

**Cynulliad Cenedlaethol Cymru**  
**Y Pwyllgor ar Ariannu Ysgolion**

**The National Assembly for Wales**  
**The Committee on School Funding**

**Dydd Iau, 9 Chwefror 2006**  
**Thursday, 9 February 2006**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee. In addition, an English translation of Welsh speeches is included.

*Aelodau Cynulliad yn bresennol: William Graham (Cadeirydd), Peter Black, Denise Idris Jones, Lynne Neagle, Janet Ryder.*

*Eraill yn bresennol: Susan Lewis, Prif Arolygydd ei Mawrhydi ar gyfer Addysg a Hyfforddiant yng Nghymru, Estyn; Ann Keane, Pennaeth Addysg y Blynyddoedd Cynnar, Ysgolion a Gwaith Awdurdodau Addysg Lleol, Estyn; Simon Brown, Arolygydd ei Mawrhydi, Estyn; Andrew Clark, y Cyngor Cenedlaethol—ELWa; Richard Hart, y Cyngor Cenedlaethol—ELWa.*

*Gwasanaeth Pwyllgor: Steve George, Clerc; Ruth Hatton, Dirprwy Glerc.*

*Assembly Members in attendance: William Graham (Chair), Peter Black, Denise Idris Jones, Lynne Neagle, Janet Ryder.*

*Others in attendance: Susan Lewis, HM Chief Inspector of Education and Training in Wales, Estyn; Ann Keane, Head of Early Years Education, Schools and the Work of the Local Education Authorities, Estyn; Simon Brown, HM Inspector, Estyn; Andrew Clark, National Council—ELWa; Richard Hart, National Council—ELWa.*

*Committee Service: Steve George, Clerk, Ruth Hatton, Deputy Clerk.*

*Dechreuodd y cyfarfod am 2 p.m.  
The meeting began at 2 p.m.*

### **Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau Introduction, Apologies, Substitutions and Declarations of Interest**

[1] **William Graham:** Good afternoon, ladies and gentleman. I welcome Members, officials and any members of the public who are present today. In an emergency, ushers will indicate the nearest safe exit. Headsets are available for translation and amplification. I ask everyone in the room to switch off any mobile phones or BlackBerrys. I see that there are no apologies or substitutions, and I invite Members to make declarations of interest under Standing Order No. 4.6. I see that there are none.

2.01 p.m.

### **Tystiolaeth gan Estyn Evidence from Estyn**

[2] **William Graham:** We welcome Susan Lewis, Ann Keane and Simon Brown. May I ask you for your opening remarks?

[3] **Ms Lewis:** I will just go through a few issues that we have come across in relation to funding as a useful way in. We have undertaken very little research specifically in relation to school funding, but, clearly, we come across issues to do with it, both in our school inspection work and in our LEA inspection work—more so, in many respects, in the latter. In our inspections of schools, you will recall that we ask seven key questions in the course of our work, and, in question seven, we report on how efficiently resources are managed to achieve value for money. The focus is on the economic, efficient and effective use of resources. In the annual report for 2004-05, we report that almost 70 per cent of primary and secondary schools provide good or very good value for money.

[4] Having said that, we have become aware of relevant issues in the course of our other work, some of which are matters of particular concern. The ones that I would like to talk to are as follows: first, a lack of transparency of information; secondly, uncertainty about future resource levels; thirdly, funding for different stages of education; fourthly, funding mechanisms and partnership working; fifthly, funding for different types of schools; and sixthly, social disadvantage and additional learning needs.

[5] We also have some examples of where funding has had an impact on attainment or standards. They are all in the public domain through our reports, but I could refer to some of those. I will take each of those six items in turn. On the lack of transparency of information, the headline would be that information about funding is not easily accessible. At a national level, we think that there needs to be a debate about the standard spending assessment allocation system. There are some issues about comparisons between LEAs, and I will go a little deeper into those. Because the information is not easily accessible at local level, it makes it difficult to make valid comparisons, that take account of the differences between schools. It is also difficult to access national information. Some of this is beginning to appear on the Assembly website, but it is not easy to locate or use. The extent to which information is openly available about LEA-level and school-level distribution of grant allocations is variable and generally limited. The lack of information in the public arena, therefore, reduces the potential for a general understanding of the issues, detailed research and external challenge.

[6] There needs to be a debate about whether the weightings within the SSA allocation system formula reflect the differences in needs and policy aspirations. For instance, are socioeconomic factors given adequate weight when compared with sparsity? There should be a clear rationale underlying the allocation methodology, so that everyone can be clear about what it is and what it aims to achieve. The fact that there is local decision-making about how the funding is allocated at a local level does not nullify the need for clarity at the strategic level. The same issues apply at the local level. Local education authorities should be clear about what they are trying to achieve and promote through their allocation methodology to schools, even though schools are free to make decisions on spending. It is possible to suggest alternative methods of allocating funding to schools; however, while these alternative methods may offer potential advantages, many would also have significant drawbacks, which would need to be carefully considered centrally and locally. Whatever arrangements are made, they need to be transparent, so that schools are clear about what they will receive, what they must pay for and the source of the funding.

