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National Foundation for Educational Research

The Role of Local Authorities in Supporting Schools in Wales

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1.   Background

1.1   Developments in Wales

Since the establishment of the National Assembly for Wales (NAfW) in 1998, policy makers in Wales have been able to develop distinctive approaches in the devolved areas of public life in order to meet the country's specific needs. This has been reflected in education and training policy, as the NAfW and other key stakeholders, including LEAs, addressed the priorities outlined in the *Education and Training Action Plan* (FEFCW, 1999), and *The Learning Country* (2001). Since the publication of the latter, a number of developments have taken place, including:

- the abolition of key stage 1-3 statutory assessments
- more emphasis on partnership between schools and closer working within pyramids and clusters of schools
- the development of the Welsh Baccalaureate.

At the same time, policy decisions in Wales have eschewed developments in England such as the City Technology Colleges and Academies which have allowed more private funding into public education.

Pupil attainment in Wales as measured by the percentage of young people attaining five or more A*-C grades at GCSE has increased steadily since the establishment of the National Assembly, as shown in Table 1.

Table 1: Percentage of pupils attaining five or more A*-C grades

Year	Percentage of pupils
1999	47.5
2002	50.5
2006	53.8

Source: http://new.wales.gov.uk/topics/statistics/headlines/schools-2007/?lang=en

However, it must be noted that this percentage had also been rising slowly but continuously during the years preceding devolution, e.g. from 37 per cent in 1993 and 41 per cent in 1995.

The national figure for Wales also disguises considerable variation in pupil GCSE attainment across the 22 local authorities, from the 65 per cent of pupils attaining five or more A*-C grades in Vale of Glamorgan in 2006 to the 43 per cent in Merthyr Tydfil.

The distinctive approach to education policy adopted in Wales has also been evident in the funding and support roles which LEAs are still expected to play in the education and training system in Wales.

1.2   Roles of LAs

During the 1980s and 1990s, the role of LAs came under increasing scrutiny as UK government policy moved towards a more market-orientated approach to education. This involved an extension of parental choice, accompanied by the development of funding mechanisms that provided funding directly to schools rather than to LAs. Fundamental questions were raised about the role of LAs, including issues such as:

- the amount of funding which should be retained centrally
- their roles in planning provision
- the value of the advisory and support services which they provided.

This debate occurred against a background where schools could opt for Grant Maintained status, thus severing most of their links with LAs. These issues were not absent in Wales. However, the percentage of schools that opted for Grant Maintained status in Wales was low compared with England, and LAs retained a stronger position. This was confirmed after 1999, when the NAfW's approach emphasised the continuing roles of LAs in Wales.

However, notwithstanding these commitments, questions continue to be raised about the roles of LEAs in Wales and, in particular, the amount of funding which is passed to schools compared with that in England. Much of this discussion has focused on the per capita amount allocated to schools.

This report presents the outcomes of research conducted by the National Foundation for Educational Research (NFER) into the differences in school funding mechanisms between Wales and England, the functions of LEAs in Wales and the support they provide for school improvement, and the views of key stakeholders about the effectiveness of the current relationships and structures and how they might develop in future.

2. Research aims and design

2.1 Research aims

The aims of the research project were to examine:

- school funding mechanisms in Wales and England and further afield, and to draw comparisons between the two systems

- LA policies and priorities for supporting schools and how those priorities are addressed in practice

- the scope of the support which is provided (school improvement, basic skills, curriculum support, personnel, financial management etc)

- the nature of the support, including advice/counselling, the provision of teaching and learning materials, additional staff etc, and LEAs' arrangements and capacity for providing it

- variations in support depending on the type of school (e.g. small schools, schools serving rural/urban areas, schools with a high percentage of pupils receiving free school meals, language medium etc)

- schools' views on the effectiveness, quality, and benefit of the support

- stakeholders' opinions concerning the appropriateness of the roles of LEAs, whether LEAs should undertake additional/fewer responsibilities, the cost implications of doing so and to what extent the current option represents best value

- how, if at all, LEAs account for the financial cost of providing support for schools, the cost identified and the pattern of expenditure

- whether LEAs would be able to identify the cost/spend per pupil of the LEAs' non-delegated expenditure, and what purpose would be served by doing so.

2.2 Research design

The project used a combination of research methods, including a desk-based documentation review, quantitative analysis of school funding and qualitative, face-to-face interviews.

a) Desk-based research

Relevant documentation on the roles of LEAs in supporting schools and funding issues were analysed in order to review recent research on school funding issues. This literature review included recent NFER publications, looking at funding models in England, in Europe and in other Organisation for Economic Cooperation and Development (OECD) countries.

b) Development of research instruments

The documentation review informed the development of the qualitative interview schedules that were used during the field visits. Separate schedules were created for use in discussions with:

- respondents with an all-Wales strategic perspective
- LA personnel
- secondary school headteachers and other school staff
- primary school headteachers and other school staff.

c) Programme of field visits

A number of face-to-face or telephone scoping interviews were conducted with personnel at national bodies, and focus group discussions were held with teaching unions and headteacher organisations.

d) Quantitative and management data

The project team used a combination of a) desk research into published/publicly available financial and budgetary data and b) the programme of field visits in LEAs and schools, to obtain quantitative data on school funding in Wales.

2.3 Structure of the report

Chapter 3 of this report presents evidence based on a documentation review of recent research into school funding and support issues outside Wales. Chapter 4 considers evidence about the impact of the Direct Schools Grant (DSG) in England. Chapter 5 examines the nature of school funding arrangements and perceptions of LAs in Wales and discusses stakeholder perceptions about the roles and effectiveness of LAs. It then considers their opinions about school

funding issues, various means of supporting schools, and what would constitute appropriate LA responsibilities.

3.   LAs and schools: The policy context

This chapter summarises the background to the discussions about school funding and the roles LAs play in supporting schools. It considers the type of systems which fund schools overseas, various models of responsibility for education and training, and the relationship between schools and different tiers of government. It then examines the changing roles of LAs in England and discusses stakeholders' specific perceptions about the impact of the Direct Schools Grant (DSG).

3.1   The discussion in context

Atkinson et al (2005) note that the funding of schools has been an issue of policy debate since the 1990s when Local Management of Schools (LMS) radically changed the relationship between schools, LAs and central government. They noted that the issue remained unresolved at the turn of the twentieth century and that '*The Audit Commission (2000) called for clarification of the roles of schools, local authorities and government in determining how school resources are distributed and managed and others have also highlighted flaws within the system*'. It was stated that '*there has been speculation about moves towards the direct funding of schools*'.

At that time, the arrangements in Wales closely matched those in England. The advent of devolution means that there is potential for less similarity in the way schools are funded and that the relationship between the three stakeholder tiers in Wales (schools, LAs and the Welsh Assembly Government) will be different.

3.2   The international context

Models of autonomy of local authorities

In a comparative study of different countries' approaches to managing schools, Atkinson et al (2005) identified three models of LA autonomy. These were:

- financial autonomy whereby local authorities were able to determine overall spending priorities, subject to some restrictions imposed by a higher tier of government
- shared responsibility in the financing of resources whereby local authorities' autonomy was limited by central governments' regulations about its use of allocations and where responsibility for determining operational and capital allocations was shared by central and local government
- autonomy in the use of allocations where a local authority was able to '*use schools resource allocations made available to it by a higher authority*'.

As in the UK, arguments were voiced throughout the countries studied both in favour and against high levels of autonomy, and these arrangements raised important questions about the extent to which national/regional uniformity or regional/local discretion should influence education. The arguments in favour of high levels of local autonomy included:

- decisions are made closer to the schools, allowing for those decisions to be informed by local knowledge
- more policy makers are enabled to take part in the processes.

Arguments against high local autonomy included concern about equality of opportunity and the way some funding decisions might result in less expenditure in certain areas compared with others.

Atkinson et al (2005) also identified three models of school autonomy, by which schools' ability to make decisions varied. These were:

- Autonomy in establishing budgets*, defined as 'on the basis of a general fixed amount, schools are free to draw up their own budget and have control over the way it is used. They divide the gross sum into budgetary headings to cover the three main categories of resources. They recruit staff and manage the payroll, with the administration of the remuneration sometimes being handled by a local authority. In this case, the schools either determine the salaries themselves or act in accordance with collectively negotiated agreements'* (Atkinson et al, 2005).

- Autonomy in the use of allocations, defined as *'schools have a degree of freedom in the use of allocations (in cash or kind) which the central government (or top level authority) grants them. This usually applies to operational resources, sometimes to operational and staff resources, but rather less often, to all three types of resources. However, schools do not have the right to make decisions about the amount of resources to allocate to various budgetary headings. For teaching staff, they receive an allocation in the form of a given number of hours of teaching which they convert wholly or partially into a corresponding number of teachers. They either recruit them directly or forward their decisions to the competent authority which assigns the teachers to them'* (Atkinson et al, 2005).

