Northern Ireland Assembly

Research and Information Service Briefing Paper

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Public Finance Scrutiny Unit

Budget 2016: Background Briefing for the Committee for Education

This Briefing Paper provides background information on the Executive's budget position, in support of the Committee for Education's scrutiny of the Department of Education's budget for 2017-18 to 2020-21. In particular, it provides contextual information about the level of resources allocated to Education over the last five years and raises some issues for consideration for the future budget.

This information is provided to MLAs in support of their Assembly duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as professional legal advice or as a substitute for it.

Key points

- Departments work on the basis of agreed budgets only. In other words, they must not plan on the assumption that any bid for additional resources will be met through the In-year Monitoring process;

- On 25 July 2016, the Chancellor of the Exchequer indicated that he may use the 2016 Autumn Statement to "reset" the UK's public finances, should an economic downturn follow the European Union (EU) referendum;[1]

- It remains to be seen what impact the 2016 Autumn Statement will have on the resources available to the Executive;

- On 5 September 2016, the Department of Finance (DoF) wrote to the Committee for Finance, suggesting that the Minister will bring a single-year Resource Departmental Expenditure Limit (DEL) Budget, alongside a multi-year Capital DEL Budget;

- The DoF letter also suggested that the Committee's input regarding Budget 2017-18 should be provided to the DoF **by the end of October 2016;**

- In total, Northern Ireland (NI) Non-ringfenced Resource DEL has increased in cash terms from 2010-11 to 2016-17. However, the proportion of it allocated to the Department of Education (DE) has fallen slightly;

- In its 2016-17 Budget publication, the DE identified what it called a 'funding gap' of £59.5 million. But its Resource Accounts for the year, ending 31 March 2016, report that the DE underspent by £165.4 million in 2015-16;

- There is an apparent over-supply of teaching graduates in NI, and the associated training costs are high when compared to comparator institutions; and,

- There are considerable numbers of schools operating with a degree of surplus (i.e. they will be carrying forward unspent funds from one year into the next). Due to reduced funding from the aggregated Schools Budget however, a number of other schools may be facing deficits (i.e. these will be carrying forward a shortage of funding over coming years, unless they can find savings).

[1]Public Finance, 25 July 2016, 'Hammond set to revisit spending plans following Brexit' (accessed 14 September 2016).

Introduction

This Briefing Paper aims to provide the Committee for Education (the Committee) with a comprehensive background about the financial position of the Department of Education (DE) for the 2016-17 year and beyond.

The Paper is set out as follows:

- Section 1 - key elements of the budgeting arrangements in Northern Ireland (NI);
- Section 2 - the latest available information on the Executive’s ‘funding envelope’, i.e. the resources allocated to NI by the United Kingdom (UK) government through Spending Review 2015, for 2017-18 to 2020-21;
- Section 3 - the Executive’s 2016 budget process;
- Section 4 - important contextual information regarding NI education; and,
- Section 5 - future DE budget allocation issues which merit consideration.

1. Key budgeting rules

This section highlights key elements of the rules that are relevant to departmental budgeting in NI. Collectively, these rules help to establish the parameters within which budgets are set and managed under the prevailing devolution arrangements – the Public Finance Framework (PFF). The PFF is derived from political agreements and legislation, as well as the policies, practices and procedures of the Treasury and the Executive.

1.1. Key Public Expenditure Terms

Central to understanding departmental budgeting rules are the public expenditure terms outlined in Box 1 below:

Box 1: Key Public Expenditure Terms

There are two types of public expenditure:

1. **Capital expenditure** is allocated to purchase, build or enhance an asset. For example, an extension to a school, or new road gritters; and,
2. **Resource/Current expenditure** is allocated for day-to-day expenses and running costs. For example, teachers' salaries, or road salt.

Both capital and resource expenditure are further subdivided into:

1. **Departmental Expenditure Limits (DELs)** include spending which can be controlled by departments, and for which firm multi-year departmental budgets are set. For example, for trimming hedgerows or providing training schemes for apprentices; and,
2. **Annually Managed Expenditure (AME)** includes expenditure which is volatile, demand-led, and is not controllable on a short-term basis. For example, welfare payments.

1.2. Bases for the NI Executive's budget

The Executive's 2016 budget will cover the period 2017-18 to 2019-20 for Resource DEL and 2020-21 for Capital DEL (see Box 1 for an explanation). The current budget expires on 31 March 2017, and a new budget for NI is required from that point; as there is a statutory requirement for the Executive to present a draft budget in advance of the start of the new fiscal year.

Section 64(1) of the *Northern Ireland Act 1998* (as amended) states:

> *The Minister of Finance and Personnel shall, before the beginning of each financial year, lay before the Assembly a draft budget, that is to say, a*

> *programme of expenditure proposals for that year which has been agreed by the Executive Committee in accordance with paragraph 20 of Strand One of the Belfast Agreement.*[2]

Following the *Fresh Start Agreement* in November 2015, section 64 was amended by the *Northern Ireland (Stormont Agreement and Implementation Plan) Act 2016*.[3] New section 64(1B) of the *Northern Ireland Act 1998* (as amended), requires a further statement to be laid alongside the draft budget, showing that the amount of UK funding required by the draft budget will not exceed the amount available and set out in the first statement.[4] In other words, the Executive must propose a 'balanced budget'.

Paragraph 20 of Strand One of the *Belfast/Good Friday Agreement* states:

> *The Executive Committee will seek to agree each year, and review as necessary, a programme incorporating an agreed budget linked to policies and programmes, subject to approval by the Assembly, after scrutiny in Assembly Committees, on a cross-community basis.*[5]

The draft budget is the means through which the Executive divides its available resources amongst the various ministerial and non-ministerial departments. The vast majority of these resources come through the 'Block Grant' from the UK Government (see Box 2).

Box 2: The Northern Ireland Block Grant

The Block Grant is set out under prevailing devolution arrangements.

It is made up of DELs only.

Through its periodic Spending Reviews, the UK Government determines the amount of the Block Grant, using the Barnett formula, and allocates it to the Executive. The Block Grant also may be subsequently increased or decreased *via* further in-year allocations.

It is the largest funding source for the Executive annual budget. For 2016-17, the Block Grant made up around 94% of NI's DELs. The remainder is principally income from the Regional Rate. [6]

The Executive decides how to allocate its total budget, subject to the Assembly's approval.

[2] http://www.legislation.gov.uk/ukpga/1998/47/section/64
[3] http://www.legislation.gov.uk/ukpga/2016/13/section/9
[4] Explanatory Notes http://www.legislation.gov.uk/ukpga/2016/13/notes/division/6/index.htm (see paragraph 30)
[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/136652/agreement.pdf
[6] NI Executive (2016) 'Budget 2016-17', accessed 19 September 2016, see Chapter 4

1.3. The UK Treasury's Statement of Funding Policy

The Treasury's publication *Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: Statement of Funding Policy* is the keystone of the PFF. The Statement governs the public income and expenditure system in the other devolved administrations under current devolution in the UK. At a high level, the *Statement of Funding Policy* establishes the requirement for the Executive to manage its financial position within the limits set during UK Spending Reviews:

> *Spending Reviews set multi-year allocations for the devolved administrations. Like UK government departments, devolved administrations must live within these block grant allocations and absorb unforeseen pressures […]*
>
> *In practice this means that the devolved administrations will manage emerging pressures on their budget by re-allocating funding from other priorities, seeking offsetting savings, deploying Budget Exchange arrangements, and utilising the range of alternative sources of funding budgetary management available.*[7]

The cited passage emphasises the need for the Executive (i.e. including all departments) to contain expenditure pressures within its budget, rather than to seek additional resources from the UK government.

1.4. The UK Treasury's Budgeting Guidance

Another annual publication which underpins the *Statement of Funding Policy* is the Treasury's *Consolidated Budgeting Guidance.* The 2016-17 version explains the need for departments (and by extension the devolved administrations) to manage their activities, and the resources that support them. It states:

> *…programmes need to be managed to maximise effectiveness, efficiency and economy in the use of public funds. For programmes in DEL that is well understood. Because DEL programmes compete for resources within a fixed envelope departments are under a clear pressure to review programmes, reprioritise and pursue efficiency measures.*[8]

The cited passage again highlights the responsibility placed on departments to live within a fixed budgetary limit, and to do so by managing programmes through review, reprioritisation and efficiencies.

[7]HMT (2015) 'Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: Statement of Funding Policy' available online at: https://www.gov.uk/government/uploads/.../statement_of_funding_2015_print.pdf (accessed 27 July 2016) (see page 21)
[8]HMT (2016) 'Consolidated Budgeting Guidance 2016-17' accessed 27 July 2016, see page 7

1.5. DoF's Managing Public Money NI

The Department of Finance (DoF) publication *Managing Public Money Northern Ireland* sets out principles of public financial management. In particular, it states:

> *Resources are provided by central [i.e. the UK] government and hence it is expected that the public sector in Northern Ireland will operate within the broad framework established by HM Treasury.*[9]

The above-cited passage reinforces the Treasury policies noted above in sub-sections 1.3 and 1.4.

1.6. DoF's 2016-17 In-year Monitoring Guidelines

A further DoF publication, the *2016-17 In-year Monitoring Guidelines*, explains the duty placed on departments not to exceed their budgetary limits.

The In-year Monitoring process operated by the Executive is non-statutory. The DoF develops the rules for the operation of the process, and updates these as necessary. The underlying purpose of the In-year Monitoring process is to:

> *…aid good financial management and ensure that resources are directed towards the Executive's highest priority areas.*[10]

The 2016-17 version of the In-year Monitoring Guidelines states:

> *The process is not intended to facilitate the re-opening of the agreed Budget position and **departments must treat all allocations set in the course of the Budget process as ceilings, and should seek to manage their activities to contain spending within those ceilings, unless and until any increase is agreed by the Executive.***[11]

The cited passage explicitly establishes that **departments work on the basis of agreed budgets only.** In other words, **they must not plan on the assumption that bids will be met through the In-year Monitoring process.**

[9] DFP (2008) 'Managing Public Money Northern Ireland' accessed 27 July 2016, see page 3
[10] DoF (2016) 'In-year Monitoring Guidelines', accessed 27 July 2016, see page 5.
[11] DoF (2016) 'In-year Monitoring Guidelines', accessed 27 July 2016, see page 5.

2. The NI 'funding envelope' 2017-18 to 2020-21

As noted in section 1 of this Paper, the overwhelming majority of resources available to the Executive is determined by the UK government through Spending Reviews (SRs). SRs set the amounts available to UK departments, the devolved administrations, and various other non-ministerial departments, also known as the 'funding envelope'.

