



Implementation of Recommendations on School Funding – Follow Up Report

February 2008



WLGA • CLILC

Purpose

1. The purpose of this report is to provide written evidence in response to the National Assembly for Wales Enterprise and Learning Committee's call for evidence from key stakeholders on the implementation of the recommendations of the former Committee on School Funding published in June 2006. The Association has been invited to provide written evidence to the Committee and welcomes the opportunity of contributing to this review and stakeholder consultation.
2. This response will provide some background information about the Association's views on school funding and set the policy context in which this debate is taking place, before dealing specifically with the questions raised by the Committee.

Background

3. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, the three national park authorities, the three fire and rescue authorities and the four police authorities are associate members.
4. The Association seeks to represent and promote the interests of local government wherever and whenever possible and seeks to ensure that local governments participates in the policy making process in a way which reflects the priorities of elected members and the communities they serve.

Policy Context

5. Local authorities play a key role in determining local priorities for education within the context of national strategy set by the Welsh Assembly Government. The golden thread that runs through everything that local authority education services do is the obligation to focus on school improvement and raising standards. This obligation is based on statutory responsibilities but is delivered through local authorities' role as community leaders working in partnership with key stakeholders and the education community as a whole. More recently this has been expressed on a national level through the emerging School Effectiveness Framework and the development of tri-level working. At its simplest, tri-level reform is about the alignment of policy within schools, local government and the Assembly Government so as to deliver the best outcomes for learners in Wales. For many within the education community this represents a reassertion of the tried and tested approaches to best practice. There is, however, a growing body of international research that shows that educational reform is most effective when cooperation and coordination on policy development and implementation occurs at national, regional and local level.
6. This approach on the part of local government is rooted within the wider setting of local communities, where local authorities provide strategic leadership and form holistic plans for the development of vibrant and sustainable communities, which embrace education and lifelong learning in the fullest sense. This reflects a

recognition that outcomes in education do not just rely on schools, institutions and other providers but that a range of related factors also have a significant bearing on outcomes. These include socio-economic circumstances such as housing, health, poverty and family circumstances. Within this context, local government fully embraces the duty placed on it by the Children Act 2004 to work with statutory partners as well as parents, the local community and voluntary organisations to improve outcomes for children and young people.

The Funding Process

7. In its written submission to the National Assembly's Committee on School Funding in November 2005, the WLGA asserted its commitment to the current funding arrangements for schools and provided considerable evidence of the effectiveness and achievement of this arrangement. It is not the intention here to revisit that evidence or to revisit the arguments put forward at the time as these are a matter of public record and the submission, and the evidence upon which it was based, are readily available.
8. It is useful however to consider how things have developed since 2005 and the progress that has been made. The public debate on how schools are funded has continued and the WLGA has contributed constructively and positively to that debate. Throughout, the WLGA has confirmed its commitment to the current arrangement for funding schools, in documents such as *Leading Reform in Local Services: A Manifesto for Welsh Local Government 2005-2008*; *Local Government Shopping List – National Assembly for Wales Elections: May 2007* and most recently in *Let Government Commence: The Political Service Challenges for the Assembly Third Term*. At the same time, the Association has recognised the need to avoid complacency and the need to strive for improvement in the existing processes and to improve understanding as well as levels of clarity, transparency and information provision.
9. The WLGA welcomed the publication of the Committee's final report and recognised its important contribution to the debate on school funding. The Association looked very seriously at the report's 27 recommendations, especially those aimed at local government, and the Association's Education Spokesperson, Cllr John Davies, gave a commitment to work with the Committee and the Assembly Government in considering how the Recommendations might be taken forward. When the Minister for Education, Lifelong Learning and Skills, Jane Davidson AM, made a written Statement in response to the Committee's findings on 11 July and a fuller response on 19 September 2006, the Association responded by making a commitment to work with the Assembly Government in advancing this work. The WLGA has engaged with other stakeholders, most notably the Association of Directors of Education in Wales (ADEW) and responded very positively to the School Funding Committee's Final Report and to the Assembly Government's response to that report.

