

## Risk Assessment

### FINANCING SCHOOLS – REVIEWING THE FUNDING FORMULA TO RAISE STANDARDS

#### Context

1. This risk assessment<sup>1</sup> has been carried out in line with the Council's Risk Management Policy 2015 in which Risk is defined as: '*The threat that an event, action or inaction will adversely affect the Council's ability to successfully achieve its improvement objectives and deliver services*'.
2. Implementing the proposal will result in a more equitable distribution of funding which, in turn, will contribute to raising standards.

#### The reasons for the proposal

3. 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.
4. The current formula has been an important step forward towards a more equitable distribution of funding to schools. However, there are aspects of the formula that need further revision, particularly in light of the continuing economic constraint placed upon public finance.
5. The school estate has changed significantly since 2011 with a number of schools being closed, federations formed, infant/junior schools amalgamated and new schools opened. The current funding formula no longer reflects the balance between the smaller and the larger schools. Support via the formula for the remaining smaller schools is still disproportionately impacting on the overall funding allocation to schools, resulting in funding not being distributed equitably on a 'per pupil' basis.

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<sup>1</sup> First iteration: 250917

6. 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, a position which is no longer sustainable.
7. A further revision of the current primary funding formula is necessary to address this issue.

### **Managing risks associated with the review**

8. The potential risks associated with the proposal comprise the Council's reputation, educational standards, service delivery, business continuity and financial management of public money.
9. A risk mitigation strategy will be employed to lower the likelihood of the risk occurring and/or to minimise impact. The risks will be reviewed following consultation and mitigation measures reassessed as necessary to ensure effectiveness.

### **Risks and Benefits**

10. The key benefits and risks associated with the review are described below.

### **Benefits**

11. Implementing the proposal will result in benefits relating to:
  - a more equitable distribution of money
  - a formula that more accurately reflects the change to the school estate with an increase in the number of larger schools where a significant proportion of pupils are taught
  - an increase in money available for distribution within the pupil teacher ratios
  - an increase in the proportion of money distributed to schools via pupil numbers
  - increased supplement for Welsh-medium schools
  - a formula that will have a greater impact on school performance and pupil attainment
  - for schools with increased budget allocations there will be opportunities to employ additional staff

## **Risks**

12. Potential risk areas associated with the proposal include:
  - reduced budget allocation to smaller schools leading to a deficit budget and as schools are not allowed to set deficit budgets, financial constraints may impact on business viability resulting in remedial school organisation proposals being brought forward
  - staff reorganisation resulting job losses where school budgets cannot sustain current staffing levels
  - proposed revised formula is unacceptable to schools
  - proposed revised formula is not approved by Members
  - proposed revised formula is modified or rejected by Schools Forum
  - proposed revised formula is modified or rejected by Welsh Ministers
  - delays in achieving agreement and missed deadlines prevent implementation by April 2018

## **Risk assessment**

13. 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 which could lead to deficit budgets.
14. Conversely, implementing the proposal will have an adverse effect on the smaller schools which again could lead to deficit budgets.
15. 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.

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## Risk register

No	Risk description	L'hood score	Impact score	Overall Risk	Prox't y	Planned action to mitigate	Target Date	Owner	Update	Trend - Up - Down - No
1	Increased budget allocations to larger schools means reduced budget allocation to smaller schools leading to a deficit budget	4	4	High risk	1	Consultation with stakeholders, including head teachers and governing bodies will identify areas of concern. Budget recovery planning will form part of the risk management process. School reserves can be used to mitigate impact	April 2018	<ul style="list-style-type: none"> <li>- Cabinet Board</li> <li>- ELLLS</li> <li>- MIU</li> <li>- Head teachers</li> <li>- School governing bodies</li> </ul>		
2	As schools are not allowed to set deficit budgets, financial constraints may impact on business viability resulting in remedial school organisation proposals being brought forward	2	5	Medium risk	1	Budget recovery planning will form part of the risk management process. As necessary, the Council's Strategic School Improvement Programme will inform reorganisation proposals. Such proposals require consultation with key stakeholders	Summer 2018 onwards	<ul style="list-style-type: none"> <li>- Cabinet Board</li> <li>- ELLLS</li> <li>- MIU</li> <li>- Head teachers</li> <li>- School governing bodies</li> </ul>		

3	Staff adjustment resulting in job losses where school budgets cannot sustain current staffing levels	4	2	Medium risk	1	Annual schools are supported by the Council's HR service during the budget setting process. The Council has a proven track record in supporting staff and securing redeployment opportunities.	Spring 2018 onwards	<ul style="list-style-type: none"> <li>- ELLLS</li> <li>- MIU</li> <li>- HR</li> <li>- School governing bodies</li> </ul>		
4	Proposed revised formula is unacceptable to schools	2	4	Medium risk	1	Meaningful consultation, reporting and decision making should ensure the proposal is acceptable to schools	Autumn 2017	<ul style="list-style-type: none"> <li>- Cabinet Board</li> <li>- ELLLS</li> <li>- MIU</li> <li>- School governing bodies</li> </ul>		
5	Proposed revised formula is not approved by Members	1	5	Low risk	1	Full involvement through the political decision making process should ensure Member approval	January 2018	<ul style="list-style-type: none"> <li>- Cabinet Board</li> <li>- ELLLS</li> <li>- MIU</li> </ul>		

6	Proposed revised formula is modified or rejected by Schools Forum	2	4	Medium risk	1	A planned and measured approach to meaningful consultation, reporting and decision making should ensure proposal receives School Forum approval	Autumn/ Spring 2017/18	<ul style="list-style-type: none"> <li>- Cabinet Board</li> <li>- ELLLS</li> <li>- MIU</li> <li>- Schools Forum</li> </ul>		
7	Proposed revised formula is modified or rejected by Welsh Ministers if not acceptable by Schools Forum	1	4	Low risk	1	A planned and measured approach to meaningful consultation, reporting and decision making should ensure referral to Welsh Ministers is avoided	Spring 2018	<ul style="list-style-type: none"> <li>- Cabinet Board</li> <li>- ELLLS</li> <li>- MIU</li> <li>- Welsh Ministers</li> </ul>		
8	Delays in achieving agreement result in missed deadlines which prevent implementation by April 2018	1	5	Low risk	1	A planned and measured approach to meaningful consultation, reporting and decision making should ensure deadlines are met	Autumn 2017 onwards	<ul style="list-style-type: none"> <li>- Cabinet Board</li> <li>- ELLLS</li> <li>- MIU</li> <li>- School governing bodies</li> <li>- Schools Forum</li> <li>- Welsh Ministers</li> </ul>		