

REPORT TO EDUCATION AND CHILDREN'S SERVICES COMMITTEE – 27 MAY 2021

DEVOLVING BUDGETS IN AN EMPOWERED SCHOOL SYSTEM

1. Reason for Report

- 1.1 To provide Committee with an update on progress in devolving budgets in an empowered school system, with specific reference to the development and implementation of a revised Devolved School Management (DSM) Scheme for Aberdeenshire Council.

2. Recommendations

The Committee is recommended to:

- 2.1 Acknowledge the work undertaken to date and next steps within each workstream as detailed;**
- 2.2 Acknowledge the identified budget issues and risks related to further devolving of budgets as outlined in Section 4.5; and**
- 2.3 Agree a further report providing an update on the key workstreams and budget issues/risks will be brought forward to Education & Children's Services Committee at an appropriate time.**

3. Purpose and Decision-Making

3.1 Devolved School Management (DSM): National Context

- 3.1.1 The Devolved School Management (DSM) Scheme, first implemented by Grampian Council in 1993, was adopted by Aberdeenshire Council at reorganisation in 1996. The Scottish Government (SG) published guidelines on DSM in 2006 with revised guidelines in 2012.
- 3.1.2 In June 2017, the SG progressed the Governance Review, including consultation on the empowerment of schools and on fair funding of schools. A key element of the empowerment agenda was the development of updated DSM guidelines, which were published in June 2019. These guidelines seek to build and improve on the DSM Guidelines of 2012 and, critically, reflect and integrate with the wider empowerment agenda. These Guidelines can be found here <https://www.gov.scot/policies/schools/devolved-school-management/>
- 3.1.3 Local authorities were required to review their LA DSM scheme by April 2021, although due to Covid-19 the SG consulted with LAs regarding an extension to this timeframe. As a result of this consultation, the revised timeframe for completion of review and implementation is April 2022.

3.2 Key Principles of Devolved School Management

- 3.2.1 The updated DSM principles (2019), building on and enhancing the foundations and principles of the 2012 guidance, are: subsidiarity and empowerment; collaboration; accountability and responsibility; and clarity and Equity.
- 3.2.2 These principles reflect the National Improvement Framework aims of excellence through raising attainment and achieving equity, to:
- Support excellence and equity – ensuring every child and young person has the same opportunity to succeed,
 - Be fair – placing the needs of all children and young people at the centre,
 - Be simple, transparent and predictable – ensuring the costs of delivering education can be easily understood and explained and that schools are able to manage and plan ahead with certainty,
 - Deliver value for money – ensuring that every penny spent is used effectively.

3.3 Devolved School Management in Aberdeenshire

- 3.3.1 Aberdeenshire Council is committed to promoting an empowered school system and recognise devolving budgets as a key vehicle for empowerment.
- 3.3.2 The DSM Board was established in October 2018, comprising of representation from across school sector, ECS and business support services, to lead on this agenda, including the review and revision of the existing DSM scheme in accordance with the revised SG guidelines (June 2019) through a number of workstreams:
- Revision of Aberdeenshire DSM Scheme,
 - Devolved School Management in the secondary sector,
 - Devolved School Management in the primary/special sectors,
 - Devolved Cluster Management of ASN resources.
- 3.3.3 Due to the unprecedented challenges faced within ECS in the last year due to the impact of COVID-19, progress in taking forward the DSM workstreams has been delayed as the focus has been on supporting all children and young people to continue their learning.
- 3.3.4 This report provides an update of progress and an overview of related financial issues and risks for Committee's acknowledgement.

4. Discussion

4.1 Revision of Aberdeenshire DSM Scheme

- 4.1.1 The DSM Board has overseen development of key elements of the draft revised DSM Scheme for Aberdeenshire through a participatory approach, including coproduction workshops / Task-and Finish Groups.

4.1.2 These key elements include the development of:

- Values and principles to underpin and inform the devolving of budgets to schools and the enabling environment of an empowered school system in Aberdeenshire.
- Budget mapping and agreement of further budgets for devolving including rationale for those budgets not to be devolved.
- Professional support / learning offers (partnership agreements) for HTs and schools:
 - Comprising of an overarching partnership agreement,
 - Complemented by service specific arrangements for induction training, core training, online resource and online support,
 - Transparency in any formulae or methodology used in allocating Professional Support to schools.

