

Reconciling Policy and Resources 2004/05 Onwards

Education and Libraries Department – Revenue Budget Issues

Education

National Context

1. The Government divides the education budget for funding and control purposes into a Schools Budget (i.e. schools delegated budgets plus other centrally managed pupil or school related budgets such as SEN support services, early years, structural building maintenance) and an LEA Budget. The Government has set a number of requirements backed by statutory regulation around the Schools Budget. These are:
 - The increase in Schools Formula Spending Share (SFSS) is expected to be passported in full into a matching increase in the Schools Budget. SFSS will increase by 5% per pupil which is estimated to be about £10.0m. The precise figure will be confirmed in the Revenue Support Grant Settlement.
 - Schools will receive a minimum guaranteed increase in their delegated budgets using a complex calculation. Some elements within delegated budgets such as rates, individually named pupils (e.g. funding for SEN statements) and prior year adjustments are excluded from the guarantee and will continue to be funded as per the LEA's own funding formula. The remaining delegated budgets will increase by a combination of 4% per pupil/place and 4% cash increase.
 - Centrally managed elements within the Schools' Budget cannot increase in total by more than the percentage increase in schools delegated budgets plus contributions to devolved Standards Fund. Certain centrally managed budgets are to be excluded from the calculation of the limit. These exclusions are LEA contributions to Standards Fund grants and increases in expenditure on under 5s relative to 2003/04 (excluding that on maintained schools).
 - The first call on the funding available from the passporting target after deducting the amount required for the schools minimum guarantee and the limited central expenditure should be for targeted short term support for schools in financial difficulty.

The Government is concerned to stabilise school budgets and has acknowledged problems with funding this year. Charles Clarke recently announced transitional grant support for those authorities with the worst RSG settlement in 2003/04; which must be targeted to schools in most difficulty. East Sussex will receive £3.2m in 2004/05.

Education Budget

2. The Education budget is faced with a range of very substantial budget pressures in addition to standstill costs (pay and price increases and policy commitments such as the effects of changes in pupil numbers). Some of these pressures will be covered by the requirement to passport the increase in SFSS while others will add to the savings target. Appendix 1 summarises the budget position based on the planning guidelines, the announced 4% minimum per pupil guarantee for schools, the 5% per pupil increase in Schools' FSS and the County Council's pay and price assumptions of 3.5% and 2.5% respectively. The main points to note are:
 - Schools' delegated budgets – the minimum guarantee is broadly estimated to put some £1.7m into schools budgets over and above standstill pressures. In addition the passporting requirement means an estimated further £2.5m will have to be allocated to the Schools' Budget. Budget pressures on schools' delegated budgets in the order of £0.45m, mainly relating to SEN statements,

would be the first call against this extra funding. Some of the remaining balance of this passporting funding can be used in centrally managed Schools' Budgets within the limits imposed by Government while the rest must be targeted on schools.

- Centrally managed schools budgets – budget pressures of some £0.85m in respect of placements at independent special schools and reinstatement of the 2003/04 one-off saving for 3 year old places can be mainly offset against the maximum growth allowed under the Government's passporting rules. Any excess over the limit will have to be offset by savings within these centrally managed budgets.
 - LEA Budget – in addition to the 5% savings target for 2004/05 (£1.15m) budget pressures of some £0.9m have been identified against these budgets, the largest item of which is £0.5m on home to school transport. The current guidelines require these pressure to be met from further savings.
3. Appendix 2 analyses the 2003/04 education budget across the main categories of expenditure within the schools' and LEA budgets. Because of the government funding rules and the passporting requirements, the schools' delegated budget and the centrally managed budgets in the schools' block are not available to achieve savings, leaving only the LEA block from which to achieve savings for 2004/05 and 2005/06. Within the LEA block there are also areas where it is not possible to achieve savings because of statutory obligations (the majority of the transport budget for example), contractual obligations (the contract with CfBT for example) or where the financial risk exceeds any potential savings. Please see the notes attached to Appendix 2.
 5. The total savings requirement against the LEA block in 2004/05 currently stands at some £2.0m. With almost 50% of the LEA block identified as being unavailable for savings, this has a distorting effect on the effect of the savings target on the remainder. Therefore the savings target for 2004/05 translates into a cut of 19% on the proportion where it is possible to cut, and the additional savings required for 2005/06 would require average reductions of 29% over 2 years on these budgets.
 6. Some potential areas for savings have been identified for modelling purposes totalling £1.1m in 2004/05 and £1.7m in 2005/06 and are summarised in Appendix 3. These are not definite proposals at this stage and will need to be developed further if they are agreed for further consideration. No allowance has been made for any potential redundancy costs. Areas identified for savings include the few remaining areas of discretionary spend within the Education budget. The proposals include some which are extremely contentious for example, ending support for denomination transport, closing all Playlink schemes. Proposals to end denominational transport three years ago were dropped in the face of very significant opposition from Dioceses and parents and any new proposals would be likely to produce a similar response. There would be similar sensitivity around the closure of Playlink schemes, particularly as they are targeted in areas of relative deprivation. It also must be recognised that early years provision in the County has been subject to review by the Education Scrutiny Committee and concerns were expressed about the potential link between relative lack of provision for early years and below average performance at KS 1.
 7. Ending support for sports development and the arts would eliminate the County Council's capacity to provide support to the County's cultural and sports development, including support for P.E. and sport in schools. The Arts Development Officer is the lead education officer supporting the Creative Partnership for East Sussex and Hastings which is due to begin in 2005. The Partnership is anticipated to bring in resources in the region of £0.75m. As well as promoting sports and PE across the county, the Sports Development Officer leads on the Space for Sports and Arts

