



Northern Ireland
Assembly

**COMMITTEE
FOR EDUCATION**

OFFICIAL REPORT
(Hansard)

Departmental Budget

16 March 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Mervyn Storey (Chairperson)
Mr David Hilditch (Deputy Chairperson)
Mr Jonathan Craig
Mr Trevor Lunn
Miss Michelle McIlveen
Mr John O'Dowd

Witnesses:

Mr John McGrath)	
Mr Mark McNaughten)	Department of Education
Ms Gillian Uprichard)	

The Chairperson (Mr Storey):

John, you and your team, Mark and Gillian, are very welcome. This meeting is an opportunity for the Committee to get an update from the Department of Education (DE) on the impact of the additional money that was allocated to it and on where we sit in relation to the Budget as we move towards the end of the mandate. It is also an opportunity to look into how it will impact on education in 2011-12. I hope that you all are refreshed after having an awayday last week. I hope that it was a bright day, just like today, with no clouds in the sky and that there was a lot of blue-sky thinking. We will wait to see, John, whether that was the case.

Mr John McGrath (Department of Education):

I am very impressed by your detailed knowledge of our movements, Chairperson.

The Chairperson:

It pays to keep an eye on what you are doing.

Mr McGrath:

I thought I saw you lurking in the corridor.

I am glad to have the opportunity to update the Committee on the final Budget outcome for education. Members will recall that, at draft Budget stage, resource pressures of some £139 million were identified in 2011-12, rising to just over £300 million by 2014-15. On 13 January 2011, the Minister of Education published for consultation details of her draft allocations and savings plans, setting out her proposals for delivery of the necessary savings.

As Members know, the Assembly agreed the final Budget on 9 March 2011, which provided Ministers and Departments with final confirmation of Budget allocations for the next four years. Ahead of the final Budget being agreed, the Minister continued to lobby for additional resources for education to help to minimise the impact of the draft Budget proposals. By the time that discussions took place in the Executive and in the Assembly, there was widespread agreement that the draft outcome for education was very disappointing and challenging.

As a result of the Minister's efforts, an additional £114 million in resource and £41 million in capital has been made available across the four-year Budget period. Although that additional funding is to be welcomed, the challenges that still face education over the next four years are daunting and should not be underestimated. In particular, in comparison to the Minister's draft proposals, only an additional £1.4 million in resource is available next year, meaning that the very constrained position that is set out in the draft proposals is largely unaltered.

Following the Executive's agreement to reclassify £25 million in capital to resource and to allocate an additional £12.3 million in capital expenditure next year, the capital position has fared somewhat better. The net effect of the changes is that an additional £28.3 million is now available, compared to the Minister's draft plans.

Given that reductions in school budgets seem inevitable, it is likely that many schools will seek access to the surpluses that they have already accumulated to help to address pressures. Members will be aware that the Minister of Education and the Minister of Finance and Personnel have guaranteed access to those funds. Details of how that process will operate in practice are being developed between officials in the Department of Education and the Department of Finance and Personnel (DFP). However, that will provide only finite relief until surpluses are depleted. As we move forward, careful handling of the management of school budgets will be needed, particularly of deficits, or, I should say, the avoidance of deficits.

Despite the additional allocations in the finalised Budget, the overall position is still extremely tight. The Minister is looking closely at the impact of the Budget outcome for education as she moves to make final decisions. She is fully aware that, given the magnitude of the overall resource and capital budgets, difficult decisions will have to be made, but she is determined that, in making any decisions, she will protect front line services as much as possible while continuing to focus on her top priority of raising standards. Once she has taken final decisions on the Budget allocation, those will be notified to schools and arm's-length bodies at the earliest opportunity. That information will also be sent to the Committee.

I will now turn to the joint efficiency review between DE and DFP. The performance and efficiency delivery unit (PEDU) has completed stage 1 of the work that was set out in the terms of reference, and stage 2 work is about to begin. PEDU reviewed a number of areas at stage 1, and the areas that are being taken forward for more detailed examination under stage 2 are home-to-school transport and school meals. There has been some slippage in the original timetable; it is now expected that the work will be completed by the end of May 2011.

Further work will also be carried out by the Department on the other areas that were considered at stage 1, which are mainly to do with education and library board administration, school cleaning, the running costs of the Council for Catholic Maintained Schools (CCMS), professional development, teachers' pay and pensions administration in the Waterside and procurement in the education sector. That will be carried forward in order to determine what further potential exists for efficiencies beyond, or to complement, the areas that the Minister set out in her savings plan.