- Limited autonomy defined as *'schools receive their resources in kind from the central government or local authority which acquires goods and services whose quantity and nature it determines itself. Schools sometimes submit budgetary estimates ... However, schools have a part to play in the allocation of some of their resources.'*

Maximising school autonomy was perceived a means of involving school-based practitioners in decisions affecting their work. Its champions also believed that it would reduce the costs, inefficiencies, and delays associated with bureaucratic systems. However, as is noted by Atkinson et al (2005), a system which gives too much autonomy to schools is likely to generate a number of challenges. For example, some staff may become more detached from the teaching and learning processes as their managerial responsibilities increase, and there were also concerns about whether such arrangements would enable those responsible for decisions to be held to account. Moreover, Atkinson et al (2005) note that the direct funding by central government to schools tended to be accompanied by a strengthening of central government's role.

The pattern overseas

In about half of the OECD countries surveyed by Atkinson et al (2005), it was found that central government was the main source of funding. There, public funding for education originated solely from central government sources and, in these countries, schools received their sources directly. These included countries where the funding relationship was based on a direct provision by central government to schools. Countries which had introduced this type of system included Ireland, New Zealand, and the Slovak Republic. In other countries, regional or local tiers of government contributed towards the cost of education. For instance, in some countries (for example Portugal, Greece, France, Italy, Hungary and the Czech Republic) additional funds, either raised

locally or central government resources delegated to intermediate tiers of government, were an additional source of income for schools (Atkinson et al, 2005).

In the second arrangement, identified in eight of the 25 countries examined by Atkinson et al (2005), most public funding was derived from regional government. These included Belgium, Spain, Germany, Switzerland, the USA, Canada, Australia and Japan. Under some such arrangements, 70 per cent of the funding was allocated by the regional tier and in one (Belgium), there was no funding at all from central government. The demarcation between the responsibilities of each tier varied, often producing a situation whereby staffing costs were met by central government whereas other matters (including capital costs) were a matter for the regional government. Such allocations of responsibility were, however, not uniform across the surveyed countries.

In countries associated with extensive decentralisation, such as the Nordic countries, the majority of school funding came from local or regional authorities. This model made those authorities '*the main stake in education*'. However, under these arrangements, the local or regional authorities had their own sources of income (often a local income tax) supplemented by a state grant. In these countries, the local or regional authorities were responsible for funding all categories of expenditure.

Allocation of funding to schools: methods and basis

The methods used to allocate funding to schools varied. They included different formulae for individual expenditure headings such as staffing, resources, running costs etc. Atkinson et al (2005) found that nine countries in Europe use some form of mathematical formula to distribute all or some funding to schools but seven were found to have '*no systematic rule*'. Under such arrangements, '*Decisions are taken on an ad hoc basis by the authority concerned. This involves an individual estimate which may or may not be based on observable criteria, but there is no objective rule or procedure that is applied to all schools. It usually involves the administration of applications and budgetary approval*'. In most European countries, these decisions were matters for local decision makers.

An added factor was that in certain countries the decision whether or not to use a mathematical formula was a matter for local authorities, which meant there was no consistent national pattern.

Funding for special needs

Atkinson et al (2005) noted three systems by which additional funding for special needs was made available. These were:

- increasing the general allocation
- funding centrally-defined activities
- funding locally proposed projects or schemes.

Allocation by the first method could vary depending to the nature of the additional funding (for example general costs, funding for staffing, funding for resources) and the type of special needs for which the additional funding was being provided. In most European countries the second method was used to allocate central government funding to schools. In some countries which had high levels of local autonomy central government nevertheless exercised a strong control over special needs funding. The third model was usually used to provide direct central government support for projects, including those which had been proposed by schools or groups of schools. Very often funding was made available to address a broadly-defined need which was then allocated to areas of expenditure which were judged to have addressed those issues.

Increasing the general allocation has advantages in terms of allowing schools to spend the money on activities which meet their identified needs. However, there is no guarantee that the funding will be used for special needs. Funding centrally-defined purposes enables the money to be targeted in a way which might not be possible in a formula-based system; the main drawback of this method is that it reduces the overall amount distributed by formula. Funding locally-proposed projects or schemes meant that they could be tested to ensure that they were consistent with national strategies to address key issues. This process helped to ensure that such schemes conformed with a set of expectations about what would constitute effective measures. The main drawback identified was the administrative burden placed on recipients in obtaining and administering such grants, especially if it generated additional audit or accountability requirements. There were also concerns about the

reliability of such funding given that much of it was paid for a limited amount of time.

Relationship of funding model to standards

However, Atkinson et al (2005) found that there was no evidence that funding systems led to significant differences in educational standards. Instead, they concluded that '*When the models ... were examined for different countries in relation to their overall educational performance data, there appeared to be no relationship between whether schools were mainly financed from central, regional or local sources and their overall educational performance ranking. This suggests that other factors may be more significant in determining educational performance.*' (Atkinson et al, 2005). This would suggest that the debate about the most appropriate means of funding schools should be seen in the context of discussions about where decisions should be made and by whom and the balance of power in the relationships between individuals.

Key Findings

- There were considerable variations in the responsibility of different tiers of government for education policy across the Organisation for Economic Cooperation and Development (OECD).

- The arrangements for funding schools raised questions about administrative efficiency, the role of different professionals, democratic accountability, and the interpretation of subsidiarity.

- There were differences in the mechanisms by which funding was distributed from one level to the next across the countries surveyed. This included variations in the extent to which funding formulae were used, the factors they included, and the use of a range of formulae for specific purposes (for example, capital, staffing, teaching and learning resources etc).

- Most European countries provided additional funding for Special Educational Needs (SEN) which reflected the cost of specific services. There was often less local autonomy about funding support for pupils with SEN.

- The evidence suggested that funding models had little impact on outcomes and standards. The debate must therefore be viewed more in terms of relationships between stakeholders, what resources should be allocated, and who should make those decisions.

4. Changing relationships in England

The relationships between the different stakeholders in education in England have changed significantly. These developments reflect the way the roles and responsibilities of LAs have evolved, changes in the part they are expected to play in school improvement and providing strategic direction, and their roles in securing greater integration in services for children and families. A major change has been the introduction of the Direct Schools Grant (DSG).

4.1 The leadership role of LAs in England

LA functions in England can be defined in the following broad terms:

- school improvement
- schools' contribution to integrated services for children and young people
- admissions and place planning
- 14-19 provision
- community leadership.

These were undertaken through a range of activities and processes, among which the most significant were:

- monitoring and advice roles
- providing training for staff and governors
- promoting awareness of improvement issues and targets
- promoting partnerships
- coordinating joint working between organisations.

Wilkin et al (2005) examined how LAs perceived their roles in relation to education. They found that most of them believed that they should be focused on: '*education entitlement and the promotion of learning, access to quality services and partnership working.* They noted that '*Local authorities were perceived to add value to the process of improving educational outcomes for*

children and young people in a number of ways; through the expertise of local authority personnel; through the local authority's monitoring and challenge role and by providing strategic coherence. Their access to local knowledge, enabling them to address local needs and priorities and their democratic accountability and credibility were also emphasised.'

LAs traditionally saw their contribution to school improvement in terms of supporting schools, especially those that were in difficulty. This approach was based on the principle of '*intervention in inverse proportion to success*'. Both schools and LAs in England believed that schools benefited from the perspectives brought by staff from outside a school to discuss ideas and share good practice. However, the relationships between LAs and schools have been evolving in ways which place greater emphasis on school autonomy, and this has led to an expectation that the roles of LAs will change. According to Wilkin et al (2005); '*Local authorities were ... expected to 'recast' themselves as commissioners of educational services rather than direct suppliers, to broker local partnerships through Children's Trusts and take on an important quality assurance role. Partnership working is believed to be a critical component of this reshaped role*.'

The Department for Education and Skills (DfES) in England identified the need for LAs to '*have a clear strategy for identifying schools causing concern and supporting their improvement,*' although it was unclear at what point any intervention should be made and that a policy of low intervention had been introduced by some LAs. For example, it was noted that LAs should base their judgments on schools on a broad range of indicators and not on a limited set of criteria, such as the probity of budgetary management. Furthermore, the LGA in England (LGA, 2003, cited in Atkinson et al, 2005) suggested that the principle of 'earned autonomy' should govern relationships between LAs and schools. The need to ensure that governors monitored on the basis of a broad set of indicators was also noted.

A particular area of concern was the need to encourage schools to develop a strategic approach to the use of resources. For example, it was noted that; '*In less well managed schools, patterns of expenditure reflected transitional habits rather than conscious thought about current and future needs. Whilst past resource allocations may provide a guide to future patterns of expenditure and this may maintain a degree of stability, over-emphasis on this*

can lead to stagnation and unchallenged siphoning of funds into traditional areas of expenditure' (Atkinson et al, 2005).

Admissions and place planning

School admissions and place planning were areas where it was expected that the LA role would continue. LAs had key roles in terms of addressing falling pupil numbers in ways that looked '*further than merely closing schools, ... [towards thinking] ... creatively about using school buildings*'. LAs were also to play a crucial role in the '*coordination or centralisation of admissions; the development of admissions policies or criteria and school organisation and planning*' (Wilkin et al, 2005). They would also continue to arrange places for specific groups of pupils (SEN, LAC etc) and to work with schools to ensure that such provision was available. This was identified as a challenge when schools' views about admissions differed from those of the LAs because of the LAs' weak legal position in this respect, especially where schools enjoyed enhanced autonomy (for example voluntary and foundation schools).

