



Northern Ireland
Assembly

**COMMITTEE
FOR EDUCATION**

OFFICIAL REPORT
(Hansard)

**Departmental Spending Proposals and
Savings Delivery Plans**

22 June 2011

NORTHERN IRELAND ASSEMBLY

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FOR EDUCATION**

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Members present for all or part of the proceedings:

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

Witnesses:

Mr John McGrath)	Department of Education
Mr Diarmuid McLean)	
Mr Mark McNaughten)	

The Chairperson:

You are all very welcome. There are a number of issues, which we have broken down into sections. We will try to work our way through the session so that members have a grasp of where we are. We ask you to speak to the paper generally, and we will take it from there.

Mr John McGrath (Department of Education):

First, thank you for giving us the opportunity to come along this morning. The Committee has requested an update on a wide range of issues, largely with a financial focus. I will run quickly

through the key areas and we will then be available to answer questions. We have provided papers in advance on the issues that the Committee wishes to discuss this morning.

At the session on 25 May and the session that the Minister attended on 8 June, we provided the Committee with a brief that included two tables setting out the Department's spending proposals. The tables show the education budget distribution for 2011-15 and the Department's savings delivery plan. My colleagues and I will be very happy to answer any further questions on the detail of the proposals.

The Committee asked for an update on the work of the performance and efficiency delivery unit (PEDU). We have provided you with a table summarising the areas identified in the PEDU stage 1 report that we are attempting to progress. Many of the areas covered in stage 1 are also identified as savings areas in the Department's savings delivery plan. The scope to make efficiencies is therefore being addressed through the allocations made to the relevant bodies and the consequent resource allocation plans (RAPs) that they need to produce to demonstrate that they can make those savings and live within budget. The PEDU stage 2 reports are expected to be completed over the summer, and, again, we will provide the Committee with an update on the findings of those reports.

The funding available for centrally provided professional support services has been reduced over the Budget period to protect schools' delegated budgets. In a context in which the Minister is committed to ensuring that as much funding as possible is delegated directly to schools, there is a need to look collectively at how best to ensure that the funding available for professional support services is effectively targeted to deliver on a consistent and equitable basis an improvement and development service designed to help schools to drive improvements in pupil attainment, particularly in literacy, numeracy, and information and communication technology (ICT).

The Executive's Budget also highlights significant reductions in capital resources for education over the next four years. With regard to renewal and rationalisation of the school estate, we will need to consider carefully how the available funding can be deployed on a strategic and prioritised basis to address the most pressing needs across the estate.

Education has been allocated a total of £509 million for capital works over the four-year Budget period. That is only 44% of what was to be provided to deliver existing projects in the current investment delivery plan. The gross capital budget of £105.7 million for 2011-12 represents a reduction of more than £71 million on the 2010-11 allocation. The significant reduction in the capital allocation for education clearly impacts on the Department's ability to deliver a school building programme. It requires a comprehensive rethink of how the limited capital funds available can be deployed. The limited capital allocation must address the investment needs of a very large and dispersed estate of approximately 1,200 schools, with an asset value of around £4.5 billion.

To set that in context, the annual capital budget for education is only 2% of the asset value of the estate. That level of investment cannot adequately support the capital requirements of existing schools. It will inevitably lead to further deterioration in the fabric of the estate. We clearly cannot sustain the current pattern of school provision. We have far too many small, unviable schools and duplication of provision. There is a need to look strategically at school provision across the entire education estate in order to ensure that the capital funds available are increasingly deployed on a strategic and prioritised basis.

The schools maintenance backlog is now £316 million, and it has been recognised by the Department and the Committee as an area of growing concern. The backlog figure is derived from grouping the "make good" cost of the components of the estate that are either in very poor condition, category 1, or poor condition, category 2. The current category 1 figure is estimated at £64 million and the category 2 figure at £242 million. Therefore, at the minute, our priority is to tackle the category 1 backlog, namely the parts of the estate that are in very poor condition.

As the Committee will be aware, funding for maintenance comes from the resource budget. We need to recognise that money spent on maintenance is money that will not be available for other front line services. That presents difficult choices, and we must recognise that the budget is not sufficient to cover everything that we wish to do or, indeed, believe that we should do. Difficult choices will have to be made, and we will not be able to cover the full maintenance demand across the estate. The Minister has indicated that we will bid for additional funding for

maintenance, but we recognise that limited additional funds are available across the Executive Budget. The Minister would welcome support from the Committee in reflecting the necessity for further investment in estate maintenance to address the growing backlog. In the June 2010 monitoring round, the Department's bids for £10 million for additional maintenance and £10 million for additional capital funding were unsuccessful.

In recognition of the need for modernisation of procurement processes and practice in the education sector, the Department has established a new unit to develop proposals for a single centre of procurement expertise (COPE), which will allow procurement professionals the opportunity to deliver best value for money for the taxpayer. Although the project is in an early stage of development, it is envisaged that detailed proposals will be developed by March 2012, with implementation thereafter. The team is researching and engaging with key stakeholders to gather best practice examples. The next step for the project will be the creation of a formal project initiation document, which will outline the scope, means, delivery and timescales for the project. My colleague Caroline Gillen is with us today. She heads up the unit in the Department, and she and I will be happy to engage with the Committee as policy proposals for the COPE are developed.

Finally, in the case of end-year flexibility (EYF), I am pleased to say that the mechanics of the new arrangements for access to school surpluses were agreed by the Executive as part of the June monitoring round. The arrangements ensure that schools will continue to have access to both past and future savings in line with the Executive's previous commitment to schools. Rather than go into any further detail, I will hand back to you, Chair, and my colleagues and I will do our best to address the issues that you wish to raise.

The Chairperson:

Members, I will try to keep to some sort of structure, because we sometimes end up going from Dan to Beersheba, and we cross over. So, we will deal with the departmental savings plans and spending proposals. We will then deal with the June monitoring round, the excess vote, the infrastructure investment issues and procurement modernisation. We will try to keep to that as best we can.

John, where are we at with the budgets? I understand that at least one education and library board's (ELB) resource allocation plan has not been accepted by the Minister, and — I will use a Wimbledon term because that tournament is on this week — a volley has been fired back into the court of the ELB because the Minister is not content. Has that happened to only one of the five boards or are others in the same position?

Mr McGrath:

All five are in the same position.

The Chairperson:

I am not seeing spies below the bed, and I am not being in any way suspicious. However, I remind members that an education and library board got into difficulties for not implementing financial cuts. Some members around this table declared an interest as former members of that board. Are we heading to the same position? If a board is unable to satisfy the Minister that it has taken enough financial decisions to deal with the current economic climate, could the recommendation be that commissioners be used as opposed to education and library boards, given that we are now back to the same fiasco with education and library boards in relation to the appointment of councillors? I understand that conversations of purpose are going on yet again. We have boards that do not have councillors. One board has now been reduced to 14 members because we have to go back to the same process. In all of that, John, budgets determine the money that schools will have and what their resources will be. That just gives financial uncertainty to the very volatile situation in which we find ourselves.

Mr McGrath:

There are several issues, Chair. We are at the outset of the RAPs process, and it would be speculative to get into the business of surmising that we could end up with commissioners. As the Committee is well aware, the settlement for education is very tight and disappointing. There is a need for significant savings of the order of £100 million, rising to £300 million in year 4. The previous Minister produced a savings delivery plan that set out where those savings should come from, and that was part of the consultation process. The objective of that plan was to protect, as far as possible, school budgets, early years and front line budgets. The Minister therefore expects that savings generated by the boards will reflect the savings delivery plan that he has adopted and

which was consulted on. A number of boards were not realising savings from the areas set out in the savings delivery plan; they were looking to other areas. The Minister had difficulty with that because it was not the regime that he had set out. In some cases, the areas that the boards wished to take further savings from were not necessarily acceptable to the Minister. A number of plans did not provide us with sufficient detail to enable us to come to a conclusion on the room for manoeuvre that the boards had. On that basis, the Minister asked the boards to do further work on them.

The current turbulence around councillor membership of boards is a product of newly elected councils having to decide who their nominees are; it is not a product of any action of the Department. It is up to councils to decide who they wish to nominate. In some cases, the balance that they picked previously may not be tenable in view of the judgement of the electorate in certain council areas. If a council wishes to nominate all the councillors who served on the board previously, it is likely that things will just continue as they were. It is an issue of individual councils rightly making a decision as to who they wish to nominate.

