

Report

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Report to:	Education Resources Committee
Date of Meeting:	24 April 2018
Report by:	Executive Director (Finance and Corporate Resources) Executive Director (Education Resources)

Subject:	Fair Funding to Achieve Excellence in Education - Consultation Analysis
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1. Purpose of Report

1.1. The purpose of the report is to

- ◆ advise Committee on the recently published analysis of responses to the consultation on Fair Funding to Achieve Excellence and Equity in Education.

2. Recommendation(s)

2.1. Committee is asked to approve the following recommendation(s):-

- (1) that the summary of the analysis of responses to the consultation on Fair Funding to Achieve Excellence and Equity in Education be noted

3. Background

- 3.1. In June 2017, the Scottish Government published its response to its consultation on Education Governance, providing the direction for the Next Steps on how the Government's vision for Schools will be taken forward.
- 3.2. As part of this response, the Scottish Government launched a subsequent consultation on the funding for Education going forward. This "Fair Funding to Achieve Excellence and Equity in Education" consultation required responses to be submitted in October 2017.
- 3.3. On 27 September 2017, the Executive Committee approved a response to the consultation, on behalf of South Lanarkshire Council, which was submitted to the Scottish Government. A copy of the response is attached as an appendix, for information.
- 3.4. In late February 2018, the Scottish Government published an analysis of the consultation responses. This paper was written by Rocket Science Ltd, rather than the Scottish Government, and it does not point to any conclusions, next steps or actions that will arise from the exercise. The report is simply an attempt to analyse responses received on the consultation.
- 3.5. A separate consultation has since taken place (January 2018) in relation to the Education Bill 2018. This exercise specifically stated that The Government will be reporting on the outcome of the Fair Funding consultation in summer 2018. It is expected that the outcomes of the Fair Funding and Education Bill consultation will feature in the final draft of the Bill expected later in this parliamentary year.

- 3.6. The Analysis advises that 85 written responses to the consultation were received, from local authorities, head teacher/teachers, parents, other organisations, and individuals. In addition, six focus groups were conducted with head teachers across Scotland.
- 3.7. The analysis is provided under 3 main headings, which reflects the main themes of the consultation. The analysis provided on each of these themes are covered in the remaining sections of this report.
- Advantages and disadvantages of the current system (section 4)
 - Future Systems of Funding (section 5)
 - Support and systems needed to implement change (section 6)

4. Advantages and disadvantages of the current funding system

4.1. The following advantages and disadvantages were highlighted in the analysis :

- ◆ an advantage to the current system is the involvement of local authorities in school funding (this was the most prevalent advantage noted)
- ◆ Devolved School Management (DSM) was seen to provide head teachers with a degree of control over funding. The level of support from Local Authorities was seen as a major advantage
- ◆ there is frustration over the lack of transparency and the variation in the level of flexibility and autonomy granted to head teachers across areas
- ◆ there was some agreement that bureaucracy within the current system was a major disadvantage including reporting mechanisms from different funding sources and burdensome procurement processes
- ◆ there were concerns about the heavy workload currently facing head teachers
- ◆ there was some agreement that the time involved in completing certain tasks under DSM schemes is preventing head teachers from focusing on attainment within schools

5. Future systems of funding

5.1. Comments received on future systems of funding are as follows:-

- ◆ in general, the view was that a Pupil Equity Fund (PEF) type approach to school funding would bring a range of benefits. Some responses stated concerns that PEF led to a silo approach, and put integration at risk
- ◆ there were anxieties about exactly how money should be allocated. The use of free school meals was queried, suggesting a more sophisticated method was needed
- ◆ many felt that the level of control under DSM was insufficient to effect change
- ◆ many felt that head teachers should have control over staffing, staffing structures and educational resources
- ◆ whilst some argued that head teachers should be responsible for dealing with additional support needs, concern was raised over the cost of specialist service provision
- ◆ agreement that head teachers should not be responsible for utilities and building maintenance
- ◆ main elements of funding identified as unsuitable for inclusion in a standard, Scotland wide approach was ASN, Building Maintenance and Transport
- ◆ Some respondents said that a one size fits all would reduce flexibility for local needs

- ◆ increasing funding powers at a school level was seen to improve the responsiveness of schools to local challenges
- ◆ overall, respondents identified many more possible disadvantages to allocating a greater proportion of funding directly to schools than advantages. Head Teachers' view was that this would not be possible without more business admin support
- ◆ allocating a greater proportion of funding directly to clusters was not supported by teachers, as this was considered a layer of bureaucracy and complexity
- ◆ respondents felt the role of the Regional Improvement Collaboratives was unclear with concerns around the extensive geographical scale of these collaboratives. Many respondents set out disadvantages of distributing funds to RICs.

