

FROM THE MINISTER/ÓN AIRE



AN ROINN

**Oideachais**

Department of  
**Education**

MÁNNYSTRIE O

**Lear**

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Dear John

**DRAFT BUDGET 2011-15**

1. Further to your letter of 19 January, I have attached the following information on the Department's draft Budget 2011-15 proposals for the Committee's consideration:

Appendix

1. Draft Resource Allocation
2. Invest to Save Fund
3. End Year Flexibility
4. Draft Capital Allocation
5. Extension of Free School Meals Entitlement
6. Proposed Savings
  - i. Home to School Transport
  - ii. ICT in Schools
  - iii. Professional Support for Schools
  - iv. Savings in Arm's Length Bodies
7. Aggregated Schools Budget



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2. In your letter of 20 January you requested an update of the Education Budget Distribution table to reflect all draft Budget changes across the various spending areas across the Budget 2010 period. The Department's draft Budget proposals highlight the main spending proposals and the areas where savings are to be delivered. At this stage it is not possible to reflect the out-workings of these changes and update the Budget Distribution table as:
  - i. Work is currently on-going to disaggregate some of the draft Budget proposals across the various bodies;
  - ii. The £41 million capital to resource reclassification is still subject to Executive approval; and
  - iii. My Minister is determined to increase the amount of funding available for education.
3. In light of the above, a detailed breakdown is not yet possible and to provide something at this stage could in fact be misleading for Committee members.
4. I trust the Committee will find the attached appendices helpful.
5. My Minister is keen to hear the Committee's views on her proposals and in particular areas where members feel that savings can be delivered and she looks forward to hearing from you.
6. Officials will be happy to discuss any queries that members may have when they attend the Committee meetings on 25 and 26 January.

*Patricia McSeide*

*JP* **JOHN LEONARD**  
**Departmental Assembly Liaison Officer**

## APPENDIX 1

### DRAFT RESOURCE ALLOCATION

Details of the Department's inescapable spending proposals were sent to the Committee on 24 November. For ease of reference I have set out this information in the table below.

	£m			
	2011-12	2012-13	2013-14	2014-15
<b>Inescapable Pressures</b>				
Teachers' Pay	23.5	24.6	40.2	61.4
Non Teaching Paybill	13.7	34.0	51.5	70.2
Aggregated Schools Budget (demography etc)	7.3	18.1	28.5	37.0
Maintenance of Expenditure levels for non-pay elements of budget	9.0	20.1	33.0	46.7
Public Private Partnerships	8.6	11.6	14.6	15.2
Non Teaching Payroll Services	0.5	0.5	0.5	0.5
Departmental Administration (admin)	1.4	2.1	2.9	3.8
Departmental Administration (resource)	0.3	0.5	0.8	1.2
Convergence	12.4	14.3	0.3	0.3
<b>Total Inescapable Pressures</b>	<b>76.6</b>	<b>125.8</b>	<b>172.4</b>	<b>236.3</b>

Pressures were deemed to be inescapable if there is a legal or contractual obligation to fund or in other words, the pressure must be addressed.

Further detailed information on each of the Department's spending proposals was sent to the Committee on 25 August and details on the underlying assumptions for each of the pay bids were sent to the Committee on 7 September.

### INVEST TO SAVE FUND

The shortfall in funding across the Budget period has determined the level of savings to be delivered. Table 2 of the Department's draft Budget proposals shows a gap in funding of £139 million in 2011-12 rising to £303 million by 2014-15. Table 4 shows the measures to be implemented to fund this gap.

The extent to which we need to reduce any jobs as a result of delivering the level of savings identified in Table 4 will determine the provision needed to make redundancy payments. The Executive's draft Budget proposals provide for £10 million from the Invest to Save Fund in both 2011-12 and 2012-13 for this purpose. A further £25 million across the 4 year Budget period remains available in the Invest to Save Fund for allocation by the Executive and my Minister intends to seek additional funding from this to meet upfront costs associated with redundancy payments.

With staff costs accounting for around 80% of the education budget, while there will be implications for jobs if there is no further investment in education across the budgetary period, the Minister is clear that in setting savings proposals the impact on jobs should be mitigated as far as possible. At the same time she is intent on enhancing the funds available to education in the final Budget settlement.

Following publication of DE's draft Budget proposals, the Department is working with its non-departmental public bodies on the likely impacts for services from the proposed reductions and how the frontline services can be protected as far as possible. This is clearly a critical area of work and it will be important that time is afforded to develop proposals and ascertain the impact right across the education sector.



## END YEAR FLEXIBILITY

As at 31 March 2010, schools had accumulated surpluses of £56.7m and deficits of £10.7m. The distribution of surpluses/deficits between the Nursery, Primary and Post-Primary sectors is detailed for the last 3 years in the table below.