[7] If we look at comparisons between LEAs, we see that they are quite complex and need to take account of different levels of delegation and differences in school organisation—including the proportion of early-years and post-16 provision, arrangements for pupils with statements and school size. At present, LEAs receive significantly different amounts of funding per pupil. It is difficult, and, arguably, unreasonable to make comparisons across LEAs. That is quite complex. While these differences persist, and it is not possible to unpick them, the fairest way of comparing LEAs is through their overall education spend in relation to the SSA.

[8] To go on to uncertainty about future resource levels, school funding—as I am sure the committee has already discovered—is complex, in that it derives from various funding streams. Schools then find it difficult to plan in the medium and longer term. Those various funding streams, as you know, include school budget shares, other allocations from LEAs, the better schools fund, other specific funds, ELWa funding for post-16 pupils and school-generated income. Occasionally, schools can also take advantage of other types of funding, such as lottery or European funding. Due to the unpredictability and the time-limited nature of much of the funding, there are often movements of resource from one stream to another, but the headline message is that schools find it difficult to plan ahead. Ideally, I would say that schools need to know what their funding levels will be, certainly for more than one financial year, and I would say that three years would not be unreasonable.

[9] School financial planning is not helped either by the fact that there is a mismatch in how the academic year sits over the financial year. Personally, and you have probably heard me say this before, I would like to see some alignment there, but that would be a much bigger job over a longer period. However, if we are going to make much more sense of this in the long run, that issue needs to be addressed.

[10] On funding for different stages of education, there are often wide differences in funding levels between the key stages and the phases, and these are historical. Why is it that there is so much difference in funding between a year 6 pupil and a year 7 pupil? There is quite a dramatic difference in those sums. It is difficult to justify some of the large differences that occur in certain areas. There is a historic acceptance that there should be a difference between the key stages, which perhaps needs challenging. We should, perhaps, have more of a continuum than this huge break between key stages.

[11] On funding mechanisms and partnership working, the 14 to 19 phase is being planned holistically, as you know, by learning area networks, but the existing funding mechanisms do not help. Two different funding streams with different bureaucratic requirements operate: one for pre-16 and one for post-16. Although partnerships, in the form of local area networks, exist to plan provision, because they do not control core funding, they can only offer specific grants that have to be separately bid for in some detail from the Welsh Assembly Government or ELWa. To work in partnership, I would advocate that partnerships need sustained core funding, otherwise you will drive in one way to make a type of working together, but the funding is actually making people less likely to do that.

2.10 p.m.

[12] So, in any situation of partnership operation, unless core funding is fed through the partnership, as opposed to through individual institutions, there will be little or no control over delivery. It is therefore unlikely that collaboration for delivering a wider choice of options across schools, colleges and training providers will survive unless it is double-funded. So, there are issues there.

[13] One solution to that lies in changing the status of schools and setting up federations of post-14 or post-16 providers that are funded independently—in other words, a sort of tertiary system. That would require substantial changes in the nature of the status of schools through legislation. Although that is not practical in the short or medium term, it may be something that committee would want to think about for the longer term.

[14] Another solution would be to change the funding mechanism so that there is always a hypothecated stream of funding that goes to the partnerships to support the planning and the implementation of 14-19 learning pathways, so that learners get a maximum of choice and can negotiate the pathways that are more individualised. However, there is then the risk of a potential for double-funding.

[15] Turning to the last two points on my list, which relate to funding for different types of schools, the main issues relate to how well formula funding arrangements, nationally and locally, reflect the real differences in need to spend and give relative priority to social disadvantage, additional educational needs, site factors and school size. To some extent, local authorities have greater control over the last one of those variables.

[16] In relation to social disadvantage and additional learning needs, schools in challenging circumstances may have to respond to a far greater degree than other schools to some or many of the following: low attainment on entry; pupils with less-than-average ability profiles; lower parent involvement; a higher proportion of pupils known to other agencies, especially social services and youth offending teams; lower levels of attendance; a higher proportion of pupils who have been excluded; a higher proportion of pupils who have experienced an above-average number of school changes; a greater need for differentiated and alternative approaches to learning and teaching; and staffing difficulties and recruitment and absence. All or any of these can add to the cost and resource needs of those schools. Many of those challenging factors interact with, and exacerbate, each other. So, differences in funding arrangements may not adequately reflect the real differences in need between schools.

