Funding for Bridgend Schools (1) - Overview

This is the first of several papers which will be produced over the next year as part of a review of funding for Bridgend schools. It provides an overview of school funding and the context for the review.

Background

In the Summer Term 2007, the School Budget Forum agreed to undertake a thorough review of the school funding formula throughout the 2007/08 and 2008/09 financial years, with a view to ensuring that the mechanism for distributing funding to schools is transparent, equitable and meets needs. The intention was to consult with governing bodies during the Autumn Term 2008 before implementation of any changes for the 2009/10 financial year.

The funding formula currently in place has not changed significantly since it was first established after Local Management of Schools (LMS) was introduced in 1988. Most funding available to schools is distributed through the funding formula, which has to comply with Welsh Assembly Government regulations.

A thorough review was needed to ensure that the funding formula enables schools to deliver a good quality, modern education to their pupils. Hence, the formula review also has strong links to both the school modernisation programme and the draft inclusion strategy.

We need to ensure schools are appropriately resourced to:

- provide a 21st century curriculum;
- meet the needs of a diverse range of pupils;
- deliver the range of local and national priorities such as the Foundation Phase, the new skills curriculum and the 14-19 learning pathways, and;
- help implement the Children and Young People’s Plan.

The school funding formula dictates how the resources available will be distributed between schools. However, an equally important consideration is the adequacy of the quantum of resource. The formula for distribution cannot be considered in isolation. Schools’ costs are funded through a series of sub-formula directed at particular areas of expenditure. If some areas are under-resourced but spending is unavoidable, then schools will need to use funding intended for some other purpose. For instance, funding targeted at maintaining buildings may be used to pay for teachers.

Overview of the current situation in Bridgend

The quantum of resource

Each year, the Welsh Assembly Government provides comparative information on local authority spending on schools. There are, however, differences between
the local authority areas that need to be taken into account in any consideration of this data. An analysis of some comparative socio-economic and geographic data shows that, overall, Bridgend is fairly average on a number of indicators.

From this information, it is reasonable to conclude that Bridgend’s need to spend on education ‘per pupil’ is likely to be broadly in line with the All Wales averages, particularly for universal services with national standards and expectations. For services targeted at pupils with additional educational needs, particularly those related to socio-economic deprivation, it could reasonably be expected that spending per pupil should be above the Welsh average.

Appendices 1a, 1b and 1c contain data derived from the 2008 national analysis. These show that spending per pupil in schools in Bridgend is well below the Welsh average and that spending per pupil on centrally funded services to schools is significantly below the Welsh average.

These figures need to be treated with some caution due to different accounting practices, for instance, a lack of consistency in financial reporting. The figures also need to be adjusted to take account of the various delegation rates across authorities. However, there appears to be a significant gap between BCBC figures per pupil and the Welsh average per pupil.

Appendix 1d shows a similar picture of lower funding in terms of BCBC’s position relative to comparator LEAs. As an authority Bridgend spends relatively generously in a few areas, such as home to school transport.

School budgets

The diagram below shows how the resources for delegated school budgets are distributed through the formula. The bulk of the funding is distributed, in line with regulations, through Age Weighted Pupil Units (AWPUs). The review has shown that the resources delegated through the lump sum ‘management’ funding and the premises funding are broadly equivalent to the actual costs incurred in those areas.
Appendix 2 shows the composition of the AWPU element of the budget and what it is expected to cover. Because the AWPU is applied equally to all schools, it is intended to resource all general expenditure where there is little variation from school to school. Once teaching costs (at comparatively poor PTRs) are taken account of, there are only limited resources remaining to fund all other general areas of expenditure. The formula allocations for specific purposes (eg short term supply and examination fees) can be well short of the actual expenditure. Hence, there are dangers that schools may:

- divert spending from areas more easily squeezed (eg premises)
- provide inadequate resource to meet statutory requirements (eg SENco)
- over-focus on the average ability range
- not adequately address individual learning needs
- reduce contingency funding to unacceptably low levels
- not be able to plan for resource (eg ICT) renewal
- discourage community use because of the additional costs they will incur
- resist inclusion of ‘challenging’ or ‘resource-intensive’ pupils
- resist participating in activities that incur costs, such as transport, supply, educational visits, participation events etc
- fail to meet national requirements and expectations (curriculum, health and safety etc), or
- have unreasonable expectations regarding staff’s work-life balance

The formula assumes that 3% of the AWPU is available to provide extra support for pupils with additional learning needs, including the cost of SENco time. It is clear that the sums identified, even if available, are very small.
Resource Needs
It is recognised that there are a number of main elements that need to be resourced through the funding formula:

Curriculum-based funding for staffing and learning resources

- The Foundation Phase covers education for 3-7 year olds and there are national standards for staffing ratios and accommodation that need to be reflected in resource allocation (initially partly funded by WAG grant). This element of the formula will need to be adjusted over time and the final version in place for September 2011. A review of nursery admissions policy is underway with planned implementation from September 2009.