That is an update of where we are with the budget and PEDU. As always, we are happy to deal with questions or issues that members may have.

The Chairperson:

Thank you, John. It would be only fair and right that we say at the outset that the additional money is welcome. We listened over the last number of weeks about the need for additional money across a number of Departments, so to get additional money is welcome. However, we are only weeks from the start of a new financial year, yet the Department is still reluctant to explain, or to give the Committee sight of, its spending proposals.

Your paper is not concerning but it raises an issue of timing. It states that:

“A reply from the Finance Minister confirmed that it would be important that the Executive considered the overall block position, including proposals put forward by other Ministers, before reaching decisions and that this matter would be considered by the Executive in their deliberations on the Revised Budget.”

I am not going to be critical of the Assembly, but, given that we have talked the Budget almost to death, we are now in a position where Ministers are going to have further deliberations on the basis of proposals from other Ministers about the Department of Education. Am I reading that completely wrong?

Mr McGrath:

Not completely right.

The Chairperson:

So, explain to me. I have no doubt that other Ministers will be saying, “No, you should have done this or that”. How will that be analysed and assessed? Will the Executive take a collective decision? Will the Minister say that she agrees or disagrees? Maybe the bottom line is finding out when we will get to the definitive position of having a budget so that we can tell people the exact amount of money that they will get. The worry at this minute in time, John, is that despite the additional £100 million-plus that was given, the aggregated schools budget (ASB) is not sufficient to ensure that the current level of service in schools remains as it is. When will we be able to say, “Peace in our time: this is the final document”? It looks as though we are embarking on another set of talks on the budget.

Mr McGrath:

The document just describes the process around the reclassification issue. It outlines the reply of

the Finance Minister at that time to what my Minister put to him on 14 January. It states that, in reaching final decisions on the Budget, the Executive dealt with the reclassification issue. That is now done and over. So, there are no outstanding issues in the Executive on the education budget. However, we now have the final Budget, as signed off by the Assembly last week. We are working closely with the Minister on what, if any, adjustments need to be made to the draft savings plan and spending proposals to take account of the additional funding that has come in and of fine-tuning her assessment of various pressures.

I think that it is fair to say that, although we welcome the additional funding, it does not do a lot to change the resource position next year. It gives us £1.4 million extra, but the very constrained position facing us next year remains. Therefore, there are difficult choices to be made about where the £140-odd million will be found, and that work is going on as we speak. I hope that, by this time next week, we will be in a position to finalise allocations.

A lot of work is involved. We are as conscious as anyone that the start of the new financial year is looming, but the additional funding, although welcome, clearly falls short of what we wanted in order to avoid painful decisions by schools in the coming years. In reaching final decisions, the Minister has serious issues to take account of.

You are right that there will be difficulties for schools in dealing with the consequences for the aggregated schools budget.

The Chairperson:

Given the vagaries of the calculations that we use, the first year of the aggregated schools budget is in the negative while there is a severe removal of money in the third and fourth years. A fifth of all the savings that are required to be taken out of the aggregated schools budget is being hit on years three and four. Even though £25 million is reclassified, the figure over the four years is still minus.

Mr McGrath:

The first year is essentially as it was presented in the Minister's draft proposals. We are £1.4 million better off as regards resource, which does not make much impact on a £2 billion budget. We have said all along that nearly half the gap occurs in the first year, and that remains largely the position. That is with the mitigation of the reclassification of capital.

The Chairperson:

All members will get hit with this over the coming weeks. Many schools have predicated on the basis of what they assumed would be their final budget. Although we have talked around the issue and tried to avoid it, the only way that many schools will be able to find savings is by having fewer staff on their rolls.

You spoke about avoiding deficits. However, some schools already have deficits that are totally and absolutely unacceptable.

Mr McGrath:

Absolutely; some of the scale is not what we would want.

The Chairperson:

You are on to 5%.

Mr McGrath:

I accept that. That is not where we would want to start. However, we must prevent other schools moving into that position as a way of dealing with shrinking budgets. It is normal human behaviour for people to point out that they ran a tight ship while others ran up a deficit and to ask why they should be punished now. We cannot afford to let that happen. We are working on how we can police the system much more rigorously to stop schools building up deficits.

