

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Education, Skills and Culture Cabinet Board

12th January 2018

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 implement changes to the formula for allocating funding to schools.

Executive summary

2. This report seeks permission to implement changes to the formula for funding primary sector schools. Agreed changes to be introduced in the 2018/2019 financial year.
3. NPT Schools Forum requested a review of the current arrangements. Consultation on proposed changes to the formula for funding primary schools took place between 16th October 2017 and end 3rd December 2017.
4. Of the 55 primary schools within NPT, responses were received from 36 (65%).
5. A clear majority of the respondents, 56% indicated a preference for the option that represented the least significant change to the current formula arrangements, i.e. Option A whilst 28% indicated a preference for. Option C and only 6% indicated a preference for Option B.

6. The comments highlighted the contrasting impact on schools of the three options and there was particular concern expressed over the impact on small schools and on potential job losses.
7. There was greater agreement for the proposals to limit the financial benefit to schools with reserves in excess of £75k, 78% supported the proposal. Similarly there was significant agreement on the proposal to support those schools with a reduction in their budget share allocation of more than £20k with 92% in favour.
8. Whereas comments suggested support in principle for the measures the need to take account of the individual circumstances of schools featured in the responses. Measures to avoid job losses were welcomed although support for one year only was felt to be insufficient.
9. The responses from the review suggest that there exists amongst schools a general desire to support smaller schools as much as possible and, in doing so, set aside benefits in the short term so long as the direction of travel towards more equitable funding is maintained. In this regard and in line with the majority of responses received, officers are recommending Option A be adopted.
10. The clear majority in favour of the proposals to mitigate the impact of the formula review suggests that this measure should be implemented in line with the arrangements as proposed. In this regard officers are recommending that the measure be adopted.
11. Officers also recommend that arrangements be put in place to facilitate alternative funding arrangements where, specifically in relation to the £75k reserve threshold, the financial circumstances of individual schools warrant further consideration.

Background

12. 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.

13. 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.
14. 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.
15. 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.
16. Recognising the pressure this situation is placing on school budgets, NPT Schools Forum requested a review of the current formula. In response, a review group was set up with a specific focus on primary sector funding. The review group comprised head teachers from large and small schools serving both rural and urban areas and from English-medium, Welsh-medium and faith schools.

The need for change

17. 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.
18. 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.

19. The revision to the funding formula in 2011 saw small primary schools receiving reduced budgets whilst larger schools received an increase. This was a result of a reduction in the current level of small school protection, which disproportionately supported those schools with fewest pupils. The impact on schools facing a reduction in their budget share allocation was mitigated in the first year of implementation by additional funding.
20. The school estate has changed significantly since 2011 with a number of schools being closed, federations formed, infant/junior schools amalgamated and new schools established - 8 small schools have closed with pupils relocated to larger schools and 10 infant and junior schools have amalgamated. In 2011, 55% (39) of the schools in NPT had fewer than 150 pupils on roll. By 2017 that had reduced to 39% (22 schools). 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.
21. 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.
22. Given the current level of funding allocated to schools, difficult strategic and operational decisions have to be taken if a more equitable distribution is to be achieved.
23. Not to make changes to the current funding arrangements will adversely impact on larger schools. In this regard, a decision to maintain the status quo is not a neutral option as it, too, has resultant financial consequences for schools.

Consultation

24. Consultation on proposed changes to the formula for funding primary schools took place between 16th October 2017 and 3rd December 2017.

25. Principal consultees were individual school governing bodies and head teachers. Also consulted were:
- NPT Schools Forum
 - teacher associations/trade unions,
 - representative groups for the primary and secondary sectors, LLAN & NAASH,
 - Diocese of Menevia/Diocese of Llandaff
26. Based on the steer from the review group together with additional input from officers, Members approved consultation on the basis of:
- a. three options for funding primary school budgets;
 - b. a proposal to withhold financial benefits to schools with reserves above the £75k threshold; and
 - c. a suggested methodology for the redistribution of withheld funds.
27. The details of the proposals consulted upon are set out in the consultation document and supporting documents attached to this report as appendices A, A1 & A2. In summary, the key elements are:
- a. Pupil/teacher ratios - *resulting in an increase in the proportion of funding distributed to schools via pupil numbers.*
 - b. Minimum number of teachers and support staff - *resulting in an increase of funding being available for re-distribution within the pupil teacher ratios (PTRs).*
 - c. Capitation – *resulting in Welsh-medium schools receiving more funding within the Capitation Line of their formula allocation.*
 - d. Class Size Funding – *resulting in an increase of funding being available for re-distribution within the pupil teacher ratios (PTRs).*
 - e. Additional proposals based on further reductions in the minimum number of teachers for each school were also consulted upon. In all these comprised three options, i.e. options A, B, & C.
 - f. There was a further proposal to limit the financial benefit resulting from the revised formula for those schools with

