

## Consultation on Central Retention of Dedicated Schools Grant From April 2019

### Introduction

On behalf of Shropshire Schools Forum, the views of maintained schools are being sought on the central retention of Dedicated Schools Grant (DSG) in the next financial year, 2019-20. Schools Forum is committed to consulting with maintained schools ahead of a Forum meeting on 22 November 2018, at which decisions on the de-delegation and top-slicing of DSG from April 2019 will be taken.

### Background

Schools Forum is a legally constituted advisory and consultative group, made up of representatives from the maintained, academy and wider education sectors, who work with the local authority on issues related to school funding. One of their key areas of work is in relation to the school funding formula and the retention of a small part of the overall DSG to underwrite the costs of services, centrally managed by the local authority on behalf of maintained schools, given the economies of scale and value for money for schools this can realise.

The Government's school revenue budget settlement guidelines allow local authorities, following consultation with the maintained schools community and with Schools Forum approval, to centrally retain DSG through de-delegation and top-slicing. These retention methods are as follows:

- De-delegation – centrally held budgets within the Schools Block of DSG can be de-delegated from maintained schools by the sector representatives on Schools Forum, with decisions taken on an annual basis.
- Top-slicing – in December 2016 the Government's school revenue settlement allowed local authorities to retain some of their Schools Block of DSG to carry out statutory duties for maintained schools, previously funded through general duties Education Services Grant (ESG), which was removed in September 2017.

The impact in 2018-19 of the decisions taken by Schools Forum in December 2017 are summarised in the table below:

Decision	Total	Primary Per Pupil	Secondary Per Pupil
<b>De-delegation (maintained primary and secondary):</b>			
Pupil growth contingency	£150,170	£10.10	-
Maternity cover	£410,000	£20.79	£20.79
Trade union duties	£43,600	£1.93	£3.07
School improvement (primary)	£144,600	£4.86 + £745.36/school	-
School improvement (secondary)	£5,400	-	£1.11
<b>Top-slice (maintained primary and secondary):</b>			
Redundancy fund	£390,693	£19.81	£19.81
Statutory school finance	£30,000	£1.52	£1.52
Statutory human resources and health and safety	£86,777	£4.40	£4.40
Education welfare and inclusion	£227,130	£11.52	£11.52

This consultation document will examine each of the areas for which delegated funds are taken from maintained schools and seek views on a number of options for how to proceed on each in 2019-20. A simple return has been produced for collecting feedback from schools, which will be collated and inform the report that will be produced for the decision-making meeting of Schools Forum on 22 November 2018. **The consultation will run until Friday 16 November 2018.**

It is important to understand that Schools Forum has the choice, for each budget area, between de-delegating/top-slicing or not. This means that **any decisions taken will impact on all maintained schools from April 2019.**

## **De-delegation**

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This section looks at each of the support areas for which funding can be de-delegated from maintained schools. Historically, reports have been taken to the late autumn term meetings of Schools Forum to secure formal decisions for the following financial year. The table below summarises these decisions since 2013-14.

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Pupil growth	£96,460	£87,680	£160,000	£159,770	£320,230	£150,170
Maternity cover	£455,120	£429,190	£334,000	£321,570	£499,260	£410,000
Insurance	£26,730	£24,450	£24,450	£23,280	£22,760	£0
Trade union duties	£64,860	£60,160	£53,180	£50,400	£50,020	£43,600

An important consideration when looking at whether a budget should be de-delegated, is the impact on schools resulting from delegation, because **with delegation comes responsibility**. This means that the responsibility for the delegated budget line – e.g. paying for staff maternity cover – transfers to the school and any costs have to be met from the school’s delegated budget. The de-delegated funds have therefore provided something of an insurance policy for schools against one-off hits to their budget, which can have a significant impact on schools with tight budgets and modest contingencies.

### **1. Pupil growth contingency – primary only**

A contingencies budget de-delegated from maintained primary schools to allow additional funding to be targeted at schools where pupil numbers increase by at least 15% of their funded number on roll (Schools Forum approved an increase in the threshold from 10% to 15% from 2018-19). Controls limit allocations to actual additional costs incurred by a school as a direct result of increased pupil numbers.

A key consideration is delegated responsibility. In this case, by not de-delegating, there would be no contingency for pupil growth from April 2019 and so schools would have to absorb cost pressures until the increased pupil numbers worked through from the school census in October 2019, which would result in an increased delegated budget from April 2020. In most cases, given the forecast data provided to schools each year by the local authority on pupil numbers, schools should be alert to such growth and be able to budget plan for the lagged funding. Such growth in pupil numbers will tend to impact from the beginning of an academic year, with the Reception intake, which means that the lagged funding generally follows two terms later.

