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Public expenditure on education

Finance & Economics Research Team

This briefing paper – commissioned by the Committee for Education (the Committee) – aims to inform the Committee’s consideration of public expenditure available for the delivery of education in Northern Ireland (NI) during the current and next financial years. In particular, it examines: the in-year position for this financial year (2021-22), following the outcome of the January Monitoring Round; and, the 2022-25 funding position, given the current status of the draft Executive Budget 2022-25. The Paper seeks to support the Committee’s consideration in the noted areas, including potential issues meriting Committee attention.

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.

Introduction

This briefing paper – commissioned by the Committee for Education (the Committee) – aims to inform the Committee’s consideration of public expenditure available for the delivery of education in Northern Ireland (NI) during the current and next financial years. As requested, the paper addresses the Department of Education’s (DE’s):

- In-year position for this financial year – 2021-22 – following on from the outcome of the January Monitoring Round; and,
- 2022-25 funding position, given the current status of the draft Executive Budget (DEB)¹ – i.e. the now collapsed Executive had approved DEB in December 2021 for consultation alone, followed in February 2022 by the Minister of Finance (MoF) subsequently “pausing” that consultation based on legal advice he had received, and now the recent budgetary discussion amongst the five largest political parties’ leaders.

The paper is presented using the following four sections:

- **Section 1** addresses the DE 2021-22 budgetary position, including the January monitoring outcome and other relevant developments, e.g. reduced requirements;
- **Section 2** outlines DE funding identified within the DEB, and addresses recent developments of relevance to that funding;
- **Section 3** sets out past experience in NI when no Executive to agree the Budget; and,
- **Section 4** presents concluding remarks.

Throughout, blue boxes identify potential issues meriting the Committee’s consideration.

1. DE 2021-22 budget and in-year monitoring

This section provides an overview of the DE allocations in the 2021-22 Executive Budget and its position following the outcome of the January Monitoring Round.

1.1 DE 2021-22 allocations²

The 2021-22 Executive Budget specified departmental budget allocations for the 2021-22 financial year, as approved by the Executive and announced by way of the MoF’s written statement on the 1 April 2021.³

¹ Department of Finance. [2022-25 Draft Budget](#). 13 December 2021.

² <http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2017-2022/2021/finance/4421.pdf>

³ Department of Finance. [Statement to the Assembly on 2021-22 Final Budget](#). 1 April 2021.

At that time, the focus of central and devolved governments was to address the impacts arising from COVID-19. The Chancellor's Spending Review 2020 (SR 2020)⁴ therefore was curtailed to one-year and its outcome – which set the majority of the funding envelope available to the Executive for its 2021-22 Budget - was not announced by Her Majesty's Treasury until 25 November 2020.⁵ Had the SR been delivered in summer 2020 as originally had been planned, the Executive's 2021-22 Budget could have been brought to the Assembly in the autumn 2020. But that was not the case. As a result, the Executive constructed its 2021-22 Budget in a shortened timeframe, following on from a three-year political hiatus in NI, when devolved governance had not been fully operational.⁶

Of the total Resource Departmental Expenditure Limits (Resource DEL) – £12,896.2 million – allocated to departments, **the DE accounted for £2,345.1 million – or 18.4%**. The only department with a higher allocation was the Department of Health (DoH) – which accounted for exactly 50% of the 2021-22 Executive Budget. The DE's Resource outcome is shown below in Table 1, in accordance with the Department's key spending areas:

Table 1: Departmental Non-Ring-Fenced Resource outcome (£ million)

Objective and Spending Area	2021-22 Budget
Pre-school, Primary School & Post Primary Education	2,068.6
Youth and Other Children's Services	36.0
Activities to Support Education	240.6
Total	2,345.1

Source: Department of Finance: 2021-22 Budget⁷

The 2021-22 Executive Budget also included a total £126.9 million of COVID-19 funding. Of that, the DE was allocated £44.4 million (35%), as broken down in Table 2 below:

⁴ <https://www.gov.uk/government/publications/spending-review-2020-documents>

⁵ HM Treasury. [Spending Review 2020](#). 25 November 2020.

⁶ RaISe paper NIAR 63-21: [Executive Budget 2021-22](#) (28 May 2021) provides a timeline of critical events in the formation of the 2021-22 Budget.

⁷ Department of Finance. [2021-22 Budget](#). Page 55, April 2021.

Table 2: COVID-19 funding (£ million)

	Covid-19 allocations
Asymptomatic Testing in special schools	0.9
School Meals	2.1
Schools' Delegated Budgets – allocations on a per pupil basis	10.8
Transport	1.3
Special schools – substitute cover	0.9
SEN in Mainstream & Pupil Support	0.1
Contract Cleaning – EA services	0.3
Support Online Learning – C2K	0.7
Maintaining Standards & Learning	0.1
Education Through COVID-19	6.6
School Holiday Food Payments / FSM direct payments additional staff	0.1
Engage programme	5.5
COVID-19 Childcare Sector Support (2021-22)	10.0
Mental Health and Emotional Wellbeing Framework	5.0
Total DE	44.4

Source: Department of Finance: 2021-22 Budget⁸

Of the total Capital DEL – £1,681.1 million – that was allocated to departments, **the DE accounted for £158.3 million – or 9.4%**. While the Departments for Infrastructure, Health, and Communities collectively accounted for more than 70% of the total. The DE's Capital outcome is shown below in Table 3, in accordance with the Department's key spending areas:

Table 3: Departmental Capital outcome (£ million)

Objective and Spending Area	2021-22 Budget
Pre-school, Primary School & Post Primary Education	124.9
Youth and Other Children's Services	10.0
Activities to Support Education	23.3
Total	158.3

Source: Department of Finance: 2021-22 Budget⁹

Finally, the 2021-22 Executive Budget document outlined funding that had been carried forward from 2020-21, making it available for allocation in 2021-22. That funding, however, was not included in the final Budget departmental outcomes provided at that time. The carried forward funding amounted to a total of £687.4 million. The DE accounted for £64.7 million of it, as outlined in Table 4 below:

⁸ Department of Finance. [2021-22 Budget](#). Page 26, Table 4.2. April 2021.

