

**Report to:** Schools Forum

**Date of Meeting(s):** 28<sup>th</sup> January 2016

**Subject:** School Supplementary Funding 2016/17

**Report of:** James Winterbottom - Director for Children and Families

**Contact Officer:** John McDonald Strategic Finance Manager  
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**Summary:** To provide an update and guidance to the supplementary funding process for 2016/17

**Recommendation(s):** For Schools Forum to note the contents of the report and agree the use of reserves to support the fund

**Implications:**

*What are the **financial** implications?* Commitment from reserves to support the fund

*What are the **staffing** implications?* n/a

**Risks:** n/a

Please list any appendices:-

Appendix number or letter	Description
n/a	

## **1. Introduction**

1.1 This report provides details of the Supplementary Funding process for 2016/17.

1.2 In 2015/16 all of the fund has been utilised (£1.9m including 14/15 underspend). The amount available for 2015/16 was supported by a contribution from the central DSG reserve of £0.600m. Schools Forum now need to decide how much is allocated from reserves. The current level of uncommitted DSG reserve stands at £0.647m as at 1 Apr 2015. There is an additional reserve that relates to surplus balances in respect of closed schools. There has never been an agreement on how this is to be utilised and it has been rolled forward since 2011/12 at an amount of £0.751m. This funding would allow us the option to continue to support the fund from reserves. However we would propose a lower contribution than the previous value of £0.600m to maintain a level of reserve to support against the uncertainty around the formula.

1.3 The fund is made up of the following elements listed below. It was agreed when this was first set up that it would be easier to follow and administer if these elements were notionally aggregated up into a “fund” to bid from.

- Contingency – De-Delegated DSG
- School DSG Reserves – Accumulated Underspends on Centrally Retained DSG
- Growth Fund (Top Sliced from DSG)
- Falling Rolls (Top Sliced from DSG)
- Disproportionate SEND (High Needs Block)
- Redundancy – Local Authority (ESG)

1.4 In relation to Academies at the previous formula sub group meeting it was asked what funding could they access. Currently they can only access the Growth, Falling Rolls and Disproportionate SEND funds. However a decision needs to be agreed if Academies can access any of the closed school reserve allocation if an acceptable business case was put forward.

## **2. Guidance on the different elements**

2.1 All applications to the fund require a detailed business case and must meet specific criteria as set out by the Local Authority.

2.2 Contingency - can be retained centrally but only for a limited range of circumstances:

- a. exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet;
- b. schools in financial difficulties; and
- c. additional costs relating to new, reorganised or closing schools.

2.3 Reserves – the conditions of the grant allow for underspends to be carried forward. It is a decision for Schools Forum to agree how to spend as long as it is in support of school budgets.

2.4 Growth Fund - A school or academy can submit a business case where it has agreed with the authority to provide an extra class in order to meet basic need or where a school has increased its' PAN in agreement with the authority. The

business case will detail the additional costs to the school of this extra provision and this will be cross referenced against an amount based on an additional per pupil AWPU increase reflecting the proportion of the year which is not funded within the school's budget share.

- 2.5 Falling Rolls - To assist schools with falling rolls in exceptional circumstances and relating to those schools deemed good or outstanding by Ofsted. If there is a reduction in numbers between the October School Census with the previous October census that will significantly affect provision within the school. Local Planning data evidences that the reduction is only temporary. The school does not have a surplus revenue balance that can be used to fund the shortfall in the short term. Funding may be allocated up to the AWPU rate for the difference between the current year and the lower number on roll but limited.
- 2.6 High Needs Funding – Disproportionate SEND. The initial qualifying criteria is that a school must have a greater proportion of high needs pupils compared with numbers on the roll than the specified threshold (40% above the specified average for each sector). The proportion above the threshold is then multiplied by £6,000 to give a potential annual allocation which would be adjusted on a termly basis for a revision to numbers. However before any allocation is approved an assessment is made of the individual circumstances pertaining to that school.
- 2.7 Redundancy – Forum Members have asked previously for some clarity around redundancy and related retirement costs. Attached at the end of this report is a proposed revision to the current policies within the scheme for financing schools. This updated guidance is to make it more clear to schools the circumstances whereby the LA will pay for redundancy and associated costs. There is a change to the policy in terms of the granting of 'discretionary' payment of Teachers premature retirement benefits by the LA. The government as part of the spending review also announced savings of around £600 million will be made on the Education Services Grant (no detail - In 14/15 £815m was spend on ESG). One of the elements covered by the grant is redundancy costs (not premature retirement costs which are the responsibility of the schools concerned). This budgeted level of allocation is not sustainable if 75% of the grant is cut.