The current budget expires on 31 March 2017, therefore a new budget for NI is required from that point. Through the 2016 Budget process, the DoF has indicated that the Executive will seek to distribute its Resource DEL for 2017-18 only, and its Capital DEL for 2017-18 to 2020-21.[12]

On 25 November 2015, the Chancellor presented the UK government's spending plans for the 2016-21 period.[13] In addition, subsequent to the 2015 SR, the Chancellor's March 2016 Budget triggered 'Barnett Consequentials' for NI.[14] These are detailed in Table 1 and illustrated in Figures 1 and 2 in the following pages. Data for 2015-16 are shown as the baseline year for purposes of comparison.

Note that the figures in Table 1 overleaf are for Departmental Expenditure Limits (DEL) only. This means that Annually Managed Expenditure (AME) is excluded. (Each is defined in Box 1 at sub-section 1.1 of this pPper).

[12]Letter from DoF to Committee for Finance, dated 5 September 2016, reference CFP/018/16-21.
[13]SR 2015 documents are available online at: https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015
[14]For further information on Barnett Consequentials, refer to RaISe January 2012 paper 04/12

Table 1: NI Executive Resource and Capital DEL in Cash and Real Terms*, 2015-16 to 2020-21[15]

£ million		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Non-ringfenced Resource DEL	SR2015	9,661.50	9,745.00	9,821.00	9,827.50	9,853.80	--
Non-ringfenced Resource DEL	Budget 2016		5.8	64.9	69.3	70.2	--
Total		*9,661.50*	*9,750.80*	*9,885.90*	*9,896.80*	*9,924.00*	--
Real Terms		**9,661.50**	**9,606.70**	**9,567.59**	**9,381.13**	**9,231.52**	
Capital DEL	SR2015	957.3	1,009.60	1,036.00	1,073.20	1,126.30	1,184.70
Capital DEL	Budget 2016		3	1.2	3.8	5.1	
Total		*957.3*	*1,012.60*	*1,037.20*	*1,077.00*	*1,131.40*	*1,184.70*
Real Terms		**957.3**	**997.64**	**1,003.80**	**1,020.88**	**1,052.45**	**1,080.42**
Financial Transactions Capital DEL	SR2015	104.3	113.6	100.7	76.4	66.1	54

***Real Terms figures calculated by RaISe using HM Treasury GDP deflators,[16] June 2016**

In relation to the NI funding envelope, the following observations may be made about Figures 1 and 2 below:

- In cash terms, Resource DEL shows a slightly increasing trend over the specified period. In real terms however, there is a reduction in Resource DEL; and,
- In cash terms, Capital DEL can be seen to be increasing in both cash and real terms over the given period.

[15] Source DoF briefing to Committee for Finance, 8 June 2016

[16] GDP deflators are calculated using inflation forecasts and used to show figures in so-called ‘real terms’ i.e.to estimate the extent to which the purchasing power of the limits set in the SR will be affected by changes in prices.

Figure 1: NI Executive Resource DEL in Cash and Real Terms, 2015-16 to 2019-20

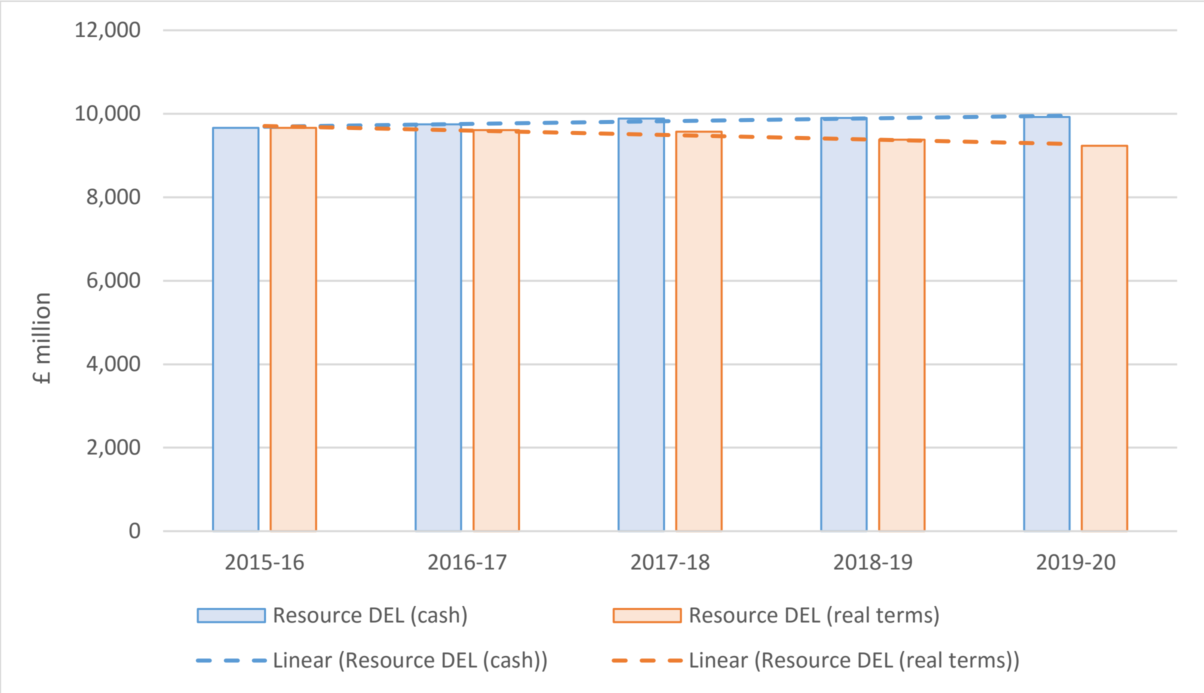
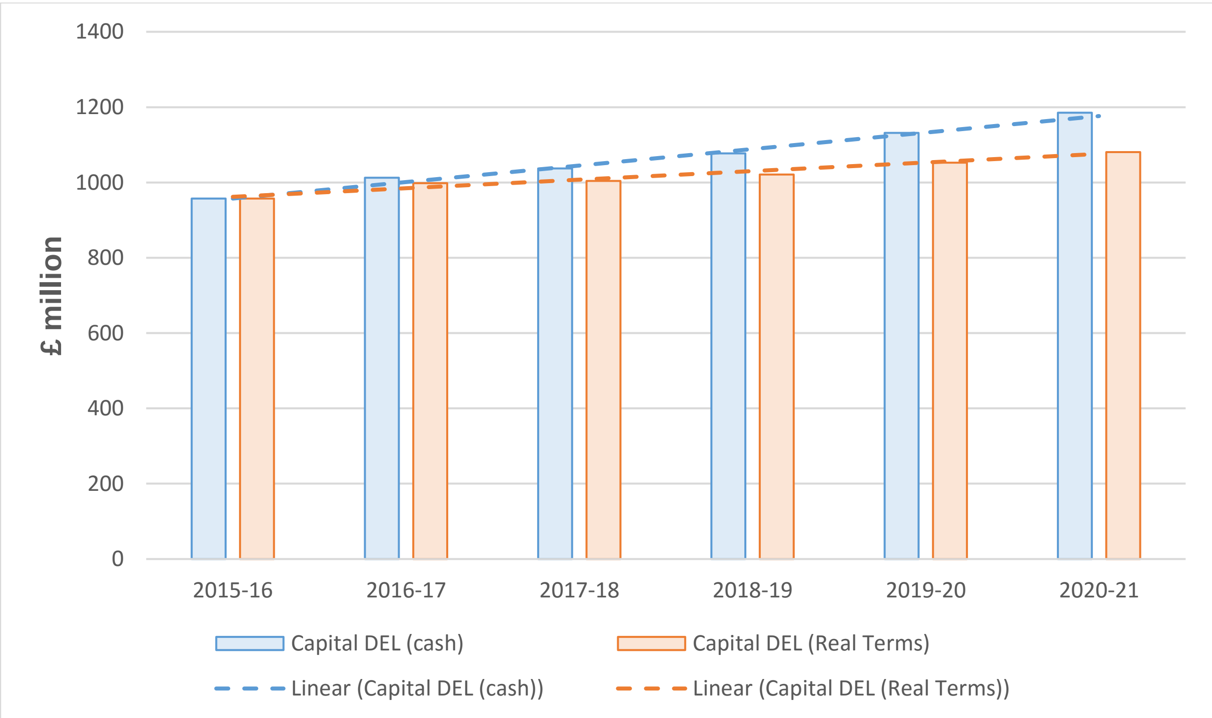


Figure 2: NI Executive Capital DEL in Cash and Real Terms, 2015-16 to 2020-21



2.1. The 2016 Autumn Statement

On 25 July 2016, the Chancellor of the Exchequer indicated that he may use the 2016 Autumn Statement to “reset” the UK’s public finances, should an economic downturn follow the EU referendum. The Autumn Statement is used to announce the second of two economic forecasts which the UK Government publishes each year. The other is the Chancellor’s budget in the spring.

The 2016 Autumn Statement will be on 23 November 2016.[17] It is not possible to say in advance exactly what impact it will have on the resources available to the Executive. For the purpose of this paper however, it is important to note that the DoF has described the potential for a fiscal adjustment as introducing “*significant public expenditure uncertainties*”.[18] In other words, the NI funding envelope may change.

[17] https://www.gov.uk/government/topical-events/autumn-statement-2016

[18] Letter from DoF to Committee for Finance, dated 5 September 2016, reference CFP/018/16-21.

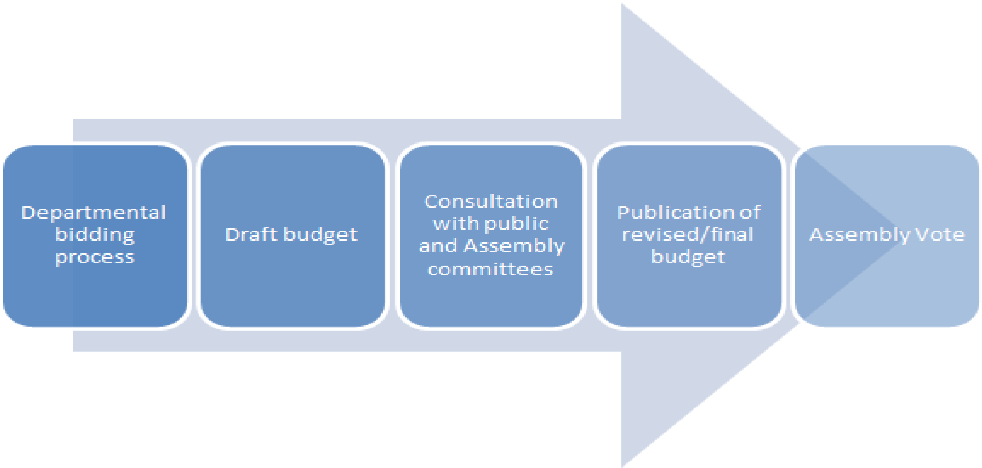
3. The Executive's 2016 budget process

This section briefly explains the Executive's plan for the 2016 Budget process. But first, for context, it provides a brief overview of what a 'standard' budget process would look like.

