



FÁS – The Training & Employment Authority

Briefing Document for the Public Accounts Committee

Thursday 1 December 2011

**Re: FÁS Annual Report and Financial
Statements 2010**

Introduction

The FÁS Annual Report for 2010 published earlier this year shows total income of €1,015.5m and expenditure amounting to €1,012.0m resulting in a surplus of income over expenditure of €3.5m or 0.3%.

State funding for current expenditure amounted to €971.2m of which €354.7m came from the National Training Fund. It should be noted that ESF channelled through the Exchequer is an average of €30m per annum for the 2007 – 2013 Operational Programme. This ESF will be claimed periodically from the EU over the life of the Operational Programme and be retained by the Exchequer on the basis that FÁS has already received the equivalent funding from the Exchequer.

The expenditure of €1,012.0m was in respect of the following:

	€m	%
Staffing costs (including T&S)	111.2	11.0
Pension costs	59.7	5.9
Overheads	39.3	3.9
Programme costs	<u>801.7</u>	<u>79.2</u>
Totals	1,012.0	100.0

Note 5 to the Financial Statements contains a detailed breakdown of Programme Expenditure under four broad headings as follows:

	€m	%
Training for Employment	279.1	34.8
Training in Employment	73.6	9.2
Integration Supports	31.1	3.9
Employment Schemes	<u>417.9</u>	<u>52.1</u>
Totals	801.7	100.0

From the above it can be seen that in 2010 FÁS spent 44% of its programme budget on Training Programmes and 56% on Employment Schemes and various Integration Supports. This included the Local Employment Service who along with FÁS Employment Services deals with the National Employment Action Plan with referrals from the Department of Social Protection (DSP).

The average daily participation level on FÁS programmes throughout 2010 was circa 50,000 persons. The direct annual cost per person works out at €16,034 (€801.7m/50x1000) of which 65% or an average of €10,422 is paid directly to the participant in the form of an allowance, e.g. equivalent to Social Welfare allowances in most cases. Thus it can be seen that the annual marginal direct cost per participant to the State is €5,612. This would cover for example, programme personnel costs, trainer fees, course materials etc. For a typical 20 week training course the direct marginal cost would be 20/52 of the annual cost, i.e. €2,158 per person.

Developments since the publication of the 2010 Annual Report including year to date expenditure and expected forecast outturn

The Board of FÁS approved a total budget for 2011 amounting to €960.3m of which €6.5m was in respect of Capital Expenditure and €953.8m was in respect of current expenditure. State funding in respect of current expenditure was set at €947.3m of which €476.5m came from the DSP Vote, €155.8m from the DES Vote and €315.0m from the National Training Fund of which all except €4.2m relates to funding of DES training programmes.

Following a mid-year review the current expenditure budget was reduced by circa €22.6m to €931.2m. This was as a result of reduced demand on some programmes, e.g. Apprenticeship and price savings on a number of programmes. A recently prepared forecast outturn exercise indicates that current expenditure will be circa €919.4m compared with this revised budget by the year end. The main reasons for this variance is an expected price saving amounting to €7.0m on Community Employment. Further savings are expected on the demand led apprenticeship programme amounting to €1.6m, with the balance spread over a number of programmes. If this forecast outturn is achieved it would represent a variance of 1.3% against the revised budget.

The schedule attached details 2010 expenditure, the revised FÁS 2011 budget, expenditure to the end of October 2011 and the expected forecast outturn for 2011 in respect of Staffing Costs, Pension Costs, Overheads and Programme Costs. It should be noted that the schedule excludes year end adjustments in respect of depreciation and the restatement of pension costs in line with FRS 17 requirements. However, both of these adjustments will have a corresponding credit on the income side of the Financial Statements. For comparative purposes, the 2010 column excludes both depreciation and the FRS pension adjustment as well.

Legacy Issues

A number of legacy issues that resulted in some expenditure in FÁS relating to previous years being excessive and/or inappropriate have now been rectified. The following is brief summary of the main issues involved:

Corporate Entertainment and Representation Expenses

Clear procedures are now in place covering the planning, authorisation and payment of representation expenses. Any such expenses must relate to transacting or advancing FÁS related activities and all such expenses in excess of €1,500 must be authorised *in advance* by the Director General. Expenditure between €500 and €1,500 must be authorised by an Assistant Director General. Expenditure up to €100 can be authorised at Manager Level and expenditure over €100 up to €500 must be authorised at Director Level. Expenditure in 2010 amounted to €8,000 compared with an average spend of €242,900 during the period 2002 to 2008, i.e. a reduction of 96.7%.

Foreign Travel

All foreign travel must have a clear business case, be in line with public sector travel guidelines and be approved *in advance* by the Director General. Flight Costs in 2010 amounted to €103,000. This compares with an average spend of €420,000 between 2002 and 2008, i.e. a reduction of 75.5%.

