



**Northern Ireland
Assembly**

**Committee for Education
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To: Peter Hall, Clerk to the Committee for Finance

From: Aoibhinn Treanor, Clerk to the Committee for Education

Date: 24 May 2024

Subject: Information on fiscal and budgetary issues provided by the Department of Education

Dear Peter,

The Committee of Education received some provisional information on 12 March by way of update on the Department of Education's response to the Department of Finance's Budget 2024-2025 Information Gathering exercise.

At its meeting on Wednesday 15 May the Committee for Education also considered a response from the Department of Education which provided a high-level summary of the 2024-25 Budget position and a reply to scrutiny points suggested by RAISE earlier in the term.

The Committee agreed to share this correspondence with the Committee for Finance, as its contents may be of interest to Members of your Committee.

The Committee requested oral briefing in advance of the Budget 24-25 motion by the Minister of Finance to the House this coming Tuesday 28 May 2024. However, the Department advised that 5 June would be the earliest date on which officials would be adequately sighted on key matters. The Committee anticipated receipt of education distribution tables, which the Department estimated would be available for issue by mid-May and I hoped to append to this return, but unfortunately these have not yet been forthcoming.

I do hope this return assists you in establishing an overview of Departments' provision of budget information to Assembly Committees. I look forward to engaging further with you to

improve scrutiny and develop good practice in contemporaneous budgetary analysis by this Assembly.

Relevant Documentation

Referenced letters from the Department of Education are attached.

Aoibhinn Treanor

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Enc.

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Tel No:
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7 May 2024

Your Ref: 2024.91

Dear Aoibhinn

Fiscal and budgetary questions

I refer to your letter of 24 April 2024.

As agreed, this initial response provides a high-level summary of the 2024-25 Budget position and responds to the Committee's request for the additional information following its receipt of detailed briefing from the Assembly's Research and Information Service (RaISe) on public finance scrutiny.

2024-25 Budget Position

As per my update of 15 March, based on an opening planning budget of £2,577.4m DE submitted Resource bids totalling c£777.2m in relation to inescapable requirements to maintain education's budget in 2024-25 at an operationally sustainable level. In addition, Transformation and the Executive Childcare Strategy bids totalling c£132.8m were also submitted.

The recently agreed Executive Budget provides the Department with an additional resource allocation of £296.3m, over and above the anticipated, flat-cash budget. In addition, the Executive has set aside £25m for the Childcare Strategy. The Department of Finance anticipates that Transformation Funding will be allocated at June Monitoring.

Education is facing unavoidable cost pressures and rising service demands associated with delivering statutory and policy obligations. The Department's additional resource allocation for 2024-25 is significantly less than what is required and will still leave a considerable shortfall across the Education sector. While the proposed allocations could fund truly inescapable pay pressures, and taking into account only the Department's largely inescapable, demand-led pressures plus fully inescapable pay pressures, this allocation leaves the Department facing a very significant, estimated overspend of up to c£236m.

In addition to this estimated overspend (c£236m), Education faces over £300m of key pressures which DE's baseline cannot fund. These key pressures include, among other issues, a Teachers' pay award for September 2024, schools' maintenance and the EA Pay and Grading Review. In highlighting this last item, the Department fully recognises, and indeed welcomes, the Executive's commitment set out in the Finance Minister's recent Written Ministerial Statement to work collectively with the Education Minister to find a resolution to this issue, in part by engaging with the Treasury to seek approval to reprofile some of the repurposed funds provided in the financial package which accompanied the Executive's restoration. Notwithstanding, in the absence of additional funding, the Department would be obliged to defer meeting any of these key pressures until additional funding becomes available.

The Department's stark budget position should give cause for concern that without significant additional funding in-year DE will not be able to deliver basic statutory services without overspending.

The Minister is in the process of making his final budget decisions with regard to the pressures the Department currently faces. Once decisions are taken I will provide you with additional, detailed briefing, in due course.

Potential EU Funding Gaps

Commitments to continue support and funding for relevant 'PEACE' cross border initiatives were included in the Withdrawal Agreement between the UK and EU (published November 2019). Therefore, delivery of the then PEACE IV Shared Education programme (since concluded 2023) and development of the successor PEACE PLUS programme (which is currently supporting two education related investment areas), were unaffected by Brexit.

Financial Transactions Capital

The Department has not undertaken, and has no future plans to undertake, any capital projects which will be funded using Financial Transactions Capital.