10. The Association gave a similar commitment in relation to the Wales Audit Office's *School Funding Analysis*. The WAO report was very supportive in general of the way in which local authorities funded their schools and recognised that where there were differences in funding levels within or between authorities they were "not unreasonable". At the same time, the report suggested that the basis for these funding decisions were not always understood – a theme developed further in the work of the Committee on School Funding. The WLGA together with ADEW have been working on how financial reporting could be tailored in such a way as to provide greater clarity for all stakeholders and explored the development of a standard report that would be common across all authorities in Wales.
11. Work on several of the recommendations was already underway through the Partnership Council's Consultative Forum on Finance (CFF) and the Distribution Sub-Group (DSG). This included a review of deprivation and sparsity factors, and their weightings, in the SSA formula, and consideration of the value of free school meals as a proxy for deprivation. Discussion had also started on 3-year budgets for local government, a prerequisite of 3-year budgets for schools, and as a result the first 3-year settlement was announced in January for the period 2008-09 through to 2010/11. It is inevitable that with such a large proportion of local authorities' funding coming directly from the Assembly Government (80%), local authorities' ability to provide 3-year budgets for schools will largely depend on the success of 3-year settlements. While the settlements for 2009/10 and 2010/11 are still indicative, and the quantum may not be what we may have wished for, the introduction of 3-year settlements will provide local authorities with a degree of greater predictability which will assist in the development of 3-year budgets for schools.
12. There were some areas of disagreement between the WLGA and the Committee on School Funding and the way in which local government is funded. For these reasons, the WLGA was unable to accept the Committee's Recommendation on the use of education Indicator Based Assessment (IBAs) as a target for education spending.
13. The Association recognise that the SSA formula is not without its problems but that these are reduced because it is not hypothecated. In its previous evidence to the Committee on School Funding, the WLGA argued that the "SSA is the best mechanism we have to measure relative need and thus distribute the Rate Support Grant." The Association also argued that IBAs were not spending targets for individual services but rather mechanisms for enabling the Assembly Government to determine the most appropriate level of relative spending between authorities - a distribution mechanism rather than a spending target. The key issue here is that the Education IBA, or any other service IBA is a measure of **relative** need not absolute need – it is a way of sharing a limited pot of funding between authorities in as fair a way as possible. If the amount of funding in the pot is not enough then each authority's IBA will also not be enough.

14. This principle has been upheld repeatedly by the Distribution Sub-Group Report 2007 and was restated recently at the last meeting of the Consultative Forum on Finance. The DSG Report states that:

“During the course of discussions, members of the group thought that it was important to reassert one of the underlying principles of the current system of local government finance in Wales. This recognises the unhypothecated nature of core funding that allows for unfettered local decision making. Therefore the SSA sectors or service-level IBAs are not intended for use in determining individual authorities’ budgeted expenditure on individual services nor as targets for spend. This aspect of flexibility clearly resonates with some of the recommendations of the recent Lyons’ Inquiry into Local Government.

Any deviation from this principle requires a different approach by DSG to its remit.”

15. The DSG process has also considered the Committee’s recommendation on the local government distribution formula and the proposed shift away from the current SSA formula towards a system based on an assessment of current and future needs.

The Bramley Report

16. In September 2006 the Assembly Government responded to the School Funding Committee report by commissioning a study of school funding in Wales. The study was to be carried out by Professor Glen Bramley of Heriot-Watt University.
17. The current approach to school funding is based on an analysis of past spend on schools. A statistical technique called regression analysis is used to determine what factors cause differences in spend: for example pupil numbers and deprivation. A formula can then be produced that gives so much for a pupil, so much for a pupil on free meals, and so on.
18. This approach is relatively easy to understand. But it is often criticised for locking in historical patterns of spending. For example, some argue that because councils in particular circumstances have historically been unable to fund schools adequately, this condition is locked into their future allocations. Furthermore, historically-based funding may fail to reflect current policy.
19. The Bramley report takes a different approach to measuring need, looking at outputs: pupil attainment. Bramley has attempted to discover a relationship between pupil attainment and costs. To do this, he looked at a range of factors such as SEN, poverty and school size.
20. Bramley used largely desktop techniques to undertake the work, and the report is one of heroic complexity. There was little consultation or other involvement of stakeholders. For this and other reasons, the methodology of the work, and the rigor of its application, has been called into question.