[17] In summary, those are the issues that we would wish to bring to the committee's attention in relation to your thinking on funding, and we would be happy to answer any questions. I do not want to go on at great length, but there are other things that we can talk about, such as impact and so on.

[18] **Janet Ryder:** Thank you for that very interesting presentation. There was an awful lot in there, and I will need to see the written record of it. You talked about the possibility of different kinds of funding mechanisms. Have you given any thought to what other kinds of mechanisms might be used, which would deliver greater clarity?

[19] **Ms Lewis:** I will ask Simon to come in on this because he sees quite a lot of this at first hand in his LEA work.

[20] **Mr Brown:** One of the things that we see in the inspections of LEAs—and we have reported this in annual reports over the past couple of years—is that the most effective authorities target their funding and resources for a specific reason. They have identified the reason through the use of data. Several LEAs in Wales have extensive data systems in which they can pick up schools that are getting into some sort of difficulty, identify what that issue is—it may be literacy, numeracy or some other issue in the school—and then target support and intervention at those schools. If it is done in the form of support, say advisory teacher support and so forth, quite often the better LEAs will do some sort of measured cognitive abilities or National Foundation for Educational Research testing—some sort of pre-measure—so that, at the end of the period of support, they can see whether they have had some sort of impact. They may use statistics, which is one of the possible measures, but they also use other sorts of educational measures to see the progress that those targeted pupils have made. So, that alternative source of funding is needs-driven, as Susan alluded to. Different schools have different needs.

[21] **Janet Ryder:** Do LEAs that might be doing that retain a greater amount of their budget centrally or do they add to it?

[22] **Mr Brown:** It varies according to the LEA. With the schools fora that have now come onto the scene, as you aware, if they are going to delegate out part of their schools budget, which is the element that they can or cannot delegate out, they usually negotiate that in discussion with the headteachers on the schools forum, as it means that some of the headteachers have to agree that the funding may swing towards certain of their colleagues' schools to target their immediate needs, and their own schools might have a slightly leaner year, but if the debate and discussion that goes on with the authority is fairly open and transparent, headteachers will realise that, at some point down the line, they may have particular needs and the support will swing in their direction. So, it is about having this degree of openness and trust in the authority, having open and transparent data in the authority and having the acceptance of headteacher colleagues that, at some time, some of their colleagues may get into difficulties in certain areas and may require extra support from the authority. Does that answer your question?

[23] **Janet Ryder:** You may not want to identify them, but, were we to conduct an in-depth study into this kind of working, it might help the committee to look at specific LEAs.

[24] **Ms Lewis:** We have some examples of impact, which have come through our LEA inspections. This is all in the public domain, so it is not as though we are telling you something that you could not discover for yourself. In Ceredigion, we noted that the LEA is effectively using centrally retained grant funding to support a range of projects to improve teaching and learning at transition between key stages 2 and 3. That is having a positive impact on raising standards in years 7 and 8, so it is looking to tackle particular things by allowing funding to go a certain way. Neath Port Talbot authority is another example, as the school improvement service targets its resources particularly effectively, with outstanding results in individual schools and classes. The authority's schools have been improving at a faster rate than schools in most other authorities in Wales over the past six years, with the result that its schools now perform well in comparison with similar schools in other areas. So, we can give the committee examples like that.

[25] **Peter Black:** On the LEA point, one of the drivers behind setting up this committee was the fact that there were constant voices that we were hearing about money not being passported through local education authorities to schools. When you inspect an education authority, it may not be your main purpose to identify that. This is one of these issues around the so-called funding fog, which is what we are trying to unpick. When you inspect LEAs, do you look at how funding passes through them and how effectively they pass on that funding? Do you feel that there are any issues around that that we would need to consider in particular?

[26] **Mr Brown:** When we do an LEA inspection, we meet with focus groups of headteachers. We usually have a focus group of primary and secondary headteachers and, in some cases, special school headteachers. So, we triangulate and get their views. As you say, these issues are raised with us on inspections. When a group of headteachers says that it does not feel that the money is passported through or delegated for some reason, we discuss that with authority officers and ask them what the reasons for that are. In some cases—and this tends to be something that has happened in the past—it is because the LEA has perhaps not communicated what its priority and its thinking is clearly enough to the headteachers, and there are some particular reasons why they are doing what they are doing.

2.20 p.m.

[27] To give you an example, some authorities will retain services such as behaviour management training, or behaviour support for schools, as a central function, and they will deliver the service on behalf of schools and make it clear to the schools how much that service is costing them. Usually, in this case, if the headteachers are given that sort of information transparently, they are happy with it. In cases where money is retained centrally and not passported through to the schools for them to manage it, problems occur. However, increasingly—and I know that it is early days for the schools fora—we are seeing, when we inspect authorities, that the impact of the schools fora is now beginning to filter through, because those 15 or so headteachers who represent their colleagues represent the interests of a range of schools from a range of different backgrounds.