6. Support and systems needed to implement change

6.1. Comments received in relation to support systems needed to implement change were as follows:-

- ◆ wide agreement that head teachers required support to deal with tasks that did not relate to teaching including administration, financial management, HR and building maintenance issues
- ◆ most respondents argued that schools should have an 'in-house' business manager and financial management duties should be completed by a professional with appropriate competencies and expertise
- ◆ concerns about the level of accountability that head teachers will face under a more devolved funding system, particularly if parent/pupils disagreed with decisions
- ◆ most felt that accountability for funding decisions should lie at the local authority level
- ◆ training - there was little appetite from head teachers for training as they felt that such tasks should be carried out by someone trained in the relevant field
- ◆ some felt that access to evidence based research on what interventions worked would help in school funding management

7. Employee Implications

7.1. There are no direct employee implications from this report

8. Financial Implications

8.1. There are no direct financial implications from this report.

9. Equality Impact Assessment and Consultation Arrangements

9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required

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12 April 2018

Link(s) to Council Values/Ambitions/Objectives

- Accountable, effective, efficient and transparent

Previous References

- Executive Committee – 27 September 2017

List of Background Papers

- Education Governance: Fair Funding to Achieve Excellence and Equity in Education

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Consultation Response.

Q 1 What are the advantages of the current system of funding schools?

In understanding the proposed changes to the system it will be imperative that we understand how the scope of delegated responsibility to Head Teachers operates alongside the funding provided and those retained by the council. Councils will still be responsible for some aspects of school spend, and sufficient funding of that must be retained by the Council.

Current Model Benefits: One of the primary advantages of the currently system of funding in Scottish Councils is the relative predictability and consistency of approach in determining the level of funds available for local authorities. This then directly applies to the funding available for Schools.

Whilst changes to funding levels have been experienced at whole Council level, the Council is able to make considered decisions around the funding that each of its services receive and more importantly, the reasons for that funding. Schools can be protected from grant movement, where the reasons to do that are supported by the Council's plans. For example, in the last 2 years, the level of savings required by the Council has been £43m. Only £4m of savings has been taken from Education services (10%), despite Education holding 48% of the Council's budget.

That element of local decision making is a key feature of the current funding arrangement employed for all Council services, and the current funding model allows that local decision making.

Locally, decisions can be taken on the level of spend needed in any particular service area, and locally, the implications of that decision can be made. The council currently opts to spend £25m on ASN, £1.1m on Quality Improvement Services and £3m on Youth Services. These decisions on what we spend our money on are fuelled by an understanding of what services are needed to make a difference. That is a key advantage of being able to make decisions locally as an Authority.

DSM – Through the DSM scheme Head Teachers can already influence the spending in schools.

Monitoring and Management of Funds: A benefit of the current system is that consistent controls can be put in place to support Head Teachers from the "centre", in terms of financial management. Support is provided to schools to help manage and control spending. The consultation is unclear on the level of control at council level to manage financial issues such as unexpected pressures, or how schools would be expected to manage such issues.

Economies of scale can also be gained from adopting consistent approaches to current and new initiatives

What are the disadvantages of the current system of funding schools?

A perceived disadvantage of the currently system is a lack of transparency of Funding. This is challengeable. Councils are required to be democratically accountable to their citizens and Councils can defend the level of spend made on all areas of business, including schools. Information regarding local authority expenditure on Education is reported in a range of statistical returns.

The current funding model for Councils is arrived at by applying a range of criteria feeding into a GAE calculation. The number of pupils in a Council area, the number of schools, the level of deprivation, the number of children in receipt of free meals are all taken into account at arriving at a GAE level for each council.

This GAE then features in the overall allocation of funds for councils, but not on a pound for pound basis, as GAE levels were frozen over 10 years ago. Since then there has been overall changes in the level of funding available for councils, and therefore more funds are allocated over and above the GAE levels.

It is accepted that the GAE does not represent a target or budget for spend on certain areas – it's a tool to allocate a fixed quantum of money. Therefore any comparison of councils spending levels to GAE calculations is flawed. For 2017/18 SLC's GAE level for education is £265m, whilst the comparable budget allocated for education is £306m.