School improvement

The school improvement role was identified by Wilkin et al (2005) as one which would remain essential. However, it was suggested that in England the role would be that of a facilitator rather than a direct participant or provider. Wilkin et al (2005) noted '*that local authorities would be involved in helping to create 'strong independent schools' and networks of schools, which could then drive forward their own school improvement.*' In particular, it was anticipated that School Improvement Partners (SIPs) would play a major part in supporting schools. This could lead to a new concept whereby practitioners drove school improvement through the SIP model. However, a number of challenges to this approach were identified. These included the time commitment required by those undertaking such roles and the effect which the role could have on relationships between schools. Some headteachers' experiences might also be less diverse than those of other practitioners who might work with schools. LAs believed that they should have the power to intervene if a relationship between a SIP and a school became unsatisfactory (Wilkin et al, 2005).

14-19 provision

Wilkin et al (2005) identified five key responsibilities for LAs in the development of the 14-19 Learning Pathways. These were:

- playing a central role in partnership groups and strategy development
- encouraging curriculum enhancement and cross-sector links
- working with local employers
- involvement in local area reviews
- provision of information and guidance.

Wilkin et al (2005) found LAs to be effective in bringing partners together and that they were viewed as undertaking a valuable 'broker' role. However, LAs' ability to influence provision was limited and '*While the local authority was seen to have a valuable role in strategic planning and development of infrastructures, it was noted that ultimately, schools and colleges were the only ones with the 'real authority to deliver' in that government funding for this area was delegated and schools could implement provision as they saw fit*' (Wilkin, 2005).

Integrated children's services

There was a strong view that schools would be major contributors to the broad children's services agenda. This would include '*their role as extended or full-service schools.*' Schools were perceived to be particularly well-placed because they were in daily contact with families and that they were '*universal services*' (Wilkin et al, 2005). LA roles were identified as being concerned with facilitating partnership and good practice, acting as a source of information, and developing understanding. Specific examples included '*consulting schools about local services; forging links between headteachers and other agencies in localities, setting up children's centres on school sites and supporting extended school pilots.*' A number of LAs were keen to encourage schools to be included in multi-agency area teams. Other LA representatives referred to the need to involve schools in planning integrated services and raising awareness of such issues.

However, some barriers were identified which were believed to be hampering services from developing in these ways. These included:

- increased school autonomy
- lack of funding/resources
- the lack of duty on schools within the Children Act
- a lack of understanding about the role of schools
- schools' focus on attainment.

4.2. The DSG and its implications

From the introduction of LMS, LAs delegated funding to schools by means of locally-determined formulae that normally took account of a range of factors including:

- pupil numbers, including possibly, weighting for certain categories
- pupil age
- size of school
- socio-economic characteristics of the catchment area
- number of teaching hours required
- percentage of pupils with the native language as a second language.

Additional funding could be made available from central government which could be paid directly to schools or included in the formula funding. LAs were able to determine their education budgets within their overall financial settlement, taking account both of their external sources (including the Revenue Support Grant and Business Rates) and their own sources, primarily the Council Tax).

However, the introduction of the Direct Schools Grant (DSG) is likely to have fundamental consequences for the relationship between schools and LAs in England. The DSG has to be paid to schools and cannot be diverted to other purposes by LAs. It has also brought together the School Development Grant and the School Standards Grant into a Single Standards Grant. At the same time, a DfES programme was launched to increase schools' capacity for financial management, sending a clear message that schools were expected to take even greater responsibilities for their budgets.

As a result of these changes, it has been predicted that LA roles are likely to become more focused on:

- conducting financial review or audit visits
- providing telephone advice and support to administrators within schools
- brokering training
- budget construction and planning
- brokering and servicing meetings for administration/finance officers
- providing extra support to schools that are in difficulty
- supporting monitoring and software packages.

In order to ease the transition to the DSG, a Transitional Support Grant (TSG) was introduced to assist those schools which had gone into deficit. This was something which was not universally welcomed and some LA officers believed that it had sent the wrong messages to schools (Atkinson et al, 2004).

Perceptions of the DSG

The introduction of the DSG was perceived by LA representatives in England as something which had simplified the funding system, not least by reducing the number of funding streams and therefore introducing greater transparency into the arrangements.

Schools welcomed the greater stability and the protection awarded by the DSG and the way that it allowed them to target resources in ways which met their identified priorities. They also welcomed the DSG as being ring-fenced money that the LA could not top-slice and believed that it would provide greater clarity. They welcomed the reduction in the number of funding streams (Atkinson 2005B).

Relationships

There was concern about the impact which the new arrangements could have on the relationships between schools and LAs. For example, LAs were concerned about the status of education as a priority within LAs. As noted by Atkinson et al, (Atkinson et al, 2006) there was a fear that '*with a ring-fenced DSG, the council might feel less responsible for education.*' The issue of the extent to which education would remain a priority for LAs was highlighted by some schools where headteachers '*raised the issue of the lack of council tax*

money being spent on education as a result of the DSG. It was predicted that, as schools' budgets are centrally delegated, there would be less willingness to top them up with council tax money and, as such, schools would lose out.'

At the same time, there was concern that the new relationship would affect LAs' ability to challenge schools where performance was below what was expected. Atkinson et al (2005) noted '*by taking school funding out of the local government financial settlement, schools are likely to perceive themselves as more autonomous and more able to resist any form of challenge from the local authority. In addition, there is danger that, with a consequent reduction in control over school funding, councils may be less inclined to enhance education funding from local sources, leading to reduced funding for some schools.*'

LA representatives in England were concerned that the new relationship would reduce their ability to target support according to their discretion in ways which they believed would respond to local needs. According to Atkinson et al (2006); '*Two thirds of finance managers felt that the new funding arrangements would hinder local authorities' ability to adapt school allocations according to need.*'

There was a fear among some schools that LA services would be reduced, especially in areas where a higher proportion of the education budget was retained centrally. Specifically, concern was reported that '*the introduction of the DSG would limit central expenditure, leaving local authorities unable to provide the level of support they had previously offered.*' Some schools were particularly concerned about the issue of LA capacity (Atkinson, 2005B). Heads at those schools were concerned that LAs would not be able to target support and that they would resort to charging for services that had previously been provided to all schools. As Atkinson (2005B) noted '*They thought that schools would be required to buy back services from the authority that were previously provided free of charge, some of which they would struggle to afford.*'

Atkinson et al (2005B) also identified a number of specific aspects of the DSG's implementation which generated debate among stakeholders. These are outlined below.

Capacity for financial management

There was considerable concern among LAs about the extent to which schools had the capacity for financial management and whether it was possible to insist that school bursars should have a formal qualification in financial management. Moreover, it was noted that the introduction of the Schools Financial Management Standard would be affected by LA capacity issues given that '*Local authorities were seen as still having a long way to go to get their support and guidance structures in place before they could adequately assist schools to meet the standard*' (Atkinson et al, 2006).

This was an issue that was echoed by some school representatives. Atkinson (2006B), noted that '*Headteachers confessed that finance is often an area of weakness when coming into post and acknowledged that staff in schools do not have the financial acumen of local authority staff.*' Even so, this research found that a third of all headteachers (mainly those from secondary and special schools) disagreed with this view. Some felt they could buy in expertise and that the LA role was 'overrated' because they themselves had difficulty recruiting appropriately qualified staff to posts requiring financial expertise.

Multi-year budgets

The introduction of multi-year budgets were generally welcomed by LAs as a means of providing greater stability and predictability which would ease planning within schools. However, it was recognised that the downside would be that there would be no means of correcting anomalies in the funding formulas during any three-year period. Schools also welcomed multi-year budgets because of the stability which they could bring and the way they would facilitate long-term planning and predictability.

Fluctuating rolls

LAs and schools were concerned about the challenges which would face small schools and those with fluctuating rolls. As Atkinson et al (2006B) noted, some headteachers were concerned that the '*move to more direct funding based on pupil numbers and the diminished capacity for compensatory grants or elements in formulae to protect small schools were seen to question their viability.*' They found that '*Headteachers called for improvements to centralised planning to tackle the problem and for enhanced support or contingency funds from the local authority*' (Atkinson et al, 2006B).

Additional resources

LAs in particular were concerned about the funding that would be available to support schools to meet the additional costs of providing for specific groups of pupils such as:

- pupils with SEN
- pupils with high or complex needs
- pupils with behaviour problems
- vulnerable pupils
- mobile pupils
- pupils with EAL
- Looked After Children (LAC).

LA capacity and autonomy to be able to allocate additional resources for such groups would be restricted. For example, it was noted that a reduction in LA resources could affect the amount available for the additional school transport costs incurred where pupils with SEN attended a school that had an expertise in their particular need; it was feared that this could result in those pupils being allocated to another school where such expertise was lacking but where transport costs were lower.

Similarly, there was concern among some schools that a reduction in LA resources meant that '*they would have little flexibility and would be less able to target areas of deprivation*' although some other schools believed that as the national formula took account of deprivation they '*would receive funding for deprivation which they could use themselves in ways which they had identified. Those holding this view felt that would be a more effective way of using the funding*' (Atkinson et al, 2006B).

Collaboration

There were mixed views about the extent to which the DSG would affect collaboration between schools as several LAs believed that such arrangements were influenced by factors other than funding systems. However, Atkinson et al (2006) found '*Several interviewees noted that the DSG may prove to be a potential hindrance to collaborative working as the pooling of budgets would be made more difficult. They were of the view that collaborative working could be made more difficult because of the over-prescriptive nature of this*

particular funding, restricting it to education use. The ring-fencing of the DSG could thus be seen as operating contrary to the children's services agenda.'