The Chairperson:

I do not want to go off on a tangent, but can you assure us that we are not going to get into the same mess? Is the rule still in play whereby if there is one vacancy for a councillor member, the Minister requires two nominees so that there is a choice? We know about the issue with Belfast City Council. It had four places on the Belfast Education and Library Board but the Minister wanted eight candidates so that a choice could be made as to who the four would be. Are we back in the same position?

Mr McGrath:

It is too early to say. The first change has been initiated in relation to whether councils wish to reflect the previous nominations or change some of them. It is quite evident that some councils wish to make changes. The same principles will apply as applied the last time.

The Chairperson:

David, you wanted to come in on a particular issue. We should try to keep this as brief as we can.

Mr McNarry:

I will be brief, but I think that it would be helpful to have the issue tied down a bit. John, it is clear from what you said that we have this situation because of the elections. It is also clear that some boards are just rolling over and continuing without elected representatives. Is a board legally constituted without council representation?

Mr McGrath:

Yes.

Mr McNarry:

Is it legally safe to be implementing budget strategies without council representation?

Mr McGrath:

If a board is legally constituted — a number have been since November 2009 — the decisions that it takes are legally safe. Some boards —

Mr McNarry:

In other words, you do not really need council representation. What is the point if you can take decisions without it?

Mr McGrath:

Current legislation gives councils the right to put people forward to sit on boards.

Mr McNarry:

John, do not waffle to me now. Do not take me down a direction that I do not want to go. I am saying that, if those boards have rolled over because of an election, fine. They are doing without council representation. The key thing to me is that the people's representatives are not having a say on budget decisions, yet those budget decisions are being made. I am just asking whether that is safe. You are telling me that it is safe because the boards are legally constituted, so I am asking you why we are getting into a state of flux about this, given that the boards obviously do not need elected representatives.

The Chairperson:

In a sense, David, it is probably even worse than that, because John has confirmed this morning that all the RAPs have been thrown back into the centre — even with the wisdom of commissioners — for whatever reason, whether it is because they did not meet the savings delivery plan in the required savings area or because there was insufficient information to enable the Department to make a determination. The boards do not have councillor members, and there has been a scandal since the commissioners were brought in. The RAPs are not acceptable to the Minister and the Department. Therefore, we must ask why we have boards and commissioners if, at the end of the day, the Minister and the Department are able to take those decisions when they know that they cannot legally do so because the power rests with the boards. We are in a real quandary here.

Mr McGrath:

It is important to separate the issues. Council representation is a particular issue. However, even if all the boards were properly constituted now and there was to be no change, if the RAPs submitted to the Minister are not in line with the savings plan that was publicly consulted on or they do not meet the basic requirement to balance the books, it is entirely appropriate for the Minister — it is his right — to send those plans back to have further work done on them. Indeed, I would suggest that the Committee might expect the Minister to do that. That is a proper exercise of his authority if he does not think that the plans pass muster. When and if the Minister endorses the plans, he will be taking some responsibility for the decisions that flow from them, so he should not be doing so unsighted, nor, I suggest, would the Committee expect him to do that.

Mr McNarry:

I understand your wish to separate those issues. Let me separate them back to where I want to be with them. The public expect to have access to elected representatives on boards who can give answers. Such representatives are amenable and accessible to the public. All that I am saying is that, at the moment, we do not have those elected representatives on boards, but crucial decisions are being made without them. When the elected representatives take their places, will we reach the stage where, even though a decision was taken by the board, those representatives will say, “Sorry, but that decision has nothing to do with me because it was taken by the other members of the board”? Do you not think that that is something that you should look at?

Mr McGrath:

It is not ideal. We are at the start of a budgetary period that requires some very difficult decisions to be made, and, at the same time, we have the ramifications of local government elections, which mean that, in some cases, representation may change. That coincidence is a fact that we just have to manage. It is not an ideal coincidence, I grant you that.

Mr McNarry:

It does not necessitate urgency — is that what you are saying?

Mr McGrath:

There is urgency now on the part of all the bodies. The Minister fully recognises that difficult decisions have to be taken by all bodies in the education sector. The scale of those decisions is perhaps greater than in any previous year, and that presents a challenge to all board members and officers. The Minister fully recognises that. He recognises that they are doing their best, but decisions need to be taken. We are a significant way into the new financial year and nearing the end of this school year, and decisions must be taken before too long. If the RAPs are not signed off before too long, perhaps the Committee might rightly ask why they have not been signed off.

The Chairperson:

I have a list of questions in front of me, but I am taking them in a different order. Members are indicating that they want to come in on this specific point. I want to try to stay on the budget.

Mr Lunn:

I want to ask about representation.

The Chairperson:

I will give you leeway on that, because I was the one who raised it.

Mr Lunn:

That is why you are Chairman.

John, a couple of years ago, the then Minister decided that she had to have a choice of representation from the councils, instead of the old system where the councils nominated, usually equitably, to the board. We are expecting great things of the new Minister. Does he still want a selection from which he can pick his nominees to the education boards?

Mr McGrath:

The Minister supports the principles underpinning the process that we could not place after November 2009. The detail depends on the individual circumstances. Some councils may be in a position to nominate the same people who have been on the boards, and, in that case, the Minister may make a judgement that there is nothing further to be gained by going through a process. Councils have the right to choose, and, if some people are no longer members of councils, they cannot be renominated. For political balance, there may be changes in a council that mean that the candidates have to be changed. It may well be that some of the good practice of the Office of the Commissioner for Public Appointments would need to be adhered to.

Mr Lunn:

I am not worried about particular individuals. When you have an election, there will be changes. I do not see the point in the stand-off being prolonged just because the previous Minister was determined to have the right, effectively, to turn down nominees when it was not an issue for so many years in the past and the system seemed to work reasonably well.

I do not advocate having commissioners, but, if we look at the efficiency figures, which are useful, we can see that it is a fact that, in a lot of areas, the South Eastern Education and Library Board is operating more efficiently than some of the other boards, and it is without public representatives. I am not putting that forward as an argument to say that we should do away with public representatives on boards, but that is a fact.

Mr McGrath:

You used the word “stand-off”. I have made the point previously to the Committee that there was no stand-off. There was only one council that, due to its own circumstances, was not following the guidance that the Minister had given. Every other council worked alongside that guidance.

Mr Lunn:

They did so under protest.

Mr McGrath:

They did, but I remind the Committee that the practices that were put in place previously reflect good practice and advice from the Office of the Commissioner for Public Appointments. The guidance only brings that modern practice, which is common practice across the rest of the public service, into the education sector.

The Chairperson:

We have concerns about where we are at with the Budget process. It is another example of how badly out of kilter we are in getting budgets agreed, getting resource allocation plans approved and getting certainty and clarity around how much money schools or boards will have to spend, whichever spends the money. The longer the delay, the more concerns are raised. You have said a number of times that the Budget was consulted on, implying that, because it was consulted on, we have to accept that this is how it is and that it will not get any better.

I do not accept that premise, because the Minister and the Department have said that the savings delivery plan shows where the savings have to be found. It is seen as the holy grail of financial management, and the savings must be made under those heads. If someone makes a practical, sensible and logical suggestion based primarily on the protection of front line delivery services in the area that the Minister and the Department still have legal responsibility for, they will say that that is not acceptable because it does not tick all the boxes.

It is not acceptable to be in that position. I get the sense from you this morning that that is exactly where we are. If a board, whether it is a board of commissioners or a board legally constituted under the 1986 Order, comes up with a suggestion, the Minister will reject it because it comes up 5% or 10% short of the required reductions according to the entitlement framework. Surely that is not in the best interests of schools or the delivery of education.

Mr McGrath:

The savings that have to be found are significant. The previous Minister, with the support of the Department, spent some time and energy trying to shape a savings plan, which, as far as possible,

protected the front line, even to the extent of reclassifying capital into resource, which is a very difficult decision to take. It was the previous Minister's view, and it is the current Minister's view, that that is the best way to find efficiencies and to provide as much protection as possible for the front line. Therefore, if a board says that it cannot realise some of those savings and that it would prefer to look elsewhere, I think that the Minister has a reasonable point to make. I will make a simple point. One of the biggest areas of aberration between the RAPs and the Minister's savings plan is in the management and administrative costs, where the proposals fall significantly short. If the Committee were to suggest that administrative jobs be protected, as opposed to support for schools or front line services, I would find that a difficult rationale.

