COMMITTEE FOR EDUCATION INTERIM RESPONSE TO THE COMMITTEE FOR FINANCE AND PERSONNEL ON ITS SCRUTINY OF THE DEPARTMENT OF EDUCATION DRAFT BUDGET 2011–15: DRAFT ALLOCATION AND SAVINGS PROPOSALS PUBLISHED ON 13 JANUARY 2011

Pre Draft DE Budget Publication Scrutiny

1. The Chairperson of the Committee for Education wrote to the Minister of Education on 8 July 2010 highlighting the Committee's need for timely and detailed information on the future Education Budget in the context of Budget 2010 as follows:

'The Committee, at its meeting of 30 June, stressed the importance of Department of Education copy papers to DFP over summer recess and responses to future requests for information on the Education Budget (in the context of Budget 2010) arriving with the Committee in good time so they can be given the Committee's full consideration. I would also emphasise that it is essential for the Committee to receive full and detailed information on the impact of your options for savings/cuts.'

2. The Committee requested copies from the Department of Education (DE) of information on its savings proposals to be provided to DFP by 26 August 2010 and other detailed information through its letters on 1 & 7 July 2010 for its Committee meetings of 1 & 8 September 2010, which were dedicated sessions for scrutiny of DE draft Budget proposals. The Committee subsequently received briefing papers from DE on 25 August 2010 and 7 September 2010 on Budget 2010 – Spending proposals. The Chairperson of the Committee wrote to the Minister of Education on 2 September 2010 listing key issues raised by the Committee at its meeting of 1 September 2010 with senior Departmental officials on the DE initial Spending Proposals. These included:

'Resource Spending Proposals:

- Teachers pay and non teaching pay bill in the context of the Government's pay freeze and national pay agreements;
- Up-front redundancy costs to deliver savings;
- Cost of the extension of Free School Meals Eligibility criteria; and
- Public Private Partnership resource costs;

Capital Spending Proposals

- The approach to and relative merits of costs of different procurement options for funding major and minor works for schools – including the balance between major and minor works funding; and
- The Review of Middletown Centre for Autism building costs.'

3. The Committee continued its scrutiny of DE initial Spending Proposals at meetings on 13 October 2010 with the Association of School and College Leaders and the National Association of Head Teachers, on 17 November 2010 with representatives of E&LBs Chief Executives, and on 1

and 8 December 2010 with senior Departmental officials (examining ICT/C2K and School Transport policy in the Budget context). Departmental officials also provided briefing papers on 19 October 2010 on non-permanent teaching and non-teaching staff and actual retirees/leavers, and on 24 November 2010 provided an analysis of the Resources and Capital Spending Proposals for the Budget 2010 period.

4. Following the Executive's Draft Budget publication on 15 December 2010, the Committee Chairperson wrote to the Minister of Education on 17 December 2010 stressing the Committee's need for timely and detailed information on the Minister's forthcoming draft DE budget 2011 – 2015 as follows:

' With the Executive's agreed Draft Budget allocations now announced and with the public consultation on this closing on 9 February 2011, it is imperative that the Committee receives your revised Spending Proposals written to the Executive's Draft Budget education allocations as soon as possible please. You will appreciate that your Spending Proposals need to be at a detailed level to allow the Committee to properly scrutinise proposed allocations and formulate views to be put to you. It is important that the Committee receives the Saving Delivery Plan associated with your revised Spending Proposals. We also need clarity on your priorities reflected in your revised Spending Proposals and what the implications are of year-on-year reduced expenditure allocation proposals (where appropriate) – again at a sufficiently detailed level.'

5. The Committee met on 1 December 2010 to continue its scrutiny of the forthcoming draft DE Budget and questioned senior Departmental officials on whether or not the Department was undertaking options/scenario planning on draft Spending and Saving proposals, particularly to protect frontline school services. Some Members expressed grave concerns that the senior official responded that:

'Our Department like any other Department works under the direction and control of the Minister…' '..beyond the high level figures at block level that are available I have no figures on which to commission any work nor do I have any authority to commission any work on scenarios…'

The Committee received a further DE briefing paper on Education Workforce issues on 11 January 2011, which included a breakdown of the 15,635 education service non-permanent staff.

Post Draft DE Budget Publication on 13 January 2011 Scrutiny

6. The Minister of Education's Draft Budget 2011 -15: Draft Allocations and Savings Proposals were published on the evening of the 13 January 2011 and the Minister wrote to the Committee on 14 January 2011 saying that she was 'keen to meet and engage with the Committee at the earliest opportunity to hear your view on my proposals.'

