



Northern Ireland
Assembly

Committee for Education

OFFICIAL REPORT (Hansard)

October 2021 Monitoring Round, Budget and
Strule Shared Education Campus:
Department of Education

3 November 2021

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Chris Lyttle (Chairperson)
Mr Pat Sheehan (Deputy Chairperson)
Mrs Diane Dodds
Mr Daniel McCrossan
Mr Justin McNulty
Mr Robin Newton

Witnesses:

Ms Sinead Crossan	Department of Education
Mr Gary Fair	Department of Education
Mr Seamus Gallagher	Department of Education
Ms Jennifer Morgan	Department of Education
Mr Stephen Van Houten	Department of Education

The Chairperson (Mr Lyttle): I welcome, from the Department of Education, Gary Fair, director of finance; Stephen Van Houten, deputy finance director; Seamus Gallagher, acting investment and infrastructure director; Sinead Crossan, Strule Shared Education Campus business change manager; and Jennifer Morgan, Strule Shared Education Campus construction director. You are very welcome to the Education Committee. Thank you very much for giving us your time. I give you 10 minutes to make an opening statement, to be followed by questions from members.

Mr Gary Fair (Department of Education): Thank you. May I check that you can hear us OK?

The Chairperson (Mr Lyttle): We can. That is some of the best audio quality that we have had, Gary. That is a good start. *[Laughter.]*

Mr Fair: As long as you can hear us. We are spread across the room, so, if you need us to, we can move at any point as we change who is speaking. Thank you very much for inviting us. We can only see you at the moment, but I am sure that the video will be corrected shortly. I presume that you can see us.

The Chairperson (Mr Lyttle): We can. Even if you can only see me, the other members can hear you. Apologies that you are being subjected to seeing only me. *[Laughter.]*

Mr Fair: I will give a brief outline of our October monitoring bids, covering the resource and capital sides, and the outcome of October monitoring. You might want to open it up to questions after I have done that, before you move on to the other areas. Are you content with that approach?

The Chairperson (Mr Lyttle): It sounds good. Yes.

Mr Fair: I will refer to the paper that we shared with the Committee as required, which we were happy to provide, updating you on the October monitoring position and the bids that were submitted by the Department. To give context, we outlined the position that we were left in after June monitoring, when we identified pressures of £178.9 million, of which £76.4 million was bid for. I will not run through all the detail, but we managed to secure additional resources. You will recall that, at the start of the year, the Department was overcommitted. We were reliant on getting roughly £81 million from the centre, and we secured that fairly quickly in the new financial year.

At June monitoring, we submitted £76.4 million of bids. Of those, £35.7 million was allocated to DE. There was £8 million for SEN for schools, particularly SEN coordinators, and £27.7 million to address other SEN pressures. SEN is obviously one of the biggest impacts on the block grant to the Education Authority (EA), probably eating about 50% of it. The service is in increasing demand. As you know, the Education Authority is looking at that side of things, but it is always a big financial pressure. We generally have success in securing additional resources in-year.

COVID bids of £40.1 million were submitted at June monitoring, although we got only £3.3 million in respect of them.

Capital bids of £18 million, including £14 million for minor works and £4 million for the EA ICT programme, were funded at June monitoring. Further capital funding of £19 million was provided for COVID-19-related expenditure and the provision of laptops to teachers.

I will not go through all of table 2. It gives the detail on where we stood with the June monitoring pressures that were identified and the funding that was allocated. Some funding was met internally from the Minister's contingency fund, and there were residual unfunded pressures at that point. With every new monitoring round, we review the position as it was at the end of the previous monitoring round. We go round all the directorates and the arm's-length bodies to review where the bids sit at that time.

There continue to be pressures on various pay fronts every year. The teaching pay award for the 2019-2020 pay settlement is £44 million. It was originally estimated that there would be savings of about £12 million, but, in reality, it will take longer for the savings to be delivered. Therefore, the residual pressure that we needed to bid for was £9 million, and we bid for that. There are the teaching pay award contractual incremental costs of £3.8 million, which was the residual amount that we needed to bid for. The teaching pay award for 2021 was identified as a pressure of £11 million. We did not bid for that at June monitoring, nor have we done so in this monitoring round because negotiations are ongoing with the teaching unions. It is early days, and the principle that Ministers have adopted over the past few years is not to bid until you have got to the point of agreement.

Some non-teaching pay pressures are still outstanding. The overall estimated pressure has increased. It is always a bit unclear at the start of the year exactly what it will look like, and it is estimated to be higher than what was originally anticipated. We bid for £7.7 million in the October monitoring round. These are real pressures that come through; they are nationally negotiated, and we do not have any local say over that.

We have bid for SEN pressures, and I have outlined the detail in that paragraph; I will not go through it all again. The SEN pressures are kept under constant review as the year goes on. We engage closely with the Education Authority and bid as required. A pressure of £19.9 million was supported for SEN.

Resourcing pressures in schools was, essentially, identified as a New Decade, New Approach (NDNA) pressure; the amount that was required — the shortfall, if you like — at school-spend level. We have not done anything about that at this point in the year because the Education Authority will probably not have a clear view on school spend until later this month. That is the kind of mismatch that we face with the financial year and the school calendar year. We are holding off on that in order to see where school spend sits. It could be a situation this year where the additional money that has gone in for COVID-related issues will have a beneficial impact on school budgets generally, as it did last year.

The Education Authority has identified block grant pressures of £42.1 million. If you jump to table 3 in the document, when you take SEN pressures and pay pressures out, it leaves pressures of about £11 million, which were bid for. You can see the various headings in that table that make up that pressure. Again, that is something that is kept under review as the year goes on, and we engage closely with the Education Authority. It is not always clear, from its point of view, exactly where some of those pressures will land as the year proceeds. We were certainly content, however, to support bids of £11 million at October monitoring.

School maintenance pressure was bid for at June monitoring but was not met, so we bid again. It was revised downwards. It is now estimated that only about £7.3 million can be spent this year, so that was bid for.

On teaching and non-teaching redundancies, as you know, there is no centrally funded voluntary exit scheme (VES) for Departments to access this year. In the past, it was done through reinvestment and reform initiative borrowing. The decision was taken by the Finance Minister not to go down that route this year, so all that we are seeking, again, is the minimal amount that is required, linked to school amalgamations, school closures etc and for SEN-related purposes.

Some additional pressures were identified at this monitoring round. We have been engaging with the Education Authority over recent months to review the funding of dual sites and in-year growth. That has been a problem area, which has been drawn to our attention and that of the Education Authority. Schools feel that they have been short-changed in some ways in the past, so we have done quite a substantial review of that. We are still not quite clear this year what the pressure will look like. The Education Authority came through with a higher figure than the amount that we felt that we could stand over, but we bid for an element for that pressure.

I have covered the EA block grant pressures. There were a number of other smaller inescapable and high-priority pressures, which made up a total of about £0.8 million.

Table 5 summarises the pressures of £75.42 million that were identified. As you will see from that table, the Minister was able to meet some of them out of the contingency fund. Table 6 shows the total of £61.9 million that we bid for to the Department of Finance. You can see the areas that I covered and that we focused on.

You will see the proposed priority order. In reality, as all of those are inescapable pressures and will impact on our overall budget at the end of the year if they are not funded, they are all, in a sense, of equal priority. However, when we submit bids, we are required to give a priority order. That probably explains why we were mainly successful on the SEN front.

I summarised the position that we got to with the Minister's contingency budget. When we started, the Minister kept aside about £9 million, and decisions were then made in the October monitoring round about some smaller pressures that could be met from the contingency fund. We also made a bid for VES pressures. As those had always been met by the centre in the past, we felt that it was appropriate to bid for them. However, it was still an urgent pressure that needed to be addressed, so, in the short term at least, that was met from the contingency budget. You will see that it is proposed that about £5 million is held back. That largely reflects the fact that it was unclear exactly how much we would get from the October monitoring round. It was a precautionary approach, and it is always prudent to hold some money back.

There were some reduced requirements. Those are summarised in paragraphs 40 to 43.

Some ring-fenced amounts also had to be surrendered. Obviously, if money is allocated to us from the centre in a ring-fenced way — I am referring entirely, I think, to COVID-19 funds, most of which were allocated for very specific purposes — those have to be declared and surrendered, unless we can make the case for moving the resources around under a more general heading and using them for an alternative purpose. That is summarised in paragraph 46, which shows that we were able to do that for the well-being and pastoral support recovery programme. We made the case that that funding could be used for a similar intention.

In this monitoring round, there was no money at the centre for depreciation and impairment pressures. We made bids for certain amounts, but nothing was allocated.

There were also a couple of reclassifications. Funding of £1 million was previously secured to enable youth providers without sufficient access to IT to deliver services to support young people and to ensure that those young people who are most vulnerable or at risk could access online youth services.

A request was made to reclassify £1 million from resource to capital for that purpose. I referred to us being able to move a small amount of ring-fenced funding. There was a reduced requirement, which is noted in paragraph 46. The additional educational needs team also requested to reclassify £0.8 million of its COVID-19 EA behaviour support budget from resource to capital.

Moving to capital —.

The Chairperson (Mr Lyttle): Gary, is it maybe worth us breaking it into resource and capital?

Mr Fair: That is fine.

The Chairperson (Mr Lyttle): That is on the grounds that members keep their questions concise.

Mr Fair: May I will just close off the resource element by indicating what we got in resource funding.

The Chairperson (Mr Lyttle): Yes.

Mr Fair: The outcome of the October monitoring round was that £9.2 million of resource funding was allocated to DE. Some £5.8 million was allocated to support special educational needs, which includes additional educational needs, SEN transport and temporary specialist support; £1 million was allocated for asymptomatic testing in special schools; £1.7 million was allocated for school pressures, including PPE; and £0.7 million was allocated for substitute cover, which was largely linked to absences as a result of COVID. As you suggested, I will leave the capital for now.

The Chairperson (Mr Lyttle): Yes, there is quite a bit of info to get through, Gary, so I appreciate that. Members should understand that we will also deal with capital and the Strule campus. Members, this will not be your only bite of the cherry to ask questions, so it would be helpful if we could keep the questions concise.

