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To: Cabinet -17 October 2011

Subject: FURTHER DELEGATION OF DEDICATED SCHOOLS GRANT TO SCHOOLS

Classification: Unrestricted

Summary: The purpose of this report is to provide the Cabinet with an update on the strategy to delegate funding that is currently retained centrally to schools in 2012/13. The report sets out some of the rationale for delegation and the outcome of the consultation with schools which took place between 20th June and 31st July 2011 and subsequent discussion with the Schools' Funding Forum.

Introduction

1. (1) The Dedicated Schools Grant (DSG) is set by central government. It was introduced in 2006-07 and is the principal source of funding for schools and activities supporting the education of children. The grant is ring-fenced ie it must be used to support schools. In 2011-12 the DSG for Kent is £824.7m. It is the expectation of the Department for Education that as much of the DSG as possible is delegated to schools.

(2) The principle of increasing funding to schools to facilitate greater autonomy and to make local decisions to meet locally agreed priorities is well established in Kent. The decision to pursue maximum delegation of funds to school is driven by the belief that those leading, managing and working in schools are best placed to assess the needs of their children and to put the appropriate provision in place to meet those needs. This demand driven model ensures that resources are applied according to need rather than historic patterns of availability determined by central local authority teams, thereby securing the ability to focus on priorities year on year and to be more effective.

(3) Schools have been recipients of delegated budgets for 20 years and in the main have responded well to the approach that ensures that all financial resources are as close to the child and their family as possible. Currently just less than 8% of the DSG is not delegated to schools; the consultation proposed that out of the £79.6m available, £20.8m is delegated, £18.1m is devolved and £32.4m is retained. The balance of £8.3m represents costs charged to the DSG in respect of support costs for a range of largely statutory and fixed functions funded from the DSG and a share of the costs of supporting the corporate and democratic core of KCC.

(4) The main reasons for proposing to delegate more responsibilities and funding to schools are:

(a) To give schools more freedom to target funding at a local level as set out in “Bold Steps for Kent”, allowing them to make local decisions about resource allocation and have the ability to forward plan, intervene and develop provision to meet identified priorities.

(b) To reduce the gap in funding between Academies and Local Authority (LA) maintained schools through further delegation. We cannot close the gap as Academies receive some funds via DfE from a topslice of the national local government settlement.

(c) For some services delegation will provide a degree of protection from the impact of the current Academy funding methodology and the unintended consequences that is currently producing in terms of funding and services.

(d) Further delegation is also in line with the developing national policy and our proposals are largely consistent with the proposals set out in the DfE paper “Consultation on School Funding Forum Reform: Proposals for a Fairer System” that was issued on 19 July 2011.

(5) The impact of the proposals will also mean that a number of functions carried out on behalf of schools by KCC will move to a full or partial traded basis, and this aspect of the proposals is being dealt with as part of the work currently taking place to develop EduKent.

Analysis of the Consultation

2. (1) There were 147 response forms completed on-line and a collective response from Special Schools and the Aspen Unit, which equates in total to 30% of LA maintained schools and Academies in Kent responding to the consultation. The level of response from schools is usually around this level. There was also feedback from Headteacher and Governors at a series of meetings held over the summer term to discuss delegation, academies and EduKent. In addition to this, there were a number written responses from LA officers whose services are affected.

(2) On 9 September the outcome of the consultation was discussed in detail with the Schools Funding Forum and they have made a number of recommendations.

(3) We consulted schools about 43 separate functions/responsibilities currently funded via the retained DSG and proposed to delegate, devolve (potentially as a pre-cursor to further delegation) or retain these functions.

(4) Schools broadly agreed, though were more positive about delegation of some functions than others. The Schools Funding Forum has also broadly agreed with the proposals as well. However, the collective response from the Kent Association of Special Schools (excluding the one school moving to Academy status who have submitted their own views) did make some alternative proposals which are being explored by ELS with Members and which were discussed with the Funding Forum.

(5) Appendix 1 sets out a summary of final recommendations and Appendix 2 provides a summary of each of the functions the authority consulted on and sets out the original proposals, together with the responses of schools, the Schools Funding Forum and the final proposals recommended in this report.

