

Policy watch

The Budget build-up suggests things will remain tight for education



As the Chancellor prepares for one of the final acts of this Parliament in the shape of his Budget on 24 March, all the signs continue to point to things remaining tough funding wise for the world of education

The gory details may not become clear until the outcomes of the spending review are finally revealed in the autumn but we've had plenty of warning signs over the last few months. In November, the Skills Investment [Strategy](#) sliced budgets for adult learning and [Train to Gain](#), in December the government landed a further £135m of cuts on to HE and just last week Ed Balls set out plans for how his Dept would save £300m by 2013. And all this before the belt is tightened a further notch from 2011.

Just how tight things will be depends largely on how quickly the economy picks up and here views differ. In a set piece speech on the economy this week, the Prime Minister acknowledged that "*recovery remained fragile*" and that we faced "*months ahead of false hopes, mixed signals and conflicting statistics.*" There have been plenty of these over the last few months. In his December Pre-Budget [Report](#), for instance, the Chancellor predicted that the economy would grow by 1.5% this year and by up to 3.5% next year; last month the National Institute of Economic and Social Research ([NIESR](#)) predicted growth figures of 1.1% and 2.0% respectively and just recently the British Chambers of Commerce down graded their 2011 growth projections from 2.3% to 2.1%. It's no wonder press releases tend to have the words fragile and recovery in the same sentence.

On the positive side, hopes are high that unemployment won't be as bad as originally feared. The NIESR, for instance, predict this would "*peak at 2.9m in the third quarter of 2011*" while the Chambers of Commerce suggest a peak of 2.65m later this year. Key factors seem to be what will happen to public sector jobs and how far the growing phenomenon of part-time Britain, up 25,000 in the last quarter, takes off. Elsewhere the picture is mixed; manufacturing is down 0.4% but retail sales have started to pick up albeit sluggishly; sales of confectionery and jewellery did particularly well in February so it's good to see romance is still alive.

In terms of how the economy develops, three events are now critical.

First, the Budget itself and whether the Chancellor comes up with a credible economic recovery plan. As ever, he hasn't been short of siren voices. Over the last week, both the Institute of Directors and the CBI have called for public spending cuts sooner rather than later. In an open letter to the Chancellor, the CBI called for the Budget to be balanced by 2015/6, two years earlier than planned and for a clear action plan focused on public spending cuts rather than tax increases. The Chancellor in response claimed this week to be "*on course*" for cutting the deficit and the Prime Minister pitched in recently with an announcement about pay freezes for "*senior staff in the civil service, military, judiciary, and health service,*" all expected to save more than £3bn by 2013/14.

The second event obviously is the election, where the worry is how far uncertainty about the outcome will affect the markets. The Conservatives have set out their stall in the form of 'A New Economic Model' built around what [George Osborne](#) described as "eight benchmarks for Britain." The Party is on record as wanting to impose public spending cuts sooner rather than later but it remains unclear as to how "swingeing" these would be. What they have said is that they would hold an emergency Budget within 50 days which arguably would clamp down fairly quickly on a lot of departmental activity. For his part, the Prime Minister in his speech this week confirmed that he wouldn't do anything to risk any recovery, implying cuts later rather than sooner, that the government would continue to invest in the industries of the future and equally would stick to its fiscal deficit plans.

The third significant event is the spending review, vitally important in setting out the margins for public spending depts over the next three years, held over from last year and due to be announced this autumn. The Chancellor has already said that this will be "the toughest spending review for 20 years" leaving people ready to adopt the brace position accordingly. Any spending plans agreed will not kick in until 2011 but it's thought that both Parties have already set out where they expect depts to make cuts including in areas like reductions in quangos, consultants, numbers of civil servants and marketing budgets along with more joint procurement, possible sales of assets and the catch all operational efficiencies.

Shortly HEFCE will announce the actual university budgets for 2010/11 against a backcloth of overall reductions in teaching and capital budgets. Colleges and training providers equally will be assessing their new budgets from the new funding agencies with the Association of Colleges (AoC) suggesting that cuts in adult learning budgets may range anywhere between 10% and 25%.

But most of the activity this week has been around schools as Ed Balls forges ahead with plans to protect parts of his dept's budget and to find ways of making an anticipated 0.9% of efficiency savings where possible. The government has already committed to 'protect' schools budgets with average 0.7% increases for frontline services for 2011/12 and 2012/13

The starting point for many schools was an important [Paper](#) from the dept last November entitled 'Securing our future: using our resources well.' In that Paper, the Secretary of State called for more school bursars to help schools through these difficult times and this week he announced a £5m pot so that over the next three years up to a thousand school business managers will be available to help primary schools in every authority.

He also announced a series of other measures designed to generate savings of over £300m over the next two years. These included identified 'quango' savings totalling £135m, with £45m over the next two years coming from Becta's budget and £55m from that of the Training and Development Agency. Savings are also to be found from cutting the start-up funding for extended services now that over 95% of schools are now offering them, cutting back on the golden hellos for new teachers in non-shortage subjects such as RE and modern languages and shifting Teachers TV so that from August this year it will only be available online.

With announcements about the Dedicated Schools Grant also expected shortly, Mr Balls has clearly thrown down the gauntlet on schools funding to the Opposition.

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