⁹ Department of Finance. [2021-22 Budget](#). Page 30, Table 4.4. April 2021.

Table 4: Confirmed in-year allocations not included in the final Budget departmental outcomes (£ million)

Objective and Spending Area	2021-22 Budget
Teacher's pay	35.0
Brightstart	1.4
Summer Scheme 2021 (schools based)	4.0
Youth Service Summer Programme 2021	5.0
Engage II Programme (Sep-21 - Mar-22)	17.0
Sure Start Programme	2.3
Total	64.7

Source: Department of Finance: 2021-22 Budget¹⁰

1.2 January 2021-22 Monitoring Round

Budget allocations agreed at the beginning of the financial year can be reviewed at in-year Monitoring Rounds each June, October and January. At the individual rounds, the Department of Finance (DoF) reviews spending plans and priorities, to reflect changes in the Executive's financial position and its current priorities. Informing each round and related decision-making are departmental bids for extra resources and their "surrendering" of unspent resources.¹¹

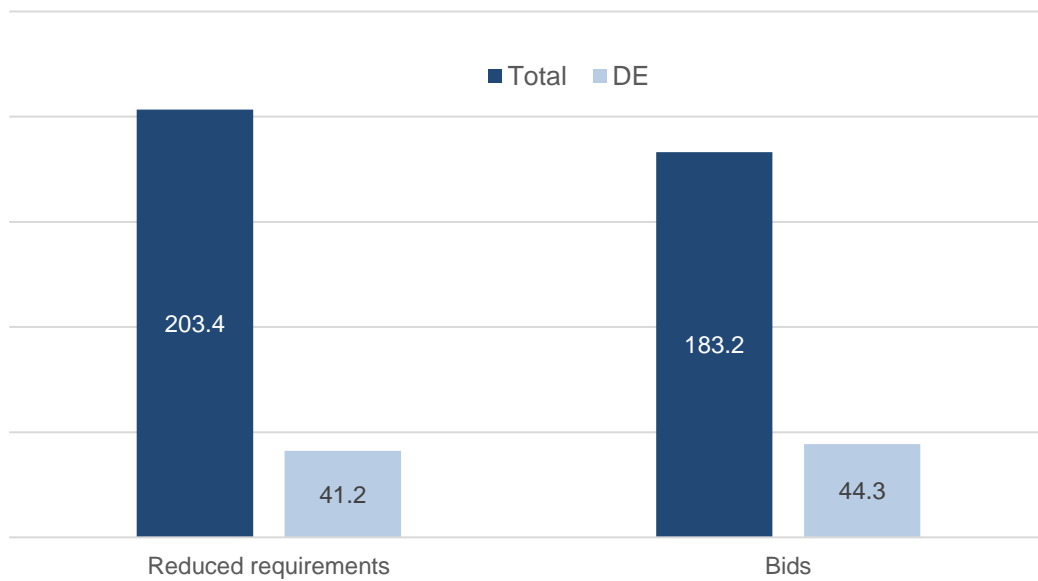
On 20 January 2022, the MoF provided a statement to the Assembly regarding the outcome of the Executive's January Monitoring Round for the current financial year.¹² Therein, he included details of departments' reduced requirements (i.e. unspent funding); along with departmental allocations in light of their bids for resources and pressures, amongst other things.

Figure 1 below illustrates how the DE compares with the total figures relating to reduced requirements and bid for resources; while the rest of this sub-section addresses other aspects of the DE breakdown:

¹⁰ Department of Finance. [2021-22 Budget](#). Page 35, Table 4.5. April 2021.

¹¹ See here for more information on the In-Year Monitoring process: <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/2021-22%20In-Year%20Monitoring%20of%20Public%20Expenditure%20-%20Guidelines.pdf>

¹² Department of Finance. [Written Ministerial Statement – 2021-22 January Monitoring](#). 20 January 2022.

Figure 1: Reduced requirements and bids, January Monitoring (£ million)

Source: Department of Finance: 2021-22 Budget¹³

1.2.1 DE reduced requirements

The MoF's January 2022 statement outlined the total reduced requirements declared by departments. They amounted to:¹⁴

- £140.5 million Resource DEL;
- £3.1 million Ring-Fenced Resource DEL;
- £57 million Capital DEL; and,
- £2.8 million FTC.

Of the above, **the DE accounted for reduced requirements amounting to just over £41 million**, as shown below in Table 5. The majority of these were COVID-19 related, but did not account for the majority of the value of reduced requirements.

¹³ Department of Finance. [Written Ministerial Statement – 2021-22 January Monitoring](#). 20 January 2022.

¹⁴ Ibid.

Table 5: DE reduced requirements (£ million)

	Non-Ring-Fenced Resource	Ring-Fenced Resource	Capital
COVID-19 -EA Behaviour Support	0.3	-	
COVID-19 -Education Authority Behaviour Support	-	-	0.1
COVID-19 -Engage II Programme	0.4	-	
COVID-19 -Joint Education/Health Vulnerable Children & Young People	0.0	-	
COVID-19 -PPE for Special Schools	0.7	-	
COVID-19 -Recovery from Lockdown Addictions	0.3	-	
COVID-19 -Response Council for Catholic Maintained Schools	0.0	-	
COVID-19 -Response Education through Covid - Immediate Response Team	0.0	-	
COVID-19 -Response Pathway Fund	0.0	-	
COVID-19 -Response Special Schools Testing Pilot	0.3	-	
COVID-19 -Restart -Anticipated In Year Growth -6th Form	0.6	-	
COVID-19 -Restart Staffing	0.2	-	
COVID-19 -School Holiday Food Grant Payments	3.0	-	
COVID-19 -Transport	0.3	-	
COVID-19 -Wellbeing Boxes	0.4	-	
COVID-19 -Wellbeing Initiative in Schools	0.0	-	
School Surplus Drawdown	34.5	-	
Total DE	41.0	0.0	0.1

Source: Department of Finance: 2021-22 Budget¹⁵

Note: Totals may not add due to rounding

The majority of the DE reduced requirements was due to the **“School surplus drawdown”**, which accounted for **£34.5 million**. On 19 January 2022, DE officials, speaking before the Committee for Education (the Committee) referenced this, explaining:¹⁶

The Education Authority (EA) has banked school surpluses of £34.5 million for the Department of Finance as part of January monitoring for drawdown by schools as required in future years. That was agreed by a previous Executive many years ago, and it has been honoured that the Department can draw down those amounts on behalf of schools throughout the year.

