

Open Report on behalf of Debbie Barnes OBE, Executive Director of Children's Services

Report to:	Schools Forum
Date:	26 June 2018
Subject:	De-delegation of maintained primary school budgets 2019/20 & 2020/21

Summary:

The purpose of the report is to seek approval from the maintained primary school representatives' of the Forum to the Local Authority's (LA) proposals for the de-delegation of certain budgets in 2019/20 and 2020/21.

Recommendation(s):

That the maintained primary school representatives on the Schools Forum are asked to support the proposals for de-delegation of the budgets for the period 2019/20 and 2020/21 (in principle), as set out above.

To support the LA's review in considering alternative approaches to providing support to its most vulnerable maintained primary schools, and implementing changes to improve education standards and resilience within schools.

Background

The Department for Education (DfE) previously introduced radical reforms to school funding arrangements in April 2013. Although LAs were required to delegate more budgets to schools as part of the reforms, they were permitted to seek de-delegation of some services for maintained schools. The Government's decision to implement a new national funding formula in 2018/19 still allows the de-delegation arrangement for maintained schools to continue¹.

Key features of these arrangements include:

- Only maintained schools can have funds de-delegated from their budget share. Academies are therefore unaffected and, for that reason, they are not permitted to vote on de-delegation matters.
- The decision to de-delegate funds for maintained schools should be considered and voted upon separately by each sector.
- Where there are no maintained school representatives on the Schools Forum for a particular sector, no decision can be made and de-delegation is therefore not possible.
- Should there be conversion of any more schools to academies, it will reduce the total sum de-delegated for a service, if the per pupil deduction remains unchanged.

¹ DfE Schools Revenue 2018 to 2019 – Operational Guide

- Any underspendings that arise on budgets de-delegated from maintained schools should, as a point of principle (i.e. fairness), be earmarked for the benefit of the maintained schools in that sector only.

De-delegations for 2018/19

For 2018/19 maintained primary schools agreed to de-delegate funding for:

- Contingency, i.e. termination of employment costs for schools in financial difficulty, and; exceptional unforeseen costs; and
- Ethnic Minority and Traveller Education Team (EMTET).

No funds were de-delegated for maintained secondary schools.

The report to the Schools Forum last year stated the cumulative underspend at 31st March 2017 was £0.853m.

At the meeting 4th October 2017, it was agreed that:

1. Due to government regulations, the easiest way to return unspent funds to the maintained primary schools was to adjust the LA's proposed charges for the following year. It was accepted that as a consequence of this approach, the per pupil amounts de-delegated would vary from year to year.
2. In light of the cumulative underspend reported, and considering the decision to continue with the reduced de-delegation rates in 2017/18 for maintained primary schools with the remaining costs being met from cumulative underspend (the cumulative underspend was projected to fall to £0.316m by March 2018²), the LA proposed to continue with the current de-delegation rates in 2018/19 for maintained primary schools.
3. Based on the Government's funding announcement in 2018/19 and previous years spending levels on the termination of employment costs for schools in financial difficulty, the LA proposed to reduce the budget by £0.1m to £0.150m in 2018/19.
4. To set the sums de-delegated for 2018/19 as follows:

Contingency ³	£16.06 per pupil
Ethnic Minority and Traveller Education Team (EMTET)	£ 5.44 per pupil

The cumulative underspend reported at 31st March 2018 is £0.608m.

At the year-end, the LA made a decision to move Consultant headteacher costs of £0.260m from the de-delegation budget to core Council funding, which increased the de-delegation cumulative underspend from £0.348m to £0.608m. This decision was made to enable an additional time-limited investment into school improvement activities over the next three years through additional school advisor support to maintained schools. This is being progressed by the LA.

The cumulative underspend excluding the LA year-end adjustment is £0.348m. This is broadly in line with the cumulative underspend position based on the assumption the budgets will be fully spent (£0.316m); however the number of schools attending the LA Staffing Reduction Panel did increase during 2017/18 to ensure a sustainable budget could be put in place. The LA Staffing Reduction Panel meets to carefully consider maintained primary schools' applications to access the termination of employment costs for schools in financial difficulties budget. Schools will need to demonstrate that without

² The projected 31st March 2018 cumulative underspend position was based on the assumption that the budgets will be fully spent.

