

STATES OF JERSEY



DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): THIRTEENTH AMENDMENT (P.123/2011 Amd.(13)) – COMMENTS

**Presented to the States on 9th September 2011
by the Minister for Education, Sport and Culture**

STATES GREFFE

COMMENTS

The Minister for Education, Sport and Culture [ESC] opposes paragraphs 1–5 of this amendment and urges members to reject all parts of the proposition.

Background

The Deputy of St. Mary is requesting the Department's budget is increased in the following areas:

1. Special Educational Needs and Special Schools;
2. Instrumental Music Service;
3. Culture;
4. Grants and Advisory Council;
5. Playschemes and Outdoor Education.

As part of the Comprehensive Spending Review, all areas of service have been reviewed, and savings proposals have been included in the 2012 Business Plan. At the time of writing these comments, the Minister is still awaiting additional reports from the Deputy of St. Mary; for instrumental music; culture, sport and playschemes. From the limited information provided in his attached report, the Deputy of St. Mary's proposal to reverse the cuts in Education, Sport and Culture's budget allocation centres on how the Department has applied **non-staff** inflation. It is further interpreted that the Deputy wishes to reverse proposed savings in these budget areas attributed to the Comprehensive Spending Review. Although these comments have been prepared on this premise, until further information is provided by the Deputy of St. Mary, it is not fully understood by the Minister the reason for re-instating the cuts made within the Department's budget.

Background to non-staff inflation

The Deputy's attached report states –

“An inflation figure of 2.5% is applied across the board to all departments for the inflation between 2011 and 2012 (see Annual Business Plan Volume 1, page 29, last paragraph”).

So if a department wishes to maintain spend in a given area, it must increase that area's budget allocation by 2.5%.

All the sums in the above amendments are calculated by adding inflation of 2.5% to the 2011 spend and then allocating that sum for 2012”.

States of Jersey budgets for 2012 include inflation of 2.5% on the allocated **non-staff** elements. The allocated staff elements of the budget are subject to a separate allocation for pay awards, which for 2012 have yet to be decided by the States of Jersey Employment Board. Pay awards have, therefore, not been included within departmental budgets in the 2012 Annual Business Plan.

The total **non-staff** inflation allocation from the Treasury to ESC is £325,100 (the non-staff element is approximately 13% of the Department's budget with 87% relating to staff).

The Deputy of St. Mary has misinterpreted the application of non-staff inflation. In his calculations he has applied the non-staff inflationary figure of 2.5% to the whole budget, where it should only be allocated to a proportion of it. Had 2.5% been allocated based on the budget, the overall allocation to ESC would have been in the order of £2.5 million.

The non-staff inflation amounts included within the 2012 Annual Business Plan which relate to the Deputy of St. Mary's amendments are shown in table 1 below:

Table 1

Service area	Budget per business plan (including overheads)	Total non staff inflation included in 2012 ABP
Special Educational Needs and Special Schools	£8,018,800	£15,500 <i>expenditure increased</i>
Instrumental Music Service	£648,500	£2,500 <i>expenditure increased</i>
Culture	£1,827,300	£5,800 <i>expenditure increased</i>
Grants and Advisory Council	£182,700	£6,300 <i>expenditure increased</i>
Playschemes and Outdoor Education	£157,800	£1,400 <i>expenditure increased</i>

The Treasury allocate to the Department 2.5% inflation on non-staff and income budgets. It is the responsibility of the Department to distribute non-staff inflation and increase income targets across sections based on need and achievability.

It should be noted that non-staff inflation has been applied to service areas before CSR savings have been made.

Comment

(1) Special Educational Needs and Special Schools

The Deputy of St. Mary has requested the Department's budget shall be increased by £269,657 with respect to the "Special Educational Needs and Special Schools" line in the Department's service analysis in order to maintain the value of funding in this area.

Although the Business Plan shows a reduction of £67,500, no cuts are proposed to services within special educational needs and special schools in 2012. Reductions in the Special Educational Needs and Special Schools budgets were agreed by the States during the 2011 Annual Business Plan debate totalling £165,000. The retirement of an Educational Psychologist facilitated the restructuring of the Education Support Team to a school cluster model, and the voluntary redundancy of the head-teacher at the social and emotional behavioural disorder (SEBD) primary school made possible the further integration of services into mainstream schools.