[...] In saying that, the money is not lost to the system. It is banked, and it will benefit schools in future years. Obviously, the Department needs to secure budget cover in any individual year, but there is an Executive commitment to

¹⁵ Department of Finance. [Written Ministerial Statement – 2021-22 January Monitoring](#). Page 11, Annex A. 20 January 2022.

¹⁶ Committee for Education. [Official Report: Minutes of Evidence. Committee for Education, meeting on Wednesday, 19 January 2022](#).

schools being able to draw down from that fund. As well as that, it is deemed a reduced requirement at the centre in the Department of Finance where the Executive can allocate the money for other purposes. It is not actually lost. In saying that, it is not an easy thing to explain at a time when we are seeking additional resources for Education.

Moreover, in correspondence from the DE to the Committee in January 2022, the DE stated:¹⁷

These arrangements allow DE to draw down on banked amounts of schools' surpluses notionally held by DoF, or to bank any further net surpluses built up in-year by schools.

Therein, the DE officials further stated:¹⁸

[...] the EA is now forecasting an increasing surpluses position of £34.513m across schools. The factors that contributed to this unprecedented quantum of increasing surpluses includes, but it is not limited to:

- the commitment provided to schools by the EA that COVID costs will be addressed from COVID earmarked funds (as these funds were allocated to the Department on a strictly earmarked basis) instead of requiring schools to meet these costs from unspent in-year Aggregated Schools Budget (ASB) allocations (i.e. in-year surpluses);*
- the inability of schools to plan to fully utilise the £30m SENCo earmarked fund, due to the timing of the allocation in August and the availability of substitute cover;*
- the inability of schools to access substitute cover which directly impacted their ability to spend both ASB and other earmarked funds such as Engage funding; and,*
- the impact of the EA's change in approach to funding In-year Growth and Dual Sites, which resulted in the EA making in-year allocations in respect of prior years, which improved the financial position of schools (i.e. increasing surpluses and decreasing deficits).*

The EA proposes to surrender unused schools' surpluses in line with the Executive agreement to facilitate schools drawing down on these surpluses in future years. Therefore, the increased surpluses of £34.513m were surrendered to DoF as part of January Monitoring as a reduced requirement, on the understanding that this will be banked by DoF for future drawdown by DE as required in future years.

¹⁷ Letter to the CfE Clerk from the DE – Dated 11 January 2022

¹⁸ Letter to the CfE Clerk from the DE – Dated 11 January 2022

Regarding the remaining £6.7 million of DE reduced requirements, DE officials briefed the Committee in January 2022 that the remaining monies were related to ring-fenced COVID-19 funds:¹⁹

*[...] £6.7 million of that related to COVID-19 ring-fenced funds. The Department had no choice but to surrender them. If any of those individual funds were not fully spent, we had to declare them as easements. That is just part of the arrangement and the agreement with the Department of Finance. It is similar for other Departments as well.*²⁰

The above is consistent with the DE correspondence to the Committee on 11 January 2022, which stated:²¹

A total of £6.655m was identified as part of this monitoring round in respect of ring-fenced funds to be surrendered to DoF. It should be noted that all of these funds related to specific COVID-19 funded initiatives, with the exception of one small reduced requirement relating to Peace IV funding.

1.2.2 DE allocations and bids

The allocations made by the DE – as outlined in Table 6 below – match DE’s bids made at January Monitoring. The Table shows that all DE bids were met in full, as noted by the MoF in his statement on 5 January 2022:²²

Given the significant level of funding available, we have been able to meet all Resource DEL bids submitted by departments.

In the outcome of the January 2021-22 Monitoring Round, the DE received £43.3 million in non-ring-fenced Resource DEL, as outlined by the DE officials who appeared before the Committee on 19 January 2022. They stated:²³

As the Minister previously outlined, at January monitoring, the Department supported £33 million of general resource pressures. Of these, almost £12 million, relating mainly to school maintenance and school pressures, was funded internally from allocations from the general contingency fund, still held out of our budget. The remaining £20.9 million of pressures were bid for to the Department of Finance. Those consisted of £18.3 million for SEN pressures arising from SEN in mainstream schools, special schools, pupil support and SEN transport pressures, and £2.4 million for voluntary exit scheme costs.

¹⁹ Committee for Education. [Official Report: Minutes of Evidence. Committee for Education, meeting on Wednesday, 19 January 2022](#)

²⁰ It is worth noting that the £6.7 million reduced requirements of Covid-19 funding is referred to as being Ring-Fenced by DE officials when presenting to the CfE. However, in the MoF’s written statement on January Monitoring, those funds are listed as Non-Ring Fenced – as shown in Table 5 above, and on Page 11, Annex A of the statement, [here](#).

²¹ Letter to the CfE Clerk from the DE – Dated 11 January 2022

²² Department of Finance. [Written Ministerial Statement – 2021-22 January Monitoring](#). Page 5. January 2022.

²³ Committee for Education. [Official Report: Minutes of Evidence. Committee for Education, meeting on Wednesday, 19 January 2022](#)

Moreover, the DE received just over £44 million, as outlined below in Table 6:

Table 6: January Monitoring Round allocations for the DE (£ million)

	Non-Ring-Fenced Resource	Ring-Fenced Resource	Capital
COVID-19 - (Fair Start) -Supply of Digital Devices	-	-	0.5
COVID-19 – Access NI charges	0.0	-	-
COVID-19 - Additional Relief Drivers / Escorts	0.2	-	-
COVID-19 - Contract Cleaning	0.1	-	-
COVID-19 - Human Resource Local Support Emergency Resourcing Team	0.1	-	-
COVID-19 - Personal Protection Equipment (PPE)	0.4	-	-
COVID-19 - Schools Based pressure	20.8	-	-
COVID-19 - Special Schools -Substitute Cover	0.4	-	-
COVID-19 - Teaching and Non-Teaching Staff - Substitute Cover	0.2	-	-
COVID-19 - Transport -Lost Income Departmental Depreciation	0.3	-	-
Departmental Depreciation	-	0.5	-
Special Educational Needs	18.4	-	-
Voluntary Exit Scheme	2.4	-	-
Total DE	43.3	0.5	0.5

Source: Department of Finance²⁴

Note: Totals may not add due to rounding

The MoF's statement further noted that:²⁵

In addition to these allocations DE has also requested flexibility across the funding provided to DE for COVID-19 related pressures, which is ring-fenced for specific purposes. With the exception of the amounts allocated for Holiday Hunger, DE has been provided with the flexibility to move funding between other COVID-19 allocations to enable the Department to respond to any emerging pressures between now and year-end.

