



Northern Ireland  
Assembly

---

**COMMITTEE  
FOR EDUCATION**

---

**OFFICIAL REPORT**  
(Hansard)

---

**January Monitoring Round**

14 December 2011

**NORTHERN IRELAND ASSEMBLY**

---

**COMMITTEE  
FOR EDUCATION**

---

**January Monitoring Round**

---

14 December 2011

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

Mr Mervyn Storey (Chairperson)  
Mr Jonathan Craig  
Mrs Jo-Anne Dobson  
Mr Phil Flanagan  
Mr Trevor Lunn  
Mr Conall McDevitt  
Miss Michelle McIlveen

**Witnesses:**

Mr Trevor Connolly                    ) Department of Education  
Mr John McGrath                     )

**The Chairperson:**

We will now have a briefing on the January monitoring round. We are joined by John McGrath, deputy secretary in the Department of Education, and Trevor Connolly, the head of finance. We are glad that you are here. John, there is no paper.

**Mr Trevor Connolly (Department of Education):**

I have one that I will circulate now.

**The Chairperson:**

Thank you, Trevor. We ask that you speak to that paper, John.

**Mr John McGrath (Department of Education):**

I should explain that the date for formal returns to January monitoring is 3 January 2012. Obviously, there are a few weeks to get that done. In a difficult year, we are working on a just-in-time philosophy, so apologies that we are handing out a paper now. However, that is quite literally a product of us working very closely with boards and other schools on the current in-year position and trying to have as good a snapshot of where we are and where we think we are going for the next three months. I will come back to that.

We are grateful for the opportunity to come and talk about January monitoring and the overall budgetary position. I will give a brief outline of the overall context, and then we will take questions. This is the final monitoring round of the year. You are well aware that the role of monitoring rounds is to give Departments a chance to review spending plans and priorities and identify pressures and reduced requirements. The process allows the Executive to identify the scope for reallocation of resources and determine priorities for the use of those resources.

The overall position of the block following October monitoring was an overcommitment of £11.5 million on current expenditure and £23.8 million on capital. In the remaining monitoring round, the Executive's focus will be managing the overcommitment while ensuring that they make full use of the available spending power. In October monitoring, the main outcome for the Department of Education was the allocation of £10 million for school maintenance and £1.7 million for the extension of the integrated services for children and young people project. A resource bid of £3.7 million for utility cost increases was unsuccessful.

In January monitoring, the sole bid that the Department will log to the Department of Finance and Personnel (DFP) with the Minister's agreement is the previous bid of £3.7 million for utility cost increases. The other element, which is not touched on in the paper, is that, as members will recall, in the first monitoring round of the year, we identified the likely surplus drawdown that would be needed this year under the new arrangements agreed between the then Education Minister and the Minister of Finance. There is a stock at the centre that DFP will ensure is available to schools, and whatever we draw down in any year is drawn out of that stock. Therefore, it is important that we get the figure right. We bid earlier in the year on the basis of early-year estimates, which have now been squeezed down by schools. Therefore, we will table a revised lower figure to DFP as part of the monitoring round. Some of those funds will be

returned to be drawn down in future years.

That is all that I propose to say at the moment.

**The Chairperson:**

Thank you, John. There were a lot of issues around that at the time. We were glad that an agreement was made and that the Finance Minister and the then Education Minister put that arrangement in place. However, are we still certain that that is being implemented and that we are on course with that element of the Budget? That was a worry at the time.

**Mr McGrath:**

We are very content that the arrangements are in place. Under the rigour of those arrangements, we draw down through the monitoring rounds what we think we need for surplus drawdown in a year. If we draw down more than is needed, we lose from the central stock whatever sum is in excess. Therefore, it is important that we fine-tune it as much as possible in any year.