Headteachers were of the view that factors other than funding (such as headteachers' enthusiasm) were the most important factors in fostering collaboration. However, they recognised that the DSG could reduce local authorities' ability to guide schools to collaborate. As Atkinson (2006B) noted '*With greater independence, it was felt that local authorities would be less able to exert any influence over them. In addition, it was noted that, with less central funding, the local authority was likely to have less power and less impact.*' Moreover, '*One interviewee felt that the local authority role as 'broker' of this relationship rather than leader should be spelt out.*'

Addressing concerns

LAs in England identified steps that could be undertaken as a means of addressing some of these issues. These included:

- Additional financial training for headteachers, bursars, and governing bodies to specifically reduce the problem of lack of financial expertise.
- Local authority support and monitoring, for example, a more proactive approach to budget monitoring, greater scrutiny of schools and closer involvement of local authority budget officers in schools.
- Enhanced formula flexibility or contingency funds to cushion the effects of fluctuating rolls.
- Changes to the Schools Forum, for example, targeted training for members and clear options from the local authority to aid decision-making.
- Networking schools as a potential tool for addressing a lack of financial expertise and knowledge by providing opportunities for sharing good practice or for sharing a peripatetic bursar.
- Schools buying in financial services or bursars and thereby bringing in '*a wealth of expertise*' to schools. One headteacher called for funding to facilitate these appointments.
- Two pupil counts to control the effects of fluctuating rolls.

Key Findings

Roles of stakeholders

- There is an increasing divergence in the way schools are funded in England and Wales and in the relationship between local authorities (LAs) and schools and their roles in the education system.

- LAs in England have increasingly moved towards a role as commissioners rather than providers of services. This has been reflected in what is expected of the services they provide.

- In England, schools were perceived as the drivers of school improvement, working with a range of School Improvement Partners (SIPs).

- LAs in England believed that it would be beneficial if their capacity to challenge schools was strengthened and if they were able to focus on remedial work through early intervention and support.

- LAs recognised their key roles in the development of Integrated Children's Services. There was some concern that their changing relationship with schools could give rise to challenges which would have to be overcome if LAs and schools were to contribute effectively to Integrated Children's Services.

- LAs had major planning and organisational functions concerning school placements and ensuring there was capacity within the system.

- LAs were a means of harnessing expertise, of monitoring and challenging schools (both in terms of management/budgetary functions and also educational outcomes and performance), and offered a means for strategic coherence.

- LAs needed to work with schools to ensure that best value was obtained. This meant challenging schools to review funding decisions where this was appropriate.

- Transparency in funding formulae was seen as important.

Delivering support

- LAs believed that their role should be to intervene in inverse proportion to success, monitoring, and providing general arm's-length support.

- LAs were adamant that they could not become more involved in school improvement without additional resources.

- There was no common point at which LAs intervened in the working of a school to address any concerns which might arise or offer additional support.

- LAs varied in the extent to which they were able to support schools and governors to make informed decisions.

14-19 Learning Pathways

- LAs had important roles in brokering provision through the 14-19 Learning Pathways but decisions about actual provision were made by providers.

The Direct Schools Grant and other changes

- The Direct Schools Grant (DSG) had changed the relationship between schools and LAs and had reduced the ability of LAs to allocate resources at their own discretion.

- The DSG was perceived by schools as a means of enabling them to use the funding to address their own priorities more effectively.

- There was concern about the extent to which LAs would prioritise education after the DSG came into being. This further increase in schools' autonomy could fundamentally affect the relationship between schools and LAs.

- There was concern that the DSG could impact on LAs' capacity. Some school representatives were unhappy that they might have to buy into services that had previously been provided by LAs.

- Multi-year budgets were generally welcomed as a means of providing greater stability in the system. However, it was recognised that it could take longer for anomalies to be rectified.

- LA and some school representatives were concerned about schools' capacity to manage their finances to the standard required. It was noted that in some LAs this was not an area of strength.

- The need to continue to provide additional support to schools with fluctuating rolls and specific characteristics (for example, high numbers of pupils with SEN, a large number of Looked After Children (LAC), and schools that served areas of economic deprivation) was highlighted. There was some concern that the DSG could reduce LAs' capacity to do so.

- There were mixed views about the extent to which the DSG would promote or hinder collaboration between schools.

5. LAs and schools in Wales: The evidence base

This chapter outlines the nature of school funding arrangements in Wales together with evidence about schools' perceptions of the effectiveness of the services they received. It also presents the conclusions of a study of school funding undertaken by a committee of the National Assembly for Wales in 2006.

5.1 School funding in Wales

Funding for pre-16 education in Wales is a responsibility shared jointly by the Welsh Assembly Government (WAG) and the LAs. The WAG contribution includes that provided to LAs through the Revenue Support Grant (RSG), which is calculated according to the Standard Spending Assessment (SSA). The SSA is based on an assessment of the following cost elements:

- separate elements for primary and secondary school teaching and other services
- special education
- cost of implementing the teachers' workload agreement
- teachers' pensions
- school meals
- teachers' performance management
- key stage 3 improvement
- music development.

Of these, more than four-fifths are related to teaching and other costs (taking primary and secondary schools together).

The SSA for education is modified to take account of sparsity, deprivation and pupil numbers and population of school age. The Audit Commission (2006A)

concluded that for the most part, the factors used to determine the Education Indicator Base were suitable.

The SSA is used to produce Indicator-Based Assessments (IBAs) which are an approximation of the amount of money an authority could be expected to spend on a particular function, although the actual amounts spent under each heading are a matter for the LAs themselves to determine. The IBA (represented per pupil for each authority) was lowest in the Vale of Glamorgan (£3387) and highest in the Isle of Anglesey (£4057), a difference between the highest and lowest of £670. This correlates strongly with historic patterns of spending on education in different LAs (Audit Commission, 2006A).

However, as noted by the Audit Commission (2006A); '*There is a very close match between the sum distributed by the Education IBA and total council spending on education*' (Audit Commission, 2006A). In 2005-06 the variance between total LA spending on education and the education IBA was 1.3 per cent. A total of eleven LAs spent more on education than the education IBA while eleven were below that figure (Audit Commission, 2006A). Five LAs were more than 2 per cent below the education IBA while four LAs were more than 4 per cent above that level.

Funding to schools is delegated through locally-determined formulae to produce Individual Schools Budgets (ISBs). This also includes income derived through the Better Schools Fund (BSF) and WAG funding for post-16 education and training, determined in accordance with the National Planning and Funding System (NPFS) for post-16 education and training.

The variations in average spending per pupil have been compounded by the locally-determined formulae which have resulted in differences of £918 for primary school pupils and £824 for secondary school pupils between different LAs. Factors which influenced variations in the ISB per pupil included:

- the presence of SEN units within schools
- whether there were pupils of nursery age on roll
- language medium
- the proportion of small schools maintained by a council.

However, as is emphasised by the Audit Commission (2006A); '*Comparisons between average levels of ISB are unreliable because they do not take account of different approaches to the delegation of funding permitted by the funding regulations and mask variations in the extent to which schools of different size are funded.*'

Moreover, the Audit Commission (2006A) note; '*There is uncertainty that the education budgets reported to the Welsh Assembly Government ... reflect the costs of the same range of services and functions in all councils in the same way.*' For example, the funding allocation is influenced by factors such as:

- agreement about the amount of BSF included in the ISB
- the pattern of post-16 education and the number of sixth form pupils included in the number of secondary school returns
- variations in the SEN budgets delegated to schools
- the methodology used to apportion the costs of central services.

The Audit Commission (2006A) noted that '*The basis of funding decisions by local authorities is not always well understood by schools.*' They maintained that; '*Greater understanding of the budget-setting process and the content of budgets is necessary so that schools and other stakeholders are better able to debate what is funded and to what levels and how this changes annually. Such openness and transparency about the budget-setting process will contribute positively towards reinforcing and, where necessary, establishing the trust that should underpin the relationship between councils and their schools.*'

The Audit Commission (2006A) produced a number of recommendations for change. These included:

- that the use of eligibility for Free School Meals as a proxy for deprivation should be reviewed
- that consideration should be given to the introduction of a factor for the additional costs of bilingual provision in secondary schools
- that there should be greater clarity about the difficulties of drawing meaningful comparisons between authorities and that guidelines were required to achieve more consistency in the way these were reported
- LAs should ensure that the formulae used to determine ISBs were transparent and explained fully to stakeholders
- LAs should review the ISB formulae in conjunction with Budget Forums.

