CYNGOR SIR *POWYS* COUNTY COUNCIL.

CABINET
17th December 2019

REPORT AUTHOR:	**County Councillor P Davies** **Portfolio Holder for Education and Property** **County Councillor A Davies** **Portfolio Holder for Finance, Countryside & Transport**
SUBJECT:	**Amendments to the Schools Funding Formula & Scheme for Financing Schools**

REPORT FOR: **Decision**

1. Summary

1.1 This report seeks Cabinet approval of amendments to the Schools' Funding Formula (SFF), the Post 16 formula and the Scheme for Financing of Schools, following consultation.

2. Background

2.1 In July 2018 Cabinet requested a fundamental review of the Schools' Funding Formula due to concerns about growing deficits in some schools and to seek to ensure that schools had sufficient funding to deliver an appropriate curriculum.

2.2 The Schools' Funding Formula Review Group (FRG) (comprising Headteacher, Governors and LEA officers) conducted the review from February through to October 2018. The review group proposed a new formula which proved to be unaffordable in the context of the Council's 2019-20 revenue settlement. As a result three adjustments were made by the Council to the formula to bring it within budget on the basis that costs could be managed through a range of suggested actions. They were:

- A reduction in allocation for capitation;
- A reduction in management time minimum in Primary Schools from 0.3 to 0.2; and
- An increase KS4 option class size to 25

2.3 The new formula was approved by the Cabinet in January 2019 and was implemented from April 2019, with 2019-20 being a transition year to provide schools with adequate time for necessary staffing, structure and curriculum changes. It was agreed as part of the transition that the FRG would monitor the impact of the formula and propose amendments, if appropriate, to be implemented from 1 April 2020.

2.4 Any changes to the Schools Funding Formula must be considered as part of a consultation exercise with all schools and agreed through the FRG.

3. Consultation Proposals

3.1 In September 2019, the FRG undertook a review of the impact of the new formula. This included consideration of the impact on our schools of the schools' formulae used by two other anonymous councils in Wales which have a similar demographic and geography. Overall the review highlighted the following key issues:

- Unexpected change in the share between secondary schools and primary schools in favour of primary schools; and
- The current budget formula provides a stronger level of financial support for smaller schools than for larger schools

3.2 The main conclusion was that there is a bias in the formula towards small primary schools at the expense of secondary schools.

3.3 The FRG also considered possible amendments to the 2019 formula and identified a range of pressures totalling more than £3 million, including the three items removed from the proposed formula in January 2019. Recognising the overall financial position of the Council, officers put forward potential areas within the formula that could be amended to release funding to meet some of the pressures identified. By mid October, the FRG and Council officers had only agreed to consult on the following proposed amendments, which were consulted on during October/November 2019:

3.4.1 **Creation of a Teacher Learning Responsibility (TLR) allowance** for the secondary sector as the current Average Teacher Cost (ATC) calculation does not include TLR. This would be achieved by providing a base TLR lump sum based on an average cost of TLR's in the 3 smallest secondary schools, topped up by a per pupil allocation);

3.4.2 **Recognition of pupil movement during the year for secondary and primary and schools**. This would be achieved by:

(i) Pupil funding moving with pupils who move from one Powys school to another outside the usual transition mechanism. For those moving at the beginning of the financial year (before 1st May) transfer of £3000. For those moving at the beginning of the academic year (before 30th September) transfer of £1750. For those moving at the beginning of the Spring term (PLASC date) transfer of £750. The funding would transfer between schools.

(ii) Funding for out of county pupils moving into Powys during the year would be dependent on a review of the impact that the additional pupil(s) would have on the school and its resources. Each case would need to be discussed with a challenge adviser and finance partner, prior to determination by the Chief Education Officer. A set of criteria would be defined to support the process and the costs would have to be met from a contingency pot within the schools' delegated budget.

(iii) Funding for significant growth in pupil numbers during the year would be managed in the same way as funding for out of county pupils moving into a Powys school as described in (ii) above.

3.4.3 **Post 16 Grant Funding allocations**. This would be achieved by applying the principles set out in Appendix B.

3.5 In addition to the funding formula and Post 16 formula review the Schools' Funding Forum has reviewed and consulted on the **Scheme for Financing Schools**. The Formula review group supports the changes set out in Appendix C which relate to:

- issuing of notices of concern (section 1.1);
- processes to follow for the Council and schools when in deficit (sections 2.15-2.17);
- the length of time for deficits to be repaid; a school with a deficit ensuring a risk register is completed; and, amendments to clawback (section 4).

3.6 It is recognised that further work is required on the Scheme for Financing Schools and the Good Practice guide and this expected to start in January 2020. It will be discussed at the next Schools' Forum in December 2019.

