

The background of the slide features a large, light blue watermark of the Government of Yukon's coat of arms. The crest includes a crown with four maple leaves, a shield divided into four quadrants (top-left: a cross, top-right: a stag's head, bottom-left: a sailing ship, bottom-right: an eagle), and a banner at the bottom with the motto 'A NE FOR A'.

Agenda Item 5

Devolved School Management System (DSM)

Falkirk Council

Title: Devolved School Management System (DSM)
Meeting: Scrutiny Committee
Date: 15 September 2016
Submitted By: Director of Children's Services

1. Purpose of Report

- 1.1 The report seeks to provide Members with information relating to the following questions that were raised at Scrutiny Committee on 31 March:
- (i) an outline of the issues that are devolved to school level and those retained by the Service;
 - (ii) the extent of the budget devolved to schools compared with the wider Education budget;
 - (iii) the extent to which the areas devolved allow for decision making by the headteacher (with examples);
 - (iv) the proportion of the DSM Reserve which arises from the non-alignment of the school year and the financial year (with examples); and
 - (v) in the event that the DSM Reserve is required for reasons other than the non-alignment of the school and financial years, an outline of those reasons.

2. Recommendation(s)

- 2.1 **Committee is asked to note the content and details contained within this report.**

3. Background

History and Legislative Framework

- 3.1 Details were given to Committee on 31 March 2016 of:

- How the DSM system evolved.
- The relevant legislation which underpins the DSM system.
- The various reviews and subsequent guidance which have been undertaken and circulated in recent years.
- How the DSM system operates within the Council's own Governance arrangements and in particular within the Council's Reserve Strategy.

Questions raised by Committee by 31 March 2016

- 3.2 Following discussion with the Chair it was agreed that the examples and details where possible should relate to the actual position at the end of the 2015/16 Financial Year.

4. Considerations

How the Service Use DSM System

- 4.1 As resources and staffing are allocated to schools to allow them to operate effectively and efficiently over the academic year (from August-June) the DSM system provides rules for and is the mechanism that the service use to assess the level of staffing and financial resources that are allocated to schools each year.

Main Drivers Within DSM System for Allocation of Resources

- 4.2 There are various assessment criteria that are used within the DSM system to allocate resources but the key drivers are:

Driver	What this Determines
<ul style="list-style-type: none">• Number of pupils within the school	<ul style="list-style-type: none">• No of classes• Level of Core SfLA Support (Hours)• Size of Management Team• No of Admin/Clerical Staff• Level of Per- capita Funding.
<ul style="list-style-type: none">• Number of classes (Primary Schools)	<ul style="list-style-type: none">• Number of Classroom teachers (FTE)
<ul style="list-style-type: none">• Number of Pupils with Additional Support Needs	<ul style="list-style-type: none">• Need for Enhanced Provision Support• Additional Support Teacher• Additional SfLA Allocation (Hours)
<ul style="list-style-type: none">• Management Team Composition	<ul style="list-style-type: none">• Level of Management Time (FTE)

- 4.3 The theory behind the DSM devolved funds is that:

- Headteachers are free to utilise and spend these funds as they decide in a way that supports the school, local community and meet the aims of the school development plan.
- Any funds not spend at the year end can be carried forward to be utilised the following year or can be accumulated to allow a school to save for the purchase of a larger or more expensive item or to fund a particular project, etc.
- The DSM Reserve is the financial vehicle that is used to allow funds to be transferred between financial years.

Q(i) Summary of Matters Devolved to Schools and Those Retained by Service

- 4.4 The DSM Guidelines specify certain types of expenditure for which budgets should not be devolved. These are listed below. For all other areas of expenditure it would be a matter for each Education Authority to decide on the approach to take.

- capital expenditures, including all PPP costs;
- school meals and milk;

- Bursaries, clothing and footwear grants;
- Expenditure supported by central government specific grants, where it is explicit that the purpose is **to support Local Authority wide** initiatives;
- home to school transport;
- premature retirement costs;
- central support services (such as psychological and learning support);
- centrally funded support for children and young people who require significant additional support whether from education, eg auxiliary support, specialist aids and appliances or from other agencies, eg health services;
- Education Maintenance Allowances;
- Administration costs of parental representative boards;
- local authority contracted work on managing the school estate;
- school security running costs.

Q(ii) Level of Budgets Devolved to Schools Compared to Overall Budget

4.5 Appendix 1 shows:

- A subjective analysis of the overall Education budget.
- Details of what areas of expenditure are devolved and non-devolved.