Much time and effort went into the plan. The Minister has not ruled out looking at other areas, because some boards may have additional pressures beyond what is known. However, each board was given its allocation and a target requirement for savings in particular areas, and some boards have not submitted plans in line with that. The Minister of the day, who has responsibility for the budget, has a savings plan. RAPs that did not tally with that plan were submitted to him, yet there is a lack of compelling evidence as to why boards cannot adhere to it.

The Minister pointed out to at least some of the boards that he expects them to make greater efforts to share services, and he does not see that happening. One area in which that is clear is in professional support for schools, where it is suggested that we will move to a single regional service. That is not unreasonable. If we had one savings plan and a set of five plans, which all did different things, the Committee might have valid questions about the need for consistency and uniformity across the education sector. However, I recognise, as does the Minister, that it is extremely difficult. The education sector has not faced that problem before, nor has where it should find savings been prescribed to such a degree. It may not be what people were used to in the past, but that is where we are now. I think that the Committee expects some uniformity in the approach to savings across the education sector, rather than letting each organisation do its own thing —

The Chairperson:

— or the Department have its own way. The Department clearly has a view. We chased up questions on, for example, the entitlement framework. As you know, a report states that it is not

working and that we are not getting out of it what we should. However, there is good practice in many schools. With the greatest respect, they take the initiative despite what the Department has done.

The Department says that it will spend £15.8 million on the entitlement framework, but £6 million will be taken out as savings, which reduces that original figure. The figure then changes to £8 million, £14 million and £19 million in the fourth year. The aggregate schools budget determines whether a teacher can be involved in the entitlement framework or learning area community, yet nobody seems to have done anything to try to protect that.

There are grandiose schemes and plans about where we want to go ideologically delivering education and the entitlement framework. However, we know that we will not hit 2013 as the statutory commencement date. It is not working, but we still pour almost £16 million into it. If we abolished the £15.8 million being spent on the entitlement framework, the £26 million for the aggregated schools budget could be reduced to £10 million. Schools would still deliver collaboration, because they already do so well. Sometimes, when schools are being asked to drive efficiencies and address all sorts of other elements of the structure, the Department does not see or reflect that. That is why the boards and the Committee are frustrated. When someone comes up with a suggestion to the Department, it simply says no, because the suggestion does not fit its plan. The Department's response is that it will run with suggestions only if they fit that plan.

Mr McGrath:

Chair, we consulted on the savings delivery plan, and the Committee held a stakeholder event. I have yet to hear a suggestion which is not already on that list as a target for savings that would not lead into difficult areas, or areas in which one would have to tread lightly. The previous Minister, the current Minister and members of the Committee would say that spending £70 million a year on transport is difficult to justify in the current context, but it is not an area into which to stray lightly and change the entitlement.

At the stakeholder event, at least one chief executive made the case that reducing the bureaucracy that surrounds statementing could bring savings. That may have had some merit, but

statementing is not the sort of area to tramp on lightly. Beyond that, I have not heard anybody say that we have got it wrong in that we have to take that money out. Much of the money left in the entitlement framework budget goes to schools anyway. You were briefed on the entitlement framework and are aware that the Minister will look at it. This morning, I left the Department having had a chat with the Minister and colleagues about the distribution of that money to schools next year.

If we leave aside the precision of the 2013 date, it is generally accepted that we need to extend the offer to kids in sixth form to ensure that they can pick subjects that they want to do. That will enable kids to achieve more and this place to be more competitive. We need to keep working at that, but I do not hear anyone saying that we have missed a blindingly obvious area. We could consider the possibility of examining bureaucracy in special needs provision, but we would have to do so extremely carefully.

The Chairperson:

Is Middletown not blindingly obvious? Given the amount of money being spent on Middletown, for which we get nothing in return, the sector would tell you that it is blindingly obvious. The problem is that some of the Department's agendas and priorities do not reflect the needs of education across Northern Ireland. That is not a political point because Middletown happens to be a North/South operation or because of its location; the point is that a huge amount of money is being spent on it. We hide behind the fact that 50% of the funding comes from the Irish Republic, but that is no longer viable or acceptable as a justifiable argument.

There is money that could be spent in a more appropriate way to defend front line services this year. I accept that we must rationalise and do things differently. However, while Rome burns, there are teachers who will not be employed this time next year, because schools do not have the budgets to keep them. There have already been job losses through voluntary redundancy, and there will, undoubtedly, be more of the same. The priority now should be to give sufficient protection to the aggregated schools budget to allow the necessary changes to take place.

Mr McGrath:

You will allow me to disagree, Chair.

The Chairperson:

Yes, I will allow you to disagree.

Mr McGrath:

I know the amount of time and effort that went into this, and I am aware of the previous and current Ministers' commitment. The fact that the previous Minister was prepared to move £40 million out of the capital budget, at a time when we desperately needed it, is evidence that the top priority was to protect the schools' budget. We were also trying to protect the early years and front line youth budgets. That was our top priority.

Mr McDevitt:

I have a couple of questions on the budget. John, on the issue of process, you still have not formally agreed your final budget. Why is that?

Mr McGrath:

What do you mean?

Mr McDevitt:

Am I correct in saying that you still have not finally submitted all your spending plans and that some remain outstanding? Has the Department submitted to the Department of Finance and Personnel everything that was required?

Mr McGrath:

Yes.

Mr McDevitt:

Are you not seeking in any way —

Mr McGrath:

The quantum of money available to the education sector is clear and complete. The only late adjustment was the EYF issue, which went through the Executive last week. The budget has been

set; it is the distribution that needs to be finalised.

Mr McDevitt:

Is there no question of your Minister seeking to review that settlement, either through the Executive or the Finance Minister?

Mr McGrath:

Which one?

Mr McDevitt:

Either of the two.

Mr McGrath:

No. My Minister would like more funding, but he recognises that things are tight and that the Executive enter the year with pre-existing pressures. It is a disappointing settlement, but, equally, the arrangements being put in place to replace the EYF system are the product of close working between the Department and DFP and endorsement by the two Ministers. There are no outstanding budgetary issues between the Department and DFP, except for the fact that we would like more money.

Mr McDevitt:

I will pick up on the Chairman's previous line of questioning: efficiencies will inevitably lead to a reduction in the teaching headcount. Am I correct in saying that there will be fewer teachers this time next year than this year?

Mr McGrath:

Yes, that is likely.

Mr McDevitt:

What measurements can you put in place to ensure that that will not have a negative impact on children's education?

Mr McGrath:

A few minutes ago, the Chair made the point that we will probably need to rationalise the schools system to deal with the full impact of the cuts and because we do not have the correct pattern for a viable education system. The best way that we can ensure that the impact of the four-year Budget is mitigated as far as possible is to plan the estate better and make it more educationally sustainable and financially viable.

In the immediate future, decisions will be taken by each school through the local management of schools (LMS) system on how they will deal with the impact of the first year of the budget. That will also need to take account of the fact that a number of schools were already facing difficulties before the budget, and, equally, that some 800 schools have some form of surplus. In these first few months, it is hard to work out what the full impact in the first year will be, as many schools could draw down their surpluses and put off the evil day on which they must change their staffing complement.

Mr McDevitt:

I understand that, and a big debate on rationalisation must occur. However, that will not happen in the same period as the required cutbacks. The question that I was really asking was about children and young people. How will you measure the impact of the cuts on children and young people? How will you satisfy yourself that every child and young person in school in the North is able to receive their entitlement to the curriculum and still guaranteed a good quality of teaching? How will you measure that during the period of cutbacks? What will you do to ensure that, at no point, budgetary or resource efficiencies turn into greater inequalities in educational outcomes for some children?

Mr McGrath:

There is no trade-off. The budget is the budget, and people need to live within their means. We are setting in place a number of measures in schools to ensure that there is no lurch into deficit at an individual school level because of these difficult times. That would not be acceptable.