The information in table 1 indicates that non-staff inflation for 2012 has increased by £15,500 to meet increased costs due to inflation. The Deputy's assertion to increase the full budget by 2.5% is incorrect, as the majority of this budget relates to staff expenditure, which is affected by pay awards. Pay awards have yet to be determined at this time and have not been included in the 2012 annual business plan.

The lower budget figure for 2012 from 2011 of £67,500, which appears in the business plan, represents a reallocation of overheads due to the relocation and further integration of SEBD services into mainstream schools.

(2) Instrumental Music Service

The Deputy of St. Mary has requested the Department's budget shall be increased by £101,493 with respect to the "Instrumental Music Service" line in the Department's service analysis in order to maintain the value of funding in this area.

The 2012 budget for Instrumental Music Service is £648,500. This is a reduction of £83,200 from 2011, and reflects the proposal to introduce charges for access to the music service in 2012. This has followed recommendations made by the Comptroller and Auditor General and discussions with those responsible for providing the service.

The Deputy of St. Mary's assertion to increase the full budget by 2.5% is incorrect, as the majority of this budget relates to staff expenditure, which is affected by pay awards. Pay awards have yet to be determined at this time and have not been included in the 2012 annual business plan. The information in table 1 indicates that non-staff inflation for 2012 has increased by £2,500 to meet increased costs due to inflation.

Along with this inclusion of non-staff inflation for the whole budget, the Deputy of St. Mary has requested the re-instatement of savings attributed to the Comprehensive Spending Review, totalling £84,000.

A modest charge for certain services will help to ensure the Instrumental Music Service's viability and security moving forward. Charges will be levied for; tuition; instrument loan; music centre ensemble membership; and theory and aural training.

It is planned that charging for the Instrumental Music Service will commence in September 2012, with gradual phased increases over a 3 year period. This will allow the impact of the proposed charges to be monitored on an annual basis.

Pupils and schools will continue to benefit, free of charge, from examination preparation, curriculum and vocal support, concerts and workshops, music therapy and the Jersey Young Musician of the Year Competition. In addition, free taster sessions will be provided for any student who wishes to learn a musical instrument.

(3) Culture

The Deputy of St. Mary has requested the Department's budget shall be increased by £15,547 with respect to the "Culture" line in the Department's service analysis in order to maintain the value of funding in this area.

No cuts are proposed to Culture in 2012. The Deputy of St. Mary's assertion to increase the full budget by 2.5% is incorrect, as the majority of this budget relates to

staff-related grant expenditure, which is affected by pay awards. Pay awards have yet to be determined at this time and have not been included in the 2012 Annual business plan. The information in table 1 indicates that non-staff inflation for 2012 has increased by £2,700 to meet increased costs due to inflation.

ESC has an agreement with the Treasury that certain grants, including Heritage and Culture, will have a proportion of the annual increase related to staff, rather than non-staff inflation, in order to maintain the real value of the grant in times of high pay awards. When no pay awards are proposed, this element of the grant will receive no increase.

(4) Grants and Advisory Council

The Deputy of St. Mary has requested the Department's budget shall be increased by £154,423 with respect to the "Grants and Advisory Council" line in the Department's service analysis in order to maintain the value of funding in this area.

The Department for Education, Sport and Culture spends approximately £4.2 million on sport in Jersey. This includes the provision and maintenance of sporting facilities, including sports centres, playing fields and swimming pools. The Department also invests in sport development by part-funding sports development officers alongside sports clubs and associations, delivering community and outdoor education programmes, as well as supporting individuals to travel to sporting events.

The Comprehensive Spending Review has challenged Ministers from all departments to consider how savings can be made from their budgets. The Minister for Education, Sport and Culture has continually recognised the importance of sport in Jersey and the need for ongoing government support. The priorities for the Department moving forward will be to ensure that the investment in Jersey's sporting infrastructure is maintained. This is highlighted by the inclusion within the States forward capital programme for the redevelopment of F.B. Fields running track and the replacement of the artificial pitch at Les Quennevais in 2014.