### **3. Timeline**

- 3.1 To assist School governing bodies with setting their 2016/17 budget we have brought forward the deadline for submission of bids to the fund. We are proposing the 4<sup>th</sup> of March for submission from interested schools and we will aim to respond back by 11<sup>th</sup> of March.

### **4. Conclusions**

- 4.1 Forum members to note the contents of the report and confirmation of the use of the central DSG reserve.
- 4.2 Schools Forum to agree to the revised redundancy policy and update to the Scheme for Financing Schools to come into effect from 1 May 2016 (with the proviso that decisions may already have been made for retirements/redundancies to take effect at 31/8/2016. These will need to be considered on a case by case basis).

## **Proposed Revisions Redundancy and Early Retirement Benefits**

### **1. Introduction**

The Local Authority has been requested to clarify the position in regards of the responsibility for Redundancy and Early Retirement Costs.

Each Local Authority should have a policy and this should be discussed at Schools Forum. The current guidance adopted by the Local Authority is as per the EFA guidance;

### **2. EFA Guidance**

The relevant legislation is set out in section 37 of the Education Act 2002

The EFA guidance, as set out in the Scheme for Financing schools regulations, is  
The guidance states:-

- Premature Retirement Costs must be met by the schools delegated Budget (unless the Authority agrees to pay centrally)
- Redundancy costs must be charged to the local authority's budget (unless there is a good reason for it not to be centrally funded)

### **3. Other Authorities Position**

There is a variation of policies in other Local Authorities ranging from some that pay all schools redundancy costs to those that do not pay any redundancy costs.

Some of the policies are set out below:-

Local Authority 1 – advise schools they should meet all redundancy costs arising at their school due to whatever circumstances. If schools can demonstrate the costs of the redundancy leads to a deficit then the school can make a request to the LA for financial support.

Local Authority 2 –schools have to meet redundancy costs themselves.

Local Authority 3 – as EFA guidance.

Local Authority 4 – LA pays redundancy only as a result of an LA decision eg school amalgamation/closure. Where staffing reductions arise from a deficit caused by factors within the schools control, this is interpreted as making redundancies to avoid a deficit and forward planning/natural wastage could have avoided this.

### **4. Draft Revised Policy**

A revised draft policy is outlined below to clarify the position. **Please note the guidance states that each case should be considered on its merits within an agreed framework.** It may be reasonable to share costs in some cases between the LA and the school.

Schools will fund all premature retirement, redundancy, safeguarding/salary protections, settlement and dismissal costs with the following exceptions:

The Local Authority will consider funding redundancy costs where the following conditions are met:-

- The school has a significant falling rolls situation and falling rolls are as a result of demographic changes which can be evidenced from our Intelligence Unit
- The school can demonstrate it has planned the restructure in staffing and not let the schools deficit escalate with no action
- The school has a deficit balance, or the costs of the redundancy would cause the school to go into deficit.
- The decision to make redundancies has been taken in close consultation with the Local Authority School Improvement, Finance and HR teams.
- A proposed voluntary redundancy will negate the need for a compulsory redundancy.
- The Local Authority has assurance of reasonable spending decisions in light of the budget/staffing reductions.
- The school can demonstrate the above through a detailed business case.

