

Council: 20 February 2018

Local Expenditure on Education Compared to the Standard Spending Assessment

The Standard Spending Assessment (SSA) is a notional formula for a local authority to distribute its funding across the range of services it provides according to local need. The SSA is notional, is not meant to be a set of inflexible targets imposed by Government, and no local authority will have a spending pattern which matches it exactly. The SSA is regarded by many as being incomplete in the services it covers and dated in its assumptions. A fundamental review is overdue.

The Local Government Funding Formula is the method by which the available funding quantum for local government, set by Welsh Government in its budget, is distributed across the family of 22 local authorities. It is driven by population, sparsity and deprivation indices.

Flintshire has long contested two fundamental points about the local government funding. First that the quantum or total amount of money made available for distribution to meet need across Wales is inadequate and second, that the Funding Formula, the method of distribution, is unfair with Flintshire being one of the lowest funded councils per capita in Wales. A full scale review of the Funding Formula is also long overdue.

The SSA is made up of a number of Indicator Based Budget (IBA) expenditure headings across services. Grouped together, the IBA headings for education show that spend in Flintshire is £3.071m (2.79%) below the SSA notional guideline. There are seven authorities in Wales whose actual spend on education is below the SSA notional guideline. This equates to a third of the local authorities in Wales.

Flintshire's total annual expenditure on education is in the region of £107m. Flintshire's ability to spend more on education services is limited by its low funded position. However, over the last five years Flintshire has maintained a position of an annual increase in schools funding – 2017/18 £1.201m (1.39%), 2016/17 £0.869m (1.06%), 2015/16 £0.478 (0.61%), 2014/15 £0.390m (0.49%), and 2013/14 £1.021m (1.31%). In addition to this general inflationary uplift a significant amount of funding (£1.3m) was given to school budgets to protect schools from the additional costs arising from the Single Status Agreement. Flintshire has also sought to protect school budgets by delegating more and more funding from the Council to schools themselves. Our level of delegation of budgets, at 86.3% of total education spend, is higher than the Welsh average of 84.2%.

The protection for funding of schools has been cross-subsidised by major budget reductions in all other Council Fund services (with the exception of commissioned Social Care Services) over the past three years of between 30% and 45%. The core of the local education authority budget has also been reduced by 30% during this period. Other services have taken the strain to protect schools budgets and Social Care during a period of year on year reductions in Government grant support

As the SSA is only notional, and a guide, it is not a question of other services drawing off money that is meant for education and for schools. It is a question of how the Council tries to balance its limited funding over a wide range of services, many of which are demand-led and can be subject to significant variation.

An example of a demand-led mandatory services where the Council spends over its notional SSA guidelines is Social Services where the expenditure on Older Adults Residential and Domiciliary Care is £3.323m over SSA and Younger Adults Personal Social Services expenditure is £4.912m over SSA.

An example of an unsustainable funding model where the Council has to cross-subsidise another public sector partner through its own resources is the levy contribution system for the Fire and Rescue Services where we contribute over the notional SSA threshold amount by £0.846m.

Although the overall expenditure on education is below the notional SSA, there are individual budget headings within education where expenditure is over and above the notional SSA threshold. One example of this is Transport Services for Secondary Schools. Flintshire spends £1.559m over and above a guideline figure of £3.594m. School transport costs and income is being recommended for review and reform as part of the first stage budget planning process for 2019/20.

Education remains a top priority for Flintshire as set out in the Council Plan and the Council can clearly demonstrate that it has prioritised education and schools budgets over all other services alongside social care through a long period of austerity. However, a small positive % adjustment to the schools budgets is a large cost to the Council as education is our biggest single spending service.

Despite many years of austerity, Flintshire continues to be a high performing education authority with performance matching or exceeding national targets in three of the four schools phases – Foundation Phase, Key Stage 2 and Key Stage 3. Key Stage 4 performance is improving steadily and remains a priority.