4. Consultation Findings

4.1 30 responses were received to the consultation on the formulae, representing 32% of schools. Appendix A provides a summary of the outcomes from the quantitative and qualitative responses along with officer responses. In summary:

- 50% of respondents were supportive of creating a TLR allowance for secondary schools while 36.67% neither supportive nor unsupportive and 13.33% were not supportive;
- 53.33% of respondents were very supportive or supportive of the Powys to Powys pupil movement proposal while 10.00% were neither supportive or unsupportive and 36.67% were not supportive;
- 50% of respondents were very supportive or supportive of the Out of County pupil movement proposal while 13.33% were neither supportive or unsupportive and 36.67% were not supportive;
- 63.34% of respondents were very supportive or supportive of the schools' experiencing significant growth proposal while 16.67% were neither supportive or unsupportive and 19.99% were not supportive;
- 40% of respondents were very supportive or supportive of the Post 16 Formula proposals and 50% wanted a transition period to the new model. 30.00% were neither supportive or unsupportive, 3.33% were not supportive and 26.67% it was not applicable to.

5. Financial Implications

5.1 The proposed changes to the SFF must be considered in the context of the Council's financial position. The proposal to create a TLR allowance

for secondary schools would cost an additional £1.4 million per annum and this is not currently included in the Council's budget.

5.2 The Cabinet is currently developing a draft budget for 2020-21 and has identified a worse-case scenario budget shortfall of £46 million over the next three financial years. This gap does not include the expected increase in teachers' pay and pensions costs (estimated to be around £4.3 million in 2020-21) or the creation of a TLR allowance.

5.3 Welsh councils are due to get their provisional settlements for 2020-21 on 16 December. It will not be until after this date that a decision can be taken on whether the TLR proposal is affordable.

5.4 There are no additional financial implications associated with the Powys to Powys pupil movement or post 16 funding formula proposals as these will be met from within the delegated schools' budget and Post 16 grant respectively. The costs of funding out of county pupils and schools experiencing significant growth would be contained within existing contingency budgets.

5.5 The Cabinet will publish its draft budget in January 2020 and following scrutiny by the Council's Overview and Scrutiny Committees the Cabinet will publish a final budget for approval by the whole Council in February. Once the Council approves the budget for 2020-21, the quantum of the schools' delegated budget will be confirmed. The formula will be re-run following that decision and any adjustment required will be applied proportionately across all schools.

6. Impact assessment

Is an impact assessment required – Yes

7. Corporate improvement plan

To achieve the Corporate Improvement Plan (CIP) objectives the Council's financial strategy sets out the financial requirements to deliver the Council's short and long-term vision. The approval and monitoring of schools' delegated budgets is a key element of financial management to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

8. Communications

The report is of public interest and requires proactive communication action to publicise the recommendations/decision.

9. Support Services

9.1 The Schools Finance manager supports the proposals and will amend the funding formula to reflect the changes once agreed. Once the Council approves the budget for 2020-21, the quantum of the schools' delegated budget will be confirmed. The formula will be re-run following that decision and

any adjustment required will be applied proportionately across all schools. The Finance team will continue to support schools to manage the changes that arise from the Formula review.

9.2 HR - The Schools HR Team will continue to work with Headteachers, Staff, Governors, Trades Unions and other officers of Powys County Council to ensure that any changes that are required will be made in line with the School's adopted policies and procedures.

9.3 Legal – Professional Lead notes the recommendations and the issues identified by finance and how these will be addressed following the formula review. Legal services will assist where necessary to ensure compliance with the relevant legislative provisions.

10. Scrutiny

10.1 The draft report was scrutinised on the 29th November, 2019. Scrutiny comments have been provided.

11. Statutory Officers

11.1 The Solicitor to the Council (Monitoring Officer) notes the legal comment and has nothing further to add.

11.2 The Head of Finance (S151 Officer) notes the comments of the Schools Finance Manager. The proposals recognise a number of funding issues identified by schools and the inclusion of these elements within the funding formula will enable the schools affected to manage the cost pressures that arise.

12. 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:	**Reason for recommendation**
To amend the formula to recognise pupil movement during the year for secondary and primary schools as per paragraph 3.4.2	**To recognise pupil movement in year.**
To agree the Post 16 funding principles as set out in paragraph 2.4.3 and Appendix B inclusive of a transition period for year 1.	**To realign the funding with Welsh Government methodology and provide a transition period for Secondary schools during year 1.**
To approve changes to the Scheme for Financing of schools at set out in paragraph 3.5 and appendix C	**To recognise changes that have been agreed by Schools' forum following a consultation process**
To amend the formula to create a TLR allowance for the Secondary sector as per paragraph 3.4.1 and 5 above	**To recognise the omission of the allowance of the Average Teacher Cost (ATC) calculation**

	and include it within the funding formula.

Relevant Policy (ies):	Scheme for the Financing of Schools		
Within Policy:	**Y**	**Within Budget:**	**Y**

Relevant Local Member(s):	**All**

Person(s) To Implement Decision:	**School Finance Manager & Schools Service Senior Staff**
Date By When Decision To Be Implemented:	**1st April 2020**

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Background Papers used to prepare Report:

January 2019 Cabinet report
Scheme for the financing of Schools
Post 16 Principles