



Neath Port Talbot
Castell-nedd Port Talbot
County Borough Council Cyngor Bwrdeistref Sirol

Education, Leisure & Lifelong Learning

CONSULTATION REPORT

Consultation on financing schools
- reviewing the primary funding formula to
raise standards

Consultation period

16th October 2017 – 3rd December 2017

CONSULTATION ON FINANCING SCHOOLS

Context

1. 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.
2. The current formula has been an important step forward towards a more equitable distribution of funding to schools.
3. 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 enough on a 'per pupil' basis.
4. 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.
5. A further revision of the current primary funding formula is necessary to address this issue and in October 2017, the Council's Education, Skills and Culture Cabinet Board approved consultation on three options for funding primary school budgets together with a proposal to withhold financial benefits to schools with reserves above £75k as at 31st March 2017; and a suggested methodology for the redistribution of withheld funds.
6. This report sets out the outcome of that consultation.

Key legislative requirements underpinning formula funding

7. The formula for allocating funding to schools is governed by the School Funding (Wales) Regulations 2010.
8. Regulations determine the financial responsibilities and relationship of the Council and schools. The Regulations also specify those funding areas where Council has discretion as to whether or not to delegate financial responsibility to schools.
9. 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 determined by an individual Authority, e.g. allowances for: small schools; split site; deprivation; premises-related (heating systems, age, design, vandalism); language; special needs; etc.; and
 - 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).
10. It is in the context of this legislative framework that the outcome of consultation needs to be considered.

Consultation

11. Consultation was held between 16th October 2017 and 3rd December 2017. Those consulted were asked to indicate their preference for three formula options and two proposals for mitigating the impact of the options. Written comments were also invited. Available in the consultation pack were:
- the consultation document
 - an illustrative impact of revised formula
 - details of the class size reduction allocation
 - a consultation response pro forma

Consultees

12. Those consulted comprised:
- NPT Schools Forum
 - individual school governing bodies
 - head teachers (primary, middle & secondary schools)
 - teacher associations/trade unions,
 - representative groups for the primary and secondary sectors, LLAN & NAASH,
 - Diocese of Menevia/Diocese of Llandaff
13. Consultation was held between 16th October 2017 and 3rd December 2017.

Respondents

14. 43 written responses to the consultation were received by the closing date, 3rd Dec. 2017. 1 further response has been received subsequent to this date. All 44 responses have been included for consideration.
15. 41 responses received were school based. 40 were from the primary sector schools, none from 'all-through' middle schools and 1 from the secondary sector. 3 were received from other stakeholders, namely: PENTAN (the

NPT Welsh-medium schools consultative group) and two teacher associations, NASUWT & UCAC.

16. School based respondents comprise head teachers (including acting head teachers), chairs or vice chairs of governors or other governor position. In 4 cases more than one response was received from the same base school. For the purposes of analysis, as these responses are consistent they are being treated as a single response from each of the respective schools. On this basis, 36 responses have been received from primary sector schools out of a potential of 55. (*There are 55 primary schools [inc Inf & Jun] in NPT. That number increases to 57 if the primary phase element of the two middle schools is included. For the purpose of this analysis, and unless otherwise stated, middle schools will be counted separately.*) As such, 65% of primary schools have responded with no responses received from 35% primary schools. There is nothing in the 'nil' responses, i.e. schools that did not respond, from which to infer their likely preferences or otherwise. Members of the NPT Schools Forum received the proposals for consultation at their meeting of 10th November 2017 and were advised of the consultation period.
17. Of the written responses received, 3 (8%) were from schools of 90 or fewer pupils, 10 (28%) from schools with 91 – 150 pupils and 23 (64%) from schools with more than 150 pupils.

The options consulted upon and accompanying proposal

18. Primary sector review group's proposals for changes to the formula – Option A
19. The following changes to the formula for funding primary sector schools were proposed by the review group.

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

The current formula operates on the basis of 1:24.15 for Nursery/Reception; 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.

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 (primary sector total) to 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.

Additional proposals for change to the formula

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

Included for consideration and comment two additional proposals (Options B & C) 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.

b. Maximising available finance and providing targeted financial protection

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.

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.

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 will receive a supplement based on a 100% uplift of their pupil numbers.

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.

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.

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 of Ysgol Bae Baglan & Ysgol Gymraeg Ystalyfera – Bro Dur*). Of the schools which would receive a decrease in funding, 16 would have budgets reduced by more than £10,000. The schools which would receive an increase in budget allocations accommodate 62% (7,078) of the pupils, whilst the schools that would

receive reduced budgets accommodate up 38% (4,412) of the primary schools population.

The number of schools that lose and gain financially increases incrementally with options B & C.

