

Distribution Sub-Group (2018) Paper 07 – Schools' financial benchmarking data investigation

This discussion paper has been written by officials of the Welsh Government. Ministers have not had an opportunity to comment on the contents. Exemplifications of changes are provided simply to inform discussion by DSG members. They are not Welsh Government proposals or statements of Government policy for or against changes.

Summary

1. This paper reviews the development of the education formula in Wales, using the school financial benchmarking data provided by Data Unit Wales, to explore a bottom up determination of cost drivers.
2. The paper investigates the potential, limitations and omissions from the financial benchmarking data currently available to Welsh Government, and assesses how these compare to the previously outlined spending components and the drivers of those spending components, to investigate whether they are still fit for purpose (DSG 2015 - Paper 22).

Views Sought

3. DSG members are asked to:
 - note the progress made on analysing the schools benchmarking data;
 - consider whether the previous drivers are still relevant (Annex A)
 - review whether the project plan (Annex B) is still fit for purpose;
 - consider the practical uses of the data;
 - discuss the limitations of the data;
 - consider the gaps in the data to develop a bottom up approach on the outlined drivers;
 - nominate members to be on the Education sub-group;

Related Papers

4. Distribution Sub Group (2011) - Paper 35a - Education funding model project
5. Distribution Sub Group (2015) - Paper 22 - Education Sub Group update report Nov 15
6. Distribution Sub Group (2016) - Paper 12 - Education Funding Formula
7. Distribution Sub Group (2017) - School financial benchmarking
8. Distribution Sub Group (2018) - Paper 06 - Financial benchmarking data investigation

Background

9. In June 2010, the Distribution Sub Group (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.

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10. The aim of this group was to develop an equitable and transparent formula, driven by education spending components and the drivers of those spending components.
11. The education sub-group currently comprises of WLGA and local government officers and Welsh Government officials.
12. In June 2015, the group came to the initial conclusions on what the sub-drivers were for education spending components (Details can be found in Annex A).
13. In March 2017 pilot work was undertaken, in Wales, to benchmark financial information at a secondary school level. The tool was developed in partnership between local authorities and schools, and collected by Data Unit Wales.
14. Welsh Government officials received the data from the data unit in February 2018 (see annex C for variables) and a subsequent paper was provided, to give an initial overview to the data at the DSG meeting in March 2018 (DSG – Paper 6).

Latest Position

15. The DSG agreed to take this work further, through re-establishing the education sub-group. DSG members are asked to nominate members to sit on the Education sub-group, including a member from Data Unit Wales.
16. The original project plan, derived in 2011 (see Annex B), provides an overview of the tasks that need completing, with the project currently at around point 2.6.
17. The group are asked to discuss the project plan, as it currently stands, and note they are still content to proceed using this as an outline.
18. Updated timings on the project plan will be clarified once the education sub-group have met, and roles within the group have been clarified.

Analysis

19. This section highlights the previously defined spending components and links in relevant fields within the financial benchmarking dataset that relate to the sub drivers. It is likely that different approaches will be required by primary, middle, secondary and special schools, due to different structures.

Spending components

20. Teaching staff

- ✓ This is likely to account for the largest expenditure of a school, accounting for 66.2% of the expenditure in the secondary school financial benchmarking dataset in 2016-17

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(See DSG 2018 - paper 6), this compares to an expenditure share of 50% in the original project.

- ✓ The financial benchmarking data provides more granularity on the breakdown of teaching expenditure by size of the school
- ✗ More information will be required to factor in non-contact management team time.
- ✗ Further work will be required to consider how the financial impact of post-16 teaching, are removed.
- ✗ Currently the number of FTE teachers may not truly reflect teacher contact time. The data currently shows class sizes to be fairly low (16 pupils per FTE teacher)

21. School buildings

- ✓ The financial benchmarking information contains gross expenditure on building maintenance, which could be used in the derivation of the modelling of these components.
- ✓ The size of the school will also factor into the amount spent on building maintenance, which is contained within the benchmarking dataset.
- ✓ Information on the income received from lettings should also be considered when modelling this component, although the internal floor area is captured does this correlate to income received from lettings
- ✗ No geographical information is currently available in the financial benchmarking dataset, to gauge the current sample represents all LAs.
- ✗ The number of buildings in an authority will depend on the number of children in that area, hence does the actual number of schools relate to the demographics?