reserves in excess of £75k as at 31st March 2017. This proposal is linked to an intention to provide support to those schools which, because of the effect of the revised formula, receive a reduction in their budget share allocation of more than £20k.

28. The financial assumptions which underpinned the consultation are based on the budget allocation for the 2017/18 financial year.
29. It is intended to introduce agreed changes in the financial year 2018/2019.
30. Compared to the current formula allocation, under Option A 32 schools would receive less funding and 25 would have more (*these include the primary phase elements Ysgol Bae Baglan & Ysgol Gymraeg Ystalyfera – Bro Dur*). Of the schools which would receive a decrease in funding 16 will have budgets reduced by more than £10,000. The schools which would receive an increase in budget share allocations accommodate 62% (7,078) of the pupils, whilst the schools that would receive reduction in their budgets accommodate up 38% (4,412) of the primary schools population.
31. The number of schools that lose and gain financially increases incrementally with options B & C.
32. The consultation focused 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.

Responses to consultation

33. Details of the consultation responses received together with an analysis of their content and officer commentary is set out in the consultation report, attached as appendix B.
34. Copies of individual responses are available for Members' perusal in the Members' Rooms at Neath and Port Talbot Civic Centres.
35. A revision to the formula for funding primary schools will directly impact on all 55 primary (including infant and junior) schools and

the 2 'all-through' middle schools in NPT. Implementation in 2018/2019 will also impact on the 'all-through' middle school scheduled to open in September 2018. (*all-through' middle schools receive their funding principally via a combination of the respective primary and secondary school formulas*).

36. Of the 55 primary schools within NPT, responses were received from 36 (65%). The middle schools have not responded, although both the primary and secondary schools that will combine to form a middle school in 2018 have commented. In addition, responses were received from PENTAN (the NPT Welsh-medium schools consultative group) and two teacher associations, NASUWT & UCAC.

Responses to options A, B & C

37. Of the primary schools that responded a clear majority, 20 (56%) indicated a preference for the option that represented the least significant change to the current formula arrangements, i.e. Option A on the consultation documentation, whilst 10 (28%) indicated a preference for an option that would realise the most significant change to the current formula. (i.e. Option C). Only 2 (6%) indicated a preference for the 'middle ground' option (Option B).
38. Four of the school based respondents did not show a preference for any of the three available options, choosing to clearly indicate their disagreement with all three.
39. One school indicated agreement with all three options; as such it is not been possible to distinguish amongst a preference so this response does not feature in the analysis of options.
40. There is nothing in the 'nil' responses, i.e. schools that did not respond to the consultation, from which to infer their likely preferences or otherwise.
41. Whilst a quarter of the primary schools responding indicated a preference for Option C, a clear majority have indicated a preference for Option A. Even so, a number of these commented that the current formula should be retained.

Table 1

Option A: Primary schools only		
	No.	%
Agree with the proposed revision of the formula for funding primary schools	20	56%
Disagree with the proposed revision of the formula for funding primary schools	5	14%

Table 2

Option B: Primary schools only		
	No.	%
Agree with the proposed revision of the formula for funding primary schools	2	6%
Disagree with the proposed revision of the formula for funding primary schools	17	47%

Table 3

Option C: Primary schools only		
	No.	%
Agree with the proposed revision of the formula for funding primary schools	10	28%
Disagree with the proposed revision of the formula for funding primary schools	16	44%

Additional comments

42. Respondents were encouraged to provide additional comments and many did so. The comments highlighted the contrasting impact on schools of the three options and there was particular concern expressed over the impact on small schools and on potential job losses. A summary of these comments is set out in the attached consultation report (appendix B).
43. Some respondents commented that they would prefer to retain the current formula or that they reluctantly indicated a preference for option A as it is the best of a worst case scenario. Others indicated that none of the options were acceptable contending that funding for schools had been “cut and cut” and that schools are not in a position to cut anymore to avoid a deficit budget.
44. Some disagreed with the premise of supporting larger schools as this was to the detriment of smaller schools. Some suggested that the contribution towards wellbeing and pastoral care of its pupils and staff in smaller schools was not fully appreciated.
45. The benefit of the ‘family of schools’ and the support this gives to those most in need was cited. This was valued across both smaller and larger schools and influenced the option preference of

some larger schools in which respondents expressed support for schools across the school estate.

