

# Inquiry into School Funding: Roundtable Event – 16 January 2019

## Summary of discussions

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### Background

On 16 January 2019 the Children, Young People and Education Committee held a roundtable event to inform its inquiry into School Funding. The purpose of the roundtable discussion was to enable Members to gather the views and experiences on the sufficiency of school funding in Wales and the way school budgets are determined and allocated.

The main purpose of the session was to help enable the Committee to:

- discuss and explore the way in which local authorities allocate resources to education and subsequently how they apportion these between the LEA budget, the centrally retained Schools budget and the Individual Schools Budget.
- gain an understanding of the process and formulae used by local authorities to distribute the Individual Schools Budget amongst individual schools; including the factors that are taken into account
- ascertain what oversight the Welsh Government has over these processes.
- gather views from local authorities and school leaders on the formula used for the Local Government Settlement and the weighting given to school budgets.
- gather views from local authorities and school leaders on the relationship and balance between schools' core budgets and hypothecated funding.



Discussions were themed around key areas. This document is a summary of the key points raised. It is not intended to provide a comprehensive list of all comments and anonymity of participants is maintained. It does not necessarily reflect collective agreement on all the issues raised.

## Theme 1: Sufficiency of school funding

There was wide agreement that funding for schools was not sufficient. It was also clear that funding difficulties were increasing – some identified a real terms decrease in budgets when inflation and rising costs were taken into account.

Delegates highlighted that one important question to answer is ‘does anyone really know what is required to run a school in the 21st Century?’. Without knowing what a school needs, it is not possible to say whether budgets are sufficient.

Some delegates stated that higher cost pressures were a significant issue – so even if budgets stay flat or rise slightly, schools are having to do more and more within their budgets.

On this same point, it was suggested that funding levels per pupil seem to be the same as in 2006 – but the demand on schools is much greater, so current funding levels inhibits delivery of Welsh Government policy objectives. Some delegates said that rising pupil numbers were the only reason some schools were able to balance the budget.

Some delegates suggested that the additional ‘middle tier’ organisations such as Regional Consortia are taking resources away from front line education.

Local Authority representatives said that school budget projections are often false, and are simply a line in the sand. Having a one year budget cycle does not help with this, and some local authorities would prefer medium term budget allocations. While three year budgets was mentioned as being preferential, budget uncertainties may not make this possible.

### Variations in school budgets

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Concerns were raised that there are variations across local authorities in relation to their allocations to schools. It was however also noted that there are also variations on budget allocations to schools even within the same local authority area.

However, on the same point, one local authority asked why funding for schools should be the same, stating that while it needed to be different as all schools have different needs, there should be a basic level of funding per pupil that is consistent for all schools.

The variation in budget priorities can also have an impact on some schools – including on the sufficiency of its budget. An example provided was that some schools in older buildings have greater levels of need for building maintenance but this increased need is not reflected in funding.

### Impact of reforms

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There was widespread concern relating to the impact of reforms on school funding. Many stakeholders believed that it would not be possible to meet the demands of the reforms / changes within current budget constraints.

Schools said that they are currently facing a period of huge reform and change. Over the last decade there has been continuous change – there has been no ‘stable or constant’ period. It is hard to measure current requirements against what has gone before.

Some consistent messages were received that there are ever increasing demands on schools such as the requirements from the ALN Act, curriculum reform, increases to teacher pension costs, etc. Nobody knows what the costs of these will be – although they can try and forecast.

### Use of reserves

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A clear picture emerged across all groups that primary schools (and to some degree special schools) retain their reserves rather than secondary schools. Some primary schools were sitting on large reserves.

It was suggested the data capture is quite an arbitrary measure. A single point in the year – does not account for how schools might be using their reserves for specific purposes at other times in the year. Often the reserves are earmarked for certain purposes.

Some stakeholders said that Welsh Government are right to say that there should be a set level of reserves and anything held over that limit should be returned. However, some head teachers have been told to hold on to funding in reserve because it was uncertain what would be happening the following financial year.

Holding onto reserves can be seen as prudent budgeting and thinking longer term.

It was suggested that one problem with judging the appropriate level of reserves is not being able to project more than one year ahead. It is difficult for schools to know whether they need to keep hold of them for worse times ahead. It is also difficult for local authorities to judge whether they should direct a school to spend or claw money back as they do not know how difficult it is going to be around the corner.

Another issue raised was that Welsh Government frequently release funding to local authorities in the final weeks / days of a financial year. It would be impossible in those circumstances to spend, therefore it would inevitably fall into reserves.

## **Theme 2: Local authorities' allocations of resources to education**

Delegates agreed that each 22 authorities have different priorities and statutory obligations. There appears to be a postcode lottery in Wales – in that each local authority has its own problems and funding issues across its budgets (e.g. social services), meaning less money in their pot for education.

It was suggested that the levels of funding that local authorities receive remains the fundamental issue. If local authorities do not receive sufficient funding, then they cannot pass that on to schools.