22. Teaching support

- ✓ The expenditure is broken down in the financial benchmarking dataset, and correlates to the number of pupils in a school.
- ✗ Are there any requirements for the number of students to teaching support based on the number of FSM or SEN pupils?

23. Access and Inclusion

- ✗ Further work is still required to establish what is included under this heading.

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24. School Transport

- ✓ School transport costs will be influenced by the size of the local authority area, the size of the school’s catchment zone and the number of schools in the LA.
- ✗ Currently no financial information is included, at a school level, within the financial benchmarking dataset. This means that we are currently unable to assess the costings between different school sizes.

25. Free school meals

- ✓ The data are available to analyse based on eligibility by school and LA.
- ✗ The high volatility in data would mean that from year to year, this data might have large impact on the distribution.
- ✗ Does this impact the teaching support cost driver?

26. Corporate and Departmental Support

- ✗ Further work is still required to establish what is included under this cost driver.
- ✗ What data are available?

27. Non-Mainstream education

- ✗ Further work is still required to establish what is included under this cost driver.
- ✗ What data are available?

28. Clerical support

- ✗ Further work is still required to establish what is included under this cost driver.
- ✗ What data are available?

29. Schools Improvement Service

- ✗ How does the LGBT Schools money assigned to schools from LA?

30. Youth Service

- ✗ What are the needs for this service?
- ✗ What are funding models for this service – delegated or non-delegated?
- ✗ How are any income data captured from this service?

31. Pre-school provision

- ✗ Further work is still required to establish what is included under this cost driver.

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32. ICT Infrastructure

- ✖ How is the need for improved ICT infrastructure measured objectively and consistently across the different LAs?

33. Other category

- ✖ What other costs drivers are not included above?

Conclusion

- 34. The paper attempts to link the financial benchmarking dataset to the previously defined cost drivers. This financial benchmarking dataset currently provides more granular information on the teaching finance costs, which could be used to develop a bottom up approach.
- 35. Further work will be required by the education sub-group to delve deeper into the outlined cost drivers, and how these are objectively measured to attempt to develop a bottom up approach.
- 36. It is important to consider that the financial data used are constrained by the current pressures and mechanisms of how much funding schools receive, so great caution must be taken when interpreting this data.
- 37. The education sub-group should discuss this information in more detail once it is re-established, to deliberate the potential and limitations of the financial benchmarking dataset and identify any objective measures that can be used to develop the other cost drivers.

Recommendation

- 38. The DSG to nominate members that should sit on the education sub-group.
- 39. The education sub-group reconvenes physically or virtually to discuss the next steps.