When speaking in the Assembly plenary about the outcome of January Monitoring, the Chair of the Committee for Education stated:²⁶

At January monitoring, the Department of Education bid for £20.9 million of pressures to the Department of Finance. That consisted of £18.3 million for special educational need pressures arising from special educational needs in mainstream schools, special schools, pupil support and special educational needs in transport pressures, and £2.4 million for the voluntary exit scheme

²⁴ Department of Finance. [Written Ministerial Statement – 2021-22 January Monitoring](#). Page 18, Annex D. 20 January 2022.

²⁵ Ibid, page 6.

²⁶ NI Assembly. [Official Report: Tuesday 22 February 2022](#).

costs. In addition to that, the Department of Education required funding of £22.5 million for COVID-19-related pressures at January monitoring.

While the Education Department welcomed the additional funding allocations in the draft Budget, it indicated to the Education Committee that the proposed additional funding allocation was wholly insufficient to address the significant pressures that face the education sector. When departmental officials briefed the Committee, they emphasised that the sector faced significant financial pressure and rising service demands associated with delivering statutory and policy obligations and that, without substantial additional funding, the budget position would continue to be extremely challenging.

1.3 Allocations post January Monitoring Round – remaining 2021-22 funding

Following the collapse of the Executive on 3 February 2022, the MoF “paused” the DEB consultation process in mid-February, based on legal advice that he had received. On 15 February, the MoF updated the Assembly on budgetary matters given the absence of an Executive.²⁷ He advised that following the January Monitoring Round, £95.2 million of Resource DEL funding remained unallocated; with a total of £104.3 million to be “carried forward” into the next financial year, as authorised by Treasury under the Budget Exchange Scheme (BES).²⁸ The MoF also noted that there was £300 million available for allocation to departments in 2022-23, potentially for “...housing, skills, for the police, and for ESF match-funding ...”; but that funding could not be allocated in the absence of an Executive.²⁹ The MoF, however, did not make reference to specific departmental bids or allocations for that funding.

As the Committee may recall, under BES, the Executive has the ability to “carry forward” funding from one financial year in which it cannot spend into the next – part of the “rules” under the prevailing financial arrangements of current devolution, i.e. the Public Finance Framework (PFF). However, such carry forward has limits, i.e. the Executive is permitted only to carry forward underspends of up to 0.6 per cent for Resource DEL and 1.5 per cent for Capital DEL, as agreed with Treasury. The carry forward facility is important because it helps to limit unspent funding that has to be “handed back” to Treasury each financial year.³⁰ However, BES has its limits, as explained earlier, which makes it important that departments surrender monies early, to avoid challenges in reallocating them and ensuring they are spent and not sent back to Treasury. At present, such realities are further compounded in the absence of an Executive with full spending and decision-making powers.

²⁷ Department of Finance. [Minister of Finance Oral Statement – Update on Budgetary Matters](#). 15 February 2022.

²⁸ NI Audit Office. [The Northern Ireland Budget Process](#). Page 29, Paragraph. 3.27. 29 June 2021.

²⁹ NI Audit Office. [The Northern Ireland Budget Process](#). Page 29, Paragraph. 3.27. 29 June 2021.

³⁰ Treasury. [Statement of Funding Policy 2021 f](#). October 2021.

Recently, that was highlighted by the MoF in February 2022, when he explained that:³¹

In normal circumstances, I would bring a paper to the Executive recommending that £45 million be allocated now. The Departments for Communities, Education and Infrastructure have come forward with proposals to utilise the available resources, and sufficient headroom has been built into their spring Supplementary Estimates.³²

The “headroom” referred to in the MoF’s statement refers to a mechanism that provides departments with cover to spend additional allocations they may receive. In the Spring Supplementary Estimates (SSEs), published in February 2022, the DoF - in consultation with the DE - had built in £22 million of headroom for the DE, enabling the DE to spend any potential future allocations.³³

Subsequently, on 3 March 2022, the MoF announced that the £45 million of funding had been allocated to the DE – reducing the amount of unspent funding that may need to be returned to Treasury. In a statement to the Assembly, the MoF confirmed that:³⁴

Having received legal advice on the options available to me to address the unallocated funding and sought the views of Ministers, I intend to allocate £45 million to the departments that had sought further funding – the Department of Education, Department for Communities and Department for Infrastructure [...]

The Department of Education receives £13 million, meeting their request in full, for teaching pay pressures.

Potential issues for consideration:

1. Given the £13 million announced by the MoF on 3 March 2022 for the DE – that suggests £9 million of unused DE headroom for the current financial year. Has the Minister for Education any plans to try to make use of that remaining headroom, factoring in the absence of an Executive with full spending and decision-making powers?
2. If yes to (1.), would the Minister for Education please detail those plans, including what amount is sought, its intended use and how it would be anticipated to impact in the delivery of education in NI?
3. If no to (1.), would the Minister for Education please detail why there are no plans and how that lack of plans could impact now and going forward in the delivery of education in NI?

³¹ Department of Finance. [Minister of Finance Oral Statement – Update on Budgetary Matters](#). 15 February 2022.

³² The NI Estimates referred to in the MoF’s 15 February statement, set out the detailed spending plans of NI departments for this financial year. The Executive Budget does not itself confer authority for departments to spend or commit resources. That requires Assembly agreement through the Estimates Process and the Budget Acts. The Spring Supplementary Estimates (SSEs) seek authority for additional resources and/or cash, i.e. in addition to that sought in the Main Estimates for the given financial year.