[28] **Peter Black:** I was going to ask about the school fora next. Is there a consistent impact in terms of how school fora have improved the flow of information and accessibility to funding information?

[29] **Mr Brown:** To be honest, from the recent inspections that we have done, because they are a relatively new function, and they are still exploring their roles, responsibilities and functions, it is probably too early to be able to evaluate their impact. It is certainly sharpening the nature of the dialogue. In preparation for this meeting, I looked at a few authority websites and read the minutes of some of the schools fora. It is certainly heightening the awareness of headteachers, and it is sharpening, if you like, the debate that is going on about the mechanisms for funding distribution.

[30] **Peter Black:** I have sat in on at least one or two fora meetings, and you tend to get the same dialogue—the authority says that it is the Assembly's fault, and then everyone tries to blame everyone else to an extent. That is still an issue in respect of that.

[31] You talked about different funding streams for post and pre-16 education, and the different bureaucratic demands that can cause problems. ELWa representatives will be here after you, so we may also ask them these questions. How do you think that that can be resolved?

[32] **Ms Keane:** That is a big issue. How it can be resolved is the big problem. There is an issue in terms of the problems—the fact that two different streams of funding are operating—that that poses in relation to the planning function working properly. In other words, where, say, learners may start on a particular course or an option at 14, or may start with the same course at 16, the planning for that course needs to be looked at holistically, but the actual mechanics of the funding—the core funding streams and the stream for post-16 and pre-16 education, and the specific grants themselves—come through two different routes, with the double burden of bureaucracy that that imposes on local authorities.

[33] The larger issue there is the role of hypothecation in relation to delivering initiatives that go beyond and deliver new kinds of provision that break new ground. Much of this funding, through the LEA system, is done on a historical basis and seems to be predicated upon the maintenance of an historical system for delivery. The issue then is how we deliver new policy and new funding mechanisms that will deliver those initiatives, while, at the same time, having to continue with the core funding in order to plan for transition to a new provision. I have no easy answers to that. However, unless partnerships have some degree of jurisdiction, and some amount of funding to deliver new initiatives, then those new initiatives will not work. Core funding that is delivered to providers will always tend to promote competition between providers in the same phase, and will not promote collaboration.

[34] **Peter Black:** Do you tend to find that the issues about transparency, which are often raised, particularly in terms of local authority funding, also apply to post-16 education, because it comes from local authorities, does it not?

[35] **Ms Keane:** Yes, but the national planning and funding system, as I am sure you will hear shortly, is far more transparent. Its criteria are easier to understand, it is laid out for people, and it is based on a notion of zero-based funding rather than historical funding, whereas the revenue support grant system goes through several stages and the criteria are not always transparent. I would argue strongly in that instance that at least an alignment is necessary in order to make that work better.

[36] **Janet Ryder:** What would be your assessment of the possibility of developing a system such as the funding mechanism through Education and Learning Wales for the whole of the pre-16 sector?

[37] **Ms Keane:** I am familiar with the way in which ELWa's post-16 funding system has operated in practice, and it is far more transparent than the school system. It is a system in which funding follows the learner. It is delivered on the basis of a credit equivalent unit of learning activity, whereas, in practice, it is difficult to follow the funding to the learner in the same way with the LEA system.

[38] **Janet Ryder:** The ELWa mechanism looks at individual courses, and students make up their curriculum through different courses. Therefore, schools receive funding for different students on different courses. Could it work in the same way for a primary school where each child follows the same course, or would you have to work out a basic unit cost for delivering teaching in the classroom?

[39] **Ms Lewis:** You could probably have a mixture of both. I understand the issues, particularly in small schools. There are certain overheads for running courses whether there are 15 or 30 pupils. It is not exactly the same, and it cannot work in exactly the same way, but taking what I said about the funding for different stages of education, for different types of schools and for partnership working, you could derive some kind of formula that would not be based on the historical method that we use now.

[40] **Mr Brown:** As Susan said, the model is historical, not just in terms of being based on previous spends, but because it is based on the current structure and educational system within schools. With the move to the foundation phase for 14 to 19-year-olds, with community-focused schools coming on stream and the whole lifelong learning agenda, it may be that a future-proofed funding model that addresses what schools will look like in 10 or 15 years' time is something to explore, rather than looking at ways to re-jig a historical model.

[41] **Peter Black:** I just want to follow up the issue of new initiatives. Obviously, you were referring to post-16 education, but there are also many new initiatives for pre-16 education. Many specific grants are given to schools and LEAs in relation to class sizes, small schools and so on. When you visit schools and LEAs, do you find that there are issues with regard to sustainability, information about those grants continuing and so on that cause uncertainty among headteachers? I know that that is a leading question, but are there problems with that?

