

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

Date 15th January 2019

REPORT AUTHOR: County Councillor Myfanwy Alexander
Portfolio Holder for Education
County Councillor Aled Davies
Portfolio Holder for Finance

SUBJECT: Formula Review Post Consultation

REPORT FOR: Decision

1. Summary

1.1 In July 2018 the Cabinet approved the overall design of a revised funding formula for schools. The review had been initiated due to concerns about the level of deficit occurring in some schools and the need to ensure all schools are funded sufficiently to be able to deliver an appropriate curriculum. Local Authority Officers together with school representatives from the Formula Review Group (FRG) have now completed this development work and full consultation has been undertaken. This report provides recommendations for a new formula for 2019/20 based on the work of the FRG.

2. Proposal / Outcomes sought

2.1 The proposal is a funding formula for schools that achieves the outcomes listed below:

- Adequate funding for core educational provision, at the minimum level consistent with regulatory requirements, Powys policy and efficient delivery;
- Funding for premises related costs that fairly reflect the differences in size and condition of school buildings and minimum maintenance requirements;
- Funding distributed by use of proxy indicators to provide schools with capacity to meet the additional needs of children and young people in line with Powys policy on ALN and provision for vulnerable children;
- Fair and transparent means of funding aspects of education policy or specific circumstances that affect some schools but not all;
- Financially sustainable

2.2 The detail of the proposed formula is provided at Appendix A (A1 Primary and A2 Secondary), including specific comment in Appendix A3 to highlight where the recommended approach differs from the feedback through consultation, the views of the Formula Review Group or the external consultant.

2.3 A phased implementation approach is proposed, to ease transition for individual schools and provide for ongoing alignment to local authority policy, regulatory changes and funding constraints. This implementation will need to be decided based on affordability of the Council and consulted with Schools Forum prior to roll out.

3. Options Considered / Available

3.1 Option 1: continue with the existing school funding formula methodology.

- 3.2 Option 2: To implement a revised new school funding formula (Appendix B) which is financially viable. The additional funding proposed by the Formula Review Group is not required as officers have assessed alternative options as appropriate and will meet the educational needs of children and young people. Recommendations 1, 5 and 9 set out in Appendix B are achievable as part of a defined minimum core educational offer and have therefore been incorporated into the proposed formula.

4. Preferred Choice and Reasons

- 4.1 Option 1 does not allow for transparency, fairness or simplicity in administration, is not underpinned by sound education principles.
- 4.1 Option 2 is the preferred option as it satisfies the criteria set out in 2.1 above. The revised formula enables schools to provide an appropriate and sustainable educational offer.

5. Other Impacts Considered

- 5.1 The formula proposed for ALN is consistent with the current methodology, and as such minimises turbulence for schools in advance of the outcomes of the ALN review. However, an option exists to alter the boundary between formula funding for ALN and the top up for children with Statements which will be explored as part of the ALN review.
- 5.2 Implementation of any formula results in redistribution of funding. Projections show 70 schools gaining and 22 losing which are shown in a graphical format at Appendix C.
- 5.3 Alongside the Funding Formula review the Individual School Range (ISR) review also took place. ISR ranges are used to inform funding of school leadership posts. The ISR dictates the maximum funding the formula will attribute for leadership posts this does not necessarily reflect what the schools are currently paying. The old and new formula both cap the funding based on the ISR and the impact of this change is circa £20k.
- 5.4 ALN allocations previously held centrally of £3.41m have now been included in the revised formula increasing delegation to schools.

6. Corporate Improvement Plan

- 6.1 The review of the formula is in line with the Corporate Improvement Plan

7. Local Member(s)

- 7.1 This paper affects all schools across the county.

8. Other Front Line Services

- 8.1 The recommendation does not impact on other services run by the Council or on behalf of the Council?

9. Communications

- 9.1 The report is of public interest and requires use of news release and appropriate social media to publicise the decision.

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

10.1 Legal; The recommendations are acceptable from a legal point of view.

10.2 Finance: The School Finance Manager supports the implementation of a clear funding formula as an essential prerequisite for enforcing compliance with the Scheme for Financial Schools.

10.3 Corporate Property

10.4 HR

The Schools HR Team will continue to work with Headteachers, Governing Bodies, Staff and Trade Union representatives, and in the event that the implementation of the Review leads to changes in staffing structures will provide advice to all parties in line with the Service Level Agreement.

11. Scrutiny

11.1 The draft report was being scrutinised on 13 December 2018, a further Scrutiny meeting will be held on 4th January 2019. The Scrutiny Committee has provided the following comments:

11.2 The changes made since the date of Scrutiny and details of recommendations that have been accepted or rejected are noted below:

12. Data Protection

12.1 The proposal does not involve the processing of personal data

13. Statutory Officers

13.1 The Head of Financial Services (Deputy Section 151 Officer) notes the contents of the report and the comments from the Schools Finance Manager.

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

14. Members’ Interests

14.1 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.