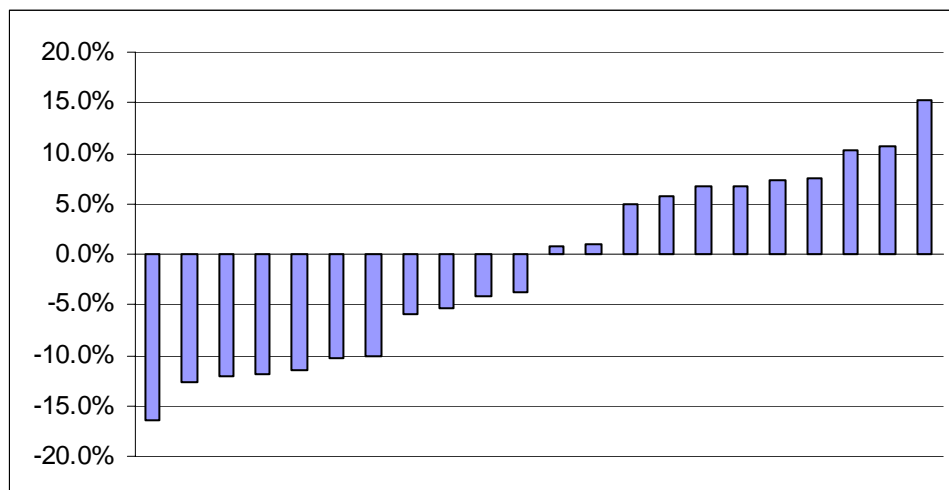
21. The findings were:

- the biggest single influence on educational achievement was related to individual pupils' circumstances
- of these, SEN and poverty had the biggest impact
- Free School Meals is the best indicator of poverty
- prior attainment is significant for secondary schools
- pupils achieve higher in larger schools

22. Taking these findings, Bramley has developed three broad funding models, which would adjust funding to achieve the following:

- a set of minimum standards for pupil achievement, giving extra funding to councils with the poorest performing schools
- a "convergence approach" which would close the gap between the top and the bottom of the attainment table
- a social disadvantage approach, taking account of poverty and perhaps SEN

23. Bramley has done some illustrations of the financial impact of adopting such approaches. His analysis shows a clear pattern to movements in funding, with authorities in the north and in rural areas losing out and those in urban areas and the valleys gaining. The extent of change is stark. Looking at the convergence approach, it is up to 15% of education SSA either way (see chart below). The other approaches show similar results.



24. Clearly, we need considerably more explanation and debate before accepting anything like this. When this work was considered within DSG, while it was recognised that there were many interesting and innovative aspects to the work, it failed to gain the Group's support and was the subject of severe reservation, not only in terms of the complexity of the report or the redistributive effects of the findings, but also with regard to the basis of the methodology and assumptions. The

WLGA is working with the Assembly Government, through the DSG process, to examine the findings further and to consider alternative models of distribution for Education funding in Wales.

25. Bramley's focus on attainment and the link made between deprivation and attainment are recognised within local government and the wider education community but the interventions proposed by Bramley to address these problems are less compelling. The WLGA has argued consistently that the debate on education funding needs to take more account of outcomes and the link between funding and outcomes. The WLGA's own work, in partnership with WAG, on the *Narrowing the Gap* project and the recent work of the Joseph Rowntree Foundation, in Wales and the rest of the UK, emphasises this imperative.
26. However, the discussion above is simply about sharing the same pot of money around Wales differently. It is highly unlikely that this in itself will achieve the required results. During the recent debate over the local government settlement for 2008-09, the Association has argued for more funding for schools in Wales, because of the link between deprivation and attainment. Given the relative weakness of the economy in Wales compared with other parts of the UK, it is argued that per pupil spending in Wales should be greater than that in the rest of the UK but that is not the case. The gap between per pupil spending in Wales and England is continuing to grow. At the same time, the publication of the recent Programme for International Student Assessment (PISA) study showed that attainment levels in Wales are falling behind those of international competitors. The WLGA's view is that we need to focus on increasing the resources going in to education and schools and making sure that they are used effectively to improve outcomes for learners rather than getting distracted by the minutiae of marginally different funding formulae.