Local Government Finance Policy Division

Welsh Government

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Annex A – Cost drivers

Expenditure on:	Expenditure Share:	Drivers:
Teaching Staff	50%	<ul style="list-style-type: none"> • Number of pupils (possibly stepped) • Need to establish which figure to use. • Allow for non-contact time • Need to establish what teaching resource required to cover the curriculum in the secondary sector • Management Team in the Secondary sector needs to be taken into account. • More work needed on Special Education
School Buildings	9%	<ul style="list-style-type: none"> • Need to establish whether there is a maximum distance which pupils should be asked to travel to school • Need to establish whether there is a maximum and minimum size of primary school. • Once this is established – can establish a notional number of schools for an area and the size of those schools. • Need to model the current cost of running varying size of schools to be used in the modelling.
Teaching support	9%	<ul style="list-style-type: none"> • Early years requirement can be modelled on the required 1:8 ratio and Years 1+2 on the 1:15 ratio. • Need to establish what the resource required to carry out the 24 non-teaching tasks and establish what the drivers would be. • Need to establish what the additional needs drivers would be.
Access and Inclusion	6%	<ul style="list-style-type: none"> • Further work required to establish what appears under this heading.
School Transport	5%	<ul style="list-style-type: none"> • Would need to be modelled when the modelled number of schools is known, in accordance with statutory requirements.
Free school meals	3%	<ul style="list-style-type: none"> • Need to understand whether there is a varying cost of production according to size of school. • Can then be modelled according to FSM entitlement.
Corporate and Departmental Support	3%	<ul style="list-style-type: none"> • Further analysis required to establish what costs are included and whether those drivers are fixed or variable.
Non Mainstream education	2%	<ul style="list-style-type: none"> • Further analysis required to determine what is included here and how it translates into spending need – objective or policy driven?
Clerical support	2%	<ul style="list-style-type: none"> • Need to establish the blocks of work undertaken and build up from there according to whether it is variable or fixed.
Schools Improvement Service	2%	<ul style="list-style-type: none"> • Contributions to consortia – but need to examine whether there should be a more needs based driver.
Youth Service	1%	<ul style="list-style-type: none"> • Work needs to be undertaken to determine which cohort we are meant to be giving a service and then examining what are the current drivers of that service.
Pre-school provision	1%	<ul style="list-style-type: none"> • To be considered with schools; teaching and non-teaching resource.
ICT Infrastructure	<1%	<ul style="list-style-type: none"> • Need to establish how these costs vary and why.
Other category	6%	<ul style="list-style-type: none"> • Some items under this heading may belong to some of the headings above. With the remainder, we ought to be able to isolate these costs and determine drivers in terms of pupil numbers school numbers or size or fixed costs.

Outline Project Plan for the review of the Education Formula	Quarter 3 2011	Quarter 4 2011	Quarter 1 2012	Quarter 2 2012	Quarter 3 2012	Quarter 4 2012	Quarter 1 2013

[illegible]

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Annex C – Data fields

Context
Number of FTE pupils
Percentage of pupils eligible for free school meals
Percentage of pupils with SEN
Number of FTE pupils educated in the Special Needs Resource Base (SNRB)
Number of FTE teachers
Number of FTE teaching assistants
Number of FTE support staff
Internal floor area in m ²
Does the school have sixth form provision?
Does the school have a swimming pool?
Income/Expenditure
Gross expenditure on teachers (£)
Gross expenditure on teaching assistants (£)
Gross expenditure on support staff (£)
Gross expenditure on midday supervisors (£)
Gross expenditure on caretakers (£)
Gross expenditure on supply cover (£)
Gross expenditure on gas (£)
Gross expenditure on electricity (£)
Gross expenditure on water (£)
Gross expenditure on supply insurance (£)
Income received from supply insurance compensation (£)
Gross expenditure on building maintenance (£)
Gross expenditure on grounds maintenance (£)
Gross expenditure on cleaning (£)
Gross expenditure on capitation, resources and reprographics (£)
Examination fees paid to examination bodies (£)
Income received from lettings (£)
Balance at year end (£)
Unit Cost
Gross expenditure on teachers per FTE (£)
Gross expenditure on teaching assistants per FTE pupil (£)
Gross expenditure on support staff per FTE pupil (£)
Gross expenditure on midday supervisors per FTE pupil (£)
Gross expenditure on caretakers per m2 internal floor area (£)
Gross expenditure on gas per m2 internal floor area (£)
Gross expenditure on electricity per m2 internal floor area (£)
Gross expenditure on water per FTE pupil (£)
Gross expenditure on supply insurance per FTE pupil (£)
Gross expenditure on building maintenance per m2 internal floor area (£)
Gross expenditure on cleaning per m2 internal floor area (£)
Gross expenditure on capitation, resources and reprographics per FTE pupil (£)
Balance at year end as a percentage of the school budget (%)