Fees, Levies and Charges

The Committee will appreciate that the Education Reform (Northern Ireland) Order 1989, with certain specific exceptions in relation to grammar schools (and specifically pupils of preparatory departments and non-resident pupils in boarding departments), maintains the right to free education for registered pupils at grant-aided schools and establishes that activities organised wholly or mainly during the normal teaching time should be made available to registered pupils, regardless of the ability or willingness of their parents to meet the cost. Against this legislative context, the Department does not have any existing departmental fees, levies, and / or charges, nor does it generate income.

In the interest of providing as full a picture as possible, it is important to acknowledge that under current legislation schools can seek voluntary fees from parents/guardians. However, this is a matter for Boards of Governors. Any request to seek voluntary

contributions must make it clear that there is no obligation to contribute and registered pupils at the school will not be treated differently accordingly to whether or not their parents/guardians have made a contribution. For this reason, the Committee will appreciate such requests should not be conflated with and are wholly separate to fees, levies, or charges of a government department.

Yours sincerely

Ruth Galwey
Departmental Assembly Liaison Officer



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15 March 2024

Dear Aoibhinn

BUDGET 2024-25

Please find attached written update on the Department of Education's response to the Department of Finance's Budget 2024-2025 Information Gathering exercise for the attention of the Education Committee.

I would be grateful if these papers could be distributed to Committee members.

Yours sincerely

Ruth Galwey
Departmental Assembly Liaison Officer

BUDGET 2024-25 EXERCISE

1. The Department of Finance (DoF) commissioned an information gathering exercise to inform the Executive's consideration of Budget 2024-25.

Resource – DEL

2. The Department of Education (DE), in conjunction with its NDPBs, has assessed the estimated Resource requirements across the Education sector for the period 2024-25.
3. DoF has provided DE with an opening planning budget of £2,577.431m for this exercise, some £301.355m less than the closing budget of £2,878.786m for 2023-24.
4. Based on this opening planning budget it is estimated that the Department will have a resource funding gap in the region of £907.503m, Table 1 refers.

Table 1

2023-24 Final Resource Budget	2024-25 Opening Resource Budget	2024-25 Resource Requirement	2024-25 Funding Gap
£m	£m	£m	£m
2,878.786	2,577.431	3,484.934	907.503

5. Over the past number of years, education costs have continued to increase year on year, and this is anticipated to continue in 2024-25, particularly in the areas of Special Educational Needs (SEN) and teaching/non-teaching pay.

SEN

6. The number of children with SEN has increased by 18% since 2020 and expenditure on SEN has grown by 38% over the same period, to around £500m and now constitutes half of the EA block grant. Statutory timescales for assessment of SEN are not being met, there is annual public concern over delays in finding placements for SEN pupils transferring and complaints from parents and schools about the levels of support available for children with SEN.

7. A number of scrutiny reports over recent years from the Northern Ireland Audit Office (NIAO) and the Public Accounts Committee (PAC) have highlighted the challenges across the wider SEN system, resulting in approximately 200 recommendations for change.

Pay / Industrial Action

8. As you are also aware, Education is impacted significantly by pay pressures, with the percentage of staff costs across the sector being much higher than any other sector i.e. c80% of the overall DE budget.
9. As per DoF's instructions, Departments may submit bids for any additional funding requirements which cannot be funded from within their Resource DEL baselines. However, DoF has advised that bids for pay pressures should not be submitted and Departments are expected to manage the cost of pay awards, including increased pension contributions, within baselines.
10. Given the scale of the inescapable pay pressures faced by the Department, DE Finance made our Supply colleagues aware that we intended to include these pressures within the areas of spend where they will ultimately materialise (the Aggregated Schools Budget, EA Block Grant and Youth). For transparency Table 2 below sets out how these figures have been arrived at.

Table 2

	2024-25 Requirement	2024-25 Pay/Pension Increase	2024-25 Requirement including Pay
	£m	£m	£m
ASB	1,520.400	234.177	1,754.577
Block Grant – SEN	581.709	46.016	627.725
Block Grant - Non SEN	501.188	21.209	522.397
Youth	38.520	1.236	39.756
Total	2,641.817	302.638	2,944.455

11. The Department cannot manage the recurring impact of the outstanding teachers' pay awards, which is estimated at c£166m, without additional funding.
12. The ongoing EA Pay and Grading review has also resulted in industrial action. Without additional funding, industrial action will continue with Trade Unions

indicating that they are actively considering prolonged strike action. This will have an extremely damaging impact on the education system, with Special Education Needs children facing the most significant impacts. This is therefore included within the Department's bids for 2024-25.