Our intelligence suggests that, even before the present budget, many schools were facing up to difficult staffing decisions, and that was on the basis of current funding. Next year, that could mean some schools having to revisit the changes that they envisaged and making more teachers redundant. I know of several schools that are planning their budgets now but which may have to revisit their decisions. That may tempt some schools to look to deficit as a solution, and we will want to police that. It could also raise issues about the educational viability of certain schools, as they may not have enough teachers to deliver curriculum requirements.

The Chairperson:

I may be speaking out of turn, but I feel that members have always had a difficulty. Surely it was always the role of the Department to police the boards and the employing authority — or

whatever the jargon may be. On numerous occasions, we have debated options and scenario planning with you. You indicated that there is information to which the Department is privy about schools that are in deficit and not on a good financial footing. Some of that deficit comes from staffing issues, although there may be contributing factors. Surely then there is an onus on the Department, in light of this Budget, to give some indication of the impact that this will have.

You were talking about the avoidance of deficits. What can the Department do with the employing authority, whether that is CCMS, the board or the corresponding structure in the voluntary grammars? What is the Department doing to explain to schools how dire things are at present and how dire things will be after 1 April 2011?

Mr McGrath:

First, the funding authorities have responsibility. For the bulk of schools, the funding authority is the board. For voluntary grammars and grant maintained integrated (GMI) schools, it is the Department. We have to be much more rigorous about what we do. There are sanctions for a school if it does not heed instructions to stay within the parameters set within the local management of schools (LMS) scheme, although they are rarely used. Schools will have to be policed much more rigorously, because we are facing a difficult period. If a large number of schools either stay in deficit or begin to move into deficit, it would not be a happy picture. We are working on the assumption that the surpluses could well run down fairly quickly in the next two years.

The Chairperson:

Does the Department have any power to use end-year flexibility (EYF)? We know the whole debate around the protection of EYF, but does the Department have any power to use it to offset the financial difficulties in whatever sector it emanates from?

Mr McGrath:

At the minute, boards essentially manage their books by netting the surpluses off against the deficits. We have guaranteed that those schools that have a surplus will have access to it. Circumstances are coming about in which the schools will want access to their surpluses. We are developing an approach to that with our colleagues in DFP. That approach will be put to the Minister shortly and will mean that we are delineating, school by school, the surplus of each school and what it wishes to draw down. So, in a sense, you are separating the surplus issue from

the deficit issue.

We are looking at what we will need to do to ensure much tighter policing of school budgets, particularly the issue of moving into deficit. That approach will be much more proactive. If a school is predicating a deficit, as a number of schools have done in their school development plans, we will simply say that that is not acceptable and ask them to go off and do their development plans again.

Mr Craig:

John, I find it fascinating when you talk about schools and the deficits that they have. The system impedes your work to get rid of the deficit in a school. You are right, John, that many schools had plans to make redundancies and mitigate circumstances that were leading to a deficit. There may be a trawl for volunteers to leave a school. However, one school that I know has five volunteers, only one of whom meets the criteria for the school to let them go. The system does away with positions, but it does not do away with people when it comes to a voluntary redundancy situation. That will become a major issue in the next couple of years, especially with funding being reduced. Has the Department looked at that issue? If we stick our heads in the sand and do not allow volunteers to go because that position is not ready to go, we will have a major difficulty in education in the next couple of years.

Mr McGrath:

It happens in any system. You may want to take out certain posts, and you may then have different people wanting to go. The question is then how you can adjust the system. You reduce your teacher complement but not in the places you want to.

Mr Craig:

The system does not allow you to do that, John. You have to make a post redundant, and if a volunteer in a different post who is very close to retirement says that they have had their time and they will go, you actually cannot let them go, because you need that post. If you let them go, that post goes, not the individual.

The Chairperson:

Can you update us on that, John? I understand that a voluntary severance scheme has been put in place for teachers. We did not hear that from the Department at Committee, but we did hear

about it. We have a voluntary severance scheme for non-teaching staff in relation to the whole issue around convergence, but I understand that now the Department has been looking at a voluntary severance scheme for teaching staff. When will we be informed about that? It ties in with Jonathan's point.

