

THE HIGHLAND COUNCIL

12 JUNE 2003

Agenda Item	
Report No	

McCRONE FUNDING

Joint Report by Director of Education, Culture and Sport and Director of Finance

SUMMARY

This report advises Members of the overall financial position in relation to the McCrone Teachers' Settlement, including additional funding for Highland, and seeks agreement on the distribution of the resources. In addition, it proposes that the Council seek a permanent solution to the issue through the inclusion of supersparsity in the next Scottish Executive financial review.

1. Introduction

- 1.1 The McCrone Agreement for Teachers combines a salary review with changes in Conditions of Service, the introduction of additional support staff in schools, new probationer teachers and an overall strategy to modernise the profession.
- 1.2 It became apparent to Highland Council, and one or two other Authorities, soon after the settlement was reached in 2001, that there was a funding gap for full implementation. Taking into account the indicative figures available at the time, this gap, for Highland, was estimated at £6.6m over three years. In essence, the Council was in a position only to fund salary increases and very little else.
- 1.3 On the basis of this underfunding, the Council established a proactive campaign with the Scottish Executive to place the Council in a position to implement, in full, the agreement. Locally, a consortium of School Boards supported the Council and following discussions with COSLA and the Scottish Executive, an additional funding package was announced prior to the recent elections. A copy of the Ministers' letter is enclosed as appendix A.

2. McCrone Finance

- 2.1 This is a complicated settlement with funds coming in different tranches for different purposes. It is best summarised below.

2.2 Position at March 2003 (As per Revenue Budget Settlement)

2003/04	2004/05	2005/06	TOTAL
£M.	£M.	£M.	£M.
2.00	1.92	1.88	5.80

2.3 Additional Funds To All Councils, April 2003 (Highland Share)

2003/4	2004/05	2005/06	TOTAL
£M.	£M.	£M.	£M.
0.82	0.76	1.60	3.18

2.4 Additional Funds To Highland Council Recognising Shortfall April 2003

2003/4	2004/5	2005/06	TOTAL
£M.	£M.	£M.	£M.
1.50	0.75	-	2.25

2.5 It should be noted that at this time the Council has yet to be formally notified of the allocation of additional resources announced. The figures reflected above in paragraphs 2.3 and 2.4 are estimates of the Council's share of additional funding.

2.6 Members will note that the Council has received recognising our underfunding, an additional £1.5m in 2003/04, £750K in 2004/05 and there is no indication of funding for 2005/06 but the Scottish Executive and COSLA has indicated the supersparsity issues will be taken into consideration in the next spending review. Clearly the additional funding is extremely good news but there is a need to be prudent with recurring costs, such as salaries, until the Council has a commitment for 2005/06.

3. McCrone Funding Strategy 2005 – 06

3.1 Bearing in mind para 2.4 above, it is recommended that we spread the available additional funding over three years, thereby recognising no additional funds are available in 2005/06. In effect, the Council would be earmarking £0.750m of unspent ECS resources in 2003/04 in order that these could be utilised in 2005/06 when the funding ceases. The Council does not currently operate a carry forward facility for General Fund Services, therefore a specific exception would be required in this case.

3.2 The finance announced in our original settlement, plus the additional funds means that Highland will be able to address most of the recommendations in the McCrone Agreement and move towards full implementation. A detailed Budget breakdown is contained in Appendix B, but the main uses of the funds will be:-

- To pay the full salary award
- To recruit additional support staff
- To supplement the management restructuring in schools, including where necessary possible, early retirement and winding down schemes
- To second and recruit staff to undertake key developments
- To introduce new Probationer teachers
- To attract experienced, quality staff to Highland
- To provide quality CPD opportunities for teachers

3.3 As a result of the 'spreading' mechanism proposed in paragraph 3.1, the Council will

be able to spread the 2003/04 and 2004/05 resources over three years. Recognising that beyond this time the funding available will reduce, some of the spending proposals set out above represent non-recurring costs that the Council will only be committed to until the end of 2005/06.

