

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE**

**10 July 2018**

**REPORT AUTHOR:** County Councillor M Alexander, Portfolio Holder for Learning and Welsh Language  
County Councillor A Davies, Portfolio Holder for Finance

**SUBJECT:** School Funding Formula Review

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**REPORT FOR:** Decision

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**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 Cabinet requested a fundamental review of the School 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.
- 1.3 A Formula Review Group has been established and has been meeting regularly since February, with support from officers in Education and Finance and an external expert, and an outline shape for a new formula has been developed. The group is very clear that two conditions should be met if this review is to be considered a success: that the overall budget is sufficient to resource agreed educational policy; that the method of distribution of funding between schools is fair and equitable.
- 1.4 This report provides details of the progress so far, the plans for the next phase, including the finalisation of full consultation proposals, about which a decision is sought.

**2. Proposal**

- 2.1 Cabinet is asked to approve the high level shape of the formula for mainstream schools, comprising four blocks, informed by a clear description of the Powys educational offer, built with efficiency in mind, simple and with integrity. The formula is intended to be dynamic, to be capable of reflecting future changes in curriculum, education policy, regulations, structures, resources or responsibilities.
- 2.2 Cabinet is asked to approve arrangements to delegate the decision to consult to the Portfolio Holders for Learning and Welsh Language and Finance in order for the review to adhere to the budget setting timetable and maximise opportunity for school input.

2.3 Cabinet is asked to note the interconnection with other elements of the transformation programme and the Council's medium term financial plan.

### **3. Options Considered / Available**

3.1 In terms of the overall design of the formula, the 2010 School Funding (Wales) Regulations expect a formula to be simple, objective, measureable, predictable in effect and clearly expressed. The Regulations allow for the use of any of 37 factors (which must include weighted pupil numbers and a measure of social deprivation). The current formula has been amended and altered over a number of years, leaving many elements unclear, confused and/or over-complicated. The options for reform included the maintenance of a complex formula, however, in order to meet the objectives expressed in the Regulations, a simpler formula model has been explored with school representatives.

3.2 The overall design of the proposed new school funding formula is shown in the appendix to this report. It comprises four blocks of funding:

- Core educational delivery and basic running costs
- Additional educational need and social deprivation
- Costs relating to the site, facilities and property
- Other factors and adjustments

The fourth block of funding applies to a relatively small number of schools and covers circumstances that are not standard for all. Examples include the provision of Welsh in education, all-through schools and those with more than one site or location. This block will feature clear criteria and transparent allocation of additional funding.

3.3 The detailed design will involve many options and choices, as each factor and value is developed and discussed with the Formula Review Group. Where there is a clear consensus which is affordable and in line with policy, it is expected that the consultation with schools will include a clear recommendation. Where that is not the case, the consultation will seek views to inform the final decision by the Cabinet.

3.4 In respect of the consultation arrangements, the initial project timeline proposed consultation commencing mid-October and concluding in late November. This provides limited time to analyse the feedback from schools and make careful recommendations to Cabinet for the school's budget and the formula. It also provides limited time for schools to start to prepare for changes, resulting in the need for an extended transition period.

3.5 An earlier consultation window is recommended, running from 17th September to 26<sup>th</sup> October, to align with other consultation processes affecting schools. In order to avoid delay, particularly around the summer recess, Cabinet is asked to delegate authority to the Portfolio Holders for Learning and Welsh Language and Finance to approve the consultation proposals.

- 3.6 It is important to ensure that the funding formula adequately resources agreed educational strategy and that the strategy fulfils policy ambitions within an agreed budget.
- 3.7 The formula review is set in the context of a wider transformation programme, which has implications for the structure of the school system and the development of collaborative practice. The review has a direct connection with the ALN Review in terms of funding inclusive practice in mainstream schools, where the expectations about differentiation and targeted provision needs to be clear. The review is also likely to identify implications for funding special schools and PRUs, specifically in relation to premises costs but there could be wider opportunities for development.