and NOF funding programmes which amount to approximately £6m of capital works. The loss of the post would create immediate and significant risk in this area.

8. Removal of the subsidy for the Community Learning centres could lead to the closure of one or more of the centres, and has the potential to cause difficulty in relation to the Commit centre in Hastings which is jointly funded by SEEDA, the Borough Council, the County Council and other partners.
9. The Government has an expectation that youth services should meet the new national standards, which include an average level of funding of £100 for each 13 – 19 year old. The East Sussex figure for 2003/04 is £61.45. The proposed reduction in expenditure will have a negative impact on the next OFSTED inspection of the youth service, which is anticipated shortly.
10. The possible reductions being modelled for the teaching support services and the 'salami slicing' of central team budgets will also pose a serious threat to the department's capacity to meet the requirements of a 'good' LEA in OfSTED or CPA terms. They will also endanger the PSA targets as it will not be possible to protect areas such as the Education Welfare Service. It should be noted that as a result of seeking to ensure maximum resources reach the 'front line', East Sussex currently spends 10.3% less than the LEA block FSS. I am very concerned about the proposed reductions in the already lean central department teams in this context, particularly now that the two largest teams, Personnel and School Improvement Service, are no longer within the remit of the department for this savings exercise. CIPFA statistics for 2003/04 show that East Sussex already has one of the lowest spends on central administration of all LEAs - £35 per pupil compared to a national average of £55 per pupil for statutory regulatory duties. Given the restricted areas available for reductions, these kind of savings must be considered. However, even if all of these savings are agreed and with minimal redundancy costs we would still be short of the 2004/05 savings targets by 0.9m and £1.6m for 2005/06.
11. Given that there are no further areas of significant discretionary spend, at this stage it is proving very difficult to identify additional savings, other than through further salami slicing. This can only lead to a significantly reduced capacity to fulfil statutory duties, and maintain quality standards. I do not believe in these circumstances it would be possible to maintain our current 2 star CPA/OFSTED rating, nor to provide good service to schools and parents.

Libraries

12. The July Cabinet financial planning steer is to maintain a standstill budget with no savings target required. However, the service is faced with a number of budget pressures which are set out below.
 - (i) DCMS Public Library Standards – Opening hours
East Sussex currently achieves about 63% of the opening hours standard and full compliance is estimated to cost some £0.5m. However, this would result in libraries being open at times of little or no demand for services. There is a case to increase opening hours at a number of libraries to give a more consistent pattern and it is estimated that funding in the region of £271,000 would secure opening hours in line with CIPFA averages.
 - (ii) Premises
The appearance and facilities of many libraries could be much improved by a relatively modest investment in maintenance and redecoration which would have a significant beneficial effect for the public and staff. A prioritised list of

improvements has been identified that could be achieved depending on the level of resources that might be made available.

A revised capital strategy for libraries will need to be developed, to ensure buildings are fit for the purpose. The strategy will also need to embrace the developing e-government agenda with potentially a wider community role for library premises and it is essential that these issues are co-ordinated with any refurbishment programme.

(iii) Rye Library

The Rye Partnership is proposing to provide accommodation to relocate the Rye Library in a new building planned for completion by October 2004 although it is possible the timetable might slip to January 2005. The Partnership has offered £50,000 toward fitting out costs which are estimated at some £65,000. The County Council would need to find the balance (£15,000) of this one-off cost and around £35,000 p.a. for rent. Restocking of the library would have to be prioritised within the existing Book Fund.