**The Chairperson:**

I probably know the answer to this question before I ask it, but I will ask it anyway. John, as you might say, that has never stopped me in the past. Given the very tight financial situation — indeed, that does not reflect accurately the seriousness of the financial situation in the years ahead — is there any flexibility in that element of the process that gives Trevor and the finance people at the Department some latitude to make it easier for schools? One of the problems that seems to be arising is that all of the problems with the overall budget are front-loaded. Huge hits are coming in the next financial year, and some schools are working on a seven-month period rather than on a 12-month period. It seems that a tsunami is coming at them now. People believe that things will be bad in years 2 and 3, but they will not be as bad in year 4. Is there any way that that approach can be re-profiled? You have no reduced requirements, so you have no surplus money. Your bid in this round is only for £3 million to offset utility increases, but the bigger problem is the underlying cuts of 3% and 5%. As I said to you yesterday, John, you are probably the most unpopular man coming up to Christmas, given the letter that you sent out to schools a few weeks ago. That has not helped you in the popularity stakes.

**Mr McGrath:**

You will not be calling me Santa Claus, then.

**The Chairperson:**

No, at this time of year, there is another person we refer to: Scrooge might be his name. Clearly, that is a huge problem.

**Mr McGrath:**

As I said earlier, the numbers are the numbers in each year, and there is not much that we can do. That impacts on the surplus drawdown. To simplify, if we are owed a stock of £50 million and we say that we need £20 million, we draw down £20 million and there is £30 million left. The schools can determine what they want up to the end of the year. If they were to draw down £15 million, we would have £5 million that we do not have anything to do with. Under the arrangements, we cannot give it back to the centre, so, instead of having £35 million, we would have only £30 million at the centre. Therefore, it is important that we get this fine-tuned as much as possible.

**The Chairperson:**

How much of that do the schools really understand? Obviously, it is imperative that the schools are well informed.

**Mr McGrath:**

They have been informed, but, under the arrangements, the job of managing all of this falls first to the boards and then to us as funding authorities. If the schools draw down less and there is a problem, it is our problem or the boards' problem, not the schools' problem. Therefore, we have been bearing down. We are in the middle of a round of accountability meetings with each board and non-departmental public body where we are testing figures. We expect that the estimated drawdown figure will get lower as the year goes on. The other day, we were given some intelligence that, in light of the letter and the figures for two and three years hence, some schools might decide to keep a surplus. They might say that they will not draw down as much this year because things will get really bad next year.

**The Chairperson:**

Do the rules allow schools to do that?

**Mr McGrath:**

Yes, the schools can do that. That is the point. Schools will not be penalised, Chair.

**The Chairperson:**

Remember, the problem was the fear that existed previously that there would be a run on the schools. You know that schools were going out and buying things because they were afraid that you would not give them the money.

**Mr McGrath:**

Schools' money is protected under this. Surpluses, both past and future, remain just as well protected, although the second element to that is becoming more theoretical. Under the new arrangements, we have to manage the situation at a macro level to ensure that we do not end up drawing down money that we cannot spend or not drawing down enough money and having to replace it for the schools. Schools will not suffer under this. We might have the reverse of last year in that a school that was going to buy a minibus might decide that it is better to keep the money in the bank to employ a teacher for another year or so. You rightly made the point that schools have been aware of that position only for the past week or two. That kind of behaviour could impact on the drawdown figure. We will finalise that figure on the morning of 3 January, frankly, and hope that it is as close as possible to what the schools do in the end.

**Mrs Dobson:**

John, in your savings delivery plan, you predict a saving of £12 million in this academic year for ICT in schools. As you know, in Committee last week, we discussed procurement issues and the scandalous situation where items were available on the high street rather than through a contract that the Department had entered into. Are you looking seriously at the procurement issues that we discussed last week?

**Mr McGrath:**

Yes, the savings figure against ICT was one of the most refined savings figures in that we knew up front how to get it. It was a mix of reducing staffing for C2k and procuring better and smarter in the market where the consumer had some power. So, in essence, it was making the assumption or judgement to set a certain amount for procurement and not spend any more than that. Therefore, the saving would be guaranteed.

**Mrs Dobson:**

Are you looking seriously at the procurement issues?

**Mr McGrath:**

As I said last week, a major procurement is well in train. I cannot comment on the exact shape of it, but it is within the parameters set in the savings plan. So, we will continue our procurement for C2k, but we will realise the savings set out in the savings delivery plan.