3.1. 'Standard' budget process

The 'standard' Executive budget process is shown in Figure 3:

Figure 3: The 'standard' Executive budget process



3.2. Restructured departmental baselines

On 8 June 2016, the Department of Finance provided the Committee for Finance with a proposed timetable for Budget 2016, shown in Table 2.

Table 2: DoF's proposed Budget 2016 Timetable[19]

Key Action	Date
Guidance issued to departments (with baseline prints)	July 2016
Departments provide details of any structural changes	End July 2016
Restructured Baseline prints issued to Departments	Mid August 2016
Departmental Budget returns due	End August
Ministerial Statement to Assembly on HMT Budget Controls ('Fresh Start' Agreement commitment)	Mid September
Draft Budget Paper to Executive	End September 2016
Draft Budget to Assembly	Early October 2016
Budget Consultation closes (8 weeks)	Late November
Budget Document Laid in Assembly	Early January 2017
Assembly Debate & Vote	Early January 2017

[19]Presentation by DoF to CoF, 8 June 2016

As can be seen, the third step was for restructured baselines to be issued to departments in mid-August. This restructuring was related to the reduction in the number of departments. The DE was largely unaffected by departmental restructuring, but the Committee may wish to ask whether its baseline (i.e. starting point for Budget 2016) was restructured.

Scrutiny point: the Committee may wish to ask the DE to provide a briefing on its baseline for the Budget 2016 process.

3.3. Programme for Government

Table 3 shows how the Executive Office proposed in June 2016 that the budget timetable would fit into the process of developing the Programme for Government (PfG) Framework.

Table 3: The Executive Office draft Programme for Government[20]

Stage	Date
Consultation on PfG Framework	27 May – 22 July
Development of PfG Action Plans	By Sept 2016
Development of: •Economic Strategy; •Social Strategy; •Investment Strategy; •Budget	For public consultation by Oct 2016
Executive and Assembly Approval Processes	December 2016

It seems that it was intended that the development of the budget would align with the PfG. Due to the changes in proposed timescale discussed in the following section of this paper, it now seems that the ability if the budget and the PfG to align may be curtailed.

Scrutiny point: The committee may wish to ask the DE to provide briefing on what work it has undertaken in preparation for alignment of its budget to the PfG accountability Framework.

3.4. Executive 2016 budget process

On 5 September 2016, the DoF wrote to the Committee for Finance to explain the proposed timetable for the forthcoming budget process, asserting that:

> *To allow the impact of any Autumn Statement decisions to be factored into the local Budget process it is now proposed that a similar timescale to*

[20]TEO presentation to RaISe, 27 June 2016

> *Budget 2016-17 is adopted, which would see* ***a one stage Budget*** *presented to the Assembly in December/January.*[21] [emphasis added]

In effect, it therefore appears that for this budget cycle, the 'normal' stages relating to the draft budget and consultation with the public and Assembly committees will be omitted.

Nonetheless, the DoF letter did go on to state:

> *Obviously these changes to the proposed Budget process will be reflected in the time available for scrutiny by the Assembly statutory committees. To allow the views of Committees to be reflected in the Executive's deliberations on the Budget****, input from Committees in relation to Budget 2017-18 should be provided to DoF by the end of October 2016.***[22] [emphasis added]

This means that the Committee for Education will have only a short window of opportunity in which to express its views on budget priorities for the Executive, in particular the DE.

Having established the parameters for the forthcoming Executive budget process and the limitations on the Assembly's opportunity to influence it, the following section looks at Executive expenditure on education to inform consideration of the baseline position, i.e. the starting point for the future funding of the DE.

[21]Letter from DoF to Committee for Finance, dated 5 September 2016, reference CFP/018/16-21.
[22]Letter from DoF to Committee for Finance, dated 5 September 2016, reference CFP/018/16-21.

4. Executive expenditure on education

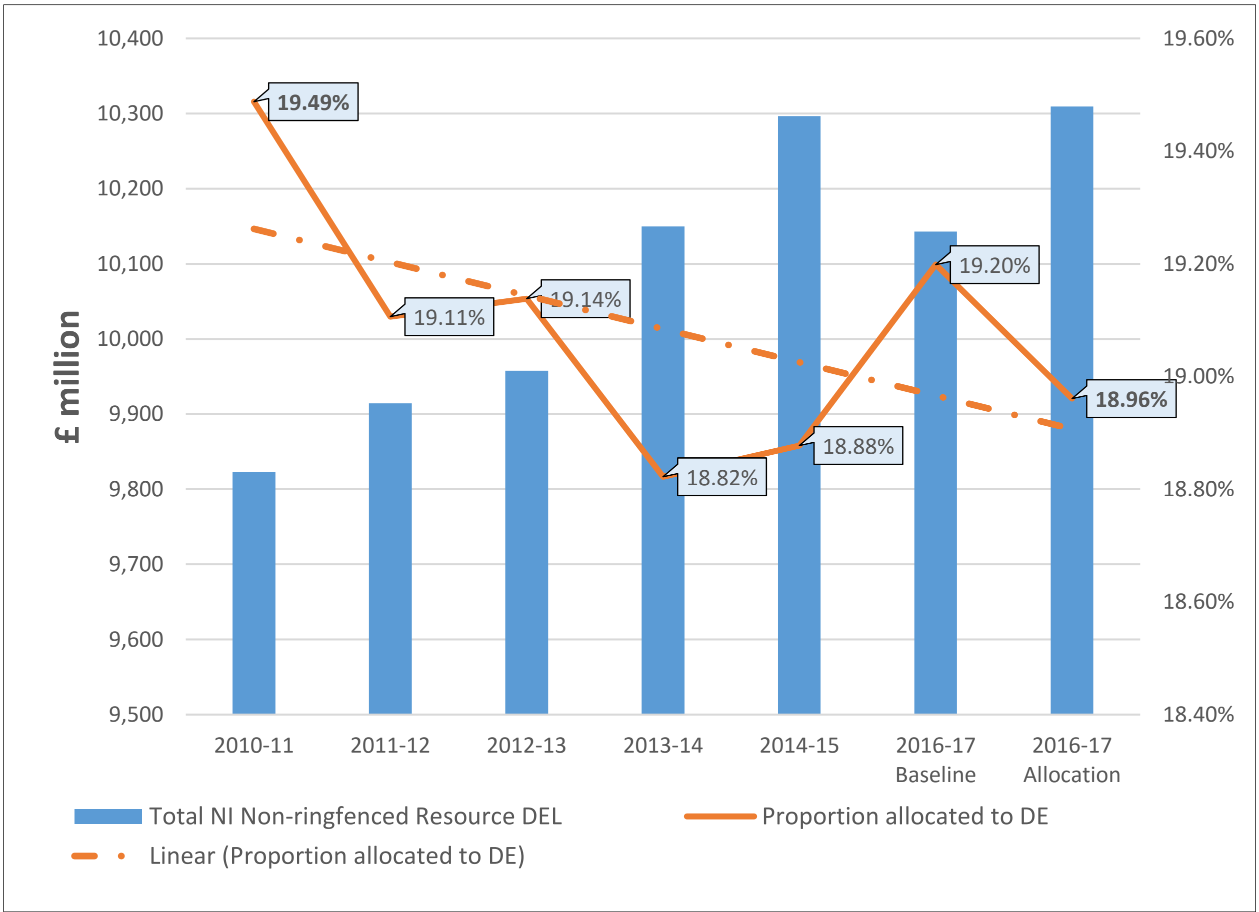
This section firstly puts Executive expenditure on education in NI in a broad comparative context, and then looks at how the DE divided its 2016-17 allocation.

4.1 Proportion of Non-ringfenced resource DEL allocated to DE

The blue columns in Figure 4 show the **total** Non-ringfenced Resource DEL available to the Executive from 2010-11, in cash terms (i.e. no adjustment has been applied for inflation). In place of the 2015-16 allocation, the chart shows the 2016-17 baseline, as published in the Executive's Budget 2016-17 document.

The orange line shows the proportion (%) of the Executive's total Non-ringfenced Resource DEL allocated to DE. In other words, it shows that although total NI Non-ringfenced Resource DEL has **increased** in cash terms from 2010-11 to 2016-17, the proportion total allocated to the DE has **fallen** slightly (i.e. by about half a percentage point from 19.49% to 18.96%).

Figure 4: total NI Non-ringfenced Resource DEL and the % allocated to DE[23]



[23]PFSU calculations based on data provided by DoF to RaISe, the Finance Minister's Written Statement and Executive Budget 2016-17 (accessed 19 September 2016)

4.2. A comparative perspective

For the purposes of comparison, Figure 5 shows how the UK as a whole compares with other high-income countries in its relative commitment of resources to education amongst Organisation for Economic Cooperation and Development (OECD).