#### **4. Preferred Choice and Reasons**

- 4.1 The Formula Review Group has expressed support for a simple funding formula, supported by a more sophisticated education model, particularly relating to the first block: core educational delivery. This approach would provide transparency in respect of integrated policy and financial decisions. It allows for decisions to be taken on the overall schools budget taking the potential impact on educational provision into account. It also allows for robust budget monitoring of delegated budgets.
- 4.2 A simple and predictable formula has a significant advantage in that schools are better able to forecast future funding and plan strategically, thus reducing the risk of a deficit budget.
- 4.3 The meeting of the Formula Review Group on 29th June 2018 will consider full proposals for the first and most significant block of the formula. Whilst the detail has not been able to be included in this report at this stage, a verbal report can be provided to the Cabinet at the meeting. Work on the other blocks of the formula has begun and this will be accelerated during July and August. The priority has been to seek stakeholder input into the development of the core model, deferring aspects of the formula requiring more officer input until the later stages.
- 4.4 The funding for sixth form provision is mainly through a specific grant, with scope for a local authority contribution towards the costs of post-16 provision. The formula model is being developed initially for compulsory school age provision, but as sixth form provision is an integrated part of secondary schools, the combined funding will be tested against the educational model as part of the formula review. A similar exercise will take place relating to nursery provision.
- 4.5 The funding arrangements for special schools have only recently changed. However, once the formula work has been completed, it will be possible to use the same approach to assess special school funding to ensure equity across the system.
- 4.6 Formal consultation is planned for 17 September to 26 October 2018. A summary of the consultation responses will inform recommendations for the formula for 2019/20, to come to Cabinet for a decision at the November meeting. Final decisions relating to school budgets for the forward year will be taken as part of the budget setting process.

- 4.7 There are two significant risks identified for this project. The first is a risk of poor engagement with schools and other stakeholders, which could weaken the design of the formula and/or its implementation and acceptance. The Formula Review Group includes representatives from all stakeholder groups and they are supported in communicating with their colleagues by a regular update briefing, which is also shared widely. The other key risk is that there is a mismatch between the cost of the education schools expect to offer and the funding that is available. This risk is being managed by taking time to clarify the core educational offer that underpins the formula.
- 4.8 An Issues Log is being maintained as part of the project. A number of issues relate to clarifying the scope and managing the interface with other projects and other funding streams in schools (such as those for early years or sixth form provision) and some relate to implementation arrangements or the extent to which the formula will be able to cope with future changes such as school re-organisation. The Issues Log also holds a record of important aspects of the formula detail that have not yet been fully discussed or researched, such as the date of pupil count to be used or the treatment of in-year growth in pupil numbers. The Issues Log is reviewed regularly by the project team and the Formula Review Group and ensures that there is a transparent process for resolving concerns and complications.

## **5. Impact Assessment**

- 5.1 Is an impact assessment required? No
- 5.2 As part of the consultation with all schools, an assessment of the impact will be provided so that schools can judge how the proposed changes will affect their delegated budget. Following consultation, a report with final recommendations for formula change will come to the Cabinet and a full impact assessment will be provided.
- 5.3 Transitional arrangements are likely to be required, particularly for any school facing a reduction in funding, to allow for managed implementation of changes.

## **6. Corporate Improvement Plan**

- 6.1 The Schools delegated budget accounts for a very significant proportion of the Council's budget and in order to manage funding cuts and budget pressures a programme of transformation and remodelling is already underway. By building a formula for delegated school budgets on a clear model of educational delivery, it is possible to encourage and embed collaborative and innovative provision.
- 6.2 In order to ensure that *a high quality of education is accessible to all, affordable and sustainable*, the education model that underpins the formula will be based on the cost-effective delivery of inclusive educational provision.

- 6.3 The educational model will also reflect the Welsh in Education Strategic Plan and the role schools play in meeting the needs of vulnerable children and young people.
- 6.4 As reported to the Cabinet on 19 June 2018, many schools are currently drawing on reserves to balance in-year budgets or deferring spending in non-urgent areas. It is likely that a formula designed to adequately resource the current pattern of provision would require funding at a level that would exceed the current funding envelope. Over and above the reorganisation of the educational infrastructure, schools will require support to transform their day to day delivery to embrace innovative and collaborative approaches and help in explaining any reduction in educational offer to parents and staff, at the same time as implementing the new national curriculum for Wales and meeting statutory requirements. The simplicity and transparency of the formula will facilitate strategic decisions about educational provision and overall budget.
- 6.5 The timetable for the formula review has been designed so that decisions about the budget and medium term financial plan can be taken in the knowledge of the impact on educational delivery, thus ensuring that a high quality education is accessible to all, affordable and sustainable.