**Mrs Dobson:**

Do your planned savings for the entitlement framework take into account the direct financial costs that schools will incur in implementing the framework? I am referring to such things as transportation and equipment. Where are those additional costs projected in your budget?

**Mr McGrath:**

First, we have had to strip out the entitlement framework cost because that was to help schools get to the point at which they could deliver the entitlement framework, and, as the Committee knows, that is now proceeding. Not taking money out of the entitlement framework would have meant that more money came out of the aggregated schools budget. The savings delivery plan is a way of trying to square a circle, and a huge amount of money is coming out. We have tried to protect key areas such as early years, youth, extended schools, counselling, SEN and the aggregated schools budget as much as possible, but that has meant pain in a number of other areas. There is no question about that.

**The Chairperson:**

We will come back to those issues at the beginning of the year. We should try to stay on the topic of the January monitoring round. The sad reality is that there is little in the document, and the fact that there is no surplus requirement is a reflection of how difficult the situation is.

I am sure that the Carrickfergus College pupils who are here are really struggling to find out what are we talking about and how it relates to their school. There are four monitoring rounds in the year, and every Department is asked whether it has money that it will not spend. That is called a surplus requirement. So, if they have any money in the cupboard or somewhere hidden — sometimes John or Trevor, as the Department's chief finance officer, can find money somewhere — that goes into the centre to Sammy Wilson, the Finance Minister, and each

Department then makes a bid for additional money and sets out what it will need the money for. The Department of Education has said that it has no surplus money to surrender, but it wants £3.7 million to cover heating and lighting costs, which have gone up in some cases by 19%. So, that is what we are discussing. I hope that that helps the Carrickfergus College pupils and, maybe, members as well. It at least proves that I have, I hope, an understanding of the process.

**Mr McDevitt:**

Could John or Trevor point me to where utility costs are normally recorded in the aggregated schools budget? When I look through the breakdown of the aggregated schools budget, I do not generally find a heading for utility or energy costs.

**Mr McGrath:**

That is because they are paid for by schools out of their budgets.

**Mr McDevitt:**

So, it is in the delegated budget.

**Mr McGrath:**

They are in the delegated budget, and schools have to manage them.

**Mr McDevitt:**

OK. However, the savings plan has identified — correct me if I am wrong — £5 million in savings in 2011-12 in goods, services and energy. Is that a separate heading or are we talking about the same thing?

**Mr McGrath:**

We have identified savings in procurement in general, and that figure is an estimate. It might include that, but it might include other things and might simply come down to buying less in certain things.

**Mr McDevitt:**

Is there not a bit of a contradiction here in that, on the one hand, you are saying that you want to spend £5 million less on goods, services and energy in 2011-12, £10 million less in 2012-13, £15 million less in 2013-14 and £20 million less in 2014-15 and, on the other hand, you are bidding



for an extra £3.7 million for utility costs?

**Mr McGrath:**

The savings plan was formulated at the start of year, and energy prices have risen since. That issue has been raised by schools. We bid in the last round, and we are not sure that this will be that successful. The wider issue is strategic. About 80% of our costs are staff related, and the other 20% is for goods and services. That area could not be immune from a savings requirement, because if there was not that element there, it would fall on the aggregated schools budget again.

**Mr McDevitt:**

You have identified £50 million in potential savings out of a total savings delivery plan of £290 million. That is one sixth. On the one hand, you are saying that one sixth of your savings plan is going to go into areas such as these, and, on the other hand, you are bidding for them in-year. Do you need to revisit that?

**Mr McGrath:**

It is £20 million out of £200 million in year 3.

**Mr McDevitt:**

You are right; it is a little under one tenth. Even at that level, it is a substantial sum of money; it is £50 million over the comprehensive spending review period. Should you not revisit that?

**Mr McGrath:**

It is more the other way round. If there is any assistance in-year, you are helping people ease towards the end of a difficult year. The seasonally adjusted trend is down, with regard to money, and we need to take savings out. The monitoring bid is a one-off. When you say revisit it, Conall, do you mean change it?

**Mr McDevitt:**

You are making a statement of the obvious, which is that we are at a peak oil period. That is what colleagues in the Environment Committee would say if they were consulted on the matter. Energy prices are going to go only one way for the next decade. Therefore, if you are putting a further squeeze in your savings plan on energy costs, you have a problem.