Perhaps your comment reflects that a several schools already face the challenge of how to deliver the curriculum. A couple of months ago, I attended a meeting of post-primary principals

in the Southern Education and Library Board. Somebody asked whether they should deliver the entitlement framework or balance their books. I said that balancing books was not up for debate. That is the amount of money that we have, and we have to make the best of it. Several members probably have more than anecdotal evidence of schools already facing challenges. It will be extremely difficult. The current pattern means that there is no way in which that amount of money can be taken out. There will be difficulties. It will take some time to plan a strategic rationalisation, but, the sooner we begin, the better. Several schools will face difficulties coming into the next financial year.

Mr McDevitt:

I am sure that you are not suggesting that we should ask children and young people to pay the price for the efficiencies.

Mr McGrath:

Let me be clear: these are savings, and, in some cases, they are cuts. They are not efficiencies; they have never been presented as pure efficiencies. Some are, but, in many instances, we were reducing scope.

Mr McDevitt:

Specifically, John, what process will you put in place at a departmental level to ensure that children and young people will not bear the brunt of the changes in resource availability in the education system in this region? How can you use quality control to ensure that children do not directly pay for the —

Mr McGrath:

That is the point that I have been making. For a start, as regards the saving plan, the aim of the previous and current Ministers was to start as far away from the classroom as possible. Everybody who works in the system is doing something to get kids to school and support their education. We take the savings from bureaucracy and support services, review procurement, try to tighten up on teacher absence, examine issues such as school meals, and we take money out of the Department's administration. We take as much as possible from those areas so that the hit on the front line is as little as possible. That is the first thing, and that is what we have aimed to do,

but it still removes people who provide support for schools.

Mr McDevitt:

As you say, this is now the budget. We know what your savings plan is, and we know where you propose to make the cuts. We understand all that. I am talking about the impact of the decision that you have already made. How will you measure the impact of that decision on children and young people? I am not saying that you set out to have a counterproductive impact on educational outcomes, but how will you ensure that the cuts do not end up having a counterproductive impact and that children and young people do not start being the ones who suffer as a result? How do you guarantee that?

Mr McGrath:

At present, our main emphasis in all that we do is on standards. We spend a lot of time with education boards. We sit down with them quarterly now — the Minister will chair those meetings — and ask them what they are doing to tackle standards. As part of that wider discussion, there will always be a focus on standards and outcomes. As we go into this year, during a round of accountability meetings with all of our bodies, including the Council for the Curriculum, Examinations and Assessment (CCEA) and the Council for Catholic Maintained Schools (CCMS), a particular focus will be on the impact of the budget. The inspectorate will inspect as normal, but it will also examine the impact of finances on some schools, and we will try to measure that. I cannot give a cast-iron guarantee that that will not have an impact somewhere, any more than you could swear that every child is receiving the best schooling possible, because several schools have been deemed not satisfactory.

Mr McDevitt:

I will leave it at that. I am not looking for a cast-iron guarantee. Children will, invariably, pay. Some children will pay the price for all of that. I am worried because you do not seem to have thought about the fact that it might be good to keep a close eye on the situation so that you are able to quantify the effects and come back to us or the Minister with a robust measurement of the impact of the cutbacks on children and young people's educational outcomes.

Mr McGrath:

We will look at that closely, as we are looking at everything closely across the system, but it is difficult. We have never pretended that this is not a disappointing budget settlement with a potentially serious impact. To get to year 4 and take the bottom line out of the schools budget is significant and has not been done before. Even tightening up the estate and planning to spread the money invested does not automatically mean that there will not be an impact, but that is the hand that we have been dealt. I still ask the question: if somebody were to offer a view on how we could somehow mitigate the impact on the schools budget even more this year, I am sure that the Minister would welcome any serious suggestion that would make a significant impression on the £26 million that has come out. I will be honest: the Department, the Minister and I have received letters from individual schools raising some of the challenges that they face.

The Chairperson:

I do not accept your earlier comment that decisions are made to start as far away from the classroom as possible. Your savings deliver plan drives a vehicle right into the classroom. The figures included in members' papers show the areas on which the Department made its decision — I will not say, "in its wisdom". No one can say that that savings delivery plan was as far away from the classroom as possible, because we are told that the largest amount of savings will come out of the aggregate schools budget, which is not four fields' length away from the school — it is in the school. That ties in with Conall's point about the effect on the overall outcomes and challenges that the budget poses to delivering education to children.

Mr McGrath:

An earlier part of the paper shows that, out of £1.9 billion, £1.12 billion is in the schools delegated budget. Proportionally, that means that it would be impossible to protect the schools budget and still take out that amount of savings.

The Chairperson:

Appendix 10 to those papers refers to "ALB" administration and management costs; should that be "ELB"?

Mr McGrath:

No. That is a total figure across the entire system.

The Chairperson:

No, but is “ALB”, at this stage —

Mr McGrath:

It refers to arm’s-length bodies and includes CCMS, CCEA, and so on. It is the totality across the system. The scale of the administration —

The Chairperson:

I just wanted to be sure, because I knew about the 3% across organisations such as CCMS.

Mr McGrath:

The amount of £15 million is distributed proportionately across each body’s management costs.

The Chairperson:

Are the savings being sought by the Department by all those organisations proportionate to the size of each organisation? Mark is the tactician and mathematician in this area. Can we be confident that no organisation is taking a larger hit from the budget? Are some smaller organisations able to weather the storm better? Such organisations, because of their nature, may not deliver front line services.

I take no joy in any person losing his or job. Nobody does, and I know that that is true of the Department and everybody around this table. However, if the harsh reality of the budget deal means that it is a case of losing a teacher or an administrator, many people know where their sympathies will lie. Is that the case, that —

Mr McGrath:

First, we adopted a rigorous approach across the piece. I am satisfied that that list of savings and how they will be applied to the relevant bodies was produced on a proper and proportionate basis. From anecdotal evidence, at least one of the smaller bodies thought that it was hit

disproportionately because of the nature of the gearing. We had to inform that body that it had received its share of the management and administrative budgets, but that it had lost entitlement framework money and that the cumulative effect of that was greater on it than on some other organisations.

I made the point earlier that £15 million is a sizeable chunk. No one wants people to lose their jobs, and, in many cases, everyone would wish any redundancies to be voluntary rather than compulsory. However, that is taking the view that it is better to take money from bureaucracy than make teachers, youth workers or early years staff redundant. If a set of RAPs comes back that does not take out the full £15 million, that will become an issue for the Minister because, by definition, he will need to look elsewhere for that funding. That echoes the sentiments that you expressed, Chair. We would then need to consider headcount, not because we want anyone to lose their jobs, but because, as Conall said earlier, that amount of money cannot be taken out without affecting the headcount somewhere.

Mr Craig:

Thank you for clarifying that issue. John, you spoke about the Department doing its utmost to protect front line delivery, and I find that interesting. The Committee received a letter from Sacred Heart College which states that its basic funding block — the age-weighted pupil unit (AWPU) — has been cut by £15 this year. I declare an interest as a parent of a child attending a local grammar school which has sent letters to all parents telling us that its basic funding grant has also been cut and giving us a raft of options to try to mitigate the circumstances. Has that cut been made to all sectors? Are they all being hit equally?

Mr McGrath:

Yes. Perhaps Mark will want to say something further, but the formula has been worked out uniformly across the piece. The impact of the cut in school budgets and some other changes, such as the extension of free school meals, meant that the AWPU reduced. For big post-primary schools, such as Sacred Heart College in Omagh, the AWPU is the core generator of their budgets, and a reduction in that will have an impact. However, the cut in AWPU was applied in exactly the same way across the entire system.

Mr Craig:

You said earlier that some schools may be in crisis because of that.

Mr McGrath:

We give out the money; schools decide how to use it. Some 800 schools have surpluses, and 400-odd schools have deficits to varying extents. Some schools are very well managed and will have large surpluses or are still balancing in-year, whereas others already faced difficulties coming into this year, even before the budget hit. How schools manage their budgets through LMS is up to them. We simply make the funding available on the basis of equitable transfer.

Mr Craig:

I do not disagree with what you are saying. The answer to the question that one of my colleagues asked earlier is that there are 1,200 boards of governors, who ultimately make the decisions on how the cuts will be implemented. The ability of some schools totally to protect the education of children is open to question. I must be honest with you: I think that all 1,200 schools are in crisis. None will be able to handle the cuts in a way that will not lead to job losses and increased class sizes. There is no way of doing that. I speak as someone who sits on three boards of governors and who has the experience of knowing how things work. The negative impact on children's education is unavoidable.