Specific Issues from the Consultation

3. (1) As indicated in the recommendations at the end of this report there are twelve functions in the proposals where the final recommendation in this report is either not in line with the views of schools/the Schools Funding Forum or has changed from our original proposal put forward in June. The reasons for the revised recommendations are set out below:

(2) Family Liaison Officers £2,142k

The budgets for School and District based Family Liaison Officers is now held within FSC. The money is used to part fund (with schools) staff based in 224 schools in our most deprived communities and to directly employ 44 FLO's managed by District Preventative Managers to work with families. Over 80% of schools who responded to the consultation wanted the funding for all of this delegated as did the Schools' Funding Forum. However, there are significant concerns about delegation of this funding at this point in time and the potential risks posed to "Putting Children First: - The Kent Safeguarding and Looked After Children Improvement Plan". Given these concerns the revised recommendation is that the funding should be retained but with a view to seeing if in the future this could be moved to more of a District based model with schools having more involvement over the running of the service and deployment of resources.

(3) Management Information Data £222k

During consultation it became clear that all this funding is underpinning the delivery of statutory data and is therefore not suitable to delegate. The new recommendation is to retain this funding.

(4) Community Youth Tutors £255k

£205k of this budget relates to part of the funding for Project Salus, formerly Kent Safe Schools and this is tied into a three year contract. This information only emerged during the consultation process. Given that this contract is in place a decision to delegate at this stage would simply result in a budget pressure. For the reason above the new recommendation is to retain this funding. It should also be noted that the work that Project Salus delivers enables school to meet their general equality duty under Section 149 of the Equality 2010. The other £50k of this budget is a small part of the funding of 15 Community Youth Tutors which are funded 60% by the Youth Service and 40% by schools and whilst it is recommended that this £50k should be retained, further consideration could be given to moving this funding to more of a District based model where schools can have more involvement in the service and deployment of resources.

(5) Skills Force £100k

Contractual arrangements mean that delegating this from 1 April is not possible so the proposal is to retain the funding for a period and discuss the most appropriate way forward with those schools that use Skills Force.

(6) Specialist Teaching Services £5,691k and Health Needs Education Service £2,017k.

We sought views on delegating £3563k of resource used to employ teachers and teaching assistants to work with schools and individual pupils. We proposed to retain £2128k of resources providing support to early years settings and highly specialist placements. 67% of schools supported the former, but only 24% supported the latter.

In their collective response to the consultation the Special schools asked that the whole resource is delegated to them, in order that they can provide specialist outreach services to all schools. This approach does not have wide support from schools that have expressed the view that the funding for supporting children in mainstream settings is very different from supporting children in special schools and should be allocated to the mainstream schools directly. The Schools' Funding Forum came to the view that the service should not be split as we had originally proposed. They were also concerned about the fragmentation and loss of specialist services that delegation could cause. On this basis they proposed that we either retain the whole service or devolve it to Special schools in line with their proposals. The advantage of delegating the resource to some, but not necessarily all, of the special schools is that it makes resource available at a local level, with a small number of staff available in each district, and provides those staff with an opportunity to be more closely linked to classroom practice.

The revised recommendation is that the whole resource should be devolved to special schools with Smile Centres in order that those centres can then provide a "free at the point of delivery" outreach service to mainstream schools, and aligned with this, to devolve any specialist resource to be managed by those special schools established to deliver that specialism, for example outreach for physical impairment services could be provided from the Valance School. Given the concerns of mainstream schools, particularly Primary, the detail of this proposal will need to be further developed by a group of mainstream, special schools and specialist unit headteachers by the end of November in order to fit in with both the delegation timetable and that of the planned ELS restructure. This group will also assess whether this is also an appropriate model for the Health Needs Education Service.

(7) Schools Personnel Recruitment and Retention £564k

The original proposal has been to delegate all of this but some of the funding pays for work carried out by Schools Personnel Services for ELS, mainly in respect of work in failing schools where leadership changes are required. Given the support that Kent Challenge will require from SPS over the coming years it is felt that £100k should be retained to support that.