I will start, Gary. I am keen to cross-reference the bids with the allocations that were made in the October monitoring round. There was a £1 million bid for asymptomatic testing in schools, and the allocation was £1 million. That is good news. Yes?

Mr Fair: Yes.

The Chairperson (Mr Lyttle): That is for the supply of twice-weekly lateral flow tests.

Mr Fair: Yes. I should have said at the outset that there was no distinction between COVID- and non-COVID-related bids. They were all lumped in together. As you see from table 6 — I assume that the table numbers are the same in your paper— we identified special educational needs as priority one.

The Chairperson (Mr Lyttle): For members, table 6 is on page 136 of our pack. I will try to rattle through the bids reasonably quickly, Gary. I will come back to CO2 monitors during the capital presentation. The bid for PPE for Education Authority services was £3.4 million, and the allocation was £0.4 million. What is the implication of receiving an allocation that is significantly lower than the bid?

Mr Fair: The bid reflected the estimate of the identified need. The issue with all bids at a point during the year is that they are estimates of where, we think, the costs are likely to land. That is wrapped up in where we see the school spend going. There is no clear indication of that yet. The Education Authority will have a clearer idea of that later this month, as I said. It is a matter of saying that the totality of the funding that is making its way to schools will make the difference. That made the difference last year. It is a bit too early in the year to tell. If PPE for Education Authority services is still identified as a need coming up to January monitoring, we will review the position and bid again, if required.

The Chairperson (Mr Lyttle): OK. The bid for PPE for special schools was £0.7 million, and the award was £0.4 million. Is that adequate to meet the need?

Mr Fair: Again, it is a matter of waiting to see. At least, it is better that we got a fair proportion of that particular bid.

The Chairperson (Mr Lyttle): The bid for school-based pressures, including PPE, was £14.4 million, and the allocation was £1.3 million. That is a significant gap. What are the implications of that?

Mr Fair: Again, we need to wait and see how the school spend looks this year. Around £139 million of resource has already been put into the system for COVID-related issues. That is likely, hopefully, to have a positive impact. Again, if a pressure in that area is still identified, we will bid again in the January monitoring round.

The Chairperson (Mr Lyttle): You can see why we are concerned —

Mr Fair: Yes, absolutely.

The Chairperson (Mr Lyttle): — about the gap in relation to that bid. It is a gap of £13 million. It would good to get a bit more detail about the implications of that.

Mr Fair: It is a bit too early to see the impact, but we will probably have a better idea later this month as the school spend starts coming through.

The Chairperson (Mr Lyttle): The bid for substitute cover in special schools was £0.9 million, and the allocation was £0.5 million. We raised that issue earlier. I was contacted by people who were concerned about staff shortages in special schools. Is that bid in response to that issue, and is the allocation of £0.5 million adequate to meet that need?

Mr Fair: It will certainly be helpful. Ultimately, that pressure will land on the Education Authority. It will have to pick that up somewhere or other. We need to wait and see. Obviously, as we are all aware, staff absence has been a big issue over recent weeks. We will have to keep it under review in conjunction with the Education Authority.

The Chairperson (Mr Lyttle): It has gone so far as to require some schools to close early.

Mr Fair: Yes.

The Chairperson (Mr Lyttle): OK. It would be good to be kept up to date as to whether that is adequate resource to respond to that concerning issue.

Other bids are more capital-based, apart from the pay awards. The bid for the pay award for non-teaching staff was £7.7 million, and there was no allocation for that. Is that correct?

Mr Fair: That is right. We did not get anything for pay in the monitoring round.

The Chairperson (Mr Lyttle): The teaching pay award for 2021 was £3.8 million, and the bid for the teaching pay award in 2019 and 2020 was £9 million. There was also a bid for the voluntary exit scheme. None of those bids was met.

Mr Fair: That is right, although, as I said, for the voluntary exit scheme, it is a smaller amount, and that has been initially met out of the Minister's contingency fund. Ideally, we would continue to bid for that at January monitoring.

The Chairperson (Mr Lyttle): So, the Department of Education, in November 2021, has yet to meet the teaching pay awards for 2019 and 2020. Is that right?

Mr Fair: No, they have been met. It is just still highlighted as a potential pressure as the year proceeds because we do not have full cover for it. As you know, we have been trying to move, in recent years, to highlight what the pay pressures are rather than there being an assumption that the whole sector will just absorb pay pressures. That is one of the reasons why we do not bid for resources to cover any new pay increase until a settlement has been agreed. It is still a concern to us that the pay pressures are not baselined and are not included as part of our opening baseline every year.

The Chairperson (Mr Lyttle): Why are they not baselined?

Mr Fair: It is because of the pressures on the block grant, we are told. The Department is allocated a baseline. One of our issues every year is that we have to argue the case to have certain things included in our baseline that are not. For example, at the start of this year, we were living on a promise, to some extent, that we would get certain amounts, such as the confidence-and-supply money, focused on areas of deprivation, pay pressure and, at the start of this year, some COVID pressures. It is a bit of a concern, and it is a concern for future years as well.

The Chairperson (Mr Lyttle): OK. The total resource bid in the October monitoring round was £84.3 million, and the total allocation was £9.2 million.

Mr Fair: We actually only submitted bids of £61.9 million, because some elements of the pressures were met internally out of the Minister's contingency or were held back.

The Chairperson (Mr Lyttle): So, £61.9 million in bids and £9.2 million allocated. What is the implication of that?

Mr Stephen Van Houten (Department of Education): The non-COVID bids totalled £61.9 million. They are in table 6. The COVID bids that we submitted totalled £22.3 million, and those are in table 11. The total resource bid to DOF was £74.2 million.

The Chairperson (Mr Lyttle): OK. It is a significant amount: tens of millions of pounds in unmet bids. What is the implication of that for the resource budget, Gary?

Mr Fair: We are, obviously, very concerned because these are real pressures. We do not submit bids unless they have been robustly challenged by the Department. There is a confidence among our DOF supply colleagues that we will not submit bids unless we think that they are serious bids. It is a concern. It is now a matter of waiting until the January monitoring round, seeing where the pressures lie at that point in time and bidding again. That is our last opportunity of the year.

The Chairperson (Mr Lyttle): OK. So, there is a distinct possibility that, come the end of the year, you will not be able to meet all your requirements.

Mr Fair: At this point in time, that is our concern, yes.

The Chairperson (Mr Lyttle): How serious a problem is that?

Mr Fair: The problem is that, at different points in the year, it can be difficult to see where things will land by the end of the year. It is a matter of monitoring all these pressures as the year proceeds. Our only other opportunity —

The Chairperson (Mr Lyttle): OK. I am keen to bring other members in on the resource aspect. I have another quick question. Your reduced requirements included a reduced requirement of £3.3 million in respect of the Council for the Curriculum, Examinations and Assessment (CCEA) operational costs. It has been put to me a couple of times that that was a result of the centre-determined grades. Maybe you can respond to this. In frank terms, it has been put to me that, if centres conducted that work rather than CCEA, why did centres not receive the resource to do it?

Mr Fair: Well, there was not —

Mr Van Houten: CCEA is declaring a reduced requirement for the fees that it would have taken in. However, post-primary schools have benefited somewhat from that decision because they are not paying any fees to CCEA for the exams and their share of the aggregated schools budget has not been adjusted. In the past two years, because of COVID, post-primary schools have benefited from that.

The Chairperson (Mr Lyttle): OK. I am keen to bring in other members.

Mr Sheehan: Gary, thanks for that presentation. Chris highlighted the gap between the bids and the allocations. However, given the need to prioritise Health, it is welcome that £20 million could be made available to meet some pressures, particularly on special educational needs. It is positive that the monitoring round allocations were agreed by the entire Executive, but the level of bids just goes to

show how chronically underfunded our education system has been. Over the past 10 years, in particular, it has been estimated that up to £250 million in real terms has been stripped out of our education system.

In any event, I want to return to special educational needs, because it requires a lot of extra funding, and the Finance Minister was able to make some funding available. However, I am reminded of the Audit Office report from last year. It suggested that, despite hundreds of millions of pounds going into special education, neither the Department nor the Education Authority was able to show value for money. What steps have been taken to address that? How can we be sure that children with special educational needs are getting the support that they deserve and are entitled to?

Mr Fair: I do not feel qualified to get into the detail of that discussion. A lot of thought is being given to that, and a programme of work is being taken forward by the Department in conjunction with the Education Authority. A lot of thought is being given to it, and a lot of work is going on in the background, but I would not be the best person to give you an account of where that has got to.

Mr Sheehan: Who has lead responsibility for that in the Department, Gary?

Mr Fair: It would probably be Ricky Irwin.

Mr Sheehan: OK. I will return to that with Ricky at some stage. However, in light of that Audit Office report, when officials come to brief the Committee on budgetary issues, they should be able to brief us on that work in special educational needs.

I will move on to another issue. Could officials give us some overview or sense of what the outcome of the spending review will mean for the Education Department? I appreciate that you may not be able to give any certainty about the figures, but will you explain the benefits of a three-year budget plan?

Mr Fair: You are right: I cannot comment in any detail because the Department of Finance is still working through it and crunching the numbers. I suppose that we will have a better idea, hopefully, in the next week or so. There are definitely advantages to having a multi-year budget. All of us have been crying out for that for years. Even if it is not great news, it is better that Departments are aware so that there can be more effective planning.

As you pointed out at the start of your questions, the education sector has clearly been underfunded for quite a number of years, and there is a constant battle to try to get sufficient resources into our baseline. In a worst-case scenario, if we are given a three-year budget that does not look good, the challenges, probably at a political level as much as anything else, will be in what can and cannot be taken forward. We have certainly identified significant pressures, and we are waiting to see what our budget settlement might look like. However, there is obviously a big focus on Health, and we will just have to wait and see by how much we will benefit.

It is certainly better to have a three-year budget than a one-year budget. It enables better planning.