Moving to a Fair Funding model may allow a better understanding of how funds area allocated, but this will remove all links to how other local government services are funded, and also to the link between councils own budgets and education spend.

Q 2 What are the benefits to Head Teachers of the current Devolved School Management schemes

As the consultation acknowledges, the current DSM system already allows a devolution of control to Head Teachers. Current the councils DSM scheme devolves £37m of controllable spend to Head Teachers (12% of total school budgets).

There are a number of advantages for Head Teachers in respect of the current model of DSM:

- Transparent basis for allocations based on pupil roll;
- Compliance framework in place, including a clear audit trail;
- Economies of scale based on LA negotiation e.g. Our IT managed contract, procurement catalogue;
- 'Best value' undertaken centrally through procurement;
- Clear guidance in respect of overspend/carry forward;
- Flexibility to move allocations to meet local needs;
- Facility to delegate/devolve budgets;
- Able to target funding to School Improvement Plan projects;

What are the barriers that Head Teachers currently face in exercising their responsibilities under DSM? How could these be removed?

The key barriers, other than the ongoing requirement to find savings, are largely as a result of the need for compliance where measures in place to ensure that spend is well-managed :

- Carry-forward: limits to carry-forwards make it difficult to accrue funds for larger projects over the longer term;
- Complex financial reports: a large number of budget lines are used and it is not always clear what each is used for in practice. It is not always easy to get clear up-to-date reports. This is offset by high quality support from LA officers.
- Procurement processes can, at times, prove problematic. It is recognised, however, that such processes ensure that schools operate within appropriate legal and policy requirements.
- Restrictions in respect of virement of budget savings e.g. if absence cover cannot be provided, the saving cannot always be spent in other areas. It is recognised that these measures are in place to protect aspects of the service.

Q 3 How can funding for schools be best targeted to support excellence and equity for all?

The principles behind a fair funding model are undeniable. The aims overall around supporting excellence and equity, being fair and transparent are key aspirations for any funding approach.

In reality, the concerns highlighted in the consultation paper around variations on spend, and transparency benefit from further local awareness of how school budgets are established.

Councils do not attempt to conceal how budgets are approved and already Councils aim to support excellence in schools. It is acknowledged that budgets are managed on a rollover basis, taking last year's spend as a starting position to consider what is needed for the coming year.

The overall funding model for Local Government ensures decisions can be taken at a local level to meet local need. Different areas will have different needs and priorities. This may lead to differing benchmarks around spend per pupil, but this can be explained by more than simply some councils choosing not to allocate as much funding to education than others.

Benchmarks do not tell a story around efficiency or outcome. Higher level of spend in some areas does equate to better service, or outcomes.

Examples such as the level of maintenance spend required will be dependent on the condition of assets. If Councils have invested in their estate the level of spend in schools will be lower. This is not a negative position.

Whilst benchmarks can be used as can openers for understanding how we compare to others, it is only useful if you can understand the reasons for the differences. Collaboration with others can help understand how others deliver excellent services, and we can learn from that, however, individual needs and priorities will still have to play a part in resources allocation.

A model where schools are able to influence how money is targeted is positive. However, further information is needed to understand how mandatory funding levels will work alongside schools being afforded more influence on how money is spent.

To ensure consistency and allow for effective planning there would be a need to minimise year on year movements in funding at school level – ideally the funding model would include a cushion to restricts the potential for year on year movements.

Timing of allocations to individual schools would also need to allow sufficient time for planning, recruitment and delivery if the aims of the Fair Finding models are to be achieved.

A critical issue is the allocation of budget to tackle inequity. In order to do this fairly, a robust system of allocating funding, along with clear accountabilities is required: it is noted that PEF was allocated on the basis of FME uptake, yet the stated purpose of the funding is to address the attainment gap measured against SIMD. Anomalies between FME eligibility and uptake, along with anomalies in relation to SIMD can result in anomalies – and further inequity - in respect of the allocation of funding.

Q 4 What elements of school spending should head - teachers be responsible for managing and why?

In considering a response to this question there is a direct link to the previous question in that funding allocated on the basis of tackling inequity must be used for the stated purpose with robust accountabilities in place. In answering this question, there would need to be context around how budgets are allocated and the operating frameworks to be considered e.g. LA procurement/management structures etc.