7. The Minister attended the Committee's meeting on 18 January 2011 and the Committee continued its scrutiny of the DE Draft Budget with senior Departmental officials at meetings on 25 and 26 January 2011, dedicated exclusively to scrutiny of the Draft Budget. Following the meeting with the Minister of Education, the Committee agreed to formally request from the Department as a matter of urgency, a range of information through questions in seven specific areas (noted below).

8. The Committee raised a number of key issues with the Minister and these were set out in a list attached to the Committee's letter to the Department dated 19 January, in the following terms:

- The Draft Resource Allocation section – paragraph 3.2 to 3.5 of pages 6-8

Paragraph 3.3 refers to 'inescapable cost pressures associated with pay increases, price inflation, meeting statutory and contractual commitments and addressing demographic impacts'. Table 2 refers to these 'Inescapable Pressures' which are the key components of the resource spending 'shortfall' or 'Gap' building to £303million in 2014-15. The Committee requests a detailed breakdown of these 'Inescapable Pressures' for each year of the 4 years of this Budget period and the basis/rationale or underlying assumptions for each element of this.

(2) The Executive's Invest to Save Fund – paragraph 3.6, page 8

Paragraph 3.6, refers to £10million available from the Executive's Invest to Save Fund for Education for each of the years 2011-12 and 2012-13 to pay for severance/redundancies and 'The Department will be seeking further provision for redundancies from the balance of the Executive's Invest to Save Fund'. The Committee requests the Department's forecast estimates/planning assumptions at this stage of the savings generated from reducing posts over each of the 4 years of this Budget period. The Committee needs to understand the 'shortfall' or 'gap' in spending requirements set out in Table 2, as this 'shortfall' determines the all-important savings proposals totals for each of the 4 years set out in Table 4.

- End Year Flexibility – paragraph 3.7 & 3.8, page 8

The Committee's position on End Year Flexibility is that schools should not lose the £56million. However, the Committee requests what the likely pattern of draw down of this money would have been over the 4 year budget period – from previous annual draw downs – and what is the distribution of this money between primary, post-primary and the various school sectors. The Committee wishes to understand the problem this presents for schools and requests information on the options to mitigate the impact of loss being considered by the Department eg. phasing out options.The Committee would also ask for assurance that all schools affected by this EYF issue should be treated fairly under measures taken to mitigate the impact of the loss.

(4) Draft Capital Allocation – paragraphs 3.9 to 3.12, pages 8-10

Paragraph 3.12 refers to '44% and 35% of the draft Budget allocations in 2011-12 and 2012-13 is required to meet financial commitments (or inescapable pressures)'. The Committee asks does this mean existing contractual commitments and whether the remaining % is for some 'moderate' investment in minor works and maintenance particularly to meet statutory requirements. The Committee requests clarity on this, as the Minister is proposing to reclassify £41million in 2011/12 from capital to resource – this would leave £86.4million capital resource in 2011/12, and with £56 million committed, this reduces to £30million. The Committee asks what risk does this present in terms of planned and unplanned statutory work which could arise in schools in 2011/12.

(5) Extension of Free School Meal Entitlement (FSME) – paragraph 5.2, page 14

Section 5 provides the Minister's more specific priorities for protection in the Budget period, which includes the extension of eligibility of Free School Meals Entitlement and the reference to 'an additional £1million in 2011-12'. However, resource spending proposals given to the Committee in September 2010 gave an extension of FSME requirement of £21.8 in 2011-12 with some £31m costs per annum for the other 3 years of this Budget period. The Committee requests specific clarification on this – to include the specific spending proposals for the extension of FSME over the 4 year Budget period.

(6) Proposed Savings – Table 4, page 16

The Committee needs a lot more information on the impact of the proposed savings in this table and requests in particular:

- What will be the impact of £5million per annum out of the 'Home to School' budget?
- Can more effective procurement make these substantial savings in 'ICT in Schools' and what is the impact of these savings?
- What will be the re-organisation and impact of the very substantial savings in 'Professional Support for Schools'?
- How are savings going to be achieved in Arms' Length Bodies (ALBs) – in particular, the £15m in 2011-12 - and what will be the impact?