The Council shares the concerns of the schools community for the future sustainability of education funding in Wales and has been very open with school leaders about the risks posed by a potential ‘cash flat’ settlement in Flintshire. The Council has publicly called for education services to be given national priority for additional funding in the short term and also for the education system to be funded properly going forward.

Without either a shift at a national level, or some supplementary funding for schools in Flintshire as being campaigned for by our Head Teachers, teaching and parental communities, the Council’s local options to help manage an impending funding crisis are very limited.

Spending on GWE

GwE, the regional school improvement consortium for North Wales was set up at the direction of Welsh Government alongside three other consortia in the other regions of around Wales. Flintshire is required to be a member of this consortium.

The total costs of school improvement services across the region were reduced substantially by the creation of a single service – this was a significant cost benefit of the business model of a regional consortium. The annual financial contributions required of each constituent authority are proportionate to their size with Flintshire being the largest of the six constituent authorities. The financial contributions are regulated by a binding Inter-Authority Agreement and can only be changed through collective agreement. Flintshire pressed the case for a manageable reduction in gross contributions and a review of the future contributions will be completed by the mid-point of the new financial year for reporting for the 2019/20 budget-setting process.

Like schools, GwE is subject to Estyn inspections to monitor its effectiveness. The most recent report from October 2017 outlines the progress it has made since its original inspection in April 2016, and acknowledges the impact the service is having in supporting schools to improve outcomes for learners and overall performance in the region. This is reflected in Flintshire’s positive performance against national benchmarks (referenced above).

Use of Reserves and Balances

The position on the holding and the use of reserves and balances is explained in the main report on today's agenda 'Council Fund Budget 2018/19 – Third and Closing Stage'. Our guests are welcome to stay to observe the discussion on the potential to draw on reserves to help balance the budget as a short-term solution.

Council Building Assets

The Council has a programme to reduce its civic and office building estate to both reduce annual operational costs and to generate capital receipts to subsidise its capital programme. As part of the programme, six operational depots have been rationalised into one 'super' depot at Alltami and the former Civic Offices, Connah's Quay, were vacated and demolished some time ago. Phases 3 and 4 of County Hall, Mold have been vacated and are planned to be demolished later this year. A one-off revenue saving from a reduced County Hall of £300,000 has already been adopted for the 2018/19 budget at Stage 2 of the budget setting process.

There are limits on how capital receipts gained from the sale of land and assets can be used to cross-subsidise revenue costs as these can only be spent once. Therefore, it is not a sustainable approach to budget planning to use capital receipts to subsidise ongoing costs.

Council Tax Income

Welsh Government have confirmed that councils have the local flexibility to set Council Tax levels at their discretion and that the previous advisory cap preventing an annual increase above 5% will not be applied through any form of intervention, should any Council choose to set their annual Council Tax above it. Councils are expected to act reasonably and be mindful of the burdens placed upon local taxpayers in setting Council Tax. Raising Council Tax to fund schools and other mandatory education services would be legitimate. Council Tax is explained in the main report on today's agenda 'Council Fund Budget 2018/19 – Third and Closing Stage'. Our guests are welcome to stay to observe the discussion

Section 106 Agreements

Over the past 10 years the contributions from developers have been:

Primary schools £1,623,424. Contributions spent to date £641,199

Secondary schools £571,995. Contributions spent to date £155,689

Contributions have been spread across the County and spent in line with the respective governing documents and legal agreements. Contributions can be held for a period of 10 years in order to allow the Council to programme work and fund any additional contributions needed in line with the Capital Programme.

Statutory Hours of Education

Councils are required to provide the following hours of statutory education per week:

Ages 5-7: 21 hours

Ages 8-11: 23.5 hours

Ages 12-16: 25 hours

We understand that the minimum hours for pre-school are under review within Welsh Government. The statutory minimum is 10 hours per week for early funded education e.g. 3 year olds prior to nursery. Some councils offer more than this for nursery education in a school based setting.