Mr McGrath:

That is why I said that I could not give a guarantee on that. Your being a governor means that you will know that some schools were experiencing difficulties before the budget.

Mr Craig:

I totally agree with you, John, but, no matter how large a surplus any school had, they are all now in trouble, because the surpluses were there for a specific reason. They were not there because someone thought that they would like to have a fat bank account. They are all in difficulties now.

Mr Lunn:

I have listened with interest to what has been said. A couple of times, John used the phrase "within the current pattern". Does that mean within the current pattern of the layout of our

schools and the number of schools? The papers that are tabled indicate that 40% of our primary schools and around half of our post-primary schools are under the sustainability threshold. How many of those are also included in category 1 for urgent maintenance? In other words, will we be spending serious money on schools that, by any normal standards in a normal country, should be closed or amalgamated?

Mr McGrath:

I know what you mean. There may be issues on that, and, before too long, such issues will have to be grasped.

Mr Lunn:

Before Conall left, he said that there would have to be a debate about sustainability. I am sure that I said that four years ago, at the start of the previous session. In our members' packs today, we have a note that says that, at long last, Vere Foster Primary School, which has only 40 pupils, will be closed. We do not have figures on how far under the threshold those schools are, but I fancy that some of them are small rural schools on which, sooner or later — hopefully sooner — we will have to bite the bullet and start to take sensible decisions. I hope that, in the Committee and in the wider Assembly, we will not have a lot of parochial attitudes coming to the fore because people have an affinity for a particular small school. Taking firm decisions on cutting out the schools that need to be cut out would have a knock-on effect across the piece. There would still be the same number of pupils. What should be done on efficiency is shouting at us.

Mr McGrath:

There would still be the same number of pupils. Not only financially but educationally, the evidence suggests that there are too many small schools. In some of those schools, even when kids are getting a good education, it is despite the circumstances of the school's scale and because of the dedication of the staff. That is no way to run a proper system.

Mr Flanagan:

This has been a useful discussion, particularly for me as a new member of the Committee. I have learned a lot about the budget, so thank you for the information that you have given so far. The papers that are tabled reference savings in transport as part of the second stage of the analysis by

PEDU. What areas will be looked at in stage 2? Will it include collaboration across a range of Departments?

Mr McGrath:

There are a number of strands to that. We have given each board a target on its share of the £5 million. A good chunk of the school transport budget goes to Translink, and we have said to it that that area should not necessarily be immune from scrutiny. In parallel, PEDU is doing its stage 2 drill-down into how the boards' transport services run and is doing comparisons on their staffing, make-up, eligibility and use of concessionary fares. We will have a report sent to us, which will hopefully give us a quarry for any further work that may be needed beyond what the boards are doing now.

We will engage with Translink about the totality of the contract with it, which is over £30 million per annum. That element of the contract will also have to reflect some degree of savings so that they do not fall on the boards' own transport services. A number of strands are currently going on with that. The PEDU work is under way, but, like the stage 1 report, it will flag up differences of approach across the five boards. Where someone is adopting best practice, we will want to ask questions about why everyone else is not doing the same.

Mr Flanagan:

A huge amount is being spent on taxis for children with special educational needs, particularly in the Western board area. Taxi operators are getting up to £1.60 a mile when some of that money could be put into community transport operators that would do it for closer to 40p a mile. That is something that you need to look at. I am disappointed that I have not heard anything about collaboration with the Department for Regional Development (DRD) and the Department of Health, Social Services and Public Safety (DHSSPS) on where future savings can be made.

A discussion on the rationalisation of the school estate will inevitably need to happen. Is there finance available to do any of that work? The paper that we have been provided with shows the number of schools and the number that are below the threshold, but has any forward planning been done to outline how things will play out? Should schools that are below the threshold be deemed to be under threat? I know that that is how a lot of people in those schools classify

themselves.

Mr McGrath:

That is obviously an issue that the Minister will want to look at, but, in the short term, as Jonathan said, boards of governors in a lot of schools will have to judge whether their schools are actually viable. In some cases, it is likely that the sharpness of the financial position may well accelerate or leapfrog any strategic planning work, because boards of governors will face difficult decisions.

Trevor made the point that the issue has been around for a number of years. We had George Bain's report, and we had the sustainable schools policy. Everyone understands that we have too many schools and too many small schools. You need scale to deliver quality educational outcomes, particularly for sixth form and upwards. In many cases, the pattern that we have is not the right one. I will use the word "political" carefully, but it is about having the political will to grasp a lot of these nettles. I recognise that every Assembly Member has schools in their constituency, and they are there to fight their corner, but we have too many schools, and we spend a lot of time bussing kids around.

We have different approaches, and you made the point about taxi firms being used to transport special needs kids. We have a plethora of arrangements, with single taxis dedicated to single children. You might wonder why a taxi is needed for a single child. Does that mean that when they are at home with their family nobody else gets in the car except the child? As I said, it is an area where you tread with some trepidation because there is sensitivity around it. However, with the budget figures that we have, we will increasingly have to look at striking the right balance between providing what is needed but not overdoing it in some areas. We need to provide what people need but, in some cases, not necessarily any more than they need.

Mr Lunn:

Would it be hard for the Department to provide us with a breakdown of the figures to indicate how many pupils there are in individual schools? Beyond that, would it be possible for the Department to come up with a recommendation about what it would like to do to rationalise the school estate? All we ever see is the occasional note about a development proposal to close a school, which always seems to be a strange way of describing it. You would think that you

would need a development proposal to open a school not close one. Is the Department doing any work on that? Does it have a view on which schools could or should be closed or which schools are beyond redemption in respect of their numbers?

Mr Craig:

Trevor and I are thinking the same on this issue.

The Chairperson:

That is a scary thought.

Mr Craig:

It is frightening.

There is another aspect, and I believe that it is the responsibility of the boards. For the past number of years, there has been no area plan for anywhere in my area with regard to the rationalisation of schools and where supply and demand should be met. It has all come about because of the whole debate around the education and skills authority (ESA), or the lack of an ESA, or whatever you want to call it. The figures are there. The boards and the Department know the figures, and it would be good if we were supplied with them. What is the Department going to do to encourage the boards to come up with an area rationalisation plan for across Northern Ireland as soon as possible? I am sure that my local board is not the only one that does not have a plan in place. Can you confirm or deny that?

Mr Flanagan:

Chairman, just before Mr McGrath answers that question, can I add a wee bit to it? The Catholic sector has devised a number of plans for different areas, and there is no point in organisations continuing to work in silos. Before John answers Jonathan's question, perhaps he should take on board the fact that all sectors need to work together, in collaboration.

Mr McGrath:

As members indicated, some work has been done on planning, although not a colossal amount. I am not really sure that it is material whether or not that was down to waiting for the ESA. In the

Catholic sector, the commission has spent a considerable amount of time and effort in carrying out the post-primary review, and some of that has still to come to fruition. In the controlled sector, boards have a responsibility to plan outwith anything coming out of the ESA, and I suspect that, once some of them look at the pattern, a proposal will emerge before too long. However, you are quite right: it is not just about looking at what you have got; the critical issue is what you plan to have and what it becomes.

In many cases, we could analyse how many schools are beneath the appropriate threshold, and, in some cases, we could link that to the fact that they are small or getting smaller. Their standards might not be great, and, as Trevor said, the infrastructure might not be great. Over time, you could well identify a fierce number of schools that do not seem to have a future, but the key is to shape future provision and consider where the children will go. Jonathan is right: you need to plan that rather than just have lists of places that, prima facie, do not seem to have a future. I suspect that a proposal on some of the more obvious issues will emerge before too long in some boards, because there is a sharpness now that has been brought about by the Budget and other combinations of factors in schools, one factor being interventions.

Mr Lunn:

There is a sharpness all right. Phil commented on the post-primary review in the Catholic sector. I would have more sympathy for that review if it were not entirely focused on that sector. It does not acknowledge in any way the needs of the area; it deals just with the Catholic sector. That is laudable but short-sighted. It is not the way that we have to go.

Mrs Dobson:

I will follow on from Phil's comments on school transport. The Department's special educational needs (SEN) team briefed the Committee last week and said that it had no problems with meeting its budget. A constituent raised a health-and-safety issue with me last week. Can you fill the Committee in on arrangements for home-to-school transport for SEN students in rural settings?