Mr McGrath:

Essentially, what happened was that we identified that we had some spare funds. When the scale of the problem coming next year was clear, we made the funds that were spare at that stage available to fund a number of teacher redundancies. That is essentially what we predicted would happen in a normal year and what would have happened in 2011-12 anyway. We would be able to score those matters against the current financial year instead of the next one, so we were bringing the financial pressure ahead. We moved pretty quickly on that with the education and library boards to try to take out a cost pressure from next year and move it forward. That was done fairly quickly and nimbly, but it will be the end of the month before we can work out exactly how many people have been able to avail themselves of that.

On Jonathan's point, I would have thought that there was some scope, depending on the scale of the school. You let somebody go and you then need to reshape your teaching workforce so that the post and the person who has gone correlate.

Mr Craig:

John, I would advise you to look into the issue, because the legal advice is that you cannot do that; you have to make the post redundant, not the person. It will cause mayhem in the school if that is the system.

Mr McGrath:

I am very happy to look at it, and I agree the general principle. If we are to deal with a lot of the implications in the next three or four years, we are going to have to be a lot nimbler about issues and about dealing with change. Those are issues that all stakeholders, employers and trade unions will have to accept. Things do not happen quickly in the education sector, and sometimes they may need to. We are very conscious that we may need to look at a number of procedural issues. People always make the point that even closing a school takes a long time, even if you reach agreement that you want to do it. The world we are going into requires people to be more fleet of foot. If that means that we need to revisit procedures or even legislation, those are issues

that need to be discussed.

When a lot of the work around the Budget review group started, one of the things that Ministers made clear was that, if there are procedural obstacles to making savings, people should flag them up and ask whether the legislative requirements need to be changed to enable them to respond to a very constrained resource position. I am very happy to look at the issue and come back on it, but I accept that, if there is that sort of blockage, we need to start being realistic.

Miss McIlveen:

In answer to a question that the Chairperson asked, you said that you had spare funds. How much does that equate to?

Mr McGrath:

Essentially, we had the sums available for voluntary severance and to manage administration. Based on the response to that and early figures, it was suggested that all of that would not be utilised. It was thought that we would be utilising about £19 million to £20 million. That was our guesstimate. It was likely that we would have £6 million or £7 million that we would not need for that. Therefore, rather than not deploy that money, we thought that we would see what we could do with it with regard to teacher redundancies, based on the figure that we would expect in a normal year. That was done fairly quickly. We were trying to make the best use of funds and to take some of the cost pressure that would arise next year and drag it forward into this year. That all happened within three or four days: the idea, the proposal, clearance by the Minister and dialogue with the education boards, employers and schools. We will see what the outcome is at the end of the month, but we are hopeful.

I am happy to update the Committee if it wants some clarification on the main voluntary severance issue.

The Chairperson:

That would be useful. I assumed — I think that you confirmed it — that it was because the uptake was not what was envisaged.

Mr McGrath:

The uptake was considerable. It just was not —

The Chairperson:

But if it was £6 million or whatever —

Mr McGrath

We just had to make a judgement. Would we be very optimistic and assume that we would get that, or would we do what we did, which was to have close dialogue with the education and library boards and identify the scale of proposals? We still had to work out whether people would accept the offer. There is a process, but we had to ask what degree of confidence we had that all those things would go through: 85% confident would take us down to a figure of around £19 million to £20 million. As things stand, upwards of 200 posts have been approved for offers to be made.

The Chairperson:

An update would be useful. Do you want to do that by correspondence?

Mr McGrath:

I am happy to tell you what I know now and follow that up. It is ongoing, although I hate using that word. To date, after looking at the criteria, the posts and the nature of them, we have approved upwards of 200 posts across the system, and offers are going out. They are ballpark figures. We are investing about £20 million, and we will have recurring savings of £10 million coming from that, which is a better ratio than we thought we would have at the start. It depends on the characteristics of the individuals and on what they cost. Some projections to do with the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) turned out to be less than we imagined.

We are fairly confident. We got a good response and a good return for the investment. That is £10 million of savings in the bank for next year. However, final adjustment will be needed as offers go out. It has been a good exercise, and it has been taken forward significantly. There will be some more complex proposals that will perhaps not pass muster at this stage. Further deliberation may be needed, and some may fall into the next financial year.

The Chairperson:

If you get some teachers to go, would they go at the end of the school year or at the end of the

financial year? Is there a difference between the two?

Mr McGrath:

They will go at the end of the school year. They would still not go until August or so, but, if they accepted the offer, it would score in this financial year. We are just shifting that forward.