**ANALYSIS OF SURPLUSES/DEFICITS FOR ELB NURSERY,  
PRIMARY & POST-PRIMARY SCHOOLS**

NURSERY	Surplus		Deficit	
	No	Value	No	Value
Mar-08	91	£ 3,218,133	8	-£ 63,728
Mar-09	89	£ 2,604,551	9	-£ 89,684
Mar-10	83	£ 2,368,434	15	-£ 107,317

PRIMARY	Surplus		Deficit	
	No	Value	No	Value
Mar-08	680	£ 31,442,609	183	-£ 6,106,331
Mar-09	678	£ 34,311,303	168	-£ 5,892,798
Mar-10	682	£ 37,423,546	149	-£ 5,538,520

POST-PRIMARY	Surplus		Deficit	
	No	Value	No	Value
Mar-08	129	£ 21,506,542	32	-£ 3,416,999
Mar-09	120	£ 18,047,614	39	-£ 4,365,168
Mar-10	111	£ 16,903,011	43	-£ 5,070,323

From the analysis above, the total level of surpluses/deficits has remained relatively constant. Over this period the net surpluses for the Post-Primary and Nursery sectors has reduced by £6.2m and £0.9m respectively. These changes include both a reduction in surpluses and an increase in deficits, as both have to be funded. However, at the same time, the net

surpluses in the Primary sector increased by £6.5m. As a result, over the past number of years the movements in surpluses/deficits have offset and there has not been a requirement for any significant net drawdown.

In the current year, the latest estimate for net drawdown was £7.3m. However, this estimate predates the uncertainty arising from the abolition of the existing EYF scheme. Work is underway to revise the estimate for the current year. Looking forward, the ever constrained financial position is likely to cause schools to reduce surpluses and increase deficits. The combined effect will be to increase the need for drawdown across the Budget 2010 period.

The Minister met with the Minister of Finance on 21 January to discuss the issue of End Year Flexibility and school funding. Both Ministers agreed that schools must continue to have access in the future to surpluses which they accumulated through sound financial management. The Ministers guaranteed to put in place arrangements to ensure that this was the case and that both past and future savings would be honoured, in line with the Executive's commitment to schools.

### DRAFT CAPITAL ALLOCATION

The draft capital budget allocation for 2011-12 is £127.4 million. It is estimated that contractual commitments in 2011-12 for projects currently on site or which are planned to be on site before the end of the financial year is £42.5 million. The Department has capital pressures in other areas associated with concluding Youth projects, Early Years projects, Fire Risk assessments, ICT projects and in potential statutory requirements in relation to lighting and signage on the schools transport fleet. At this time it has been estimated that this will require capital of £14 million in 2011-12. Hence 44% (£42.5m +£14.0m) of the £127.4 million allocation is deemed to be required to meet financial commitments (or inescapable pressures).

These contractual commitments run-out into 2012-13 with £19.6 million capital funding required for schemes committed before the end of this financial year. In addition, £16 million is required to meet other capital pressures. This results in 35% (£19.6m + £16m) of the £100.4 million required to meet financial commitments.

In 2009-10, £90 million was spent on Minor Works (including statutory and Health and Safety works). In the current financial year, an initial allocation of £30 million has been made to fund Minor Works schemes including those associated with statutory and Health and Safety works. Reclassification of £41 million from capital to resource will result in a remaining capital budget for 2011-12 of £29.9 million. It is the intention that this funding will be primarily used for minor works across the estate. Accommodation risks across the schools estate will be managed by prioritising those works necessary to meet statutory and Health and Safety requirements.

**EXTENSION OF FREE SCHOOL MEALS ENTITLEMENT**

Original estimates of the additional funding required were based on the model used in England (12% of the nursery and primary school population) and concluded that 11,500 additional children could become eligible from September 2010 (nursery, foundation and Key Stage 1) rising to 20,000 in September 2011 (when Key Stage 2 pupils would be included). Subsequently the Department for Social Development (DSD) was able to provide estimates showing that 19% of the nursery and primary school population could be eligible under the new criterion. On this basis, the number of additional eligible pupils from September 2010 was estimated to be 17,250, and when the extension was fully implemented from September 2011, could be 30,000.

This led to bids of £10.2/10.5/10.8/11.0 million being put forward. A related bid (originally £11.6/20.3/20.3/20.3 million) to address the associated ASB pressure relating to TSN funding (and to minimise the impact, on post-primary schools, of the FSME extension in nursery and primary schools) was also drawn up and was based on the DSD estimates of additional numbers likely to become eligible.

Since then, DE has received figures from the ELBs showing the additional number of applications approved under the new criterion and have estimated the total numbers for the current year (2010/11) at just under 5,000 pupils. Based on the 2010/11 figures we now estimate numbers when the extension is fully operational to be around 10,000. We recognise that this number falls short of original estimates. However, this may be due to the fact that this is the first year in which the criterion is operational. As you know from previous correspondence (Your Ref: 071/10/C/01), the Education and Library Boards have a number of initiatives in place to publicise the availability of free school meals and clothing allowances and will continue to promote the availability of these benefits.