The Minister recognises the excellent work currently being undertaken in the community and the time invested by the many volunteers who help provide a wide range of sporting activities across the Island. Equally, the Minister acknowledges the significant financial contribution made by many corporate organisations to support sports clubs and associations. This partnership is vital if the Island is to encourage greater participation and achievement in sport at all levels.

The recent establishment of the 'One Foundation', aimed at raising private investment for sport, education and cultural programmes, will also help to provide the necessary financial assistance required by sportsmen and women to excel in their chosen field.

The Department will continue to support community and educational programmes, such as the exercise referral programme, which encourages citizens of all ages to participate in support to improve health and well-being. Support will also continue for sports development and grant support to clubs and associations through grant funding to the Advisory Council, although it is proposed this will be reduced by £160,000 in 2012.

Along with the re-instatement of savings attributed to the Comprehensive Spending Review, the Deputy of St. Mary has requested the addition of non-staff inflation to the 2012 budget. The information in table 1 indicates that non-staff inflation for 2012 totals £6,300.

(5) Playschemes and Outdoor Education

The Deputy of St. Mary has requested the Department's budget shall be increased by £54,990 with respect to the "Playschemes and Outdoor education" line in the Department's service analysis in order to maintain the value of funding in this area.

ESC activity clubs were initially established as no other provider offered this service in Jersey. Now there are a number of providers delivering a similar service across the Island.

The Minister for Education, Sport and Culture aims to work closely with the private and voluntary sector organisations to ensure activity clubs remain affordable and available to parents who rely upon them.

Activity Clubs provide an important contribution to childcare services in Jersey. The Minister is keen that all children requiring a place receive one, and that the place is affordable and that quality in childcare services continue to increase. It is proven that working closely with the voluntary and private sector (e.g. with the Nursery Education Fund) has improved quality and delivered a more cohesive and flexible service for parents (e.g. increased choice of providers and locations).

Private sector providers are well placed to deliver childcare of high quality and flexibility and more choice of activities and venues for children.

Meetings have already taken place with parents to inform them of proposed changes, and discussions have been ongoing with existing providers over the use of Education, Sport and Culture facilities to expand their provision in appropriate locations.

Specialist activity clubs for children with special needs will not be affected. At this time, parents receiving the Childcare Component of Income Support to access activity clubs will continue to receive this support.

As part of the requirement placed on the Department to reduce expenditure, this proposal will make an ongoing saving of £80,000 from 2012.

Financial implications

The amendment proposes that the financial implications are neutral and this is achieved by reducing the Provision for Central Reserves held by Treasury and Resources.

At the start of the CSR process, the Council of Ministers invited senior UK Treasury and IMF advisors to brief them on the merits of longer-term financial planning, and were strongly advised that central reserves and contingencies were an essential part of any such framework.

The States has supported the principle of central reserves or contingencies as part of the 2011 Business Plan, and also as a fundamental principle of P.97/2011 (Draft Public Finances (Amendment No. 3) (Jersey) Law 201-) which amended the Public Finances (Jersey) Law 2005.

The Council of Ministers is proposing central reserves of £13 million for 2012. This represents a provision of £9 million, similar to that agreed in the 2011 Business Plan, for a One-Off, DEL and AME Reserve, and with part of the One-Off reserve also earmarked to provide a Smoothing Fund for exceptional court and case costs.

In addition, there are a number of significant emerging items that are almost certain to require funding in 2012 and beyond, but for which the costings and timing are still uncertain. The Council of Ministers is proposing an additional provision of £4 million from 2012 to address these emerging items which include; a Committee of inquiry (HCAE), Freedom of Information and potential changes to Legal Aid. The Council of Ministers has also taken account of the risks around the forecasts of funding of Higher Education, Nurses Retention and Recruitment and senior Medical Staff replacements when proposing this additional provision.

The principle of central reserves is to provide flexibility within spending limits to be able to manage urgent and unforeseen items without returning to the States for further expenditure allocations. It can be seen that there are already a number of significant potential calls on the central reserves, and reducing the level of the provision for central reserves any further by offsetting savings as proposed in a number of Business Plan Amendments will reduce the flexibility that this provision is intended to provide.