

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Education, Skills and Culture Cabinet Board

12th October 2017

REPORT OF HEAD OF TRANSFORMATION ANDREW THOMAS

MATTER FOR DECISION

WARDS AFFECTED: All

FINANCING SCHOOLS – REVIEWING THE FUNDING FORMULA TO RAISE STANDARDS

Purpose of report

1. To obtain approval to consult on the formula for allocating funding to schools.

Executive summary

2. This report seeks permission to consult on proposed changes to the formula for funding primary sector schools. Agreed changes will be introduced in the 2018/2019 financial year.
3. The school estate has changed significantly since 2011 as a result of school closures, federations, amalgamations and new schools opening. Against this background, the current funding formula no longer reflects the balance between smaller and larger schools. In short, the formula subsidises smaller schools, i.e. the schools with the fewest of pupils, to the detriment of the larger schools where a significant proportion of NPT pupils receive their education.
4. NPT Schools Forum requested a review of the current arrangements. A primary sector formula review serves as the basis of the proposed consultation.

5. This report sets out changes to the formula put forward by a primary sector review group. It also includes additional options proposed by officers.
6. The formula neither increases nor decreases the amount of money available to schools. It is the means by which the money available is distributed amongst individual schools. The process for determining the formula is governed by legislation.
7. Financial constraints upon local authority budgets necessitate action if the Council is to achieve its improvement objectives and deliver services that support school improvement.

Background

8. In order to deliver education in its area the Council's Cabinet determines, on an annual basis, the total amount of money to be distributed to schools - the Individual Schools Budget. The level of funding individual schools receive - the Schools Budget Share, is an allocation of the Individual Schools Budget determined by a formula.
9. The formula neither increases nor decreases the amount of money in the Individual Schools Budget. It is the mechanism by which the Individual Schools Budget is distributed amongst individual schools. The Council, as local education authority, is responsible for developing a formula specific to its area. The formula is required to be simple, objective, measurable, predictable in effect and clearly expressed. There is a formula for allocating funding to primary schools and separate formulas for secondary and special schools.
10. At school level, individual governing bodies are responsible for managing expenditure within their funding allocation, i.e. the Schools Budget Share, and for setting an annual budget to this effect.
11. The most significant factor influencing the level of funding an individual school receives as its Schools Budget Share is the number of pupils on roll, whilst the largest cost is staff salaries. The Council is required to regularly review its funding formula and this review is taking place in the context of continued diminishing financial settlements from Central Government, a position that

influenced the previous review and is likely to continue in the medium term.

12. Recognising the pressure this situation is placing on school budgets, NPT Schools Forum requested a review of the current formula.
13. A review of the primary sector formula serves as the basis of proposed consultation. Representatives of LLAN, the primary sector head teacher consultative group, have been fully involved.
14. Additional options for consultation are proposed by officers.

The need for change

15. The Council's school funding formula was substantively revised in 2011. It is this modified version that is currently used to distribute funding to schools.
16. The current formula has been an important step forward towards a more equitable distribution of funding. However, there are aspects of the formula that need further revision.
17. The school estate has changed significantly since 2011 with a number of schools being closed, federations formed, infant/junior schools amalgamated and new school established. A consequence of these changes is that the current funding formula no longer reflects the balance between smaller and larger schools. Support via the formula for the remaining smaller schools is still disproportionately impacting on the overall funding allocation to schools, with funding not being distributed equitably on a 'per pupil' basis.
18. In short, the formula is still subsidising smaller schools, i.e. the schools with the fewest of pupils, to the detriment of the larger schools in a disproportionate way, a position which is no longer sustainable and which makes a further revision of the current primary funding formula necessary.

Formula funding review group

19. To take forward the Schools Forum request for a review a formula funding review group was set up with a specific focus on primary sector funding.
20. The review group provided professional advice on how the formula could deliver more equitable funding to schools and be capable of supporting education fit for the 21st century learner which, in turn, would impact on raising standards across the local authority.
21. The review group comprised head teachers from large and small schools serving both rural and urban areas.
22. Members of the review group adopted a strategic approach rather than one based on the needs of individual schools and on this basis they duly examined the current primary sector formula on a line-by-line basis.
23. Each suggestion put forward by the review group was modelled both individually and in conjunction with any other element of the formula on which it would impact.