(7) Aggregated Schools Budget – paragraph 5.24, page 22

The Committee has major concerns with these saving proposals on the 'Aggregated Schools Budget' and the associated paragraph 5.24 commentary. This proposed saving amounts to £26.5m in Year 1rising to £180m in Year 4, and in % terms this represents 18.5%, 45%, 49% and 58% of the total savings proposed by the Minister. The Minister has stressed in her recent letters to the Committee, etc that her key priority is 'to protect front line services (schools) as far as possible'. While noting the Minister's assessment that the Department of Education requires access to the additional 'possible revenue sources' [£800million] identified in the Executive's Draft Budget, some Members of the Committee asked how does this sit with these substantial direct Schools' Budget Savings proposals ? The final year proposed cut is nearly one-fifth of the Schools' Budget. Finally, paragraph 5.24 refers to putting 'in place plans across the Education Sector to reshape the school provision through rationalisation and restructuring...'. This Committee requests what are the specific plans, including details of planned actions and timescales.

9. The Committee Chairperson emphasised that it was vital that the Department's Draft Spending Plans, based on the draft DE budget document are provided to the Committee as soon as possible – the Committee wrote to the Department to this effect on 20 January 2011.

10 . The Committee received a response from DE on the evening of 24 January 2011 addressing the above information requests and questions and this (together with other key DE Budget 2010 papers and the Hansard record of the Minister's session before Committee on 18 January 2011) formed the focus of the Committee's discussion with senior Departmental officials at the Committee's meetings of the 25 and 26 January 2011 (this response and other key DE papers and the Hansard record have been placed on the Committee's website available at http://archive.niassembly.gov.uk/education/2007mandate/educationbudget_07.htm).

11. The key points and concerns raised by the Committee, or some Members of the Committee, during these discussions are as follows:

The Absence of Draft DE Spending Proposals

(a) The DE response stated that Department's Draft Budget document highlights the 'main spending proposals', but when the Chairperson asked senior officials to identify these, they referred members to the Minister's additional spending proposals which are included in the Department's Draft Budget proposals:

- extension to Free School Meals Entitlement (FSME) of £1 million in 2011-12:
- £3 million in 2011-12 for the Early Years (0-6) Strategy.

Some Members concluded that it was essential to receive a breakdown of the Minister's Draft Spending Proposals for the £1.9 billion draft Education Budget now and could not accept the Department's view that 'to provide something at this stage could, in fact, be misleading for Committee Members'. Also, some Members questioned the wisdom of not setting out draft Spending Proposal Plans on the grounds that the 'Minister is determined to increase the amount of funding available for education' and said that a 'further £800 million is yet to be allocated'. These Members, while they would very much welcome additional money for education, pointed out that the Executive's Draft Budget referred to 'other possible revenue sources' and 'If any...have merit..., they will be factored into the final Budget allocations.' Other Members stressed the need for the Executive to work together to secure additional funding for departments.

Invest to Save

(b) The Committee received no information from DE on forecast estimates or planning assumptions at this stage of savings generated by reducing posts over the 4 years of the Budget period. Although some £25 million is available in 2010/11 for a Voluntary Severance Programme, no definitive take-up figures or savings generated estimate was given – there was a suggestion that a £10 million take-up might represent 200 post reductions. Some Members were very concerned about the lack of information in this area as staff costs account for 80% of the education budget. The DE papers cited this as 'clearly a critical area of work' and some Members questioned the wisdom of not considering targeting potential savings from the 11,200 non-teaching non-permanent staff and the natural wastage from retirees and leavers, bearing in mind the total education service workforce is some 60,000 staff. Again, no information was available from DE officials on any consideration of this. Officials indicated that only when areas for savings had been confirmed could the potential for savings through reductions in non-permanent staff be assessed. The current Voluntary Severance Programme is focussed on 'central management and administration and also professional development and support services'. Some Members saw the need to consider this area as a matter of urgency as clearly extensive job cuts would be necessary to deliver the magnitude of the savings proposed by the Minister in Table 4 of her Draft Budget, and in particular, with the proximity of the significant proposed savings commencing 1 April 2011. Other

Members welcomed the protection of frontline services and jobs, particularly in Year 1 of the Draft DE Budget and called for additional funds from the possible additional £800 million for Years 2-4.