Consultation responses

The three options

20. Of the primary schools that responded a clear majority 20 (56%) indicated a preference for option A, whilst 2 (6%) preferred option B; and 10 (28%) chose option C.
21. Of the primary schools that indicated a preference for option A, 2 were schools of 90 or fewer pupils, 8 were schools with 91 – 150 pupils and 10 were schools with more than 150 pupils.
22. The 2 primary schools that indicated a preference for option B were schools with more than 150 pupils.
23. The 10 primary schools that indicated a preference for option C were schools with more than 150 pupils.
24. 4 (11%) of schools responding indicated that they disagreed with all three options, reflecting the preference of some to retain the current formula.
25. In addition to indicating preferences for specific options, comments on the proposals were also encouraged. The summary broadly reflects the content and substance of the written responses received.
26. Comments on proposed **Option A**:
 - the most favourable for our school, less of a cut
 - [*offers*] less of a variance, not taking as much of a hit
 - will have the least detrimental effect on standards within our school
 - reluctantly would pick option A as it is the best, of a worst case scenario
 - decided to favour option A, because this option is the one that is most likely to minimise the financial effect of a formula change on smaller schools, which include several Welsh-medium schools
 - if a change must happen then option A would have least [*negative*] impact on the education of the pupils in our school
27. Comments on proposed **Option B**:
 - would have a detrimental effect on standards
 - would lead to redundancies

- would have a significant and devastating impact
- would be unable to balance the budget without job losses
- a moral duty to balance our needs with the needs of our school across the authority. For this reason, we are supporting option B
- seems to be a reasonable middle ground
- goes some way to reducing the current inequality in funding, whilst maintaining budgets for smaller schools to some extent
- could be seen as a position of compromise with an aim of moving to option C in the future depending on financial restraints
- allows the school to benefit from the protection offered to schools who are found to be in a variance of -£20k. The school will benefit from having fewer than 90 pupils allowing us to have a 10% uplift

28. Comments on proposed **Option C**:

- the best option for [*the school*] and it is my duty to safeguard the budget here
- would have a detrimental effect on standards
- [*if*] forced on our School, this would have a significant and devastating impact and we would be unable to balance the budget without job losses
- supports schools with higher pupil numbers
- would experience the biggest financial gain by selecting option C, actually decided to favour option A, because this option is the one that is most likely to minimise the financial effect of a formula change on smaller schools, which include several Welsh-medium schools
- leaves many schools with a very significant cut in their budget
- like to see option C implemented. However, in these times of austerity and also seeing how the budgets of our smaller schools are affected we would not wish to see those schools in serious financial trouble

29. Comments on **status quo** as default, and the 'No' to all options (i.e. A,B & C) position:

- all of these options [*A, B or C*] if implemented, will impact [*negatively*] on teaching, learning and staff morale and wellbeing
- every option proposed will be detrimental to the future of the school / none of the 'options' are beneficial
- even option A which presents the smallest loss would decimate any current reserves and force the school into redundancy procedures
- status quo should be maintained because of historical budget deficit which even option A would exacerbate
- disappointed that there was not an option to keep the status quo where we as a smaller school would not lose funding
- budget has been cut and cut and the school isn't in a position to cut anymore to avoid a deficit budget

- in future years our budget will become unmanageable
- strong objection to the implementation of all 3 Options
- strived for continuous improvement which has resulted in the school developing in all areas. This will be very difficult to maintain and build upon with options A, B or C in the consultation document
- further cuts to our budget are likely to increase the teaching commitment of our head..... there is no spare capacity to deal with any issues that arise in any class or within the LSC

30. Comments on small schools and the **‘family of schools’**:

- NPT has always operated as a ‘Family of Schools’, with support given to those most in need, the proposals appear to go against that principle
- each school is going to have to opt for the least damaging/most beneficial option for themselves
- worried about the effect of the changes on the smaller / Welsh-medium schools especially
- supporting larger schools to the detriment of small schools and their communities / where is the fairness
- ultimately going to financially starve smaller schools out of existence / a move towards closing such schools in order to create more ‘Super Schools’
- schools with low % FSM, smaller schools in particular, are nearing the threshold where they will find it increasingly difficult to provide a basic level of education
- difficult to see how your [NPT] premise to raise standards across the local authority will be realised in smaller schools when there is likely to be such an impact on budgets and ultimately staff members
- protection is only offered for 1 year and there is a concern that the school will be unable to maintain the benefits of the protection moving forward
- options presented in this consultation are strictly financial and do not take into account the benefits that small school learning organisations can provide in terms of raising standards, wellbeing and valued progress made by pupils
- dismayed and disgusted that Neath Port Talbot County Council holds the wellbeing and pastoral care of its pupils and staff in smaller schools in such disregard
- factor in a learning support centre in a small school [and] this exaggerates the per pupil spending as by its very nature the provision needs to be small and staffing to pupil ratio needs to be high and to meet the needs of statemented pupils / additional amount of money linked to the pupils’ statements does not necessarily cover the salary and number of experienced and highly qualified staff needed