The proposal for consultation

24. This report sets out a review of the current formula and proposes revisions for consultation.
25. It is intended to introduce agreed changes in the financial year 2018/2019.
26. The proposed amendments detailed below and in the accompanying appendix A are the results of extensive re-modelling of the existing formula.

The review group's proposal

27. The changes to the formula for funding primary sector schools proposed by the review group are set out below and as option A in in table 1. These comprise:

a. **Pupil/teacher ratios** (*lines 15 and 16 of the formula*)

The current formula operates on the basis of 1:24.15 for N/R; and 1:25.59 for Year 1 to Year 6

To more accurately reflect the current curriculum requirements for primary sector schools, the review group proposes revised pupil/teacher ratios to be set at 1:24 for Nursery/Reception and 1:24 for Year 1 to Year 6.

This change will result in an increase in the proportion of funding distributed to schools via pupil numbers.

b. **Minimum number of teachers and support staff** (*lines 17 and 25 of the formula*)

The current formula operates on the basis of a minimum of 1 teacher plus 1 teaching assistant for each school. All schools benefit to some extent from this allocation although the beneficial impact is dependent on school size. The larger the school, the less benefit will be realised.

The review group proposes a revised minimum for each school set at 0.75 teachers plus 0.5 teaching assistants.

This change will result in an increase of funding being available for re-distribution within the pupil teacher ratios (PTRs).

c. **Capitation** (*line 47 of the formula*)

The current formula operates on the basis of a Welsh Medium supplement of 10% for capitation.

The review group proposes that the Welsh-medium supplement to be increased to 50%.

This change will result in Welsh-medium schools receiving more funding within the Capitation Line of their formula allocation.

d. **Class Size Funding** (*line 56 of the formula*)

The review group recommends that the Class Size Funding Allocation of £506,010 (sector total) be removed.

However in the first year it will be necessary to continue to fund to the end of the academic year those teachers currently employed (i.e. approx. £223k).

This change will result in an increase of funding being available for re-distribution within the pupil teacher ratios (PTRs).

Additional proposals for consideration

28. The current formula operates on the basis of a minimum of 1 teacher plus 1 teaching assistant for each school, which is where the majority of small protection funding is distributed. The review group proposes a revised minimum for each school set at 0.75 teachers plus 0.5 teaching assistants.
29. Officers have included for consideration two additional proposals (options B & C in table 1) based on further reductions in the minimum number of teachers for each school. These reductions are set at 0.5 and 0.25 for Options B & C respectively. All other factors remain as per review group proposal.
30. In order to maximise available finances within the primary school sector, also included for consideration is an officer proposal to limit the financial benefit resulting from the revised formula for those schools with reserves in excess of £75k. This will be achieved by not releasing the financial benefit in the first year of the revised formula's implementation (2018/2019). Primary schools reserves as at the close of accounts 2016/2017 will be used to determine the £75k threshold.
31. The funding withheld will be re-distributed on a targeted basis to primary sector schools in order to allow time for schools to transition to the new funding arrangements. As such, it is proposed to use the funding withheld to support those schools which, because of the effect of the revised formula, receive a reduction in their budget allocation of more than £20k.

32. The withheld funding will be re-allocated to the identified schools on the basis of pupil numbers with an additional protection for small schools, i.e. schools of 90 pupils or fewer, of a 100% supplement.
33. In the case of the amount of funding to be withheld and also in the case of the amount to be redistributed, the calculation will be based on a comparison of 2018/2019 school budget share allocations by existing and revised formulas.
34. The specific schools affected by this proposal and the exact value of the benefits withheld will not be known until the financial settlement and the Individual Schools Budget for 2018/2019 have been agreed.

Table 1

The table below compares the proposed changes against existing formula allocation within the primary sector.

