



Learning, Skills and Economy Scrutiny Committee

Scrutiny Observations to Cabinet on the Schools Funding Formula Review

The Learning, Skills and Economy Scrutiny Committee met on 4th January 2019 and considered the following documents:

- Draft Cabinet Report v7.1 IBJT
- Appendix A1, A2 and A3
- Appendix B
- Appendix C

The Learning, Skills and Economy Scrutiny Committee thank the Portfolio Holders for Education and Finance, the Director of Education, Head of Financial Services, Finance Business Partner together with the Schools Finance Specialist and Chair of the Formula Review Group for attending scrutiny.

Observations:

The Cabinet Report is the culmination of a period of intensive work undertaking a fundamental review of the Funding Formula. This meeting represents the fourth time that the topic has come before scrutiny during the development process

Scrutiny welcome the production of a Schools Funding Formula which is clear and transparent.

Scrutiny confirm that it is their understanding that part of the work of the Formula Review Group has been to calculate what it costs to provide education in Powys schools taking into account the different types of schools that are found in the county (including very small schools, dual stream schools, split site schools etc).

It is disappointing, although understandable, that it has not been possible to design a formula which addresses all of the issues that arise and that other reviews (such as the ALN review) may result in a need to alter the formula. What is essential in this regard is that this formula is, unlike the previous formula, regularly maintained to take into account any changes proposed regarding education in Powys. This will ensure that transparency is maintained.

Scrutiny note that the aim of the Formula Review was to provide a fair method of distributing the amount of funding available for delegation to schools. Scrutiny also note that during discussions regarding school budgets the Portfolio Holder had acknowledged that 'the review would demonstrate whether or not schools were properly funded' ¹ (Scrutiny observations to Cabinet - School Budgets 10th July 2018)

Scrutiny queried the amount of protection which was afforded to small schools. It was confirmed that the level of support was such that it would provide an adequate level of funding to ensure the school can safely run. There are however questions regarding the lack of social experiences that small schools can provide. It is noted that the funding formula is not a mechanism for reorganising schools but school organisational change is one of the potential policy changes identified in Appendix B to produce a

more efficient and effective service. In a time of reducing resources, the distribution of resource across schools in Powys should provide a fair level of funding to all pupils and Cabinet are asked to demonstrate that small schools are not receiving a disproportionate amount of funding to the detriment of medium and large schools. It is also noted that this formula can also be used to demonstrate the validity of any transformation models that are proposed in the future.

Scrutiny queried the calculation for premises costs and were advised that these had been calculated based on the spend during the previous year. Scrutiny have concerns that this is not a representative figure because, with the current financial climate, schools are likely to have diverted spend from premises to other areas of pressure which gives an inappropriately low level of spend that is now being built into the formula. The risk of using this methodology is that insufficient funding is available for premises which will result in a lack of maintenance and repair costing more in the longer term.

Scrutiny identified a lack of clarity regarding what the ALN allowance in Block 2 covers, being advised that items such as the increase capitation costs for ALN pupils and cover for Head teachers attending safeguarding meetings would be funded from this budget.

The ability of the funding formula to support an increase in the number of Welsh speakers in Powys was discussed. The formula is designed to distribute funding across the existing network of schools and activities designed to increase the number of Welsh speakers would properly be considered under the Welsh in Education Strategic Plan. The ability to support Welsh learners through immersion support was discussed. A grant funded immersion scheme at the beginning of secondary school was referenced. This had enabled pupils from English Medium primary schools to gain the level of Welsh language needed to study through the medium of Welsh in secondary school. This grant funding was no longer available and a view was expressed that to meet the objectives of increasing the number of Welsh speakers this funding should be included in formula. Officers and the Portfolio Holder were of the view that the low numbers in need of such support make it appropriate for it to be provided from central resource rather than delegated resource. This is an area that scrutiny would encourage the service to investigate further in the future.