4. Further Action

- 4.1 The Teacher Unions and those Unions representing support staff in schools have been consulted on the proposals and we need to continue to involve them in the implementation of the Agreement. Communication to staff, School Boards and PTA's is equally important.
- 4.2 The Local Negotiating Committee (LNCT) and the Education, Culture and Sport Committee will continue to receive reports on McCrone issues and the progress of implementing the settlement in Highland.
- 4.3 Clearly the major issue to be addressed is the sustainability of the funding in relation to recurring costs. As a consequence of this, the proposals in paragraph 3 of the report have been fairly measured, eg in relation to new support staff. It is therefore essential that the issue of supersparsity, in general terms, but specifically in relation to McCrone, is addressed by COSLA and the Scottish Executive.
- 4.4 Supersparsity is the term used to describe the extremes of population sparsity that exist in Highland, especially in respect of how it affects the Council's ability to deliver services to these areas and the costs involved in doing so.
- 4.5 In the Ministers' letter, there is a statement that "*...we recognise that we will wish to look at issues of supersparsity in SR2004*". This is a welcome statement as recognition of this issue should lead to additional funding through the Local Government Finance Settlement in future years. Any additional funding could allow the Council to address longer-term funding issues relating to McCrone and other services as supersparsity affects the provision of **all** services in supersparse areas.
- 4.6 There are however issues that members should be aware of to prevent over-reliance on possible funding from a future review of supersparsity.
 - Commitment to review – the offer was made from the former Minister for Education and Young People, however, this subject would fall under the remit of the Minister for Finance and Public Services therefore the Council should seek further assurance on this matter.
 - Outcome of review – subject to Ministers' commitment to a review, there can be no guarantee of the results or if the outcome will in turn lead to recognition within the LGF settlement. At present there is no formal consultation machinery for the Council to be consulted on the technical aspects of any review.
 - Timing of review – the current spending review period covers 2003/04 to 2005/06 therefore it is unlikely a review could have an effect before 2005/06. Furthermore, the mechanics of a review are likely to be complex, with no existing independent work in place. As a result, work would require to commence now to

allow the outcome of the review to feed into the next spending review – SR2004 2005/06 – 2007/08.

- Other LGF distribution issues – supersparsity may not be reviewed in isolation and therefore any gains the Council may make on this issue could be offset by other reviews that could be detrimental to the Council, e.g. deprivation and (lack of) economies of scale. Furthermore, issues such as the floor calculation for revenue grant support and the commitment to a review of Local Government Finance by the Executive coalition may also limit the impact of any gain from supersparsity.

5. RECOMMENDATION

Members are asked to:-

- 5.1 Note the financial position relating to the McCrone Agreement
- 5.2 Agree to the funding strategy outlined in the report, subject to formal notification of resources being received from the Scottish Executive.
- 5.3 Seek further, detailed reports, to the Education, Culture and Sport Committee on the progress of implementation.
- 5.4 Agree that the Council makes early representations to the Scottish Executive seeking assurances on the supersparsity review.
- 5.5 Agree to work within COSLA to seek a permanent solution to the funding problems encountered by Highland, particularly through the supersparsity discussions.

Signature:

Designation: Director of Education, Culture and Sport

Signature:



Designation: Director of Finance

Date: 4 June 2003

Ref: BR/AC

Background Papers

Minister for Education & Young People
Cathy Jamieson MSP

Victoria Quay
Edinburgh EH6 6QQ

Pat Watters
President
Convention of Scottish Local Authorities
Rosebery House
9 Haymarket Terrace
EDINBURGH
EH12 5XZ

Telephone: 0131-556 8400
scottish.ministers@scotland.gsi.gov.uk
<http://www.scotland.gov.uk>

Our ref: -

25 March 2003

A TEACHING PROFESSION FOR THE 21ST CENTURY – 2003-2006

We have been discussing the level of resources local authorities will need to implement the final stages of the agreement 'A Teaching Profession for the 21st Century'. I am glad that we have now reached agreement.