Q(iii) Extent to Which Areas of Devolved Budget Allow for Decision Making by Headteachers

4.6 Appendix 1 also shows against each devolved expenditure area an assessment of a Headteachers ability to influence or make decisions on matters likely to reasonably affect expenditure levels.

Statutory and National Factors Which Limit Headteachers Ability Limiting to Influence Expenditure

4.8 Given the majority of these funds comprise of staffing resources there are a number of national and legislative stipulations that need to be met from them:

- maximum class sizes;
- Scottish Government commitment to maintain teacher numbers; and
- Compliance with national teacher conditions.

This means it can be challenging to find savings from teacher staffing resources in particular.

Devolved Per Capita Funds

4.9 Each year schools receive funds for the purchase of supplies and services. As these are mainly driven by pupil numbers they are called 'per-capita funds'.

4.10 In the current year schools received £1.714m in respect of supplies and services. In addition they received £0.312m for supply cover for teachers and £0.205m for staff training and development. In total £2.231m was devolved.

4.11 Details of separate calculations involved in the allocation of per capita funds is enclosed at Appendix 2.

Q(iv) Proportion of the DSM Reserve Which Arises from No-Alignment of School Year and Financial Year

Year End 2015/16 Position

4.12 Appendix 3 details the DSM Reserve position at year end 31 March 2016.

Schools Year End Carry Forwards

4.13 As part of the Financial Year End process all schools are required to submit details of their 'underspend devolved funds' that they wish to carry forward into the next financial year.

As part of this process details (known as Business Case) must be provided as to how:

- The underspend arose; and
- How and when the school proposes to spend this carry forward.

4.14 Financial Services check all carry forwards against the financial ledger and Children's Services authorise these against the agreed carry forward tolerance levels.

4.15 Examples of current year carry forward business cases in respect of a nursery, primary, secondary and special school are attached as Appendix 4.

At the year end the DSM Reserve, can be analysed as follows:

Items Arising From

	£m	%
(i) Non-alignment of school/financial year/ Timing Differences	2.107	54
(ii) Other reasons		
• To meet future additional costs	1.661	43
• Contingency	0.122	3
	<u>3.890</u>	<u>100</u>

Q(v) Reasons Why the DSM Reserve Can Be Used for Carry Forward Purposes Other Than Non-Alignment of the School and Financial Year

4.16 With reference to the information provided in Sections 4.3 and 4.4 the following financial transitions could be shown within the DSM Reserve.

- Contingency to negate additional in year costs (ie Teachers, ASN).

- To hold earmarked funds until decisions on spend are made.
- To hold external funds where projects may be delayed.

5. Consultation

- 5.1 To prepare the information contained within this report officers liaised with Financial Services and School staff.

6. Implications

Financial

Financial, Resources, Legal, Risk, Equalities and Sustainability/ Environmental Impact

- 6.1 Not applicable as report is for information only.

7. Conclusions

- 7.1 From the details and information contained within this report it is hoped that the Committee will have gained a better understanding of how the DSM system operates within Children's Services.

Director of Children's Services

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Date: 5 September 2016

Appendices

1. School Budget Analysis 2016-17
2. Schools Per-Capita Allocation Methodology
3. DSM Reserve Analysis at 31 March 2016
4. Examples of Schools Carry Forward Business Cases.

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- DSM Guidance - 2006
- DSM Review - 2011