**Mr McGrath:**

It is everything we buy, not just energy. That is 20% of the education budget. There is approximately £400 million, and we are looking for savings. In this, there has to be recognition that some things will have to be bought, even if they are increasing in price, but you will buy less of other elements. This is a zero-sum game. I know that that is a cliché, but it is.

**Mr McDevitt:**

I will leave it at that, but it sounds like a heat or eat analogy. It sounds to me that they are asking people to make a decision between heating the schools or sacrificing all sorts of other stuff. The one thing we know for certain is that it is going to cost more, year on year, to heat a school over the next decade.

**Mr McGrath:**

I understand the point, but funding does not come on the basis of inflation. The Budget sets the numbers, and schools, under the local management of schools, have the scope to determine where they spend their money. They also have a responsibility to make those judgements when things go up. There is no more money. If we change that savings requirement in procurement, we have to take it from somewhere else. Nobody has knocked our door and said that we have missed an obvious area for savings.

**The Chairperson:**

Some of us might have a different view on that. Some members have been raising issues about money that the Department spends on other projects. Unfortunately, the Minister's priorities are not in line with the reality, as far as some of the issues that are facing the schools are concerned. That is a debate that we are not going to have today.

Perhaps Trevor could answer this question in relation to the process. The school financial year and our Budget year do not run parallel. Is that a huge difficulty? Does it contribute to the management issues? In a sense, you are spanning two periods, because the school year is from August to June, whereas the Budget year is April to March. Would it be beneficial if that were changed?

**Mr Connolly:**

My experience is from the Department for Employment and Learning, where you have the

universities and further education colleges working to a 31 July year end. It does make it difficult, because you are always counting it as five twelfths or seven twelfths, when our year-end is 31 March. The simple answer is yes, it would be beneficial, but I do not know whether that can happen. The education and library boards work to 31 March, and that is a help to us. However, I suppose it is an issue for the boards, which are dealing with 1,200 schools, and the mindset of a principal and a board of governors is that they are working to a different financial calendar to the boards.

**The Chairperson:**

With regard to the £200 million that was announced by George Osborne in the autumn announcement in the House of Commons, is there any indication at this stage as to what discussions there have been between the Finance Minister and the Education Minister as to how that is going to be allocated?

**Mr McGrath:**

As I said last week, the two Ministers had a helpful engagement a few weeks ago when our Minister set out his stall and talked about the pressures and problems he faced and explained what he was doing about them and touched on some issues around the performance and efficiency delivery unit report. There is a good understanding from the Finance Minister about the scale of the difficulties and recognition that the Department of Education, along with the Health Department, had particular pressing issues. That almost coincided with the autumn statement, so, even if it had been appropriate, there was no opportunity to play in. We now have the information on what additional resources will be available to the block over the next three years, which Trevor can itemise in a second. However, presumably, it will be for the Executive to determine how to deploy those resources in next year's Budget, but, obviously, my Minister will be making his case.

**Mr Connolly:**

In essence, £37 million in resource and £134 million in capital came from the Chancellor's statement. However, other than the information that has come from DFP, which is simply a log of the amount that is now available across the block for the next three years, we have not had any further indication from DFP as regards how that work is going to flow through. However, it will go to the Executive, and then, presumably, there will be a bidding process. However, we have not heard anything from DFP, other than the amount of additional capital and resource that will

be available.

Next year, the resource will be £21.5 million; in 2013-14 it will be £7.3 million; and in 2014-15 it will be £8 million. That is a total of £36.8 million in resource. Capital will be £23.8 million next year; £52.5 million in 2013-14; and £57.8 million in 2014-15, giving a total of £134 million.

**The Chairperson:**

It would be useful if we could have that information sent to the Committee.

**Mr Connolly:**

A note will be sent to the Committee. The simple answer is that we have the information, but we have not heard anything further from DFP as regards how that is going to roll out.

**The Chairperson:**

We will bring that element to a conclusion. Thank you both very much. I do not envy you your task in relation to dealing with the figures and finances, but we wish you well.