Mr McGrath:

We spend an awful lot of money on transport for children with special needs. As I said earlier, it may well be an area that needs to be looked at and rationalised. The sense that I have at the

minute is that the system bends over backwards, and rightly so, for children who are less well-off. We probably need to agree a rationalisation. Phil asked why we do not have community transport instead of taxis. I have wondered myself why a taxi cannot take two or three kids, and that is before we even get to the option of community transport. We need to look at the system, but we need to do so carefully, because it can be a very emotional issue in many cases. There are also different views about what people are entitled to.

Mrs Dobson:

You mentioned earlier that a single taxi can be used to transport a single child. I have been contacted by constituents who tell me the opposite. They tell me that sometimes there is not enough room in the taxis.

Mr McGrath:

That is my point; there is complete variation. Perhaps we need to look at that again and say that using a single taxi for a single child should be the exception rather than the rule. However, we should maybe not go to the other extreme in other board areas.

Mrs Dobson:

That is an area of great concern to rural kids with special educational needs, and I welcome the fact that you will address it again.

I have a couple of other questions about procurement. May we see the procurement modernisation action plans compiled by the North Eastern Education and Library Board (NEELB) and South Eastern Education and Library Board (SEELB)? Seeing those plans would benefit the Committee and improve its decision-making.

Mr McGrath:

All the papers in those exercises have been made public. I do not see any difficulty in getting them. In some cases, there will be a lot of paper.

Mrs Dobson:

I would still find it useful to get them, particularly as I am a new Committee member.

Mr McGrath:

Throughout this exercise and the previous Minister's tenure, the intent has been that all the material, reports and action plans would be made available to the Assembly, and that has been the practice so far.

Mrs Dobson:

My final question relates to the cost of school catering services. Do school canteens, like chain restaurants, use the same supplier and therefore benefit from economies?

Mr McGrath:

I do not have that amount of detail here, but catering is another area that PEDU is looking at. We will be very interested to read what the stage 2 report tells us about the provision of catering services and such issues. Are we running as professional and modern a catering operation as the taxpayer should expect?

Mr McNarry:

May I go into the maintenance aspect of the budget?

The Chairperson:

Yes.

Mr McNarry:

John, you talked about exceptional financial circumstances. I agree with that and understand it, as I do the overall situation. However, I trust that you will also agree that the circumstances could have been anticipated. We all anticipated, more or less, what was coming up. The budget cuts were flagged up well in advance.

The current maintenance backlog stands at £306 million, as you said, and that figure is obviously increasing. Of that backlog, £64 million is categorised as high priority. I cannot get my head around the fact that you bid for only £10 million in June. Faced with those figures, you bid for only £10 million, but the Executive chinned that anyhow; they refused the £10 million in

June. What will be the impact of that refusal?

Mr McGrath:

First, the Minister decided to submit a £10 million capital bid recognising that it was extremely unlikely that any funds would be available. The likelihood of any Department having a reduced requirement at this stage of the financial year is almost zero. Our resource priority — maintenance is resource — was to get the EYF funds. The Minister's view was that he would register the ongoing concern about maintenance but would not put in a bid that was completely unrealistic. That is not to say that we do not have a serious maintenance issue. The real problem — Diarmuid can talk about this — is that, over successive years, the system and boards made the decisions that they were there to make in less straitened times. However, when things got difficult, maintenance was the first area to be cut, perhaps rather than front line services and administration. Maintenance would invariably be hit. I can understand that, but I do not regard it as sensible in the long term because, at the end of the day, that comes back to bite you. This is an issue across the estate, not necessarily just in schools that we can really do without in due course; it will affect schools that we need. Again, it is a moot point that the Minister raised about the RAPs this year, with some boards proposing to significantly shrink their maintenance spend. The Minister questioned whether that was the wisest thing to do.

Mr McNarry:

OK, John. I asked about the impact of not getting the £10 million.

Mr McGrath:

The impact is that we have still got the money that we have now and we do not have £10 million more. However, the likely impact this year is that we will not make sufficient pace to stop the maintenance backlog bill growing.

Mr McNarry:

I am a bit worried that some kind of back-door ruse is going on here. I would like to have that fear allayed. My fear is that the abominable maintenance budget, which does not seem to be even driven at, will somehow get so bad in some cases that it will be put forward as a reason to close schools when that should not be the reason. How is the refusal of the Executive — that is who

refused it; the five-party coalition — squared with the sound bite that I heard in the Budget debate this week about the Executive being sympathetic towards education? They may be sympathetic, but they are not supportive. What will your next bid be?

Mr McGrath:

I cannot speak on behalf of the Executive as a whole, but, in any monitoring round, the Executive can give out only what they have to give out. My understanding is that very little funds was available to redistribute among the Departments.

Mr McNarry:

John, if I may so, you are not making a very good defence of your Department putting in a bid for £10 million —

Mr McGrath:

I have explained the basis —

Mr McNarry:

No, all you are coming up with is excuse after excuse, and they are quite lamentable and very lame. I would have thought that, if you put in a bid for £10 million, you would be pretty sick about it being refused. I am not hearing that from you. All I am seeing is a shrug of the shoulders and an attitude of “So what?”

Mr McGrath:

Let me be very clear, David.

Mr McNarry:

Well, you be clear.

Mr McGrath:

I am very clear. I said to the Committee previously that the approach over the years of not spending money on backlog maintenance was short-sighted. It is not something that we should be doing for an estate of this size, regardless of the need for rationalisation. The practice over the

years has been that maintenance is the easy hit for boards, for understandable reasons. Again, that was short-sighted. We need a lot more money. We need capital as well, because, in some cases, the answer will be a major scheme to tackle the backlog of maintenance rather than maintenance money. We need that. The £10 million simply reflected the fact that we and the Minister recognised that there would be very little money on the Executive table for distribution in the June monitoring round.

Mr McNarry:

We did not even get £10 million; it was chinned.

Mr McGrath:

Yes, which reflected the wisdom of the Minister; there was so little money that there was nothing to give out.

Mr McNarry:

Well, it could reflect that. It could also reflect that the sympathy may be there but the support is not. Was the case really good enough to convince the other Ministers that that was needed? If I were sitting with a backlog of £306 million and had identified £64 million of that as being priority funding, I would have made a damn good case to get £10 million. So, I am asking you now: what is your next bid?

Mr McGrath:

The next bid will be the one that the Minister decides, David. I do not decide the bids.

Mr McNarry:

Do you have any indication of what the Minister might be thinking about that bid?

Mr McGrath:

The June monitoring round is just over. We will see where we are when we get to September. We originally put in —

Mr McNarry:

I wish that I moved at the speed that the Department of Education moves at. It is saying, “We have just got this round over, so we now have to September to think about it.” That seems to be the mentality in how you deal with everything, because we have not even got into half of what we want to talk to you about here today. Is there some sort of Spanish mentality in the Department of Education, where mañana rules and the attitude is, “We will do it tomorrow”?

Mr McGrath:

With respect, we deal with issues as quickly as we can. As the out-turn figures for last year demonstrate, the Department spends its money better than nearly any other Department.

Mr McNarry:

That really does not say much.

Mr McGrath:

When you are at 99% or more, that is a lot better than anybody can do. We received additional capital spend funding last year. We moved 13 projects from August to March to get them on the ground. We can get money spent, and we flag up the issues that we have. We also flag up the issues of concern about the capital estate because we need money for capital and maintenance. The Minister said to the boards that he is concerned that they are reducing further their planned maintenance spend. If that is a sticking point with the Committee —

Mr McNarry:

I can almost anticipate, Chairman, a similar conversation between the boards and officials, who will say, “What do we do, folks? We put in a bid for £10 million and we did not get it, so we are just going to have to live with that. We do not know what we are going to put in next time because the Minister has to decide, but we are going to wait until September.” How on earth do you plan?

Mr McGrath:

You do not plan for the year on the basis of monitoring rounds. You plan at the start of the year, and you hope that you get some money in the monitoring rounds to supplement the plans. You

do not plan your year around monitoring rounds.

Mr McNarry:

I agree with that, and I can appreciate that. However, what I see is a £306 million backlog, £64 million of which is categorised as high priority, and it is standing still.

Mr McGrath:

It is not standing still. Monitoring is a top-up. I made the point that the Minister challenged the boards about why they are reducing their maintenance spend, because that is what is happening in the process.

