



CABINET REPORT

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Service Area	School Planning, Support & Resources
Committee Division	Portfolio
Exempt/Non-Exempt	Non-Exempt
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To: Chair, Ladies and Gentlemen

Formula Funding Review

1.0 SUMMARY OF THE REPORT

- 1.1 This report presents the outcome of the review undertaken by Corporate Accountancy, supported by the Schools Forum, to make changes to the Formula Funding for Primary, Secondary and Special schools from April 2021.
- 1.2 These proposals are outlined in paragraph 5.2 and 5.3.
- 1.3 Consultation has taken place with regards to these options, the outcome of which is detailed in paragraphs 6.3 – 6.9.

2.0 RECOMMENDATIONS that

- 2.1 The proposal to amend the Formula Funding Allocations, as detailed in 5.2 and 5.3 and as amended in 6.8, be approved.
- 2.2 The transitional arrangements set out in 4.16 be approved.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 In the Summer Term 2018 the Schools Forum was advised that Corporate Accountancy was to review the Formula Funding to schools with an expected implementation date of 2020/2021.
- 3.2 The aim was to carry out an independent review of the Primary, Secondary and Special school formula funding to deliver a formula that would be fair and equitable, needs based, efficient and simple to understand.

- 3.3 The review also sought to address any apparent funding inefficiencies i.e. areas of the formula where funding provided perpetuates inefficient use of monies.
- 3.4 It was agreed that there should be no additional costs due to this review with the total school quantum remaining the same. The aim was to ensure existing funding would be distributed more fairly across each sector.
- 3.5 It was also agreed that the overall funding across the three sectors, Primary, Secondary and Special should remain the same and any redistribution would remain within the sectors only, and not across them.
- 3.6 In January 2020 it was agreed to delay implementation until April 2021 to allow further opportunity for engagement and consultation with Headteachers and the Schools Forum before finalising the review outcomes.
- 3.7 The impact of the pandemic delayed the sharing of findings with Headteachers from April until July, although the implementation remains on track for April 2021 onwards.

4.0 METHODOLOGY AND REVIEW FINDINGS

- 4.1 The following methodology was followed for the undertaking of the review:
 - A series of meetings with all Headteachers in their cluster groups
 - A detailed examination of the current formula
 - Comparison with other Welsh local authorities' formulas
 - Formulation and testing of hypotheses about different options for the distribution of schools funding in the Schools Forum working group
- 4.2 The school funding formula dictates how the resources available will be distributed between schools. The majority being distributed on pupil-led factors (70%+) with the remaining distributed on various factors including lump sums, premise and site related, business support services etc.
- 4.3 The following areas of the formula were examined in detail:
 - Pupil Teacher Ratio's
 - Average Teacher Salary: specifically, how this is calculated
 - Pupil/place led funding factors
 - Other pupil related factors
 - All lump sum allocations
 - Cash protection legacy funding e.g., addressing underachievement
 - Any other area as identified as part of engagement with stakeholders
- 4.4 Initial meetings were arranged with all Headteachers on a cluster basis. These initial meetings were used to discuss the existing formula in detail to give Headteachers a better understanding of how the existing formula works and to identify any common themes for change.

- 4.5 One of the biggest identified criticisms of the existing formula was its complexity. It is not currently easy for Headteachers to use it to predict future funding to enable effective planning without considerably more information from the Local Authority. It was agreed the new formula would be presented in a more user-friendly manner allowing Headteachers to be more proactive when estimating and planning resources.
- 4.6 The school formula regulations require Schools funding formulas to be driven by at least 70% pupil number. It was therefore discussed and agreed to establish a baseline of funding that each school requires regardless of size.
- 4.7 It was agreed in the School Working Forum that as minimum all schools need a Headteacher, Clerical staff member and a Caretaker. The current lump sums have therefore been replaced with a Headteacher, Clerical and Caretaker lump sum. Having these lump sums identified separately allows appropriate inflation to be applied each year.
- 4.8 New allocations have been added which were not previously specifically funded. The indicators are driven by pupil numbers and now include separate allocations for midday supervisors and lab technicians in Secondary Schools.
- 4.9 A number of meetings were held with Headteachers of schools on split sites or schools which have been federated. The current formula has a generic lump sum for split site schools, which does not take into account the various differences of all schools.
- 4.10 A unique allocation has been developed based on individual school circumstances when a school is on more than one site or the design of the building means additional costs. Funding includes lump sums for an additional Teacher on a leadership scale where appropriate, additional clerical time and additional caretaker time. Allocations have also been provided for resources, building costs and car allowances.
- 4.11 An allocation for Federated Schools was also established to fund an additional Teacher on a leadership scale; this is to recognise that there is only one Headteacher lump sum over the two schools. Following consultation, the allocation also includes a nominal amount for car allowances to allow the Headteacher to travel between sites.
- 4.12 After consultation with Headteachers it was felt that that current pupil teacher ratios are reasonable. However, in the current formula these ratios are multiplied by the average Teacher salary which is calculated by including all Teachers within the sector including the Headteacher and all TLR allowances. The new averages now exclude the Headteacher costs which are now funded by a lump sum and no TLR allowances.
- 4.13 There are also a number of indicators which remain, but with changes. For example, the indicator for energy has been updated based on benchmarked typical energy usage per square metre (kWh/m²/year). This typical usage has been multiplied by the current rate per kWh multiplied by each schools m² floor area. This is a more appropriate indicator as it tries to consider the differences in school building stock.