Recommendation:	Reason for Recommendation:
To implement the new school funding formula as set out in Appendix A1 and A2 from April 2019	To demonstrate the fair and transparent resourcing of agreed educational policy
To phase implementation over two financial years.	To ease the impact of the changes on individual schools

To maintain the link between educational policy and budget in circumstances where policy, budget or cost change through annual review	To ensure the integrity of the funding formula is maintained
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Relevant Policy (ies):	Scheme for Financing of Schools		
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	
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Person(s) To Implement Decision:	Cabinet
Date By When Decision To Be Implemented:	Within budget timeframes for FY1920 implementation

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

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Background Papers used to prepare Report: all reports to the Formula Review Group

CABINET REPORT TEMPLATE VERSION 6

Appendix A1 – Proposed Powys School Funding Formula – Primary

Attached

Appendix A2 – Proposed Powys School Funding Formula – Secondary

Attached

Assumptions:

- Calculations based on November 2018 pupil numbers
- Average teacher cost for each school within primary and a sector average for secondary as at January 2018 both capped at 2018 ISR range.
- Other staff roles use mid-point of recognised salary grade as at April 2019
- Premises (block 3) is based on current R&M spend
- Teacher increments have been estimated and will be reviewed in Dec and amended in Feb.
- No increase in Pension above 2% has been built in.
- Estimated reduction to Post 16 grant of £136k

Appendix B – Options considered to revise the educational offer to align with affordability.

No.	Suggested area of reductions for consideration	Notes	Potential Reduction
1.	Reduce funding on Capitation	This represents a modest cut to no-staffing budgets in an area of spending that is traditionally targeted during times of budget pressures.	£215k for 15%
2.	Increase contact ratio by 1% in Secondary. Which FRG agreed as 80% initially.	The contact ratio is already calculated at 83%, and secondary schools are averaging 75-80%. This represents a considerable reduction in management and leadership.	£199k on Teaching costs.
3.	Increase class size in KS3 and KS4 to 32 (excluding Science, DT and KS4 options)	In some schools there may be physical constraints that limit the ability to deliver this. As a consequence, the reality may impact on inclusion as the intended small class may be sacrificed.	£578k on teaching costs Class of 31 = £262k Class of 33 = £840k
4.	Alternative option for option 3. Adjust first class size from 15 to 17.	This would mean a cut in the ALN provision	£712k on teaching costs, however this would reduce the ALN budget by £712k, therefore no saving
5.	Reduce management time minimum in Primary from 0.3 to 0.2	This would add additional pressure to headteachers	£350k
6.	Alternative option to option 5. Adjust contact ratio in Primary to 83% but protect small schools for 0.3 management time	This would add additional pressure to headteachers	£465k
7.	Reduce funding on Maintenance	Reducing maintenance funding would have a detrimental effect on the condition of already deteriorating buildings, and will potentially impact on the future Capital budget	Not an option
8.	Increase KS2 class size to 32 but protect Foundation Phase at 30	This would not be advisable without consultation with unions and other stakeholders	Additional cost not a saving
9.	Increase KS4 option class size to 25	Perceived workload issues	£417k

Appendix B continued.

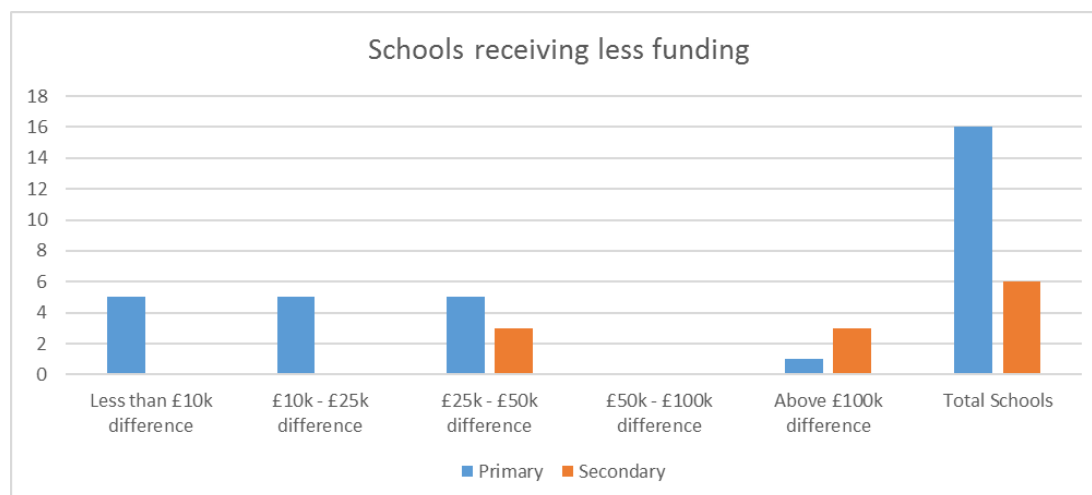
Options 1, 5 and 9 have been used to calculate the gap between the formula in line with the affordability envelope for FY1920.