Figure 5: Total public expenditure on primary to tertiary education as a percentage of total public expenditure (2005, 2008, 2012) in the OECD[24]

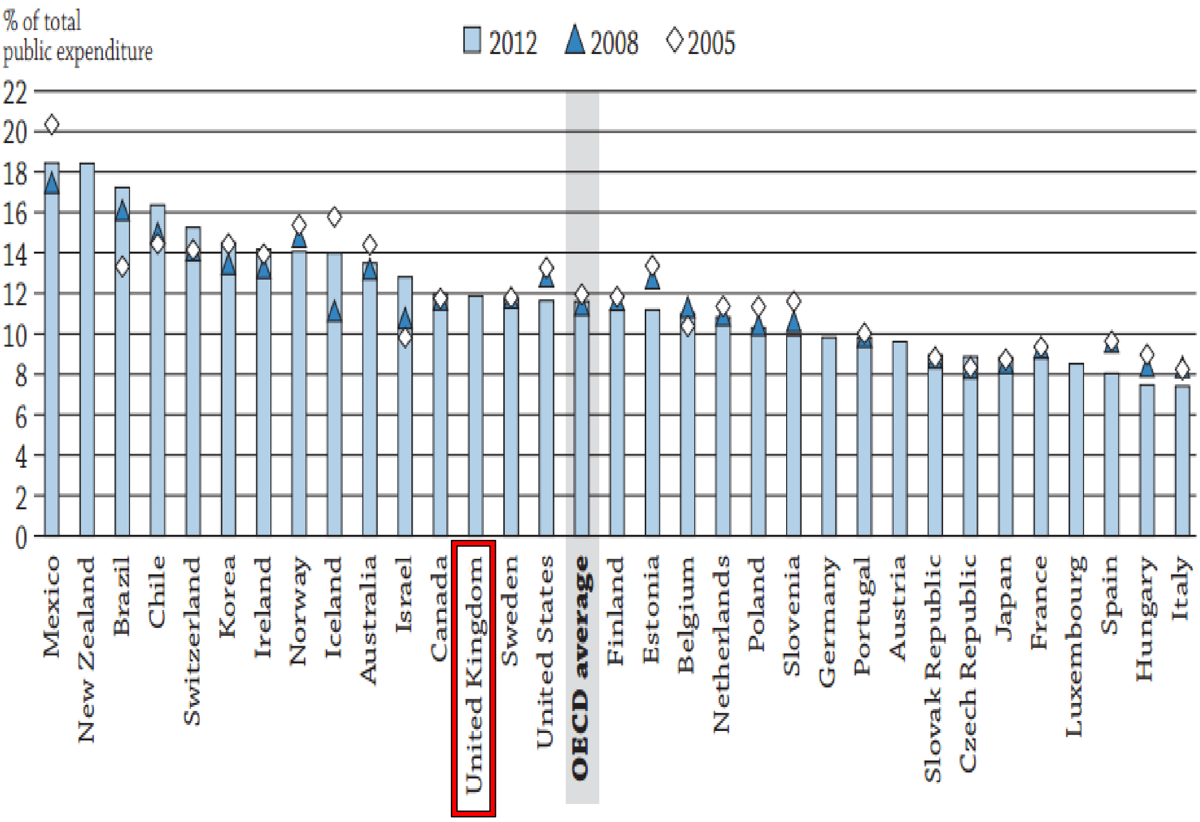


Figure 5 shows that as a proportion of total public expenditure, both the UK and the Republic of Ireland (RoI) spent above the OECD average on the primary to tertiary phases education (i.e. from primary school to higher, university-level education). The UK spent around 12% of its total, and the RoI around 14%.

[24]OECD(2105) 'Education at a glance' (accessed 19 September 2016)

4.3. UK expenditure on different phases of education

This sub-section presents some high-level expenditure comparisons between the countries of the UK. Directly comparable data are not available for the RoI.

Figure 6 Expenditure per head on primary and pre-primary level education, 2010-11 to 2014-15[25]

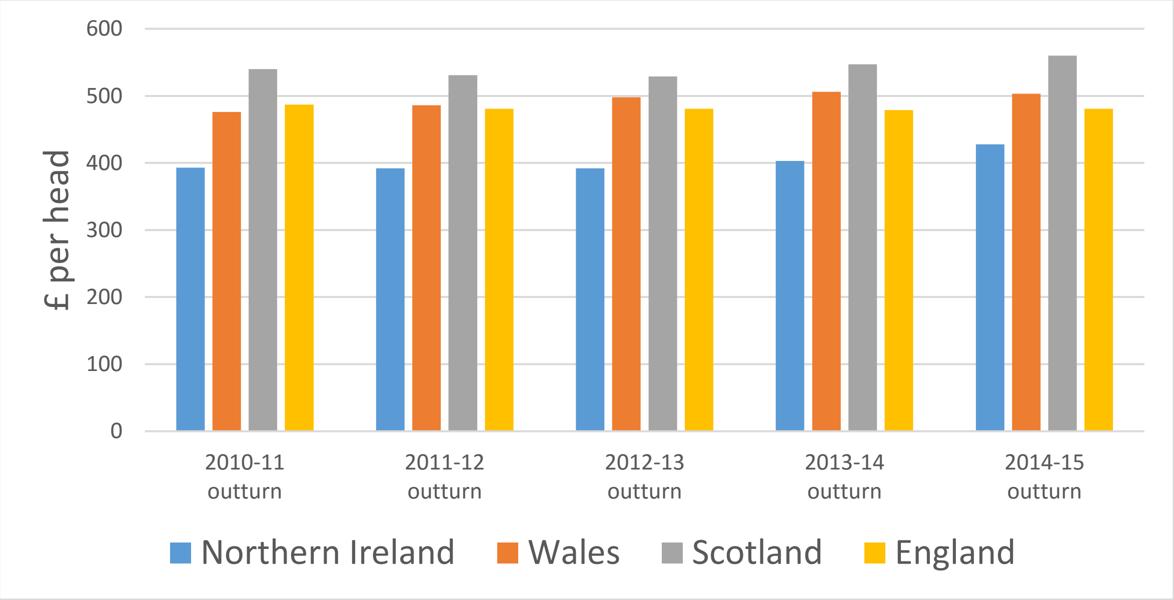
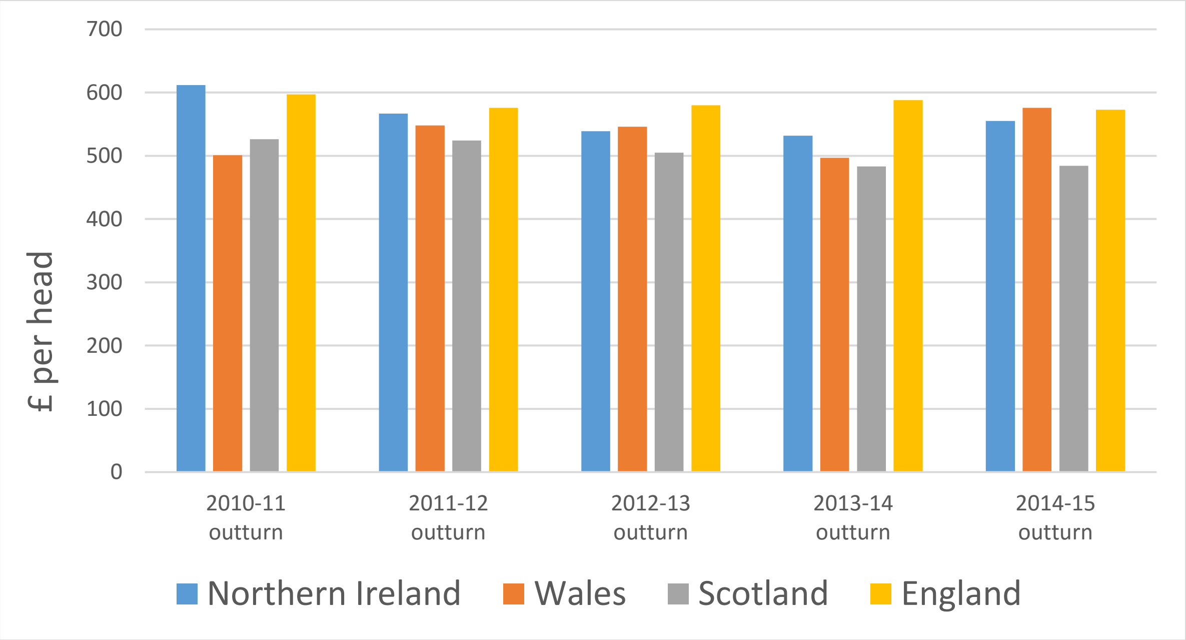


Figure 7 Expenditure per head on post-primary level education, 2010-11 to 2014-15[26]



[25]HMT (2015) Country and Regional Analyses 2015 Database (accessed 19 September 2016)
[26]HMT (2015) Country and Regional Analyses 2015 Database (accessed 19 September 2016)

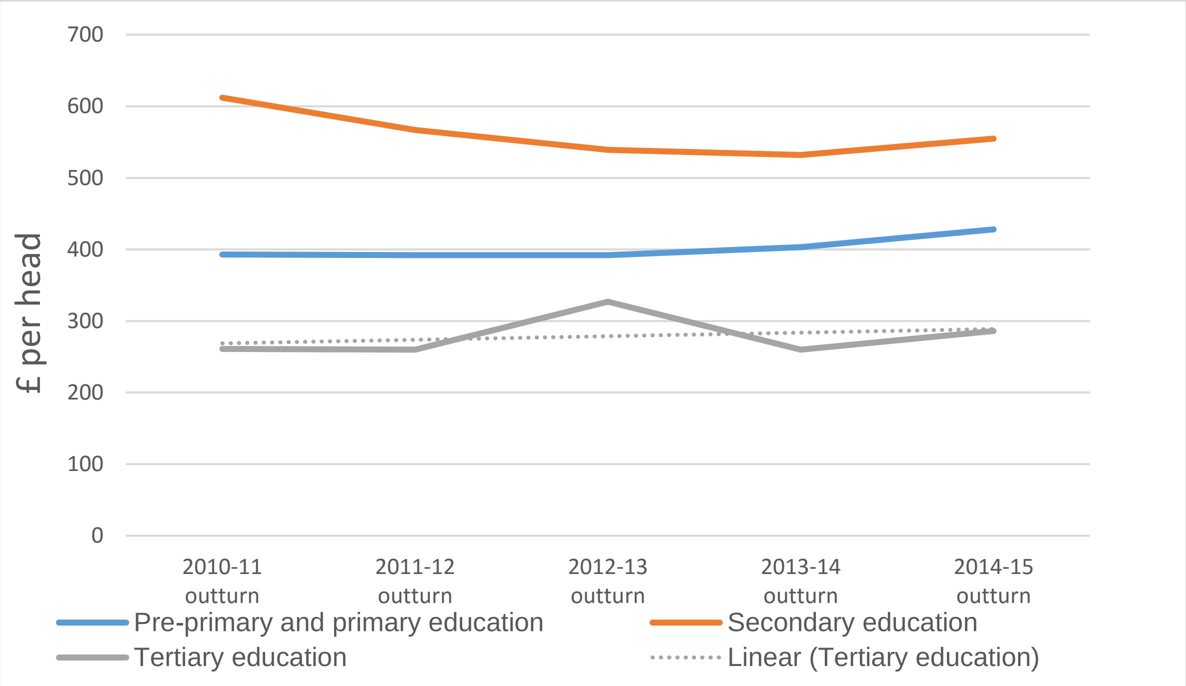
In relation to UK expenditure on different phases of education, the following observations may be made about Figures 6 and 7:

- Figure 6 shows a relatively constant and settled pattern of expenditure per head on primary and pre-primary education, with NI at the bottom end of the scale;
- Figure 7 also shows a relatively settled pattern with NI expenditure per head on post-primary education as second highest in the UK for three out of five years.