(8) Collective Licences £955k

Our original proposal had been to delegate this and offer a service via EduKent. The licenses cover a range of schools activities/responsibilities such as Performing Rights, Photocopying, Data Protection Registration and SIMS. The revised proposal is still to do that but with the exception of the SIMS licence (£591k of the £955k budget) which should be retained because contractual/procurement issues mean we cannot be completely sure that delegation at this time would not result in a new liability for KCC. Once this issue – a national one – is resolved we can revisit the proposal to delegate.

(9) Admissions appeals £350k

Our original proposal was to delegate this with the aim of creating a more level playing field between schools and academies as well as making them accountable for the costs they are creating. Whilst the view of schools was (marginally) against delegation, the Funding Forum supported the proposal but further investigation has identified a number of concerns that could potentially leave the authority with a conflict of interest given its statutory role as an admissions authority and because of this our view is that the funding should be retained at this time.

(10) Primary & Secondary Forums £20k

The original proposal had been to delegate this but with the development of the Kent Association of Headteachers it seems prudent to continue to support the existing Primary and Secondary Forums until headteachers have agreed a way forward for the new association. Delegation of this funding can be reviewed again once headteachers have made their decisions on the future arrangements they would like to implement.

(11) Pupil Referral Units (PRU's) and Alternative Learning Services £16,540k

The Council sought views on the delegation or devolution of over £16m of resource currently spent on Pupil referral units, the Alternative Curriculum, Extended Learning, the Health Needs Education Service, and related activities. Support for delegation of these activities was low (between 11% and 55% of respondents). A combined response from the Special Schools proposed that they could take over the running of these activities.

Since the consultation was carried out, a new option has emerged which has considerable merits. We are currently in the process of rationalising the 10 KS3 and KS4 PRU's to create 6 PRU's each covering two districts and with greater local involvement of schools in their operation. We believe we should retain three other specialist PRU's, providing statutory services to children with health needs. From 2013 the Government has indicated that it would wish these PRU's to be established as schools, with delegated budgets and governing bodies, rather than being run as part of the local authority. We support this approach, and indeed would seek to approach the DfE offering to pilot a scheme under which our reconfigured PRU's would have delegated budgets from September 2012. If this is not possible, we will seek to devolve the budgets in 2012 with a view to delegation in 2013. Linked to this proposal, we are already of the view that Warmstone PRU should be established as a school.

Our revised recommendation therefore is to reconfigure the existing provision over the next two terms to establish 9 new PRU's, perhaps brought together under some executive governance arrangement, with a view to proceeding to formal delegation as soon as legislation permits.

(12) Maternity leave and public duties £2,310k

These are a group of functions which schools have asked us not to delegate as they are concerned that the individual amounts received will be insufficient for them to meet their actual costs should they need to provide maternity cover or cover during an extended period of Jury service. However, if these budgets are not delegated they will be continually eroded as schools convert to academy status. We are of the view that it is appropriate to delegate these funds and the revised recommendation is to delegate with a pooled

scheme from April 2012 which would not change the current arrangements with schools and look to develop an insurance option for the future. We believe that such a scheme is likely to be bought into by schools and that it is an example of how we wish to work with schools going forward, offering services through EduKent and working with the Kent Association of Head teachers to ensure those services are relevant, of high quality and appropriately priced. It should also be noted that maternity and pregnancy is a protected characteristic under the Equality Act 2010 as such it is important that those who fall under this protected are not disadvantaged by the delegation of budgets. To ensure that public duties belonging to KCC and to schools are expedited, any future insurance scheme will also be fully equality impact assessed to ensure that duties are met.

(13) Extended Learning £178k

The original proposal was to delegate all of this budget but it is clear that in order to support the work taking place in schools and help to encourage and spread best practice funding of £50k should be retained to support one post in continuing that work for the council.

Financial Implications

4. (1) The proposals, if agreed, will result in a significant shift of funding to schools. The revised recommendations would result in the changes as to where responsibilities and budgets would sit and these are summarised in Appendix 1. There are also a number of other financial implications for KCC.

(a) For the services delegated that are to be offered on a traded basis those units will have an income budget set. If there is not 100% buy-back from schools then there will be a shortfall in income for that unit/directorate. If this cannot be managed by selling services to non-Kent schools or other providers their compensating savings will have to be found in that unit/directorate.

