

Scottish Budget 2019-20 Education and Skills Committee 19 December 2018

INTRODUCTION

The purpose of this paper is to brief the Education and Skills Committee on the Scottish Budget 2019-20. The budget was published on Wednesday 13 December 2018 and this paper will cover broad themes in the Education and Skills, Communities and Local Government, and Health and Sport portfolio budgets which are of relevance to the Committee's work.

The purpose is not to provide an exhaustive account of the budget. Members are encouraged to contact SPICe should they have any specific queries.

The overall Scottish Budget in 2019-20 is expected to be £42.54bn and will be an increase of 4.9% in cash terms and 3.0% in real terms compared to the current financial year. The discretionary parts of the Scottish budget are revenue and capital. The revenue budget will be £28.6bn which is an increase of 3.6% in cash terms and 1.8% in real terms. The capital budget is £5.1bn, a 14.8% cash increase and a 12.8% increase in real terms. An infographic showing the overall budget is included in the appendix A to this paper.

EDUCATION AND SKILLS

The planned discretionary Education and Skills portfolio budget will be £2.81bn. The overall budget for Education and Skills is higher, at £3.45bn, however this includes Annual Managed Expenditure, Non-Cash, and financial transactions.

Most spending on school education is by local government (c£5bn). There are a number of ring-fenced grants that are provided to local government to meet national priorities in education and these will be discussed under the Local Government and Communities header later in this paper.

Education Scotland's budget will increase from £20.0m in 2018/19 to £22.5m in 2019/20. There is no cash increase to the salary costs of the agency. The £2.5m increase is in the "Other" budget line. The level 4 budget figures documents state—

"The 2019-20 budget includes more resources to deliver a revitalised and refreshed Education Scotland that can be effective in its enhanced remit for national, system wide improvement in learning and the associated educational leadership.

Resources will be focused on tackling the equity and excellence agenda, making a significant contribution to the development of regional delivery and implementation of Regional Improvement Collaboratives. Additional resource will also support the strengthening our inspection function."

The Committee raised the issue of Education Scotland's budget regularly being subject to in-year revisions.

The Scottish Government grant to the SQA remains stable in cash terms.

Skills Development Scotland's budget has increased to £214.7m, a cash increase of 11.1%. The additional funding is to support the continuing expansion of foundation and modern apprenticeships.

The Scottish Funding Council supports and funds Scotland's college and university sectors. Its overall budget increased very slightly (0.1%) in cash terms to £1,839.3m. This represented a reduction of 1.7% in real terms.

Grant-in-Aid funding to colleges is increasing in cash terms by 3.1% to £606.5m, a 1.3% real terms increase. This increase is said to meet costs of national bargaining for college staff salaries. As with last year, colleges are expected to raise £190m in income and so the aggregate resource expenditure for the college sector is expected to be £796.5m in 2019/20. The 2019/20 capital budget for colleges shows a significant change on previous years falling to £49.6m from £78.7m in 2018/19. The level 4 document explains:

“The college capital expenditure line reduces by £29.1million. In 2018-19, the college capital expenditure line received a £26.9 million uplift to enable the sector to address all of the very high priority backlog repairs identified in the 2017 Estate Condition Survey. The 2019-20 capital grant reverts to a more typical baseline for the college estate and also provides funding for completion of the new Forth Valley college.”

Resource funding for Higher Education is essentially the same, in cash terms, as in 2018/19 at £1,025.2m. There was a increase of £0.3m which is explained as a small movement of resource that had previously been within the administration budget. Higher Education capital funding reduced from £41.2m in the 2018/19 budget to £37.5m in 2019/20. This reduction is due to the Glasgow School of Art loan support ending. The capital expenditure of HEIs will be augmented through additional funds under “Financial Transactions”¹ which has risen from £40.0m in 2018/19 to £55.0m in 2019/20 – this money will be used for projects related to low carbon and energy saving, estates development and innovation.

Planned funding to support student fees and loan advances remains stable in cash terms since the last budget at £301.6m and £550.0m respectively.

The Committee has been interested in funding for children with additional support needs. The response to the Committee notes that the Scottish Government continues to provide £10.5m in funding to support learning provision for children and young people with complex additional support needs. The majority of funding to support children with additional support needs will come from local government.

COMMUNITIES AND LOCAL GOVERNMENT

There are a number of differing interpretations of the budget for local government and there are a range of figures that could be quoted. The table in Appendix B shows local general grant government funding, non-domestic rates income, funding from other portfolios, and specific grant funding. Specific grant funding can be both detailed in the local government finance circular (e.g. PEF) and outwith the circular (e.g. SAC).