Based on the 10,000 figure, we have estimated full year costs of £4.2 million. Costs in 2011/12 would be slightly less (£3.5 million) as the extended criterion would only come into effect from September 2011 (i.e. two school terms). DE already has funding of £3 million in its baseline for this extension and the budget plans therefore show the additional funding provided on top of this: £1/£1.6/£1.7/£1.8 million. These figures include £0.4 million for the associated extension of the primary school uniform grant which uses the same eligibility criteria. Should demand exceed the 10,000 figure, DE will then look to reallocate funding within the Department or make an in-year bid to DFP.

In light of the actual numbers now available, the ASB figures have been revised to £4/£8/£8/£8 million. However, no additional funding has been identified to address this and this will result in a reduction to the cash value of the AWPU.

**(i) HOME TO SCHOOL TRANSPORT**

The Education and Library Boards are responsible for the operational arrangements of the home to school transport scheme. They have been advised of the Minister's proposal to apply a 7% reduction in transport assistance as part of the DE Draft Savings Plan.

The Boards have been asked to consider by the end of January how savings could be achieved through efficiency measures. Until that exercise is complete it is not possible to say with any precision what the impact will be. Clearly, however, the intention is to look very rigorously at the transport operations of the Boards and their contracts with external operators. If efficiencies within these can deliver all of the savings required then the impact will be solely on these operations, and not on the transport assistance currently received by children.

Only if this was not possible, would the Department look at how savings might be achieved through policy changes on eligibility for transport assistance. The current scheme provides transport assistance to children across all school years, based on eligibility criteria of distance and suitable school. Options for consideration might include reviewing assistance to any school beyond the nearest suitable school to which a pupil can gain entry and to pupils beyond compulsory school age.

**(ii) ICT IN SCHOOLS**

It is proposed that this saving will be delivered by accelerating implementation of the Lot 7 contract designed to ensure that schools have (on an equitable basis) the hardware and connectivity that they need to deliver the curriculum and to meet other requirements (mostly administration and record-keeping). Acceleration of implementation means that we will be taking advantage of the reducing costs of ICT

products and services and so reduce our reliance on current, more costly contracts, allowing them to be terminated more quickly.

The combination of this accelerated procurement process and savings in administration will allow more funding to be released to support teachers in classrooms, while still allowing for ICT support of the delivery of the curriculum and the smooth running of schools to continue.

### **(iii) PROFESSIONAL SUPPORT FOR SCHOOLS**

We currently have a very expansive and confusing system of school support with a variety of budget and bodies involved. These need to be rationalised into a single modern professional service. We will therefore be moving to ensure that the core funding that goes to Boards to help them support schools is prioritised to ensure a clear focus on helping schools to improve standards, particularly in literacy and numeracy, embed the revised curriculum and the new assessment arrangements and deliver the Entitlement Framework. This is one of the areas that is prioritised in this year's voluntary severance programme.

### **(iv) ARM'S LENGTH BODIES**

There is currently widespread duplication in education administration and a priority for the Minister in setting the Draft Budget plans is to reduce bureaucracy, drive up efficiencies and eliminate duplication. Without reform, scarce resources will continue to be spent on unnecessary bureaucracy and spread too thinly over existing institutions. Savings in the ALB management and administration costs will be through the development of single, regional services, supported by the release of staff through severance programmes.

The Voluntary Severance Programme currently underway is aimed at DE's Arm's Length Bodies (ALBs) and proposals are being brought forward to reduce the central management and administration in their



organisations as well as professional development and support services, in line with the Minister's priorities. This programme will provide a foundation for the sustained programme of cost reductions necessary over next four years. Naturally all proposals will address the associated risks including how issues of governance and accountability are to be dealt with going forward.

### AGGREGATED SCHOOLS BUDGET

By 2014-15 the Department needs to deliver savings of just over £300 million. This is obviously a significant amount of funding to be identified. Almost 60% of the education resource budget is delegated to schools through the Aggregated Schools Budget (ASB). The Minister has consistently highlighted that in setting the draft budget proposals that she would protect frontline services as much as possible. Substantial savings are to be delivered through savings in administration however given the size of the reductions to be delivered and the level of funding provided to schools through the ASB it will not be possible to deliver savings without impacting on schools' budgets. However it is important to recognise that the savings identified will be offset to some degree as additional funding is being provided to meet inescapable costs such as pay, inflationary increases and changes in demography etc.

It is recognised that there are too many small unsustainable schools and there is currently surplus capacity across the estate. The Education Skills Authority was too take forward Area Based Planning with a view to reshaping and restructuring the estate to better meet the needs of children across the north of Ireland. There are no detailed plans or timescales in place for this work. However it is important that work is taken forward in the coming period to reshape the overall provision and reduce the number of unsustainable schools. It is recognised that the complexity of the issues involved mean that it will take some time to deliver results in this regard.