**Pupil growth contingency - options for 2019-20:**

- a. De-delegate funding from primary maintained schools as in previous years, with per pupil sums determined by the outturn position in 2018-19 i.e. an overspend or underspend in 2018-19 will affect the per pupil rate in 2019-20.
- b. Fully delegate funding and responsibility to maintained schools, meaning that schools would be liable for funding pupil growth from their individual delegated budgets from April 2019.

**2. Maternity cover**

Funds the salary costs of any member of school staff on maternity leave in the maintained primary and secondary sector, meaning the schools are only liable for the costs of the replacement employee.

A decision not to de-delegate this budget from April 2019, would mean that maintained schools would be responsible for meeting all maternity pay costs of school staff from their individual delegated budgets. Schools would be able to access commercially available products/policies, some combining maternity cover with sickness cover. The experience of academies is mixed – some are sourcing cover arrangements from the market place, while others are carrying the risk of meeting any maternity costs from their own budgets.

These options would be available to maintained schools if the decision is taken not to de-delegate funding for maternity cover. Schools would need to carefully consider the flexibility and 'headroom' within their budget (including reserves), as well as the age profile of their female staff. In financial planning terms this can be challenging, given the difficulty of predicting the need for maternity leave.

**Maternity cover - options for 2019-20:**

- a. De-delegate funding from maintained schools as in previous years, with per pupil sums determined by outturn position in 2018-19 i.e. an overspend or underspend in 2018-19 will affect the per pupil rate in 2019-20.
- b. Fully delegate funding and responsibility to maintained schools, meaning that schools would be liable for funding maternity cover from their individual delegated budgets from April 2019.

**3. Trade union duties (referred to as facilities time)**

This funding is de-delegated for the costs of trade union representatives supporting their members in maintained schools through what is commonly referred to as facilities time. The funding provides cover for, among other things: carrying out trade union duties, attending union training, undertaking health and safety functions, and accompanying members attending hearings e.g. disciplinary or grievance. There is strong lobbying each year from the professional associations for these funds to be de-delegated.

Each union is required to attend a termly meeting with the local authority, called the Association Secretary Group. The membership of this group includes the local union representative from each recognised trade union and representatives from the Council's human resources advisory team. This meeting is the mechanism which allows collective consultation and negotiation between the local authority on behalf of schools and the trade unions on behalf of their members. All human resources policies and procedures are consulted and agreed at these meetings. Schools would be required to consult with trade unions and their own staff if this was removed. The group also discusses other employment relations issues and maintains a positive dialogue between schools and unions which in turn supports positive employee/employer relationships.

If local trade union representatives were not funded via the facilities time, maintained schools would be able to consider using their delegated funding to secure local arrangements with the trade unions, in particular by pooling funding with other maintained schools and academies. This could lead to a fragmentation of the current arrangements across the schools sector. Alternatively, it would mean each school would have to allocate funding for facilities time for all unions represented in their school and may lead to schools dealing with regional trade union representatives with little or no local knowledge. It is the view of the local authority that this would not be as effective and efficient an arrangement as that which could be secured through continuation of de-delegation.

### **Trade union duties - options for 2019-20:**

- a. De-delegate funding from maintained schools as in previous years, with per pupil sums likely to be similar to those in 2018-19, taking into account any adjustment for schools who have converted to academy status.
- b. Fully delegate funding and responsibility to maintained schools, meaning that local arrangements for facilities time would need to be secured by individual schools and/or groups of schools in collaboration with trade unions.

## **4. School improvement**

For 2018-19, Schools Forum agreed to de-delegate £144,600 from maintained primary schools and £5,400 from maintained secondary schools to secure ongoing statutory school improvement support for the year through the Education Improvement Service (EIS). This was necessary given the Government's removal of funding for school improvement from the two elements of ESG funding, for retained duties and general duties. The de-delegation is, in part, offset by the introduction of a new school improvement monitoring and brokering grant for local authorities from September 2017.

The de-delegation options for 2019-20, being presented to maintained schools for consultation, will secure the ongoing provision of school improvement services. In order to do this, and taking into account the projected number of maintained schools in April 2019, the local authority is looking to de-delegate £100,000 from maintained schools in 2019-20. For modelling purposes, the balance of de-delegation will require £98,500 from 88 maintained primary schools and £1,500 from 2 maintained secondary schools (i.e. the forecast number of maintained schools as at 1 April 2019).

In 2018-19 the de-delegation from primary maintained schools was done on a fixed/variable basis, with 50% of the cost recovered on a fixed sum of £745.36 per site and 50% recovered on a variable element of £5.04 per primary pupil. The impact of this option was that larger schools would retain more of their delegated funds, while more funding would be recovered

from smaller schools, but is potentially more appropriate based on the support each maintained schools receives.