³³ See RalSe paper [NIAR 10-22: 2021-22 Spring Supplementary Estimates: Key Points](#). 16 February 2022.

³⁴ Department of Finance. [2021-22 Further Allocations – Written Ministerial Statement](#). 3 March 2022.

2. DE funding for 2022-25

This section looks at DE funding identified within the 2022-25 DEB consultation document, which the Executive agreed to publicly consult on, after the Chancellor's Autumn Budget and Spending Review 2021 announcement on 27 October 2021 concerning the period 2022-25.³⁵

For the Committee's ease of reference, it compares that the identified DE funding in DEB for 2022-25 with the DE's 2021-22 allocation (as discussed in Section 1 above). It also discusses a selection of recent relevant public finance-related developments relating to the DE for 2022-23 and beyond.

2.1 Resource and Capital DEL funding

The amount of DE Resource DEL and Capital DEL identified in the DEB document is detailed in Table 7 below; alongside its 2021-22 allocation:

Table 7: Resource and Capital DEL by financial year (£ million)

	2021-22 Budget	2022-23	2023-24	2024-25
Resource	2,345.1	2,431.2	2,471.2	2,503.2
Capital	158.3	199.4	217.6	203.9
Total	2,503.4	2,630.6	2,688.8	2,707.1

Source: Draft Executive Budget 2022-25 and Executive Budget 2021-22³⁶

Of the total departmental Resource DEL identified in the DEB, the DE accounts for just over 18% in each of the three identified financial years. The only department with a higher allocation each year is the DoH, which accounts for more than 50% each year. The DE's identified Resource DEL for the three-year period, relative to the 2021-22 position, is: 3.7%; 5.4%; and, 6.7% - the highest, in the final year covered by the DEB.

In terms of capital, the DE accounts for around 10% in each of the three years. Relative to 2021-22, it is: 26%; 37.5%; and, 28.8%.

Potential issues for consideration:

4. What consideration has the Minister for Education given to the impact of inflation on the DE funding requirements in the short- and medium-terms, e.g. rising energy costs, wage inflation, pay settlements, cost of supplies, etc.? Please detail.

5. What planning has the Minister for Education undertaken to ensure ongoing delivery of education in 2022-23, in the event that an Executive is not formed following the Assembly elections in May? Please detail.

³⁵ <https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>

³⁶ Department of Finance. [2022-25 Draft Budget](#). Page 69, Table 5.3. 13 December 2021

In late February 2022, the Public Finance Scrutiny Unit (PFSU) within RalSe's Finance & Economics Research Team compiled a four-part briefing paper series on the DEB for the Assembly's Committee for Finance (CfF), which the CfF subsequently circulated to Assembly committees.^{37 38 39 40} In response to enquiries made by the PFSU to inform compilation of that series, the Committee provided information on the resource bids that the DE submitted to the DoF in autumn 2021, to inform DEB. Assuming an indicative baseline of £2,269.6 million,⁴¹ the DE premised those bids on the following:⁴²

...taking into consideration only those pressures which are inescapable or pre-committed, the Department reported an estimated funding gap of £367.03m for 2022-23, with the gap increasing in subsequent years.

The figures provided by the DE are presented in Table 8 below. It shows that for the 2022-23 financial year, there is a shortfall of more than £204 million between the total value of DE Resource DEL bids and the DEB identified Resource DEL. That gap widens in the following two financial years – see below Table:

Table 8: Estimated resource DEL funding gap (£ million)

	2022-23	2023-24	2024-25
Baseline	2,269.6	2,269.6	2,269.6
General pressures	325.5	395.8	462.5
Covid-19 pressures	8.6	0.8	0.8
NDNA	32.0	54.0	80.2
DE identified funding gap	366.1	450.7	543.5
DEB identified Resource DEL (see Table 4)	2,431.2	2,471.2	2,503.2
Funding gap (+/-)	-204.5	-249.1	-309.9

Source: Correspondence between DE and CfE, 17 November 2021.

In addition, the Committee provided information on bids made by the DE for Capital DEL. Those capital funding bids included funding for:

- A major capital programme;

³⁷ NI Assembly – Research and Information Service. [Draft Executive Budget 2022-2025: Public Finance Context. Paper 1 of 4.](#) 17 February 2022.

³⁸ NI Assembly – Research and Information Service. [Draft Executive Budget 2022-2025: Northern Ireland Economic Context. Paper 2 of 4.](#) 17 February 2022.

³⁹ NI Assembly – Research and Information Service. [Draft Executive Budget 2022-2025: Capital Investment. Paper 3 of 4.](#) 17 February 2022.

⁴⁰ NI Assembly – Research and Information Service. [Draft Executive Budget 2022-2025: Departmental Pressures. Paper 4 of 4.](#) 17 February 2022.

⁴¹ Note: the 2022-25 baseline position is not the same as the 2021-22 Executive Budget allocation. The latter is what is shown in Tables 2, 3 and 4.

The baseline referred to in the DEB for each department is set by taking the previous year's budget and adjusting it for certain factors including time-bound allocations. This allows the Executive to begin the Budget process with a starting position where budgets are not influenced by time-limited factors. The baseline is therefore not equivalent to the 2021-22 budget position.

⁴² Letter to the CfE Clerk from DE – Dated 17 November 2021. Sent to the PFSU during the compilation of series of papers on DEB for CfF in February 2022.

- A school enhancement programme;
- A youth programme; and,
- Other minor works and capital programmes.

The DE also provided the Committee with capital spend information for the next three financial years, up to 2024-25 – the rest of the Chancellor’s SR 2021 period (2022-25) – as shown in Table 9 below. That Table shows that for the 2022-23 financial year, there is a shortfall of almost £60 million between the total value of DE capital DEL bids, when compared against DEB identified Capital DEL. That gap is £122.8 million in 2023-24 and £98 million in 2024-25:

Table 9: Capital bids vs. DEB identified Capital DEL (£ million)

	2022-23	2023-24	2024-25
Capital DEL bid	257.7	340.4	301.9
DEB identified capital DEL	199.4	217.6	203.9
Funding gap (+/-)	-58.3	-122.8	-98.0

Source: Correspondence between DE and CfE.