31. Comments on proposed **Welsh-medium supplement uplift**:
- funding would be better used across ALL schools, or those with greater numbers of vulnerable pupils for greater impact on standards across the authority
 - no good reason for additional funding for Welsh-medium at others' expense
 - do not agree with the increase 50% going to the Welsh-medium schools [to the] detriment of the English medium schools
 - strongly disagree with this increase
 - increase is not justified as it goes against the aim of the review which is to share the overall budget more evenly per pupil
 - favours pupils educated through the medium of Welsh
32. Comments relating to **grant support**:
- example budget spreadsheets don't include the grant allocations
 - PDG especially, provides extra substantial income to some schools. This grant hides shortcomings in the funding formula
 - does not include any grant allocations (especially PDG), which is needed for the full picture of funding
 - PDG allocation has over recent years become a significant income source to schools, up to 15% of total budgets. This grant and the Early Years PDG is increasingly masking significant deficiencies in the formula to fully fund NPT schools
 - reducing the budget through a change of funding formula means that there is a higher reliance on grant funding making up the shortfall
 - many of these grants, as we have seen in the past, have a short 'shelf life' and can be brought to an end by a change in Government policy overnight
 - over reliance on grants makes long term budget planning extremely difficult, leads to precarious staff job security and ultimately impacts upon school morale

Maximising available finance and providing targeted financial protection

33. There was significantly greater consistency across the schools in the response to the proposal to limit the financial benefit resulting from the revised formula for those schools with reserves in excess of £75k and to supporting schools which, because of the effect of the revised formula, receive a reduction in their budget allocation of more than £20k. The majority of primary schools, 28 (78%) and 33 (92%) respectively agreed with these proposals.

34. Whichever formula funding option is approved, it is clear from the schools' responses that they would wish to adopt the £75k and £20k thresholds and associate implementation arrangements in order to mitigate the impact on affected schools.
35. Comments on **reserve limit threshold** (£75k):
- agree in principal / should be limited to £75k. This will ensure that all the money in education in NPT is used for the benefit of children in the school
 - it is difficult to comprehend how one school can hold a large surplus, while other schools are finding it difficult to deliver the curriculum due to large deficits
 - a figure of £75k may however form significantly different proportions of different school budgets
 - support the principle but we feel that it's unfair to do this in retrospect
 - an arbitrary figure of excesses does not reflect the size of the original budget or school
 - a percentage value may be a fairer measure of calculating excessive excesses
 - where schools have valid reasons for carrying reserves there should be no penalty / [*once reserve*] money is allocated, spend cannot always happen immediately due to circumstances in the school
 - newly amalgamated schools should not be included in this scenario..... had the schools remained separate, would not have had in excess of the amount stated / level of reserve has been significantly reduced in the subsequent financial year to cover the reduced funding allocation which it has received as a primary
 - should have the opportunity to explain any surplus above this threshold and these should be taken into account before a decision is taken on budget allocation
 - withdrawal of money that we're entitled to... grossly unfair and unethical
 - much of the reserve balance held by the school, as at 01.04.17, has already been committed/spent in the period between then and now
 - decision to retrospectively decide on a £75k 'reserves held' threshold, held at 01.04.17, is inequitable,this was 5 ½ months before the consultation period even began
 - additional [*grant*] monies are reflected in our reserves. The school is accountable to WG and ERW respectively, for the spending of these grants.... it is the un-spent element of these grantsthat took us beyond the £75k
36. Comments on **financial protection threshold** (£20k):
- all schools should be protected

- this [*proposed protection*] is not fair to all schools
- would be beneficial to apply to schools on an individual basis to protect against deficits
- supportive measures will avoid unnecessary redundancies
- provide schools with time to plan staff reductions e.g. by retirement, VR rather than the highly stressful CR process
- a phased approach for our school – more of a transitional period whatever option is chosen
- welcome the financial support to protect the school
- significant concerns following the period of one year support
- protection for schools who lose more than £20,000 from their budget is this not dependant on clawing back money from those schools with reserves of more than 75 thousand

37. Other comments:

- oppose any changes to the funding formula that could result in compulsory redundancy of teachers and /or the wider school workforce
- resist any such changes through industrial action, up to and including strike action, if necessary, unless and until a guarantee of no compulsory redundancy is given by the NPTCBC and the governing bodies
- concerned that potential increases in funding through changes in the formula funding will be further reduced with increased chargebacks to schools of costs that were previously borne by the authority
- increases to pension contributions and inflationary pay increases will more than cancel out any increases
- as the budget formula is being reviewed, it would be beneficial for the organisation and leadership of split-site schools that they have an increased allowance within the split site funding
- it seems that this review has been driven by economics rather than quality of provision

Council officer response

38. It is undoubtedly the case that, compared to the current formula arrangements, smaller schools will receive reduced budget shares and this is the case under all three options.
39. However, for the reasons set out in the consultation document, not to make changes to the current funding arrangements will adversely impact 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.

40. 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.
41. In this regard and in line with the majority of responses received, officers are recommending Option A be adopted as a first step to delivering an even more equitable funding arrangement for primary school pupils.
42. 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.
43. In this regard officers recommend this mitigation measure. 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.
44. 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 resulting from amongst other things, translation costs and the expense in purchasing dedicated Welsh language materials which the current capitation allocation is insufficient to cover. The cost of this uplift is not significant in the context of the overall primary school budget allocation, less than 1%. Therefore, this element of the proposal is also recommended to Members.