[42] **Ms Lewis:** The short answer is 'yes'. That is certainly the case. People in schools are generally very willing to make changes and to look at innovation and at different ways of doing things. However, if they are doing that initially on the back of some special funding, there will always be the point down the road when the funding will disappear, leaving the question of how to make those changes sustainable. There is a lot to be done simply in tidying up the whole process, and establishing what the Government's strategic priorities are and how best to achieve them. Yes, there is a place for pump-priming, but how do you then ensure that it is sustainable in the longer term?

2.30 p.m.

[43] **Peter Black:** The Welsh Assembly Government needs to be clearer about its priorities and the information in terms of the sustainability of those grants.

[44] **Mr Brown:** Just to follow up your point, I will cite the example of the better schools fund. In its previous existence as grants for education support and training, when it was funded on a year-to-year basis, it caused authorities and schools some tension, because they would put an initiative in place and staff it, but they would not be sure whether they could sustain it in the subsequent year. Now that the better schools fund has gone on to have targeted three-year initiatives, it means that LEAs and schools can put together a comprehensive package between them, and they can also start to work on exit strategies. If authorities and schools know that the funding for an initiative will come to an end in 2007-08, it gives them three years in which to start thinking about how to find other sources of funding to sustain it.

[45] **Denise Idris Jones:** Mrs Lewis, you said that you feel that three-year funding is the only way, and that teachers will have to have this information if they are going to plan ahead.

[46] **Ms Lewis:** It should be longer than a year, and three years is not unreasonable.

[47] **Denise Idris Jones:** This is becoming clearer and clearer to this new committee. As you said, there are different types of funding for different ways of teaching. The 14-19 learning pathways is a new concept, and it will have to have a different type of funding. Janet and I went on a course to Llandrindod Wells two years ago, and we were looking at that then. Do you remember, Janet?

[48] **Janet Ryder:** I certainly remember the Secondary Heads Association meeting and being part of a panel on it.

[49] **Denise Idris Jones:** Terry Wales was there, and I remember that one of these gentlemen was also there. We were looking at funding then, and we are still not sure how we are going to do it even now, two years later.

[50] **Janet Ryder:** Well, I hope that your Government hurries up and finds out, because it has promised to tell us by the end of February what it is going to do.

[51] **Denise Idris Jones:** This is something that we need to look at, because when you go into a secondary school, they say that there are different types of funding. Some initiatives will be funded by the LEA and others by Education and Learning Wales, and they want to know how to tie it all together. We really need to be deciding on that now. Last week, there was a north-west Wales headteachers' conference, and the learning pathways initiative was discussed there. I am sure that the funding for that was discussed, and it would be interesting to see what conclusions they reached at that conference. I was not there, so I did not hear what the conclusions were. That would be interesting.

[52] In terms of how efficiently resources are managed in schools, you said that 70 per cent of schools provide good or very good value for money. We are saying, therefore, that if the funding is correct they provide the best education. Would you go as far as to say that?

[53] **Ms Keane:** Those are judgments that we make about value for money on all the inspections that we undertake. We are not accountants, so we do not audit the books. However, we look particularly at things such as the efficient use of the resources that they have been allocated and the effectiveness in terms of outcomes for learners and how much progress learners have made. That is the basis on which we judge that.

[54] **Denise Idris Jones:** So, perhaps where there is not such good value for money, the education is not always as good. I do not suppose that you want to say that, but perhaps that is how you would decide on that. We need to look at that, because when teachers have the funding right, they can concentrate on the teaching and they are not constantly thinking, 'How are we going to fund this?'. Last Friday, I was at a junior school, and the minute that I walked in through the door, the headteacher was asking me questions. She said that everything was going okay, and that she could fund the teachers' workload agreement, but she was not sure what would happen next year or the year after that. So, she is thinking about this all the time. As a former teacher, it strikes me that it would be difficult to get on with the teaching if you are always worried about how you are going to fund every course that you are running.

[55] There is a lack of communication, because, in that meeting, they wanted to ask me, 'How do you do this?'. So, there is a lack of communication between LEAs and headteachers, and I would go as far as to say the Assembly as well. If there was better communication, I think that headteachers would be ready to start thinking about teaching children and would not be so worried about the funding. Those are my conclusions, having thought about what you were saying, how the funding will come about, and what we, as a committee, decide to do at the end. I do not know whether you will all agree, but the three-year funding will come out as something necessary.

[56] **Lynne Neagle:** I hear what you say about inspecting the value for money, but you said—and I apologise for arriving a bit late—that there are variations between LEAs. That is a concrete fact, is it not? What assessment have you made of the impact of those variations on pupil attainment in Wales?