The Chairperson:

Lord Empey raised a question about reclassification. Based on his experience, he thought that there was an adverse opinion in the Treasury about reclassification. The Executive have approved the reclassification of £25 million. Has that been approved by Treasury? Has that had to go through the Treasury machinery for the Treasury to say that that could be done?

You mentioned the possibility of being 85% confident. Are you confident that that can be done and that the Treasury will not frown on it?

Mr McGrath:

In this case, I would defer to the Minister of Finance and Personnel's position. In publishing the draft proposals, the Minister of Finance and Personnel raised the possibility that Ministers could move resource into capital and, in exceptional circumstances, propose the reverse, subject to a decision from the Executive. We made a proposal, the net result of which was that we got the same outcome but did not have to classify as much capital. I have to work on the basis that the Minister of Finance and Personnel and DFP know what they are doing.

The Chairperson:

I would not cast any aspersions on the individual who holds the post.

Mr McGrath:

Nor am I.

The Chairperson:

I question whether it is an absolute given that DFP is satisfied that, in the context of Treasury rules, that can be done. I say that for the simple reason that Lord Empey, drawing on his experience in charge of a Department, was very clear and adamant at last week's meeting that it just could not be done.

Mr McGrath:

There was a stage when it was one of the golden rules under Gordon Brown —

The Chairperson:

I thought that health had got an exception and that, at some stage, there had been a reclassification of some health matters.

Mr Mark McNaughten (Department of Education):

At the block level, that rule still holds true: we cannot veer out of capital into current. However, as part of the draft proposals, a published paper shows that some recurrent resource money has been put into capital. That created a bit of flexibility in the block, and that is what we have availed ourselves of. DFP is in control of the overall totals, but that is what created the wriggle room to allow a bit of manoeuvring in that that money will not be put into capital to start with. So, that is how flexibility has been created in the system within the rules.

Mr McGrath:

It may well be that, at block level, the amount of capital being spent is exactly the same but that the distribution across Departments has allowed that.

The Chairperson:

No members appear to have any questions. You may get an easy time today. However, I still have half an hour left of the allocated hour. John, I want to be clear about convergence. Where are we at with convergence? Are any concrete proposals coming forward that are different or innovative and are being looked upon favourably or frowned upon by the Department?

Mr McGrath:

The honest position is that progress was incredibly slow for most of the year because there was a lot of ducking and diving and people were playing hardball about being persuaded of the merits. The game changer in that was, essentially, the budget, namely the scale of the problems that were looming and the fact that most organisations realised that they will have to reduce costs next year. So, when we made the voluntary severance funding available, proposals began to come forward.

We did not put requirements in at that stage that all proposals had to be based on regional models. We said that there are essentially three approaches: boards or organisations could bring

forward their own proposals; they could bring forward proposals that cross more than one board or organisation; or that, collectively, boards could bring forward regional proposals. To date, most of the proposals have tended to be at an individual board level although, as the Committee knows, a fair degree of co-operation already exists between the Southern Board and the Western Board, and they want to develop that.

In my view, convergence has, in a sense, been overtaken by the budget requirements. Our view is that continuing to take out the scale of funding that is predicated in the saving plan in areas of management, administration and professional support, can, largely, be done only by moving to regional models of administration. We simply will not have enough people to run three or four services as opposed to a single regional service.

The Chairperson:

Whether that gives it a sense of momentum or whether it only further complicates it, do you not think that, when the budgets are allocated, it will have a knock-on effect for those services in particular?

Mr McGrath:

We envisage that there is a lot of money in the savings plan to come out for professional support services. Essentially, our view is that we need to take that money out and redesign a single regional professional support service to replace what happens in the curriculum advisory support services (CASS), the Regional Training Unit (RTU) and some of the work that the Council for the Curriculum, Examinations and Assessment (CCEA) does. That is all that will be able to be run with the balance of funding that is left. In some other areas, we will encourage boards and say that, if they do not do that on a single regional one, it will not be economical. They will just not be able to make savings of the scale required.

The Chairperson:

I know that we are slightly going off the subject, but it is a worry for us. A service could fall off the edge of a cliff — for want of a better phrase — because of all that work that is going on and, in some cases, because people are not there to run it or because of a decision to amalgamate. What assessment has the Department had of the good and the bad practice or the service delivery right across the country? I will be specific: you have some services in the North Eastern Board that are exceptionally good, but they are delivered in a slightly different way by the Southern

Board. Different boards will argue about what is the better way to deliver a particular service. At what stage does the Department need to take some control and say that a service is better done in a certain way for the benefit of the people that it serves? Is that what Gavin Boyd and Seán Hogan have been looking at in relation to —

Mr McGrath:

Convergence should have been about saying that, instead of having five different ways, you are quite right in many cases, so we are going to have one way.

