



## EDUCATION FOR LIFE SCRUTINY COMMITTEE – 6TH NOVEMBER 2012

**SUBJECT: SCHOOL BUDGET FORMULA AND THE FINANCIAL IMPLICATIONS  
RELATING TO STANDARDS**

**REPORT BY: CORPORATE DIRECTOR - EDUCATION & LIFELONG LEARNING**

---

### 1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to apprise Members of the operational methodology of the school funding formula, together with the impact on individual schools.

### 2. LINKS TO STRATEGY

- 2.1 The report considers the use of resources within the Directorate to ensure that the Council's key strategies are achieved.

### 3. THE REPORT

- 3.1 There are two key elements which need to be considered when assessing funding to schools which in total are referred to as the "Gross School Budget" (GSB). The two elements are:-
- (a) the amount delegated to schools to be spent directly at their own discretion - the delegated schools budget;
  - (b) the amount retained at the "centre" by the Council and spent on pupils.
- 3.2 In total the GSB for Caerphilly County Borough Council in 2011/12 amounts to £149m. The amount delegated to schools is £112m – a delegation rate of 75.3%.
- 3.3 The Delegated Schools Budget is distributed to schools by way of a formula – the School Funding Formula (SFF).
- 3.4 The SFF comprises 32 different criteria, all of which have been established for some considerable time. Changes to the formula often result in significant variations in funding levels to schools. These variations produce "winners" and "losers" and have to be managed by way of transitional arrangements covering a period of years.
- 3.5 There is only one statutory requirement that has to be addressed in the SFF - i.e. at least 70% of the funding has to be allocated based on the actual number of pupils residing in schools. This is referred to as "Pupil-led funding".
- 3.6 Appendix 1 of the report shows how the total allocation is distributed against these areas. The "pupil-led funding" total of 70.4% meets the statutory requirement of 70%.

3.7 Whilst there are 32 different criteria included in the SFF, for ease of understanding and explanation, they can be categorised into 6 key areas as reflected in Appendix 1:-

- Pupil-led Funding - £65.8m

For 2012/13, £33m is allocated to the Primary sector and £32.5m to Secondary. These funds are predominately allocated according to the age of pupils - ranging from £2679 for Nursery pupils to £2988 for year eleven pupils.

- Social Deprivation - £1.8m

This allocation is based on the following:-

(a) **Primary** – Free School Meal pupils (FSM) - £300k.

When a school has FSM pupils which make up more than 27% of the school roll then for each additional FSM pupil they receive £437.

(b) **Secondary** - £1.5m

The Secondary element is allocated in three ways:-

- *FSM - 467k*

This operates similar to the Primary sector only that the threshold begins at 13% (rather than 27%) and each FSM pupil is funded at £462.

- *Pupils with Statements - £637k*

Each school is allocated £2412 for every statemented pupil.

- *Test results - £396k*

This funding is allocated to schools where pupils have failed to achieve a certain level of achievement. For each pupil in this category £1222 is allocated.

- Lump-Sum - £5.3m

This element of the formula is based on a fixed amount per school and is not directly driven by pupil numbers. Secondary schools are allocated £115k per school. Primary schools are allocated a lump sum of £37k with a further element distributed on pupil numbers.

- Premises - £11.3m

The basis of distribution is two-fold:-

- Floor area
- Rateable value of each school

- Threshold and Workload - £6.6m

For every teacher who has attained “threshold related status”; Primary schools will receive £5800 and Secondary £6000 per teacher. This totals £4.4m.

The Workload element is to allow teachers to focus on “class contact” time and amounts to £2.2m. It is allocated as follows:-

- £1900 per Primary teacher
- £7500 for each Primary school
- £32,000 for each Secondary school

- DCELLS Funding - £5.5m

This is distributed to the 9 Secondary schools who operate 6th forms.

- 3.8 Should Members want to be fully acquainted with how the funding is allocated against the entire 32 criteria, it is recommended that a workshop be arranged to allow for the appropriate time to be allocated for due consideration.
- 3.9 The amount of “funding per pupil” is often compared both between schools and local authorities. Comparisons often take the form of league tables with attention being drawn to schools that appear in the lower quartiles.
- 3.10 These comparisons can be very misleading and need to be viewed very carefully as often comparable data is not being used. A good case in point is where the Vale of Glamorgan Council is considered to be an “exemplar” in that they are the highest delegating authority in Wales, but when the amount of funding per pupil is considered, they are in fact the lowest. Therefore, it is important to consider appropriate data in making such comparisons. The key area when comparing funding per pupil is the Gross School Budget.
- 3.11 Appendix 2 shows the national position and compares the total Gross School Budget funding per pupil for 2011/12. Members can see that CCBC is the 17<sup>th</sup> highest funding authority in Wales, spending £5307 per pupil, which is very close to the Welsh average of £5462 per pupil.
- 3.12 The cost of funding CCBC at the Welsh average of £5462 would require an additional £4.3m.
- 3.13 Appendix 3 details the funding per pupil for all CCBC schools. Members can see that there are significant variations between schools.
- 3.14 There are a number of reasons which give rise to this, e.g., occupancy levels; different school types and the impact of social deprivation.
- 3.15 An example of how occupancy levels impact on the “funding per pupil” amount is detailed in Appendix 4. It can be seen that at 50% occupancy, the pupil funding per pupil is £5019. When at 100% the funding per pupil actually falls to £4014. This is due to the fact that the fixed elements of the formula, i.e. premises and lump sum, do not increase when the school reaches full occupancy and the overall funding per pupil reduces accordingly.
- 3.16 Another reason for different funding levels is the status of schools, e.g., foundation schools. These schools are funded differently to maintained schools due to the fact that they are not required to pay rates at the same level. They are entitled to an 80% rate relief. This difference is reflected in the amount of funding provided and amounts to £46 per pupil in the case of Cwmcarn High School. (This will be covered in more detail in Appendix 5 below).
- 3.17 Appendix 3 shows that Cwmcarn High School is the lowest funded per pupil school within CCBC by some £194 per pupil. Given this difference, it is considered that a more detailed analysis is required to explain this position. See Appendix 5.
- 3.18 As discussed by Members at the last Education for Life Scrutiny Committee meeting on 25<sup>th</sup> Sept, the link between attainment and social deprivation is very concerning and has now become a focus at national level.
- 3.19 Social deprivation is one of the key elements in the formula and as such £1.8m has been earmarked for this area. As referred to in 3.7 above the key driver is the number of pupils in receipt of Free School Meals.
- 3.20 Members need to be aware that outside of the SFF there are a number of other funding initiatives currently in place which try to address the problem of social deprivation:-