At its meeting on 17 December 2021, Committee members noted that the 2% identified reduction⁴³ in Resource and Capital DEL was of concern.⁴⁴ The Committee shared those concerns with the MoF, noting:⁴⁵

Members noted with concern proposals which, while supporting the response of the Health Service to the Covid-19 pandemic, would nonetheless cause a 2% reduction in real terms to the Education Budget. Members noted that not only was this in addition to sustained underinvestment in education and lower spending per pupil here than in neighbouring jurisdictions, but it imperilled implementation of the Fair Start report action plan, which urges investment in our young people as early as possible and in an intuitive range of ways.

In sum, those Committee concerns were:

- 1. Covid-19 safety and resourcing of schools for continuity in education** – The Committee has repeatedly raised the issue of COVID-19 safety in schools, in particular the area of ventilation in schools. During a January 2022 meeting, the DE officials were asked why the Department had not made bids for such equipment. The DE officials replied:⁴⁶

⁴³ Department of Finance. [2022-25 Draft Budget](#). Page 66, Paragraph 5.7. 13 December 2021

⁴⁴ Letter to the Minister of Finance from CfE (Ref 2022.04) – Dated 6 January 2022

⁴⁵ Ibid

⁴⁶ Committee for Education. [Official Report: Minutes of Evidence. Committee for Education, meeting on Wednesday, 19 January 2022](#).

The guidance still states that natural ventilation is the best approach, and that is the basis of most of the mitigations that are being taken forward across the schools' estate. As I said, the advice on that lack of efficacy of the mobile filtration units is still to be determined.

Earlier, the DE provided the Committee with a written update dated 17 November 2021, responding to the Department's response to the DoF Budget 2022-2025 information gathering exercise during the autumn 2021.⁴⁷ In its stated letter, the DE identified: £24.36 million of "high priority or desirable" COVID-19 pressures for 2022-23; £13.3 million for 2023-24; and, £5.71 million for 2024-25.

- 2. SEN provision** – In response to the Committee questions regarding funding provision for children with SEN, the DE stated in November 2021 that:

Future years are the problem, based on the extent of underfunding that is proposed in the draft Budget. It is a concern, which is the case right across our budgets.⁴⁸

In its November 2021 letter noted above, the DE identified "inescapable or pre-committed pressures" relating to SEN of: £79.53 million in 2022-23; £101.9 million in 2023-24; and, £124.05 million in 2024-25.

- 3. Children and young people's emotional and mental health (including: access to the outdoors and early interventions for emotional regulation)** – When questioned on the availability of funding for the emotional health and wellbeing framework, the DE replied:⁴⁹

...this year, there is deemed to be enough to do what needs to be done at school level.

However, in reference to the coming years, the DE officials continued:⁵⁰

...it is now just going to be wrapped up in the problems that we face with the draft Budget position, because we are going to have to be looking at scenario planning and what decisions will have to be made. There are significant challenges with the draft Budget position, so, like every other budget, it is wrapped up in that and thought will have to be given to that.

We will have to discuss it with the Minister in due course etc, all subject to what our final budget looks like, obviously, and we live in hope in that regard.⁵¹

- 4. Issues surrounding equal opportunities in education (socioeconomic - including: underachievement by young men (Fair Start); period poverty and**

⁴⁷ Letter to the CfE clerk from DE – Dated 17 November 2021. Sent to the PFSU during the compilation of series of papers on DEB for CfE in February 2022.

⁴⁸ Ibid

⁴⁹ Ibid

⁵⁰ Ibid

⁵¹ Ibid

its impact on attendance; morale and equal opportunity for young women; participation in STEM by young women; connecting through good careers advice; and, visible options after school) – While such issues extend across many facets, £22 million of Ring-Fenced Resource DEL was specifically identified for “Addressing Food Poverty: School Holiday Food Grant”. It is ring-fenced, meaning it can be spent only in this specific area.

Moreover, on 9 March 2022, the Assembly enacted the Integrated Education Bill.⁵² The new Act’s implementation by the DE will require funding. During the Bill’s Committee Stage, the official Committee report noted:

*Officials told the Committee that the Department had concerns that the Bill may elevate the Integrated Education sector above others, limit parental preference, **impose additional funding demands** [emphasis added]*

Potential issues for consideration:

6. The DEB was based on a 10% increase in health funding for 2022-25, as agreed by the Executive. That would mean – if implemented - that other departments would have been required to make efficiency savings worth 2%, as reflected in the funding identified for them. In the event that no Executive is formed now or post-May Assembly elections, and the Executive does not agree a Budget – e.g. for 2022-23 or for 2022-25 – what implications could that have on the pressures outlined by the DE to the Committee – e.g. SEN provision, mental health, and equal opportunities?

7. How could no agreed Executive Budget for 2022-23 or 2022-25 impact on the DE’s implementation of the Assembly’s recently enacted Integrated Education legislation?

3. Past experience when no Executive to agree Budget

In the past, from January 2017- January 2020, there was no Executive to agree Budgets. Instead, the NI Secretary of State (SoS) laid Budget Bills for NI in the United Kingdom Parliament for the financial years 2017-18,⁵³ 2018-19⁵⁴ and 2019-20.⁵⁵ Each Westminster enacted NI Budget subsequently provided a means to ensure the delivery of public services in NI during each of those financial years. Each, however, came with limitations in that they constituted short-term “fixes” due to ongoing political circumstances, which restricted strategic medium to long term prioritising and planning in line with identified needs by the departments *via* an Executive. The Committee may recall that the NI Audit Office recently published its report on the NI Budget Process,

⁵² <http://www.niassembly.gov.uk/assembly-business/legislation/2017-2022-mandate/non-executive-bill-proposals/integrated-education-bill/>

⁵³ Northern Ireland Office. [Secretary of State’s Oral Statement on the NI Budget Bill](#). 13 November 2017.

⁵⁴ Northern Ireland Office. [Written Ministerial Statement: Northern Ireland Finances](#). 8 March 2018.