46. Comments submitted in relation to the proposed capitation uplift for Welsh-medium schools did not favour this proposal mainly as a matter of principle. The uplifted capitation allocation amounts to less than 1% of the overall primary school budget allocation.
47. Comments expressed concern that the effect of external grants had been taken into account by the review as these can impact on school budgets in a variety of ways.

Responses to proposed mitigation measures

48. There was greater agreement for the proposals to limit the financial benefit to schools with reserves in excess of £75k and to provide support to those schools with a reduction in their budget share allocation of more than £20k.
49. 28 (78%) supported the proposal to limit the benefit for reserves in excess of £75k. However, a number of respondents did not agree with this proposal contending that reserves had been committed and no longer stood at the £75k threshold; to use a retrospective date is unfair; that the figure is arbitrary and should reflect the size of a school's budget; and good budget management at individual schools should be a determining factor consideration.

Table 4

Limit on financial benefit where reserves >£75k; Primary schools only		
	No.	%
Agree with the proposed limit on financial benefit for those schools with reserves in excess of £75k	28	78%
Disagree with the proposed limit on financial benefit for those schools with reserves in excess of £75k	7	19%

50. 33 (92%) favoured the proposal to provide support where the reduction was more than £20k in the budget share allocation. Some respondents contended that all schools facing a decrease in budget share allocation should be supported.

Table 5

Support where reduction >£20k: <i>Primary schools only</i>		
	No. responses	% total responses
Agree with the proposed arrangement to support schools who receive a reduction in their budget share allocation of more than £20k.	33	92%
Disagree with the proposed arrangement to support schools who receive a reduction in their budget share allocation of more than £20k.	1	3%

Additional comments

51. Respondents also commented on the proposed mitigation measures.
52. Whereas there was support in principle for the measures the need to take account of the individual circumstances of schools featured in the comments. As an example, the case of schools involved in the Council's reorganisation programme was highlighted.
53. Measures to avoid job losses were welcomed although support for one year only was felt to be insufficient. There was also concern expressed that any financial benefit from the mitigation measures could be undermined by increase to charges to schools for costs of services that were previously borne by the authority and increases to pension contributions and inflationary pay rises.

Officer comments and recommendations

54. As with the review of 2011, compared to the status quo smaller schools will receive reduced budget shares and this is the case under all three options.
55. However, for the reasons set out in this report and the attached consultation document, not to make changes to the current funding arrangements will adversely impact larger schools. In this regard, and as has been already stated, a decision to maintain the status quo is not a neutral option as it, too, has resultant financial consequences for schools.
56. Given the need to distribute the funding available more equitably, a change to the existing arrangements is necessary. However, the responses from the review suggest that there exists amongst schools a general desire to support smaller schools as much as possible and, in doing so, set aside benefits in the short term so

long as the direction of travel towards more equitable funding is maintained.

57. In this regard and in line with the majority of responses received, officers are recommending Option A be adopted.
58. The clear majority in favour of the proposal to limit the financial benefit resulting from the revised formula for those schools with reserves in excess of £75k together with an even greater majority in favour of the proposal to use the funding withheld to support those schools which receive a reduction in their budget allocation of more than £20k, suggests that this mitigation measure should be implemented in line with the arrangements as proposed.
59. In this regard officers are recommending that this mitigation measure be adopted. However, to ensure that the impact does not militate against greater equity, officers also recommend that arrangements be put in place to facilitate alternative funding arrangements where, specifically in relation to the £75k reserve threshold, the financial circumstances of individual schools warrant further consideration. This should be combined with a review of the formula prior to the 2019/2020 budget share allocation.
60. Comments on the proposed uplift of capitation for Welsh-medium schools have suggested that this increase is not justified and goes against the purpose of the review. However, Welsh-medium schools face additional costs in delivering Welsh language education for which the current capitation allocation is insufficient. In the context of the overall primary school budget allocation the cost of this uplift is not significant - less than (1%). Therefore, officers recommend that this element of the proposal be supported by Members.

