Report of the Interim AED Learning and Attainment

Item 6 – Funding of Early Retirements or Redundancies

Schools Forum

18th June 2014
1. Purpose of the Paper
The purpose of this report is to

Provide a short paper on the funding of school redundancies and Early Retirement costs

2. Background

Both Local Government and schools are facing change with regard to how they deliver services and how they are financed both locally and from Central Government.

From April 2013 there has been a change to move towards a system of greater financial autonomy and control for schools whereby the majority of funding for schools is delegated to schools.

As a result of this it is necessary it is necessary to update the policy on funding school redundancies and early retirement cost

Prior to 2013-14 these costs were funded centrally.

With the centrally retained schools block there is a commitment to meet the historic on-going costs of early retirements of teaching staff. This is an ongoing financial commitment which will reduce over time as pensioner numbers reduce

Under the new Schools and Early Years Financial Regulations 2013 no new redundancy costs can be charged to the central school budgets

The Local Authority does not have the resources to provide the same level of financial assistance to schools going forward and needs to revise the current arrangements

3. Legal Position

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

The default position, therefore, is that premature retirement costs must be charged to the school’s delegated budget, while redundancy costs must be charged to the local authority’s budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.
4. Meeting the cost of redundancy/ Early Retirement

In line with DfE guidance, the charge for dismissal/ resignation costs should be made to the school’s delegated budget in the following circumstances:

- If a school has decided to offer more generous terms than the authority’s policy, then it would be reasonable to charge the excess to the school.
- If a school is otherwise acting outside the local authority’s policy.
- Where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit.
- Where staffing reductions arise from a deficit caused by factors within the school’s control.
- Where the school has surplus balances and no agreed plan to use these.
- Where a school has refused to engage with the local authority’s redeployment policy.

Curriculum changes

5. Proposal

In line with the Education Act 2002, premature retirement costs should be met from the school budget share, while redundancy costs will only be charged to the local authority’s budget where there is no good reason to deduct these from the school’s budget share.

Continue to fund the commitment to meet the historic on–going costs of early retirements of teaching staff.

Where the LA does not fund the cost of redundancies, these shall be met either from the individual budget share or from de delegated contingency funds for maintained schools only.

Use the de delegated contingency funding for maintained schools only to support individual schools where a ‘governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school budget share’. Each case should be considered on its merits and should be within an agreed framework. It may be reasonable to share costs in some cases.

6. Actions/ Recommendations

Members are asked to note the contents of this report and approve the proposals.