13. Nine resource bids totaling £777.238m have been submitted to DoF ([Table 3](#)).

Table 3

Priority	Budget Description	Cost £m
1	Block Grant – SEN	132.018
2	ASB	324.517
3	Block Grant - Non SEN	110.985
4	EA Pay and Grading review	171.000
5	Maintenance (including Special Schools, RAAC Surveys & Wall Ties issues)	31.130
6	EA Youth	2.536
7	Departmental	3.620
8	Pre-School Education Programme – Non-statutory providers	1.032
9	Shared Education – Mainstreaming Shared Education Pupil Engagement	0.400
TOTAL		777.238

14. As DoF has advised that there is £47m per annum of transformational funding available, four transformation bids totaling £132.767m have also been submitted to DoF ([Table 4](#)).

Table 4

Priority	Budget Description	Cost £m
1	Transformation: SEN Reform	70.250
2	Transformation: Fair Start	5.403
3	Executive Childcare Strategy	50.636
4	Transformation: Framework to Transform 14-19 Education & Training Implementation	6.478
TOTAL		132.767

15. A ring-fenced resource bid for Depreciation and Impairment of £0.436m has been submitted to DoF.

Capital

16. Tables 5 and 6 below shows the capital bids forwarded by DE as part of the DoF information gathering exercise to inform the Executive's consideration of Budget 2024-25.

Table 5: Capital Programme Bids

Capital Programme	Total of Bids 2024-25 £m
Executive Capital DEL Programme	462.9
Fresh Start Capital Programme	80.3
Total	543.2

Table 6

Budget Description	Cost £m
Major Works	179.5
School Enhancement Programme	29.6
Minor Works	102.0
Emergency SEN placement Capital Works	73.9
Youth	7.0
Education Authority ICT	53.5
Other Capital	17.4
Executive Capital DEL Programme	462.9
Fresh Start Agreement	80.3
TOTAL	543.2

17. DoF has advised that capital budgets should be built from a zero-base.
18. The Department is submitting a bid for £543.2m of capital funding for the education sector in the 2024-25 financial year. This includes £462.9m Executive Funding and £80.3m Fresh Start Funding, of which £352.1m is categorised as inescapable being existing contractual or legal requirements.
19. Due to the shortfall in budget available against capital needs in 2023-24, the Permanent Secretary agreed several extremely difficult decisions at the beginning of the current financial year to control expenditure. These included not entering into any new major works or major refurbishment contracts. This will have an impact on the future years' funding requirements.
20. The total budget available for education in 2023-24 was £276.8m whilst our requirements for 2024-25 total £543.2m. This bid is significantly higher than the

funding provided in recent budgets, when education sector needs have not been met.

21. The Department is facing a twin crisis of requiring to more than double the Special Educational Needs (SEN) places available whilst managing the upkeep of an ageing and crumbling estate. Most notably, the large and unprecedented growth in the numbers of children with complex SEN, as outlined above, has placed an unsustainable pressure on the Department's capital budget and overtaken all previous planning assumptions.
22. The increase in the demand for SEN placements has resulted in the need for more bespoke and highly specialised accommodation, with less than ten children in classes. Ongoing investment needs to include at least two new special schools, a huge expansion in places across the existing special schools' estate and provision of many hundreds of specialist units requiring additional classrooms at mainstream schools.
23. Equally, we have an ageing and dispersed estate of over 1,125 schools with rapidly escalating maintenance needs due to historic under-investment. The consequences of a 15-year backlog in planned maintenance across the schools' estate are now being felt acutely. Many mid-20th century schools have reached the end of their shelf-life and are quite simply no longer fit for purpose. Each of these 1000 plus schools is also subject to increasing statutory compliance requirements such as disabled access, fire safety, radon, legionella, asbestos and now RAAC – all at significant cost. Keeping schools open and safe is an increasing challenge.
24. There is increasing concern that without substantial additional investment in education infrastructure we will soon be facing significant disruption to our children's education. For the pressing reasons outlined above, it is critical for the Executive to prioritise the safety, well-being and needs of our children and young people by ensuring that additional capital funding is provided to the education sector.