Impact on pupils

61. A key purpose of the funding arrangements is to support teaching and learning and to bring about improvement in educational standards and pupil achievement.
62. The current funding formula does not sufficiently support larger schools. This is particularly evident in the primary sector where the current distribution of funding to schools disproportionately

supports smaller schools to the detriment of the larger schools where a significant proportion of NPT pupils are taught.

63. Officers believe that the revised formula will redistribute the funding available to have greater impact on school performance and overall pupil attainment.

Impact on travel arrangements

64. Pupil travel arrangements will be in line with the Council's Home to School Travel Policy 2017.
65. 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

66. 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.
67. Governing bodies have been consulted on proposed revisions to the funding formula.

Impact on special needs education provision

68. 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

69. 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 most 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 larger pupil rolls.

70. 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 share allocation.
71. This is a result of the current level of small school protection, which disproportionately supports those schools with fewest pupils, being reduced.
72. 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 on roll.
73. The impact on schools facing a reduction in their budget share allocation of more than £20k will be mitigated in the first year of implementation by additional funding.

Equality Impact Assessment

74. An equality impact has been undertaken and it has been determined that currently the detail of the impact of changes brought about by the implementation of the new funding formula is unknown. Whilst the Council, as local education authority, is responsible for developing a formula specific to its area, 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. Until each governing body has determined their budget spend the impact on each of the protected characteristics will be unknown.
75. The formula is required to be simple, objective, measurable, predictable in effect and clearly expressed. It is applied consistently across all primary schools.
76. It is recognised that there is a need to continue to review information received from key stakeholders to determine if additional information needs to be added to this EIA.

77. The new funding formula aims to have funding across all primary schools distributed equitably on a 'per pupil' basis.
78. The equality impact assessment is attached to this report as Appendix D.

Workforce impacts

79. 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.
80. 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.
81. 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

Risk management

82. A risk assessment has been carried out under the Council's Risk Management Policy 2015.
83. The potential risks associated with the proposal comprise the Council's reputation, educational standards, service delivery, business continuity and financial management of public money.
84. 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 most adversely affected.

85. The risk assessment in detail is attached to this report as Appendix C.

Impact on community usage

86. 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

87. The formula as consulted upon will bring added benefit to Welsh-medium schools specifically by increasing the level of the capitation supplement to 50%.
88. This change will result in Welsh-medium schools receiving more funding within the Capitation Line of their formula allocation capitation.
89. 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.

Legal impacts

90. 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. Schedule 3 of the Regulations enables the Council to withhold and distribute funds in line with any revision to the formula.
91. 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)

Recommendation

92. Having given due regard to the impact assessments it is recommended that Members approve:
 - a. the formula as proposed in Option A to be the basis for funding primary school budgets for the 2018/2019 financial year;
 - b. the withholding of financial benefits resulting from Option A to schools with reserves above the £75k threshold as at 31st March 2017;
 - c. the methodology proposed in this report for the redistribution of withheld funds to schools with a reduction in their budget share allocation of more than £20k;
 - d. the delegation of authority to the Director of Education (or his nominated representative) and the Director of Finance to make, in consultation with the Leader of the Council and the Cabinet Member for Education, Skills and Culture, alternative funding arrangements where, specifically in relation to the £75k reserve threshold, the financial circumstances of individual schools warrant further consideration; and
 - e. a review of the formula prior to the 2019/2020 budget share allocation.

Reasons for proposed decision

93. This decision is necessary for the Council to comply with the formal requirements of the School Funding (Wales) Regulations 2010.
94. 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 implementation after the 3-day call-in period.

Appendices

Appendix A: Consultation document and supporting documentation
(appendices A1, A2 & A3)

Appendix B: Consultation report

Appendix C: Risk assessment

Appendix D: Equality Impact Assessment

Appendix E: Welsh Language Impact Assessment

List of background papers

a) Education, Skills and Culture Cabinet Board report: 12th October 2017

<https://democracy.npt.gov.uk/documents/g7472/Public%20reports%20pack%2012th-Oct-2017%2014.01%20Education%20Skills%20and%20Culture%20Cabinet%20Board.pdf?T=10>

b) 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)

c) The School Funding (Wales) Regulations 2010

<http://www.legislation.gov.uk/wsi/2010/824/made>

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