[57] **Mr Brown:** As Susan said in her introduction, we feel that the variations between local authorities reflect local needs and local priorities. The variations are not unexpected, because of the different challenges faced by the authorities and their schools. The outcomes, however, are not necessarily directly linked because there are so many complex factors, and it is very difficult to make a single causal link between the immediate level of funding that goes in and the immediate outcomes. Schools receive many different streams of funding: local authority funding, grant funding and so on. Decisions are also made within the school, as we were just talking about, as to how it uses that money, how it is targeted, what it does with its reserves, and how it decides to spend the money, for example, on learning support assistants. If a school has used its self-evaluation processes and it knows that it has a particular issue, it may decide that it will spend some funding on learning support assistants. However, the impact of those decisions will not be immediate; it will take some time for the impact to be felt. There is no simple cause and effect between the two.

[58] **Ms Keane:** It is the quality of what is done with the money that people get that we focus on. Sometimes, it is not enough to throw funding at something or, indeed, to have a particular funding mechanism; it is the systems and the quality of the people who are delivering that matter.

[59] **Ms Lewis:** I think that there is a distinction to be drawn between our saying here this afternoon that there are changes to funding mechanisms and the way in which partnerships as opposed to single schools are funded and so on, and saying that, if we do all of that, there will suddenly be an immediate and causal link to the outcomes, because there will always be local variations in the quality of leadership and management. There will be local variations in the starting points for various pupils and so on. It is, therefore, quite a complex matrix. However, if you were starting now, you would probably not design the school funding system as it stands. Greater clarity and transparency are needed, as is rethinking why you would put that amount of money or that stream of funding in a certain direction. For me, that is the issue that you are trying to struggle with at the moment. Although we can see differences around Wales in relation to outcomes and outputs from different local authorities, you cannot trace them all in a neat line back to the fact that they have funded in this or that way.

[60] **Lynne Neagle:** I will ask about social disadvantage, if I may. You outlined earlier the kind of challenges that schools face in tackling the problems of social disadvantage. How much of a factor is funding in ensuring that schools are performing well in meeting those kinds of criteria?

[61] **Ms Lewis:** I think that it is a factor. There are schools where more resources are needed. Targeted resource needs to be carefully worked out; money should not just be thrown at something. Careful decisions have to be made about what that school needs to improve, over what time period, knowing where you are now and where you would like to be then, and putting money in to make sure that you can drive that. We have seen good examples of that across Wales.

2.40 p.m.

[62] **Lynne Neagle:** As I understand it, there are big variations in the way that local authorities target resources within their own authorities to tackle social disadvantage. Do you have any observations or recommendations on that point?

[63] **Mr Brown:** The variations are there because, as I alluded to earlier, they have different local needs. To give you an example, one authority in the south-west of Wales identified that attendance was a major issue. Obviously attendance will impact on achievement and attainment at the end of the day, because if pupils are not in school, they cannot learn. The authority redirected some of its funding and Better Schools and Cymorth funding towards employing attendance officers and home support officers. That was very effective because the attendance officers got the children into school, and the home support officers worked with the families in several estates in this particular area and supported them. They got the families engaged in the learning procedure, which would then help them help their children. It is a question of effective targeting and that varies between authorities, depending on what their needs are. Certainly, the least effective model is the one where unhypothecated funding just goes into a big pot and is not followed through and cannot be audited through to see whether there has been some sort of impact.

[64] **Ms Keane:** On the Estyn website, there are many reports on LEAs and the uses that they have made of funding to deliver certain services to schools. We have brought along some examples, and quoted examples of links between the way that they have targeted funding to impact favourably on attainment, but, equally, on our website there are reports on LEAs where those have not worked as well. Therefore, we have examples at either end.

[65] **Janet Ryder:** I will take you back to the issue of having a different funding mechanism, perhaps looking at a different model of funding schools. If we looked at a different funding mechanism for pre-16 education, particularly primary schools, would it be possible to have one funding mechanism that encompassed all of the costs surrounding the pure teaching element—the salary, the equipment and so on—plus the capital side, namely, the side that is needed to support the building and provide materials such as desks, or would we need to look at having two different funding streams into schools?

[66] **Ms Lewis:** I would have thought that you could do something that would not be that far away from what happens in the civil service, where you have core funding for your people and your administration costs, and then you have another budget that allows you to carry out programmes that may vary from place to place, but there will be a sustainable funding stream for each of these overarching themes. You have to have people in there to carry out the teaching and for there to be a place—

[67] **Janet Ryder:** So, if you look at the way that funds go into schools at the moment, you get your capital resources going in, but, again, it does go in sometimes in project-driven pockets of money and initiatives and things such as that, and then another stream would come in to fund the human resources and the teaching element of it.