In 2005-06, a Committee on School Funding was established by the National Assembly for Wales to conduct a detailed examination of the issue (NAfW, 2006). Its terms of reference were to:

- *review all the sources of income (both revenue and capital), howsoever generated, which create maintained primary and secondary school funding (to include pupil referral units)*

- *review the distribution of funding to maintained schools – both primary and secondary and pupil referral units*

- *consider the impact of National Assembly and UK Government initiatives on the funding of schools*

- *make recommendations to the National Assembly on the simplification and clarification of this system*

- *investigate and review the practicalities of introducing a three-year funding regime for schools.*

In his introduction to the report, the Committee Chair, William Graham AM noted the way the system had been described as a 'postcode lottery.' He stated that; '*The allegation of a post code lottery may have been over-emphasised. Our report does show real differences between school funding in different parts of Wales. We have come to the conclusion that part of the reason for this is because of an historically based funding formula that pays insufficient attention to the needs of schools now and for the future. The lack of a common understanding of schools' basic funding needs also requires remedy. However, it would be an injustice to committed and professional public servants in local authorities, as well as local councillors, to describe this as a lottery. They work hard to ensure that schools receive the funding they think is needed and they try to make rational decisions, taking account of many competing local needs. Unfortunately, they are hamstrung by a funding system that is based on the past not the future.*'

The Committee focused specifically on three issues:

- *Whether schools in Wales had enough funding to equip them to provide our children with the best possible education for the 21st century.*

- *Whether funding was distributed objectively and fairly across Wales.*

- *Whether funding was distributed in a way that was transparent and easily understood by those who need to understand it.*

The committee found that in addition to the influence of historic patterns:

- There were '*considerable variations'* in spending on education per pupil.

- Lack of information about funding at a local level meant it was difficult to draw valid conclusions.

- There were wide differences in the amount of funding allocated to different key stages.

- There was uncertainty about whether the balance between different formula factors (e.g. deprivation and sparsity) was appropriate.

- There were doubts about the appropriateness of FSM as an indicator for deprivation.

- It would be desirable to link funding more closely to the cost of running a school.

- There was a need for further research to identify the link between funding and attainment.

- There was evidence of a lack of clarity about the formulae used by LAs to determine individual school allocations.

- There was some support for the hypothecation of education spending but that this had to be balanced against the opposition to any such proposal.

- Some measures were needed to reduce the extent of funding differences.

- A number of specific grants had been introduced as a means of supporting particular initiatives/addressing particular circumstances.

- Special grants should only be used for specific purposes and should not be used as an indefinite source of funding.

- There was a lack of clarity about the sustainability of grants for specific purposes.

- There were arguments in favour of '*a common methodology for LAs to allocate funding to schools.'*

- It was too early to judge the effectiveness of School Budget Fora.

- There was strong support for the notion of three-year budgets.

- There was a need for schools to receive earlier notification of budgets.

The Statistical Analysis of Local Authority Budgets for Education in Wales (based mainly on Revenue Account budget returns and Revenue Outturn returns) as part of the Committee's report (NAfW, 2006) found that:

- *Average budgeted per pupil spend on local authority education in Wales in 2004-05 was £4,141. This represents an increase of 4.7% on the previous year, more than double the rate of inflation ... The range was from £3,806 in the Vale of Glamorgan to £4,785 in Ceredigion ... The overall budget*

per pupil for England was £4,298 ... This represents a rise of 4.1%, 0.6% lower than Wales.

- *Cross-border comparisons show per pupil budgeted spend higher in mid and South East Wales than in neighbouring English authorities.*

The Committee produced a set of 27 recommendations (NAfW, 2006). These were:

1. We recommend that the Assembly Government should investigate the reason for differences in funding between the key stages, in particular for Year 6 and Year 7 pupils, and report to the ELLS committee.

2. We recommend that the Assembly Government should immediately set in train a review of the weight given to factors such as transportation, sparsity and deprivation in allocating education resources within the local government settlement, to ensure that weightings are based on objective need.

3. The Committee fully supports the Wales Audit Office recommendation to the Assembly Government that there should be a review of whether eligibility for free school meals represents the best indicator of deprivation and recommends that it be implemented as soon as possible.

4. To improve transparency and budget scrutiny, we recommend that the Assembly Government should make arrangements to permit relevant committees to scrutinise the local government finance budget as part of the annual budget setting procedure.

5. We recommend that the Assembly Government should immediately set in train a review of the local government distribution formula so that the education element is based on the current and future costs of providing education services rather than on historic costs.

6. We recommend that the Assembly Government should commission detailed research on the effect that variations in funding have on pupil attainment after taking account of other variables such as deprivation and sparsity.

7. We recommend, in line with the Wales Audit Office's recommendation, that the Assembly Government should require all local authorities to issue concise

annual summaries to schools in their area, showing the factors that have led to changes in school budgets.

8. We recommend that the Assembly Government should issue guidance to local authorities to ensure that these annual budget summaries are comparable across local government boundaries and that clear, consistent audit trails are set up and monitored.

9. We recommend that the Assembly Government should issue a single set of unequivocal guidance to authorities on completion of Section 52 budget statements to ensure consistency of reporting.

10. We recommend that, in reviewing the "RA" accounting return, the Assembly Government should ensure that it becomes easier to compare across authorities the proportion of education funding spent directly on education and on central and other administration services.

11. Irrespective of any other changes, we recommend that the Government should work closely with local government to improve schools' understanding of the funding process and funding streams.

12. We recommend that the Assembly Government requires authorities to prioritise in their distribution formulae the provision of targeted support to the most deprived schools in their area, and demonstrate this in the proposed schools budgets reported to the Assembly Government.

13. We recommend that the Assembly Government should publish, at the lowest level of disaggregation possible, meaningful comparisons of education spending in Wales, the other nations and regions of the UK and internationally and that it should work with other parts of Government to increase the level of detail available.

14. We recommend that the Minister for Education, Lifelong Learning and Skills should, at the timing of receipt, inform the ELLS Committee of any education-related Barnett consequential funding that is received by the Assembly Government.

15. We recommend that the Assembly Government should establish and publish minimum common basic funding requirements for school staffing, accommodation and equipment and that this information should be used to benchmark and inform decision-making at national and local levels on school funding. The Assembly Minister for Education and Lifelong Learning should report regularly to the ELL committee on progress towards establishing a minimum common basis funding requirement for schools.

16. We recommend that the Assembly Government should require authorities to report annually on any difference between the funding they allocate to schools and the minimum common basic funding requirement published by the Assembly Government.

17. We recommend that the Minister for Education, Lifelong Learning and Skills and the Minister for Local Government and Public Services should work closely with those local authorities who are funding schools below the minimum common basic funding requirement, to ensure that funding is brought up to this level within an agreed timescale. Until a minimum common basic funding requirement can be established, education IBA's should be used as a target indicator.

18. We recommend that the Minister for Education, Lifelong Learning and Skills should report regularly to the ELLS Committee on the progress made by local authorities in meeting the minimum common funding requirement for schools or in the interim their education IBA target.

19. We recommend that the Assembly Government should avoid initiating unsustainable policy actions through short-term specific grant programmes and should aim to provide longer-term funding (in alignment with the three-year budgeting proposals) to allow better financial planning by schools.

20. The Assembly Government should ensure that the benefits of new grant schemes and streams of funding are not compromised by excessively onerous and bureaucratic bidding mechanisms.

21. To help schools plan, we recommend that when new grant schemes are implemented, the Assembly Government prepares a report on its sustainability

*and on an exit strategy for each scheme as part of the guidance to authorities
on the continuation of schemes.*

*22. We recommend that the Assembly Government considers amending the
guidance on local education authority funding formulae to ensure greater
consistency across Wales and to dampen year to year changes in funding
arising from variation in pupil numbers.*

*23. We recommend that an evaluation of the function and responsibilities of
school budget fora is undertaken by the Assembly Government with a view to
improving the communication between authorities and schools.*

*24. We recommend that 3-year budgets for schools should be introduced as a
priority.*

*25. We recommend that the Assembly Government should require authorities
to report annually on their adherence to the budget-setting timetable and that
this information is reported annually to the ELLS committee.*

*26. We recommend that the Assembly Government should require that funding
allocated to authorities for capital purposes is fully utilised on education
capital spending and should consider making available additional resources if
it remains committed to its target to make all schools fit for purpose by 2010.*

*27. We recommend that the ELLS Committee and the LGPS Committees
should follow up progress in responding to our recommendations, initially,
within 6 months of the Government's initial response.*

5.2   External judgements of local authorities in Wales

The Audit Commission's *Schools Survey* (Audit Commission, 2006) examined
headteachers' perceptions about the services provided by their LAs (Audit
Commission, 2006). The survey conducted during the summer of the 2005-06
academic year found that schools in the six participating LAs were '*generally
content with the support and services provided by their council*' and that the
'*most positively rated areas covered school improvement support, child*

protection, and the local authority's strategic planning and leadership from senior officers.' The items of support that were most highly rated were:

- support for literacy
- effectiveness of the support for child protection
- payroll services
- financial information
- use of data to support school improvement
- leadership of senior officers.

The most '*negative ratings'* were for:

- assessment and provision for pupils with SEN through the medium of Welsh
- the leadership provided by elected members
- the transparency of the asset management processes
- building maintenance services
- the '*educational rationale behind the school funding formula*'
- schools' ability to influence LA policies, plans and procedures
- school place planning
- support in purchasing traded services
- coordination of admissions processes
- provision for gifted and talented pupils.

The Audit Commission (2006) identified that the areas where the rating given by headteachers for their LA's support had improved the most included planning provision for the 14-19 age group, behaviour support and support in bidding for external grants.

Key Findings

Methods of allocating support

- The Welsh Assembly Government (WAG) allocates its funding to schools through the Revenue Support Grant (RSG) that is based on a Standard Spending Assessment (SSA) that takes account of a range of indicators to produce Indicator-Based Assessments (IBAs). These differ in each authority and correlate strongly with historic patterns of spending.
- Funding to schools is delegated through locally-determined formulae which are based on a number of permitted factors.