4.4. NI expenditure trends

This sub-section focuses more closely on Executive expenditure trends in NI. Expenditure on tertiary-level education is not the responsibility of the DE. Nevertheless, it is included in Figure 8 for purposes of comparison.

Figure 8 NI expenditure, per head, by phase, 2010-11 to 2014-15[27]



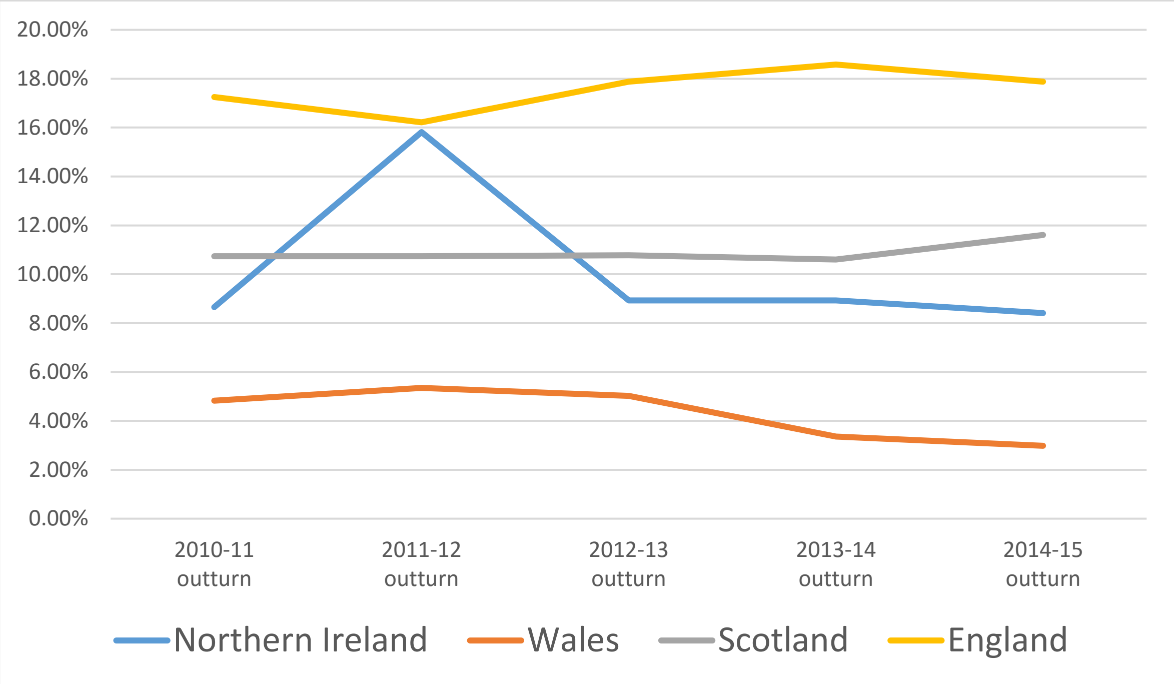
The following observations may be made about Figure 8:

- There was a moderate increase in expenditure per head at each level of education in 2014-15 compared to 2013-14;
- Prior to 2014-15, expenditure per head on pre-primary and primary education had been relatively flat, whereas on post-primary level it had been falling; and,
- Although expenditure per head on tertiary-level education shows more fluctuation year by year, the trend is relatively flat.

[27] HMT (2015) Country and Regional Analyses 2015 Database

It is generally accepted that early intervention is key in educational development.[28] Figure 9 shows the proportion of pre-primary and primary expenditure that is spent on the under 5s.

Figure 9: Percentage of total expenditure per head on Pre-primary and Primary Education spent on Under Fives, UK, by jurisdiction, 2010-11 to 2014-15[29]



The following observations may be made about Figure 9:

- With the exception of 2011-12, the proportion of NI expenditure per head in the pre-primary (under 5s) category has been the second-lowest in the UK; and,
- The difference is particularly striking when compared to England. The proportion of pre-primary and primary expenditure allocated to the under 5s in England is around twice the level it is in NI (again, excepting 2011-12).

Scrutiny points:

The Committee may wish to ask the DE for its views on:

1) the significant difference between expenditure spent in NI and England on the under 5s; and,

2) what is the impact of that spending differential, if any, on educational outcomes?

[28] Blanden et al (2016) Universal pre-school education: the case of public funding with private provision (see page 683)
[29] HMT (2015) Country and Regional Analyses 2015 Database

4.5. The DE's 2016-17 budget

This sub-section briefly examines available information on the DE's 2016-17 allocation, with a view to highlighting any particular issues that may impact on future years' education expenditure needs in NI.

Table 4: DE Resource Budget allocation[30]

2016-17 Resource Budget Allocation

	£m
Aggregated Schools Budget (including Transition Fund):	1,167.5
Education Authority Block Grant	498.1
Earmarked Funds	125.1
VGS/GMI Central funds	43.3
Other NDPBs and Other Education Services	39.8
Early Years Provision	28.5
Youth and Community Relations	33.1
Department of Education	30.7
2016-17 Contingency Fund	1.1
Total	**1,967.5**

Note – this table may not add due to roundings

The DE allocation for 2016-17 was amended slightly following the Executive's June Monitoring Round, as shown in Table 5.

Table 5: DE Resource Budget allocation following June Monitoring[31]

	£m
2016-17 Resource Budget Allocation	**1,967.5**
Allocations (£20m Funding Commitment included in the figure above)	10.0
Public Sector Transformation Fund Reduced Requirement	-25.0
Ringfenced transfers	1.8
Technical Adjustments	0.5
	1,954.7

Note - this table may not add due to roundings.

The key point to note about Table 5 is the reduced requirement for funding from the Public Sector Transformation Fund, to pay for early exits under the 'Investing in the Teaching Workforce Scheme.' (See section 5.1 below for more detail.)

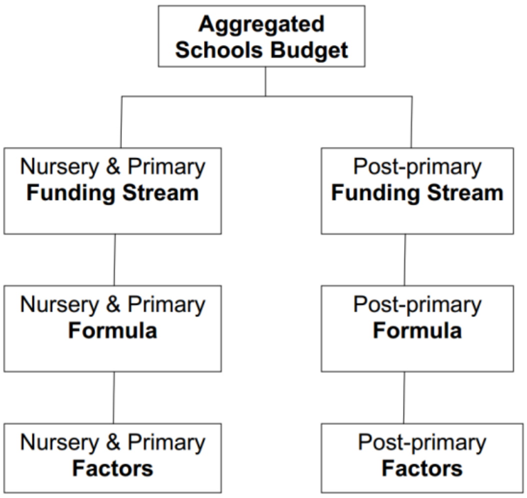
[30] DE (2016) 'Budget 2016-17' (see Annex A) (accessed 19 September 2016)
[31] Letter from DE to RaISe 12 August 2016

From Table 4 it can be seen that approximately 60% of the DE allocation goes to the Aggregated Schools Budget (ASB). The DE explains the ASB as:

> *…the total amount delegated directly to schools (other than Special schools or schools in hospital) under the [Local Management of Schools] LMS Common Funding Scheme. The aim of the LMS Scheme is to ensure that all schools in Northern Ireland are funded on an equitable and transparent basis and in accordance with their relative level of need. The Common Funding Formula (CFF) is the mechanism used to calculate budget allocations for individual schools. The formula is mainly pupil number driven, however, it also uses other factors such as school premises size and, in addition targets funds toward schools which draw their pupils from disadvantaged areas in line with the Department's Targeting Social Need policy.*[32]

Funding from the ASB is distributed according to two formulae. Figure 10 shows that there are separate tracks for funding Nursery and Primary Schools, and for Post-primary Schools:

Figure 10: distribution of the ASB[33]



4.5.1. 2016-17 Expenditure Pressures

In March 2016, the DE identified what it called a 'funding gap' of £59.5 million for the 2016-17 year.[34] The Minister therefore decided to make a number of reductions, as shown in Table 6:

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[32] DE (2015) 'Draft budget 2015-2016 - Aggregated schools budget - equality screening', accessed 19 September 2016, see page 2.

[33] EA (2014) Local Management of Schools: Common Funding Scheme accessed 19 September 2016, see page 8.

[34] DE (2016) 'Budget 2016-17' accessed 19 September 2016, see paragraph 20.

Table 6: 2016-17 budget reductions[35]

	£m
EA Block Grant	22.0
DE Staffing	1.5
CCEA	1.0
Other	1.0
Aggregated Schools Budget	10.0
Total	**35.5**

In its 2016-17 budget document, the DE explained that the remainder of the 'funding gap' was addressed "*by identifying £25.1m of Budget re-allocations.*"[36]

Scrutiny points:

The Committee may wish to seek detailed briefing from the DE on:

1) the impact of the reductions detailed in this section on the affected business areas;

2) the ability of these areas to absorb further reductions over the coming period; and,

3) the impact on frontline service delivery.

4.5.2. The DE capital allocation

Beyond the DE Resource budget, the DE capital position for 2016-17 is shown in Table 7.

Table 7: DE Capital DEL[37]

	£m
Major Capital Programme	55.0
Schools Enhancement Programme	44.0
Minor Works	51.4
Youth	9.0
Other	14.0
Sub-total	173.4
TBUC Capital	20.3
Total	**193.7**

[35] DE (2016) 'Budget 2016-17' (see paragraph 23)
[36] DE (2016) 'Budget 2016-17' (see paragraph 25)
[37] DE (2016) 'Budget 2016-17' (see paragraph 29)

In its 2016-17 budget document, the DE stated that:

> *…the 2016-17 Capital Budget will ensure that all of the major works projects due to progress to construction stage next year will have sufficient capital funding available to allow them to do so. It will also allow some of the backlog in minor works schemes, which built up as a result of the 2015-16's constrained budget, to be cleared.*[38]

Scrutiny points:

The Committee may wish to seek additional detail from the DE on the projects mentioned in the above-cited paragraph.

To assist the Committee's deliberations on the budget, the DE could detail:

1. whether the projects will be completed by the end of 2016-17;

2. whether there are implications or commitments for the future capital budget; and/or

3. whether any of the DE's capital projects rely on EU funding that could be affected by the UK's withdrawal from the EU.

[38] DE (2016) 'Budget 2016-17' (see paragraph 31)

5. Issues for the forthcoming budget process

To help build upon such considerations outlined in section 4, this section raises further key issues which may impact upon the DE's financial position in the coming years. The Committee may wish to consider them during the forthcoming budget process (which was described in section 3 of this Paper).

5.1. The Teaching Workforce

The policy pros and cons of NI teacher training provision are outside the scope of this Paper. However, there are budgetary implications that flow from decisions made in this area.

