

Education Authority Annual Report and Accounts 2017-18

Report of the Comptroller and Auditor General to the Northern Ireland Assembly

Introduction

1. The Education Authorities (EA's) financial target is to contain expenditure within the accrued limits approved by the Department of Education (DE)¹ and the Department for the Economy (DfE)².
2. In 2016-17 I reported on the EA's overspend of £19.1 million compared with the resource budgets allocated by DE and DfE, indicating my intention to report further on this matter, to see what lessons have been learnt and how the EA has strengthened its financial management.
3. In addition, in October 2018, I published a report 'The Financial Health of Schools'. My report indicated an environment where there is pressure on school budgets, increasing pupil numbers and schools with sustainability issues. I concluded that DE and the EA needed to undertake a fundamental review of how schools are funded.
4. My 2017 report 'Special Educational Needs' recommended that DE and the EA should review the current funding arrangements to ensure that available resources are used effectively to meet the needs of all children with SEN.

Overspend of £16.6 million in 2017-18

5. The absence of Ministers delayed the budget setting process for 2017-18. As a result DE provided the EA with cash limits for the period to 31 July 2017 in March 2017 and formally confirmed the 2017-18 budget in June 2017. Ongoing engagement between the EA and DE to agree a budget plan commenced in March 2017 and concluded when the EA submitted a signed/complete budget plan in January 2018, which DE subsequently approved.
6. DE provided a resource allocation for education services of £1,833.5 million in 2017-18. However, the EA's expenditure was £1,851.1 million, resulting in an overspend of £17.6 million. There was an underspend on student and further education support services funded by DfE. As a result the EA overspent by £16.6 million compared with the overall resource budgets allocated by its sponsoring departments in 2017-18 (**Figure 1**).

¹ Department of Education funding is provided for education and youth services

² Department for Economy funding is provided for student and further education support services

Figure 1: EA 2017-18 Resource Expenditure compared with Budget

	DE		DfE	Total
	Education	Youth		
	£'000	£'000	£'000	£'000
Net expenditure per the Statement of Comprehensive Net Expenditure	2,020,512	43,000	13,221	2,076,733
Non-cash and other adjustments	(169,398)	(7,600)	(375)	(177,373)
Net Expenditure	1,851,114	35,400	12,846	1,899,360
Budget	1,833,487	35,401	13,826	1,882,714
(Overspend)/Underspend	(17,627)	1	980	(16,646)

7. I note that the EA revised its accounting policy to include schools stocks of £9.3 million as inventory for the first time in 2017-18. The inclusion of school stock as an asset at year-end reduces expenditure recorded in the Statement of Comprehensive Net Expenditure for the year. Thus had the EA not changed its accounting policy in relation to schools stocks, the overspend for 2017-18 would have been £9.3 million higher.
8. The EA's £17.6 million overspend on the education budget is mainly due to overspends in Special Educational Needs (SEN) (£12.7 million) and School Meals (£2.4 million), together with an unfunded cost of £5.3 million arising from the introduction of the Apprenticeship Levy³. The financial position was offset by net underspends in other service areas totalling £2.8 million.
9. The EA advised that the issues which led to an overspend in education services in 2016-17 are still prevalent in 2017-18. The EA stated that as budget allocations have essentially remained cash flat, it was unable to absorb in-year pay and price inflationary pressures and increased demand pressures. EA advised that they have mitigated the level of the overspend by continuing to identify savings in year, with over £31 million delivered in 2017-18. However, there still remains systemic constraints in the education system which can only be addressed through transformation, as over 90 per cent of the services provided through the block grant continue to be statutory or contractually driven with a significant proportion of costs staff-related and the EA continue to have limited powers in respect of school budgets.
10. The EA has indicated that it has developed a new approach to schools' financial planning for 2018-19 and that this was rolled out at a range of engagement events in March 2018. This approach includes undertaking a financial health check of schools, which includes identifying actions schools and Boards of Governors could take to reduce spending without impacting educational outcomes.

³ The Apprenticeship Levy on employers was introduced on 6 April 2017 to fund new apprenticeships. The levy is charged at a rate of 0.5% of an employer's paybill. The levy is only paid on annual paybills in excess of £3 million and each employer receives an allowance of £15,000 to offset against their levy payment.

11. The EA and DE have recognised the need for transformation of the education sector and the DE has commenced planning for a transformation programme to manage cost and improve educational outcomes.
12. In August 2018 the Northern Ireland Affairs Committee launched an inquiry into education funding in Northern Ireland to examine whether the levels of funding allocated to education in the Northern Ireland Budget are sufficient to meet the challenges facing the sector. Oral evidence sessions are on-going.

Conclusion

13. I am concerned that once again the EA has overspent on its budget. My recently published report on the financial health of schools highlighted the pressure on education funding and I therefore welcome the EA and DE's recognition of the need to reform the education sector, which I consider urgent.
14. I will continue to keep this area under review, reporting again as necessary.

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