In 2019-20, the same fixed/variable option is being proposed. However, with a lower sum being recovered, it is estimated the fixed sum will be £585 per school, and the variable element £3.82 per pupil. The final figures will be dependent on the number of maintained schools as at 1 April 2019, and the actual pupil numbers from the October 2018 school census.

For secondary schools the recovery of £1,500 would see the de-delegation figure reducing from £1.11 per pupil in 2018-19 to £0.87 per pupil in 2019-20. The model assumes there will only be 2 maintained secondary schools on 1 April 2019. It is therefore proposed to retain this option for 2019-20 and not to present a fixed/variable option given the small number of schools involved. The final unit cost will be determined by the October 2018 census numbers.

This is an area of support in which it is difficult to present an option for schools to assume delegated responsibility, or to present an option for schools to secure the support on a buy-back basis, given the statutory nature of the support being provided. Therefore, the only option being presented is for the continued de-delegation of funding for this statutory support, but at a reduced unit cost.

**School improvement - option for 2019-20:**

De-delegate funding from primary maintained schools, for a decreased sum of £98,500, using a model based on a 50% fixed element and 50% variable element. De-delegation of £1,500 for secondary maintained schools will be based on a per capita basis.

## Top-slicing

This section looks at each of the support areas for which funding has been top-sliced from maintained schools in the financial year 2018-19. These support areas were previously funded from general duties ESG and so, in the knowledge that this grant funding was being removed by the Government in September 2017, Schools Forum determined that - for the financial year 2017-18 and again for 2018-19 – funding would be centrally retained in order to provide continuity of provision for maintained schools. This was based on the understanding and commitment to fully consult with schools on what would happen in each subsequent year, hence this consultation on top-slicing from April 2019.

### 5. Redundancy fund

This fund underwrites the costs of premature retirement and redundancy of staff in maintained schools. Schools Forum supported the principle of retaining a central fund for redundancy costs in maintained schools in 2017-18 and again in 2018-19. In each of these years the contribution has been held at £19.81 per pupil in maintained schools.

A decision not to top-slice funding from April 2019 would mean that individual maintained schools would be liable for meeting any redundancy costs from their delegated budget. This would present a potential financial risk and significant challenge for schools struggling to manage their budgets in year and with low levels of school balances to draw upon. Schools in the academy sector already face these financial challenges and so have to plan carefully and in a timely manner to manage such costs.

In recent years the cost of redundancies in maintained schools has been: £573,600 in 2014-15, £362,200 in 2015-16, £516,600 in 2016-17 and £751,900 in 2017-18. During this period, a large number of maintained schools converted to academy status and so the number of schools drawing from this fund has reduced. The table below provides statistics on the number of redundancies in recent academic years, which suggests that there is an increasing call on the redundancy fund despite maintained school numbers falling.

Phase	2013-14	2014-15	2015-16	2016-17	2017-18
Primary	14	27	17	57	74
Secondary	25	11	29	3	8
<b>Total</b>	<b>39</b>	<b>38</b>	<b>46</b>	<b>60</b>	<b>82</b>

The costs of redundancy can vary significantly dependent on the grade of staff and length of service. Based on figures from 2017-18, the average cost of a teaching post redundancy was £18,200, while the average cost of a non-teaching post was £8,300.

It may not be viable or sustainable to maintain the per pupil contributions at the 2017-18 and 2018-19 level of £19.81, given the increasing numbers of redundancies, despite the falling numbers of maintained schools. While it is not possible to calculate the outturn position for 2018-19 at this point in the financial year, it is important to highlight that if the numbers of redundancies are at 2017-18 levels or higher, the unit costs per pupil in 2019-20 will have to be increased. Every effort will be made to keep any per pupil increase to a minimum, but it is important that schools are aware that it may increase over current levels.

**Redundancy fund - options for 2019-20:**

- a. Top-slice funding from maintained schools as in 2018-19, with per pupil sums determined by outturn position in 2018-19 i.e. an overspend or underspend in 2018-19 will affect the per pupil rate in 2019-20.
- b. Fully delegate funding and responsibility to maintained schools, meaning that schools would be liable for funding all redundancy costs from their delegated budget from April 2019.

**6. Statutory school finance**

This centrally retained funding underwrites the costs of officer support for statutory financial functions on behalf of maintained schools, including: the monitoring and control of school balances; advice and support to schools in financial difficulties; challenge to schools who are not exercising appropriate financial controls, and; appraising and approving licensed budget deficits. With 90 maintained schools in Shropshire from April 2019, the workload in this area is significant.

