

Budget 2016-17

Department of Education

9 March 2016

Background

1. The 'Fresh Start Agreement' committed the Executive to producing a balanced Budget for 2016-17, agreed by the Assembly, by the end of January 2016. The Executive agreed Budget 2016-17 on Thursday 17 December 2015 and this was followed by the then Finance Minister making a written statement on the same day. Budget 2016-17 was subsequently passed by the Assembly on 19 January 2016.
2. Due to the time required to initiate, produce and agree a Draft Budget, commence consultation and produce and agree a Final Budget, the Executive agreed to a one stage approach, with no formal public consultation for this one year Budget for 2016-17.
3. Clearly, Budget 2016-17 is taking place in a very difficult economic environment, especially in light of the real terms reduction to the Executive's Resource Budget position imposed by the Westminster Government. As noted previously by the Finance Minister:
 - In cash terms the overall Executive Resource Budget for 2016-17 is 0.9% higher than 2015-16;
 - However this means an overall real terms reduction of 0.8%;
 - By 2019-20, the overall Executive Resource Budget will have reduced by 5.3%, in real terms;
 - However, the Executive's conventional Capital Budget is forecast to increase by 12 % in real terms by 2020-21.

Budget 2016-17 Outcome

4. In comparison to the 2015-16 opening baseline, the Budget 2016-17 funding allocations for the Department's Resource and Capital budgets are as follows:
 - The Resource Budget has increased by £33.3m or 1.7%;
 - The Capital budget has increased by £46.9m or 32%.

Resource

5. The final Resource outcome of Budget 2016-17 for the Department is summarised in the table below:

	£m	£m
Original 2015-16 Opening Baseline		1,914.2
Add: Employer Pension allocation per 2015-16 June Monitoring		34.7
Revised 2015-16 Baseline		1,948.9
Less: 5.7% Reduction	(110.5)	
Add: Allocation	40.0	
Less: adjustment for PEACE IV / Change Fund / Departmental Restructuring	(1.6)	
Net Cash Reduction		(72.1)
Add: 2016-17 VES allocation		70.7
Final 2016-17 Resource Budget		1,947.5

6. As set out in the table above, as part of the 2015-16 June monitoring round, the Department received £34.7m in respect of additional Employer Pension costs, which was agreed by the Executive as part of the Budget 2015-16 process. Hence the revised opening position is £1,948.9m.
7. As part of the Budget 2016-17 process, the Department's Resource Budget was then reduced by 5.7% or £110.5m which was offset by the allocation of £40.0m secured by the Minister as part of the Budget 2016-17 negotiations. A further adjustment of £1.6m was made to deduct the funding for PEACE IV and the 2015-16 Change Fund allocation for Nurture Units and add the Departmental Restructuring transfer.
8. An allocation of £70.7m was received from the Public Sector Transformation Fund for teaching and non-teaching Voluntary Exit Scheme (VES) and the Investing in the Teaching Workforce Scheme. This funding can only be used to

fund specific outputs as agreed by the Executive, and cannot be used to fund general Education expenditure.

9. Hence on a like for like basis with 2015-16, the Budget 2016-17 Resource allocation for Education **means a net cash reduction of £72.1m or (3.8%)**.

10. However, although the Budget 2016-17 Resource outcome is challenging, the position for Education is significantly better than previously anticipated.

Capital

11. As noted above, the Department has been allocated a total Capital budget of £193.7m, which includes £20.3m of capital funding from the Economic Pact to fund the projects agreed under the Together: Building a United Community (TBUC) initiative. The total 2016-17 Capital budget represents an increase of £46.9m or 32% on the opening 2015-16 capital allocation

Further Resource funding allocation: June 2016-17 Monitoring

12. The Minister very much welcomes the announcement, on 10 February, by the Finance Minister of an additional allocation of £20m for Education in 2016-17, which further demonstrates the Executive's commitment to our young people's future, by supporting education.

13. This funding will be allocated to the Department as part of the June 2016-17 Monitoring Round, subject to availability of funds and the ratification of the incoming Executive.