⁵⁵ Northern Ireland Office. [Secretary of State sets out draft budget for Northern Ireland](#). 28 February 2019.

wherein it observed that there is “limited evidence” of budgetary alignment with multi-year planning and goal-setting in NI. It stated:⁵⁶

The short-term nature of annual budgets creates difficulties for future planning and innovation across the public sector. The absence of a medium-term dimension to financial planning and prioritisation has been the subject of significant criticism, e.g. the NIAO report on Capacity and Capability in the NI Civil Service noted that “annual budget-settinghampered longer term financial and workforce planning.”⁵⁷

The statutory bases relied on in the past were: Section 59 of the Northern Ireland Act 1998 (NIA);⁵⁸ and, Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2000 (GRAANI).⁵⁹ When relying on those statutory bases in 2017, the then DoF Permanent Secretary explained:⁶⁰

While the legislation limits the amount that may be approved to 75%, of the previous year, up to the end of July and 95% thereafter, this does not mean that departmental budgets for 2017-18 will be reduced by 25% or even 5%. Rather the powers available are simply an interim measure designed to ensure that services are maintained until such times as a budget is agreed and a Budget Act passed. At which point departments will have access to the full level of funding available.

These Section 59 measures enable cash to continue to flow to maintain the provision of public services and will provide a degree of certainty to departments. They are not a substitute for a Budget agreed by an Executive. Indeed we are very clear that the prioritisation and allocation of financial resources is a matter for Ministers. There is also co-ordinated engagement between departments to ensure that key stakeholders are fully informed about these interim financial measures. Departments are currently writing out to community and voluntary bodies to confirm interim funding designed to maintain the ongoing integrity of the key services they provide until an agreed budget is in place.

With regard to capital expenditure, all Executive Flagship and ongoing contractual capital commitments will be honoured into 2017-18.

In the absence of a Budget Act, Section 59 of the NIA 1998 - authorising release of cash and resources - applies alongside Section 7 of GRAANI 2000 - authorising the use of resources by the departments. The noted statutory provisions now are relevant in the present context – i.e.:

⁵⁶ NI Audit Office. [The Northern Ireland Budget Process](#). Page 8, Paragraph. 3.3. 29 June 2021.

⁵⁷ NI Audit Office. [Capacity and Capability in the NI Civil Service](#). 18 November 2020.

⁵⁸ <https://www.legislation.gov.uk/ukpga/1998/47/section/59>

⁵⁹ <https://www.legislation.gov.uk/niu/2001/6/section/7>

⁶⁰ Department of Finance. [Department provides Budget clarification](#). 28 March 2017.

- (i) No Executive since early February 2022 to make budgetary decisions;
- (ii) A MoF “paused” DEB 2022-25 public consultation, following the Executive’s collapse and the MoF’s receipt of legal advice;
- (iii) No agreed Budget for 2022-23 and beyond;
- (iv) The swiftly approaching end of the current Assembly mandate at the end of March 2022, prior to May Assembly elections;
- (v) The leaders of the five largest political parties - at the time of writing this paper - are scheduled to meet on 11 March 2022 for a DoF briefing by officials that is to inform the leaders’ discussion regarding ongoing budgetary matters and the parties’ suggested options, following on from discussion amongst the leaders on 10 March;⁶¹ and,
- (vi) The recently enacted Integrated Education legislation, which will require funding to facilitate its implementation by the DE.

In the above-noted context, the relevance of Section 59 of the NIA 1998 and Section 7 of GRAANI 2000 is apparent. That was highlighted on 9 February 2022, when a DoF official referenced them while speaking to the Committee for Finance about the 2022-23 Vote on Account (cash and resource), amongst other things.⁶² Each provision is outlined below for the Committee’s ease of reference. **The Committee, however, should note that the below is intended for information purposes, drawing on past experience. It is not offered as legal advice and/or opinion; nor is it intended to be exhaustive.**

Section 59 under NIA 1998 – release of cash and resources

Simply stated, Section 59 empowers the “authorised officer of the Department of Finance and Personnel” (now the Department of Finance) – i.e. “...the Permanent Secretary or such other officer as may be nominated by him for the purpose...” - to **release** cash and resources (i.e. make payments out of Consolidated Fund for NI), to departments from April of the next financial year, in the absence an Executive agreeing a Budget. It allows for such release in line with the statute’s specified limits, which first restrict the amount that may be approved to 75%, of the previous year’s budget, up to the end of July. Then, in the absence of a Budget Bill by the end of July, it then specifies that the amount allocated may be increased to 95% of the previous year’s budget – but no more.

Section 59 of the NIA 1998 states in full:⁶³

Payments out of Fund without appropriation Act.

⁶¹ <https://www.bbc.co.uk/news/uk-northern-ireland-60684762> (Accessed 10 March 2022, 20.30)

⁶² <http://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=30551&evidID=15171>

⁶³ <https://www.legislation.gov.uk/ukpga/1998/47/section/59>

- 1) *If an Act is not passed at least three working days before the end of a financial year (“year 1”) authorising the issue out of the Consolidated Fund of Northern Ireland of sums for the service of the next financial year (“year 2”)—*
 - a. *the authorised officer of the Department of Finance and Personnel may, subject to any Act subsequently passed, authorise the issue of sums out of that Fund for the service of year 2; and*
 - b. *the sums so issued shall be appropriated for such services and purposes as the officer may direct.*
- 2) *The aggregate of the sums issued under subsection (1) for the service of year 2 shall not exceed 75 per cent of the total amount appropriated by Act for the service of year 1.*
- 3) *If an Act is not passed before the end of July in any financial year authorising the issue out of the Consolidated Fund of Northern Ireland of sums for the service of the year—*
 - a. *the authorised officer of the Department of Finance and Personnel may, subject to any Act subsequently passed, authorise the issue of sums out of that Fund for the service of the year; and*
 - b. *the sums so issued shall be appropriated for such services and purposes as the officer may direct.*
- 4) *The aggregate of the sums issued under subsection (3), and (where applicable) the sums issued under subsection (1), for the service of any financial year shall not exceed 95 per cent of the total amount appropriated by Act for the service of the preceding financial year.*
- 5) *In this section—*
 - *“Act” means an Act of the Assembly or, in relation to any time before the appointed day, an Order in Council under Schedule 1 to the M1Northern Ireland Act 1974;*
 - *“authorised officer”, in relation to the Department of Finance and Personnel, means the Permanent Secretary or such other officer as may be nominated by him for the purpose.*

Section 7 of GRAANI 2000 – use of resources

Moreover, Section 7 of GRAANI 2000 provides for the **use** of resources without a Budget Act. Simply stated, it empowers the “authorised officer of the Department” – i.e. “...the Permanent Secretary or such other officer as may be nominated by him for the purpose...” – to authorise the use of resources for the service of the next financial year, when no Budget Act enacted at least three working days prior to the end of current financial year. The authorising officer may do this subject to the specified statutory limits, as well as subject to any subsequent enactment of a Budget Act. First, up to the end of July, the amount authorised for use cannot exceed 75 per cent of the total amount of resources authorised by Budget Act for the service of the preceding financial year. Second, in the absence of a Budget Bill by the end of July, the amount

cannot exceed 95% the total amount of resources authorised by Budget Act for the service of the preceding financial year.