Specific area of adjustment	Current primary school formula 2017/18	Proposed adjustment to formula		
		Option A	Option B	Option C
Nursery/Reception Pupil Teacher Ratio	01:24.15	01:24	01:24	01:24
Y1-Y6 Pupil Teacher Ratio	1:25.59 (Y1-Y6)	1:24 ¹ (act. 1.24.308) (Y1-Y6)	1:24 (Y1-Y6)	1:24 (Y1-Y6)
Minimum number of teachers	1.0	0.75	0.5	0.25
Minimum number of support staff	1.0	0.5	0.5	0.5
Capitation – Welsh medium supplement	10%	50%	50%	50%

¹ Although the review group recommended a 1.24 PTR (Y1 – Y6), the money available for distribution through the Individual Schools Budget (ISB) in 2017/18 (the base budget used for this consultation) is insufficient to achieve this recommendation. As a result, a ratio of 1.24.308 has been applied.

Class Size Funding:	£506,010 (sector total)	
To Fund Teachers Currently Employed:		£223,274 (sector total – see appendix B)
To be re-allocated:		£282,736 (sector total) <i>To be re-allocated within Pupil Teacher Ratios</i>

35. Details of the impact of the 3 options and how they relate to individual schools are set out on the attached spreadsheet (appendix A). These are for illustrative purposes only and are based on 2017/2018 budget allocations. The budget allocation for the 2018/2019 financial year, the first year of implementation of the proposed revision to the formula, has yet to be determined.
36. 'Class size funding' to pay for teachers until the end of the 2017/2018 academic year will be allocated to the relevant schools in the 2018/2019 financial year. This allocation will be in addition to the School Budget Shares illustrated in appendix A and applies to the first 5 months of the financial year only. The schools in receipt of 'class size funding' and the approximate amounts to be allocated are shown in appendix B.
37. This review focuses on primary mainstream funding only. Funding arrangements specific to Learning Support Centres (LSCs) or other specialist facilities attached to primary schools do not form part of this review. The arrangements and the allocation of funding for specialist provision remain unchanged.

Consultation

38. This report seeks permission to consult on proposed changes to the formula for funding primary schools.
39. Consultation with individual school governing bodies and head teachers is required on the proposed revision. It is also intended to consult with teacher associations, trade unions and other key stakeholders.

40. The period for consulting on the proposals is scheduled to start 16th October 2017 and end 3rd December 2017, with the outcome of consultation being reported to Members of the Education, Skills and Culture Cabinet Board on 4th January 2018.

Impact on pupils

41. A key purpose of the funding arrangements is to support teaching and learning and to bring about improvement in educational standards and pupil achievement.
42. The current funding formula does not sufficiently support larger schools. This is particularly evident in the primary sector where the current distribution of money to schools disproportionately supports smaller schools to the detriment of the larger schools where a significant proportion of NPT pupils are taught.
43. Officers believe that revised formula will redistribute the money available to have greater impact on school performance and pupil attainment.

Impact on travel arrangements

44. Pupil travel arrangements will be in line with the Council's Home to School Travel Policy 2017.
45. This proposal has no direct impact on home to school travel, the arrangements for which are funded from a separate, discreet budget heading.

Impact on governors

46. Governing bodies are responsible for managing school budgets and expenditure, and have to do so within their funding allocation, i.e. the Schools Budget Share. It will be for individual school governing bodies alongside their head teacher to set their school's annual budget, including determining how best the needs of the school can be met from the resources available.
47. Governing bodies are statutory consultees on any proposal to change the factors and criteria in the funding formula and, as such, will be able to comment on the impact of the proposed options.

Impact on special needs education provision

48. Schools receive funding, distributed via the School Budget Shares, for pupils with additional learning needs. This includes pupils attending specialist learning provisions at mainstream schools. The proposed revision to the formula does not change these funding arrangements.

Financial Impacts

49. Revising the formula redistributes the Individual Schools Budget across NPT schools more equitably. This is important because in a situation where funding is finite resources must be used in the more efficient and effective way. Resources impact on school performance and pupil attainment and it is the case that this can impact to a greater extent on schools with the larger pupil rolls.
50. In general, smaller primary schools will receive reduced budgets as a result of the proposed revisions to the formula whilst larger schools will receive an increase in their budget allocation.
51. This is a result of the current level of small school protection, which disproportionately supports those schools with fewest pupils, being reduced or removed.
52. The revisions to the formula being consulted upon (Options A, B & C) represent, to varying degrees of impact, more equitable distribution of funds and importantly do so in a strategic way to improve standards across the Council by investing more in those schools with the greater pupil numbers.