14. The Minister has allocated the 2016-17 Resource Budget on the basis that the £20m funding commitment will be honoured in the 2016-17 June Monitoring round, £15m has been allocated to the Aggregated Schools Budget and £5m to the Education Authority Block Grant, to address pressures on Special Education Needs (SEN).

15. The £20.0m is shown as an over commitment in the Resource Budget allocation schedule at Annex A. Taking this further allocation into account **means that the net cash reduction is £52.1m or 2.7%**.

Process undertaken

16. The scale of the net cash reductions required in 2016-17 means that these cannot be delivered through efficiency savings alone, especially in light of the savings already delivered for Budget 2015-16 and during the Budget 2011-15 period. In a tight financial context, very difficult choices therefore have to be made.
17. The above cash reduction does not take account of inescapable cost pressures in 2016-17, such as pay increases, changes in National Insurance contributions, price inflation and meeting statutory and contractual commitments.
18. As a result of the overall real terms reduction imposed by the Westminster Government on the Executive total Resource 2016-17 Budget, none of these have been funded as part of the Budget 2016-17 Final Outcome for Education. The Minister has therefore decided that pay and price pressures are to be absorbed in 2016-17, on the basis that to fund these would simply involve equivalent reductions elsewhere in the Education budget. Those pressures that are not pay and price related are to be addressed through the 2016-17 Monitoring Round process.
19. The Budget process has identified specific inescapable pressures that the Minister has agreed to fund. These are summarised below:

Pressures to be funded	£m
Pathway Fund	2.0
CCEA Development Costs for Additional GCSEs	1.0
Free Schools Meals Entitlement	0.8
C2K ICT costs	0.7
Others <£500k	2.9
TOTAL	7.4

20. Adding the funded pressures of £7.4m to the above net cash reduction of £52.1m **gives a Funding Gap of £59.5m.**

21. In addressing the Funding Gap the Department has examined all areas of the Resource budget. This work has identified budget areas where some, or all, of the 2015-16 baseline can be proactively reallocated to address the 2016-17 funding gap. These are summarised in the table below:

	£m
2015-16 Savings Delivery Plan Provision	13.4
2015-16 Contingency Fund	5.6
Carbon Reduction Commitment	1.1
ICT & PPP costs	1.0
DSC Literacy & Numeracy expansion	0.9
Independent Counselling Service costs	0.6
Other < £500k	2.5
Total	25.1

22. In reaching final decisions on 2016-17 Budget reductions, the Minister has:

- Focused on protecting the Aggregated Schools Budget as far as possible, promoting equality and raising education standards;
- Taken into account his strategic priorities for 2016-17;
- Considered the impact of 2015-16 Voluntary Exit Schemes within the Department and NDPBs and the impact of the 2015-16 Budget reductions;
- Secured the continuation of specific programmes that reflect the Department's statutory responsibilities;
- Continued to tackle social disadvantage; and
- Ensured that support for children with Special Education Needs is prioritised, as much as possible.

23. The Minister has agreed the following Budget reductions in 2016-17:

	£m
EA Block Grant	22.0
DE Staffing	1.5
CCEA	1.0
Other	1.0
Aggregated Schools Budget	10.0
Total	35.5

24. The outcome of the Minister's decisions for the Education 2016-17 Resource Budget are summarised below:

	£m
Budget 2016-17 Net Cash Reduction	(72.1)
Add: June monitoring 2016-17 funding	20.0
Revised 2016-17 Net Cash Reduction	(52.1)
Less: Funded pressures	(7.4)
2016-17 Funding Gap	(59.5)
Addressed by	
2016-17 Budget re-allocations	25.1
2016-17 Budget reductions	35.5
Balance: 2016-17 Contingency Fund	1.1

25. The Funding Gap of £59.5m has been addressed by identifying £25.1m of Budget re-allocations and £35.5m of 2016-17 Budget reductions, leaving a net balance of £1.1m, which the Minister has agreed to allocate as the 2016-17 Contingency Fund, in line with best practice. This represents 0.06% of the total Education 2016-17 Resource budget.

