

CYNGOR SIR POWYS COUNTY COUNCIL.

Cabinet
20th February 2018

REPORT AUTHOR: County Councillor M Alexander, Portfolio Holder for Education
County Councillor A Davies, Portfolio Holder for Finance

SUBJECT: Schools Funding Formula Review

REPORT FOR: Information

1. Summary

- 1.1 The schools fair funding formula is the method used to allocate the schools delegated budget to individual schools and is required by regulation.
- 1.2 In February 2017 Cabinet requested a fundamental review of the Schools funding formula due to concerns about the level of deficit occurring in some schools and the need to ensure all schools are able to deliver a minimum curriculum.

2. Background - Function of the Review

- 2.1 The aim of the review is to create a formula that funds schools in a clear, transparent, objective and measurable way. Schools have a perception that the formula is complicated and will have an input into reviewing the model so there is a full understanding of how the revised formula operates.
- 2.2 Reviewing the formula does not change the financial envelope that will be available, the allocation of the funding across schools and sectors may change. There will need to be a plan to manage expectation and potentially identify a growth requirement to meet the cost of the minimum curriculum.
- 2.3 Regulation states that 'it is desirable that the formula is simple, objective, measureable, predictable in effect and clearly expressed'.
- 2.4 This review builds on the work already started during the 2017/18 financial year, and utilise the externalise expertise to lead on the first stage of the review, utilising education and finance officers, with updates to the formula review group. This includes gathering information from other Local Authorities to provide challenge and explore concepts. An ERW finance group has been established to compare formula's methodologies and delegation rates across other authorities.
- 2.6 **Membership** - Membership of the group covers the key stakeholders, and the necessary people will be invited to monthly meetings:
 - Schools Finance Manager - Lead
 - 6 Secondary School Headteachers Representatives
 - 6 Primary School Headteachers Representatives
 - Special School Headteachers Representatives
 - Schools Service Officers
 - School Forum Representatives

- Financial Services Officers

2.7 **Reporting** -Regular updates on the progress of the review will be provided to Schools Forum, Schools Service Management Team and relevant Portfolio Holders by the Schools Finance Manager and will be tracked as part of the Schools Service Accountability Framework, in line with the attached project plan. Meetings and communication with other stakeholder forums including the Youth Forum will form part of the review processes.

2.8 **Outcomes and Decision Making** - A report for cabinet will be prepared for early autumn that details;

- The findings from the review
- The proposed changes to the formula
- The cost and impact of the changes that are being proposed
- The proposed consultation to be undertaken in line with the scheme

3. **Progress to date**

3.1 The group have met on 3 occasions during the late summer early autumn, once as a group across all sectors and once each as sector specific groups.

3.2 The work undertaken involved:-

- Discussing the principles that underpin the formula,
- The key cost drivers,
- Issues identified around the current elements of the formula,
- Limiting the formula to more lump sum elements,
- Identifying alternative ways of funding
- Further modelling of proposals to be taken forward.

3.3 The review group were keen to establish base levels of curriculum provision as the basis of the formula, this basis would then underpin the funding model.

3.4 The review group felt that once the basis of the formula was agreed and costed, then comparisons should be made to the funding envelope and decisions taken of how to balance to the funding available.

3.5 The review group require a clear and transparent formula that is accessible and understandable for all.

3.6 External expertise has been commissioned to work one to two days per week to lead on the first stage of this review, through until April 2018. She will, in part cover off the role of the Finance Manager, because this post is now vacant. Attached as Appendix C are slides that show the project outline, and have been circulated to key stakeholders.

4. **External Expertise**

4.1 The Council has drawn on some external expertise to assist us with our work. She has over twenty years' experience of local authority school finance leadership as well as work with the DfE and individual schools, provided us with a day of support on the 6th September. She has now agreed to support the formula review through until April 2018 when the first milestone concludes.

4.2 The visit in September was arranged to include the following key areas of interest:

- An external perspective of the formula review work, drawing on experience at a local and national level;
- Consideration of the data available to inform this work and ways to secure additional evidence;
- Specifically, exploration of the scope for development of a curriculum referenced funding model, particularly for secondary schools to provide both a reasonableness test for the formula and a tool for working with secondary schools to resolve budget shortfalls.

4.3 The Expert's observations and recommendations from the initial one day visit are set out in Appendix A

5. Proposal

5.1 The timetable attached in Appendix B is noted as the timetabled plan for undertaking the fundamental review of the formula for funding schools. The review should be completed, consulted upon in readiness for implementation of the agreed changes in allocating budgets to schools in 2019.