As part of the Budget 2016-17, the DE was allocated £33.1 million for a scheme to allow teachers aged 55+ to retire early, enabling newly qualified teachers to fill their places. That allocation was for 500 posts, with the intention to:

> *…refresh the teaching workforce and provide job opportunities to those teaching graduates who have experienced the greatest difficulty in securing meaningful employment.*[39]

Plans for the launch of the scheme were delayed. On 5 September 2016, the Minister for Education launched the 'Investing in the Teaching Workforce Scheme' in September 2016, **on a pilot basis**. This Scheme will enable up to 120 teachers who are aged 55 + to be released from the teaching profession, at their request.[40]

Because of the reduced scope of the Scheme at June Monitoring, the DE's funding requirement from the Public Sector Transformation Fund was reduced from £33.1m to £8.1m.

5.1.1. Number of teacher training places

Arguably, the 'Investing in the Teaching Workforce Scheme' is required because of an oversupply of newly qualified teachers, i.e. there are more teaching graduates than there are teaching jobs. In November 2014, the then Minister for Education provided figures for graduate employment in answer to an Assembly Question:

> *Information provided by the General Teaching Council shows that, from 1 April 2013 to 31 March 2014, there were 598 local graduates, 466 of whom are registered with the council. A total of 417 of those registered have not found a permanent teaching post here. However, 106 of those teachers have found significant temporary work of one term or more. Forty-nine of those registered have permanent teaching posts.*[41]

[39] DE news release 'Five hundred jobs for new teachers – O'Dowd', dated 18 December 2015
[40] DE news release 'Investing in the Teaching Workforce', 5 September 2016
[41] Official Report, 4 November 2014

In February 2015, the former Minister for Education stated in answer to another Assembly Question that reducing the number of training places would lead to the closure of the two Initial Teacher Education (ITE) colleges:

> *…if we had slightly fewer teacher training places, we would lose our teacher training colleges.*[42]

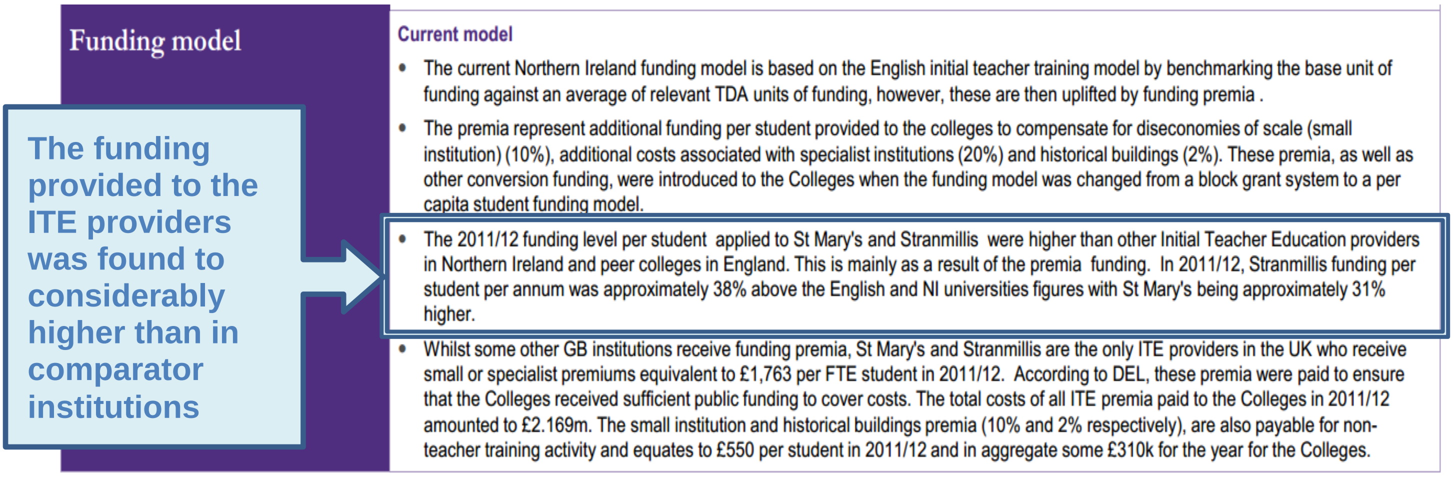
Scrutiny point:

To aid its consideration of teaching training numbers, the Committee may wish to ask the DE to provide up-to-date figures on graduate teacher employment.

5.1.2 Cost of teacher training

There are costs associated with the Executive borrowing to fund the Investing in the Teaching Workforce Scheme. In addition, there are costs – and therefore budgetary implications - arising from the provision of teaching training. In 2013, the former Department of Employment and Learning published a study of Teacher Education Infrastructure (primarily the ITE colleges at Stranmillis and St Mary's). In summary, this study found that the cost of providing ITE in NI was considerably higher than in comparable institutions in England, as shown in Figures 11 and 12:

Figure 11: extract from Study of the Teacher Education Infrastructure in NI[43]


Funding model

Current model

- The current Northern Ireland funding model is based on the English initial teacher training model by benchmarking the base unit of funding against an average of relevant TDA units of funding, however, these are then uplifted by funding premia .
- The premia represent additional funding per student provided to the colleges to compensate for diseconomies of scale (small institution) (10%), additional costs associated with specialist institutions (20%) and historical buildings (2%). These premia, as well as other conversion funding, were introduced to the Colleges when the funding model was changed from a block grant system to a per capita student funding model.
- The 2011/12 funding level per student applied to St Mary's and Stranmillis were higher than other Initial Teacher Education providers in Northern Ireland and peer colleges in England. This is mainly as a result of the premia funding. In 2011/12, Stranmillis funding per student per annum was approximately 38% above the English and NI universities figures with St Mary's being approximately 31% higher.
- Whilst some other GB institutions receive funding premia, St Mary's and Stranmillis are the only ITE providers in the UK who receive small or specialist premiums equivalent to £1,763 per FTE student in 2011/12. According to DEL, these premia were paid to ensure that the Colleges received sufficient public funding to cover costs. The total costs of all ITE premia paid to the Colleges in 2011/12 amounted to £2.169m. The small institution and historical buildings premia (10% and 2% respectively), are also payable for non-teacher training activity and equates to £550 per student in 2011/12 and in aggregate some £310k for the year for the Colleges.

[42] Official Report, 9 February 2015
[43] Grant Thornton (2013) Study of the Teacher Education Infrastructure in Northern Ireland, Stage 1 (see page 9)

Figure 12: further extract from Study of the Teacher Education Infrastructure in NI [44]

> Due to the premia funding, currently the direct funded cost for ITE at the Colleges is higher than selected STEM related courses in Mechanical and Electrical Engineering (£2,221 over the 4 year course duration).
>
> In GB from 2012/13 onwards new entrants to Initial Teacher Training pay tuition fees up to a maximum of £9,000 per annum, From our consultations benchmark providers to the two colleges are charging students £7,500 to £8,000 per annum in 2012/13. This compares to a cost per student in Northern Ireland of some £10,000 per annum (direct funding of between £6,400 to £6,800 and a tuition fee element of £3,375). It is government policy in Northern Ireland to cap tuition fees at this level.

The cost per student in the two Northern Ireland Colleges was around £2-2,500 higher than benchmarks

In summary, it appears that the NI system of teacher training is producing more graduates than can be absorbed into the workforce. It seems the provision of ITE is at a higher cost than in comparable institutions in other parts of the UK. In addition, the Executive is now borrowing to finance an early departure scheme to allow newly qualified teachers a chance at securing a job through Investing in the Teaching Workforce Scheme.

Scrutiny points:

The Committee may wish to request the DE's analysis of the impact on school budgets due to the Scheme's reduced scope.

To aid the Committee's deliberations in this area, this analysis could include:

1. an estimate of the reduced potential for the scheme to deliver paybill savings by bringing in newly qualified teachers: and,

2. an assessment of the impact of the reduced scope on the long-term viability of the two ITE Colleges.

5.2. 2015-16 underspend

The DE's 2015-16 *Savings Delivery Plan* identified that for DE to "*live within*" the Final 2015-16 Budget settlement, savings of £97.6 million would be required.[45] The DE went on to state:

[44] Grant Thornton (2013) Study of the Teacher Education Infrastructure in Northern Ireland, Stage 1 (see page 10)
[45] DE (2015) 'Final Budget 2015-16: Savings Delivery Plan' (see page 2)

> *…the scale of the budget reductions required in 2015-16 means that these cannot be delivered through efficiency savings alone, especially in light of the savings already delivered during the Budget 2011-15 period.*[46]

Nevertheless, the DE Annual Report and Resource Accounts for 2015-16 state that there was an underspend of £165.4m against the Department's Estimate for the year. Of this, £154.3m was:

> *…due to lower than anticipated drawdown of grant in aid by the Department's [Non-departmental Public Bodies] to fund recurrent and capital expenditure on schools and youth services, largely as a result of lower than anticipated payments to creditors in respect of maintenance and capital projects and the ongoing teachers' pay negotiations.*[47]

The reported underspend is a significant sum, even as a proportion of the large overall DE budget (around 7%). The Annual Report does not give any further detail of the breakdown of the cause of the underspend.

When considering the Executive's forthcoming draft budget, it might be useful for the Committee to request more detail on the underspend.

For example, the Committee may wish to be apprised of the potential impact of lower than anticipated payments to creditors in respect of maintenance and capital projects for future allocations. It may also wish to know what the likely timescale and impact of the ongoing pay negotiations are.

Scrutiny points:

The Committee may wish to seek further information about the DE 2015-16 underspend. In particular, it could ask the DE to detail:

1. **the composition of the £154.3 million;**
2. **the DE's assessment of potential impacts on budgets for future years; and,**
3. **what steps the DE will take to minimise the risk of a recurrence.**

5.3. Fresh Start

The *Stormont House Agreement* stated that up to £500 million of capital funding would be made available for shared and integrated education over 10 years. The Fresh Start political agreement stated that this capital funding could also be used to support shared housing projects, with individual projects to be agreed by the UK Government.[48]

[46] DE (2015) 'Final Budget 2015-16: Savings Delivery Plan' (see page 3)
[47] DE (2016) 'Annual Report and Accounts for the year ended 31 March 16' (see page 18)
[48] NI Executive (2015) Fresh Start Agreement (see page 28)

Scrutiny point:

The Committee may wish to ask the DE about the implications for shared and integrated education, if any, given that the £500 million of capital funding agreed under the *Stormont House Agreement* may be utilised for shared housing projects.