4.1.3 Next steps will include:

- Drafting of DSM scheme document, incorporating coproduced content as detailed above for review/consultation with system stakeholders
- Scoping of ECS Professional Support offer to headteachers and schools:
 - Administration and clerical support at school/cluster/central levels
 - Business management support
 - Facilities management
 - Support and challenge around improvement planning and targeting resources at agreed priorities
- Further development of professional learning offer and training for: headteachers on strategic finance management, with specific reference to school's priorities and improvement planning; and ongoing roll-out of training for school and service administrators, Cluster Business Managers and others involved in managing devolved budgets
- Development of communications and participation strategy to maximise stakeholder engagement and to support understanding and enhance confidence in DSM:
 - Awareness raising activity for elected members, school community and partners (including TUs), including workshops for elected members on how they can support schools in their wards
 - Capacity building offer for Parent Councils / Pupil Councils (within the wider context of empowerment)
 - Orientation training for wider corporate services and teams
- Review and confirmation of formulae/methodology for devolving agreed budgets to ensure system confidence and transparency/equity of resource allocation

4.2. Devolved School Management in the Secondary School Sector

4.2.1 In the Aberdeenshire secondary sector, all teaching budgets have been fully devolved since 1 April 2017.

- 4.2.2 In order to gather lessons learned and to identify areas for development and improvement going forward, a key focus has been the facilitation of self-evaluation concentrating on the key question: How well do we manage a delegated budget in a fair and equitable way through local and authority wide processes?
- 4.2.3 A bespoke self-evaluation tool was developed in collaboration with improvement colleagues, which 'bundled' Quality Indicators from a range of frameworks and generated challenge questions. A self-evaluation workshop was held in September 2019 involving representation of ASHTA and Cluster Business Managers.
- 4.2.4 Findings/outcomes of self-evaluation demonstrated increasing levels of confidence in local processes and structures around the management of devolved resources and recognition of the opportunities and flexibilities provided by devolving budget. However, there were also decreasing levels of confidence due to issues in timely provision of financial management information, and changes to arrangements for central support and advice
- 4.2.5 In particular, the following issues were identified which in turn will inform future development and improvement activity:
- Importance of ongoing scaffolding and support during transition from central to local management of budgets,
 - Need for robust financial management information, including clarity of budgets and confirmation of carry-forwards,
 - Quality of the professional support offer to headteachers/schools from ECS and other central corporate services,
 - Devolving of budgets, specifically from 'Supplies and Services' budgets to the cluster level.

4.3 Devolved Cluster Management of ASN budgets

- 4.3.1 ECS have developed and implemented a Pathfinder pilot programme in 2 clusters from April 2018, bundling and devolving centrally held ASN staffing and non-staffing budgets to the local level. Both clusters have been empowered to work collaboratively to strengthen ASL provision at the cluster level, and to respond through flexible and creative approaches to local opportunities and challenges, including recruitment challenges.
- 4.3.2 Significant work has been progressed through business planning and improvement planning in developing governance and management arrangements, operational processes, auditing of need, skills and services, and development of new approaches to service delivery.
- 4.3.3 The pathfinder pilot programme in 2 clusters has been referenced in the national DSM guidelines from 2019 as an example of local authority good practice.

- 4.3.4 The key focus has been the facilitation of self-evaluation focusing on the key question: 'How well do we manage a devolved budget in a fair and equitable way to secure positive outcomes for children and young people?
- 4.3.5 A bespoke self-evaluation tool was developed in collaboration with improvement colleagues, which 'bundled' Quality Indicators from a range of frameworks and generated challenge questions. Self-evaluation workshops were held in February/March 2021 involving representation of LMG Chair and leadership, all cluster headteachers, Cluster Business Managers and QIOs.
- 4.3.6 Again, findings/outcomes of self-evaluation demonstrated increasing levels of confidence in local processes and structures around the management of devolved resources and recognition of the opportunities and flexibilities provided by devolving budget. However, there were also decreasing levels of confidence due to specific issues at the time in the provision of financial management information and changes to arrangements for support and advice, including the restructure of Finance and introduction of PowerBi.
- 4.3.7 Both clusters recognised the importance and impact of collaborative leadership, improved governance arrangements and strategic planning in securing improved outcomes for children and young people with ASN. It was further recognised that devolving budgets to the cluster level provided the flexibility and responsiveness that had not previously been available when budgets were held and deployed centrally.
- 4.3.8 In terms of next steps, consultation with ECS LT and LNCT will be progressed to determine further roll-out. At this stage, officer recommendation is that any further devolving of ASN budgets would be within the context of the cluster pilot projects as detailed below.