¹ Financial Transactions are a form of capital budget allocated by HM Treasury to the Scottish Government which can only be used for the provision of loans or equity investment beyond the public sector and cannot be used to fund public services. Financial Transactions facilities have to be repaid to HM Treasury in future years.

One's view of whether funding to local government has increased depends on which measures you choose to use. For example, just looking at the core revenue grant, which is the General Resource Grant and non-domestic rates income combined, shows a £319m real terms cut (-3.4%). Including ringfenced funds in the finance circular would show an increase in revenue funding of £210.5m (+2.0%). Including other ring-fenced funds and capital funding would show further real terms increases.

Specific Grant Funding

Specific Grant funding is "ringfenced" and cannot be used for other purposes. In terms of revenue, the Budget identifies £120.0m for pupil equity funding (no change on 2018/19), £4.5m on Gaelic (no change), and £262.2m for early years and childcare (up £210.0m on 2018/19). The increase in ELC funding is the total of the increase of the "Specific Grant" revenue funding in the 2019/20. ELC expansion also accounts for £175.0m of capital funding (up £25.0m).

Revenue Funding within other Portfolios

There are a number of funding streams that are currently held within other portfolios that will be added to the local government settlement during 2019-20 and will be included in the Local Government Finance Circular which will be issued on 17 December 2018. This includes a further £24.1m of funding for ELC; this funding is not new and is the same as 2018/19. The £24.1m was referred to as "recurring" funding for ELC in a letter from the Scottish Government to local authorities in May 2018.²

Other funds included under "*Revenue Funding within other Portfolios*" include: 1 + 2 languages (£3m, no change from 2018/19); School Clothing Grant (£6m, no change); BSL (£0.2m, down £0.2m); and Youth Justice – Whole System approach (£0.8m, no change).

In addition, £120.0m is listed as funding for Health and Social Care and Mental Health, which includes £12.0m for investment in school counselling services. This funding is from the Health and Sport portfolio.

Local Government Funding outwith Core Settlement

Over and above the money that will be included within the Local Government Finance (Scotland) Order 2019 there are a number of funding streams attached to particular portfolio policy initiatives. This includes the Attainment Scotland Fund (£62.0m, up £3m), and revenue support for the Schools for the Future programme (£60.9m, up £8m).

Core grant

Members will be aware that funding for PEF and through the Attainment Scotland Fund must provide additionality and cannot be used to replace activity that would have been funded by local authorities through their discretionary budgets. Local authorities' core discretionary budgets includes (among other things) monies for: schools; supporting children with additional support needs; and music tuition.

A major cost in education is the wages of teachers. Negotiations with unions are continuing on the pay settlement for the current financial year. The last pupil numbers

² See appendix 1 (p15) of a paper to the [Scottish Borders Council](#).

projections, published in 2016, forecasted that the number of pupils would increase by around half a percent in both 2019 and 2020.

[SPICe's budget briefing was published on Friday 14 December; the briefing includes a section on local government funding.](#) A local government finance circular is expected to be published on Monday 17 December.

HEALTH AND SPORT

Funding for the Baby Box remains at £8m in 2019/20.