The Chairperson:

Yes, but we do not know whether that one is the best way.

Mr McGrath:

First of all —

The Chairperson:

For example, there is a difference in the delivery of CASS across some boards, even though it seemed to be one service.

Mr McGrath:

Without wanting to open up political issues, one of the arguments around the Education and Skills Authority (ESA) was the sense that we had only five boards but, in some cases, they were doing things in five different ways. I have experience in the Health Service, and my view is that, if somebody is working the best practice, you ask why the rest are not doing it that way. Variety is not necessarily a good thing.

I think that those days are gone now. We will not be able to keep running in five different ways or encouraging them all to adopt a uniform approach. It will be about having a regional one that is affordable with the money that we have. We will look at professional support, redesign it and take five different CASS services and RTU and turn them into one. Earlier, I referred to the first stage of the PEDU work. One of the messages that came from that is the variations in practice between boards across a number of services. One wonders whether having five different ways is a sensible way of running anything in such a small place.

The Chairperson:

Of course, we are having problems around PEDU because there has been a huge slippage in the timescale. We are three months behind.

Mr McGrath:

We have slipped, but, to be honest, we had difficulties. There was illness among some of the team members — colleagues in DFP and the Department of Education — that held back the work. We are not that disappointed, because the coincidence of the report stage 1 with decisions on the budget has meant that the Minister is in a better place to link where she wanted the stage 2 work to go in the context of the budget rather than handling them in different timescales. It has been accidental, but it is actually now more timely.

The Chairperson:

We have had the Budget and the additional money, but we do not have sight of the Department's spending plans for the almost £2 billion that it has available. There was a list of things, including home-to-school transport, in the savings proposals that we had in the original draft, which is on pages 16 and 17. How do you see that being placed up or down in light of the budget? We do not know that yet.

Mr McGrath:

That is one of the issues that we need to look at.

The Chairperson:

Is that still being decided?

Mr McGrath:

Obviously, it is. One of the first issues is that we will ask the Minister to confirm what was in the savings plan and whether she wants to take account of it. With reference to your stakeholder event: we did not hear any alternatives to what was in the savings plan. I do not mean that as a negative; I just mean that nobody, through the consultation or in the event, really argued for anything in particular. There was no mention that anything had been forgotten about, therefore, there seems to be an acceptance that the components of the plan were probably pitched in the right territory. The issue is whether those basic components need to be tweaked and what the balance is between them. As I said, the resource position for the first year is largely unchanged,

so there is nothing to relieve any of that. That is the issue in the light of the response to where the Minister will split the balance. I suspect that the broad shape of it and the components in it will be the same because we have not identified any other magic bullet.

The Chairperson:

In fairness, John, part of the reason why some of the responses remain the same is that they were not based on the spending proposal. You can make a stab today around staff and, obviously, the aggregated schools budget is in there, but there is no doubt that, out of the £2 billion, there are other proposals for money to be spent that will probably surprise some people. When people see the final outcome, they will ask why we are spending that amount of money, but they did not know what the spending proposal was, and it will come down to a judgement again. Therefore, you might have a different response if spending and savings plans are being compared side by side, as opposed to having only a savings plan with the heart cut out of it, and people not having the full picture to be able to give an accurate response.

Will members ensure that all their phones are turned off? I am getting a complaint about mobile phones interfering with the system.

Mr McGrath:

In most consultations, the natural human tendency is to argue about the things that people should spend more money on. That is just the way it is. The budget is largely about spending less, but no one has stood up, and I have not heard any dialogue or any real, cogent arguments. You are right that some things will run ahead, and someone will look at a small programme and ask whether it is still there. However, in the bigger scale of things, no one has identified anything.

Although people were disappointed with the reclassification of the capital, I detected no clarion call from the sector that the £41 million should not stay, because the opportunity cost of it was greater. For good reason, the construction industry will be disappointed by it, but no stakeholders came along and said that they would not take the money out of the capital.