- 4.14 There were also a number of indicators which have only recently been reviewed by the Schools Forum and it was agreed these wouldn't be changed. These indicators include Peripatetic Music Funding, Use of Recreational Facilities and SLA funding.
- 4.15 There is a risk that any new formula, once finalised would result in an array of financial 'winners' and financial 'losers' across schools. The Schools Forum felt that it would be appropriate to introduce transitional arrangements to ease the impact of the changes over a three-year period.
- 4.16 A transitional adjustment factor was agreed to be included in the Formula during 2021/22 and 2022/23 to ensure this tapering takes place. The net financial impact of these changes, whether an increase or decrease to the bottom-line funding, will be tapered over a three-year period with the full effect being realised in April 2023 i.e. 1/3 impact in 2021/22, 2/3 impact in 2022/23, and full impact in 2023/24.
- 4.17 The pupil:teacher and pupil:LSA ratios within the Special School are based on pupil bandings. After discussions with the Headteacher these ratios have been amended to reflect the actual staffing within the school. The new ratios are:

Pupil Band	Pupil to teacher Ratio	Pupil to LSA Ratio
1	5	1
2	7	3
3	8	6
4	10	9

- 4.18 The Headteacher at the Special school identified as a concern, perceived significant fluctuations in funding between financial years. Due to complex needs of the pupils any changes in pupil numbers or bandings have significant impacts on funding, which makes planning staffing levels very difficult. It was agreed that funding a baseline of pupil places would give some stability. Funding based on 165 pupils with the average bandings over the previous three financial years was considered reasonable. This means a guaranteed 22.85 Teachers funded and 63.34 LSA's. This baseline will be reviewed every three years. If actual pupil numbers/bandings are higher the number of Teachers/LSA's funded will increase.

5.0 FORMULA FUNDING REVIEW PROPOSALS

- 5.1 On the 4th November 2020, following detailed consideration by the working group, the Schools Forum recommended proposals to change the Formula Funding for the financial year 2021/22.
- 5.2 Table 1 sets out a summary of the proposed changes for Primary and Secondary schools. Full detail of the proposals is provided in Appendix 1.

Table 1: Schools Forum – Formula Review (Mainstream) Proposed Changes

Ref	Proposal	Description
1.	Headteacher Lump Sum	A lump sum to fund a Headteacher at the top of the ISR of the individual school along with on costs. Amount varies depending on school
2.	Clerical Staff lump Sum	Primary - Each school receives funding for a Clerical staff member at top of Grade 3. Term Time only. Secondary – Each school receives funding for 2 Clerical staff members at top of Grade 5. Term time only.