Mr McNarry:

What is the anticipated backlog come September?

Mr McGrath:

We do not know, because it is based on a stocktake of schools at any given time. However, it is quite likely that it will be bigger.

Mr McNarry:

It is going to be bigger? So, you are right; it is not standing still.

Mr McGrath:

We would be very lucky if it were standing still.

Mr Diarmuid McLean (Department of Education):

I do not think that it will stand still. I think that we will see an upward trend in the maintenance backlog. As John said, as part of their block grant allocation, the boards get an indicative figure for maintenance, but that figure is not ring-fenced. Therefore, to deal with other front line pressures, the boards, despite our concerns, tend to reduce the amount that they spend on maintenance.

Mr McNarry:

Diarmuid, what you are saying is very interesting. If I may, Chairman, I will ask one last question on this issue, otherwise we will be here all day. What sort of detrimental effect is the increasing maintenance backlog, the lack of maintenance, having on the properties? What are you writing down for the book value of the property, given that maintenance is not up to scratch?

Mr McLean:

As regards the detrimental effect, throughout the system, we try to identify buildings that fall into category 1. It is a live database. The issues are tackled by the boards daily, and they try to deal with the most urgent priority health-and-safety issues. There is no doubt that the ultimate impact of the deterioration of the estate will be that some of the maintenance work may deteriorate into minor works. A major capital spend will be required, and there are pressures on that budget. We do not keep the valuation of the properties on our books. We know the asset value, but that depends on a number of factors, including the condition of the estate and the market conditions at any given time.

Mr McNarry:

Would it be fair to say that it is having a detrimental effect on the value of the estate? If we did not maintain our homes, their value would decrease. I am anxious because I am almost being told that we have a crumbling school estate and that the maintenance backlog will be greater than the current figure of £306 million. That is a matter of great concern.

Mr McLean:

It is of great concern to us. We are trying to maintain an estate of 1,200 schools with, as John pointed out, a capital budget that is only 2% of the asset value. In order to renew and sustain the estate, we would realistically need a capital investment of somewhere between 10% and 15% of the asset value.

Mr McNarry:

Is it possible that someone could suggest that a way to reduce the maintenance backlog — there are probably a number of other things that they could suggest, but let us stick to the backlog — would be to make the case that you cannot afford to maintain those schools and must therefore

close them? Is that the way to deal with this budget?

Mr McGrath:

It may well be a scenario, but the notion that a maintenance backlog would be allowed to build up to create the potential to close schools more easily is, I think, far-fetched.

Mr McNarry:

Why are you allowing it to build up then, John?

Mr McGrath:

David, let me be very clear. In a previous Committee meeting, we flagged up the fact that we are not spending enough on maintenance. Diarmuid has made the point that our capital budget is only 2% of the asset value of the estate, and that is not enough to maintain a major public estate. Many schools that are fundamental to the system are suffering from maintenance backlog issues, so this is not a cunning plan to close schools; in fact, it is the exact opposite. We now face a situation in which a number of schools which thought that they were going to get newbuilds have avoided investing in the old estate. That was prudent and pragmatic. Now, they realise that the new school will not happen for some time, and, all of a sudden, they will have to spend money on minor works or maintenance.

We are not in a good position. We have not invested enough in the estate in general. Boards have been able to spend significantly less than they were notionally allocated. In 2011-12, the notional allocation is £24 million, and the total proposal that they envisaged was £5 million. That has been allowed to happen over years when the boards were allowed to take such decisions. Once maintenance starts to be the first thing to be cut, that sends out certain signals. The maintenance of the estate in a decent condition is not only about keeping the asset. It is about ensuring that children are not attending schools in which paint is coming off the windows, windows are breaking and the heating is poor. Arguably, that is as important as staffing in some cases.

Mr McNarry:

I will leave it there, Chair, and hope that we will come back to this.

Mr Flanagan:

Appendix 9 shows that the payments for PPPs will rise significantly over the next couple of years. Is there any reason for that?

Mr Mark McNaughten (Department of Education):

New schemes are coming on track. The charges come into play when the capital build phase has been completed and the scheme goes into operation. Appendix 9 shows that spend into the future.

Mr McLean:

I think that 10 PPP schemes opened last year, and the unitary payments kick in from that point forward. That explains the increase in unitary charges going forward, as they relate to the PPP schemes that came on stream.

Mr Flanagan:

There is also a significant increase in years 2, 3 and 4 in payments into a contingency fund. Is there any money in that contingency fund? What will that money be used for?

Mr McGrath:

Contingency is essentially the additional funding that came out in the final budget in years 2, 3 and 4. At that stage, the Minister made no decision on how to use that money in order to allow some room for flexibility in years 2, 3 and 4. Therefore, it is available to be deployed and could mitigate some of the impact of the schools budget or help us do some other things. It is for the Minister to decide whether to alter any of the other distributions by deploying the £18 million, £26 million and £27 million.

The Chairperson:

Jo-Anne has to leave soon, so I will let her ask a question now.

Mrs Dobson:

Thank you, Chairperson. On 26 May, I tabled a question for written answer on the consultation

on the future of post-primary education in the controlled sector in Lurgan, but I have not received a reply. As a new Assembly Member, I am surprised that it takes over four weeks for a response. It seems ludicrous that it takes so long to receive a reply. Can the Committee help me to press the Department for an answer?

Mr McGrath:

I will look into it.

Mrs Dobson:

The issue is extremely relevant to my constituency.

Mr McGrath:

I understand that. I will look into it; it should not take that long.

The Chairperson:

I am conscious that we are about to lose our quorum. Some members may have to come back. I apologise to Caroline, but we will defer the session on procurement. We will also defer the time that we were going to allocate to considering our options. A huge number of issues have emerged today. As a Committee, we need to focus on what exactly we will concentrate on. We could concentrate on 101 issues in the Department. If members are content, we will defer those two issues and come back with a revised work plan. Are members content?

Members indicated assent.

The Chairperson:

We could spend a huge amount of time talking about budgets, as, indeed, we have, but I want to move on to talk about the performance and efficiency delivery unit (PEDU). As far as PEDU's work is concerned, I will go back to the point that David made earlier about the speed at which such things progress. We have received one report, and a second is due over the summer, but when will decisions be taken that will bring about change to alleviate problems connected to the current education budget? Will we be told in six months' time that certain areas have been identified but that the outcome of the resource allocation plans is still being awaited? John, will

you still be waiting for other decisions on reform and whether the education and skills authority (ESA) will happen? The irony is that the maintenance issues could remain the same. We have been well aware of the build-up of maintenance but have been unable to address it because of insufficient money. It is possible that the same could apply to PEDU's recommendations. How do we break that cycle?

Mr McGrath:

In some cases, we have gone beyond the stage 1 report. For example, we have already acted to take savings out of professional support services, which was an area that the stage 1 report considered. Therefore, we have moved to reflect the fact that the PEDU report highlighted some duplication of practice. We have taken money out, and we have acted.

The stage two 2 report is more detailed. We are doing a lot of work on transport. To be frank, the boards have told us that they cannot take that amount of money out. Therefore, we wait with interest to see what the PEDU report will say. If the team brings up solid recommendations and identifies scope for savings in catering, I am sure that the Minister will want to move on them, particularly on increasing professionalism and adopting a more commercial approach to its operation.

We have always regarded PEDU's work as being a useful resource to help us as we enter the current budgetary period, and we have worked closely with the PEDU team. They have been busy in the system, and we look forward to seeing what emerges from stage 2.

Mr McNarry:

Time is marching on, but I have high regard for and expectation of PEDU. I know that there are only a couple of people in the unit, but, as long as they are not frustrated, they have an ability to bring forward good reasons for improvement. Will you let the Committee know what elements of the stage 1 report you have implemented?

Mr McGrath:

I will be happy to produce a note on that for the Committee.

Mr McNarry:

That will help us and guide us through. I ask that question because a couple of areas concern me. The stage 1 report states that the education and library boards (ELBs) were not directly involved in the evidence-gathering or consideration of the PEDU analysis. Is that happening in stage 2?

Mr McGrath:

No. Much of stage 1 was desk work, such as gathering data and statistics. Stage 2 drills down into the system. PEDU is out talking to catering, transport and administrative officers in all five boards and is heavily engaged with them.