Advertising / Events

Advertising and Event Management expenditure in FÁS has been substantially reduced. Expenditure in 2010 amounted to circa €344,000 compared with an average spend of €6.9m between 2002 and 2008, i.e. a reduction of 95%. Programmes where heavy advertising was undertaken in previous years such as annual Opportunities Events, Jobs Ireland Events, the Science Challenge Programme and the Competency Development Programme have been discontinued.

Revised Financial Authority & Procurement Procedures

A revised set of Financial Authority and Procurement Procedures were authorised by the Board of FÁS and put in place earlier this year in order to provide FÁS with procedures that are fit for purpose and assist FÁS staff in obtaining value for money in the procurement of goods and services. Briefing sessions for all relevant staff have taken place in order to ensure that such staff are fully aware of their responsibilities for the proper authorisation and procurement of goods and services. It should be noted that over 90% of FÁS expenditure relates to either the payment of allowances to programme participants, grants to Community Groups, staff pay and local travelling expenses, all of which are not subject to a formal procurement process. In relation to goods and services that fall within the procurement process, FÁS is putting national frameworks and tenders in place in order to leverage savings to the Exchequer where possible. A number of these have already been completed.

Conclusion

A substantial part of FÁS business will transfer to the Department of Social Protection on 1 January 2012. This includes all FÁS Employment Services and the Local Employment Service (LES) along with relevant staff and resources such as offices and equipment. It also includes a substantial portion of FÁS Community Services that deal with key Employment Programmes such as Community Employment, the Job Initiative Programme, the Supported Employment Programme, the Wage Subsidy Scheme and the Job Clubs programme, again along with relevant staff and resources.

The legislation for SOLAS is expected mid 2012 and at that stage FÁS Training Services and Services to Business including relevant staff and resources will be reassigned in accordance with the legislation.

	Total FÁS			
	2010 Actual	2011 Revised Budget	October 2011 YTD Actual	2011 Revised Forecast Outturn
	€m	€m	€m	€m
Staff Costs (including T&S)	111.233	107.986	88.333	107.461
Pension Costs Paid	35.972	34.882	27.387	34.882
Total Staff Costs	147.205	142.868	115.720	142.343
Total Overheads (excluding Depreciation)	30.421	30.922	22.726	30.900
Total Staff Costs & Overheads	177.626	173.790	138.446	173.243
Bridging Foundation	13.604	10.360	9.129	10.334
Foundation / Progression in CTCs	44.134	45.646	35.795	44.535
Return to Work	1.123	0.982	0.932	1.155
Skills Training	73.465	56.816	48.669	60.180
Traineeship	33.101	27.747	22.182	28.922
Local Training Initiatives	37.742	36.939	27.019	33.348
Specialist Training Providers	53.118	55.159	44.079	53.784
On Line Blended Learning	3.975	4.566	2.588	4.173
Pilot Trng Scheme for workers on short time	0.093			
Technical Employment Support	5.582	3.828	2.027	3.184
Evening Courses	7.728	5.550	5.493	5.883
Redundant Apprentice Placement 2010	1.839	0.508	0.331	0.605
European Globalisation Fund	3.568	3.280	2.810	3.125
Redundant Apprentice Placement 2011		13.255	11.001	13.369
Skills Development & Internship Prog		0.180	0.099	0.180
Training For Employment	279.071	264.816	212.152	262.778
Apprenticeship	68.395	47.076	36.130	45.487
STB Training & Sectoral Initiatives	3.079	1.968	0.542	1.968
Basic Workplace Education Scheme	0.209			
Film & Television Sector	0.335	0.544	0.262	0.544
Sponsored Trainees	0.461	0.361	0.333	0.293
Evening Courses	1.156	1.387	0.969	1.471
On Line Blended Learning - Fee Paying	0.004	0.020	0.023	0.020
Training In Employment	73.639	51.356	38.259	49.783
Disability Support / Awareness	0.503	0.607	0.349	0.486
FÁS & LES Job Clubs	5.657	5.808	4.800	5.774
Local Employment Services	18.978	18.819	14.999	18.484
Science Challenge	0.005			
Drugs Task Force	2.056	2.000	1.774	2.000
European & Other Initiatives	3.939	4.173	2.114	3.738
Integration Supports	31.138	31.406	24.035	30.482
Community Employment	368.282	360.337	292.634	353.254
Job Initiative	30.223	30.066	24.610	30.332
Wage Subsidy Scheme	10.871	10.697	8.722	10.846
Supported Employment Programme	8.468	8.820	6.894	8.633
Employment Schemes	417.844	409.920	332.861	403.065
Total Direct Costs	801.692	757.498	607.308	746.108
Total Gross Expenditure	979.318	931.288	745.754	919.350