Children's Services

Schools 2016/17 Gross Budget Analysis - All Schools (Primary/Secondary/Special)
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SCHOOLS EXPENDITURE AREA	2016/17 Budget £	Devolved (In Any Way) £	Non- Devolved £	Ability To Locally Influence Spend On Devolved Budgets
<u>EMPLOYEE EXPENSES</u>				
Former APT&C	14,553,930	14,553,930	-	Low
Teachers	71,410,630	71,410,630	-	Low
Former Manual	1,627,630	1,627,630	-	Low
Indirect Employee Expenses	261,190	261,190	-	Low
Total Employee Expenses	87,853,380	87,853,380	-	
<u>PROPERTY EXPENSES</u>				
Repairs and Maintenance	619,530	619,530	-	Low
Grnds Maint Internal Recharges	74,240	74,240	-	Low
Energy Costs	2,741,010	2,741,010	-	Low
Rents	4,800	4,800	-	Low
Rates/Council Tax	5,096,920	5,096,920	-	Low
Water Services	438,940	438,940	-	Low
Fixtures and Fittings	38,750	38,750	-	Low
Cleaning & Domestic Supplies	2,400,700	2,400,700	-	Low
Total Property Expenses	11,414,890	11,414,890	-	
<u>TRANSPORT EXPENSES</u>				
Transport Recharges	47,400	-	47,400	N/A
Total Transport Expenses	47,400	-	47,400	
<u>SUPPLIES & SERVICES</u>				
Equip, Furniture and Materials	1,371,090	1,371,090	-	Medium
Services	13,780	13,780	-	Medium
Catering	5,725,760	-	5,725,760	N/A
Printing, Staty & Gen Off Exps	45,900	45,900	-	Medium
Communications & Computing	115,870	115,870	-	Low
Miscellaneous Supplies	24,080	24,080	-	Medium
Total Supplies & Services	7,296,480	1,570,720	5,725,760	
<u>THIRD PARTY PAYMENTS</u>				
Other Agencies	760,770	760,770	-	Low
Community Schools Project	12,545,830	-	12,545,830	N/A
Falkirk Schools Project	13,798,730	-	13,798,730	N/A
Total Third Party Payments	27,105,330	760,770	26,344,560	
<u>SUPPORT SERVICES</u>				
Departmental Recharges	4,463,390	-	4,463,390	N/A
Total Support Services	4,463,390	-	4,463,390	
TOTAL EXPENDITURE	138,180,870	101,599,760	36,581,110	

Schools Per-Capita Allocations

	Nursery	Primary	Secondary	Special
Per Capita	£36.50	£30.30	£72.00	£72.00
Equipment	£6.10	£6.10	£14.50	£14.50
Outreach Rate	£36.40			
Day Nursery Cleaning	£16.70			£100.00
PE Equipment	£0.60	£0.60	£2.80	£1.40
Printing	£0.40	£0.90	£0.40	£1.30
Savings	-£1.90	-£16.12	-£36.36	-£1.90
Staff Development	£82.30			
Supply BT6	£366.00	£366.00	£256.20	£366.00
Supply BT1	£276.00	£276.00	£193.20	£276.00
Study Support	£0.00	£2.36	£4.60	£0.00

	Nursery		Primary		Secondary		Special	
	Roll	Alloc	Roll	Alloc	Roll	Alloc	Roll	Alloc
Small Schools Allowance - Per Capita and Equipment (Nursery Schools, Day Nurseries, Primary Schools & Special Units Only)	0.5	1000	0.5	1000				
	25.5	900	25.5	900				
	50.5	800	50.5	800				
	75.5	700	75.5	700				
	100.5	600	100.5	600				
	125.5	500	125.5	500				
	150.5	0	150.5	0				
Postages Roll Related	0.50	130	0.5	130	0.50	1,700	0.50	270
	100.50	160	100.5	160	1000.50	1,950	100.50	330
	150.50	190	200.5	190				
			300.5	220				
			400.5	250				
			500.5	280				
			600.5	310				
Primary Base Roll Related			0.5	500				
			100.5	750				
			200.5	1000				
			300.5	1250				
			400.5	1500				
			500.5	1750				
			600.5	2000				
First Aid	0.5	15	0.5	15	0.5	100	0.5	30
	100.5	30	100.5	30	1000.5	200	200.5	60
	150.5	60	200.5	60				
			300.5	90				
			400.5	120				
			500.5	150				
			600.5	180				
DTG	0	1,250						
	50.5	1,690						
	150.5	2,190						
	250.5	2,630						
	350.5	3,380						
	450.5	4,130						
	550.5	4,880						
	650.5	5,630						
	750.5	7,500						
	1000.5	8,250						
	1500.5	8,930						

**Children Services - DSM Reserve Analysis
as at 2015/16 Year End**

		At 31.3.16 <u>£M</u>	Reason
(i)	<u>Schools - Individual Carry Forwards</u>	0.800	Alignment/timing
	Sub-Total	<u>0.800</u>	
(ii)	<u>Schools - Earmarked Devolved Funds</u>		
	Maintaining Teacher Numbers	0.500	To meet add cost
	Schools Management Structures	<u>0.523</u>	To meet add cost
		<u>1.023</u>	
(iii)	<u>Schools - External Funds Carry Forwards</u>		
	Curriculum for Excellence & CPD	0.260	Alignment/timing
	Early Years Expansion	0.638	Future Spend
	Opportunities for All	0.017	Alignment/timing
	Developing Young Workforce	0.161	Alignment/timing
	Other smaller grants	<u>0.046</u>	Alignment/timing
		<u>0.122</u>	
(iv)	Contingency Funds/Contractual Payment	0.945	Contingency & Alignment/timing
	TOTAL DSM RESERVE	<u>3.890</u>	
	(Total DSM Reserve at 31 March 2015	<u>4.898</u>)	

Note: What is Included within the DSM Reserve?

