



Department of
Education

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Dear John

BUDGET 2010 AND PEDU REVIEW

Your letters of 8 and 10 March refer.

I have attached the following information for Committee members:

- Appendix A – an update on the Final Budget position for Education;
- Appendix B – an update on the current position with regards to the PEDU Review; and
- Appendix C – a brief on the reclassification of capital expenditure to resource funding.

I trust the Committee will find this information helpful.

Officials will be happy to address any further issues that member may have when they attend the Committee on 16 March.

Yours sincerely

JOHN LEONARD
Departmental Assembly Liaison Officer

APPENDIX A

FINAL BUDGET 2011-15 – OUTCOME FOR EDUCATION

1. The Assembly agreed the Final Budget 2011-15 on 9 March. This set Departmental spending plans for the next 4 years. As a result of continued lobbying by the Minister, the Final Budget provided an additional £114m resource and £41m capital for Education across the 4 year Budget period. A breakdown of this is set out below:

	£m			
	2011-12	2012-13	2013-14	2014-15
Resource Budget				
2010 Draft Budget Position	1,852.2	1,857.3	1,861.6	1,847.7
Additional Allocations	17.4	18.8	26.2	26.7
Reclassification from capital	25.0			
2010 Final Budget Outcome	1,894.6	1,876.1	1,887.7	1,874.5
Capital Expenditure				
2010 Draft Budget Position	127.4	100.4	101.5	139.4
Additional Allocations	12.3	3.0	6.2	44.0
Reclassification to resource	-25.0			
2010 Final Budget Outcome	114.7	103.4	107.7	183.4

2. The Final Budget outcome is clearly challenging for education and the Minister is currently making final decisions on the optimum allocation of resources for education services. Final Budget allocations will be announced as soon as this has been completed and details will be forwarded to the Education Committee in due course.

UPDATE ON JOINT PEDU AND DE EFFICIENCY REVIEW

1. The Terms of Reference for the DE and DFP joint Efficiency Review of education administration and support services indicated that the review would be taken forward in two stages by the Performance and Efficiency Delivery Unit (PEDU). Stage One was to identify a range of areas where there is evidence of potential for additional efficiencies and savings. Stage Two would look at a subset of the selected areas which should be taken forward for more detailed investigation.
2. In undertaking Stage One, PEDU collated and analysed data on a number of education services. The areas covered were: Home to School Transport; School Meals; Education and Library Board Administration; School Cleaning; CCMS running costs; Professional Development (primarily CASS); Teachers' Pay and Pensions Administration; and ELB Procurement.
3. The exercise focused particularly on trends in expenditure and cost comparisons across the ELBs. It looked primarily at the potential for greater efficiency savings within the existing policy and delivery framework, taking account of apparent differences in performances across the Boards. It should be noted that given the timescales for PEDU to complete Stage One the five Boards were not directly involved in the evidence-gathering or consideration of the PEDU analyses to date.
4. PEDU has completed its Stage One work and concluded that in the areas considered there seems to be scope for additional efficiencies. The evidence is primarily in the form of unexplained variations in costs of provision from one Board to another or unexplained changes in the costs of provision over time.

5. The Stage Two work is getting underway and PEDU will be undertaking a more detailed examination of Home to School Transport and School Meals. PEDU will be engaging directly with the Education and Library Boards for Stage Two and will identify recommended actions to deliver efficiencies in these two areas. PEDU plans to complete its work by the end of May.

6. The Department is also planning to take forward the other areas covered by PEDU in Stage One, to assess in more detail the potential for efficiencies in each of those areas in light of the PEDU analysis, and how those efficiencies might be delivered.

BUDGET 2010 – RECLASSIFICATION OF CAPITAL EXPENDITURE TO RESOURCE FUNDING

1. The Executive agreed to consider requests from Ministers to reclassify capital expenditure to resource if, following the draft Budget allocations, the pressures on the resource side of the budget were particularly severe and unmanageable. In view of the particularly significant pressures on the resource budget in 2011-12 and the limitations on the Department's ability to release such savings within the next financial year, the Minister wrote to the Finance Minister on 14 January seeking to reclassify £41m of capital expenditure to resource funding in 2011-12 to minimise, as far as possible, the impact on the level of funding directly available to schools.
2. A reply from the Finance Minister confirmed that it would be important that the Executive considered the overall block position, including proposals put forward by other Ministers, before reaching decisions and that this matter would be considered by the Executive in their deliberations on the Revised Budget.
3. In agreeing final Budget allocations, the Executive agreed a reclassification of £25m from capital to resource next year. In addition, further resource funding of £17.4m was made available, providing an additional £42.4m next year. The draft Budget proposals published on 13 January were predicated on the assumption that an additional £41m resource would be reclassified from capital to resource in 2011-12. As the Final Budget provided an additional £42.4m resource and this exceeds the amount of the reclassification, the Minister does not propose to seek any further reclassifications at this stage.
4. As highlighted above, the draft Budget proposals were predicated on the assumption that £41m capital would be reclassified to resource in 2011-

12. The impact of this was that the draft capital spending plans for 2011-12 published on 13 January were £41m less than the budget published at draft Budget stage. The final capital budget for next year provided an additional allocation of £12.3m and this has been offset by the £25m reclassification to resource. The net impact of this is that there is now a further £12.7m available for reallocation next year than had been included in the Minister's draft Budget proposals and the Minister is making final decisions on the allocation of the capital budget.