  *Current position in BCBC*: historically a high spender on nursery provision but some inequalities in terms of access. Current policy is not financially sustainable and grant for Foundation Phase is inadequate to cover costs. Funding for Key Stage 1 has consistently been below the Welsh average.

- Key Stage 2 and 3 cover the 7 – 14 age range and the important step of transition from primary to secondary school. A new skills-based curriculum is being introduced. Education for these key stages also needs to take account of the implications of changes in the phases on either side of it. Historically, there has been a marked difference in funding per pupil for primary and secondary pupils. With changes to the way in which teaching and learning is taking place, this now needs to be revisited. This is a challenging exercise which will take time and cannot be completed for implementation in April 2009.

  *Current position in BCBC*: despite having a high degree of delegation to schools, funding per pupil for primary aged pupils (especially for Key Stage 2) has been among the lowest in Wales and AWPU KS3 funding is also significantly lower than the Welsh average, although nearly all secondary schools get a limited amount of funding for ‘social needs’.

- A main thrust of the post 14 curriculum is to expand the range of learning pathways available to young people. Post-16 provision across Wales is largely funded through a national formula. There is an argument that provision for 14-16 year olds should be funded on the same basis or at least to a similar level of resourcing.

  *Current position in BCBC*: Funding for KS4 is still below, but nearer to the Welsh Average than other key stages. An initial analysis has shown that local authority allocations generally appear to be less favourable than DCELLS allocations for similar courses post-16.
Additional Learning Needs (ALN)

About a third of all pupils will have additional learning needs at some time in their school career. A very small number of pupils have such complex needs that they need provision outside of the mainstream. For the vast majority of pupils with additional learning needs, schools are expected to find ways of meeting those needs through, for instance, a differentiated curriculum or through providing extra support. Meeting pupils’ needs is not optional.

All schools are required to have a special educational needs coordinator (SENco) to ensure pupils’ needs are identified and met as early as possible. There is a wide range of needs that schools are expected to address, ranging from specific disabilities to English as a second language and the needs of vulnerable young people such as looked after children. In addition to direct support, there are often significant staff time implications, for instance, to attend case conferences.

Schools need additional resources to ensure that they can meet the needs of all pupils. Usually, school funding formulae include some ALN funding for all schools for high incidence and lower level needs, often distributed through the use of a proxy indicator. For higher levels of need, funding tends to be targeted in some way and may be held centrally or delegated through the school formula.

Current position in BCBC:
As part of the formula review, we commissioned an independent analysis of ALN funding. One aspect of the study was to consider BCBC’s position compared to similar authorities. Initial conclusions are:

- Bridgend is the second lowest spender (per pupil) on ALN out of all 8 LA comparators.
- If the AWPU element is removed from the calculations, Bridgend spends £531 (per pupil) on ALN, compared to a Welsh comparator average of £680.
- An additional £3.3 million would be needed to bring Bridgend up to the comparator average figure.
- Bridgend spends lower than average on all elements of mainstream ALN funding (mainstream formula factors, central support, special classes/resource bases in mainstream schools). However, it is the highest spender in the LA comparator group on special school provision.
- 66.1% of Bridgend’s overall ALN budget is spent on special provision (special schools and special classes/resource bases in mainstream combined). This is the highest percentage in the comparator group (average = 50%).
- More funding would be available in Bridgend for the mainstream ALN sector if less use were made of special school provision (or this area was funded at a lower level). However, it is difficult to reduce reliance on this form of provision while relatively little funding is directed to the mainstream area.
- Bridgend’s spending on ALN elements within the mainstream formula and on support services/additional support allocations to pupils in mainstream schools is the lowest across the comparator group (£180, compared with
£349 on average). This area will require a significant investment if changes to the existing patterns of provision are to be achieved.