Access To Information Including the Provision of Information on the web

27. Local government has always recognised the importance of clarity, transparency and improved levels of understanding at both a local and national level. The WLGA and the Association of Directors of Education in Wales (ADEW) has worked closely with WAG in addressing these issues. This has included providing better information to school budget fora on funding decisions; working towards consistent financial reporting; examining alternative media for providing information to schools on the funding process and funding streams and detailed work on 3-year budgets for schools. The Association has also discussed the provision of information on the web and would welcome the opportunity of examining the development of such resources with the Assembly Government, ADEW and all other interested stakeholders.

Additional Funding

28. The Association believes that there are too many specific grants within education and that a more streamlined and coherent approach is needed to the use of specific grants. The WLGA recognises that there is a place for specific grants, where a new

initiative is being developed and needs time to be embedded, and there is a protocol agreed between the Assembly Government and the WLGA that outlines how and when such funding should eventually migrate into the RSG. At present however, the Association believes that there are too many grants, in particular, too many small grants; that they place unnecessary additional administrative burdens on local authorities and schools; that lead in and exit timescales need to be managed more effectively and that distributions issues need to be discussed at a much earlier stage in the process.

Investment in School Buildings

29. Funding for school buildings improvement, and for the building of new schools, comes from a variety of sources. The Schools Buildings Improvement Grant (SBIG) made available approximately £75 million per year over its lifespan, which ends in 2009/10. That funding allowed for each local authority to access a one off sum of £9 million, regardless of the size or needs of the authority, with the remainder of the funding being allocated each year to local authorities on a formula basis. In addition to this funding, the Welsh Assembly Government made it clear to local authorities that they would have to allocate a substantial proportion of their general capital allocation. Local authorities can also access funding from capital receipts, prudential borrowing and from the section 106 process (which allows funding for schools to be drawn following local housing development.)
30. The PricewaterhouseCoopers report commissioned by the WLGA demonstrated that there is a significant funding gap between the funds that local authorities can raise, via all these channels, and the amount of money it would take to ensure that all schools in Wales were fit for purpose. The gap in funding was estimated to be £1.6 billion.
31. This picture is further complicated by the close link between the issue of planning school places and capital investment. Capital investment cannot be effectively targeted at a local authority level, unless a clear school organisation plan is in place. The plan has to take into account the fall in the number of pupils in Wales, shifts in population and predicted future need.
32. This link, and the complex processes that are involved in planning school places, have not always been fully recognised by the Welsh Assembly Government. An example of this being the allocation of the formula element of the SBIG last year that was changed and the notification of this change was delayed. This caused significant problems for some local authorities who had already put plans in place to allocate the funding.
33. The large amounts of money needed and the variety of ways in which local authorities can access funding does make capital investment complex. Increased support from the Welsh Assembly Government for local authorities on how to access and maximise the available funding could make the process clearer.

34. Future funding for school buildings is now being discussed within the Welsh Assembly Government. The One Wales document promised the continuation of the level of funding that has been available through the SBIG; how this funding is to be allocated between local authorities is still being decided. The WLGA and local authorities need to be fully involved in that decision. In addition to this, the Strategic Capital Investment Board will also be a potential source of funding for school buildings, but details on who will make up this Board and how it will operate are still unavailable. Accessing this funding in a transparent and appropriate way would further ensure that the momentum that is gathering in local authorities to improve school buildings is maintained.

School Budget Fora

35. Local authorities work very closely with school budget fora and, although arrangements in relation to these fora vary between authorities, there is a considerable degree of consensus over their value. Local authorities value the contribution they make to the school funding debate and the way in which they contribute to the decision making process. It is recognised that decisions about school funding need to be discussed and understood within such stakeholder fora and the voices of the education community, including those of children and young people, need to be heard.

Conclusion

36. Local government is committed to providing the highest standards in education service provision for all children and young people so as to enable them to fulfil their potential and contribute to wider society and to create healthy, safe, sustainable and vibrant communities. In order to achieve these aims, they need to make the best use of the resources available to them and, while recognising that resources are finite, they also have a duty and responsibility to argue for additional resources wherever and whenever appropriate. While the Association recognises that the current arrangement for funding schools is sometimes confusing and on occasion imperfect, it believes firmly that it is better than the alternatives and that it is the best way of delivering better outcomes for children and young people in Wales.

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