It was also stated that a lot of the preventative spend in the Welsh Government budget goes on health – this overlooks the inherently preventative nature of education expenditure.

### **Protecting school budgets**

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A number of local authorities said their policy has been to protect school budgets but it was mentioned that this has come at the expense of other non-statutory services, such as inclusion work and youth work, which then increases costs further down the line for statutory services.

Some delegates reported that while there had been some protection for schools, if there was full protection of budgets the level of funding needed would decimate public services.

One local authority said that it delegates as much as possible to schools in the ISB but this has meant shifting some services/activities from the central budgets to

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the ISB. However, a different local authority stated that it provides a lot of services centrally.

## IBAs

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Some local authorities said that they spent above the IBA. It was raised as a concern that if spending is already above the IBAs, but schools are saying that they still need more, then this is an indication that the IBA levels are too low. Does this indicate that Welsh Government think that schools can be run more effectively?

The delegation of funding from local authorities brings with it the delegation of responsibility. It may not be appropriate on those grounds to delegate very high levels of funding.

Some delegates queried why Ministers do not question local authorities about the levels of funding that is delegated, believing that this should be the case.

## Regional working

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It was suggested by some delegates that regional working in relation to funding has not worked at all. There is a lack of clarity and an inability to scrutinise funding centrally retained by the consortia. There is a need to bid for some funds from the consortia and this can be a lengthy process. All consortia seem to operate differently.

There were also views from some stakeholders that there needs to be more cross-border working. The education responsibilities of the county as opposed to the region were not clear – and stakeholders thought delivering over a region is much harder.

One view was expressed that the system was too political locally. Advisors seem to complain about schools and compare – and perhaps an education board was needed rather than a county council.

## Welsh language

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One school said that Welsh language provision is a particular problem. That school stated that it receives funding each year from the county for recruitment of Welsh Language teachers and creating / translating Welsh resources and providing services to the primary school. But there is no certainty of this money and it has been ended by another county.

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### Theme 3: Setting of schools' individual budgets

Many delegates raised the same question – should there be a national school funding formula, or at least a consistent framework?

There was general agreement that it was difficult, if not impossible, to analyse the funding formulae across local authorities – especially given their complexity. It is difficult to benchmark, and compare formulae between authorities as every authority does it differently. There is no transparency.

Some delegates said that while the formula is very difficult there is no point blaming the formula when there is not enough money in the budget to make it fair in the first place.

There was some agreement that there needs to be greater consistency across local authorities – and the use of set criteria. The main indicators seem to be right (i.e. sparsity / deprivation) but it is the indicators used within local authorities that are difficult to understand or map. It was also noted that data on sparsity is out of date and could result in funding at an inappropriate level in some local authorities (apparently based on 1990 census).

It was suggested that as local authorities are so different, it would not be possible to come up with a single national formula, as there would be too many 'winners and losers'. The experience of England in this regard would also caution against it. However, there was general agreement that inconsistencies and anomalies need to be ironed out and addressed.

However, there were some views expressed that while it would not be possible to move to a national funding formula there was a halfway house that could be feasible. That being: first have a funding level per pupil in Wales that must be nationally applied. Then look at the additional funding based on specific criteria. There must be a basic building block to the overall funding formula.

There are implications from the local government formula and schools formula. A lot is driven by pupil numbers but this may not be the best measure of the costs of providing education. One local authority suggested that the formula needs to account for other factors – including the number of schools an authority has.

## Sixth form provision

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It was suggested by some local authorities that the viability of sixth forms was becoming more of an issue. The methodology of funding them has changed a lot over the years, and is based on estimates not on real numbers. There is a bigger problem for smaller sixth forms. There is also some cross-subsidy between Years 7-11 and sixth forms, so the formula appears to be propping up sixth form funding.

## Transparency

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The transparency of the process of how local authorities allocate / delegate budgets was seen as inconsistent across Wales. It was questioned that if local authorities only delegate 80% of funding, there is no transparency about what happens to the remaining 20%.

Some local authority delegates said that whilst arrangements might seem transparent to those working within local authorities, from the outside it is not always easy to access information – including the Section 52 budget statements.

A lack of transparency was also questioned in the way local authorities allocate or distribute additional monies they receive from Welsh Government. E.g. recent allocations to fund increases in teachers' pay. Some have used this for the specific purpose while others have not.

One local authority said that it had set up a working group to discuss budget cuts with schools in order to increase transparency. Another local authority said it has been transparent over the shift from central services to delegated school budgets.

There was general agreement that school budget fora work well, but there was concern about whether/how information cascades from the forum to other headteachers.

## Theme 4: Schools' use of their delegated budgets

There was general agreement that the main consideration for school leadership teams when setting budgets is staffing – how to cover staff costs and balance the budget. Whatever is left goes on other things.

In setting the school budget, some schools said they first look at staffing for curriculum delivery and examinations and then other things such as maintenance.