The Chairperson:

Are we in a slightly worse situation with capital now because of the way that we have moved from the reclassification and decided only on £25 million? Overall, over the four years, is the capital not down by £12 million compared with the draft Budget. Am I right about those figures,

Mark?

Mr McNaughten:

No, we are better off in year 1 and across the period to the tune of £44 million in the capital budget. Therefore, that position has improved in the first year and in subsequent years. There is probably confusion around the £12 million. In the initial plans that the Minister put forward, £41 million was taken out of the capital budget.

The Chairperson:

Yes. So, we based it on the £41 million.

Mr McNaughten:

When you take that into account and reverse that, you will see that the budget has increased by about £28.3 million.

Mr McGrath:

We will be £28 million better off in capital next year than we thought we were going to be. That does not get us to any appropriate or acceptable level of capital spend, but it is still £28 million that we did not have. However, I agree that it is a bit complex.

The Chairperson:

This is my final question on the issue, and I should say to other members that they may ask questions at any time. Given that we were told in the past that contractual commitments were in the region of 44% or 45%, how much non-contractually committed capital money will be available? If the capital figure for year one is £114 million, and 45% of that is contractually committed, do we know whether the Department's spending priorities are on health and safety or on schemes that may be particular priorities?

Before you arrived, John, we welcomed the fact that the Lagan College and Tor Bank Special School projects had been announced. That has been welcomed, particularly for both those schools, because they were in desperate need of what was being asked for. Where does that leave us when we come to think about what can possibly be done in capital terms? You mentioned the construction industry, but, if half or some of that capital is committed already, what use will what is not a huge amount of money be put to?

Mr McGrath:

First, you are right to say that we got the Lagan College and Tor Bank Special School projects signed off this week. I think that that is a good outcome to a long saga, and it is probably the last PPP deal that we have around. It took a huge amount of work, but it was a good achievement, and, when those new schools are built in the next couple of years, we will have an away day in them.

The Chairperson:

I hope that that will not be on a cloudy day.

Mr McGrath:

That achievement is of critical importance, and a huge amount of work went into it with a lot of stakeholders, resulting in two more schools coming on stream.

We did not expect to be £28 million better off in capital. We have a budget of £114-odd million, of which £42-odd million is the contractually committed figure. We then have a number of smaller budgets, including those for ICT, school transport, early years and youth. We also have the funding for Lisanelly. We are making provision for vesting the viability of each school. In essence, about £54 million or £55 million is available for major and minor works, and the Minister will come to a determination on such issues. Originally, we simply said that we would use whatever we had largely for minor priority health and safety works. That would have been inadequate, but it is all that we could have done. There is now greater scope, but we have to look at the appropriate balance between major and minor works to see what room is ahead. Additions in future years are also important, because, if we start schemes next year, we have to work out whether they can be continued into the second year. That will probably not be determined as quickly. Clearly, we need to get on, but, at the minute, it is not our priority. Issues for 1 April, such as sorting out the resource budget and the schools' budget, are the critical ones, but we will be looking at what is the best way to use what is still not a good capital outcome.

The Chairperson:

Compared with where we were —

Mr McGrath:

It is better compared with where we were, but it is still not good. It does not get us either to the basic level of contractual commitments or enough new capital for health and safety to allow us to make sure that we do not end up with schools that are in such a dangerous state that we cannot do anything with them. There are difficult choices still to be made in that area.

The Chairperson:

You mentioned Lisanelly. Where are we legally with the Loreto Grammar School challenge?

Mr McGrath:

The hearing is still proceeding.

The Chairperson:

It is still in court?

Mr McGrath:

It is still proceeding. One is at the mercy of the judge in all these things. I think that another day has been scheduled. It has gone on for much longer than we imagined it would. The servicing of it has occupied a huge amount of time. That is the law, and it has to happen. Diarmuid McLean has spent days writing affidavits, and we now have thousands of pages of affidavits.

The Chairperson:

The Committee was down at Drumragh Integrated College in Omagh recently. I found it the strangest situation to be in, in that we visited an integrated school that is not part of a shared site for post-primary education in Omagh. After that visit, I had a meeting with the people from Lisanelly to get some idea of the site. It suddenly dawned on me that Drumragh was not involved. We were talking about shared facilities, yet the one integrated school in the area is not on an integrated site.

Mr McGrath:

It has a new school.

The Chairperson:

That is partly the reason. It is a lovely school.