Mr McNarry:

Is there any chance that the ELBs will be directly involved in PEDU's evidence-gathering? The report states that the ELBs were not involved in stage 1 because of the timescales.

Mr McGrath:

As stage 1 covered many areas across the piece, it focused largely on statistical analysis.

Mr McNarry:

I understand that. Someone is making the point that it should be noted that PEDU could not directly involve ELBs because of the timescales. Does that mean that they were not needed, or is it, in some way, dismissive?

Mr McGrath:

No, it is not dismissive. PEDU went to information sources.

Mr McNarry:

Will no one from PEDU go to the ELBs in stage 2?

Mr McGrath:

No. PEDU is going to the boards and taking data from board officers on the two areas on which stage 2 focuses. At stage 2, PEDU is drilling down into the system.

Mr McNarry:

I hope that the information that you supply to the Committee will explain what PEDU means when it refers to:

“unexplained variations in costs of provision from one Board to another”.

Although PEDU did not take evidence from the boards, it obviously has that information. There were also:

“unexplained changes in the costs of provision over time.”

Has PEDU referred to that in stage 1?

Mr McGrath:

As you said, stage 1 identified a number of variations in different areas, and we are pursuing those issues with the boards. We hope that stage 2 will give us more meat.

Mr McNarry:

So you are pursuing the areas that PEDU identified, and you will tell us how you are pursuing them?

Mr McGrath:

We will prepare a note for you on the areas that are not being covered in stage 2.

Mr McNarry:

Does that mean that you will be able to tell us something about the cleaning services in the boards?

Mr McGrath:

We will prepare a note stating what we are doing. I will be honest; that is not an area that we have gripped as much yet.

Mr McNarry:

It says in the information that I have that:

“The Report identified significant cost variations across Boards and between Boards and schools. The Department intends to explore ...”

Are you telling me that it is not a big issue for you? You may not be gripping it, but somebody

better give me —

Mr McGrath:

I said that that is one issue that we have not got to yet, because that is how we work.

Mr McNarry:

You are doing it in your own time, John, so we had better wait for it. Is that what you are saying?

Mr McGrath:

No, David, I am not saying that.

Mr McNarry:

The report states:

“The Department intends to explore the unexplained variations ...”

So will you be explaining to us those variations in the cost of cleaning services? The reason I ask is that those are key procurement issues.

Mr McGrath:

We will want to pursue all the areas in which PEDU highlighted variations. In some cases, boards will say that PEDU has not compared like with like. However, if we think that there is a case to answer, we will want to pursue it, because, within the system, a great deal of money is tied up in cleaning services, as, indeed, is the case in catering.

Mr McNarry:

I hope that the Committee will receive a document showing what the report said, what the Department is looking at relative to that report and what action has been taken. You should be able to supply that stage 1 information.

Mr McGrath:

We will write you a note on what has been done since and what is intended.

Mr McNarry:

Can it be a detailed note?

Mr McGrath:

It will be as detailed as we can get it.

Mr McNarry:

I will not know whether that is good enough, John, until I see it. Your analysis of “as good as we can get it” leaves me hanging up in the air. I will just have to wait to see whether it is any good.

The Chairperson:

John, I want to ask a question about CCMS. I am not picking on CCMS; my question follows on from Phil’s earlier point about the silo and the review. PEDU has given us some pretty startling figures. I accept that CCMS is a small organisation, but its staff complement has increased by almost 52% from 2002 to 2009. I am critical of the Department for compounding its rationalisation problem. The Department provided additional funds and shifted money from one budget to another to give CCMS the wherewithal to carry out its review. Following on from Trevor’s point, that was a stand-alone review, which focused solely on maintained schools. The phrases used are remarkable. It talks about:

“The Review Team understands that DE sanctioned an increase ... With this in mind it is also noted that a significant number of ...staff (well in excess of 20) are not on permanent contracts. This makes the savings capable of being realised once, in the view of DE, the need has concluded. ”

The review has concluded, so when can action be taken to resolve that issue? You have now left a disparity by funding something in one sector but not funding it to the same degree in other sectors, including Irish medium, integrated, controlled and voluntary grammar.

Mr McGrath:

First, that organisation is being affected. Funding is being withdrawn from CCMS, which probably feels that it has taken the biggest hit because it has lost a block of funding across the board. We have already taken action to impact significantly on the staffing at CCMS, which should make it rationalise significantly its structure.

Whatever proposals eventually emerge from the post-primary review will have to be subject to

departmental endorsement. It was not automatically the case that those who did not seek broader collaboration would not be challenged. I do not have the details, but, when CCMS was given money to review planning post-primary provision, so were all the boards. The issue at the time was, and Jonathan made the point earlier, that CCMS and the commission embarked on a major, explicit exercise, whereas post-primary provision and planning across the five boards was a bit hit and miss.

The Chairperson:

What work do you want to explore in connection with teachers' pay and pensions administration as a result of the report? What can be done? PEDU has carried out a detailed analysis, and I concur with the Deputy Chairperson's comments about the value of that unit. For a while after PEDU was established, some were sceptical about what it could or might do. It has certainly done a good job in analysing the Department and presenting its overview and conclusions. Teachers' pay and pensions administration is a hot subject with staff at the moment. What is the Department doing about that following PEDU's recommendations?

Mr McGrath:

We have been looking at the operation in Waterside House and accept that it is probably not as efficient as it should be. A great deal of custom and practice has built up there over the years. Some of that was highlighted at the Public Accounts Committee (PAC) hearing on substitute teacher costs, at which it was highlighted that the definition of sickness depended on the ELB. In some operational areas, we had five sections of staff operating in Waterside House, one for each board. We did not have sufficient flexibility of staff, so we are examining how we can get a more professional operation, in efficiency and cost, as well as in providing the services of a modern system to teachers and pensioner teachers. We are progressing that work carefully, but in a way that cannot be misunderstood. Every day in Derry, there is a rumour that we are about to privatise Waterside House, but that is not the case.

The Chairperson:

It seems that there has been an increase in the number of staff dealing with teacher and pension administration since 2002. The number of CCMS staff has increased since 2002, and there has been an increase in staff in CCEA since its creation. I am told that, when it was originally

created, there were between 20 and 30 staff, and now there are in excess of 300. In contrast, the boards had a vacancy control policy imposed on them. That has been detrimental to their ability to expand, but they managed it, and some staff have left. Waterside House is under the control of the Department, so it is not as though it is an arm's-length body over which the Department could have no control. Why was an empire allowed to be built? PEDU said that the empire is bigger than it need be, and your comments raise serious concerns about its effectiveness.

Mr McGrath:

We take PEDU seriously because, as David said, we see it as of value, at the very least for coming in and asking questions that need to be answered. I am not sure that wrapping up CCMS, CCEA and the branch up in Waterside House together compares like with like. They are all different animals. Vacancy control applies to all bodies in the education sector. It applies to CCEA no less than to boards. Some of those other organisations have the same issues with senior management and vacant posts.

The report raises issues about the operation of the Waterside House branch. Similarly, some issues, as I said, came out of the PAC hearing and the report on substitution costs to the operation there. We take that seriously and will look at in the context of achieving an efficient operation, while taking out the savings in the departmental staff budget that are predicated in the savings delivery plan.

The Chairperson:

My final question, which I ask John to take back to the Department, concerns school transport. I hear considerable concern about the provision of school transport by operators from outside Northern Ireland — from the Irish Republic — in the Western Education and Library Board.

Individuals and organisations have repeatedly attempted to find information on what is going on. The board is saying only that it is a procurement issue that is subject to tender, that is must be careful and cannot give out information, and so on. The PEDU report raises issues about how we can find efficiencies in transport. However, I believe there are current practices that are not in the best interests of the safety of the children being transported or getting value for money. I ask that the Department consider that issue and come back to us with ideas and information about what is

happening with school transport, because it is a serious issue.

Mr McGrath:

Chair, I do not have the details, without which I would be concerned to accept that there is a serious problem. I do not doubt the point that you made. I am just not sure what you want us to look at. If you want to write to me, I am quite happy to take it up.

The Chairperson:

Yes. I will bring it back to the Committee next week, and we will write to the Department. OK.

John, we must conclude the meeting because we have lost our quorum. I again thank Mark and Diarmuid, who got an easy ride today. No doubt, a queue of members is waiting outside for Diarmuid. I think that is why we lost our quorum. Thanks again for your help, John.