Attached at annex A to this letter is a copy of the joint statement on the cost of implementing the agreement. This statement identifies the key cost areas over the next 3 year period based on the formula which was used in calculating the original agreement. That formula is based on teacher numbers in 2000. Even taking into account the additional teachers required to meet class contact time reductions in the Teachers' Agreement, we know that overall teacher numbers are declining as a result of falling school rolls (40,000 fewer pupils by 2005/06). To reflect this, I have anticipated savings of £15m in year 2 and £22m in year 3.

We have agreed that officers commence work as soon as possible to ensure that these are realistic figures. This exercise will need to feed into the annual teacher workforce planning exercise which projects future demand for qualified teachers. The results of this exercise will be available towards the end of 2003/04 allowing current assumptions to be revisited if necessary. That work will also inform the decisions we make in the spending review planned for 2004.

I have also made the assumption that local authorities will continue to provide funding of £25.5m as agreed at the time of the original agreement. This will be provided on a continuing per annum basis over the current spending review period.

I am providing additional resources to fully cover the remaining gap, as well as providing additional resource in 2003/04 to assist local authorities with management restructuring. The total of the new resources will be £80m over three years, divided as follows:

2003/04	£25m (includes £7m for authorities with a current under-funding issue; see below)	funding
2004/05	£20m (includes £3.5m for authorities with a current under-funding issue see below)	
2005/06	£35m	

In the total allocation set out above, we have agreed that £10.5m is being made available to assist councils who have a current under-funding issue due to a historic funding difficulty. £7m will be available in year 1 and £3.5m in year 2. This funding will be phased out in year 3. It is anticipated that this will give councils the opportunity to address the current problems they are facing. Given the concerns raised by some of these authorities, we recognise that we will wish to look at issues of super-sparsity in SR2004.

The new job weighting exercise agreed through the Scottish Negotiating Committee for Teachers will allow authorities to reward promoted staff according to the nature of the post they hold. The protection offered through salary conservation has been necessary for an equitable solution for the staff involved, but inevitably brings short term additional costs. Given the recent agreement at SNCT on job sizing, we have been able to take full account of the impacts of this salary conservation, which will of course reduce over time. The total figures set out above include £10m in year 1, £12m in year 2 and £9m in year 3 to cover the costs of conserved salaries.

In year 1, we have also agreed that we should allocate £8m through normal GAE distributions to help meet the costs of the Agreement, in particular the costs of management restructuring, though I will expect to see a light touch plan from each Authority as to how they propose to commit this funding. I also anticipate councils being able to utilise their job sizing allocations, as well as savings in 2003/04 from falling school rolls, in a flexible manner to achieve more effective management structures.

You have also agreed that as the costs of job-sizing and management restructuring reduce, any funding freed up should be used to assist in meeting the salary costs of chartered teachers. We have agreed that we will of course need to monitor carefully how the funding for, and implementation of, the chartered teacher programme is developing, given its key importance in maintaining and rewarding classroom expertise, and again I would anticipate officers commencing work on this as soon as possible to ensure full funding of the costs.

I know you have also had a concern around support staff. The Agreement states that the resources should allow the equivalent of approximately 3,500 support staff to be employed. The figure was not intended as an inalienable target of numbers employed, but an indication of the scale of resources available. Quite rightly, Authorities are using the funds both to cover non staff costs, and to employ a wide range of different support staff, from class room assistants to School bursars who bring with them variable salary levels. In these circumstances success will not be measured by whether the figure of 3,500 is achieved either globally or proportionately in an individual Authority's area. What is important is that authorities are able to deliver full value for the funds they deploy, allowing them to remove the non teaching tasks in Annex E of the Agreement from teachers' duties.

We have also agreed that the Executive and CoSLA should work together to agree a new methodology for calculating the cost of teachers' pay. Once agreed, this new methodology will be used for work in SR2004 on the cost of the teachers' agreement.

In general, I believe we have reached agreement on the cost of implementation and the joint statement reflects this. The funding being made available enables councils to take forward implementation in full. We agree that further monitoring is required and that work should start early in preparing for the next Spending Review.