³ This includes the Termination of Employment costs, Consultant headteachers and School Intervention.

implementing its proposed staffing reductions it will fall into a deficit within two years. Only then will this budget contribute to the redundancy costs. The financial contribution that maintained primary schools will be required to make towards redundancies (if they meet the criteria) will be the first £5,000 of the total cost of every redundancy; or 50% of the total cost of every redundancy, whichever is the greater, subject to a maximum redundancy amount payable of 2.5% of the school's budget share for the financial year. In 2017/18, the expenditure incurred for termination of employment costs was £0.264m for maintained primary schools, which is £0.014m over the 2017/18 agreed budget level and higher than expected, but it is in recognition of the financial challenges that some schools are facing (i.e. reducing pupil numbers, increased costs etc.). The budget in 2018/19 was reduced to £0.150m, therefore there is a financial risk to this budget overspending if activity is at a similar level to the prior year. The LA has a Monitoring and Intervention Policy that targets resource at supporting schools at risk of going into a financial deficit.

Based on the assumption that the budgets will be fully spent in 2018/19, the cumulative underspend is projected to fall to £0.071m (excluding the LA year-end adjustment) by 31st March 2019. This financial position is however lower than the £0.2m provision planned for to enable the prudent management of the demand-led nature of the budgets.

Information regarding the current services is set out in Appendix 1.

Proposals for 2019/20 and 2020/21

It is proposed that the charges for 2019/20 would revert back to the required 2019/20 baseline amounts per pupil for the de-delegation budgets (as outlined in the October 2017 Schools Forum De-delegation budget report). The per pupil rates would be set at:

Contingency	£27.00 per pupil
Ethnic Minority and Traveller Education Team (EMTET)	£ 5.55 per pupil

This would finance:

Termination of employment costs	£0.250m
Consultant headteachers	£0.291m
Exceptional unforeseen costs	£0.380m
Ethnic Minority and Traveller Education Team (EMTET)	£0.189m

These figures are indicative. They are based on the October 2017 census and 34,106 maintained primary pupils. The figures may change slightly due to the DfE's requirement for LAs to use the latest October census for the detailed calculations.

For 2019/20 the termination of employment budget for schools in financial difficulties will revert back to the 2017/18 budget amount of £0.250m considering the expenditure that was incurred in that financial year. The new national funding formula has increased the overall level of funding received by Lincolnshire mainstream schools in 2018/19, therefore improving the financial outlook of schools, however due to the demand-led nature of the termination of employment budget it requires a level of prudence to be applied. The budget requirements for de-delegations will continue to be kept under review ensuring that a suitable level of cumulative underspend is available to respond to unexpected costs arise through the delivery of services, i.e. an increased demand from primary maintained schools.

The Government in September 2017 introduced a new School Improvement (SI) monitoring and brokering grant⁴, which was previously funded through the Government's Education Services Grant General Duties Rate before the Government ceased funding in August 2017⁵. The annual amount of funding through this Government grant is £0.702m compared to the spending on the core school improvement service of £1.087m in 2018/19. The additional cost of £0.385 p.a. for the school improvement service is met through core Council's funding.

The Government has updated guidance following the introduction of the SI grant to enable Schools Forum to agree to de-delegate funding for additional school improvement activities for maintained schools. The LA is proposing to use this addition to the de-delegation guidance as an opportunity to consider whether there are alternative approaches to providing support to Lincolnshire's most vulnerable maintained primary schools (currently supported through the Consultant headteachers and Exceptional unforeseen costs (intervention fund)) to improve education standards and resilience within schools. The LA will ensure the options are within the funding levels proposed within this report, benefits are identified and risks are understood and managed before the LA agrees to implement any changes. Schools Forum will be informed of any LA changes.

The Schools Forum maintained primary schools are required to agree de-delegations on an annual basis, however the LA will continue to seek agreement in principle from the Forum for 2020/21 also.

Next Steps

The outcomes from the decisions made by maintained primary representatives on the Schools Forum will be reflected in maintained primary schools' future budgets.

The LA will consider alternative options of providing support to Lincolnshire's most vulnerable maintained primary schools following the DfE's introduction for additional school improvement activities for maintained schools through the de-delegation funding approach. The Schools Forum will be informed of any LA changes to the support provided to Lincolnshire's most vulnerable maintained primary schools.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

⁴ The SI grant allow LA's to continue to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate.

⁵ The General Duties Rate was funding relating to the responsibilities LA's hold for maintained schools only. Functions in addition to School Improvement are Statutory and Regulatory Duties (e.g. financial governance, HR duties, H&S compliance etc.), and Asset Management.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Details of the current service provision funded through the de-delegation budgets.

Background Papers

Document title	Where the document can be viewed
De-delegation of maintained primary schools budgets 2018/19 and 2019/20.	http://lincolnshire.moderngov.co.uk/documents/s19758/De-Delegation%20of%20maintained%20primary%20schools.pdf

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