4.4 Devolved School Management in Primary and Special Schools

- 4.4.1 Given the diversity and variation of the school system in Aberdeenshire, 3 distinct groups of school were identified for the development of a model for piloting in academic session 2019/2020.
- 4.4.2 The implementation of such a pilot model was to allow for key learning to be generated, including the development of system 'safety nets' during a pilot phase where the 'centre' retains overall budget responsibility and the risk to schools is mitigated. This is particularly important with the original intention to work to a timeframe for full implementation in financial year 2021-22, albeit the SG have now extended the timeframe for implementation to April 2022.
- 4.4.3 The DSM (Primary/Special) Reference Group developed a proposal for 3 pilot groups for further consultation with relevant HT stakeholders:
- Pilot Group 1 included all large primary schools i.e. those with a roll in excess of 221 pupils and an entitlement to a deputy headteacher,
 - Pilot Group 2 included all 4 stand-alone 'special schools',

- Pilot Group 3 included 2 identified school clusters, Banff and Mintlaw, which encompass a range of school sizes and categorisation (i.e. urban, semi-rural, rural etc). This will provide a more in depth understanding of the issues that would be faced by a range of schools in managing budgets.

4.4.4 The full teaching budgets for Pilot Groups 1 and 2 were fully devolved from 1 October 2019. It is acknowledged that the first 6 months were challenging due to a range of reasons, including issues with staffing information and financial/budget information, changes to management information system and changes in the support arrangements available to schools.

4.4.5 FY 2020/21 represents the first full-year picture of devolving budgets to the 2 pilot cohorts. Further, FY 2020/21 also saw the embedding of new ways of working and the further roll-out of key training and online resources within the developing professional support offer.

4.4.6 The following table demonstrates the pre-pilot, post-pilot (April 2020) and post-implementation (April 2024) devolving of Primary budgets as a percentage of the total available budgets for devolving.

	Total	Devolved Pre Pilot	%	Devolved 2020/21	%	All Teaching Budgets Devolved	%
	£m	£m		£m		£m	
Staffing	98.92	3.23	3%	41.69	42%	67.79	69%
Premises	11.27	3.19	28%	3.19	28%	3.19	28%
Transport	3.82						
Supplies & Services	8.41	1.45	17%	1.45	17%	1.45	17%
Income	-0.30						
Total Primary Budget	122.12						
Less Budgets not recommended for devolving	14.26						
Available for devolving	107.86	7.86	7%	46.33	43%	72.43	67%

4.4.7 Devolving teaching budgets provided these two cohorts of headteachers with the opportunity to manage their staffing allocations in order to best meet the needs within their individual school. This flexibility was welcomed. However, it was recognised that it was limited as schools were still required to comply with local and national agreements on class sizes, non-class contact time etc.

4.4.8 In the Primary pilot cohort this resulted in a number of schools opting to provide increased management time to DHTs and in the Special sector some opted to increase support staff, particularly where there were issues in recruiting appropriately qualified teaching staff.

4.4.9 There were also a number of technical issues with the provision of management information together with the impact of Covid in early March 2020 which resulted in the decision to delay further rollout of Pilot Group 3 for a year until these had been resolved.

4.4.10 Next Steps:

- Capture learning/experiences from large primary/special schools in October 2021.
- Consultation and engagement with identified Pilot Group 3 clusters, with specific reference to bundling ASN resources and devolving to the cluster-level alongside teaching budgets to individual schools.
- Development of pilot model for devolving non-teaching budgets.
- Phasing of further budget devolving FY 22/23: piloting in clusters (teaching staffing and ASN), FY 23/24: roll-out to all clusters (teaching staffing), FY24/25: full devolving of all relevant budgets.
- Scoping of multi-year settlement on schools, in line with MTFs, from April 2022 (primary, special and secondary sectors).

4.5. Issues and risks related to further devolving of budgets

4.5.1 Currently, 43% of primary school-related budgets is devolved to school, but through the phased implementation it is anticipated that approx. 67% will be devolved out by 2024.

4.5.2 Prior to fully devolving the teaching budgets in the Primary/Special sectors, there needs to be confirmation that there is sufficient budget available to allow budgets to be devolved in accordance with the current agreed formula. Further, there may be issues with the transparency, equity and sustainability of the staffing formula. It will be necessary to review both the adequacy of the base budget but also the appropriateness of the methodology of the staffing formula, both teaching and non-teaching.

