

REPORT TO: THE MORAY COUNCIL ON 11 FEBRUARY 2010

SUBJECT: DEVOLVED SCHOOL MANAGEMENT BUDGET REDUCTIONS

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To ask Members to consider approving the budget savings for Primary and Secondary Schools for the four year period from 2010/11 to 2013/14.
- 1.2 This report is submitted to the Council in terms of Section A(1) Administrative Scheme relating to the financial and budgetary policy of the Council.

2. REASON FOR URGENCY

- 2.1 This report deals with the potential voluntary redundancy and/or early retirement of a number of staff based at Moray schools. It has become apparent that the Council's Voluntary Severance Scheme will only be able to be used by schools if the Council approves the budget savings of 2% for devolved school management budgets to be achieved by 2013/14.

3. RECOMMENDATION

- 3.1 **It is recommended that Members agree the reductions in the Devolved School Management Budgets for Primary and Secondary Schools as described in the budget consultation documents as follows:**

- **Primary Schools – 0.5% reduction rising by a further 0.5% each year for the next four years with a saving of £100,000 in 2010/11 rising to £400,000 by 2013/14.**
- **Secondary Schools - 0.5% reduction rising by a further 0.5% each year for the next four years with a saving of £125,000 in 2010/11 rising to £500,000 by 2013/14.**

4. BACKGROUND

- 4.1 The Financial Plan Review report provided to this meeting of the Council identifies a saving of 0.5% for Primary and Secondary school devolved school management budgets for 2010/11. The budget communication and consultation document identified a further reduction of 0.5% each year, so that by 2013/14 the DSM Budget allocations would be 2% less than the current levels.
- 4.2 Head Teachers have reviewed their budgets and in a number of cases staff have been identified as being at risk of redundancy to enable the DSM budget saving to be achieved. In consequence a number of staff applied for redundancy and/or early retirement under the Council's Voluntary Severance Scheme.
- 4.3 Typically, the level of saving achieved from a reduction in one post in a school will achieve three to four years of the saving required for a school. Two examples are provided below:

	DSM Budget Saving			Cost of Voluntary Severance
	Year 1 0.5%	Year 4 2%	Staff Reduction	
Primary School	£4,000	£16,000	£16,000 ¹	£25,000 ³
Secondary School	£10,000	£40,000	£40,000 ²	£100,000 ³

¹ eg 25 hours/week classroom assistant

² eg Full-time teacher

³ These costs will vary based on age and length of service.

- 4.4 Due to the cost associated with the voluntary severance scheme, it is reasonable to approve the staff reductions only if the Council has approved the saving of 2% to be achieved by 2013/14. It would not be appropriate to approve the severance if the Council has only approved one year or 0.5% of a reduction as it would take too long to recoupe the cost of the voluntary severance.

- 4.5 The current position is that seven out of the eight secondary schools have identified staffing reductions for which voluntary severance requests have been received. In primary education, four schools have identified staff reductions for which voluntary severance requests have been received. It is considered highly likely that the majority of schools will need to reduce staffing at some point to meet the 2% budget reduction.

5. PROPOSALS

- 5.1 It is apparent that a greater degree of certainty in terms of the level of reduction in DSM budgets would enable Head Teachers to deal with staffing reductions in a pragmatic manner and therefore the Council is asked to approve the DSM reduction of 2% by 2013/14 as described in the budget communication and consultation pack that was issued on 5th November 2009.

6. SUMMARY OF IMPLICATIONS

(a) Single Outcome Agreement/Service Improvement Plan

As described in the Report to Policy Committee on 29th August, 2007, financial planning is integral to the Council's overall planning processes.

(b) Policy and Legal

The Voluntary Severance Scheme was approved by the Council on 4th November 2009.

(c) Resources (Financial, Risks, Staffing and Property)

The Financial Plan Review provided on the agenda for this Council meeting provides estimates that further savings of around £5 million for each of the next three years will need to be agreed by the Council in due course.

(d) Consultations

The 2% reduction in Devolved School Management Budgets was included in the communication and consultation pack provided to the Community. Councillors have been provided with details of the responses received as part of that consultation exercise.

The Director of Education, Head of Personnel Services and a number of Head Teachers have been consulted on this issue and are supportive of the recommendation to approve the 2% reduction in DSM budgets by 2013/14.

6. CONCLUSION

- 6.1 To enable Head Teachers to take a practical approach to a reduction in DSM budget allocations, it has become apparent that it would be helpful to confirm the level of savings to be achieved over the next four years in order that staffing reductions can be made and allow staff at risk to apply to the Council under the terms of the Voluntary Severance Scheme.

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Background Papers:

Ref: MP/LJC/740010