Ref	Proposal	Description
3.	Caretaker lump Sum	Primary - Each school receives funding for a Caretaker at top of Grade 2. Secondary – Each school receives funding for a Caretaker at top of Grade 5.
4.	Midday Supervisor–	An allocation to fund 1 hour a day for midday supervision on a basis of 1 Supervisor for 50 pupils
5.	Technicians	An allocation to fund Secondary school Technicians on a basis of 1 Technician per 300 pupils.
6.	Federated Schools allowance	An allocation for Federated schools to fund an additional teacher on a leadership scale, this is to recognise that there is only one Headteacher lump sum over the two schools.
7-10.	Pupil Teacher Ratio	Nursery age pupils 30:1, Reception to year 6 25:1 Years 7-9 21.5:1, Years 10-11 17.5:1 Average salary calculation excludes Headteacher and TLR allowances.
11.	Pupil Number funding	To fund all other pupil related expenditure not specifically stated in other indicators.
12.	Energy	Each school has been allocated a benchmarked typical energy usage per square metre (kWh/m ² /year). This typical usage has been multiplied by the current rate per kWh multiplied by each schools m ² floor area.
13.	Cleaning	An allocation to carry out cleaning, per square metre of floor area based on current cleaning contract.
14.	Split site allowance	A unique allocation based on individual school circumstances when a school is on more than 1 site or the design of building means additional costs. Funding includes lump sums for an additional teacher on a leadership scale where appropriate, additional clerical time and additional caretaker time. Allocations for resources, building costs and car allowances
15.	Teachers Workload	The previous teacher's workload allocation now distributed by pupil number
16.	Swimming Pool	Allocation funded on annual operational costs associated with having a swimming pool and only relates to Pen-Y-Dre High School. Costs assessed by Sports Development Manager and include chemicals, cleaning, R&M, training and safety equipment.
17.	Human Resources SLA	Allocation based on the number of staff members.
18.	School Council Funding	To hold two school councils.
19.	Repair & Maintenance	An allocation to carry out repair and maintenance, per square metre of floor area based on historic spend over the last 3 financial years
20.	Mutual Fund Repair & Maintenance	An allocation for repair and maintenance which can be used to contribute to the mutual fund at each school's discretion, per square metre of floor area based on ensuring same overall R&M funding provided to each sector
21.	Maintenance of Grounds	An allocation for grounds maintenance, per square metre of grounds based on historic spend over the last 3 financial years.
22-41.	Unchanged allocations (Various)	All remaining allocations ref. 22-41 are unchanged as many of these have been reviewed within the last 3 – 5 years and the current review concluded for these to remain as they are currently.

5.3 Table 2 sets out a summary of the proposed changes for Greenfield Special School. Full detail of the proposals is provided in Appendix 2.

Table 2: Schools Forum – Formula Review (Special Sector) Proposals 2020-21

Ref	Proposal	Description
1.	Headteacher Lump Sum	A lump sum to fund a Headteacher at the top of the ISR of the individual school along with on costs. Amount varies depending on school
2.	Average Teacher	Average salary calculation excludes Headteacher and TLR allowances. There is a minimum base funding for the indication based on 165 pupils

Ref	Proposal	Description
	Salary	and the average bandings over the previous 3 financial years. Meaning a guaranteed 22.85 teachers funded. This baseline will be reviewed every 3 years.
3.	Clerical Staff lump Sum	Each school receives funding for 2 Clerical staff members at top of Grade 5. Term time only.
4.	Caretaker lump Sum	Each school receives funding for a Caretaker at top of Grade 5.
5.	Midday Supervisor–	An allocation to fund 1 hour a day for midday supervision on a basis of 1 Supervisor for 20 pupils
6.	Teacher Assistant Ratio	TA allocation is based on a weighted TA salary cost, the bands of learning difficulty, and place numbers. There is a minimum base funding for the indication based on 165 pupils and the average bandings over the previous 3 financial years. Meaning a guaranteed 63.34 TA's funded. This baseline will be reviewed every 3 years.
7.	Pupil Number funding	To fund all other pupil related expenditure not specifically stated in other indicators.
8.	Energy	Each school has been allocated a benchmarked typical energy usage per square metre (kWh/m ² /year). This typical usage has been multiplied by the current rate per kWh multiplied by each schools m ² floor area.
9.	Cleaning	An allocation to carry out cleaning, per square metre of floor area based on current cleaning contract.
10.	Teachers Workload	The previous teacher's workload allocation now distributed by pupil number
11.	Human Resources SLA	Allocation based on the number of staff members.
12.	School Council Funding	To hold two school councils.
13.	Repair & Maintenance	An allocation to carry out repair and maintenance, per square metre of floor area based on historic spend over the last 3 financial years
14.	Mutual Fund Repair & Maintenance	An allocation for repair and maintenance which can be used to contribute to the mutual fund at each school's discretion, per square metre of floor area based on ensuring same overall R&M funding provided to each sector
15.	Maintenance of Grounds	An allocation for grounds maintenance, per square metre of grounds based on historic spend over the last 3 financial years.
16-30	Unchanged allocations (Various)	All remaining allocations ref. 16-30 are unchanged as many of these have been reviewed within the last 3 – 5 years and the current review concluded for these to remain as they are currently.