End Year Flexibility

(c) The Committee welcomed the Finance and Education Ministers' guarantee on 21 January 2011 to put in place arrangements to ensure that schools have access to the £56.7 million surplus which they have accumulated, and both past and future savings will be honoured. Members agreed that they would wish to see precisely what these arrangements will be and that schools receive the necessary communication on this as soon as possible. Members also expressed concern at the number and level of school deficits (some 200 schools and £10.7 million total deficit), particularly with the draft DE Budget proposal to significantly reduce the Aggregated Schools Budget.

Draft Capital Allocation

(d) The Committee expressed concern at the overall level of the proposed capital available to DE for allocations over the 4 years budget period, particularly with the substantial maintenance backlog (estimated at £300 million) and minor works backlog (estimated at £100 million). Some Members questioned and had concerns with the Minister's proposal to reclassify £41 million in

2011/12 from capital to resource, for example, this would reduce the uncommitted element in 2011/12 to £30 million and run the risk of not meeting statutory and Health and Safety requirements. While again other Members agreed with the reasoning of the Minister in proposing the move to protect jobs and frontline services. Also, at an earlier meeting, some Members questioned DE officials about whether more active consideration should be given to moving school capital projects forward by way of PPP or similar mechanisms.

Extension of Free School Meals Entitlement (FSME)

(e) Some Committee Members questioned and expressed concern with the DE initial Spending Proposals on the extension of FSME which was estimated in total to cost £21.8 million in 2011/12 and some £31 million per annum for the other 3 years of the Budget period. The Committee requested clarification on this and received, in the 24 January 2011 DE paper, significantly reduced spending proposals of £4, £4.6, £4.7 and £4.8 million for the Budget period, based on a significantly reduced estimate of 10,000 additional take-up and the figures include £0.4 million extension of primary school uniform grant. The Committee noted no additional funding has been identified to address the 'knock-on' increase on the Aggregated Schools Budget through the Age Weighted Pupil Unit (AWPU). However, some Members remained concerned that this extension of FSME has not been taken forward by the other parts of the United Kingdom and should demand exceed the 10,000 forecast, costs would increase – questioning if this extension is affordable in the context of the draft DE Budget allocations and whether the extension to Key Stage 2 pupils in September 2011 should be cancelled - while other Members welcomed the extension of free school meals as a valuable asset to low income families.

Proposed Savings Areas

(f) On the proposed savings listed in Table 4 of the Draft DE Budget, some Members had serious concerns that a lot more information is needed on the means to achieve such savings and the impact of these savings – particularly the substantial savings proposals and the impact, directly or indirectly, on front line services in schools. For example, there is very little information on how substantial savings in Arm's Length Bodies (£60 million over the 4 years) and Professional Support for schools (£105 million over the 4 years) will be delivered, particularly as significant savings are proposed for 2011/12 with no evidence of plans, consultations, or timescales . Some Members pointed to the difficulty in identifying implications of the Budget due to the complicated nature of the education structure with numerous Arms Length Bodies and over 1200 schools managing budget lines.

Some Members questioned and had concerns with the level of spending remaining for SEN capacity building, as the SEN and Inclusions Strategy is not finalised, while others agreed that such a budget line should remain open. Some Members questioned whether the proposed savings in Teacher Substitution Costs are achievable; and whether the savings proposed on Primary Principal Transfer Interviews can be taken forward as consultation on this proposal has not commenced.

Aggregated Schools Budget (ASB) Proposed Savings

(g) The Committee has major concerns with the ASB savings proposal and the means of achieving these very substantial savings - as very briefly outlined in paragraph 5.24 of the Draft DE Budget document. These proposed savings represent 18.5%, 45%, 49%, and 58% of the total savings proposed by the Minister – rising to £180 million in Year 4, nearly one-fifth of the total ASB. The Committee remains very concerned with the level of these direct Schools' Budget Savings Proposals and some Members questioned how this sits with the Minister's key priority in her Draft Budget of protecting front line services (schools) as far as possible. As for putting 'in place plans across the Education Sector to reshape the schools provisions through rationalisation

and restructuring' (paragraph 5.24) to deliver these substantial savings, the Committee was informed that 'there are no detailed plans or timescales in place for this work' and with the 'complexity of the issues involved ... it will take some time to deliver results'. With the lack of consideration of planning assumptions, estimates or any information on potential job savings through severance/redundancy across the education workforce at this stage, a number of Committee Members remained very concerned with these ASB proposed cuts. Some Members pointed to Years 2-4 of the ASB as an area which needs support from the potential additional revenue sources [£800million] identified in the Executive's Draft Budget.