The Local Authority will not consider funding redundancy costs where:

- The school has balances available i.e. the school is making staffing reductions which the local authority does not believe are necessary to set a balanced budget.
- The deficit has arisen for other reasons than a falling rolls situation, e.g. pressures caused by formula changes or impact of non-inflationary increases to the budget.
- The school cannot demonstrate it has planned the restructure in staffing and not let the schools deficit escalate with no action.
- The school has not taken Local Authority Advice, from School Improvement, Finance and HR (and other appropriate LA colleagues linked to the circumstances).
- The school has incurred unreasonable expenditure in advance of the redundancy situation.
- The school cannot provide a detailed and robust business case

## **5. Costs Covered**

If the Local Authority agrees to fund all or some of the costs relating to a redundancy situation as described in a robust business case, the following costs will be included in any agreed funding :-

- Actual redundancy pay (currently based on an actual weeks pay, this will be subject to review and amendment)
- Early Retirement Benefit costs – LGPS (Local Government Pension Scheme) only as this is currently a mandatory cost in redundancy situations. This is a one off cost at the point of redundancy/early retirement.
- Safeguarding/salary protection costs
- No enhancement costs will be included.

## **6. Application Process**

The school should submit a business case to the Local Authority setting out:-

- Context
- Pupil Number Information
- Current Budget Position and budget projections
- Staffing ratio's/curriculum details
- Staffing Implications
- Consultation Process (Unions, Staff, Local Authority)
- Redundancy/Capital/Safeguarding/Salary Protection Costs

## **7. Decision Making**

Decisions on funding of redundancy (and associated costs) will be made on behalf of the Council by the Director of Children's Services (nominated representative, the Assistant Director for Education).

In wholly exceptional circumstances the Director of Children's Services (nominated representative, the Assistant Director of Education) may make a decision which falls outside the parameters of this policy.

## **8. Reporting/Consultation**

HR & OD Services have reported this matter to :

- Primary, Secondary, Special and Voluntary Aided Lead Headteacher colleagues who sit on the HR/Lead Heads Consultation group.
- Local secretaries of the Teacher and Headteacher Professional Associations that are recognised in Wigan for the purposes of Consultation, namely ATL, NASUWT, NUT, NAHT and ASCL.
- The Councils Legal Services.

## **9. Early Retirement Benefits - an explanation**

Particular emphasis has been placed on the discretion to grant Early Retirement Benefits to members of the Teachers Pensions Scheme who are 55 years or older and made redundant.

This discretion will no longer be exercised by the LA and it will be for schools to consider and decide if this discretion is appropriate.

(If a member is granted premature retirement benefits there is a legal commitment to pay Mandatory Compensation for the lifetime of that member).

If agreed the Teacher's Pension Scheme would pay the member actuarially adjusted benefits based on the service completed by the member. The difference has to be paid between that and the service they could have completed (to normal scheme retirement age – 60years), so that the member receives unreduced benefits. Known as Mandatory Compensation). Schools will be responsible for funding any such decisions.

It is important to note that support staff who are members of the Local Government Pension Scheme (LGPS) are entitled to early retirement benefits to be paid immediately, without reduction, if a decision is made that they are redundant.

There will be a 'capital cost' payable which covers the cost of this early release in redundancy situations. This is a 'one off' payment at the date of retirement.

With such potential costs in mind it is important that schools continue to exhaust all other means of resolving any staffing reduction before seeking a voluntary redundancy application or making a compulsory redundancy. Particular in the case of LGPS members as the payment of premature retirement benefits is not negotiable.

## **10. Guidance, Policies, Business Cases**

All associated Guidance, Policies, Procedures and Business Case forms have been/will be amended to reflect the Scheme for Financing Schools (Redundancy Policy), namely :

- The Procedure for Managing Reductions in Staffing Levels
- The Alternative Employment Policy and Procedure for School Employees
- The Policy for the Early Retirement of Employees in Schools
- The Retirement Procedure for Employees in Schools
- Business Case Request for the LA to consider contribution to/funding of redundancy and associated costs.

Recommendations for guidance etc will be referred to Schools' Governing Body Agenda's for adoption in the Summer Term.