Equality Impact Assessment

53. An equality impact screening has been undertaken and it has been determined that an equality impact assessment is not required at this stage of the proposal's development.
54. Following consideration of the consultation responses and prior to any decision to implement a revised formula, a further equality impact screening will be undertaken.

Workforce impacts

55. Annually, governing bodies receive their school budget share and set their school budget for the forthcoming financial year, a process that involves decisions relating to a range of anticipated expenditures, not least of which are staffing structures and resultant staffing costs.
56. The proposed revised formula for funding primary schools will continue this process and in the case of any staffing re-structure all school based staff will be supported by the relevant school policies and procedures, including full consultation.
57. Employees identified at risk of redundancy will be given access to the Council's prior consideration register. The Council is committed to supporting staff at risk of compulsory redundancy and has secured the support and goodwill of the teacher associations/trade unions and governing bodies across the Council, via an employers' pledge. The Council has a good track record for supporting staff in such situations

Legal impacts

58. The formula for allocating funding to schools is governed by the School Funding (Wales) Regulations 2010. These determine the financial responsibilities and relationship of the Council and schools. The Regulations also specify those funding areas where the Council has discretion as to whether or not to delegate financial responsibility to schools.
59. In developing a formula for distributing funding, the Council is required to:
 - a. allocate at least 70% of the funding on a pupil-led basis. Any remaining sum can be allocated using other factors, e.g. allowances for: small schools; split site; deprivation; premises-related (heating systems, age, design, vandalism); language; special needs; etc.
 - b. consult on any proposed changes to factors and criteria or the methods, principles and rules which are adopted within their

formula (including any new factors, criteria, methods, principles or rules).

Risk management

60. A risk assessment has been carried out under the Council's Risk Management Policy 2015.
61. The potential risks associated with the proposal comprise the Council's reputation, educational standards, service delivery, business continuity and financial management of public money.
62. The risks associated with this proposal will impact on individual schools to differing extents. In general, not implementing a proposal will adversely affect the larger schools. Conversely, implementing the proposal will impact on the smaller schools. Financial constraints upon local authority budgets necessitate action if the Council is to achieve its improvement objectives and deliver services that support school improvement. The mitigation measures should result in reduced impact on those schools adversely affected.
63. The risk assessment in detail is attached to this report as Appendix C.

Impact on community usage

64. This proposal has no direct impact on a school's community usage. Lettings and hire of school premises to community users generates income which can be used to support a school's finances.

Welsh Language Impact assessment

65. The proposed revised formula will bring added benefit to Welsh-medium schools specifically by increasing the level of the capitation supplement to 50%.
66. This change will result in Welsh-medium schools receiving more funding within the Capitation Line of their formula allocation capitation.
67. In all other regards, the proposed revision does not distinguish between English-medium and Welsh-medium schools and, as

such, the Welsh language is not treated less favourably than English, in line with the Welsh Language Measure (Wales) 2011.

Recommendation

68. Having given due regard to the impact assessments, in particular equality and risk, it is recommended that, in line with the requirements of the School Funding (Wales) Regulations 2010, Members approve consultation on:
- a. the three options for funding primary school budgets;
 - b. the proposal to withhold financial benefits to schools with reserves above the £75k threshold; and
 - c. the suggested methodology for the redistribution of withheld funds.

Reasons for proposed decision

69. This decision is necessary for the Council to comply with the formal consultation requirements of the School Funding (Wales) Regulations 2010.
70. Implementation of the proposal will enable the Council to promote high educational standards and the fulfilment of every child's potential. It will also enable the Council to meet its duty to secure efficient education in its area.

Implementation of the decision

The decision is proposed for immediate implementation.

Appendices

Appendix A: Options spreadsheet
Appendix B: Class size funding
Appendix C: Risk assessment

List of background papers

- a) Cabinet Report: 9th November 2011
[https://democracy.npt.gov.uk/Data/Cabinet/20111109/Agenda/\\$CAB-091111-REP-EL.doc.pdf](https://democracy.npt.gov.uk/Data/Cabinet/20111109/Agenda/$CAB-091111-REP-EL.doc.pdf)
- b) The School Funding (Wales) Regulations 2010

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