Management Structure

This relates to the costs of the Headteacher, Deputy Headteacher, administrative support and other costs relating to managing a school.

Current position in BCBC:
Allocations broadly match costs but we need to review the use of standard lump sums as a method of funding. This will be considered as part of the second phase of the review.

Support service costs

Current position in BCBC
For most SLAs cost matches allocation, although in recent years some SLAs have increased above inflation e.g. trade waste. Some additional funding has been provided, but not in all cases.

Funding for legal advice and support has never been delegated to schools but there is currently no central provision either. The authority therefore needs an additional amount of funding to be retained centrally for schools to call upon to support legal cases in schools. An estimate of £60k is deemed sufficient.

Premises Costs

This includes the costs of non-domestic rates, cleaning and site supervision, energy costs, grounds and building maintenance. These costs are largely unavoidable and a large commitment on a school’s delegated funding. The second paper in this series focuses on proposals for this area.

The Review process

A task group was set up to consider all aspects of the formula funding methodology, comprising local authority officers, and representatives of primary, secondary and special schools. A number of meetings have been held to discuss various aspects of the formula, and alternative methodologies considered. Due to capacity issues, external support was brought in to review the ‘additional learning needs’ aspects of the formula to ensure funding reflects need. The group looked at methods used in other local authorities, both in England and Wales, to inform the work and, ultimately, the initial recommendations in this report.

During the Summer Term 2008, it was recognized that it was unlikely that the whole funding formula could be reviewed and changes implemented for the 2009/10 financial year.
Due to capacity and time constraints it was agreed to focus primarily on a review of premises costs for the 2009/2010 financial year, along with the work on additional learning needs. In the short term, the Early Years / Foundation Phase element would be partially addressed through the Foundation Phase Grant. The Formula Funding Review Group will continue to work during the 2009/10 financial year to ensure review of the remaining aspects of the formula for the 2010/2011 financial year.

One important aspect of the review is the need to ensure that the quantum of funding delegated to schools is sufficient to meet the requirements placed on them. If the level of funding delegated to meet the curriculum and staffing needs is sufficient, there will be no need for schools to subsidise these areas of expenditure to the detriment of other areas e.g. premises (building maintenance). This would ensure that funding allocated for a particular purpose is largely available on that purpose though ultimately decisions on budget allocation rest with the governing body.

**Winners and Losers**

When considering the implications of formula changes, there are inevitably what are perceived as ‘winners and losers’. What needs to be remembered, however, is that no formula is perfect. Hence, there are already ‘winners and losers’ under the ‘status quo’. In other words, there are schools who currently receive more than they need (or are relatively well-funded) for a particular area of expenditure, whilst other schools receive less (or are less well-funded). This is clearly illustrated in paper 2 which looks at premises-related costs.

In the papers on individual expenditure areas, we will endeavour, where possible, to give details of actual expenditure as well as model the impact of formula changes. But it needs to be remembered that a school that is relatively well-funded may be able to afford, and choose, to spend more than a school who is a ‘loser’ under the current arrangements – so comparatively higher expenditure levels may not actually reflect higher needs.

The review aims to provide a rational basis for distributing resources which stakeholders agree is fair and recognizes significant differences. Inevitably, every formula change will result in a different set of ‘winners and losers’ – but tomorrow’s ‘winner’ may actually be a school that has been a ‘loser’ for the last 10+ years (and vice-versa).

During the review, it may be proposed to reduce or increase expenditure on particular elements of the formula. Growth proposals will be referred for consideration in the Council’s annual budget process. Any surplus will be redirected to those elements in the formula where it is already known that funding is insufficient.

**Swings and Roundabouts**

The use of a formula to distribute funds inevitably means that it is not possible to provide a perfect match between resource allocation and need to spend across
every area of expenditure. Assuming the overall quantum is sufficient, schools might find they are relatively generously resourced in one area but under-resourced in another. In most cases, these variations will cancel themselves out. The formula design aims to minimise over- and under-resourcing. However, the impact of the formula must be kept under regular review to ensure that, overall, individual schools do get a fair share of the budget and do not 'gain on all the swings' or 'lose on all the roundabouts'.

**Action Required**

The Director is requested to submit a budget growth request for £60,000 for additional legal costs as part of the budget process for 2009/2010.