Mr Sheehan: OK. I note that some financial support was made available, in accordance with the 'A Fair Start' report, to purchase laptops, and that is welcome. Can I get an update on funding for the implementation of the 'A Fair Start' action plan? We heard in previous updates that the funding that had been provided was not what was required. Would a three-year budget be helpful in delivering a more sustainable funding package for that plan?

Mr Fair: I absolutely agree with that; in fact, it is essential. Funding has been one of the problems with the consideration of taking forward these important recommendations. Quite often, a commitment to funding this year will have a recurrent impact on budgets in future years, which has been very challenging for the Minister because, up until now, we have not known what budgets in future years will look like. Essentially, taking the recommendations in the action plan forward will require additional funding, because whatever budget settlement we get, money is likely to be very tight, and they are additional pressures. A three-year additional budget for the action plan of 'A Fair Start' is necessary, and it would be very welcome.

Mr Sheehan: Finally, on the issue that you raised, Chair, about the commitments on teaching and non-teaching staff pay and conditions, did I hear you right, Gary, that you were not absolutely certain that you could fulfil those commitments?

Mr Fair: No, definitely not. Any commitments that have been made to staff will be honoured. There is no question about that. The challenge for the Department is to make sure that we have enough budget cover year-on-year. No bid has been made for a teachers' pay settlement for this year because negotiations are ongoing.

The approach that we have taken has been to bid for the resources as settlements have been agreed. The challenge that we face every year is making sure that those pressures are part of our baseline. That is what has not been happening and did not happen this year. Although we did get a reasonable contribution towards it at the start of the year, we are still short in certain elements, as we identified in October monitoring. Any commitments that have been made to staff will be honoured. There is no question about that.

Mr Sheehan: Is there still a shortfall? If so, will you have to bid for that money in January?

Mr Fair: Yes. We will bid again then. We will reassess the pressures at that time. The Education Authority's identification of its pressures — block grant pressures and schools pressures — will become clearer within the next couple of months because of the way that the finances work due to the school year starting in September. We will have a clearer view then, but we will definitely bid for them because they are inescapable pressures, and they will invariably work their way through the system and potentially lead to an increase in school deficits or Education Authority overspend.

Mr Newton: I thank Gary and his team for being with us today. Like others, I welcome, as I did in the Chamber, the investment in special needs pupils and their education; it was a good move. The priority that Health got was not unexpected, but I made the point to the Finance Minister in the Chamber that making education a priority and investing in it has an impact on health. All the OECD studies indicate that, where you invest in the education of pupils, you get individuals who have a healthier lifestyle and live longer. So, there is an argument that if you want to take the pressures off the health service, you should invest in education in a more longer-term and strategic way. I suppose that the Education Committee will want to push to see that the Minister of Finance, in 2023, supports Education bids to a greater extent. Maybe our focus will be on the Minister of Finance to make sure that the funding for the crucial recovery of our young people and the support packages that the Minister asks for are adequately funded.

As you do, Chair, I have concerns around PPE, and if Gary and his team could keep us up to date, that would be useful and helpful.

Gary, I will turn to two areas. I cannot find it anywhere else, but paragraph 46 of your submission covers funding for addressing mental health issues. It is down here as having been reallocated within the overall well-being and pastoral support recovery programme. Are we getting professional help and have you budgeted for professional help in addressing the mental health issues of our young people?

Mr Fair: Yes. That is being taken forward at school level, particularly through the counselling service and the existing counselling contracts. Some of the other amounts that are referred to are additional amounts to supplement that, particularly with all that has happened over the past year and a half to two years. It is an area that is being taken forward proactively, both by the Education Authority and across schools, and funding has been made available. As you said, that is the only reference in the October monitoring bids, but funding is already being made available to schools to take forward a lot of the mental health strategy issues.

Mr Newton: Paragraph 49 is on the Youth Service, and you have indicated that £1 million was allocated to enable youth providers without sufficient IT access to deliver services to support young people. Maybe I have not spotted it, but I cannot find any mention of pupils getting sufficient IT support. I note that there is some there for teachers, but are we clear that all the pupils have sufficient IT support?

Mr Fair: As far as I am aware, there is confidence that there is that support out there. A lot of money was put in last year to assist and to move quickly in making sure that pupils and teachers had as much remote access and accessibility to learning as possible. I do not want to give a definitive view, but my understanding is that there is confidence that pupils have the access that they need. If they did not, that would have been drawn to our attention through a bid at October monitoring, and we have not had that. Seamus, do you want to come in on that?

Mr Seamus Gallagher (Department of Education): A capital bid of half a million pounds has been met for the supply of digital services under 'A Fair Start'.

Mr Newton: We were treating that as resource earlier. Has it been changed to a capital programme? It was a resource programme before.

Mr Fair: What Seamus said probably answers your question to some extent. Some additional money is going into providing devices for children, and that is through capital. All the capital bids were met. Presumably, we will come to that shortly.

Mr McCrossan: Thank you for the information shared this morning. I have a number of questions. I will go straight to it. Gary, you indicated that the costs of dual sites are a growing problem. That was never much of a secret: many have raised it over the past number of years. Will you tell us more about the situation? What exactly is the nature of the problems that you have raised? I note that you expressed reservations about the EA's costings of those pressures: what problem do you have with the EA's projections?

Mr Fair: It is not a new problem, as you say. As the Department's finance director, my concern was that a number of the schools were left in an element of uncertainty about whether they would get sufficient funding to cover the ongoing dual-site costs. We wanted to bring about a more secure position for those schools. I will pass to Stephen on the point about the Education Authority's estimate.

Mr Van Houten: The Education Authority was in a position where it had to go back to look at a number of schools. Part of the way in which it funds split sites, therefore, is for schools to put in a business case to identify the additional costs over and above what a normal school would require; that is, the additional costs of working over a split site. The EA had a few business cases in, but our concern was that, using the small sample to extrapolate across the rest of the split-site schools, the value of those business cases looked a little bit high.

The other issue is that some schools that needed to be revisited had not previously raised any issues about the dual-site funding, which begs the question of whether those schools need significant amounts of additional funding, given that, historically, they have been able to fund the split site out of their existing budget. That is why we are still trying to ground that position out with the EA.

Mr Fair: That, I suppose, is an illustration of our role and function in the matter. We do not automatically bid for everything that comes in our direction. We have built confidence with our DOF supply colleagues that we have robustly challenged any bids that are submitted. That is not necessarily to say that we will not bid for more from January monitoring if need be.

Mr McCrossan: OK. That said, and given the growing number of split-site schools across Northern Ireland, are you confident that you have a way of making a more accurate prediction of what resource is needed?

Mr Fair: Yes.

Mr McCrossan: OK. You suggest that, in recent times, the Department has looked carefully at the growing need. Why has it taken the Department so long to do that? I was aware of the issue as far back as when my predecessor, Joe Byrne, was in place, in 2012. I scanned back to see that it was raised in the Assembly even back then. Why has it taken so long to identify it as an issue?

Mr Fair: We have been liaising with the Education Authority on the issue, certainly over the years that I have been in this role. We felt that it was probably time to take the bull by the horns a bit more and clarify the position on behalf of the schools. Perhaps it was just a timing issue, with so many other things having gone on over the past few years. I certainly did not want to see it sitting any longer.

Mr McCrossan: OK. I want to touch on the Strule campus. We will bring that up later, but I have just received a letter from the Minister of Education with the predicted cost of the overall project. It says that the latest cost estimate, from October 2021 to programme completion, is that a future investment of £184 million is required. That is on top of the £46 million already spent. When you break that —

The Chairperson (Mr Lyttle): Sorry, are you raising Strule?

Mr McCrossan: Yes.

The Chairperson (Mr Lyttle): We will come back to capital and then to Strule. If you hold that question, I will make sure that you can come back in on it. Is that OK?

Mr McCrossan: That is fine, Chair. I will go to my next question.

The Chairperson (Mr Lyttle): We are just on resource at the moment. Thanks.

Mr McCrossan: I note that some money allocated for the relief of problems associated with COVID was handed back by the Education Authority: some £3.595 million. Can you explain why that was, Gary? Why was there no way for that money to be reclassified and spent on other COVID relief measures? Are you satisfied that the Education Authority explored every potential avenue for reclassification before the funding was returned?

Mr Fair: Yes. It was mainly linked to the school holiday food grant payments, where the estimated pressures — basically the uptake of universal credit etc — had not increased to the extent that had originally been estimated. To be fair to the Education Authority, it was a difficult area to estimate with any great degree of accuracy. Because that was very specifically ring-fenced, there was no negotiation and that had to be handed back. However, I would say that there was still the opportunity, which is ongoing, for us to bid for COVID-related resources. It is not necessarily a closed door, but there are quite strict conditions to a lot of those funds; they can only be spent on the purpose for which they were intended.

Mr McCrossan: OK. Just briefly, Chair; in the June monitoring round 2021, the Department identified total pressures of £178.9 million. Considering that you had sought £75.42 million, which is identified in the pack, after you had factored in the £20.7 million that was just allocated, what are the biggest immediate pressures now facing the Department?

Mr Fair: There are still the unmet pressures that we identified at October monitoring. There is a list of those areas; they are the areas that we have bid for. There are pay pressures and some ongoing SEN pressures, school maintenance etc and EA block grant pressures. They are of concern to us at this stage. We would still be hopeful that money might be available at January monitoring. As long as we can get the money —

Mr McCrossan: Do you have a plan in place, Gary, to cope with those particular pressures? What happens if the money does not come?

Mr Fair: It is a matter of all of us, including the Education Authority and schools, doing what we can. As members will be aware, the problem is that there are issues around the funding of the sector generally. There is a limit to the extent to which costs can be turned on and off in the education sector, probably more so than in other Departments. So many of our costs are associated with staff costs, and even if staff are taking early retirement or whatever, it takes time to implement that or to move staff on in many ways. None of that can be done quickly, so it is really tricky, and it has always been a challenge.

Mr McCrossan: With that said, obviously, the key objective is to ensure minimal disruption to children's education and to deliver education for all our kids. How do you minimise the disruption or impact on children's education, given that situation?