[68] **Ms Lewis:** I would think that the funding needs to follow the planning, if you like. That is not entirely good in the public service anywhere. If you are planning to do things, and you bid for money in order to carry those plans through, and the plans are seen as reasonable in terms of the local or national overseeing of the plans, then the plans go ahead and are funded, within reason. However, at the moment it is so pitched in history as to be unworkable in relation to what we are trying to do in schools nowadays. It is working against the thrust of the strategy and the policy. Does that make sense?

[69] **Janet Ryder:** Yes.

[70] **Peter Black:** I wanted to ask you about capital, because when you go in to inspect schools, you always tend to comment on the physical environment in which teachers have to work and in which pupils have to learn. The monitoring of those reports will take account of whether the recommendations that you might make are dealt with by the local authority or the school. In general, are you finding that, where you have identified physical problems with the school building, local education authorities are responding quickly in terms of putting the funding in place to address those issues?

[71] **Ms Lewis:** It depends on the scale of the difficulty. I would say ‘yes and no’ to that—it is ‘yes’ where it is something that can be done relatively easily and not at a huge cost, but other things, where you need a new build or major new parts to a building, will take a lot longer. I suppose that what I was getting at when I said about the planning, and the funding following it, is that at the local level schools and local education authorities are well aware of the capital issues in terms of buildings. There is an order in which people must take their turn in the queue, so to speak.

[72] **Mr Brown:** One other factor is that, at the moment, we have been talking about schools as one entity of a local authority structure, and when we do inspections of local authorities we often look at things such as their asset management planning, because the school buildings are just one part of the building stock of the whole council. As you are aware, as a councillor, they have to juggle the stock that they have. It goes back to Susan’s point that the thinking is mainly historical, and the sorts of use that the buildings will have to be fit for. We have the fit for purpose programme by 2010, but if we think beyond that to what schools might have to cope with in terms of community-focused schools, for example, which gives us a major drive, the buildings will need more adaptation than they have had up to date to comply with things such as the Disability Discrimination Act 1995.

[73] **Peter Black:** I am glad that you mentioned the asset management plans, because my next question was around that issue. We have this target of 2010 to get all schools fit for purpose. When you have inspected LEAs and looked at those asset management plans, is that achievable in your judgment? It may not be a fair question, but I thought I would ask.

[74] **Mr Brown:** I will put a large caveat on that, if I may. One of things that we are seeing is that local authorities are committed to reaching that target, but there are things, such as achieving compliance with the Disability Discrimination Act 1995 by the deadline, that threw some authorities off-track, because it was something which came up. They had longer term asset management plans, but DDA compliance came, which meant that some of the funds had to be swung over for that. I suspect, therefore, that a number may not reach that target.

[75] **William Graham:** Thank you very much. It has been a worthwhile session. I notice that you have some written notes—can you let the clerk have those, because it would be helpful for the verbatim record?

[76] **Ms Lewis:** Yes.

[77] **William Graham:** Thank you for your attendance today.

2.50 p.m.

**Tystiolaeth gan Dysgu ac Addysgu Cymru**  
**Evidence from Education and Learning Wales**

[78] **William Graham:** We greet Andrew Clark and Richard Hart. I remind you that there will be a verbatim record of the meeting, which will appear on the committee's web page in due course. This time you have produced a background paper. Would you like to make some brief opening remarks and then answer Members' questions?

[79] **Mr Hart:** Thank you, Chair. You have the background paper, so I will not dwell on that. However, I thought it might be helpful for me to plot a little history about our involvement in looking at funding methodologies with a view to levelling playing fields—to use the vernacular.

[80] Andrew Clark is head of funding policy and special projects in ELWa. The biggest special project that we have is the development and introduction of the national planning and funding system. I am currently deputy director of learning within ELWa. Prior to ELWa, we were both officers of the Further Education Funding Council for Wales. I give you that as background information, because in 1992, when the FEFCW was established, we inherited 11 different methodologies for further education. We inherited eight methodologies from the then local education authorities. No two were the same; therefore, we started from that point of view, covering the colleges. Two of the colleges—Yale College and St David's College—had been funded by local education authorities using schools regulations, and they were different. We also inherited a number of Welsh Office grants to bodies such as the Workers' Educational Association, the Young Men's Christian Association, and Coleg Harlech. By 1996 we had, for the first time, taken those 11 methodologies and levelled them across Wales to have a common recurrent funding methodology using the same methodology, unit of currency, and value of funding for those units. Therefore, ELWa inherited that methodology from the FEFCW. It also inherited four methodologies from each of the training and enterprise councils, covering work-based learning, and, more latterly, 22 local education authorities, as they had become, covering school sixth forms and also the adult community learning—the adult continuing education service.

[81] We were then tasked by the Assembly Government to develop a national funding system, which we have expanded to a national planning and funding system, to level that funding playing field. We have embarked on a five-year transition period and we would hope to achieve that aim by 2010.