Review of Earmarked Funds

26. During 2015-16 the Minister requested a Review of earmarked funds be undertaken. The aim of the Review was to ensure that the earmarking of any funds, both to Schools and Youth and other smaller NDPBs, remained appropriate, was fit for purpose and was consistent with, and supported, departmental policy objectives.

27. As a result of the Minister's decisions on the Review, nearly £120m of funds, which were previously allocated to the Education Authority in 2015-16 as earmarked funds have now been transferred to the Education Authority Block Grant. This transfer will provide the Education Authority with significantly greater autonomy on how it allocates its funding.

Final 2016-17 Resource Budget Allocation

28. Following the Minister's decisions the final 2016-17 Resource Budget allocation is set out at Annex A.

2016-17 Capital Budget

29. The table below shows the initial indicative 2016-17 Capital Budget allocations by capital programme.

	£m
Major Capital Programme	55.0
Schools Enhancement Programme	44.0
Minor Works	51.4
Youth	9.0
Other	14.0
Sub-total	173.4
TBUC Capital	20.3
Total	193.7

30. As set out at paragraph 11 above, the Department has been allocated a total capital budget of £193.7m, which includes £20.3m Economic Pact capital funding which will be applied to the Strule projects and 3 Integrated Primary Schools which were selected to be funded under the Together: Building a United Community (T:BUC) initiative.

31. The Minister has decided initial indicative budget allocations by programme for 2016-17 and these are shown in the table above. It is anticipated that the uplift in the 2016-17 Capital Budget will ensure that all of the major works projects due to progress to construction stage next year will have sufficient capital funding available to allow them to do so. It will also allow some of the backlog in minor works schemes, which built up as a result of the 2015-16's constrained budget, to be cleared. The improved capital budget position will also facilitate the release of additional School Enhancement Programme schemes to construction.

Assessment of Impacts – Equality and Good Relations

32. The Department is committed to ensuring that it fulfils its duties under Section 75 (1) and (2) of the Northern Ireland Act 1998 in relation to having due regard to the need to promote equality of opportunity and to have regard to desirability of promoting good relations.
33. Tackling educational inequalities and disadvantage is a core priority for the Department and the budget will continue to be deployed in support of this objective. The promotion of equality of opportunity and good relations is also an important part of ongoing policy development, legislative activities and operational programmes. In managing the 2016-17 Resource Budget, the Department is making every effort to protect the Aggregated Schools Budget whilst reducing unnecessary administration.
34. The Department has also sought to ensure that the required reductions to its Resource Budget are applied as far as possible in a manner that does not differentially or adversely affect one s75 category, over another.
35. The Department has carried out a preliminary high level screening of the impact of the budget reductions detailed at paragraph 23 above on section 75 groups and these indicate that there will not be a differential adverse impact across the equality groupings.

Department Restructuring

36. The new Department of Education has the following responsibilities: existing DE plus a range of children's services, policy responsibility for Children and Young People but excluding child protection which remains in DHSSPS; and policy responsibility for Childcare Strategy from OFMDFM.
37. Funding however, will be not be transferred for the Childcare Strategy as historically this has been drawn down from the Central Fund for Childcare and therefore will need to be bid for during 2016-17, as part of the in-year Monitoring Round process.

38. As agreed by the Executive, the 2016-17 June Monitoring round will also provide new Ministers, as an exceptional provision, with flexibility to reallocate budgets in line with their priorities without requiring the agreement of the Executive.

2016-17 Resource Budget Allocation

	£m
Aggregated Schools Budget (including Transition Fund):	1,167.5
Education Authority Block Grant	498.1
Earmarked Funds	125.1
VGS/GMI Central funds	43.3
Other NDPBs and Other Education Services	39.8
Early Years Provision	28.5
Youth and Community Relations	33.1
Department of Education	30.7
2016-17 Contingency Fund	1.1
Total	1,967.5

Note – this table may not add due to roundings

The total 2016-17 Resource Budget of £1,967.5m is funded as follows:

- Final 2016-17 Budget outcome: £1,947.5m;
- June 2016-17 Monitoring allocation (over commitment) £ 20.0m.