Mr Fair: When we are developing a budget strategy for every year, the focus has always been on those front-line services, if you like, on the impact on children and young people, on ensuring that any disruption is absolutely minimised and that funding, as far as possible, continues to make its way through to schools and youth organisations etc. The reality is that the Department could, potentially, be faced with an overspend at the end of the year. Longer term, if we get a very poor budget settlement for the next three years, that, I suppose, could put the sector in more of a crisis, where decisions will have to be made about what can and cannot be taken forward. That enters the political realm as much as anything.

Mr McCrossan: Yes. Thanks for that, Gary. On a separate note, is the £19.829 million for teachers' laptops secured funding?

Mr Fair: Are you referring to the money that we got in here?

Mr McCrossan: Yes, the total funding —

Mr Fair: Yes, that was secured earlier in the year. That is all in hand.

Mr McCrossan: OK. Did you secure the £2 million capital funding to purchase the CO2 monitors as part of the monitoring round?

The Chairperson (Mr Lyttle): We are coming to capital next, Daniel.

Mr McCrossan: It is just a yes or no, Chair.

Mr Fair: Yes.

The Chairperson (Mr Lyttle): Yes, they did. *[Laughter.]* There is more to it than that.

Mr McCrossan: I know that; I am just teasing it out. Thanks very much, Gary.

Mr Fair: No problem.

The Chairperson (Mr Lyttle): OK. Thanks for that, Daniel. I will bring Diane and Justin in on resource, and then we will move on to capital issues, Gary.

Mrs Dodds: Thank you to the team for an interesting presentation. A lot of what I wanted to raise has been mentioned in relation to moneys bid for and moneys received, so I am not going to go over all of that. In January, you will bid for how much — on teachers' pay pressures?

Mr Fair: We will reassess the position —

Mrs Dodds: I know that you are awaiting the outcome of a settlement, but what is the ballpark figure that you are looking for?

Mr Fair: In year, it will be along the same lines as what we bid for in October monitoring, under those various headings. The position will be reviewed.

Mrs Dodds: So, that will be the £9 million, the £3.8 million and the £7.7 million.

Mr Fair: Yes.

Mrs Dodds: You will need to get that in January — it is not that teachers will not get what is due to them — in order to keep the Department right.

Mr Fair: Yes.

Mrs Dodds: If you do not get that, what will you cut?

Mr Fair: We will have to take a view on that coming up to January monitoring, once we have a better idea of what way school spend is going. That will become clearer to the Education Authority later this month or early next month. That may indicate that schools are able to absorb some of this pressure, because of, for example, the additional money that has gone in to address COVID-related issues. We will not know until we see those spend figures coming through. That happened last year: we did not have all our inescapable pressures met, but schools benefited because a lot of additional COVID money went into the system. We need to take a view in the round coming up to January monitoring. At this stage, we still see those pay pressures as inescapable. The only one that we do not see as inescapable at this stage is this year's teachers' pay settlement, which is under negotiation and is not firm yet.

Mrs Dodds: OK. That leads me into what I think is a really interesting part of this discussion. You said, just now, that some of the pressures that you are putting forward in monitoring bids may well be less of a pressure because of the additional funding that you get for resource via one-off COVID moneys that will have to be spent and out of the system at the end of March 2022. Is that accurate?

Mr Fair: That is right, yes. Basically, as the year progresses, we have to look at all the pressures, in the round, to see where we are. My focus is obviously —

Mrs Dodds: OK. Even though that COVID money was allocated for a specific purpose, you can transfer some of it to deal with other pressures within the Department; yes?

Mr Fair: No, we cannot, but, as we discovered last year, even though a lot of money comes in for very specific purposes, it still has a beneficial overall impact on school finances. That does not become clear until we begin to see what school spend looks like, as the year progresses.

Mrs Dodds: OK. That leads me on. Monitoring rounds are interesting because they show some longer-term issues that we will need to deal with. Northern Ireland has the lowest spend on education per pupil among the four regions of the United Kingdom. If we are to not just address the COVID issues but have a world-class education system for everybody in Northern Ireland, we need to address that spend issue. It can only be addressed by getting a budget in the comprehensive spending review that matches the need in the school system in Northern Ireland.

If COVID money, which has been very valuable, is not available in the next number of years, as I suspect that it will not, what additional funding do you think that you will need to meet baseline pressures and to add value to the 'A Fair Start' recommendations and all the other things that we need to do in education? What are the pressures, for you, with the comprehensive spending review?

Mr Fair: Essentially, we have identified pressures based on a baseline that we have been given to work with. Every Department has been given a baseline for providing information for future years' exercises. We have estimated that, for next year, we will require an extra £350 million on top of that baseline, as you say, just to —

Mrs Dodds: Sorry. I think that this is massively important. Is that to stand still or to add value? Is it to fund, for example, the recommendations from the 'A Fair Start' report and to start looking at the 14-19 strategy and how we can get a much more dynamic system for young people of that age in Northern Ireland? Is it to stand still or to add value?

Mr Fair: Stephen can keep me right on the figures, but, essentially, the £350 million is for inescapable pressures. It would not do an awful lot of —

Mrs Dodds: So, next year, you will need £350 million in addition to your baseline?

Mr Fair: Yes.

Mrs Dodds: Wow.

Mr Fair: It is fundamentally linked to the fact that, every year, our baseline does not reflect what we should have and need. It is a problem.

Mrs Dodds: Next year, the pressures will be £350 million. The Committee needs to know this. If we really want to see the recommendations from the 'A Fair Start' report and the 14-19 strategy being implemented and fairer outcomes for all our pupils, we need that sort of information. This is the essential stuff. So, £350 million is for a standstill position; it is not additional money.

Mr Fair: Yes. It is obviously based on estimates, but we estimate that we will need up to £350 million next year.

Mrs Dodds: Up to £350 million. That is a huge pressure on next year's budget.

Mr Fair: Yes, I agree. You mentioned 'A Fair Start'. Those very important recommendations need to be taken forward, but my strong view is that they require additional money. There is a risk in assuming that certain things can be taken forward without additional money.

Mrs Dodds: OK. That pressure cannot all fall on schools or individual teachers with a make-do-and-mend theme. I have talked to a lot of schools in my constituency over the past weeks. Many of those schools report that, post COVID and since children have been back in class, they have had very specific problems to deal with. Those problems will not stop with the end of COVID money in March 2022. They will be ongoing problems that schools will continue to need to be addressed, and that is a very significant pressure. The pressure on the Education budget is huge. I go back to Robin Newton's point: education and health are inextricably linked; they reflect off each other. It is vital that we have a healthy population and a population that can work, engage in the labour market and do all the things that we need to do.

The Chairperson (Mr Lyttle): Gary, before I bring Justin in, I will supplement some of Diane's questions very quickly. They are really important, and they were raised with a few of us at the recent National Association of Head Teachers event. If, indeed, Northern Ireland spends the smallest amount per capita on education in these islands, why is that the case? Do we have less money for education than the other regions of these islands, or do we use it less efficiently?

Mr Fair: The independent review of education panel will consider those questions. When comparisons are made with other UK regions, I always give the caveat that it is not always a direct, like-for-like comparison. However, there is no question that, in the way that the education sector currently operates, there are constant pressures that we are constantly bidding for every year.

The Chairperson (Mr Lyttle): I will just try to break it down. Do pupils in Northern Ireland get less spent on them in education than pupils in the rest of these islands?

Mr Fair: The figures seem to indicate that, but, as I said, it is not a direct, like-for-like comparison.

The Chairperson (Mr Lyttle): OK. As director of finance for Education, can you tell me why is that the case?

Mr Fair: It has to be linked to progressive underfunding over the past number of years and the lack of certainty on budgets. The lack of baselines even to cover what is required every year is a challenge every year. I have to emphasise that we are successful in getting additional resources in year, but that is not a good way to plan.

The Chairperson (Mr Lyttle): OK. In my assessment, this issue is starting to cause quite a bit of distress, demotivation and anger. Can you prepare a reasonably evidence-based paper or some sort of briefing for the Committee on the premise that there is less spent per pupil in Northern Ireland than in other regions of these islands? Can you speak to that? If that is the case, can you offer an explanation as to why it is the case, with reference to whether it has anything to do with how we spend money rather than how much money we have to spend?

Mr Fair: I certainly want to be as helpful as possible to the Committee and will pull together what I can, but I would not want to tread on the toes of the independent panel.

The Chairperson (Mr Lyttle): OK. I do not ask this frivolously. That is genuinely my assessment. You will know yourself that it is becoming a perennial issue and an oft-referenced, presumed piece of evidence. It merits more interrogation as to whether it is the case and, if it is, why. Surely, we should have clarity as to whether or not it is the case, because it is frustrating a lot of people: teachers, school leaders, elected representatives and pupils. We should know clearly whether it is the case and, if it is, why, so that we can target our efforts to address it. If more funding is needed, then, as you said, there will be a bit of a political challenge in how we access more funding and whatever way that is done. It may also be about how we can do things differently. A significant project of reform has been set out for health. It would be interesting to see whether reform of education is necessary as well.

Mr Fair: I am certainly happy to take that away. We can give some thought to what would be helpful for you.

The Chairperson (Mr Lyttle): I appreciate that.

Mr Fair: What you are really asking for, potentially, is the final outcome of the independent review of education, but we can certainly provide what we can. It will not necessarily be a straightforward answer, but we obviously want to be helpful to the Committee.

The Chairperson (Mr Lyttle): OK. Thank you. I will bring in Justin McNulty on resource, and then we will move on to capital.

Mr McNulty: Hi folks. On the SEN shortfall of £21 million, even allowing for this monitoring round's provision, there is still a significant gap in funding. What contingency plans do you have to meet the needs of pupils who are in most educational need? What contingency plans are there to help meet their needs?

Mr Fair: Their needs will be met; that is not what is at stake here. Because so many of the SEN services are demand led, they have to be met. There is a responsibility on all of us to ensure that they are met. From my point of view, the challenge is that, if we do not get those additional resources in year, subject to reassessing the position at January monitoring, the Department could be heading towards an overspend.