Fundamentally, Head Teachers should have control and accountability in relation to those aspects of funding that impact on learning and teaching and upon the delivery of the service. In some cases there is a clear and direct link: staff training and professional development; staff absence cover; learning and teaching materials, specialist equipment, resources and consumables (including ICT resources for learning and teaching). In some cases there is a less clear link: out of school activities and associated transport costs; some aspects of additional support services; accreditation of courses/activities e.g. Duke of Edinburgh Awards Scheme. Some other aspects which are perhaps less directly relevant might be around furniture and fittings – particularly in relation to specialist accommodation e.g. nurture spaces, STEM areas etc.

A substantial proportion of the running costs relate to wages: whilst staffing levels and management structures could be argued as a fundamental aspect that should be under the HTs control, issues in respect of SNCT agreements and risk assessment (financial and educational) in relation to plans that deviate significantly from existing models would need to be addressed.

What elements of school spending should Head Teachers not be responsible for and why?

It is suggested that areas where Head Teachers should not be responsible include aspects of provision which do not require educational input, such as:

- Utilities; building maintenance/upkeep; administrative/support services costs; kitchens/catering; janitorial;

The Council has heavily invested in capital spend in education facilities, and it is key that the investment is protected, and the quality of schools is maintained. Whether responsibility for that is devolved or not, funding needs to be available to protect that investment.

There are also areas where economies of scale benefit schools and therefore they should take support from councils such as;

- core ICT contract including infrastructure, technical support/maintenance;
- utilities;
- reprographics equipment;
- transport;
- Procurement catalogue.

Controls should also be in place to protect spending where allocations are based upon pupil need such as;

- core specialist services/ASN supports/access to wider provision

Head Teachers should not be able to unilaterally enter commitments or contracts on behalf of the council, for example;

- Staffing/employment rights, staffing surpluses or procurement. Liability and responsibility must sit together.

What elements of school spending are not suitable for inclusion in a standardised, Scotland Wide approach and why?

There may be a negative impact on funding available and on the value for money that can be achieved if there is a standard, one size fits all approach applied to allocate funding, and to spending, where currently factors such as geographic implications and rurality are taken into account. eg impact of rurality on college travel expenses; requirement to retain a cover pool in remote areas vs more densely populated areas; requirement to provide additional supports in areas of multiple deprivation or where there is relatively low demand in an isolated area.

Diversity in respect of population density, rurality, deprivation, access to colleges, businesses, sports facilities, cultural centres, other schools etc. all mean that a standardised approach to providing equity may not be always be appropriate to deliver desired outcomes.

Costs such as maintenance and upkeep will vary widely depending on the level of prior investment by the LA.

Q 5 **What would be the advantages of an approach where the current system of funding schools is largely retained, with a greater proportion of funding allocated directly to :**

- **Schools**
- **Clusters**
- **Regional improvement collaboratives**

The advantage of retaining the current systems is covered at question 1. However, the advantages of extending the level of funding to schools, clusters and regional collaboratives will depend on the obligations or restrictions that follow the funding. The advantages can only be explored fully when the details of the new funding system is made available.

Details around how spend is to be controlled and how, and who Head Teachers will be accountable to will form the advantages of such a system. Information around the function of clusters and Regional Improvement Collaboratives will also help define the advantages of the system.

What would be the dis -advantages of an approach where the current system of funding schools is largely retained, with a greater proportion of funding allocated directly to :

- **Schools**
- **Clusters**
- **Regional improvement collaboratives**

Risk to changing the Funding Model: Firstly, a key consideration of changing any funding system is understanding and appreciating the real impact of the changes financially. Changing formulas, or introducing any mandated top slicing or allocation methods may mean that current services provided elsewhere in education may have to be reduced (unless the overall quantum of funds available increases). Until there is better defined options it is hard to assess the overall impact on what is currently delivered for pupils.

Without the details of what the new model may look like, it is hard to establish the overall impact on the level of funds that SLC schools will have going forwards, and what restrictions there will be on those funds. Currently, the primary measure of deprivation is the Scottish Index of Multiple Deprivation (SIMD) which is calculated based on data zones. Overall SLC accounted for 6.18% of Scottish data zones in 2016, but only 5.94% of the 15% most deprived data zones. How, and what data is used will influence the level of funds available.

Whilst the theory of fairness across Scotland is understood, it is the risk to the decisions already taken locally to this point that should be considered.