There was some debate regarding the gap between what the Funding Formula Group were of the view should be available to enable the existing school estate to run on a core basis and the view of the Portfolio Holder and Officers. This reported gap of approximately £5.5million can be summarised as follows:

- A gap of £2.5-3million relating to whether the 2018 ISR (Individual School Range) is used (Officers calculations) or actual leadership costs. Governing Bodies are able to vary the rate at which staff are paid and in previous years, when school rolls were higher, Governing Bodies set ISRs for their schools. As school rolls have fallen these ISRs have not always been adjusted to reflect this. Whilst Governing Bodies may choose to pay at the higher ISR level the Formula is only designed to fund at the current ISR level. The ISR is reviewed annually.
- The use of Higher Level Teaching Assistants instead of Teachers to cover PPA (Planning, Preparation and Assessment) time.
- The grading of Administrative staff at Level 4 instead of Level 5.

From an Officer/Portfolio Holder perspective the gap between core funding required and available funding is £0.98million.

Scrutiny note the difference of opinion as to what the gap between minimum provision and available funding is (ranging from £0.98k to circa £5.5million). Whilst scrutiny understand the rationale for using the capped 2018 ISR rate it is nevertheless the case that some schools are paying senior staff based on historic ISR rates and will need support to undertake a fundamental staffing review. The other two areas where differences arise are also areas where Governing Bodies have the discretion to fund at a higher rate but given that the formula provides core funding in practice there will be limited discretion available.

Scrutiny further note that the staffing level assessments are based on the corporate job evaluation process and that this cannot be altered due to its implications elsewhere within the authority.

A series of options to bridge this gap were set out at Appendix B of the Cabinet Report. Scrutiny were advised that options 1, 5 and 9 were favoured.

Option 1 – Reduce funding on capitation by 15%. The educational impact of reducing this budget was not confirmed at the meeting.

Option 5 – Reduce management time in Primary Schools from 0.3 to 0.2. Scrutiny are concerned that this would lead to additional pressures on Head teachers. The Director of Education advised that elsewhere in Wales the allowance for management time for Primary Head teachers was 0.1.

Option 9 – Increase KS4 option class size to 25. This was considered by the Portfolio Holder to have a marginal impact as it was a way of providing funding for options to each of the secondary schools and the way this money was spent for local decision. Schools choose how many pupils are required to make an option class viable and by taking £417k out of KS4 options in Powys will increase the number of pupils required to run an option class and consequently lead to a decrease in the number of options that are actually delivered each year by the school. Scrutiny draw the attention of Cabinet to the impact this reduction will have particularly on pupils in the coming academic year before schools have an opportunity to develop alternative delivery models for less popular subjects.

Scrutiny note that effectively there are not 9 options as Options 4,7 and 8 are either not an option, do not result in a reduction or increase costs. Option 6 is an alternative to Option 5 and therefore Option 3 is the only true alternative which also has questions regarding its ability to deliver savings.

With regard to the proposal to pay PPA cover at HLTA (Higher Level Teaching Assistant) rate scrutiny express concern that scrutiny seek assurance that there are sufficient HLTAs trained in Powys to be able to undertake this work, and if this is not the case what plans would be put in place to address this. This information was not confirmed during the session.

It is noted that a number of schools (22) are identified as losing funding with 4 schools losing over £100k/year (3 secondary, 1 primary). Conversely, there are 70 schools set to gain funding with again 4 schools set to gain over £100k/year (2 secondary, 2 primary). Whilst there will be difficulties for those schools set to lose funding (and transition for these schools will need to be carefully supported) the rebalancing of the

available funding is welcomed. However, scrutiny query that if by ‘bridging the gap’ the number of schools either gaining or losing funding will change and seek clarity on this point. The transition will need to ensure that those pupils who have started a two year course at Key Stage 4 are able to complete their studies in Year 11 but otherwise the curriculum redesign needs to commence from autumn 2019. Staffing redesign will need to be undertaken at pace and immediate support needs to be available from Finance, Human Resources and School Improvement teams to support schools to make the necessary changes.

Scrutiny consider that the recommendations outlined in report 7.11BJT lack clarity. The first recommendation is to implement the formula as set out in Appendix A (the ‘unbridged’ figure), the second recommendation amends it to bridge the gap and the third recommendation notes that implementation will be phased over two years. Clarity is needed particularly regarding the phasing of implementation. Additional costs will be incurred during this two year period whilst the second year of two year courses run and staffing reviews are undertaken. The report should identify how the additional costs during the implementation phase will be funded.