Mr McNulty: Gary, you say that those are demand led and demand met. You are saying, in a broad-brush way, that all the demands of children with special educational needs are being met in schools when we, as elected representatives, all know that that is just not the case. The Committee has had presentations from Dyslexia Awareness NI and on the lack of autism funding. How can you sit here today and tell us that demands are met and that sufficient funding is there to meet those demands? That is not what we are hearing daily from our constituents.

Mr Fair: I obviously cannot comment on specific instances. I deal with the finances. Bids are submitted by the Education Authority for areas where it sees the pressures hitting SEN. We bid for those resources, secure what we can and continue to bid. SEN pressures place a significant pressure on the Education Authority's block grant budget. They probably take up about 50% of its block grant budget. It is about looking at things in the round as the year progresses to see where that might land.

I cannot comment on whether every need in special educational needs is being met, but I know that those that come to me are demand-led pressures, about which there is very little choice and where the spend has to happen. Every individual may not get what they expect, but what I see coming through are the pressures that the Education Authority is facing. It has to try to manage that within budget, but it is unmanageable, in a sense, if we do not get sufficient additional resources in year.

Mr McNulty: Gary, I can say categorically that the demands are not being met. You may be getting bids that you are honouring, but the demands of children and their families are not being met.

The health piece to which Diane and Robin referred is very relevant. I note that the proposed Being Well Doing Well pilot for mental health and emotional well-being was delayed to the extent that £1.135 million had to be surrendered. Considering that there is a massive need to support children's well-being, do you consider that to be a scandal?

Mr Fair: I would not want to comment in emotive terms. As finance director, my job is to seek and secure the resources that are required. I work with policy colleagues and Education Authority colleagues to try to make sure that we have the resources that are needed. That is my focus.

Mr McNulty: OK. Why could the scheme not be progressed?

Mr Van Houten: We would need to liaise with the policy lead for the specifics of that.

Mr McNulty: Right. Has the Department launched an investigation into the reasons for the failure to progress that scheme?

Mr Fair: We are not the right people to ask about that specific level of detail.

Mr McNulty: OK. Do you think that there should be an investigation into why that scheme could not progress?

Mr Fair: I would not want to comment on that.

Mr McNulty: Considering the massive issues and concerns, which have been exacerbated by the pandemic, does the Department need to make up lost ground in that endeavour?

Mr Fair: With all the various pots of funding that have been allocated to the sector, there is very much a focus on ensuring that children and young people catch up as much as possible on any learning that has been lost during the pandemic. I know that, at school level, principals and teachers are really focused on making sure that that happens. My job, obviously, is to work with colleagues to secure the additional resources that are required along the way.

Mr McNulty: Thanks, Gary. Back to special educational needs: on the 2021-22 EA pressures of £42.1 million, which exclude special educational needs and pay pressures, have you recalculated that figure? If so, what is it now?

Mr Fair: When you say "recalculated", are you asking whether I challenged what the Education Authority has come through with?

Mr McNulty: Yes. What is your figure?

Mr Fair: At the point at which we submitted the October monitoring bids, we felt that we could stand over about £19 million-odd, which we bid for. That was the bulk of what it was looking for. There were just some elements on which we needed to engage a bit more with the Education Authority.

Mr McNulty: What specifically are the £5.23 million of Education Authority "Headquarters Costs" that has been identified as a monitoring pressure? Is the Department able to stand over that as being reasonable?

Mr Van Houten: I will take that. That is for posts in the Education Authority that have been identified as needing to be filled to address and deliver on key areas in the EA's business plan, as well as to address key risks that were identified in its corporate risk register. The EA would probably not appreciate us using the term "Headquarters", because there are posts in there that have a direct bearing on the delivery of services in schools. It is spread out across a number of different areas. There is a small pressure in children and young people's services. There is a pressure of about £2.3 million in operations and estates across a variety of areas. There is a pressure in finance and ICT of about £1.6 million, quite a bit of which is focused on trying to get to grips with schools' expenditure and assisting schools. There are small amounts in the chief executive's office. There is also a small amount — £800,000 — for human resources.

Mr McNulty: Thanks, Stephen. Can the Department assure us that the Education Authority is operating effectively and efficiently given that it is accruing that level of inescapable pressures?

Mr Fair: We can as far as we have the information. We regularly meet Education Authority colleagues, particularly me and its finance director. We also meet the chief executive monthly. We get assurances, and we have to operate based on those assurances. A lot of challenge goes on, obviously, given the nature of the relationship between a Department and an arm's-length body. We do not necessarily take things at face value.

We recognise, as Stephen said, that the Education Authority would dispute the title of "Headquarters Costs", which could be a bit misleading. We share its concerns that, in certain parts of the organisation, there are risk areas where it needs the right staff with the right skills to deal with them, but it is tricky. It goes back to the same issue that we have been discussing: the underfunding of the sector, and an evaluation of what is required to operate an effective organisation. In answer to your question, we seek assurances regularly from the Education Authority, and I am comfortable with the assurances that have been given.

Mr McNulty: I fully recognise and appreciate the efforts of the Education Authority and its chief executive, who is a person of honour. However, many concerns about bureaucracy in the EA were highlighted to us at a meeting a number of weeks back with the National Association of Head Teachers, which the chair also attended. Is the Department satisfied that the EA is delivering value for money with its services?

Mr Fair: An area of work that we are keen to see being taken forward, but which has been delayed by COVID, is the Education Authority financial recovery plan. Its board was considering that planning work and seeking to take it forward. That has been delayed a bit. It will be helpful when it is completed because it will look at the organisation as a whole. It should identify any areas where it feels that it could be more efficient, or areas where there are risks and shortfalls in the staffing levels or funding that it needs. It is difficult to know without that overall view having been taken. In saying that, the landscape review of the Education Authority may identify some of that as well.

There is no question that the Education Authority, as an organisation, faces significant challenges. We, obviously, challenge it on an ongoing basis, but we understand some of the challenges that it faces and try to be as supportive as we can. It is not an easy landscape when the Education Authority budget is not sufficient and there is an ongoing battle every year to get what we need. We certainly keep in close contact with our Education Authority colleagues.

You referred to excessive bureaucracy. It is difficult to comment on a general statement like that without knowing exactly what is meant. We certainly seek and get the assurances that we need on an ongoing basis, but there are issues; we are not blind to the reality that the EA faces issues that it is seeking to address.

Mr McNulty: Folks, thank you all very much for your answers and your presence today.

The Chairperson (Mr Lyttle): Gary, before I move us on to capital, do all the challenges that we have discussed include the approximately £50 million per annum that is needed to meet the early education and childcare proposals?

Mr Fair: No.

The Chairperson (Mr Lyttle): OK. We can add that to the list.

Mr Fair: That is an Executive issue as well.

The Chairperson (Mr Lyttle): Wherever it comes from, it is not there at this moment.

Mr Fair: No.

The Chairperson (Mr Lyttle): OK. We will move to capital. Do you want to include Strule in the capital presentation, given that it is largely a capital matter?

Mr Fair: Yes. That is fine.

The Chairperson (Mr Lyttle): OK. Thanks, Gary.

Mr Fair: I will move the microphone down so that you can hear.

The Chairperson (Mr Lyttle): The audio has been pretty clear so far. Thank you.

Mr Gallagher: I will start with a wee bit about capital, and then we will hand over to Sinead for Strule.

The Chairperson (Mr Lyttle): Thank you.

Mr Gallagher: DE was allocated £158.3 million. That included £11.5 million in Fresh Start funding. The capital budget was increased to £195 million as a result of successful bids in June monitoring. Bids for a total of £11.5 million were made to DOF in October monitoring. That included £3.3 million of COVID funding and £8 million for minor works. All those bids were met in full.

Some receipt income was reclassified. There was a small top-up of £0.8 million of COVID funding for teachers' laptops, £0.5 million was allocated through 'A Fair Start' for provision of laptops to pupils, and £2 million was allocated for CO2 monitors and other COVID-related equipment.

I will hand over to Sinead for the Strule part.

The Chairperson (Mr Lyttle): We will maybe take a few quick questions on the October monitoring round and capital, given that it is a bit more straightforward in that the bids were met, and then we will come straight to Sinead on Strule.

I will kick off by asking about the CO2 monitor bid. Why did it take us until October to bid for funding to provide CO2 monitors in schools, given the well-established knowledge that ventilation is a key mitigation for the spread of COVID-19?

Mr Gallagher: We made an allocation to the EA of £100,000 to purchase some monitors, which has proved sufficient to meet demand so far. The bid is about the wider roll-out of monitors to all schools.

The Chairperson (Mr Lyttle): OK. Why is it only £2 million for schools in Northern Ireland, and will the allocation fund CO2 monitors and air filtration devices for our schools?

Mr Gallagher: Yes, it covers air filtration devices. It will be allocated based on need and demand. We feel that, at this point, it is enough.

The Chairperson (Mr Lyttle): We think that it is going to meet the need. OK.

My other question is about minor works. The bid was for £8 million, and £8 million was allocated. It seemed that few bids were met in full, but that bid was. Does that indicate that the Executive and the Finance Minister are aware of how serious a problem the state of repair of our schools is? Given the size of that bid, how inadequate is the state of repair of our schools at this moment?

Mr Gallagher: It probably indicates, in terms of the money that is available, that the pressures on the capital budget are not as severe as the pressures on the resource budget. With regard to the state of the school estate, we could probably spend £500 million on it every year and still spend 10 years bringing it up to where we would like it to be, but we are constrained by the budget, and we have to allocate money in a priority order, where it is most required, to give us the greatest benefit.

The Chairperson (Mr Lyttle): OK. I will bring in other members who have questions on the October monitoring round capital programme allocations, and then we will move on to Strule.

Mr Sheehan: Thanks, Chair. I will follow on from your questions about the CO2 devices and the air filtration systems. Who in the Department was responsible for calculating what was needed for that bid?

Mr Gallagher: The Department's investment and infrastructure directorate will have worked closely with the EA to determine what was required.