The DSM Reserve allows for the carry forward of the following funds/monies at the end of the financial year to allow alignment with the academic year. This includes:

- Schools over/underspent budgets
- External Fund balances (ie those associated with the former National Priorities Action Fund)
- Contractual fund held due to timing differences
- Funds earmarked for capital improvement project (CFCR) - where the work has not yet started or has not yet been completed.
- A level of contingency funds that allow the service to reduce or negate the risk of sufficient unplanned expenditure.

School / CCS

NURSERY

Reason for Carry Forward**£**

Devolved Supply - no longer a headteacher in post	350
Devolved Training - difficulty getting supply staff to cover staff development.	1,643
MFD balance - 4th quarter invoice outstanding	144
2's pod - duplicate funding in 15/16 and start up re-imbursement	902
General Resources - money was held back for new manager appointment but this was delayed, funds were also very late being devolved in 15/16.	3,807
TOTAL CARRIED FORWARD	6,846

Planned ExpenditureTimescale of Expenditure -
Specify dates**£**

possible wifi installation	TBC	2,500
purchase of ipads	TBC	1,400
MFD 4th quarter invoice	April 16	144
pre five purchase of new resources due to new management	June 16	2,802
TOTAL		6,846

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24.05.16

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School / CCS

Primary School

Reason for Carry Forward

£

school fund vat free [REDACTED] raised against incorrect DH (4525 instead of 4545). PO still at commitment stage the amount committed is added back into carry forward figures - this is not a true reflection as I have already journalled the committed amount to DH 4545 (this code is not included in carry forwards).	10,091
[REDACTED] was not delivered on time to be goods received in 15-16. Delivery of projection screen and installation has taken place 11.04.16	927
Quarter for MFD usage charges - invoice not received in time for processing in 15-16	242
TOTAL CARRIED FORWARD	11,260

Planned ExpenditureTimescale of Expenditure -
Specify dates

£

Expenditure of awards for all grant on outdoor equipment	April - May 2016	10,091
Projection screen - delivered and installed 11.04.16		927
Q4 mfd charges will be received May 2016		242
TOTAL		11,260

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Completed by

Date

22.04.16

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BUSINESS CASE RETURN

School / CCS

High School

Reason for Carry Forward

£

MFD Charges not through the ledger and advised not to accrue as these were expected.	7,130
1+2 Languages External Funding funds held on behalf of the Cluster	23,169
Outstanding Change Requests not charged in year by Class 98 (couldn't accrue)	2,096
Fit for Girls Grant miscoded to (should be - to fix in 2016/17)	1,000
Staff savings made	54,579
General prudent financial management to ensure funding for MA Level 3 and classroom furniture	9,990
TOTAL CARRIED FORWARD	97,964

0

Planned ExpenditureTimescale of Expenditure -
Specify dates

£

Modern Apprentice Level 3 until end November	Apr - Nov 16	6,640
Fit for Girls Grant to	May 16	1,000
MFDs Jan - Mar 16	June 16?	7,130
1+2 Cluster Languages Funding	Apr - Mar 17	23,169
Furniture for classrooms	July-Aug 16	4,500
Outstanding Change Requests - Class 98 - Invoices not yet received	By June 16?	2,096
Sound & Lighting Equipment	Apr - Mar 17	15,000
Additional Campus costs	Apr - Mar 17	38,429
TOTAL		97,964

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0

Completed by

Date

06 May 2016

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School / CCS

SPECIAL SCHOOL

Reason for Carry Forward

	£
Per Capita	7,587
Supply	5,854
Staff Development	2,809
TOTAL CARRIED FORWARD	16,250

Planned ExpenditureTimescale of Expenditure -
Specify dates

		£
Mobile sensory equipment (to come to new school)	Sept. 2016	7,000
Tablets/devices to further develop this area of ICT for pupils with more complex needs	Oct. 2016 - Jan. 2017	2,000
Printer Toner	May 2016	5,000
Training for Support for Learning Assistants in Therapeutic Crisis Intervention	Aug. 2016 - Mar. 2017	800
Additional resources to meet the needs of pupils who have Autistic Spectrum Disorder	Aug. 2016	650
Stationery purchase for new school (e.g. new folders, filing etc.)	Jan. 2017	800
	TOTAL	16,250

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Completed by

Date

05 May 2016

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