Mr McGrath:

Absolutely. There will be people in that part of the world who may be a bit envious that Drumragh got that new school. The thinking about Lisanelly is that it is not just for the schools that are on the site; it is a post-primary and sixth-form level facility for the wider area. It is conceivable that Drumragh's sixth form could be at Lisanelly. That is one of the options that we will look at. As we were saying, it is not just about the lead five or six schools; Drumragh has some accommodation difficulties because of its numbers. It is now clear that the site has been handed over, and we expect to take up ownership from 1 April 2011.

The Chairperson:

I have one final question. When will we have any idea about the impact that the final Budget will have on the aggregate schools budget? That is the critical and key budget that will determine the complement and delivery of schools' budgets.

Mr McGrath:

We are quite aware of that.

The Chairperson:

Has the Department identified that priority as being an issue that needs to be addressed to try to find a way to uplift the schools' budgets?

Mr McGrath:

You are aware that we have a savings plan that contains a number of elements, one of which remains a cut to the aggregated schools budget. That is one of the issues that the Minister will want to look at. She will have to decide whether she wants to proceed with that, whether it can be adjusted, or whether it needs to be adjusted. It is certainly a priority, but it is part of the wider decisions that the Minister will have to make. She needs to make an overall decision on savings and on what the ASB's contribution will be. As I said, the overall resource position next year has not changed. It is difficult to see how one could put more into the ASB than was in the savings plan, because I cannot see where we can take any wider savings out of the other —

The Chairperson:

Do you mean from the other issues?

Mr McGrath:

Yes, of that scale. I really would have difficulty with that. That is why nobody offered it. At that level, there will be implications for a number of schools. It is linked to a number of schools that, based on their current budget positions, may already be countenancing staff reductions. There could be a lot of painful and difficult decisions for schools. The funding formula will produce different outcomes for different sectors, be they nursery, primary or post-primary. It is quite likely that the major impact would be on the post-primary sector.

The Chairperson:

You indicated in an earlier answer that some areas were being looked at, and if PEDU throws up any money and if that were a resource —

Mr McGrath:

It could, but that would need —

The Chairperson:

Is that going to be produced in sufficient time to have any effect in this financial year?

Mr McGrath:

No. We are talking about future years. We said that the PEDU work covered a number of areas. Two of them are being followed in stage 2, but we made it clear that the Department will pursue them all through other means. When we have the reductions in the ASB, which are predicated, we will all have a duty to explore any other areas where money can be squeezed out.

The Chairperson:

Do members have any other queries or questions? John, I am not pre-empting what the Committee may decide, but should this be the last Education Committee meeting in this mandate, as Chairperson, I want to express a word of appreciation and thanks to you, your staff and to Mark and Gillian. Will you pass that on to the other members of staff who have had to come here dutifully and faithfully on Wednesday afternoons? I am sure that they did not come with relish or joy. Perhaps they came in trepidation, but I hope that we were not too difficult. I just want to thank the staff, John.

Mr McGrath:

Chairperson, that is very welcome, and I will pass that on. I regard attending Committees as part of the world of work here, and I have never had any difficulty with that. Working with Committees and having this sort of dialogue is part of the Civil Service professional development, which in many cases did not happen under direct rule.

The Chairperson:

You just got away with it, John.

Mr McGrath:

No, I regard this as part of the system whereby civil servants need to come and be scrutinised and then to respond. On many occasions, it is not something that we are cheery about. It also gets us out of Rathgael House on a Wednesday afternoon. [*Laughter.*]

The Chairperson:

I appreciate that it is a huge issue. I am sure that you get discouraged when you hear the Committee asking for more information. Every Committee wants more information. Even though there was some information that we never got, I want to put on record how much we appreciate the huge amount that was provided. We appreciate the hard work of the staff involved.

Mr McGrath:

That is OK, Chairperson. I will be very happy to pass those comments back. This has just occurred to me, but I am not sure whether some correspondence is coming, or has come, about the literacy and numeracy strategy.

The Chairperson:

Yes, we got an invitation for the launch on Tuesday, and we plan to be there with our spelling book and abacuses. Hopefully, our numeracy and literacy will improve.

Mr McGrath:

One issue in recent days was to make very sure that there were no spelling mistakes in the literacy and numeracy strategy. We do not want to set ourselves up. [*Laughter.*]

The Chairperson:

I would be the last person to notice, I can assure you. OK, thank you very much.