5.2 A more detailed plan listing weekly meetings through until April 2018 is being prepared.

6. Resources

6.1 Both Schools and Financial services will need to review their available resource requirements to identify leads who will undertake this piece of work through 2018.

6.2 Finance have brought in expertise to support the process through to April 2018.

7. Options Considered / Available

7.1 N/A

8. Preferred Choice and Reasons

8.1 To complete the fundamental review of the fair funding formula in line with cabinet's request in early 2017.

9. Impact Assessment

9.1 The approach taken through the review and subsequent consultation will result in an impact assessment being completed as part of the final stage of the review that is submitted to Cabinet in the autumn term 2018.

9.2 If yes is it attached? No

10. Local Member(s)

10.1 All local members are affected

11. Other Front Line Services

11.1 Does the recommendation impact on other services run by the Council or on behalf of the Council? Yes the review will include the review of traded services with schools and the provision of amended SLA's and services agreements from the start of the 2019-20 financial year.

12. Communications

12.1 Have Communications seen a copy of this report? Yes/**No**

Have they made a comment? If Yes insert here.

13. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)

13.1 Finance – This review is essential to ensure there is full sign up to the formula distribution methodology in the long term. The financial envelope will not change, so everyone must be aware that there will be winners and losers from the review.

13.1 Legal : The recommendation can be supported from a legal point of view

14. Scrutiny

Has this report been scrutinised? Yes / **No**

15. Statutory Officers

15.1 The Acting S151 Officer supports this review and approved the use of Finance budgets to cover the cost of an interim expert to ensure the initial milestone is completed to deadline in April.

15.2 The Solicitor to the Council (Monitoring Officer) has commented as follows: “I note the legal comment and have nothing to add to the report”.

16. Members’ Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation: That cabinet note the contents of the report and the timetable that will ensure delivery of a revised funding formula in 2018 for implementation for the 2019-20 financial year.	Reason for Recommendation: To ensure a new formula is on place for 2019/20 budgets. To have an agreed and funded minimum curriculum provision in each of the three sectors,
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Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

Relevant Local Member(s):	All
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Person(s) To Implement Decision:	Schools and Finance
Date By When Decision To Be Implemented:	1/2/19

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Appendix A - Expert Observations

A fundamental review requires a significant amount of time and timing is tight. The more fundamental the review, the more time will be needed to refine options and explain proposals and it may be that this year could be positioned as the first stage of a two or three year process.

The main bulk of the funding hinges on a set of calculations about the number of teachers a school needs – a basic calculation, with adjustments for management and leadership, Welsh medium and small school/class size protection. This is much more sophisticated than a simplistic lump sum and per pupil formula and it provides for a meaningful conversation with both politicians and school leaders over the extent to which the formula adequately funds educational provision.

However, there is also an opportunity to review the model against the LAs minimum expectations of a school and the affordability of current levels of protection.

She recommends a dialogue with Members and school leaders about minimum requirements, about the nature of the affordable educational offer in Powys (including subject offer in secondary) and about the extent to which heads and governors want a guide to the affordable number of teachers or whether they would prefer less direction.

Overall, on formula review she recommends:

- Consider the desirable simple/sophisticated balance that works for schools and the LA. A sophisticated formula can target funding really effectively if well designed and linked to policy objectives. A simple formula, with a heavy emphasis on funding per pupil ignores the fact that most costs are driven by the number of classes and some costs are fixed. The later approach works well for large schools with economies of scale and sufficient senior management and finance capacity.
- Formularise as much as possible of the small school/class size protection arrangements as possible, giving schools predictability, encouraging forward planning and reducing LA workload.
- Take steps to improve FSM numbers with less onerous registration arrangements, if Possible Remove elements of the formula with out of date descriptions, values or burdensome data collection and replace with a simple allocation which provides for local discretion.
- Ensure phase differences are justifiable.

The review of the formula requires a discussion about what can realistically be afforded, in small schools in Powys in the current climate of austerity is an important for active engagement of heads, governors and councillors.

Once clear about the key educational parameters (class size, contact ratio or PTR, subject choices, balance of the timetable between core and options (KS4), mixed year groups or not, etc.), and armed with a small number of key data points (average teacher salary,

proportion of spend on teachers, uplift in teacher numbers for deprivation), a high level curriculum led funding model could be built with relative ease.