6.0 CONSULTATION ON PROPOSED CHANGES TO FORMULA FUNDING

- 6.1 The Schools Funding Regulations (2010) require the local authority to consult with the governing bodies of all maintained schools on any proposed changes to the formula funding for schools and on any changes to the Scheme of Delegation.
- 6.2 Consultation with all schools took place between 11th November 2020 and the 3rd December 2020.
- 6.3 At the end of the consultation period for Mainstream Formula Funding, all 27 completed questionnaires (100% of schools) were submitted to the local authority and the summary of the responses is shown in Table 3 below: (NB. 4% = 1 school)

Table 3 Outcome of Consultation on proposed changes to Mainstream Formula Funding

Question	Yes	No	No Strong Feeling	No Response
1	100%	0%	0%	0%
2	96%	4%	0%	0%
3	92%	4%	4%	0%
4	88%	4%	8%	0%
5	48%	4%	48%	0%
6	72%	4%	24%	0%
7-10	92%	0%	4%	4%
11	92%	0%	4%	4%
12	84%	4%	12%	0%
13	92%	0%	8%	0%
14	80%	4%	16%	0%
15	88%	4%	8%	0%
16	52%	0%	48%	0%
17	88%	4%	8%	0%
18	88%	0%	12%	0%
19	76%	8%	16%	0%
20	80%	8%	12%	0%
21	84%	0%	16%	0%
22-41	96%	0%	4%	0%
Transition	96%	0%	4%	0%

6.4 In relation to 'No Strong Feeling' responses, Question 5 only relates to Secondary schools, Question 6 only relates to Federated schools and Question 16 only relates to one Secondary school.

6.5 At the end of the consultation period for Special School Formula Funding, all 27 completed questionnaires (100% of schools) were submitted to the local authority and the summary of the responses is shown in Table 4 below: (NB. 4% = 1 school).

Table 4 Outcome of Consultation on proposed changes to Special School Formula Funding

Question	Yes	No	No Strong Feeling	No Response
1	92%	0%	8%	0%
2	88%	0%	12%	0%
3	92%	0%	8%	0%
4	88%	0%	12%	0%
5	84%	0%	16%	0%
6	88%	0%	12%	0%
7	92%	0%	4%	0%
8	88%	0%	12%	0%
9	88%	0%	12%	0%
10	84%	4%	12%	0%
11	92%	4%	4%	0%
12	88%	0%	12%	0%
13	84%	4%	12%	0%
14	80%	4%	16%	0%
15	84%	0%	16%	0%
16-30	92%	0%	8%	0%

6.6 A number of questions were raised across both consultations where individual schools either disagreed with a proposal or had an additional question regarding the rationale behind any proposed changes.

6.7 Where appropriate these questions have been detailed at Appendix 3 with the relevant response from the local authority also provided.

- 6.8 As a result of this there have been two changes to the review outcomes proposed as follows:
- 6.8.1 Federation Allowance: This will now also include an amount for car allowances.
- 6.8.2 Teachers Workloads: This will now be based on the number of Teachers funded through the formula in both Mainstream and Special school formulas. There remains a direct link with pupil numbers in the Mainstream sector but also incorporates the additional complexity of pupils in the Special sector.
- 6.9 There have been no changes required to the other proposed allocations consulted on.

7.0 NEXT STEPS

- 7.1 If approved the new Formula Funding with the appropriate transitional arrangements will be implemented in 2021/22 financial year.
- 7.2 Schools will be provided with their Formula Funding Allocations 2021/22 by the end of February 2021 and indicative allocations for 2022/23 and 2023/24 by the end of March 2021.

8.0 FINANCIAL IMPLICATION(S)

- 8.1 The new Formula Funding delegated to schools is included within the overall Individual Schools Budget for 2021/22 and has already been factored into the Council's Mid Term Financial Plan.

9.0 INTERGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Not Applicable
1. Merthyr Tydfil Well-being Objectives	1 of 4	0 of 4	3 of 4
2. Sustainable Development Principles - How have you considered the five ways of working: <ul style="list-style-type: none"> • Long term • Prevention • Integration • Collaboration • Involvement 	5 of 5	0 of 5	0 of 5
3. Protected Characteristics <i>(including Welsh Language)</i>	2 of 10	0 of 10	8 of 10
4. Biodiversity	0 of 1	0 of 1	1 of 1
Summary: Positive impacts have been identified against the Best Start to Life Well-being objectives, and			

against the long-term, prevention, integration, collaboration and involvement ways of working within the Sustainable Development Principle.

Positive impacts on children and young people and disability protected characteristics.

No negative impacts have been identified.

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BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.