

Our Ref: Date: 8 February 2022
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To: All Headteachers and Chairs of Governors of Maintained Settings

**LMS Document
No. 2022/02**

Dear Colleague,

MAINTAINED SETTINGS – ORGANISATIONAL CHANGE MANAGEMENT PROCESS FOR SETTINGS IDENTIFYING A POTENTIAL FINANCIAL SHORTFALL WHICH COULD LEAD TO STAFF REDUCTIONS

We recognise that many settings are experiencing financial pressures. Even with prudent management, your setting may face problems in covering expenditure and may need to look to make savings. The local authority (LA) is also managing financial pressures and is under intense scrutiny on expenditure. It is therefore necessary to be robust in how we jointly manage our finite public resources. The pandemic has added to our shared challenges and the costs that schools and the council have incurred.

The purpose of this letter is to update you and clarify the process that maintained settings must follow as soon as they identify a potential financial shortfall which could lead to the need to reduce staffing. We hope this will be helpful as part of your forward planning. Two strategic considerations for senior leadership teams and governors are outlined below, with further operational steps and advice available from your HR Advisor. Please do request advice if you need it.

First consideration

Governors are responsible for deciding the number of staff and the efficient deployment of staff when planning their budgets. It is important to keep staffing needs under regular review, working in consultation with the school's leadership team.

If your setting's income may not cover planned expenditure, the Schools Accountancy Team (SAT) sat@suffolk.gov.uk should be notified at the earliest opportunity. They can offer objective advice to support decision making by governors. The governors and setting leadership should first consider:

- Staff pay as % of total expenditure. Staff pay is the single most expensive item in the school budget and typically represents over 70% of expenditure. Further points governors might want to consider on staff pay are:

- what percentage of the budget is spent on staffing compared with similar schools?
 - how does the percentage for teaching staff, curriculum support staff and other support staff compare with other similar schools?
 - how do your school's pupil outcomes – such as your school's progress score – compare with other similar schools, relative to spend on staffing?
 - What is the overall staff cost as a percentage of total income? Staffing costs over 80% of total income are considered high
 - if teaching costs are relatively high, is this due to the number of teachers or a relatively high proportion of highly-paid staff?
- Average Teacher cost. If the average teacher cost is high in comparison with other similar schools, why is this? The [schools financial benchmarking service](#) includes staffing cost per teacher (in the 'expenditure' section).
 - Pupil-to-teacher ratio (PTR). The pupil-to-teacher ratio (PTR) is calculated by dividing the number of FTE pupils on roll by the total number of FTE teachers. A relatively low PTR could suggest small class sizes.
 - Class Sizes. The smaller the class size the greater the cost of delivery per pupil. Governors should ensure that class size plans are affordable while supporting the best outcomes for pupils.
 - Proportion of budget spent on the leadership team. Schools have many different leadership and management structures and comparisons are not straightforward but worth looking in to.
 - Strategic Planning. Assumptions you may want to review:
 - projected pupil numbers
 - free school meal numbers
 - likely pupil premium income
 - projections of the staffing that will be necessary in these years.
 - Spend per pupil for non-pay expenditure lines compared to similar schools. For example, what is the spend per pupil for catering, ICT, estates management, business administration, energy, and curriculum supplies?
 - School improvement plan priorities and the relative cost of options:
 - are school improvement initiatives prioritised, costed, and linked to the budget?
 - are all new initiatives fully costed before your school is committed to the proposal?
 - List of contracts with costs and renewal dates. Review contracts for services to check which ones are due for renewal. Check that contracts are good value for money (VFM) and meet the school's needs.

Second consideration

If you are considering a possible restructure of staffing arrangements or potential redundancies, you must inform the Head of Organisational Support and your HR advisor at the earliest opportunity. Advice must be sought on avoiding redundancy prior to any reductions being undertaken.

It is worth noting that redundancy might apply in a variety of situations that may not be immediately obvious:

- A reduction in staff numbers
- Re-organisation of staffing at a setting to respond to organisational or curricular changes
- Seeking to reduce an individual's hours, or to change the start and end times of the working day
- Relocation of the place of work
- Termination of a Fixed Term Contract where the employee has at least 2 years continuous service with the Local Authority,

If you have any doubt, please seek further advice from the LA and your HR advisor.

Schools' Choice HR and the SAT have produced an Organisational Change Management Toolkit (OCMT) designed to support LA maintained settings. The OCMT provides advice, guidance, and templates to ensure accurate and well-informed decisions can be made. The completed OCMT must be submitted and considered by the LA and HR, at the point that the potential need for staffing reduction is identified, and ahead of any redundancy proposals being shared with staff and unions.

For the LA to agree to fund any redundancies at a maintained setting, it needs to be satisfied, as per the Education Act, that the school has:

- Sought appropriate professional HR advice
- Followed that advice, and
- Considered all reasonable alternatives to compulsory redundancies.

Following receipt of the OCMT, the Head of Organisational Support will review any proposal on behalf of the LA. A meeting will be held with the appropriate members of the Senior Leadership Team and Chair of Governors to discuss the proposals in more detail, prior to a decision being given.

This process does not seek to replace or reduce the vital role of governing bodies in considering such proposals, nor does it seek to reduce the decision-making responsibilities of setting leaders. However, it is important that the LA has confirmed its agreement to fund any resultant redundancies before proposals are submitted to the full governing body for approval. At this point the setting can start consultation with staff and the unions to commence a redundancy process.

Once an agreement has been reached with the LA, the Governing Body are required to follow:

- the LA's guidance on restructures and redundancy contained in the Organisational Change Management policy and G42 Managing Staff Reductions, and
- any advice given by their named HR Advisor and officers from SCC.

I know that you will understand the need for rigour in these processes and are aware of the importance of using public money wisely. Where advice is not sought and / or not

followed this could result in the setting having to meet any of the resulting costs. Compliance with advice is needed because the LA is required to adhere to clear and transparent processes by law, ensuring any change management undertaken follows agreed best practice.

We recognise that organisational change can be disruptive and challenging to implement and it is vital that advice and guidance is sought at the earliest opportunity. Therefore, I would like to encourage you to ensure that you send a representative from your setting to the Schools' Choice 'Organisational Change Management' training module. This is part of the suite of training commissioned for LA settings which Fran Alexander wrote to you about on 24 September 2021. To book onto the Organisational Change module, and the other modules you are requested to attend, please see Schools' Choice CPD for further details.

Should you require a copy of the OMCT, or have any questions, please contact your Schools' Choice HR advisor, or the Organisational Support Team, Edorgsupport@suffolk.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Orr', written over a faint rectangular box.

Adrian Orr
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Children and Young Peoples Directorate
Suffolk County Council

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