



EDUCATION FOR LIFE SCRUTINY COMMITTEE – INFORMATION ITEM

SUBJECT: INDIVIDUAL PUPIL FUNDING

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 The purpose of this Report is to provide Members with an overview of funding to Schools and the subsequent issues to be aware of with regards to comparative data contained in statistical documents relating to per pupil funding.

2. SUMMARY

- 2.1 The Report outlines the funding, the stages involved in the setting of school budgets and the issues to be aware of when reviewing statistical data in relation to per pupil funding.

3. LINKS TO STRATEGY

- 3.1 The report considers the use of resources within the Directorate to ensure that key strategies are achieved.

- 3.2 Effective financial planning and financial controls contribute to the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015. In particular as follows:

A healthier Wales, supporting vulnerable learners can improve their well-being and educational achievement.

A more equal Wales, a society that enables people to fulfil their potential no matter what their background is; and

A Wales of cohesive communities, improving quality of life with attractive, viable, safe and well connected communities.

4. THE REPORT

4.1 Process for setting school budgets

- 4.1.1 Members will be aware that the majority of funding for pre-16 provision in maintained schools is from the Local Authority, which in turn comes through as part of the annual settlement from Welsh Government. There are many factors that are built into Welsh Governments formula for the allocation of funding. The Authority's funding is further supported through money raised from the council tax. The annual budget process within the Authority will allocate funding to all areas of the Authority's services, including schools.

- 4.1.2 Each year decisions are made by the Authority with regards to the distribution of funds and savings targets to be achieved. This process enables the Authority to set a balanced budget for the year ahead. In February of each year a report is presented to Council outlining the budget strategy, which includes funding levels allocated directly to schools through the Schools Formula and allocations to the Directorate of Education & Lifelong Learning, which further supports our schools.
- 4.1.3 Once Council approves the amount available directly to schools, the school formula methodology will allocate funds down to individual school level. It is important to point out that the formula methodology is unique to each Local Authority and that there is not one formula that all Local Authorities in Wales utilise. That said, each Local Authority's school formula is an open and transparent methodology for the allocation of funding to our schools and the major driver in the distribution of funds is pupil numbers. Each school receives a breakdown of the funding allocation for the coming year, providing an allocated amount known as the individual school budget (ISB). Each school Headteacher and Governing Body are then responsible for organising the spending plan. The setting of a detailed budget is very much part of the planning process within the school and is not set in isolation.
- 4.1.4 The majority of funding distributed to schools is on the basis of pupil numbers. The School Funding (Wales) Regulations 2010 state that 70% of funding must be distributed on the basis of pupil numbers. Pupil numbers form part of all the following allocations within the formula (this list is not exhaustive):
- pupil teacher ratio (the ratios are set by the Local Authority and will vary for the age of the pupil)
 - additional support for non teaching staff in early years (nursery & reception only)
 - supply & relief cover costs
 - furniture & equipment (weightings on year groups in secondary)
 - administrative support, laboratory technicians; fixtures and fittings, printing, postage, telephones and refuse.
- 4.1.5 The balance of funding distributed relates to deprivation levels (i.e. Free School Meal numbers) and our school buildings. The funding for school buildings will include factors such as size (floor area) and conditions of the buildings and grounds, this will also include funding for national non domestic rates (NNDR).
- 4.1.6 In 2018-19 the Authority distributed £98m (ISB) directly to schools through the school formula.
- 4.1.7 In addition to the budget allocation that each school receives from the Authority, there are also a number of funding streams from Welsh Government to support the implementation of certain policies and priorities or target additional funding. These are often in the form of specific grants, such as the Education Improvement Grant (EIG) and the Pupil Development Grant (PDG).

4.2 **The Local Authority's Education budget**

- 4.2.1 In addition to the Individual School Budget (ISB) funding, the Authority also agrees a level of funding for the Education & Lifelong Learning Directorate. Included within this budget allocation are elements of funding that are also distributed to our schools, albeit outside of the formula mechanism. These include the following (based on 2018/19 figures):
- Additional Support Funding (circa £3.6m) – spend is targeted to provide additional support for pupils in mainstream schools (across primary and secondary). This spend relates predominantly to teaching assistants in our schools and we have a mixed economy in that central education has a bank of staff that are utilised in some of our schools, whilst some schools engage the staff themselves and receive funding.
 - Secondary Additional Funding (circa £1m) – allocated to secondary schools on a formula basis to assist with regards to reducing redundancies.

- Former Key Stage 2 grant (circa £1.3m) – pupil led class sizes funding (juniors).
- School Meal Admin. & Utilities Reimbursement (£424k) – is driven by school meal uptake in schools. This funding supports the impact on the school with regards to the administrative arrangements around school meals and the impact on utility costs associated with the catering provision.
- Relief Supply Costs (circa £467k) - supply cover costs linked to sickness in our Special Resource Bases and Maternity costs across all sectors. This funding is currently allocated to schools outside of the formula, thus ensuring that it is allocated to schools in the year that the absence occurs. This enables the school to make arrangements for the appropriate cover.

4.2.2 The approach taken by each Local Authority with regards to what is included as part of the schools formula (ISB) and what is retained as part of the central Education budget (and distributed by different means) will vary, as will the relative funding levels allocated.

