

Education sub-group paper

Summary

1. This paper aims to remind members of the objective of the work of the education sub-group.
2. The paper also shares the progress of the work by ADEW Finance to-date.

Views sought

3. The group's views are sought on the work completed so far by ADEW Finance and how to take this work forward.

Background

4. In June 2010 the DSG decided that the WLGA would set up a working group to look at the possibility of taking a unit cost approach in the construction of the education formula.
5. This stems because members expressed the view that there was a concern relating to the credibility and transparency of the current method of formula construction and the DSG should investigate to see whether there was a better method possible.
6. The current formula distributes funding on the premise of being equitable and transparent revolving around it being driven by the drivers of the need to spend, however, these drivers are based from a statistical analysis of past expenditure.
7. Some of the issues that local government have of the current formula, is that it tries to formulate indicators from historic spend, which can be confounded by other factors.
8. The current formula is also sensitive to changes. For example a change to one of the indicators can lead to a significant change in the distribution, without always being able to explain the change in the underlying data to those running the service on the ground.
9. DSG has previously outlined the following approach needs to be considered in developing a new formula:
 - What drives the need to spend on a particular service;
 - And, for each driver what is the value that should be ascribed to that driver
10. To try and avoid mirroring the current formula the group have previously discussed establishing the drivers of the need to spend, through evidence provided from within the services themselves, where these drivers are not subject to gaming.

11. After establishing and reviewing any potential drivers, the group have stated that only then can values be ascribed to those drivers. In this instance the analysis of past expenditure may be required in order to be able to fairly ascribe such values, as past expenditure in these instances may have a direct relevance to the service delivery cost.
12. This will be required to be completed for each service area and tested with service experts prior to any integration within the current formula.
13. The historic progress plan is attached in Annex A for reference.

Progress

14. The education sub-group first investigated each authority's own funding formula, as outlined in their 2018-19 section 52 part 3 budget return, and the commonality between each authority.
15. Given the detailed information provided and the inconsistencies in reporting practices by each authority, some commonality were subjective to the individual collating the information. No formal report was developed, but the detailed spreadsheet of the commonality between indicators is available and has been shared amongst the sub-group.
16. This work does highlight the discrepancies between local authority's own funding formulas, such as different time periods for pupil numbers used for allocating funding across all 22 authorities.
17. ADEW finance were subsequently asked to provide support on the project, due to their experience and knowledge of their own local funding formulas and the valuable insight this could have, so an ADEW-finance sub-group was established.
18. The ADEW-finance sub-group were asked to develop a comprehensive list of the drivers of need to spend and what drives the cost of those areas, through sharing and looking within their own funding formulae.
19. Given the scale of this task the education sub-group agreed to keep the initial hypothesis as simple as possible by only looking at mainstream schools. If this hypothesis is then accepted, then further work could be undertaken to expand on scope of the project, to consider nursery/special education.
20. ADEW finance have now provided a list of the factors and a summary report of their findings. These can be found in Annex B and Annex C
21. This is an opportunity for the education sub-group to reflect on the work done to-date by the ADEW Finance sub-group and to consider the next steps.
22. Annex B provides the cost drivers (down) and the drivers of the need to spend for these services (across) from 5 local authorities. In all, 30 cost drivers and 16 drivers of the need to spend have currently been identified.

23. It's important to note that the categories of this work is derived from only five local authority's funding formulae, and that only the delegated budgets were considered.
24. For information the latest budgeted data (2019-20) shows that for the authorities involved in this exercise their delegation rates range from 87.8% in the Vale of Glamorgan to 78.5% in Ceredigion.
25. As the values ascribed to these factors are based solely on three authority's figures, it is not considered robust to interrogate these in detail at this moment in time.
26. In general annex B corroborates previous information that the category "*teachers, leadership and management*" and "*teaching resource*" are the highest cost drivers. Similarly the highest driver of the need to spend is suggested to be pupil numbers.
27. For clarification, the group have confirmed that the lump sums are in recognition of the core costs in every school regardless of its size or other features, and is a common in built variable within their funding formulae.
28. The 'lump sum' heading is relevant to all schools, with the 'lump sum secondary' an additional amount for secondary schools. The types of expenditure are varied and include, among other things, having a head teacher and some of the SLA's purchased from LA's.

Summary

29. The group are asked to reflect on the work done to date by ADEW finance and if there are notifiable gaps in the list of delegated cost drivers, noting that some of these will differ between each authority.
30. The group are asked to consider the next steps of this project and the required involvement of ADEW finance or ADEW going forward.