Section 7 of GRAANI states in full:⁶⁴

Use of resources without Budget Act

- 6) —*If a Budget Act is not passed at least three working days before the end of a financial year (“year 1”) authorising the use of resources mentioned in section 6(1) for the service of the next financial year (“year 2”), the authorised officer of the Department may, subject to any Budget Act subsequently passed, authorise the use of resources for the service of year 2 for such purposes and up to such amounts as he may direct.*
- 7) *The aggregate of the amounts authorised under subsection (1) for the service of year 2 shall not exceed 75 per cent of the total amount of resources authorised by Budget Act for the service of year 1.*
- 8) *If a Budget Act is not passed before the end of July in any financial year authorising the use of resources mentioned in section 6(1) for the service of the year, the authorised officer of the Department may, subject to any Budget Act subsequently passed, authorise the use of resources for the service of the year for such purposes and up to such amounts as he may direct.*
- 9) *The aggregate of the amounts authorised under subsection (3) and (where applicable) the amounts authorised under subsection (1) for the service of any financial year shall not exceed 95 per cent of the total amount of resources authorised by Budget Act for the service of the preceding financial year.*
- 10) *In this section “authorised officer”, in relation to the Department, means the Permanent Secretary or such other officer as may be nominated by him for the purpose.*

4. Concluding remarks

This briefing paper addresses public expenditure available to the DE for delivering education. It does so within the present context – i.e.:

- (i) No Executive since early February 2022 to make budgetary decisions;
- (ii) A MoF “paused” DEB 2022-25 public consultation, following the Executive’s collapse and the MoF’s receipt of legal advice;
- (iii) No agreed Budget for 2022-23 and beyond;
- (iv) The swiftly approaching end of the current Assembly mandate at the end of March 2022, prior to May Assembly elections; and,

⁶⁴ <https://www.legislation.gov.uk/nia/2001/6/section/7>

- (v) The leaders of the five largest political parties - at the time of writing this paper - are scheduled to meet on 11 March 2022 for a DoF briefing by officials that is to inform the leaders' discussion regarding ongoing budgetary matters and the parties' suggested options, following on from discussion amongst the leaders on 10 March.⁶⁵

Key "take-aways" from earlier sections in this paper are outlined below.

First, in relation to the 2021-22 Executive Budget; of the total Resource DEL – £12,896.2 million - allocated to departments in 2021-22, the DE accounted for £2,345.1 million – or 18.4%. Of the total Capital DEL of £1,681.1 million, the DE accounted for £158.3 million – or 9.4%.

Following the outcome of the January Monitoring Round for 2021-22, the DE accounted for just over £41 million of reduced requirements – equivalent to more than 20% of the total. The majority of these related to the School Surplus Drawdown. In terms of allocations, it received more than £43 million – or 24% of the total value of total Executive Budget allocations. Thereafter, on 3 March 2022, the MoF announced additional allocations that previously had been approved by the Executive – i.e. £45 million – with £13 million allocated to the DE to meet its earlier bid for teacher pay pressures.

Moving onto budgetary considerations for the next financial year - 2022-23 - and thereafter - 2023-24 and 2024-25 comprising the current SR period - the MoF "paused" the DEB consultation process in mid-February 2022, based on legal advice he had received, after the collapse of the Executive on 3 February 2022. Prior to that collapse, the Executive had agreed to the contents of the DEB consultation document, but for consultation alone.

Of the total departmental Resource DEL identified in the DEB consultation document, the DE accounts for just over 18% in each of the three financial years. The only department with a higher identified funding each year is the DoH – which accounts for more than 50% each year. In terms of capital, the DE accounts for around 10% in each of the three years.

For the 2022-23 financial year, there is a shortfall of more than £204 million between the total value of the DE Resource DEL bids and the total value of DEB identified Resource DEL. In terms of capital, there is a shortfall of almost £60 million in 2022-23.

The Committee identified four key areas of particular interest arising from the proposals contained in the DEB, which – if agreed and implemented – could impact the DE in a number of areas, such as:

- COVID-19 safety and resourcing of schools for continuity in education;

⁶⁵ <https://www.bbc.co.uk/news/uk-northern-ireland-60684762> (Accessed 10 March 2022, 20.30)

- SEN provision;
- Children and young people’s emotional and mental health; and,
- Issues surrounding equal opportunities in education (e.g.: socioeconomic issues; period poverty and its impact on attendance; participation in STEM by young women; connecting through good careers advice; and, visible options after school).

The recent enactment of the Integrated Education Act also will have funding implications in the next three financial years, as the Act is implemented by the DE.

From January 2017 – January 2020, there was no Executive to agree Budgets. Instead, the NI SoS laid Budget Bills for NI in the United Kingdom Parliament for those financial years. While that Westminster legislation provided a means to ensure available monies for continued public service delivery in NI throughout the given time, those Acts and what they enabled also came with limitations in that they constituted short-term “fixes” due to ongoing political circumstances, which unavoidably restricted strategic medium to long term prioritising and planning in NI departments.

The statutory bases relied on at that time were: Section 59 of the Northern Ireland Act 1998; and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2000 (GRAANI). In the absence of a Budget Act, Section 59 of the NIA 1998 - authorising release of cash and resources - applies alongside Section 7 of GRAANI 2000 - authorising the use of resources by the departments. The noted statutory provisions now are relevant in the present context that NI finds itself.