4.3 Per Pupil comparative data

4.3.1 Whilst per pupil funding is utilised in Welsh Government statistics, there are a number of factors that we need to be mindful of:

- Formula Allocation (ISB) – whilst the majority of funding distributed to our schools through the formula methodology is pupil driven, there are also large elements distributed based on floor area and conditions of buildings. Consequently pupil numbers (year groups / class sizes), floor area and buildings will be unique to each of our 86 schools. The amount of ISB funding will be specific to each school and therefore the per pupil funding level for each school in the Borough will be different. This is because the analysis is quite simplistic, simply the amount of the ISB funding divided by the number of pupils.
- On the Stats Wales site, the analysis compares Local Authorities by taking the total ISB funding divided by total pupil numbers. Due to the reasons identified in para 4.2, this immediately creates an issue with regards to comparability. This is not just because the formula methodologies vary and funding levels are different but also because the ISB funding per pupil is based on the school formula allocation only and does not include other funding distributed through different means. Consequently, when reviewing comparative data of per pupil funding it would be more appropriate to look at the ISB plus non ISB funds devolved to schools.

4.3.2 It is certainly informative to review and consider comparative Local Authority data on per pupil funding. That said we need to be mindful that the statistics do not always provide a direct comparison, they are though a useful tool as part of any financial analysis and review.

4.3.3 The following per pupil indicators (2018/19) are on the Stats Wales website and present quite a different position. This demonstrates the need to consider and review the different indicators that review per pupil funding.

- Individual schools budget per pupil at an All Wales level - £4,291
- Individual schools budget per pupil in Caerphilly - £3,805 (22nd lowest)

This is the funding allocated directly by the formula only.

- Gross schools budgeted expenditure per pupil (includes centrally funded) – All Wales level - £5,675
- Gross schools budgeted expenditure per pupil (includes centrally funded) – Caerphilly - £5,660 (14th highest)

This includes formula driven and centrally funded school budgets.

4.4 School funding levels in recent years within the Authority

- 4.4.1 In 2018/19 schools were allocated budgetary growth of £547k this funding forms part of the Individual Schools Budget. In 2018/19, £98m is delegated directly through the formula. Within this allocation schools are required to fund pay, price and any other in year pressures.
- 4.4.2 In February 2018 the Medium Term Financial Plan (MTFP) for schools was reported to Council as part of the Budget Report 2018/19. The position at this point in time assumed that schools would receive an annual uplift in funding of 1.25% from 2019/20 to 2022/23, subject to review as the Authority's savings requirements became clearer. The February 2018/19 report identified a projected shortfall for schools in 2018/19 of 1.68%, 1.15% for 2019/20, 0.90% for 2020/21, 1.10% for 2021/22 and 1.26% for 2022/23. Members will be aware that this information is currently being refreshed following details of indicative funding for 2019/20 from Welsh Government and work around budget proposals for the coming financial year.
- 4.4.3 To date schools in the Borough have received a level of protection with regards to funding levels, when compared to other service areas within the Authority.

4.5 School Reserves

- 4.5.1 The Authority produces annual data with regards to the level of school reserves held at the end of each financial year. This information is included as part of the Section 52 Outturn Return to Welsh Government. In turn this data is published by Welsh Government to provide an annual picture on school reserves across Wales. The details with regards to the Caerphilly schools position at the end of financial year 2017/18 are attached in Appendix 1.
- 4.5.2 The annual funding allocation to our schools and changes in pupil numbers at a local level will obviously impact the projected financial position for our schools, which in turn impacts on school reserves. Finance support provided to our schools through a Service Level Agreement (SLA) will utilise information with regards to the balances position when projecting the outturn position for the current and 2 future years. At the end of financial year 2017/18, the total schools carry forward balance stood at £2.039m. To advise this position was distorted by the overspend position on Cwmcarn High (circa £1m), this was expected and is part of the budget strategy for 2018/19.
- 4.5.3 Under the School Funding (Wales) Regulations 2010, where schools reserves exceed a certain threshold, the Authority can direct the school to spend the surplus amount. The thresholds are either 5% of formula funding or £50k for a primary and £100k for a secondary school. If a school exceeds the designated level they are required to provide the Authority with a spend plan to reduce and this is reviewed as part of financial monitoring. It is important to note that the Authority's schools received late notification of funding from the building maintenance grant (£845k) and this did impact on the balances position at year end. That said the receipt of this funding was positive for our schools.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 There are no direct equality implications to this report, therefore no Equality Impact Assessment has been undertaken.

7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications as a consequence of this Information Report.

8. PERSONNEL IMPLICATIONS

8.1 There are no personnel implications as a consequence of this Information Report.

9. CONSULTATIONS

9.1 There are no consultation responses that have not been reflected in this report.

10. RECOMMENDATIONS

10.1 Members are requested to note the contents of this report.

11. REASONS FOR THE RECOMMENDATIONS

11.1 Follows a request from Members for information on per pupil funding.

12. STATUTORY POWER

12.1 Local Government Act 1972.

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Appendices:

Appendix 1: Summary of School Balances as at 31st March 2018