4.5.3 Proposed approaches may include: an unpacking of the primary budget pages; historic analysis and future projections of pupil rolls and related base budgets; and participatory review of the staffing formula (including external research and benchmarking).

4.5.4 Further devolving of budgets will also present challenges in terms of higher-level budget management. When a budget is held centrally, over and underspends across budget pages can, to an extent, be managed to ensure that costs overall are contained within budget. Prior to devolvement of teaching budgets, overspends in one school due to e.g. long term sickness would be offset by underspends elsewhere. Once these budgets are devolved this flexibility ceases to exist at the centre as the control of the budget now sits with individual headteachers.

- 4.5.5 There is a policy of vacancy management within the Council in that there is an expectation that there will be savings accrued due to turnover in staff and delays in filling posts. This approach has been taken in devolving secondary teacher budgets whereby all Academies have an “Efficiency Saving” as a deduction from their teaching budget. Due to the number of staff in secondaries this is achievable as there is capacity to achieve these without detriment to pupils. However, this is not the case in either the primary and special sector. Aberdeenshire Council has a large number of smaller schools where it would not be possible to delay filling a vacancy without being in contravention of policies on class numbers and non class contact time.
- 4.5.6 There will also need to be some safety net facility for small schools if budgets are fully devolved as they will not be able to contain the costs of an extended period of long-term sick or maternity leave. Pilot group 3, which will involve clusters predominantly comprising of small and medium-sized schools, will provide the opportunities for collaborative working across the cluster whereby headteachers will ‘pool’ any flexibility in staffing budgets to develop shared solutions, complemented by the devolving of ASN budgets to the cluster levels. This will provide a level of flexibility within the cluster which will be greater than the level of flexibility available to individual schools combined. The learning from devolving to this group will inform the approach to any safety net facility.
- 4.5.7 Aberdeenshire Council is projecting rising rolls over the next few years which will result in an increase in teacher numbers. Between 2020 and 2025, there will be a projected increase in pupil roll of 1.5% (321 pupils) in the primary sector and 8.7% (1441 pupils) in the secondary sector. Going forward, the impact will need to be calculated and reflected into the medium-term financial strategy.
- 4.5.8 If determined that the base budgets are insufficient for the full devolving of budgets to schools as per the Scottish Government's requirements, either the base budget will need to be adjusted or the spend on schools will need to be reduced, or a combination thereof. Given a significant proportion of school budgets relates to staffing it may well be required to review and revise the staffing formulas as previously agreed by Committee. Given the participatory process that would need to be undertaken, this would need to commence shortly to ensure that a revised formula was available for the staffing exercise that will commence in early 2022 for academic session 2022/23.
- 4.5.9 The devolvement of budgets provides headteachers with the autonomy to purchase a wide range of goods and services to meet identified needs within their school. However, schools must adhere to current procurement policies and to ensure procurement governance, procedures will be reviewed in terms of co-ordinating spend to ensure that the financial regulations are adhered to in of cumulative spend.

5. Council Priorities, Implications and Risk

5.1 This report helps deliver the following council priorities:

Pillar	Priority
Our People	Education
Our Economy	Economy & Enterprise

5.2 This report helps deliver against Aberdeenshire Children’s Services Plan Priority - to have improved Business Support and resource management arrangements in place across ECS.

5.3 The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing			
Equalities		X	
Fairer Scotland Duty		X	
Town Centre First			X
Sustainability		X	
Children and Young People’s Rights and Wellbeing		X	

5.4 An equality impact assessment is not required because this is high level planning document and does not have a differential impact on any of the protected characteristics. Any service changes made as a result of this plan will be subject to separate reporting and equality impact assessments carried out as appropriate.

5.5 There may be financial implications in the development and implementation of the DSM model in terms of the delivery of the professional learning offer and the professional support offer to head teachers and schools, as required in the new Scottish Government DSM guidelines (2019). Further there requires to be officer capacity within the new ECS and Finance structures to develop and deliver on the systems and structures to underpin the devolving budgets agenda.

5.6 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures (Corporate Risk Register). The following Risk has been identified as relevant to this matter on a Strategic Level: Balancing the Books (Directorate Risk Registers). These risks will be monitored, and remedial action taken as part of the pilot process.

6 Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 6.2 The Committee is able to take a decision on this item in terms of Section E1.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to allocation of resources to schools.

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