5.4. Shared Education Act 2016

The *Shared Education Act 2016*[49] conferred power on the DE and its arms-length bodies to encourage and facilitate shared education. It also enabled the duty specified in the *Education Act (NI) 2014* for the Education Authority (EA) to encourage, facilitate and promote shared education.

The Act is likely to have cost implications, principally in respect of transportation, substitute teacher costs, as well as the provision of advice and guidance. The Explanatory and Financial Memorandum accompanying the Bill when introduced, stated:

> *Provision has been made for funding to support the implementation of shared education up to June 2018 and the Minister has committed to mainstream funding in the longer term using the experience gained during the initial implementation period.*[50]

Following the EU referendum, it may also be worth noting that under the January 2016 to 2020 PEACE IV programme (with eligibility until December 2023), shared education is due to receive €35.3m, covering NI and the border region of the RoI. This comprises €30m through the European Regional Development Fund and €5.3m government matched funding.[51] Depending on the timing, a UK withdrawal from the EU could restrict access to this funding.

In this context, the Committee may wish to note the announcement by the Chancellor that certain funding commitments will be honoured by the UK Government. In particular, the Treasury has committed to guarantee:

> *…all structural and investment fund projects, including agri-environment schemes, signed before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU.*[52]

In addition, the Treasury stated that:

[49] http://www.legislation.gov.uk/nia/2016/20/contents
[50] DE (2015) Shared Education Bill EFM (see paragraph 18)
[51] DE response to AQW 2060/16-21
[52] News release, Chancellor Philip Hammond guarantees EU funding beyond date UK leaves the EU ,13 August 2016, accessed 20 September 2016

> *…the Treasury will also put in place arrangements for assessing whether to guarantee funding for specific structural and investment fund projects that might be signed after the Autumn Statement, but while we remain a member of the EU.* ***Further details will be provided ahead of the Autumn Statement****.* [53][emphasis added]

The above-cited passage suggests that some form of criteria will be instituted for assessing whether or not to guarantee funding for other, as yet unsigned, projects.

Scrutiny points:

Despite the prevailing uncertainties regarding future EU funding, the Committee may wish to engage with the DE on the following important issues:

1. whether the funding currently allocated by the existing DE for the implementation of the *Shared Education Act 2016* is likely to be sufficient;

2. if the EU funding for shared education is at risk following the referendum result, or if it was, or will be, signed before the Autumn Statement;

3. how the DE intends to fund its additional duties under that Act *after* June 2018; and,

4. If the DE has any information about the criteria that the Treasury apparently intends to apply when assessing unsigned projects. If not, what does it intend to do to aid understanding of the criteria, and avoid potential adverse impacts on NI interests through their application?

5.5. In-year Monitoring bids

In considering the overall budget allocation to DE, it may be instructive to consider the bids made through the In-year Monitoring Process in recent years. This can be taken as a possible indication of where funding difficulties arose. Table 8 shows bids by the DE from June 2011-12 to November 2015-16.

Note:

- There was no bidding process for In-year Monitoring in January 2015-16; and,
- The Minister's June 2016-16 Monitoring statement does not detail bids, though it does indicate that the DE received £30 million in allocations.[54]

Table 8 shows that:

- the majority of the DE's bids were for Resource DEL (70%);

[53] News release, Chancellor Philip Hammond guarantees EU funding beyond date UK leaves the EU ,13 August 2016, accessed 20 September 2016
[54]DoF (2016) 'June 2016-17 Monitoring Statement' (see Table 6)

- the most commonly occurring bid was for funding for ‘maintenance of the school estate’ (30%, 8 bids);
- the second-most commonly occurring bid was for ‘drawdown of schools’ surplus’ (15%, 4 bids); and,
- the DE submitted no bid on only three occasions (11.5%).

Bids for maintenance for the school estate are self-explanatory. The schools’ surplus issue is less straightforward, so is considered further in sub-section 5.6.

Table 8: DE In-year monitoring bids, June 2011-12 to November 2015-16[55]

Monitoring Round	Title of Bid	Capital/Resource	Bid £'000
June 2011-12	Drawdown of school surpluses	Resource	20,500
June 2011-12	Maintenance of School Estate	Resource	10,000
October 2011-12	Extension of ISCYP funding	Resource	1,700
October 2011-12	Maintenance of Education estate	Resource	16,340
October 2011-12	Utility Cost Increases	Resource	3,669
January 2011-12	Utility Cost Increases	Resource	3,719
June 2012-13	Drawdown of school surpluses	Resource	5,000
June 2012-13	Maintenance of School Estate	Capital	9,441
October 2012-13	Arvalee Special School - Extensive Fire Damage	Capital	1,300
October 2012-13	Maintenance of the Education Estate	Resource	2,000
October 2012-13	ELB Capital Minor Works Projects	Capital	5,000
October 2012-13	ELB Youth Capital Funding	Capital	900
June 2013-14	ELB Capital Minor Works	Capital	5,000
October 2013-14	Maintenance of Education estate	Resource	1,965
January 2013-14	NO BIDS		
June 2014-15	2014 -15 Severance Costs	Resource	10,000
June 2014-15	CCEA Revision of GCSE and A Level Qualifications	Resource	1,300
June 2014-15	Drawdown of School Surpluse	Resource	5,000
June 2014-15	Maintenance of the Education Estate	Resource	22,000
June 2014-15	Special Education Needs	Resource	10,000
June 2014-15	Staffing for Area Based Planning	Resource	1,400
October 2014-15	NO BIDS		
January 2014-15	C2k IT Replacement	Capital	5,400
January 2014-15	Site Purchase	Capital	1,400
June 2015-16	NO BIDS		
November 2015-16	Drawdown of School Surpluses	Resource	5,000
November 2015-16	Education and Schools' Estate Management	Resource	5,000
November 2015-16	Education and Schools' Estate Management	Capital	2,000
November 2015-16	Special Educational Needs	Resource	5,000

[55] Data extracted by RaISe from Ministerial In-year Monitoring Statements, available online at: https://www.finance-ni.gov.uk/topics/finance/year-monitoring

5.6. The 'School Surplus Scheme'

The 'School Surplus Scheme' was agreed by the Executive in June 2011. The Scheme allows schools to accumulate savings and carry forward unspent funding into the following financial year. The Scheme applies to controlled and maintained schools only.

There are two key reasons why the Committee may be interested in this Scheme:

- schools' ability to access their accumulated savings for planned purposes; and,
- the level of school surpluses in general.

The funds for the Scheme are held in a central pot, controlled by the Executive. The current 'stock' of funds is shown in Table 9.

Table 9: Stock of funds held in the School Surplus Scheme[56]

£ million

Year	In-Year Additions/(Drawdown)	EYF Stock
Opening Stock 1st April 2011		56.7
2011-12	(10.0)	46.7
2012-13	-	46.7
2013-14	-	46.7
2014-15	(5.0)	41.7
2015-16	(3.0)	38.7
2016-17 – June Monitoring	(5.0)	33.7

It can be seen from Table 9 that the initial 'stock' has reduced by £23 million (a 40% reduction) since 1 April 2011.

Comparing Table 8 to Table 9, it is apparent that not all DE bids for drawdown of school surpluses have been met by the Executive, shown in Table 10:

Table 10: difference between bid and resources provided

Year	Bid for (£ million)	Resources provided
2011-12	20.5	10
2012-13	5	0
2014-15	5	5
2015-16	5	3

Note also that £5 million was provided to the DE in June Monitoring 2016-17. In addition, the DE explained to RaISe's Public Finance Scrutiny Unit (PFSU) that:

[56]Letter from DE to RaISe, 8 August 2016, ref RR/006/16-21

Under the terms of the EYF scheme for schools, the Department of Education will have an opportunity to refine the level of drawdown in 2016-17 in the January Monitoring Round.[57]

In answer to an Assembly Question in November 2015, the previous Education Minister explained the Scheme as follows:

Currently, £36·7 million in surpluses built up by schools over a number of years is held in that central pot. It can and should be drawn down to assist schools in delivering the educational provision that their young people require. It is quite a significant amount that has largely stayed in and around the same over the past number of years, even though we have gone through a very difficult budgetary period. I encourage schools to keep their surplus to a minimum and to use it to assist their young people's educational needs. Obviously, I do not want a run on the bank. I do not want a £36 million download at this stage. ***However, over the next years, surpluses will certainly require further and more detailed attention****.*[58]

Responsibility for the management of school surpluses and deficits for all controlled and maintained schools rests with their Funding Authority, the EA.[59]

The DE's *Guidance On Financial and Management Arrangements for Controlled and Maintained Schools Funded Under the Common Funding Scheme* states that:

The Department does not wish to see excessive surpluses of public funds being accumulated by schools without good reason and schools should therefore not build up significant levels of savings unless there is a specific purpose in mind. The reasons for any build-up of surpluses and the purposes for which these funds will be used must be clearly communicated to the Board. The expectation is that any significant savings would be utilised within the timeframe of the 3-year plan. In general, schools should not have accumulated surpluses in excess of 5% or £75,000, whichever is the lesser, of their delegated budget unless they are being accumulated for specific purposes and these are detailed in their plans.[60]

For the purposes of considering future budget allocations to the DE, the key elements of this guidance appear to be:

- the limits on surpluses (i.e. 5% or £75,000, whichever is the lesser); and,
- the requirements for specific purposes for the accumulation of surpluses.

[57] Letter from DE to RaISe, 8 August 2016, ref RR/006/16-21
[58] http://data.niassembly.gov.uk/HansardXml/plenary-30-11-2015.pdf
[59] Letter from DE to PFSU, 26 August 2016
[60] DE (2005) Guidance On Financial and Management Arrangements for Controlled and Maintained Schools Funded Under the Common Funding Scheme (see page 11)

The PFSU requested data from the DE on the number of schools that have exceeded the above-stated limits. Based upon that data, the PFSU examined the number of schools with a surplus of more than 5% in 2015-16. The results are shown in Table 11:

Table 11: school surpluses, 2015-16[61]

Size of school surplus, 2015-16	No. of Schools
> 5%	480
>10%	245
>15%	134
>20%	56
>25%	27
>30%	10
>35%	5
>40%	2

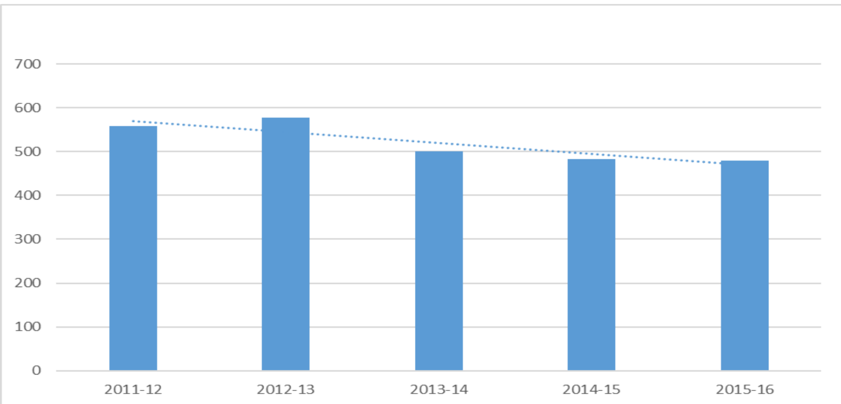
It can be seen that nearly 500 schools in the controlled and maintained sectors carried forward a surplus of more than 5% from 2015-16 into the current year.

