5
Management & Leadership programme	1.0
Reduction in skills support to industry	2.3
Employment Service efficiency savings	3.5
Departmental efficiency savings and reductions	6.6
Planned over-commitment	2.0
Total	<u>17.4</u>

13. The principal areas in which savings of £17.4 million were identified and their impacts are:

- efficiency savings in the contracting arrangements for the Steps to Success programme; these will not impact directly on frontline service delivery;
- the Department will no longer hold the licence to deliver Investors in People in Northern Ireland and an alternative, less expensive arrangement, will be put in place by the UK Commission for Employment and Skills which is the licensor for Investors in People in the UK;
- reducing the rate of Departmental contribution provided for up-skilling individuals in Leadership and Management Development from 100% to 50%;
- reduced budgets for support to industry for up-skilling the workforce – this is likely to have an impact on the achievement of skills objectives and will require employers to make a greater contribution to their own training programmes;

- Employment Services efficiency savings have come about as a result of better ways to operate Work Connect and a revision to the Condition Management Programme model along with changes to Local Employment Intermediary Service; none of these will have a direct impact on frontline services; and
- Departmental efficiencies and reductions include a range of back-office functions, salary costs and other overheads including a removal of non-critical overtime, Office of Industrial Tribunals and Fair Employment Tribunals administrative efficiency savings. In addition, forecasts in respect of Education Maintenance Allowances, Training for Success and ApprenticeshipsNI have been reduced to allow for potential reductions in demand on current schemes. Every effort will be made to avoid any impact on frontline service delivery.

Saving Measure 3 - Further Education

14. The total further education budget reduction of £12 million expressed as a percentage of the further education colleges baseline of £177 million is 6.8%. The reduction is as follows:

Further Education Colleges	Amount (£m)
Essential skills	0.5
Leisure and Hobby	2.0
Learner Access Engagement	1.3
Harmonisation of full time higher education fees	0.7
English for Speakers of Other Languages	0.2
The Office of Qualifications and Examinations Regulation / Council for the Curriculum, Examination and Assessment	0.1
General Cut – Colleges decision	1.2
Draw down of End of Year Flexibility	6.0
Total	<u>12.0</u>

This reduction represents a major challenge and will have an impact on student enrolments and staffing levels.

15. The six colleges indicate that there may be a drop of 26,000 part-time further education places in 2015-16; however this is a provisional and early estimate and may be worst case scenario estimation. It is also estimated that over half of the 26,000, some 17,000 part-time places, are from the removal of the Leisure and Hobby subsidy. Staffing levels will also be impacted with Colleges NI anticipating staff reductions.
16. To mitigate the total reduction of £12 million, it is proposed that a release of £6 million End Year Flexibility held specifically for use by the further education sector will be sought in June Monitoring. The colleges have identified staff exit costs in order to operate within budget and the Department supported a bid to the Public Sector Transformation Fund, agreed as part of the Stormont House Agreement, for which governance arrangements are currently being established.
17. Further education colleges are by their nature attuned to the needs of business and industry. They are experts in developing and delivering an economically-relevant curriculum to a high standard which provides the skills that learners need and employers want, and the reduction will impact on service delivery.

Saving Measure 4 - Higher Education

18. The total higher education budget reduction of £16.1 million expressed as a percentage of the baseline budget adjusted for other reductions comes to 4.8%. However, excluding student support from this calculation, the figure is 8.4% which reflects the overall reduction in the Department's resource budget.
19. It is estimated that 540 fewer undergraduate places will be offered to Northern Ireland domiciled students, with the impact affecting first year entrants. Many

Northern Ireland students may be forced to travel to Great Britain if they wish to take up a higher education place. The universities also predict staff reductions which would be both academic and non-academic posts. In addition to this, the number of courses offered will reduce and the quality of research undertaken may also be adversely affected.

20. Northern Ireland's higher education providers play a vital role in meeting the skills needs of the local economy, not only by providing a supply of highly qualified graduates, but also through re-skilling and up-skilling the existing workforce. In terms of a wider global context, high technology, sustainable investment tends to follow the flow of knowledge and be anchored in a region with highly qualified and skilled people. The reduction will have an impact on service delivery.

Impact on Programme for Government

21. A 'refocused' Programme for Government as a one-year extension of the current Programme is planned to be in place for 2015-16, subject to Executive approval.

Assessment of Impact

22. The Department has completed its screening assessments of the likely equality impact of the budget reduction proposals on the policy areas likely to be affected. All the proposals for reductions in spending have been screened out for the purposes of the need for a full equality impact assessment. Two areas identified minor impacts as a result of a reduction in funding.
23. The reduction in the block grant to the higher education institutions may disproportionately impact on young people, specifically those aged 20 and under. If the number of places at the Northern Ireland higher education institutions reduces, then it is likely that the greatest impact will be felt by people in this age group, i.e. school leavers.

- 24.** The reduction in the block grant may also impact adversely on males as they may find it more difficult to obtain a place in higher education. The Department's widening participation policy seeks to promote the greater participation of individuals from disadvantaged backgrounds and of those groups that have not traditionally been engaged with higher education. This includes young males particularly from the protestant community. This will help to mitigate the impact on males over time.

Department for Employment and Learning Budget 2015-16

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Central Departmental Efficiencies and Reductions	
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Alternative delivery mechanisms	0.5
Management & Leadership programme	1.0
Reduction in skills support to industry	2.3
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Further and Higher Education	
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