- Pupil Deprivation Grant (PDG) – This grant is designed to reduce the impact of poverty on educational attainment. The PDG totalling some £2,484k is delegated to schools in its entirety. The formula for delegation is pre determined by Welsh Government which is based on the number of pupils eligible for Free School Meals at each school, based on 2011 PLASC data (updated in autumn 2011). This approximates to £450 per FSM pupil.
- School Effectiveness Grant (SEG) – This grant is designed to provide funding to improve standards in literacy, numeracy and reduce the impact of poverty on educational achievements in all schools. The total grant available is £1,526k of which Caerphilly match funds by a further £559k. Of this total, 86% or £1,790k has been delegated directly to schools, well above the 75% grant recommendation. As to the £160k, this is by agreement with schools and is used to employ staff who work in the classroom providing ‘catch-up’ support in both literacy and numeracy.

Although the above two grants are separate they must be used to complement one another to improve the outcome of learners in line with the national priorities for schools:-

- improving standards in literacy
- improving standards in numeracy
- reducing the impact of poverty on educational attainment.

3.21 Finally, when considering the funding levels and the SFF, it is important to be aware of the changes required to the delegation rate of funding to schools. The targets which are required to be met are:-

- for 2012/13 – 80%
- for 2014/15 – 85%

CCBC delegation rate is 80.4% for 2012/13 and work is underway with School Budget Forum on how the 85% target can be achieved. Significant improvements in this area have taken place in recent years moving from 70% in 2009/10 to today’s rate of 80.4%.

3.22 Further work is under way with the Schools Budget Forum to determine what areas are most appropriate to be delegated to schools in order to achieve the required 85% level.

3.23 Members will be updated of progress in respect of these areas over the coming months.

3.24 To put some of the issues stated above into context, recently the BBC published data with regard to CCBC levels of funding, in that we were considered to be the lowest in Wales. Following challenge and a detailed explanation, they apologised as follows:-:

*“Just a short note to apologise for barking up the wrong tree with regards to Caerphilly’s education expenditure last week. As you rightly stated you aren’t the lowest spenders by a long shot.*

*Planning too far ahead in the newsroom has its pitfalls and the information I was given to work with didn’t match the stats on per pupil expenditure which were published Wednesday morning”.*

This just shows how difficult comparisons are without having full access to both information and understanding of the issues involved.

3.25 Therefore, in summary, it is too simplistic to say more finances improve opportunities and give rise to better outcomes. It comes down to leadership, quality teaching, self evaluation, knowing strengths and areas for development. Resources need to be targeted in the right areas thereby achieving maximum effectiveness.

#### **4. EQUALITIES IMPLICATIONS**

4.1 There are no equality implications arising from this Report.

#### **5. FINANCIAL IMPLICATIONS**

5.1 There are no direct financial implications arising from this report.

#### **6. PERSONNEL IMPLICATIONS**

6.1 There are no direct personnel implications arising from this report.

#### **7. CONSULTATIONS**

7.1 All responses from Consultees have been included in this report.

#### **8. RECOMMENDATIONS**

8.1 That the details of the report are noted and further discussion takes place with School Budget Forum on the options available for the future.

#### **9. REASONS FOR THE RECOMMENDATIONS**

9.1 That School Budget Forum are the appropriate body to discuss the impact of any changes to the School Funding Formula and any recommendations will be reported to Education for Life Scrutiny Committee together with the financial implications relating thereto.

Author: Tony Maher - Assistant Director, Planning & Strategy  
E-mail: [mahert@caerphilly.gov.uk](mailto:mahert@caerphilly.gov.uk)

Consultees: Sandra Aspinall - Corporate Director - Education & Lifelong Learning  
Education Directorate Senior Management Team  
Sue Richards - Principal Finance Officer  
Geraint Willington - Principal Education Officer  
Jane Southcombe - Financial Services Manager  
Bleddyn Hopkins - Assistant Director, Our Schools Our Future  
Nicole Scammell - Head of Corporate Finance

#### Appendices:

Appendix 1 Primary and Secondary Summary 2012-2013  
Appendix 2 Total Gross School Budgeted Funding Per Pupil 2011-2012  
Appendix 3 Gross School Budget Primary School 2011-2012  
Appendix 3a Gross School Budget Secondary School 2011-2012  
Appendix 4 Examples of a Comparison of Change in Occupancy Levels  
Appendix 5 Reasons Why Cwmearn High School Funding Per Pupil Is Lower Than Other CCBC Comprehensives