Mr Sheehan: First of all, we are a year and a half into the pandemic, and a bid is only going in for that now. Wales was way ahead of the posse. A considerable time ago, it invested, I think, over £6 million in its system. Is there any explanation for why it took so long for this bid to come forward?

Secondly, is there confidence within the Department that £2 million is sufficient to cover all the air filtration, CO2 devices and ventilation processes that will be needed in our schools?

Mr Gallagher: At the minute, we are confident that the £2 million will serve as a baseline. We will keep that under review. I cannot comment on why the bid was made as part of the October monitoring round.

Mr Fair: The issue with the Department's bids —. Can you hear me?

Mr Sheehan: Yes, Gary. You are loud and clear.

Mr Fair: The issue with any bids is that, a lot of the time, bids are drawn to the Department's attention by the Education Authority through schools or whatever. I do not know the exact detail in this case, but I imagine that it was something similar. There was such a flurry of activity when identifying the key needs in relation to the pandemic on both the capital and resource fronts, and that is possibly part of the explanation for why this has come through a bit later in the day. Essentially, bids are drawn to the

Department's attention, we go through the robust process of challenging and so on, and, where appropriate, those resources are bid for.

Mr Sheehan: Thanks for that. That is all I have.

Mr Newton: Rather than asking a direct question, I am looking for an explanation for something, but now I cannot find it. You made a statement about the pressures that the construction industry is under in relation to inflation, but I cannot find it now. You were not quite sure what the implications of that might be. Do you know what I am referring to?

Mr Gallagher: Yes.

Mr Newton: It starts at paragraph 52, about construction. You said:

"Given the levels of uncertainty around the likely impact of the issues being experienced."

Can you quantify that a wee bit more?

Mr Fair: I will pass over to Seamus on that.

Mr Gallagher: It is very difficult to quantify. The prices of some materials have gone up massively in recent months — 200% to 300% — but we expect that prices will start to settle down in the early part of the new year. The Executive agreed a measure that would help contractors. The procurement advisory note (PAN) takes account of the fact that they could not reasonably have anticipated this level of inflation. We have put a process in place to assist contractors through the difficult time, but things such as the price of wood and steel and even the availability of some materials and labour will obviously increase the capital costs of some projects that are under construction. Prices have generally been pushed up considerably beyond normal levels of inflation.

Mr Newton: Outside education, I am aware of a number of capital projects that have been delayed because, when the actual budget was submitted, it was considerably higher than anticipated. I note that you have indicated that a number of large post-primary-school contracts are due to be signed in the next few months. Are we anticipating that any of the contracts may be delayed?

Mr Gallagher: We are aware of one contract that has been delayed: St Ronan's College. That is because the bidders were not prepared to stand over the prices that they had bid. The legal advice is that we have to retender, so there will probably be a six- to nine-month delay on that one.

Mr Newton: That one has been covered in the press.

Mr Gallagher: Yes. We are hopeful that all the other tenders will go ahead and that we will be able to appoint contractors without any delay. I cannot guarantee that, but that is still the position that we are working to.

Mr Newton: How many contracts are there? Is it five? Is it 10? Is it 20?

Mr Gallagher: I do not have a number to hand.

Mr Newton: A ballpark figure.

Mr Gallagher: I imagine that we will be appointing contractors on up to a dozen contracts in the next nine months.

Mr Newton: OK, so around 12 contracts.

Mr Gallagher: I can confirm a number at a later point.

Mr Newton: That would be useful. Unless there is anything that you want to add to that, that is me.

The Chairperson (Mr Lyttle): I will bring Daniel McCrossan in to ask about capital, and we will move on to Strule after that.

Mr McCrossan: Chair, can I ask about Strule now, no?

The Chairperson (Mr Lyttle): I am keen to hear the briefing on Strule before we get into it. I will bring you in promptly once we move on to Strule. If you do not have questions on capital, that is OK; it will get us on to Strule quicker.

Mr McCrossan: I do have questions, yes. Gary, with no funding set aside for VES but £3.1 million requested, do you —? No, Chair, shoot on. I have misplaced my questions.

The Chairperson (Mr Lyttle): OK. I will bring you back in. Diane Dodds MLA, do you want to ask about capital before we take our Strule briefing?

Mrs Dodds: I have a quick speculative question, Chair. We have had a number of conversations with EA about ventilation in schools, and it told us that it is doing a survey to see what those ventilation needs are. Did you get a bid from the EA around any of that?

Mr Gallagher: That is included in the £2 million allocated for CO2 monitors and ventilation.

Mrs Dodds: So, the ventilation needs of all schools in Northern Ireland amounted to £2 million, and that includes monitors and ventilation equipment. I thought that the EA was surveying schools to see whether classrooms need windows fixed or whatever.

Mr Gallagher: Getting windows fixed and so on will be part of the normal minor works bid. Fixing windows is normal maintenance, and that is included in the £8 million.

Mrs Dodds: Right, so that is where that bid sits. Was that identified specifically for that purpose? I know that this information [*Inaudible owing to poor sound quality*] come to you. We have tried to get a clear answer from the EA on what it is doing about ventilation in schools. It seems to me that the EA sometimes tells teachers to open a window. In some cases, that might work, but, if it is the middle of January and it is blowing a gale, it might not work and it would not be very pleasant. I cannot get a clear response from the EA to say, "We have done a survey. We need £x million to fix the school estate". It seems to me that, if all it needs is £2 million, or £8 million in capital bids, we have got off very lightly.

Mr Gallagher: The £2 million will provide initial funding for CO2 monitors and ventilation equipment, where required. I do not expect that the EA will be able to, or have the resource to, go out and visit every school in the time frame and say, "This school needs that". It is demand-led. A school that thinks that it has a problem will contact the EA maintenance branch, and someone will then assess that school's needs and provide the equipment. At this point, nobody can say that £2 million will be sufficient or too much or too little. We will keep the amount under review.

Mrs Dodds: I am taking your answer as read, but it is probably not what the EA said to us. Perhaps, Chair, we can take that up with the EA at a later stage.

The Chairperson (Mr Lyttle): OK. I will bring in Justin McNulty MLA with his questions on capital. Then we will move to Strule.

Mr McNulty: How is the hike in construction costs impacting the ongoing construction of new schools? Such construction is hugely positive. Work is under way on a new build for St Joseph's High School in Crossmaglen, which is in my constituency. People are very excited about that. What is the impact of the hike in construction costs on current builds, and what will it be on potential future builds?

Mr Gallagher: The Executive have agreed a process to assist the contractors who are currently in contract and could not have taken account of the increased prices. There is, therefore, a process in place, through which they can get additional moneys for costs for which they could not have allowed. We expect that contractors will take account of current market conditions when they submit tenders for future contracts. In the current position, yes, all those tenders will be somewhat higher than we would

have expected, but those are the market conditions. We do not anticipate that it will delay or hold up any projects that are ongoing.

Mr McNulty: That is positive. All the money is coming out of the same pot, so does it have the potential to delay future projects?

Mr Gallagher: If the capital pot has to be stretched a bit further, we will be able to release fewer projects, but we will have to manage that in year, depending on how prices go. We are being told that prices will level out in the early part of next year. They will probably come down, but not to pre-COVID or pre-Brexit levels.

Mr McNulty: So, Seamus, you are confident that the current construction projects that are ongoing will not be delayed as a consequence of the construction costs hike, because of the provision that has been made by the Executive on tenders and contracts that are already in place.

Mr Gallagher: I am as confident as I can be that none of those projects will be delayed, other than the one that we already know about — St Ronan's.

Mr McNulty: Yes, St Ronan's in Lurgan. Has that been resolved?

Mr Gallagher: We need to reprocur, so it will be delayed by six to nine months. Hopefully, in reprourement, with bidders knowing the current market conditions, the procurement goes ahead as planned.

Mr McNulty: Why has it impacted St Ronan's in such a way? It is a school with ambition and vision for the future — something that is incredibly positive. Why is there a delay there?

Mr Gallagher: As far as I understand it, the contractors made bids and prices increased drastically. After they had made the bids, and we could offer the contract for award, those amounts were assessed to be at such an extent that the contractors could not stand over the prices that they had bid originally. It was also complicated by the fact that the PAN somewhat changed the playing field part way through the process. The only course of action was to terminate that procurement process and to reprocur so that everybody was back on a level playing field.

Mr McNulty: Did you say that, at best, that will result in a six- to nine-month delay in the construction?

Mr Gallagher: Yes.

Mr McNulty: Are all efforts being made to ensure that the process is accelerated as much as possible, within the guidelines that are laid out in contract law?

Mr Gallagher: Yes, the Department is taking whatever steps that it can to make sure that that process is expedited.

Mr McNulty: Thank you very much.

The Chairperson (Mr Lyttle): Gary, we will move on to the Strule Shared Education Campus briefing, and then we will take questions.

Ms Sinead Crossan (Department of Education): Thank you to the Committee for inviting the Department to update it on the Strule programme and the ministerial direction. First, I reaffirm that the Department is fully committed to delivering this educationally and strategically significant programme, and we are working to move to the next stage as soon as possible.

The Committee will be aware of the background to the ministerial direction and the current position on the Strule programme from the briefing paper provided in advance of this session and previous correspondence on this issue in November last year. In summary, in the consideration of the latest business case, which was completed in 2019, given the absence of a comparable benchmark, the permanent secretary of the Department at that time stated that he was unable to provide the latest second addendum to the programme outline business case on a purely value-for-money basis. That required the former Minister to consider issuing a ministerial direction. Following consideration of the

issues raised in relation to the business case, Executive endorsement of the proposal to issue a ministerial direction, confirmation of Fresh Start funding, progress on the development of the work required to realise the benefits and reconfirmation of the memorandum of agreement, the Minister issued a ministerial direction on 7 July this year to move to the next stage.

The Department is now working towards a fresh procurement competition, with the release of the invitation to tender scheduled for later in the autumn. We are happy to take any questions that you may have.

The Chairperson (Mr Lyttle): Thanks for that. I am keen to bring members in on this issue. To be clear, in 2019, the Department of Education permanent secretary concluded that progressing with the Strule Shared Education Campus was not value for money.