Appendix B – Timetable

		<u>Start</u>	<u>End</u>	<u>Responsible Officer</u>	<u>Outcome</u>	<u>Additional support requirements</u>	<u>Formula Review Group Meeting Dates</u>	<u>Schools Forum / Cabinet Meetings</u>
0	Present update report clarifying timetable and plan	January	January	Anne Phillips	To ensure all key stakeholders fully aware and engaged in the process and timescales	Looking to bring in interim Finance Manager to support this project - funding available only in 2017/18		SF - 23 /1/18 Cabinet 20/2/18
1	Work up a minimum curriculum model for primary and secondary schools including dual stream schools considering feedback already given from formula review group, to include management time and workload agreement requirements	08/01/2018	23/03/2018	Schools service	Provide a proposal to support teaching, management etc.	Potential external resources needed Could be a representative from each sector?		
2	Work up a minimum management model incl. TLR structure for primary and secondary schools including dual stream schools considering feedback already given from formula review group	08/01/2018	23/03/2018	Schools service		see above	6th April	
3	Consider the funding models for teachers salary payments (Specific point/average teacher cost etc.) considering feedback already given from formula review group	08/01/2018	23/03/2018	Schools service		see above	6th April	
4	Work up and agree a methodology for funding split site schools considering feedback already given by formula review group	08/01/2018	23/03/2018	Schools Finance Manager / Schools service		see above	6th April	
5	Review class size protection policy already in place for primary schools should it remain be amalgamated into the formula, consider what protection if any should be applied to secondary schools,	08/01/2018	23/03/2018	Schools Finance Manager / Schools service		see above	6th April	
6	Cross reference to ALN and SEN review - link to the basis of distribution of LMS SEN funding	08/01/2018	23/03/2018	Schools service - Imtiaz		Imtiaz and relevant finance support	6th April	
7	Review the non-teaching elements of the formula, for Primary, Secondary and Special schools considering the feedback already given from the review group including the methodologies used by other Authority formulas	08/01/2018	23/03/2018	School Finance Manager			6th April	
8	Report to Schools Service Management Team on an monthly basis	08/01/2018	23/03/2018	School Finance Manager			6th April	19/3 Primary Update
Milestone - sign off by SMT							9th April	

9	Present proposed base model for teaching and management and the teacher salary funding basis to the review group, discuss and agree the base model/models to be costed	10/04/2018	20/07/2018	Schools Finance Manager / Schools service		Jo Thomas to take minutes	19/04/2018	SF - 12/4/18	
10	Present proposed model for funding split sites, LMS SEN and the proposals for class size and curriculum protection to the review group, discuss and agree the model/models to be costed and policies to be taken forward	10/04/2018	20/07/2018	Schools Finance Manager / Schools service		Jo Thomas to take minutes	02/05/2018		
11	Present model for funding non-teaching elements to the formula review group, discuss and agree the base model/models to be costed	10/04/2018	20/07/2018	Schools Finance Manager		Jo Thomas to take minutes	16/05/2018	21/5 Primary Update	
12	Present the costed model/models for teaching and management and the teacher salary funding basis to the formula review group, discuss and agree the model to take forward to consultation	10/04/2018	20/07/2018	Schools Finance Manager / Schools service		Jo Thomas to take minutes	06/06/2018	SF 21/6/18 - update report	
13	Present costed model/models for funding split sites, LMS SEN and the proposals for class size protection to the formula review group, discuss and agree what will be taken forward for consultation	10/04/2018	20/07/2018	Schools Finance Manager / Schools service Imtiaz		Jo Thomas to take minutes	20/06/2018		
14	Present costed models for funding non-teaching elements to the formula review group, receive feedback from the group on models, agree the base model/models to be taken forward to consultation	10/04/2018	20/07/2018	Schools Finance Manager		Jo Thomas to take minutes	04/07/2018		
15	Potential meeting date if required due to slippage					Jo Thomas to take minutes	18/07/2018		
16	Prepare consultation documentation and reports	23/07/2018	04/09/2018	Schools Finance Manager		Jo Thomas to take minutes			
Milestone - Consultation document report signed off by management team								10/09/2018	
17	Present the proposed consultations documents to schools forum for agreement			Schools Finance Manager			September - Date to be agreed		
18	Present report to Cabinet on proposed consultation for agreement and ensure Scrutiny are engaged in the process			Schools Finance Manager			09/10/2018		
19	Consult on changes to the formula	11/10/2018	22/11/2018	Schools Finance Manager					
20	Prepare report on outcomes of the consultation	30/11/2018	06/12/2018	Schools Finance Manager					
Milestone - Management Team Sign Off								10/12/2018	

21	Report results of Consultation and Finalise Proposals with review group	03/12/2018	21/12/2018	Schools Finance Manager				10/12/2018
22	Report results of Consultation and Finalised Proposals to Schools Forum for agreement	03/12/2018	21/12/2018	Schools Finance Manager			Late December - Date to be agreed	
23	Report final proposals to cabinet for approval						January 2019	
24	Run formula and send delegated budgets by 30th January							