Whilst the intention of the Funding Formula Review is not to address deficit budgets attention is drawn to the high and increasing levels of school deficit budgets and that funding school budgets at a minimum level is not designed to allow for deficits to be paid back. Cabinet are asked how they intend to deal with existing school deficit budgets and how it will be ensured that from the date of implementation of the new funding formula all schools set balance budgets. However, Scrutiny would be remiss if it did not draw Cabinet’s attention to the fact that in bridging the gap between current budget and the calculated costs identified in the review there remains a significant risk that funding supplied to schools may still result in schools struggling to set balanced budgets. This is particularly likely to be true if the review group’s figure on the gap proves to be closer to the actual gap in funding.

Recommendations:

Scrutiny’s Recommendation	Accept (plus Action and timescale)	Partially Accept (plus Rationale and Action and timescale)	Reject (plus Rationale)
<p>1. That the Cabinet report clearly articulates what is considered to be the minimum funding necessary to run Powys schools and where this differs from the recommendation from the Formula Review Group then an explanation be provided.</p>			

<p>2. That a review of the impact of the changes implemented be undertaken in the first year to identify if the changes have resulted in any negative consequences. This review to include but not be limited to:</p> <ul style="list-style-type: none"> • Impact of using previous year's figures for premises spend • Impact of paying HLTA rate for PPA cover • Impact of paying Admin staff at Grade 4 rather than Grade 5 			
<p>3. That a supporting document be prepared to highlight to schools the collaborative options that can be used to share expertise and save money</p>			
<p>4. That narrative be provided regarding what the ALN allowance (Block 2) covers</p>			
<p>5. That where figures such as school meals in secondary schools are included that these reflect the actual per meal rate paid by Welsh Government for the year to which the formula relates so that individual secondary schools are not subsidising free school meals for eligible pupils</p>			
<p>6. That Cabinet demonstrate that small schools are not receiving a disproportionate amount of funding to the detriment of medium and large schools</p>			

<p>7. That the Funding Formula be subject to annual review to reflect any education policy changes to ensure that the Funding Formula remains transparent and compliant with regulations, and that scrutiny have an opportunity to undertake pre-Cabinet scrutiny of any proposals to amend the Funding Formula</p>			
<p>8. That Cabinet advise how it is intended to tackle the problem of school deficit budgets which, with the implementation of the new funding formula, will leave no leeway to payback school deficits, and how it is intended to ensure that from the implementation of the new funding formula all schools set balanced budgets</p>			
<p>9. That the report outlines what funding will be provided to support the 2 year phased implementation</p>			
<p>10. Greater clarity is required in respect of the availability and source of funding to facilitate the transformational changes within school management and administrative structures</p>			
<p>11. That confirmation of the number of schools receiving less or more funding is based on the delegated funding of £70.48million rather than the £71.46million included in the report v7.1IBJT</p>			

In accordance with Rule 7.27.2 the Cabinet is asked to provide a written response to the scrutiny report, including an action plan where appropriate, within 2 months i.e. by 15.03.19

Membership of the Learning, Skills and Economy Scrutiny Committee present on 4th January 2019:

County Councillors: P Roberts (Chair), D R Jones, G Breeze, K Curry, B Davies, S C Davies, D O Evans, L George, E M Jones, G Jones, K Laurie-Parry, S McNicholas, L Roberts, E Roderick, D Selby, G Thomas and R Williams
Parent Governor Representatives: A Davies and G Robson
Church Representative: M Evitts
Invited representatives from Audit Committee: County Councillor J Morris (Chair) and Independent Member J Brautigam (Vice-Chair)

References

1. Extract from Scrutiny observations to Cabinet - School Budgets 10th July 2018

At the meeting scrutiny Members heard from the Portfolio Holders for Schools and Finance that a Review of the Fair Funding Formula was nearing completion and would be brought to scrutiny and Cabinet in the near future. The Portfolio Holders appeared to be holding great store that the review would demonstrate the amount of money required to run a school providing the statutory breadth of education and that this would then demonstrate whether or not schools were being properly funded. This is a large piece of work and will help inform future school budget discussions. However, until this Review reports it is not possible to ascertain what impact it will have on the school budget position and therefore action needs to be taken now to ensure that school deficit budgets are recovered to a balanced position.