Ms Crossan: It was the case that, because this was the first campus of its kind of this scale, there were no comparable benchmarks, so we could not demonstrate value for money. That is not to say that it is not value for money, but, for business case purposes, we were not able to demonstrate it.

The Chairperson (Mr Lyttle): OK, and that required a ministerial direction from the Education Minister to proceed.

Ms Crossan: Yes, because the only comparators that we had were five stand-alone schools, and, obviously, there are different elements involved with a shared campus as opposed to five stand-alone schools. So, yes, the ministerial direction was deemed to be the appropriate route.

The Chairperson (Mr Lyttle): What is the projected total cost of the Strule campus at this stage?

Ms Crossan: At the end of September 2021, £46 million had been invested in the programme, and it is estimated that a further £184 million is required from October 2021 to completion.

The Chairperson (Mr Lyttle): Is that £230 million in total?

Ms Crossan: Yes, that is £230 million for DE costs, but, when you take into account the DFI fees for some of the contractors' work for roadworks for Strule and also the schools' own contributions for oratories in two of the schools, the total cost is £232 million.

The Chairperson (Mr Lyttle): Are there five schools on the site?

Ms Crossan: There is one school already on the site, Arvalee special school, and five post-primary schools will be built as part of the next phase.

The Chairperson (Mr Lyttle): So, there will be six schools in total.

Ms Crossan: Yes.

The Chairperson (Mr Lyttle): That is approximately £40 million a school.

Ms Crossan: There is more to it than that. Obviously, there are additional costs associated with the fact that it is an ex-military site. There were costs involved in making the remediation works. Jennifer, who is the construction director, might be able to give a better insight into the costs of construction.

Ms Jennifer Morgan (Department of Education): Chris, there will be nine buildings on the shared campus, so it is not simply to be looked at as being six schools. With the £46 million that we have already spent, we have completed a road project, built Arvalee, carried out two demolition contracts and undertaken very complicated site preparation works. It should not really be looked at as just six schools in financial terms.

The Chairperson (Mr Lyttle): OK. Can you give me an idea of the normal cost to construct a school with associated buildings?

Ms Morgan: Seamus is here, and he will know the cost of a stand-alone school better than I do, but our normal school costs — core schools as we call it — in Strule are in the order of £15 million for a large post-primary school. Seamus, it may be £15 million to £20 million for —

Mr Gallagher: It is probably much more than that. It is closer to £30 million.

Ms Crossan: From the Executive paper that went up last year, the average cost per post-primary pupil was approximately £31,000 for a typical post-primary school.

The Chairperson (Mr Lyttle): Is it possible to give us an indicative figure for what it costs the Department of Education to build a school?

Ms Crossan: For a school in general?

The Chairperson (Mr Lyttle): Yes, just in general.

Mr Gallagher: It depends on the size of the school and the site. After this meeting, I could provide you with a list of sample projects, how many pupils they include and how much they cost.

The Chairperson (Mr Lyttle): OK, but I am sure that you can give me an average figure.

Mr Gallagher: On average, a decent-sized post-primary school would cost £30 million plus.

The Chairperson (Mr Lyttle): OK. Thank you. I am keen to bring other members in.

Mr Sheehan: Following on from that, as you said, Seamus, there are schools of different sizes. Some post-primaries might have only 600 to 700 students, whereas others have more: St Louise's in my constituency has 1,500 students. There will obviously be a wide variation in the costs there. When you give a ballpark, average figure, what are you talking about?

Mr Gallagher: That £30 million is based on a school size of around 700 pupils.

Mr Sheehan: OK. Fair enough.

Is there an indicative date for the completion of this project?

Ms Morgan: Yes. The target date for completion is around September 2025.

Mr Sheehan: That is another four years, anyway.

Ms Morgan: Yes.

Mr Sheehan: Recently, the cost of building materials has spiralled. Obviously, the longer the delay, the greater the cost. Has that been factored in to the financial estimates for the project?

Ms Morgan: It has. We have estimated for future price inflation, and the main works contract that we are talking about, which is targeted for release in the autumn, has what we call an X1 clause, which is a special clause allowing us to retain the inflationary risk. That has been included in our contract strategy for Strule.

Mr Sheehan: So, all the possible inflationary pressures have been factored in to that £184 million, I think you said, to complete the project.

Ms Morgan: Yes.

Ms Crossan: Yes.

Mr Sheehan: OK. If the project goes ahead as planned, therefore, you do not expect it to cost any more than that £184 million.

Ms Morgan: Until we go through the procurement exercise — we have a huge tender to do — we cannot state that absolutely and categorically.

Mr Sheehan: I understand that. I understand that there may be unforeseen issues that you cannot predict. You have said, however, that, by and large, you have factored in all the potential inflationary pressures to that £184 million. How close to that figure do you expect to finish?

Ms Morgan: That is our best estimate at the minute. That is how I can best describe it.

Ms Crossan: We keep the costs constantly under review, but, as Jennifer said, we cannot be more specific until the tenders come in and are assessed. That will give us an idea of the real market prices at that time. The figures will be tied down, and there will be more confidence in them from that point.

Ms Morgan: There is also the inflation indices that we are working off at the minute. Obviously, inflation indices can change. Those are the factors.

Mr Sheehan: OK. When do you expect tenders to go out?

Ms Morgan: We are working towards tenders being released this month. That is our target, but it depends on a ministerial decision.

Mr Sheehan: All right. Thanks for that.

Mr Newton: I do not envy the team who is delivering this project. It is a huge challenge in today's circumstances. Indeed, I suppose that we have never done this before. It is not too far away from being described as a visionary step forward in education. It is close to achieving the shared education objectives in Northern Ireland. It will be a fine example, if and when it is completed. However, I empathise with the team who are working to deliver it in the current situation with value for money.

I have a fairly simple question. At the moment, the project is within the remit of the Department of Education, although it came out of an Executive strategy. How are the Education Department and Executive sharing the development responsibilities of the project?

Ms Crossan: Sorry: I am not sure of the question.

Mr Newton: The shared education strategy came out of the Executive. Indeed, I think that the project was conceived in OFMDFM, as it was then called. Is it your responsibility to report back to the Executive on the project, or is it wholly a Department of Education project?

Mr Fair: I will pick up on that. Essentially, as you say, it has required Executive endorsement and support. It emanated from the Executive's policy on shared education. However, taking the programme forward rests entirely with the Department. I would imagine — maybe colleagues can comment better — that updates would be provided to the Executive at regular intervals, but the responsibility for taking the whole thing forward rests with the Department. Obviously, if there were any significant changes, those would have to be drawn to the Executive's attention at a later stage or at an appropriate juncture.

Ms Crossan: That is correct. Given that it had Executive endorsement with a ministerial direction, the intention is that updates will be provided. As Gary said, if there are any significant predicted or estimated cost rises, obviously, the Executive will have to be notified of those as well.

Mr Newton: It is likely that there will be significant cost increases, is it not?

Ms Crossan: No, it is hoped that there would not be. As I say, we keep costs constantly under review. We will have more confidence about the figures when the tender prices are in.

Mr Newton: OK. It is really a reporting-back situation, not a sharing of responsibility.

Mr Fair: That is right.

Ms Crossan: The Department is responsible for the delivery of the campus.

Mr Newton: OK.

Mr McCrossan: It is certainly an interesting discussion. It goes right to the heart of my constituency. Quite a number of schools have been hanging on for some years in buildings that are no longer fit for purpose and need to be upgraded and maintained the longer that that goes on. Unfortunately, an entire generation of children has lost out on a promise that was made and has been broken time and time again. Obviously, a series of issues has led to that. As a Minister is required to sign off the project, the collapse of the institutions delayed it by three years. There have been procurement difficulties with the project, which is what I want to focus on.

I struggle to understand how any one contractor would find what was on the table appetising, as the risk is so great. I know that previous contractors who pulled out of the procurement process shared their concerns with you about the risk that was involved by any one contractor taking on such a substantial project. That said, have any lessons been learned about the procurement process? Do you feel that, given the climate that we are in and the risks that are involved in one or two contractors taking on such a project, you will struggle to secure a contractor to do it?

Ms Morgan: I will take that. Thank you, Daniel. By the way, I liked your enthusiasm in trying to ask a question about Strule several times. Thank you very much.

In the previous competition, where there were two bidders and one withdrew, what they cited at the time was political instability, not the contract itself. I want to clarify that. At that time, the Executive were not sitting. When a contractor has to tender for a project of the scale of Strule — the main works are in the order of £120 million — it takes a lot of money and investment. When they undertake that commitment, they want to be sure that the tender will go ahead.

Yes, there have been lessons learned. Since the ministerial direction, we have held face-to-face meetings in August with industry as well as the Construction Employers Federation (CEF). We spoke about our contract strategy, the offer and then asked for a commitment to bid. That was a positive experience, and we have had a significant number of companies committing to bid when we release the tender.

We looked at our risk profile, and I mentioned the inflation clause. We did more site preparation works, again to reduce risk to the main works contract. When I say lessons were learned, I mean that we have actively, even in the delay period, worked to make it a more attractive offer. Hopefully, that gives you the confidence that you are looking for.

Mr McCrossan: Yes, it does. You have just reminded me that the reason for that contractor pulling out was, in fact, the absence of the institutions because it required ministerial sign-off. Other projects were at risk at the time, and that led to it, I suppose, because of the cost of the tendering process. Thanks for reminding me of that.

The site is vital for my constituency, my constituents and the schools that are in limbo. I am excited by the date of 2025. I hope that we can stick to that without any hurdles. What development work has been undertaken at the Strule campus over the past year or even since the direction by the Minister?

Ms Morgan: Last November, we completed the site preparation works. Given that you have been around the site, Daniel, you will remember the *[Inaudible owing to poor sound quality]* very substantial. Currently, there is a huge stone capping layer across the site. That generally means that, when we have the main works contract, the contractors can come in and start building straight away.

