

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

Introduction

1. The Education Authority's (EA) financial target is to contain expenditure within the accrued limits approved by the Department of Education (DE) and the Department for the Economy (DfE).
2. The EA has exceeded its annual financial target for a third consecutive year. I reported on the EA's overspend compared with approved limits in the 2016-17 and 2017-18 accounts.
3. In addition, my 2018 report 'The Financial Health of Schools' recognised the pressures on school budgets, such as, impacts from increasing pupil numbers and continued funding for unsustainable schools. I concluded that such issues cannot be resolved until there is a fundamental review of how our schools are funded.
4. My 2017 report 'Special Educational Needs' (SEN) also recommended a review of funding arrangements to ensure that resources are used effectively to meet the needs of all children with SEN.

Overspend of £14.6 million in 2018-19

5. DE provided a budget for education services of £1,906.0 million for 2018-19. The EA's actual spend on education services in the period was £1,920.9 million, resulting in an overspend of £14.9 million.
6. There were underspends on student and further education support services funded by DfE and on youth services funded by DE. This meant the overall overspend by the EA was £14.6 million in 2018-19 (**Figure 1**).

Figure 1: EA 2018-19 Net Expenditure compared to Budgeted Expenditure

	DE		DfE	Total
	Education	Youth		
	£'000	£'000	£'000	£'000
Net Expenditure¹	1,920,955	36,598	12,900	1,970,453
Budget	1,906,043	36,641	13,168	1,955,852
(Overspend)/Underspend	(14,912)	43	268	(14,601)

7. The EA indicated that the reason for the overspend on the Education budget in 2018-19 was mainly due to overspends in Special Educational Needs (£5.3 million), rates (£1.2 million), transport (£3.3 million), increases in schools' deficits (£3.3 million), and

¹ Net expenditure per the Statement of Comprehensive Expenditure less Non-cash transactions and other adjustments – see Note 27 to the Accounts on page 145.

headquarter costs (£2.2 million). The overspend on the Education budget was offset slightly by net underspends in other service areas (£0.4 million).

8. Details of overspends compared with budgets for the last three years are set out in **Figure 2** below.

Figure 2: EA Overspends 2016-17 to 2018-19

	2018-19 £000	2017-18 £000	2016-17 £000
Net Expenditure	1,970,453	1,899,360	1,562,505
Budget	1,955,852	1,882,714*	1,543,429
(Over)/Under spend	(14,601)	(16,646)	(19,076)

* Responsibility for funding all Voluntary Grammar Schools and Grant Maintained Integrated schools transferred from the DE to EA from 1 April 2017, increasing the budget by £309 million.

9. The EA advised me that the issues which led to overspends in education services since 2016-17, are still prevalent today, and are reflective of the significant financial pressures facing the education sector, with pay and price increases being unfunded for the past five years, combined with growing service pressures across the educational sector. On this basis, EA further advised the budget for 2018-19 did not take into account pay and price inflationary pressures and did not fully meet pressures from increased demand. EA also highlighted that the deficit position was mitigated to some degree by savings of £17 million achieved in the period, bringing the total savings delivered since 2015-16 to £81.5 million.
10. EA told me that given the scale of the challenges facing the education sector, the EA is focused on developing a longer term strategic recovery plan to address the EA's and schools' financial stability and sustainability. This is a significant undertaking that will fundamentally shape the scale and scope of service delivery to schools, children and young people for a generation and it is anticipated that it will take a period of 3 to 5 years to ensure that the appropriate arrangements can be fully considered, evidenced, consulted upon and implemented.
11. My 'Financial Health of Schools' report noted the number of schools operating in deficit. It is concerning that the number of schools which are in deficit continues to increase, with the EA reporting that the number increased from 249 in 2015-16 (24%) to 451 in 2018-19 (45%)².
12. Recognising that schools were under severe pressure, the EA developed a new approach towards schools' financial planning in 2018-19. This included undertaking financial health checks of schools and identifying actions to help reduce spending without impacting on educational outcomes. However, the benefits of this work may not be evident for another year or more.

² Figures exclude Voluntary Grammar Schools and Grant Maintained Integrated Schools as these schools are self-governing.

Education Transformation Programme

13. In 2018-19 DE established an Education Transformation Programme in order to review aspects of the existing education system, identifying where improvements could be made and deliver a managed programme for the benefit of children and young people. A series of projects have been commissioned by the Education Transformation Board to identify solutions to some of the key challenges faced by the education system and develop policy options for a future Minister of Education. A key project is a review of the Common Funding Scheme.

Northern Ireland Affairs Committee Review

14. In July 2019, the House of Commons' Northern Ireland Affairs Committee (NIAC) published its report 'Education funding in Northern Ireland'³. The NIAC recognised the extreme challenges facing our education sector and made a number of recommendations that it considered would ease immediate pressures on the education system, whilst a strategic reform of the school system is considered. A response has been provided⁴.

Conclusion

15. Whilst I acknowledge the financial pressures education funding is under, it is important that the EA lives within its budget. I will continue to keep this area under review.



KJ Donnelly

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³ The full report is available at:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmniaf/1497/1497.pdf>

⁴ 'Education Funding in Northern Ireland: Government Response to the Committee's Ninth Report of Session 2017-19' is available at

<https://publications.parliament.uk/pa/cm201920/cmselect/cmniaf/174/174.pdf>