Previous research

- It is difficult to draw meaningful comparisons between the amounts delegated by different LAs because of variations in the nature of what is provided by LAs out of the money they retain and differences in the number of schools with sixth forms, etc.

- Research by the Audit Commission has highlighted the need for greater clarity about school funding arrangements and ensuring that key stakeholders understand the basis upon which allocations are made.

- The Audit Commission also highlighted the need to review matters such as the effectiveness of the Free School Meals (FSM) indicator as a proxy for deprivation, the desirability of recognising the additional costs of bilingual provision in secondary schools, and the need to involve Budget Fora in decision making.

- A Committee of the National Assembly for Wales (NAfW) also recognised the need for transparency and questioned whether certain formula factors were appropriate.

- They noted wide differences in the amount of funding allocated to different key stages.

- The NAfW Committee noted that there were concerns about the way that specific grants were being used and whether they could be regarded as a sustainable source of funding.

- The NAfW Committee produced a set of 27 recommendations which suggested reviewing existing funding arrangements, ensuring transparency and clarity in funding arrangements, developing a means of aligning funding more closely to the current costs of providing services, examining the relationship between funding and attainment, and ensuring greater consistency in how funding allocations were calculated.

- The NAfW Committee's recommendations also advocated creating a means of comparing expenditure on education across the UK, the development of benchmarking information, and a move towards a minimum basic funding requirement. The Committee's recommendations addressed the way specific funding was used, and advocated an evaluation of the role of budget fora and the introduction of three-year budgets.

- The Audit Commission identified the areas of LA support which headteachers rated most highly, which included support for literacy, child protection, financial and data services, and the support of senior officers.

6. LAs and schools in Wales: Practices and perceptions

This chapter presents evidence from research with stakeholders in Wales about issues such as school funding, the roles and responsibilities of LAs, and what they believe should be the remit of different partners in education.

6.1 Local authorities: their role and responsibilities

Current roles and responsibilities

The role of LAs in relation to education and training focus on four main areas:

i) strategic planning
ii) providing support to improve the quality of the teaching and learning
iii) undertaking a range of administrative and management functions
iv) providing democratic accountability for the way in which public funds are used.

LA staff also provided a range of additional specific support services to schools. These included:

- Basic skills advisers
- ICT advisers
- Early years support
- Healthy Schools coordinators
- SEN support
- Educational psychologists.

These were in addition to the services such as the Education Welfare Service (EWS), school transport, the school meals service, payroll, budget planning, financial forecasting and related functions. Other responsibilities included governor training and legal and financial training for staff and governors.

There was strong evidence from all LEAs that the advisory and support services were officer-led with little involvement from elected members. Although some individual elected members were more involved than others (usually the cabinet members responsible for education or equivalent post holder), their contribution was normally at the level of discussing the way budgets were to be allocated rather than operational matters. Performance was monitored by scrutiny committees.

6.2   The LA-school interface

Support processes

School link advisers were the cornerstone of LA support services to schools. Typical systems were for each primary school to be visited on a termly basis during which discussions would focus on agreed issues such as performance management and target setting. Similar methods were used to provide on-going support for secondary schools whereby a set number of link advisor days were provided to all schools. The number of primary link advisers was always higher than their secondary equivalents and in some LAs only one secondary link adviser was employed. Specific administrative and support services which were provided by LAs included:

- SEN statementing
- school transport
- health and safety
- premises support
- capital responsibility
- legal
- payroll
- educational psychology
- behaviour support.

LA representatives said that these arrangements worked effectively as a means of ensuring that schools received at least an agreed minimum level of support. These were paid for through SLAs which LAs believed offered value for money. A typical comment was '*They pay for that at a preferential rate than if they did it upfront.*' However, in some cases, decisions by individual schools

to cease purchasing a service through the SLAs had raised questions about sustainability. LA staff insisted that this method of funding should only be used for certain services. They believed that it was not appropriate as a means of paying for additional targeted support which some schools needed. They advocated strongly that LAs should have a budget that could be used at their discretion to support and challenge schools, sometimes in ways which might be different from what schools had identified as their immediate priorities.

Some LA representatives believed that the nature of the services they provided should be reviewed on a continual basis in order to ensure that they addressed current priorities for schools. For example, it was noted that the range of support services needed to take account of moves towards greater integration of children's services. This required leadership from LAs if it was to be successful. A typical comment was '*A successful joined-up approach requires clarity about objectives, trust, good communication, and clear structures. The LA can contribute to that due to a range of service delivery functions and for others the LA is one of the key partners.*'

Method of allocating support

LAs invariably sought to target additional support based on an analysis of school performance. These were based on formulae which took account of results and factors like the outcomes of school self-evaluations, the proportion of new and inexperienced staff, and whether a school had a new headteacher. External assessments such as Estyn reports and Fischer Family Trust data were also used. The latter was commended by a number of LAs who saw benefit in the way it '*tries to socially contextualise data so it's more accurate and a better help to identify need.*'

Operational relationships

LA representatives believed that the relationships they enjoyed with schools enabled them to support and challenge schools. According to those LA officers, the relationship was appropriate in view of the responsibilities shouldered by schools and LAs. One senior LA officer noted; '*If a different relationship existed you'd end up with more problems in terms of heads making decisions that aren't well grounded. You could end up with the LA being criticised for not doing anything to support schools.*'

LAs believed that the evidence of their own assessments, coupled with those of external bodies such as the Audit Commission, indicated that schools were mostly satisfied with their relationships and the level of service they had from their LAs. It was felt that the challenge for the future would be to support and nurture strategic developments such as the collaboration agenda and to address the complex needs which would arise as services for children and families became more integrated. A typical comment was: '*There will be more emphasis on partnership approaches with a wide range of partners*.'

Moreover, it was felt that the LA support and advice role would always be needed and that any move towards a situation whereby schools purchased support from an open market would do little but expand the number of consultancies and other agencies operating in Wales, some of which might lack adequate knowledge of Welsh and local contexts. One LA commented; '*I know that some believe there should be local teams funded by schools but I'm not sure this would work and I can't really see who would manage this apart from the LA. At present the partnership between schools isn't mature enough, especially that between primary and secondary*.' Economies of scale would also be lost. There was a strong feeling that unless the LAs had the power to hold parts of education budgets, their roles would diminish.

Most secondary heads agreed that LAs had a valuable contribution to make in supporting schools. They believed that a valuable dimension would be lost if LAs focused on a narrow range of issues, such as monitoring financial probity within schools. As in the case of capacity issues generally, heads believed that the local knowledge and democratic accountability of LAs could contribute to the success of the system.

However, a minority of secondary headteachers were critical of the role of LAs in relation to education and believed that schools should be removed from the local political arena. They based their arguments on a perception that funding was being diverted towards other purposes by their authorities and that there was too much difference between areas. A representative comment made by a head who was of that opinion was '*they under-fund the schools to find the money for their pet projects.*' Moreover, some school representatives believed that the role of the LAs was becoming marginal to schools and that policy direction was set by the WAG, Estyn, and networks of schools and other providers, rather than by LAs. They believed that schools should be allowed greater freedom through arrangements whereby they themselves

purchased services they identified, from providers of their own choice. Those who held these views maintained that increasing their discretion would make the service more accountable on the basis that '.. *if it goes pear-shaped and I made the decision then everyone knows it's down to me.*'

This view was rejected by other secondary heads who warned that such methods of accountability were more appropriate in contexts other than education. Moreover, there was concern that a completely free market would generate additional bureaucracy within schools and would raise questions about quality assurance. It was also felt that some schools benefited from the advice of people from outside, especially those with more limited capacity for self-improvement.

Overall, they were lukewarm in their views on the merits of self-selected SIPs, akin to the system introduced in England. It was doubted whether the resources that such a model would require could be justified. A typical comment was; '*There would be more benefits in being an external advisor than having one.*'

Primary heads valued the role played by their LAs although their perceptions of the quality of LA provision varied. LAs were perceived to provide important support services without which primary schools' administration would be onerous; they specifically mentioned the lack of administrative capacity within their schools and the need to avoid a situation whereby heads became too focused on administration and management. According to one head; '*Without it* [LA support] *it would take the heads and the deputy heads further away from teaching and learning.*' Primary heads also believed that LAs provided important additional services. For example, they had been pivotal in encouraging schools to work together in cluster groups. One noted '*We would go within ourselves without the support.*' Primary School Improvement Advisers were perceived to be effective in both challenging and supporting schools, especially before and after Estyn inspections.

Service Capacity

Very few LAs provided the full range of curriculum support. Those with the largest advisory services believed that the need for savings meant they would not be able to sustain such services in the future. Most LAs in Wales maintained a support service that enabled them to deliver a core focusing on

literacy, numeracy, science and ICT. LA staff also worked on specific projects such as the RAISE programme.

A large majority of both primary and secondary heads believed there was a need to address capacity issues within the system. For example, it was noted that 22 LAs currently produced their own guidelines, policies, and strategic documents and that there was little collaboration between them with the result that there was considerable duplication of effort which headteachers believed could and should be avoided.