Schools and local authorities reported that to meet budget needs, staff cuts were seen as the first option. It was also suggested that higher levels of schools in deficit will lead to the loss of experienced teachers as schools try and make salary cuts.

However some schools reported that redundancies generally start with support staff rather than teachers. There is increased pressure on teachers and a negative effect on morale. Due to the level of redundancies, the senior leadership in some schools team has to take on extra responsibilities.

Some schools stated that they feel the need to scrutinise every budget line and consider whether there would be better value for money in opting out of service level agreements with the local authority. For some services, such as legal advice, it is difficult to see how a school would access the same quality of information at a lower cost. Securing efficiency savings is the role of the business manager, but not all schools have this capacity.

Teacher development is a key part of curriculum reform, and teachers will need to understand different pedagogical principles. Funding is not adequate for all teachers to prepare for this. Funding for teachers' professional development should be part of a school's core budget. Funding will not allow for teachers to undertake action research. There is no funding for supply cover to allow teachers to undertake training to improve bilingualism.

### Pupil support services

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Meeting the increasing needs of pupils and emotional and behavioural issues within the budgets was seen as a major challenge. The level of mental health and emotional needs have gone up. Teachers having to pick up lots of issues that they never used to. It is a paradox that there is so much more awareness of these issues but less capacity to deal with it. However, without such issues being addressed, cannot really teach anyway so they have to be dealt with.

One local authority said that it had centralised pupil support services. A secondary school within that local authority has merged PDG, ALN and EMH interventions and funding as there is such a crossover.

It was reported that there are lots of hidden costs in schools – for example, accommodating pupils for exams. Some pupils with EMH needs cannot cope with being a large examination hall so have to sit their exams in the library – this creates extra invigilation costs as well as losing the library resource.



## Services no longer offered

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One local authority said that it was facing growing pressure to enable pupils to have the 'life enriching' experiences that fall outside of the core subjects.

Schools are prioritising funding on those areas that are statutory or 'looked at' (inspected) such as maths and English and digital competence. Routine repair and maintenance does not get done as maintenance funding goes towards staffing costs.

Due to budget constraints, some schools said that some services had to be stopped, and they were unable to offer any enrichment activities (such as outdoor pursuits) which will be needed as the new curriculum comes into force, especially for deprived pupils. Schools cited some examples of services that have had to stop. These included:

- Music education
- Homework clubs
- Mentoring
- Events, theatre visits etc.
- Joint teacher planning and co-ordination.
- Can no longer authorise discretionary family/special/compassionate leave as cannot afford to cover teacher absence
- Leadership team thinned out.

## Supplementing core budgets

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A number of delegates said that schools were having to raise their own money to supplement core budgets.

Other schools said they have tried to find ways of increasing their own income, such as utilising the Childcare Offer, but every opportunity for additional income means extra work for staff.

## Theme 5: Relationship between core budgets and ring-fenced grants.

There was a clear message from schools that they are dependent on supplementary grants. While these may sound like an added extra, they are in fact propping up service levels.

Some delegates welcomed the reduction in grants and a more streamlined and simplified system. However, it was suggested that there are still too many grants. If Welsh Government trusts local authorities, it should put funding in budgets up front and allow local authorities to get on with the job of allocating.

Schools welcome an element of hypothecation – schools would not get as much funding if the PDG and EIG were instead in the RSG. However, local authorities want to see as much of education funding in the RSG as possible.

It was suggested that if too much funding is given through hypothecated grants direct to schools, and the local authority is not sufficiently involved, then the local authority can detach themselves from the priority and it would not be reflected in their strategic programme.

It was agreed that targeted funding is more effective if used flexibly. It is inevitable that it is used to supplement/subsidise the core budget. Much of what it funds and the roles of individuals it funds are integrated. It is not always possible to demarcate it – eg. PDG being used towards a nurture group that delivers for other pupils and is partly funded by other things. This does not mean it is being used inappropriately – it is pragmatic and efficient use of the funding.

The Education Improvement Grant (EIG) was raised as an example of where pooling grants can result in an overall reduction in funding. It was also stated that levels of EIG funding were reportedly going down each year.

Some delegates considered that eFSM was a bad indicator of deprivation but was used as one of the main indicators in terms of school funding. Housing Benefit was proposed as something that might be a better indicator of deprivation and it was generally accepted that the deprivation measure needed to change.

A number of delegates stated that grants come through from local authorities and consortia too late to be effective – if they are received late in the financial year it is difficult to spend them effectively, or for what they are meant for.

The general view of local authorities is that the consortia are an additional step in distributing the money. The administration of the grants is quite resource intensive. It was also suggested that the role of the consortia is a big issue – there are lots of people involved and a lack of transparency.

Some delegates said that the use of shorter term grants may not have the longer term benefits to the school. There is no time to plan and the terms of the grant are too strict. Greater certainty is needed over a period of 3-4 years. When on a shorter timeframe, good work is done, evaluated but then the grant is gone.