(b) If the level of buy-back is below 100% to the extent that alternative savings require staff reductions then there will be redundancy costs for the authority to meet.

(c) An appropriate share of overheads will have to be delegated along with the budgets meaning a level of buy-back below 100% will also impact on a range of KCC support functions and corporate costs. We are proposing that only those overheads which can be reduced in line with schools buy-back decisions should be delegated, in order to ensure there is no impact on the rest of KCC as a result of delegation to schools.

Legal Implications

5. (1) None.

Equality Impact Assessments (EIA)

6. (1) The initial screening has highlighted a number of issues which have been mitigated through the planning and implementation of the delegation and devolution of budgets. The delegation and devolution process does not involve any reduction in funding and all policies, responsibilities, duties and functions remain unchanged albeit with responsibility for this moved across to schools. The effect of delegation or devolution and the move to local decision making by schools for a new range of functions mean that there may be some impact on some services and a degree of risk in the future that policies etc are not adhered to. The Equality 2010 is clear that public authorities remain accountable for the implementation of duties even where services are devolved, delivered or commissioned externally. As such it is proposed that the ELS will retain a monitoring function in order to mitigate against that risk and to ensure that its statutory duties are met. That function will be important and will maintain a review as to whether an EIA is needed in respect of any service in the future. Schools will also be bound by duties under the Equality Act and must ensure that in managing those delegated or devolved budgets, those belonging to groups under protected characteristics are not disadvantaged in any way.

Sustainability Implications

7. (1) Not applicable.

Alternatives and Options

8. (1) The only general alternative to further delegation and/or devolution would be to retain all the funding as now but this would not meet the requirements of “Bold Steps for Kent” nor would it prevent some of the financial consequences of the current methodology of funding academies. It would not be consistent with all the discussions with schools since February 2011 and runs counter to the direction being set nationally by the DfE.

Conclusion

9. (1) Although the timescale for this work has been much tighter than normal for such a major set of delegation proposals we have been talking to schools and the Schools Funding Forum and managers about further delegation and devolution since late February.

(2) Primary schools in particular had concerns about some aspects of further delegation but there is now a general acceptance that given the national agenda and the impact of Academy conversions in Kent this is the right way forward. The fact that we have seen broad agreement on most of the proposals shows how far schools have moved since the early round of Headteacher and Governor meetings back in February and March where there was considerable concern about some aspects of further delegation.

(3) There is still a lot of work to be completed to ensure that the delegation and devolution process (and the EduKent work that runs alongside it) through to next April is as smooth as possible. The major issues to be resolved have been set out in this paper and Members are asked to consider them.

Recommendations:

Members are requested to AGREE/ENDORSE the recommendations detailed in Appendix 1. These accept the views arising from the consultation with schools/ the Schools' Funding Forum except in the cases listed below. The numbering cross-refers to Appendices 1 and 2.

- Lines 5 & 6 -Family Liaison Officers (£2,142 k) – retain
- Line 7 -Management Information (£222k) – retain
- Line 8 -Community Youth Tutors (£255k) – retain
- Line 9 – Skills Force (£100k) - retain
- Lines 11,21,28 & 34 – Specialist Teaching Services (STS) (£7,710k) includes STS £5,691k and Health Needs £2,019k - devolve to specific Special Schools subject to a further report to the Cabinet Member of Education, Learning and Skills within 6 weeks setting out the detailed proposals for devolution which will include proposals in respect of monitoring and quality assurance by ELS.
- Line 15 - Schools Personnel and Recruitment (£564) – retain £100k and delegate £464k.
- Line 16 – Collective Licences (£955k) – delegate all except SIMS licence which should be retained.
- Line 17- Admissions Appeals (£350k) – retain
- Line 18 – Primary and Secondary Forum (20k) – retain
- Lines 19 & 20 - Pupil referral units and associated activities (£16,540k) – devolve to the newly established PRU's in 2012 with a view to delegation in 2013.
- Lines 13 & 14 – Maternity, public duty and related funds (£2,310) – delegate initially as a pooled scheme with a view to the future establishment of an insurance scheme.
- Line 33 – Extending Learning team (£178k) – retain £50k and delegate £128k.

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Background Documents:

Consultation document and school responses on further delegation

Bold Steps for Kent