There was a strong feeling among heads in all areas that the current structure of LAs in Wales was unsustainable. It was criticised for creating:

- duplication of senior posts
- inadequate capacity to support schools
- lack of opportunities for economies of scale
- authorities that were too small to take strategic decisions.

School and LA representatives were concerned that the size of the advisory service had been reduced in recent years and that few LAs provided a whole range of curricular support, even in the core subjects. It was also noted that some joint school support services were finding it increasingly difficult to sustain the level of provision which they had done in the past.

A number of heads referred to efforts which had been made to develop capacity within individual authority areas, for example through structures such as practitioner advisers. While it was acknowledged that such systems had merit in terms of ensuring advisers had a firm grounding as practitioners (and carried the credibility which this brought), a number of heads were concerned about issues such a workload and the extent to which those systems allowed staff sufficient time to complete their tasks. An associated issue was the way that such arrangements assumed that a spirit of cooperation, good faith and mutual trust existed among participating schools, something which was not always the case, especially in areas where schools competed.

Collaboration between authorities

A variety of arrangements had been developed to provide additional support to schools over and above the core. These included working through joint advisory and support services created at the time of LGR. Collaborative partnerships were allocated matters such as:

- developing teaching and learning materials
- curriculum training
- cross-curricular training (for example, social awareness, cultural diversity, key skills)
- management training
- in-service practitioner training.

However, it was clear that the models developed during 1995-96 had evolved considerably since they were instigated. Some LAs had chosen to increase the amount of work which they themselves undertook and had withdrawn totally or partially from joint services. The funding arrangements had also changed with the result that some joint services were not operating on a purely commercial basis; this could include SLAs with LAs and with individual schools. These SLAs defined the level of service which could be expected and were used by LAs to buy services from consortia and by schools to define their expectations of their LAs.

Schools from authorities where joint support services had been established were concerned that the notions of cooperation envisaged when those services had been established had not been realised and that much depended on contractual and purchaser/provider relationships. It was felt that the nature of the current relationship between such services and the LAs on the one hand and the schools on the other meant they could do little to promote collaboration at a strategic level. For example, one head noted; *'The principle was OK, but the reality is that they have become reactive services that provide what schools or LAs want in terms of support but they're not challenging schools and LAs to work differently because of the way they are set up.'*

The research did not examine the specific contribution of the regional consortia but it was clear that they were developing. For example, one consortium had developed common CPD branding and was looking towards increasing the amount of resources that were shared between LAs. A

representative comment was made by a senior LA officer who said; '*The benefits of the regional consortia include addressing capacity issues (LA staff not being replaced), and this offers the possibility of sharing PE advisers across the area, HR resources, the CPD programme etc. with a common charge for schools. It's a matter of doing more with the same not trying to do the same with less. If it's powerfully-driven then it will work.*'

Such consortia offered opportunities to use capacity more effectively and to achieve economies of scale that were not possible with 22 LEAs. They also offered the chance that a broader range of services (and more in-depth support) could be provided through such a mechanism. However, most consortia were in the process of evolving and they would need to develop further if they were to provide an effective way of supporting schools.

6.3   Perceptions of a fair funding system

A large number of stakeholders believed that there was a need to re-examine the way in which schools were funded. Among the issues which those staff holding such views believed should be addressed were:

- the different staffing structures which had come into place as a result of workforce remodelling, particularly the changing role of support staff.
- the desirability of using a broader range of indicators, possibly related to the move towards children's services, in ways which would enable schools to address broad issues about the wellbeing of children and young people.

Fair Funding

There was some concern about the way in which the 'Fair Funding' system was operating. According to one Director '*Fair funding was OK at the time it was introduced but things have changed. There's a need for funding to be governed by the needs of children which aren't necessarily reflected in a formula driven by pupil numbers.*'

LAs noted that a number of recent initiatives (such as the RAISE programme, BSF, and SIG) had provided much-needed additional funding targeted at specific school or developmental activities. However, there was a widespread belief that LA funding had not been increased adequately which meant that many had struggled to meet their additional responsibilities. It was felt that the

resources which LAs had were barely sufficient to enable them to perform necessary administrative and monitoring tasks. LA staff believed that their advisors should be involved in working with schools to identify what needed to be done and how the funding could be used to greatest effect. They believed that they would not be able to do so unless they were given additional capacity and that this required a recognition of the LA role.

There was strong support among headteachers for the notion that schools should enjoy greater parity of funding and that there was too much variation between the funding levels in different LAs. It was felt that the funding was currently distributed through a sequence of formulae which did little to promote transparency. They therefore advocated an all-Wales, agreed formula for school funding. Some primary headteachers questioned the extent to which funding should be distributed by pupil-based formulae, arguing that this had a major impact on small schools and those serving areas with transient populations.

Reserves

Heads noted that at the time LMS was introduced it had been intended that schools would enjoy greater freedom about funding matters over a period of time. They believed that such notions had been eroded as a culture had emerged whereby schools were criticised for holding reserves, even though they might be earmarked for major developments. Some felt that a clearer understanding about the building and use of reserves was required.

NPFS

A number of heads referred to their recent experience of the introduction of the NPFS by NC-ELWa and the arrangements to delegate the national funding for post-16 education to schools. Most heads believed that the experience had done little to generate confidence in a national as opposed to locally-based system of funding.

Formula factors

LAs delegate funding to schools according to a range of 36 permitted factors set by the Welsh Assembly Government (NAfW, 2006). These are factors which '*may be taken into account by a local education authority in their formula on the basis of actual or estimated cost*'.

Some heads questioned the extent to which specific factors such as the deprivation indicator should influence funding formulae and referred to the challenges which faced all schools. Others questioned the inclusion of factors such as sparsity. However, there was a strong feeling among representatives from all types of schools that too many of the factors used in the LA formulae were based on historical factors and did not take account of the current circumstances in which schools worked. In particular, the formulae were criticised for:

- not taking account of the increase in the use of ICT in administration and management and its educational importance and curricular status
- taking inadequate account of workforce remodelling
- not taking account of the additional administrative responsibilities falling on schools, especially those stemming from the range of initiatives introduced to promote attainment
- not taking account of collaboration, for example 14-19, and the costs of provision.

Many heads advocated the introduction of a revised method of calculating deprivation and maintained that the FSM index was no longer an accurate tool for its measurement. They believed that many families who were no longer eligible for FSM had additional needs which should be recognised in funding formulae.

Among the suggestions made was for a formula based on a measurement of the value added which a school would have to provide, although there was no consensus about how this might be achieved. Some heads believed that other factors, such as an entitlement to free childcare should be included. As in the case of their colleagues in secondary schools, primary heads did not consider FSM to be an adequate measurement of deprivation. Furthermore it was noted by both primary and secondary headteachers that although some families were no longer eligible for FSM but that many of the issues which they faced remained. A representative comment was made by the headteacher who said that; '*Free School Meals varies but we are dealing with the same families with the same problems.*'

Funding additional support

Formal mechanisms have been introduced to allocate additional LA support over and above core elements provided to all schools. These take account of

the particular circumstances or challenges facing schools. There was a recognition on the part of some LA officers that the formulae needed to be revised and that some were not fit for purpose. They also recognised that sometimes it was impossible for schools and others to understand how formulae worked which raised questions about their transparency. These comments were echoed by headteachers, some of whom struggled to understand the basis for some allocations. Good practice was identified where headteachers or their representatives had been involved in developing such criteria and where decisions were based on thorough consultation.

Budget stability

Schools generally welcomed multi-year budgets and believed they would enable them to plan ahead more effectively than was possible at present. They believed this should lead to more effective use of resources. They cited evidence in support of their assertion that the timing of some funding announcements did little to promote effective planning of resources. For example, funding for specific types of ring-fenced expenditure was sometimes made available towards the end of a financial year after schools had already committed resources to meeting those needs which sometimes could not be diverted to other purposes. Primary heads believed that multi-year budgets would lead to more strategic thinking and would allow for better use of resources.

Some heads advocated the introduction of funding stability concurrent with the lifetime of a SDP. This, they believed, would enable schools to allocate resources in a planned, coordinated way. It would also ensure they could prioritise expenditure within the SDP in the light of information about future budgets. However, a minority of heads believed that deficiencies within the funding arrangements (in particular their concerns about funding formulae), needed to be addressed before any move to multi-year budgets.

Budget forums

LA representatives believed that budget fora were becoming an effective means of encouraging dialogue between stakeholders. For example, they had been a way of highlighting the consequences of any proposal to reduce expenditure on education. They therefore were a particularly valuable means of influencing elected members. Headteachers also considered budget fora to be useful platforms to discuss school funding issues. One secondary

headteacher commented that their effectiveness could be developed further because '*In the past too much information was fed by officers to elected members. Now I present things to them at the budget forum which brings them closer to the way things work on the ground.*' However, many stakeholders were aware of their limitations. For example, one headteacher noted that there was '*no redress if the Council takes a different view to what the forum wants.*' In another LA it was alleged that '*when it comes to influencing the authority it's a waste of time.*'

The primary school heads interviewed were not directly involved in the Budget Forum for their authorities and they were not the designated primary sector representatives on those bodies. However, their second-hand experiences of those fora were positive. In particular, they believed that they offered a means of highlighting how individual LAs' funding compared with others and promoting an awareness of the needs of the education sector. Primary school heads believed that the Budget Fora could become a more valuable conduit between practitioners and elected members, but that this might take some time.