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14 December 2018

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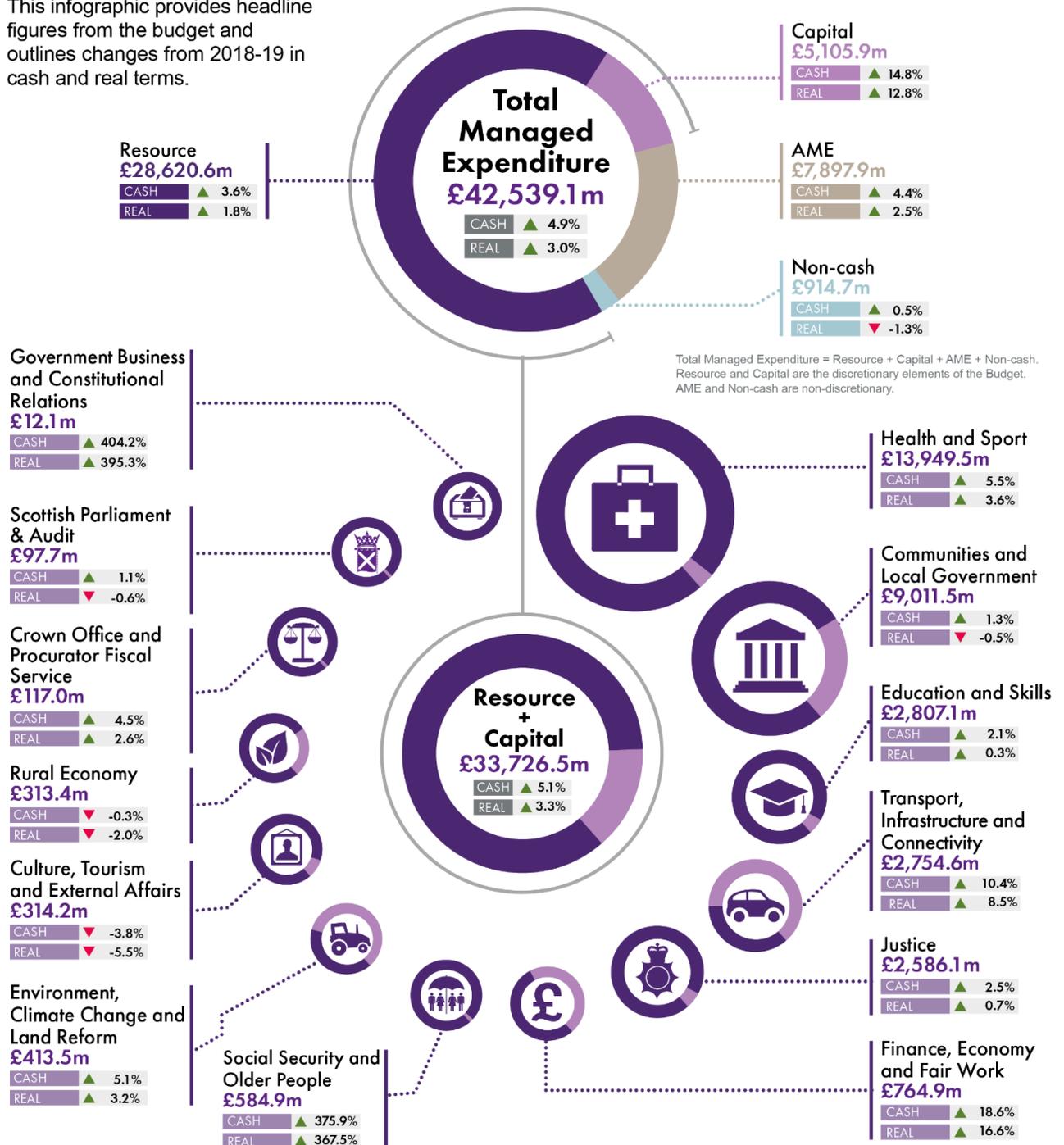
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Scottish Government Budget 2019-20

SB 18-84i

This infographic provides headline figures from the budget and outlines changes from 2018-19 in cash and real terms.



Local Government Funding

Local Government (funding in £m)	2018-19	2019-20 (cash)	Cash change	Cash change %	2019-20 (real)	Real change	Real change %
Local Government Spending Plans (Table 6.10)							
General Revenue Grant (GRG)	6,733.50	6,359.30	-374.2	-5.60%	6,247.50	-486	-7.20%
Non-Domestic Rates (NDRI)	2,636.00	2,853.00	217	8.20%	2,802.80	166.8	6.30%
Support for Capital	598.4	703.8	105.4	17.60%	691.4	93	15.50%
Specific Resource Grants (SRG)	273.7	483.6	209.9	76.70%	475.1	201.4	73.60%
Specific Capital Grants	278	380.2	102.2	36.80%	373.5	95.5	34.40%
Local Government Advice and Policy	-	3	-	-	-	-	-
Total Level 2	10,519.60	10,782.90	263.3	2.50%	10,593.30	73.7	0.70%
GRG+NDRI							
GRG+NDRI	9,369.50	9,212.30	-157.2	-1.70%	9,050.40	-319.1	-3.40%
GRG, NDRI and SRG							
GRG, NDRI and SRG	9,643.20	9,695.90	52.7	0.50%	9,525.50	-117.7	-1.20%
Total Capital							
Total Capital	876.4	1,084.00	207.6	23.70%	1,064.90	188.5	21.50%
Revenue funding in other portfolios (Table 6.14)							
Total revenue within other portfolios	146.5	291.3	144.8	98.80%	286.2	139.7	95.30%
Finance Circular	10,666.10	11,071.20	405.1	3.80%	10,876.60	210.5	2.00%
Funding outwith core settlement (Table 6.15)							
Revenue	153.8	161.4	7.6	4.90%	158.6	4.8	3.10%
Capital	210	287.3	77.3	36.80%	282.2	72.2	34.40%
Total funding outwith core	363.8	448.7	84.9	23.30%	440.8	77	21.20%
Overall SG funding for LG	11,029.90	11,519.90	490	4.40%	11,317.40	287.5	2.60%

<https://digitalpublications.parliament.scot/ResearchBriefings/Report/2018/12/14/Scottish-Budget-2019-20#Annex---Local-Government-funding> Real terms in 2018-19 prices.