CATHY JAMIESON

ANNEX A

Teacher's Pay

**Joint Statement of Funding
COSLA /Scottish Executive**

	2003/04 £m	2004/05 £m	2005/06 £m
<i>Teacher's Pay</i>	360.2	439.5	495.8
<i>Reducing CCT</i>	0	28.3	42.5
<i>Support Staff</i>	50	50	50
<i>Probationers</i>	21.2	18.7	22.3
<i>CPD</i>	15	15	15
<i>Job Sizing</i>	10	15	15
<i>Chartered Teachers</i>	0	2.9	5.1
	456.4	569.4	645.7
Funding			
SR2000	405	405	405
SR2002	11	108	163
Local gov contribution (gap from original agreement)	25.5	25.5	25.5
	441.5	538.5	593.5
Funding Gap			
Additional Funding Gap Identified	15	31	52
Remove Effect of falling school rolls	0	-15	-22
Balance	15	16	30
Funding being made available	25	20	35
To fund the following :			
Councils with existing shortfall	7	3.5	0
Job Sizing	10	12	9
GAE incl funds for Management Restructuring	8	4.5	26
Total	25	20	35

Annex B

TEACHERS PAY AGREEMENT
COMPARISON OF 2003/04 RESOURCES DISTRIBUTED ON BASIS OF GAE AND
TEACHER NUMBERS

Council	Distribution Based on		Difference	
	<u>GAE</u> £m	<u>Teacher Numbers</u> * £m	Amount £m	%age %
Highland	17.777	19.275	-1.498	-8.4%
Aberdeen City	13.384	14.223	-0.839	-6.3%
Dundee City	10.583	11.386	-0.803	-7.6%
Shetland Islands	2.334	3.084	-0.750	-32.1%
Fife	26.872	27.609	-0.737	-2.7%
Eilean Siar	2.650	3.299	-0.649	-24.5%
Argyll & Bute	6.720	7.155	-0.435	-6.5%
Scottish Borders	8.235	8.582	-0.347	-4.2%
Midlothian	6.527	6.837	-0.310	-4.7%
Orkney Islands	1.871	2.127	-0.256	-13.7%
Moray	6.960	7.171	-0.211	-3.0%
North Lanarkshire	26.348	26.430	-0.082	-0.3%
Angus	8.603	8.653	-0.050	-0.6%
TOTAL			-6.967	

** Source: Scottish Executive school census September 2000*

APPENDIX B

Funds Available

	2003/04	2004/05	2005/06	TOTAL
Original Allocation	£M.	£M.	£M.	£M.
1. Support for Schools	0.81	0.81	0.81	2.43
2. CPD	0.68	0.66	0.68	2.04
3. Probationers	0.51	0.43	0.39	1.33
Sub Total	2.00	1.92	1.88	5.80

	£M.	£M.	£M.	£M.
Additional Allocation	£M.	£M.	£M.	£M.
1. Councils with Shortfall	1.50	0.75	-	2.25
2. Job Sizing	0.46	0.54	0.41	1.41
3. Restructuring	0.36	0.21	1.19	1.76
Sub Total	2.32	1.50	1.60	5.42

Proposed Expenditure

	2003/04	2004/05	2005/06	TOTAL
Expenditure Headings	£M.	£M.	£M.	£M.
1. ICT Support Staff	0.59	0.59	0.59	1.77
2. Clerical Support Staff	0.44	0.44	0.43	1.31
3. Nairn Pilot – Specialist Teachers	0.13	0.13	0.13	0.39
4. S & L Pilot – Janitorial Service	0.04	0.04	0.04	0.12
5. Job Sizing	0.46	0.55	0.41	1.42
6. Management Restructuring	0.48	0.33	1.31	2.12
7. Secondments	0.19	0.19	0.19	0.57
8. Recruitment Strategy	0.05	0.05	0.05	0.15
9. CPD	0.68	0.68	0.68	2.04
10. Probationers	0.51	0.43	0.39	1.33
Overall Total	3.57	3.43	4.22	11.22

Net Funding position *	+0.75	-	-0.75	-
-------------------------------	--------------	----------	--------------	----------

* representing underspend to be earmarked in 2003/04 for carry forward to 2005/06 to meet expenditure.