## **7. Local Member(s)**

- 7.1 The formula review applies to all local authority maintained primary, secondary and all-through schools in Powys and so all local Members are affected. The impact may be greater in some schools than others but this cannot be assessed at this stage.

## **8. Other Front Line Services**

- 8.1 Does the recommendation impact on other services run by the Council or on behalf of the Council?           No

## **9. Communications**

- 9.1 Have Communications seen a copy of this report? Yes
- 9.2 Have they made a comment? The report is of public interest and requires news release and appropriate social media action to publicise the decision, it also requires specific consultation with schools/governing bodies.
- 9.3 The full consultation period is planned for the period from 17 September to 26 October. The Formula Review Group has advised that arrangements should ideally include a clear consultation paper, with a response form that has been tested with a small stakeholder group in advance. The Group also suggested cluster (or area-based) for headteachers and chairs of governors, to provide an opportunity to hear a common message and clarify any misunderstandings about the proposals. In addition, or as an alternative, a short video could be prepared, which could be shown at a governing body meeting, allowing

for a greater degree of informed engagement. The Group also advised that it would be helpful if the consultation period could be honoured even if this means some elements of the formula are open questions rather than firm proposals. This will allow schools to organise appropriate meetings in a busy term.

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

- 10.1 Legal : The recommendations can be supported from a legal point of view.
- 10.2 Finance: The Finance Team is supporting the Formula Review Group in building the formula.
- 10.3 Corporate Property (if appropriate)
- 10.4 HR (if appropriate)
- 10.5 ICT (if appropriate)

**11. Scrutiny**

- 11.1 Has this report been scrutinised?                      Yes
- 11.2 If Yes, what version or date of report has been scrutinised? V2.4
- 11.3 Recommendations:

That this paper be made available for scrutiny in early September prior to a decision being taken to proceed to full consultation with an opportunity available for scrutiny observations to be taken into account when this decision is made.

- 11.4 What changes have been made since the date of Scrutiny and explain why Scrutiny recommendations have been accepted or rejected?

**12. Statutory Officers**

- 12.1 The Head of Financial Services (Deputy Section 151 Officer) comments that the funding of schools represents a large proportion of the Council's budget, it is therefore essential that the model for delivering education in Powys is efficient and enables schools to operate effectively within the funding provided to them. The outcome of the review will establish the level of funding required to resource agreed educational policy. This will facilitate strategic decisions about educational provision and the allocation of financial resource.
- 12.2 The Solicitor to the Council (Monitoring Officer ) commented as follows :  
“ I note the legal comments and have nothing to add to the report.”

**13. Members' Interests**

- 13.1 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.

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| <b>Recommendation:</b>   | <b>Reason for Recommendation:</b>  |
| <b>That Cabinet approves the overall design of a revised funding formula for schools</b>   | <b>To inform the next stage of detailed formula development</b>  |
| <b>That Cabinet delegates the decision to proceed with full consultation with all schools to the Portfolio Holders for Learning and Welsh Language and for Finance</b> | <b>To ensure the project timeline provides for adequate consultation and a clear recommendation for budget setting</b> |

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|-------------------------------|--------------|-----------------------|--------------|
| <b>Relevant Policy (ies):</b> |              |                       |              |
| <b>Within Policy:</b>         | <b>Y / N</b> | <b>Within Budget:</b> | <b>Y / N</b> |

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| <b>Relevant Local Member(s):</b> | <b>All</b> |
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| <b>Person(s) To Implement Decision:</b>         | <b>Schools Service and Finance</b> |
| <b>Date By When Decision To Be Implemented:</b> | <b>17/9/18</b>                     |

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|---|--------------|
| <b>Is a review of the impact of the decision required?</b>  | <b>Y / N</b> |
| <b>If yes, date of review</b>   |              |
| <b>Person responsible for the review</b>  |              |
| <b>Date review to be presented to Portfolio Holder/ Cabinet for information or further action</b> |              |

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|-------------------------|-------------------------------------|
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**Background Papers used to prepare Report:**

Full details of the formula review can be found in the papers for the Formula Review Working Group, available from Richard Waggett.

## Appendix: Proposed formula design for mainstream school provision (reception to year 11)