6.4   The 14-19 Learning Pathways

There was a strong feeling that LAs had important roles to play in supporting and promoting collaborative working between schools. This function was also seen as a contribution to maintaining effective partnerships after they had been set up. The role of the LAs in Learning Pathways was summed up by one officer who noted; '*We provide the glue that binds the education community together.*' LAs recognised that capacity issues meant that they were not always able to do this to the extent they wanted. LAs felt that they were required to counteract a culture of competition which had emerged between providers and that this took time and effort. The 14-19 coordinators were also tasked with developing notions about the curriculum which challenged some traditional assumptions. This work of negotiating and managing change called for a team of advisers to undertake it. Moreover, such staff needed to have the credibility and status to drive change, especially when they sought to persuade senior managers in secondary schools and FE colleges to change established working practices. Therefore, there was a need to appoint staff at a senior level

and to ensure that there were sufficient numbers of them to undertake such work effectively.

However, it was clear that the role played by LAs in taking forward the 14-19 Learning Pathways agenda varied considerably. In the more proactive authorities, LAs were central to the process of building partnerships and forging relationships between providers. In others, schools took the lead and the LA role was more peripheral. For example, the level of officer involvement in 14-19 Networks varied. Some were proactively encouraging things such as the development of options menus and the discussion of teaching and learning needs but elsewhere this was said to be led by headteachers and college and provider staff rather than LAs.

A small minority of schools questioned the partnership ethos and believed that too many resources had been spent developing an infrastructure for collaboration (CCETS, 14-19 Networks, Transition Planning Networks etc), and developing programmes (such as CIF-funded initiatives) collaboratively. This view was rejected by most school representatives who acknowledged the value of collaboration; some of them noted that where LAs functioned well (and had sufficient capacity in terms of their size and ability to take strategic decisions), they could ensure that such work was carried out effectively.

6.5 Integrating services

Senior LA personnel were convinced that the responsibilities they had for developing greater integration of children's services would only be realised if their existing relationships with schools were maintained. They felt that LAs performed important functions by coordinating services and developing strategies that took account of local circumstances. '*The LA role enables the interpretation of national priorities locally'* was one comment that reflected this view. LA staff felt that the type and level of collaboration required to implement the notion of integrated children's services would not occur were it not for the LA role. Moreover, they felt that the nature of decisions might change for the worse. A typical comment was; '*I think that universal services to all children might suffer without LEAs as schools would focus limited resources on targeted groups/narrow areas and not all children. If you don't have those universal services to improve quality across the board then more children will end up needing specialist support. We certainly want to grow the*

resources and knowledge of schools to support themselves but there is still an important role for the LEA.'

LAs recognised the need to build on existing good practice in supporting specific groups of pupils such as Looked After Children (LAC). This involved linking school improvement approaches to care strategies and forging more effective operational-level links between practitioners from different professional backgrounds. Although such staff usually worked in school and community settings, it was emphasised that LAs were essential in bringing those professions together and establishing protocols for sharing information.

Key Findings

Perceptions

- The LA remit in Wales included a broad range of services. A number of these were valued highly by headteachers in both primary and secondary sectors. Even so, there was concern that the quality of the support provided was not consistent across Wales.

- Primary school headteachers in particular valued the administrative and managerial support provided by LAs and believed that this was valuable capacity which freed them to focus more on teaching and learning.

- Most headteachers believed that LAs should continue to be responsible for education.

- While budget forums were an effective means of discussing issues related to school funding, their ability to influence decisions was limited. Even so, they could be valuable conduits between schools and elected members.

Capacity

- The range of curriculum support which Welsh LAs were able to provide was limited because of their size. All LAs operated a link officer system to monitor and support schools.

- Greater collaboration between authorities or even LA reconfiguration were options that were favoured by headteachers as a means to increase LA capacity to support schools.

- Partnership working between authorities was evident. Such arrangements included structures established at the time of Local Government Reorganisation (LGR) and also the emerging regional consortia.

Delivery of support

- LAs in Wales operated a system of intervention in inverse proportion to success. This included targeting support to schools in areas of economic

deprivation, those where performance was a cause for concern, and providing additional support for inexperienced headteachers or schools with a high percentage of Newly Qualified Teachers (NQTs).

- It was noted that the focus of the support provided needed to take account of the broad range of functions for which schools and LAs were responsible, including the move towards greater integration of children's services.

- School link advisers were the main conduit by which LAs supported their schools. The allocation of support was made on the basis of a minimum level of support to all schools supported by targeted intervention in those cases where a range of indicators suggested it was required.

Models of support

- There were mixed views about the notion that schools should have the discretion to buy in support which met needs which they themselves had identified.

- The SIP model used in England was not considered appropriate in Wales by a large number of stakeholders. There was concern about the capacity of models of curriculum support that drew on the work of serving teachers.

- LAs believed that their ability to challenge and support schools rested on the authority which they had through their relationship with schools. They believed that most judgments indicated that they had an effective relationship with schools that was valued by stakeholders.

- There was little enthusiasm for a market-led approach that allowed schools to work with partners they themselves identified.

- LAs believed that moves towards greater integration in services to children and young people required them to retain a positive and close relationship with schools. In their opinion, this would not be done by eroding the roles and functions of the LAs.

14-19 Learning Pathways

- LAs were developing a central role in the development of the 14-19 Learning Pathways although much still depended on their ability to counter the culture of competition between providers. Some LAs were far more proactive in driving the Learning Pathways than others.

- LAs needed staff with credibility among stakeholders in order to drive the 14-19 agenda.

Funding

- There was concern that the funding formulae used by LAs needed to be reviewed to take account of different staffing structures and of the new responsibilities that schools held in relation to services to children and young people.

- LAs were concerned that they were not being given adequate resources to support the roll-out of specific initiatives to schools.

- Many headteachers believed that the funding gap between different LAs was too big and that there should be more uniform funding.

- Some headteachers questioned the effectiveness of the FSM indicator as a proxy for deprivation.

- The issue of whether schools should be allowed to retain large amounts in reserve needed to be resolved. It was felt that it was unfair to criticise schools for holding reserves when they had been encouraged to develop them to meet identified spending needs.

- Schools believed that multi-year budgets would assist them to plan ahead. This was also felt to be something that could contribute to ensuring best value.

7.   Recommendations

Nature of relationships

7.1   The relationships between schools and LAs are different in Wales to those in England. Whereas English LAs are moving towards more of a commissioning role, Welsh LAs perceive themselves as partners involved in the delivery of services. It is recommended that the funding system used in Wales should therefore be tailored to meet Welsh needs.

7.2   Best value would be obtained by using and consolidating the capacity of LAs in Wales, rather than developing alternative structures to support schools. LAs should therefore lead the process of supporting schools. In order to do so, LAs need to be provided with sufficient resources.

7.3   School Link Advisers should remain the key conduit between schools and LAs. There was a need to ensure that advisors had credibility with the staff with whom they worked and that resources were made available to ensure that quality advisors could be recruited. Wherever possible, LAs should harness practitioner expertise when providing support to schools.

7.4   LAs should continue to mediate secure strong working relationships between practitioners in different departments in order to secure seamless services for children and families. These should ensure effective collaboration and the sharing of information at operational levels. Schools should be supported to become fully involved in such partnerships.

7.5   In Wales, LAs should lead the process of developing 14-19 Learning Pathways. This responsibility should be funded appropriately to enable staff with sufficient credibility among stakeholders to lead the process.

7.6   Budget fora should be retained and encouraged to develop a key role in discussing issues concerning school funding.

Funding allocations and formulae

7.7   Because of the enhanced roles which LAs have in supporting schools in Wales, funding should continue to be allocated through the LAs. However, there should be greater transparency in terms of the method by which funding is delegated to schools and a standard minimum level of funding per pupil should be developed. Multi-year budgets should be developed as a means of providing stability to schools.

7.8   LAs should have the flexibility to provide additional financial resources to schools. This power should be used when schools face temporary difficulties (such as falling rolls) and where a school's rolls fall below the designated level for a temporary period as a result of a planned reorganisation.

7.9   The WAG and LAs should undertake periodic consultations about appropriate funding formulae and ensure that formulae addressed current needs and expenditure patterns. Where appropriate, these should be a matter for specialist advisory consultation. WAG and LAs should explore the possibility of some form of arbitration in cases where there is disagreement between stakeholders about formulae (though not overall budgetary allocations).

7.10   There is a need to examine the effectiveness of FSM as a criterion upon which to base weighting for economic deprivation.

7.11   There is merit in ensuring standardisation of funding formulae to meet the needs of children and young people with SEN.

Capacity within LAs

7.12   In order to secure greater consistency of support services across Wales, capacity issues within LAs need to be addressed. The development of collaboration between LAs should be encouraged. The effectiveness of such arrangements and the structures for their governance should be reviewed on a regular basis. Such arrangements should aim to provide in-depth curriculum support for schools.

7.13   There is scope for the WLGA to develop its role in sharing good practice and in acting as a vehicle to foster collaboration between LAs.

7.14   LAs and schools should examine the advisability of combining certain roles (e.g. school administrative staff could work in more than one school/cross phase) where this was appropriate and enabled economies of scale to be obtained.

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