Overall Funds Available: Secondly, the overall quantum of funds available is a key issue here – if the overall spend on schools is to stay the same, but more funds will be diverted to those most in need, then others will lose funds. As part of a funding model, there needs to be the control that core funding is available across the board that is sufficient to deliver a core service. Through introduction of tiers (local, cluster and Regional), will additional bureaucratic

costs being incurred and therefore there is less to deliver excellence in schools?

Fundamentally, there needs to be consideration of how much it costs to run schools the way that we want them to be run and ensure that there is enough funds in the system to do that. If that's not the case, a Fair Funding model will fail to deliver on its ambitions.

Head Teacher Decisions – through a fair funding model, there is the possibility that Head Teachers may choose to invest their funding in ways not reflecting the perspective of other schools. This may jeopardise the idea of “fairness”. Support and controls are needed to provide the proper environment for decision making in line with the intended policy.

Q 6 The SG education governance reforms will empowers Head Teachers to make more decision about resources at their school. What support will Head Teachers require to enable them to fulfil these responsibilities effectively?

With devolvement of additional funding comes a level of accountability that will have to be accompanied by support for Head Teachers. Whilst operating as business managers already forms part of their current role, Head Teachers will require to have stronger skills and support in financial management.

Accountability for ensuring best value and value for money will be a key concern, as will understanding how options appraisal can feature as part of decision making. Support on how to make procurement work better for them has been a key feature of the PEF funding, and will only increase through higher levels of funding.

How that support is provided to Head Teachers needs to be clarified, including the role of Business Manager. The role of the Local Authority, cluster set up and Regional Collaborations will impact on how Head Teachers make decisions and the skills and support they need.

Financially, how that support is funded will be key. Funding decisions, and allocating more to schools need to allow for increased levels of support for Head Teachers.

Q 7 What factors should be taken into accounts in devising accountability and reporting measures to support greater responsibility for funding decision at school level?

This is an area where there's a need for a careful balance between accountability for best use of resources and flexibility to allow teachers and Head Teachers to exercise their own judgement. There needs to be a level of clarity in respect of where the accountabilities lie, the level of detail in reporting, and a mechanism for addressing concerns. There needs to be clear instruction on who is responsible for budget management and for performance.

The issues faced by Head Teachers and local prioritisation of funding decisions need to be addressed in the support and guidance provided, for example supporting a strong parental lobby in respect of a single issue might sit in tension with a wider need to address a national agenda. Whilst HTs can make those decisions, there are still questions over how are they arbitrated in the

event of complaints being made – particularly where parents/pupils disagree with spending decisions.

Q 8 Do you have any other comments about fair funding for schools?

Link to changes to Education Governance : Currently, without knowing the detailed method of funding allocation, it is not possible to confirm that the ambitions and demands of Education Governance changes can be met from the funding available. This should become clearer when the methodology is agreed, and it will be important that the Scottish Government and councils work together to ensure that the funding is sufficient to meet the expected outcomes. The established joint Cosla / Scottish Government / Council Settlement and Distribution Group is the ideal place for that consideration.

Impact for Councils : The outcome of this consultation, and the funding allocations that will result will affect the funds that schools receive to deliver services. The paper does not specifically state what this will look like. Depending on how the funding of schools is taken forwards, the funding that councils get will change, either through more direct funding for schools, or through direction on how much funding councils will pass through to schools. The amount of non-ringfenced funding that councils have to deliver other services may also be affected. Again, the paper does not provide detail of the detailed proposed methodology, and therefore there is no way to estimate the overall impact at this stage. It is important that councils are able to comment on the actual impacts to budgets when the detailed funding methodology is prepared. Again, the Settlement and Distribution Group would be the ideal place to do this.

Protection of Budgets – from a whole council perspective, the protection and ring fencing of budgets from the council's overall pot will lead to the need to a smaller pot of funding under the council's direct influence.

Councils currently are given grant and make decisions (including investing in education) to do what is right of the local area. As education funding becomes ring fenced, this can mean that there is a reduced council budget to absorb funding pressures (such as pay awards, and pension changes), and any reduction in grants ring fencing budgets will result in more service impact for non ring-fenced services, some of which are statutory.

As an example, if the funding for education was ring fenced this would reduce the council's overall controllable budget from £673m to £407m. Covering budget gaps 2017/18 equates to an average 2.8% cuts across services. If education is removed, this increases the cuts to almost 5%.