Over the past year, without ministerial direction, we have had no authority to do any active construction, so we have not been actively constructing on the Strule campus. We have been working other elements of the contract, if you want to talk about that, Sinead. Other parts of the programme have been working the whole time — we have never stopped — but, in pure construction terms, we had no authority to spend without ministerial direction.

Ms Crossan: A lot of work has been ongoing between the schools in developing pilot projects that they will carry out in the run-up to the move to the campus to increase and embed sharing across schools. They are also looking at how they will ensure delivery of the educational benefits once the schools move onto the campus. Work is going on in other work streams in relation to vacated sites and what will happen to school sites when they move from their current locations, and the governance,

management and funding of the campus when it is operational. That was ongoing during that three-year period.

Mr McCrossan: What priority has the Department allocated to the Strule campus?

Ms Crossan: It is one of the highest priority programmes in the Department. It is the flagship programme for shared education.

Mr McCrossan: How might the work on the Strule campus be affected by other funding pressures that were outlined by Gary?

Ms Crossan: The Strule campus is funded almost entirely from the Fresh Start Agreement budget. We have agreement from the Treasury on the flexibility and release of Fresh Start funding for Strule until the end of the Fresh Start period in 2025-26.

Mr McCrossan: Given what has happened with other projects — Pat touched on this — how might future work on the Strule campus be affected by shortages and massive increases in the cost of building materials?

Ms Morgan: We are about to enter a tender period. As I said, we had a really healthy conversation with the industry in August, and I should say that our tender strategy was slightly altered after that engagement. We have increased Strule's capital budget to take account of where we see the building increases have come to at the moment. We are in a very strange time for tendering. If there are any issues in our tender return, they will be picked up at the full business case stage after tender return.

Mr McCrossan: I entirely appreciate that this is not straightforward. It has been met with delays that were way beyond your control.

Finally, how does the Department envisage that the three-year budget allocation will help Strule? Do you believe that it will help with the project, or is it the case that it is simply money coming out of Fresh Start, so it really does not affect anything in that regard?

Ms Crossan: I do not think that it would affect it in any way given that we are funded almost entirely from Fresh Start — unless Gary or Seamus are aware of anything.

Mr Fair: The critical thing was getting some assurance around the Fresh Start funding, which we have already received. That was the key thing for this programme.

Mr McCrossan: On that point, Gary, it is estimated that the costs have risen to £230 million. They are entirely explainable given the delays and the rising cost of materials etc. Does that figure include the infrastructure that will need to be put in place to link to the schools around Omagh? There are concerns about the main road to the school.

Ms Morgan: I will take that one. As you are aware, Daniel, we have already completed the Strathroy link road.

Mr McCrossan: Yes, great.

Ms Morgan: We have, in planning, the Gortin Road and Mountjoy Road extension. We have resubmitted to Fermanagh and Omagh District Council, and we are hopeful for a positive return on that soon. That is why our costs look artificially high at times, because we have had to do much more roadworks than would be expected in a one-school development. There are quite substantial external works to Strule, and that is in response to listening to the community and a significant traffic analysis of Omagh and around the campus.

Mr McCrossan: In the long term, the A5 will help to decongest Omagh from its current issues. The town faces considerable congestion issues but, hopefully, when the A5 is delivered, that will take the pressure off.

I have a yes or no question. On a wider note, will the three-year budget, which I touched on, potentially help other major building projects? I know that that is straying off the Strule issue, but it will come up.

Mr Gallagher: Yes. It will allow the Department to plan better going forward.

Mr McCrossan: We are very pro that. Thanks very much, everybody.

Mrs Dodds: I have a very quick question. Going back to the idea of the ministerial direction, if I recall correctly, it was taken to the Executive and approved by every party on the Executive. Is that correct?

Ms Crossan: Yes. It is my understanding that all Executive members endorsed the Education Minister's decision to issue a ministerial direction. I should say that it was an intention, because that was Minister Weir. It was Minister McIlveen who issued the ministerial direction.

Mrs Dodds: Yes. I just want to be clear about the ministerial direction and the issue around value for money. I know that ministerial directions are required where value for money cannot yet be proved. That is the important issue: it was approved by every party in the Executive with all the information available.

Ms Crossan: Yes. The understanding is that it got Executive approval.

Mrs Dodds: OK. Thank you.

The Chairperson (Mr Lyttle): I am not entirely sure that the Executive have the capacity to "approve" a ministerial direction.

Ms Crossan: I am sorry: "endorsement". It was an endorsement.

The Chairperson (Mr Lyttle): OK.

Mr McNulty: Jennifer, I think that it was you who said that you had spoken to the industry about the hike in construction costs, particularly with materials but also in labour costs. To whom have you spoken in the industry?

Ms Morgan: Unfortunately, I cannot disclose that level of detail at this time. It is part of the procurement process, so I cannot go into company names. We released a prior information notice to warm up the industry and invite people to come and talk to us. We provided a very detailed project brief and an overview of Strule. Even with COVID — it was up to the individual companies — we did face-to-face meetings in Clare House with a range of companies. They were very frank and positive conversations. It returned with a significant number of bidders for Strule, and that is a mixture of individual companies and joint ventures (JVs), which is a range of companies coming together. Unfortunately, I cannot name the companies.

Mr McNulty: OK. Have you spoken to the Institution of Civil Engineers?

Ms Morgan: No. At that time, we invited the CEF. Again, we had a very enthusiastic debate on Strule. As I said, it helped refine our tender, which is now ready to go.

Mr McNulty: What lessons have been learned from the blockages and pitfalls that have been met along the way with Strule? How will those lessons be adopted going forward?

Ms Morgan: We have shortened the procurement as much as we can to make it more efficient. We have moved from a restricted procurement to an open procurement because of the scale of Strule. The industry will have to meet minimum standards. We have also looked at the risk that is appropriate for us, as the client, to retain and what is appropriate for the industry to retain. I will not get into the detail of contract particulars, but we have moved from a lump sum contract that went out in 2018 to a target cost contract, which means that it shares more of the financial risk with the industry rather than it being a lump sum from day one.

Obviously, we have the inflationary clause in the contract, which was welcomed by the industry. We have also retained ground risk, and, as I mentioned, we have spent a very long time — almost three years — doing site preparation works for Strule. That has gone into the infrastructure for Strule. It is an ex-military site, and it is important to highlight the fact that the 140-acre site was in military ownership from the late 1800s. There were a lot of contamination issues to be dealt with, and we dealt with that using a smaller contract. It is more to do with risk share and understanding what risk is appropriate for the client and the contractors to hold on to.

Mr McNulty: What risk is appropriate for the contractor to hold on to?

Ms Morgan: The appropriate risk is about performance, delivery and the supply chain. In the conversation with the industry, no issues were raised that changed our contract strategy in that way. The industry positively endorsed the changes that we have made.

Mr McNulty: Does the Department now retain the majority of the risk for the increased cost of materials and/or labour? Ordinarily, that risk should be foreseen in the contracts and the tender.

Ms Morgan: The Department is holding the inflationary risk for Strule. To be honest, for a project of that scale over two years, that is best practice for any project, even before COVID and inflationary fluctuations.

Mr McNulty: If a contractor gets the quantities wrong, does that go back to the Department?

Ms Morgan: No. That is retained by the contractor. However, that is an appropriate and normal risk for the contractor to retain.

Mr McNulty: OK. Thank you.

Ms Morgan: No problem.

The Chairperson (Mr Lyttle): Folks, I am conscious that political decisions have driven the scale of the task that you face. That said, it is an objective fact to say that the project is significantly over budget, over time, and has required ministerial direction to overrule an experienced Department of Education and permanent secretary. What is the justification for that?

Ms Crossan: The ministerial direction was based on the fact that the Minister identified that the public need was demonstrated in terms of the educational, economic and community benefits that would be delivered as part of the programme. That was why the decision was made to proceed with a ministerial direction and to seek the Executive's endorsement to proceed with the programme.

The Chairperson (Mr Lyttle): OK. Does it have anything to do with the fact that it is a shared education campus?

Ms Crossan: Yes, that is where the educational benefits are coming from — the educational benefits of shared education.

The Chairperson (Mr Lyttle): What will the nature and extent of sharing at the campus be?

Ms Crossan: It has been identified as part of the benefits realisation plan. We are now working through with the schools what that will look like in reality. That is part of the ongoing work. That work is required before the decision is made to release the tender. That has a lot of impetus at the minute, and the schools are all very heavily involved with it and are coming up with some very good ideas for pilot projects in the run-up to the opening of the campus and what will be delivered there.

The Chairperson (Mr Lyttle): OK. If we are expending £230 million from a Department that is in financial crisis, should we not already be clear about what the unique benefits of sharing will be at the site?

Ms Crossan: We have identified them at the higher level, but this is going into more granularity about what it will look like operationally in order to ensure that there will be no issues with delivery.

The Chairperson (Mr Lyttle): OK. If you were building six schools again, would you do it in this way?

Ms Crossan: That would not be a decision for us.

The Chairperson (Mr Lyttle): It was worth a try. I think that everybody realises the money and time that has already been invested in this project and the significance of it to children and families in that area. That is ultimately the most important part of the delivery of the project. However, it is entirely reasonable to acknowledge that there have been major difficulties with the project. As I acknowledged at the start, political decisions have driven those challenges, and I acknowledge the hard work that you guys are doing to try to overcome those challenges. Thank you for that.

Gary, thank you to you and your team for the briefing today. In closing, I ask you a straightforward question: what is the current financial health of the Department of Education?

Mr Fair: As outlined in the paper, there are still, at this stage of the year, what we deem to be unmet needs. We will continue to reassess that and make bids later in the year.

The Chairperson (Mr Lyttle): Does Education remain in financial crisis?

Mr Fair: Well, subject to those inescapable pressures being met, yes. It is still a significant concern to me that those inescapable pressures have not been met at this point in the year.

The Chairperson (Mr Lyttle): OK. We hope to stay in close contact with you on a number of those key issues. As you say, you have identified January monitoring as potentially another significant stage in your financial situation this year. I am sure that we will engage with you on that. Thanks, folks. All the best.