This is an area in which it is difficult to present an option for schools to assume delegated responsibility, or to present an option for schools to secure the support on a buy-back basis, given the statutory nature of the support being provided. Therefore, the only option being presented is for the continued de-delegation of funding for this statutory support.

**Statutory school finance - option for 2019-20:**

Top-slice funding of £30,000 from maintained schools, as in 2018-19, with the per pupil cost determined by the number of maintained pupils at the time the budgets for 2019-20 are set.

**7. Statutory human resources and health and safety**

A number of statutory and regulatory functions in the area of human resources and occupational health and safety were previously funded through general duties ESG. This is primarily because the local authority is the employer of staff in maintained schools, with the exception of voluntary aided schools, who directly employ their own staff. While maintained schools can secure advisory support through annual service level agreements, the costs of the functions previously funded through the general duties ESG are not costed into these agreements.

The areas of support covered by the £88,410 top-sliced in 2018-19 include health and safety, occupational health, recruitment, payroll and contracts, as well as HR advice.

A proportion of this centrally retained funding underwrites the costs of the statutory functions outlined in the Recruitment, Payroll and Contracts Service Level Agreement (SLA).

In addition, a significant proportion of this centrally retained funding underwrites the Health and Safety and Occupational Health SLAs. Such funding is required in order for the local authority to comply with its duties as the employer under the Health and Safety at Work etc. Act 1974 and the relevant statutory provisions. It is the view of the local authority that compliance with the above legislation cannot reasonably be achieved through tasks delegated to the governing bodies of schools. The centrally identified funding includes expenditure incurred by the local authority in monitoring the performance of such tasks by governing bodies and, where necessary, giving them advice.

It should be noted that the local authority has a statutory responsibility for approximately 4,000 school employees, including centrally employed supply teachers.

The local authority view is that the above areas are difficult to present as an option for schools to assume delegated responsibility, or to present an option for schools to secure the support on a buy-back basis, given the statutory nature of the support being provided. Therefore, the only option being presented is for the continued de-delegation of funding for this statutory support. However, the unit cost per pupil top-sliced in 2017-18 and 2018-19 - £4.40 – will be held in 2019-20 and not increase.

**Statutory human resources and health and safety - option for 2019-20:**  
 Top-slice funding of £4.40 per pupil from maintained schools (no increase therefore on 2018-19 per pupil rate).

## 8. Education Access Service

The top-slice in 2018-19 is partly funding education welfare, delivered through the Education Access Service (EAS). The service also receives grant funding from retained duties ESG (which the local authority continues to receive and is separate from the general duties ESG, which ceased in September 2017), as well as income from trading with academies.

The top-slice provides maintained schools with access to all EAS support including education welfare, attendance and inclusion/exclusion officers, a gypsy Roma and traveller teacher, child employment services and performance licensing. For 2019-20 it is proposed to hold the top-slice per pupil at the 2018-19 level of £11.52 per pupil.

The main alternative to top-slicing maintained school budgets is to move to a fully traded service from April 2019. Extensive work has been undertaken to develop a traded offer to schools that will ensure the continuity of service and maintains effective working with schools on securing improved attendance, safeguarding pupils and raising attainment.

The proposed EAS service delivery agreement model has been based on a daily rate built around the time required in maintained schools for strategic intervention and casework. For the separate service delivery agreement for inclusion services, a standard rate will be applied for maintained primary schools. A bespoke package can be offered to meet the individual requirements of the remaining maintained secondary and special schools. The two service delivery agreements will give maintained schools access to the full range of advice and support offered by EAS. The tables below outline the potential costs.

<b>Maintained Primary Schools</b>		
<b>Numbers on roll</b>	<b>Education Access Service annual charge</b>	<b>Inclusion Services annual charge</b>
<100	£630 to £1,050	£120
101 to 199	£840 to £2,100	£120
=/> 200	£1,470 to £2,520	£180

<b>Maintained Secondary and Special Schools</b>	
<b>Education Access Service annual charge</b>	<b>Inclusion Services annual charge</b>
£8,000 to £12,000	£250 to £1,100



There are risks to maintained schools of not opting into a traded arrangement. They would need to be confident that they have the skills and underpinning knowledge they require within their own setting, or where they can secure this support from elsewhere and at what cost.

**Education Access Service - options for 2019-20:**

- a. Top-slice from maintained schools, at 2018-19 level, of £11.52 per pupil.
- b. Fully delegate funding and responsibility to maintained schools, presenting buy-back arrangements through service delivery agreements from April 2019 for those seeking to secure ongoing education welfare and inclusion support for the statutory areas currently covered by the top-slice.