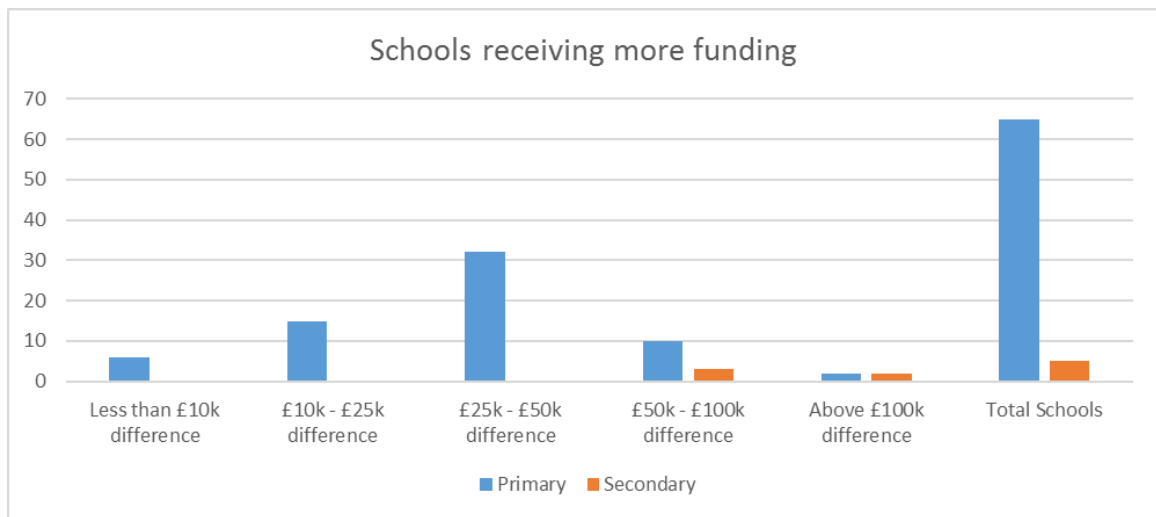
Potential policy changes to be considered that will help to produce a more efficient and effective service (spend to save options):

- School procurement strategy, which could be linked to a consensus around some reduced delegation
- Workforce strategy - to increase the number of HLTAs and alter the age and experience profile amongst the teaching workforce (lower the average teacher cost)
- digital learning - especially the potential to connect pupils in one school and teachers in another without transport requirements
- collaborative administration, linked to shared services, PCC SLAs etc)
- investment in preventative and early help services for vulnerable children and BESD learners
- increase in bilingual teachers and in bilingual teaching techniques (reducing the cost of bilingual provision through reduced reliance on dual stream)
- invest in improved energy efficiency or building condition (reduction in formula cost/funding for schools)
- school organisation changes

Appendix C – Proposed implementation arrangements and other considerations.

- Justification for a phased introduction – time for staffing, structure and curriculum changes, provide the right context for challenging deficit budget proposals brought forward by school governing bodies.
- For the purposes of future proofing the formula it is suggested that the AVTC is recalculated on an annual basis. The formula itself is reviewed in line with other reviews across Schools, e.g. the ALN review is due to be implemented in September 2020, and the Post 16 review in September 2019.
- A sub group of the Schools Forum has been suggested as the new FRG to act as a way to review the formula on an annual basis, but initially following each Schools Forum meeting. A mechanism will need to be agreed for reflecting change in cost base e.g. pay awards and on-costs on an annual basis and a commitment from Cabinet to support this. Any legislative and policy changes across Schools or Council will also need to be taken into consideration when reviewing the formula.
- The sub group will also need to look at continuing to move the formula forward and stream line the existing differences between Primary and Secondary in order for an All-through school to be calculated.
- The table below shows the impact on schools funding for FY1920





		Over budget								
Pot Available	70,480,215	978,438								
£s variance analysis	Total	Primary	Secondary	Less £s	Primary	Secondary	More £s	Primary	Secondary	
Less than £10k difference	11	11	0	5	5	0	6	6	0	
£10k - £25k difference	20	20	0	5	5	0	15	15	0	
£25k - £50k difference	40	37	3	8	5	3	32	32	0	
£50k - £100k difference	13	10	3	0	0	0	13	10	3	
Above £100k difference	8	3	5	4	1	3	4	2	2	
Total Schools	92	81	11	22	16	6	70	65	5	
%s variance analysis	Total	Primary	Secondary	Less %	Primary	Secondary	More %	Primary	Secondary	
Less than 1% difference	5	5	0	3	3	0	2	2	0	
1% - 2.5% difference	17	12	5	7	4	3	10	8	2	
2.5% - 5% difference	16	13	3	9	7	2	7	6	1	
5% - 10% difference	22	19	3	1	0	1	21	19	2	
Above 10% difference	32	32	0	2	2	0	30	30	0	
Total Schools	92	81	11	22	16	6	70	65	5	