Overall, there is a slight downward trend over the last five years in the number of schools carrying forward surpluses greater than 5%, as shown in Table 12:

Table 12: school surpluses greater than 5%[60]

Year	No. of schools with surplus of 5% or greater
2011-2012	559
2012-2013	577
2013-2014	500
2014-2015	483
2015-2016	480

Figure 13: school surpluses greater than 5%, trend 2011-12 to 2015-16[60]



[61]Letter from DE to PFSU, 26 August 2016

Scrutiny point:

The Committee may wish to request assurance that the schools with the more significant surpluses do indeed have 'good reasons', in line with the DE's aim of preventing "excessive surpluses of public funds being accumulated by schools" is met.

Members may wish to note **that these figures are for the controlled and maintained sectors only.** The DE stated:

> *Similar data is not available for Voluntary Grammar (VG) and Grant-Maintained Integrated (GMI) schools, for which the Department is the Funding Authority. VG and GMI schools are not reported on in the same way as each other (differing accounting policies) or in the same way as schools for which the EA (former Education and Library Boards ELB's) is the Funding Authority.*[62]

This gives rise to an issue of transparency. It is apparently impossible for stakeholders to get a full picture of the financial position of NI's schools. The lack of transparency appears to arise because schools in different sectors report their financial information differently.

5.6.1. School deficits

Whilst school surpluses are clearly of interest in a context of reducing departmental budgets, it would be misleading not to also acknowledge the fact that not all schools are in surplus.

The DE's *Guidance on Financial Management Arrangements for Controlled and Maintained Schools under the Common Funding Scheme* provides that:[63]

5.22 Schools wishing to incur a deficit for whatever reason must make application, annually, to the ELB for permission to do so. Such requests must include the various reasons for the requested deficit and must be closely scrutinised by the ELB. Permission to overspend will be subject to:

a) The Education and Library Board not exceeding its recurrent budget

b) An upper limit of 5% of a schools budget share or £75,000, whichever is the lesser.

c) A budget plan submitted by the school's Board of Governors demonstrating that the planned deficit can be cleared or substantially reduced during the period of the 3 year budget plan.

[62] Letter from DE to PFSU, 26 August 2016

[63] DE (2005) Guidance On Financial and Management Arrangements for Controlled and Maintained Schools Funded Under the Common Funding Scheme (see page 12)

In April 2016, groups representing post-primary schools in the voluntary grammar, controlled and Catholic maintained sectors issued a warning that "*some schools [were] facing a deficit of up to £500,000.*"[64]

Scrutiny points:

To aid the Committee's deliberations in this area, it may wish to ask the DE to provide analysis of the financial position of all school sectors. Such briefing could include, in particular:

1. analysis of the distribution of surpluses and deficits across sectors and level of education; and,

2. an assessment of whether there is scope to redistribute surpluses in an equitable manner for the benefit of the school system as a whole.

5.7. Reporting and accountability: inter-departmental cooperation

The final sub-section of this Paper raises an issue relating to the DE's reporting and accountability, which appears to arise from challenges centring on inter-departmental cooperation.

5.7.1. DFP's Monitoring of Savings Delivery Plans

During the last budget period, the former Department of Finance and Personnel (DFP) provided the Committee for Finance and Personnel with a report on its monitoring of departments' Savings Delivery plans.

Figure 14 shows an extract from the report:

Figure 14: DFP's Monitoring of Savings Delivery Plans[65]

Table 1: 2014-15 Savings Delivery by NI Departments

Department	2014-15 Target (£m)	2014-15 Savings Achieved (£m)	% of 2014-15 Savings Achieved
DARD	14.4	14.4	100.0%
DCAL	8.8	8.8	100.0%
DE	Did not participate	Did not participate	Did not participate
DEL	129.4	129.4	100.0%
DETI	3.3	3.3	100.0%
DFP	13.4	13.4	100.0%
DHSSPS	170.0	170.0	100.0%
DOE	10.4	11.2	107.6%
DOJ	108.6	109.9	101.3%
DRD	50.8	39.0	76.8%
DSD	92.6	101.6	109.7%
OFMDFM	10.4	11.9	114.6%
FSA	0.4	0.6	160.4%
PPS	3.8	3.5	94.3%
Total[1]	**616.2**	**617.1**	**100.1%**

1 Totals may not add due to roundings.

[64] Belfast Telegraph [Drastic budget cuts may mean shorter school days in Northern Ireland] 22 April 2016.

[65] DFP (2015) Paper to Committee for Finance and Personnel: Monitoring of Departmental Savings Delivery Plans – March 2015

It may be seen from Figure 14 that at that time the DFP reported that the DE had not participated in its monitoring of Savings Delivery Plans. A similar issue arose in relation to DFP's monitoring of another Executive-wide policy on the use of social clauses in public procurement.

This was noted in RaISe paper NIAR 83-15 (17 April 2015) as follows:

> *CFP has previously discussed whether DFP has sufficient power to compel departments and other contracting authorities to comply with the Executive's non-statutory policies, or to provide information returns on request. [Guidance] requires departments "to report quarterly to CPD".*
>
> *On 4 February 2015 however, CPD indicated to CFP in evidence that the Department of Education was "not prepared to make a return."*[66] *Arguably, this raises an issue about an accountability gap in the existing system.*[67]

This phenomenon of an 'accountability gap' may partially underlie a finding in a recent OECD Governance Review Report *Northern Ireland (United Kingdom): Implementing Joined-up Governance for a Common Purpose*, which stated:

> *The siloed nature of Northern Ireland's government is also illustrated by the challenges departments face in sharing information, which is particularly critical given OFMDFM and DFP's roles.* ***Lacking in information, neither OFMDFM nor DFP are able to track proactively departmental initiatives, which in turn, hampers their ability to oversee whole-of-government operations.*** *Further, neither OFMDFM nor DFP are structured in a way that facilitates interface with the Departments on all strands of governmental activity. Such interface structures can enhance the capacity of [Centre of Government] institutions to play their whole-of-government co-ordination role effectively.*[68] [emphasis added]

Inter-departmental cooperation is especially important following two recent legislative enactments by the Assembly, detailed below.

5.7.2. Children's Service Co-operation Act (Northern Ireland) 2015 and the Special Educational Needs and Disability Act (Northern Ireland) 2016

The *Children's Service Co-operation Act (Northern Ireland) 2015* requires co-operation among children's authorities in order to contribute to the well-being of children and young persons. This relates to a range of areas, including: learning and achievement; play and leisure; physical and mental health; and, living in a society that respects

[66] Official report, 4 February 2015 , accessed 20 September 2016
[67] RaISe (2015) A Comparative Perspective on Public Procurement Requirements: social, environmental and economic accessed 20 September 2016, see page 16.
[68] OECD (2016) Northern Ireland (United Kingdom): Implementing Joined-up Governance for a Common Purpose accessed 20 September 2016, see page 24.

children's rights. It also provides for authorities (including NI departments and the Education Authority)[69] to share resources and pool funds.

Evidence suggests that there has been inadequate joint working between education and health bodies in terms of Special Educational Needs assessment and provision. Both the *Children's Services Co-operation Act 2015* and the *Special Educational Needs and Disability Act (Northern Ireland) 2016* require greater co-operation between such organisations, including duties to prepare joint plans and provisions for sharing resources.[70]

Scrutiny points:

To aid its deliberations in this area, the Committee may wish to ask the DE:

1) to explain any barriers that may exist to inter-departmental cooperation in relation to the sharing of financial or other budget-related information;

2) whether any steps could be taken to address or overcome those barriers; and,

3) to provide an update on progress relating to the cooperation required under the above-named legislation.

[69] http://www.legislation.gov.uk/nia/2015/10/contents see section 9

[70] http://www.legislation.gov.uk/nia/2016/8/contents/2016-03-23

Concluding remarks

This Briefing Paper has sought to support the Committee's scrutiny and advisory role in relation to the forthcoming Executive budget process. Section 1 clearly established the parameters within which departments must manage their budgets.

Section 2 set out the resources available to the Executive for the 2017-18 to 2020-21 period. In particular, this showed that the Executive's Resource DEL is to fall in real terms. This suggests that the DE allocation is likely to come under further pressure in the coming years.

Section 3 set out what is currently known about the timetable for the forthcoming Budget process. In particular, it highlights the possibility that the UK Government may choose to use the Autumn Statement to 'reset' the UK's public finances in response to the altering fiscal position following the EU referendum. As a result, there is a possibility that the funding available to the Executive may be altered, either up or down.

Another consequence of the budgetary uncertainty is that the opportunity for Assembly committees to influence the proposed one-year Resource DEL budget is likely to be limited. It appears that the Committee only has until the end of October to consider any representations it wishes to make in relation to the Resource DEL budget for 2017-18 and the Capital DEL budget up to 2020-2021.

Section 4 presented contextual comparative information on education spending. It also looked at the DE 2016-17 budget allocation and its assessment of resulting expenditure pressures. Since 2010-11, there has been a downward trend in DE's share of the overall Executive Resource DEL Budget. This suggests a slight relative decline the prioritisation of the DE compared to other spending areas, primarily Health and Social Care. If this trend continues, the DE may need to come up with new solutions to manage its expenditure within its allocations.

Finally, section 5 raised a number of issues which the Committee may wish to consider in relation to its scrutiny of the forthcoming draft Executive budget. These issues seem particularly pertinent given the context set in the preceding sections. For example, the DE may need to look closely at the School Surplus Scheme in future years to see if there is a way of redistributing those surpluses.

By the same token, an evaluation of schools facing deficits also seems to be necessary. The DE may have to consider taking further action in relation to the Investing in the Teaching Workforce Scheme, if this is a means to addressing some of the pay bill pressure on school budgets. But it is questionable whether the Scheme will have significant impact if the apparent oversupply of teaching graduates is not addressed. It seems likely that the Committee will await the results of the pilot Scheme with considerable interest.