ADEW Finance delegated cost drivers and the drivers of the need to spend for mainstream school services, including ascribed values summary Annex B

Drivers across Cost Heading - down	Pup	Class Threshold	Min Classes	FSM Entit	Lump Sum	Lump Sum Sec	Lump Sum Sixth Form	ISR Range	Tapered Lump Sum	Floor Area	External Area	Rateable Value	Building Condition	Fuel Type	Energy Rating	Dis	TOT
Teachers <i>inc t/h and TU reps</i>	56.39	1.70	0.39	0.00	1.02	1.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60.66
Workload agreement	0.97	0.00	0.00	0.00	0.46	0.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.67
Lead & Management	0.28	0.00	0.00	0.00	2.25	0.73	0.00	2.52	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.86
Teaching Assistants	2.16	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.23
Examination Fees	0.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.76
Teaching Resources	4.27	0.00	0.00	0.00	0.02	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.34
Furniture and Equip	1.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.01
Clothing	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08
NNDR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.52	0.00	0.00	0.00	0.00	2.52
Utilities	0.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	2.06	0.00	0.00	0.00	0.00	0.00	0.00	2.55
Building Maintenance	0.42	0.00	0.00	0.00	0.15	0.08	0.00	0.00	0.00	1.37	0.00	0.00	0.00	0.00	0.00	0.00	2.04
Grounds Maintenance	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.43	0.00	0.00	0.00	0.00	0.00	0.44
Cleaning	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.13	0.00	0.00	0.00	0.00	0.00	0.00	2.58
Caretaking	0.00	0.00	0.00	0.00	0.72	0.29	0.00	0.00	0.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.94
SLA's	0.69	0.00	0.00	0.00	0.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.25
School Office	0.57	0.00	0.00	0.00	0.08	0.15	0.00	0.00	1.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.44
Catering	0.13	0.00	0.00	0.63	0.26	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.06
Breakfast	0.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.48
FSM	0.00	0.00	0.00	0.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.95
Split Sites	0.00	0.00	0.00	0.00	0.18	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22
Smaller Schools	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.42
Supply Cover <i>inc mat</i>	1.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.82
Lunchtime	0.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.88
Swim Transport	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.06
Swim Pools <i>inc sess</i>	0.05	0.00	0.00	0.00	0.01	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08
Welsh Medium	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
ICT	0.00	0.00	0.00	0.00	0.06	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07
Technicians	1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.25
Rents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09
Formula Adjustment	0.02	0.00	0.00	0.00	0.15	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.23
Total	73.14	1.70	0.39	1.66	5.94	2.96	0.00	2.52	3.17	5.56	0.43	2.52	0.00	0.00	0.00	0.01	100.00

Annex C - Report from the ADEW finance sub-group

The five LA's involved in the analysis are: Newport, Vale of Glamorgan, Bridgend, Swansea and Ceredigion. The main factors in each LA's funding formulae were considered, including expenditure headings and cost drivers. Whilst inevitably each LA had its own particular nuances, there was significant broad agreement around both headings and drivers.

Three LA's (Vale of Glamorgan, Bridgend and Ceredigion) then provided a more in-depth analysis of their funding formulae, including current values for each expenditure heading and cost driver. Not all expenditure headings are in use in all three LA's and neither are all cost drivers in use in all three LA's. However, the main headings and drivers are common to all three.

This analysis has been shared with the ADEW finance group. There appears to be broad consensus that the analysis is a not unreasonable reflection of how school costs work. No contrary or questioning views have been conveyed.

The ADEW finance working group believes that the work so far broadly meets what has been asked of it at this stage. Should further input be requested from the ADEW finance group, it is anticipated that other LA's would wish to become more involved in data provision and analysis and in influencing the direction of travel.

Not surprisingly, both intuitively and statutorily, pupil numbers is the dominant cost driver at 73%. When adding in other major cost drivers (number of schools, floor area, rateable value, free school meal entitlement) 92% of the delegated budget has been allocated according to these factors. ISR range and tapered lump sum are variations on these themes; adding in these takes the total to 97.5%.

Please note for the purposes of this exercise the term 'cost driver' is used to denote drivers currently in use in funding formulae rather than a direct analysis of actual cost behaviour. Nonetheless, the reason why individual LA's use these drivers in their funding formulae is that they believe them to broadly reflect actual cost behaviour.

LA's undertake formula reviews in different ways and at different times and it is not as a simple as stating a year for any review. It is usually difficult to deliver anything of any significance through a single all-embracing review. Often it is more effective to deliver fundamental changes in a funding formula through a succession of smaller complementary reviews providing a radical cumulative impact over a number of years and therein improving transparency, equity, objectivity and predictability.

Below is an anecdotal comment from one LA:

"Significantly simplifying the number of formula elements over time where such changes (has) resulted in very little change to the overall allocation of funding but removed significant and time consuming additional complexities within the formula which cut against transparency and predictability. In doing so we have sought each year to stress that the funding formula allocates an equitable and objective 'bottom line' budget share for a school but that no single element with the formula is intended to guide or instruct schools as to how much they should spend on any particular area of their school spending plan. We believe that schools are best placed to determine their own local spending priorities within the overall budget share allocated to them."