[82] Initially, we have started looking at schools and further education to bring them into the common funding framework. Later, we will introduce work-based learning into the methodology. The reason why it is outside at present is that we have a two-stage approach. We have levelled the funding using the old TEC methodologies, we have levelled the funding from the four inherited levels, and, from 2007, we will be seeking to introduce the national planning funding system to work-based learning and then community leisure.

[83] When we set about the task of levelling this playing field, we recognised that this was not just a case of looking at methodologies pure and simple, because they were complicated by the fact that different types of currency were in play. The FEFCW had introduced the concept of the funding unit—funding was not on a per capita basis, for example. The levels of funding were different, but also, as Susan Lewis mentioned, so were the funding years, and they continue to be, to a certain extent, between financial and academic years.

[84] Therefore, when we set about a task, obviously you have to see what is the inheritance—we do not start with a blank sheet of paper, but we try to look at the areas of common concern, common interest and commonality and determine what we are seeking to fund. The currency that we have used, as you will see from the background paper at the moment, is our credit equivalent unit, which is our measure—it is our unit of currency that determines the volume of learning activity that is funded. Once we have determined that volume of learning activity, we supplement it by looking at the nature of the provision. For example, we apply a subject-area weight. We recognise that subjects such as engineering, for example, are more expensive to provide than history, which is a classroom-based subject. We also recognise that some programmes are delivered through the medium of Welsh or bilingually and that that also incurs a cost.

[85] We also recognise that, for the provider, there are costs associated with the nature of the learner. We recognise that costs are incurred in meeting the needs of learners from areas of deprivation, for example. We also recognise that there are costs associated with serving areas where the population is less dense, primarily rural areas, and where there are issues of economies of scale and so on, such as critical mass. We also recognise that, in some circumstances, there are costs associated with providing education and learning opportunities according to age group.

[86] Finally, we have a section that is related to the level of attainment or achievement attached to the funding methodology. All of that is swept up into one of four funding streams, which we call our learning provision funding stream. We also have three others that deal with support for learners, workforce development and strategic investment. As I mentioned in my introduction, we have now embarked on a period of transition, so we would hope that, by 2010, we would be able to sit here and report—as we have with further education—that we have levelled that proverbial playing field for all of post-16 learning in Wales.

[87] **Janet Ryder:** You sat through the earlier evidence-taking session, so I am sure that you can guess how we will start questioning you. How would your funding mechanism be applicable, should it be applied to primary schools? What would have to be altered in it?

[88] **Mr Hart:** I was hoping that you would ask the question in a slightly different way.

[89] **Janet Ryder:** How would you have liked it to be asked?

[90] **Mr Hart:** I did not think that it would be solely about primary, but about pre-16 education.

[91] **Janet Ryder:** But, obviously, you either create a funding mechanism that kicks in at whatever transition you make from primary into a secondary element or you fund—

[92] **Mr Hart:** I said what I said because we would possibly not be sitting here now starting from scratch had we done that five years ago. We would not have been looking at post-16 funding; we would probably have been looking at post-14 in the first instance. That is why I made that differentiation, as we see up to 14 as being distinct. However, I do not want to hog all the difficult questions, so I will refer to my colleague, if I may.

[93] **Mr Clark:** If we were to extend from 16 to 14, our existing methodology could be deployed with relative ease because it is fairly easy to identify the learning activities that are being undertaken by each pupil in each school. If you go further back than 14, and certainly back into primary, we would need to undertake some more research as to what cost relativities come into play. We sit here with a fair amount of expertise in the post-16 arena; I do not think that either of us would pretend to have a lot of expertise in the pre-16 arena. However, when we developed the post-16 funding formula, we looked to see where the costs lay and then endeavoured to come up with a formula that addressed the relativities in those costs between teaching different individuals.

3.00 p.m.

[94] The overall focus was always that the funding follows the learner wherever possible. If you take it back to pre-14, you are dealing with the national curriculum, as opposed to individual choices of subjects, and you have very different cost relativities. The unit size of the schools varies significantly from county to county and from urban to rural. Someone could develop a methodology that could be applied nationwide, both at primary and at pre-14, but not without quite a significant amount of research into cost relativities.

[95] **Janet Ryder:** You still have a number of variables within the formula that you have developed, to allow for rurality and the things that you have outlined today. So, there would still be variations. You cannot get to a state where you have a flat spend per pupil without variations and still be able to deliver education.

[96] **Mr Hart:** The trick in answering that is to recognise that what we are funding at a flat rate is the value of the funding unit—in our language, the credit equivalent unit. So, on the volume of learning activity over a 10-hour span, multiplied out to cover an individual learner's programme of study, the value of that unit, once we have finished transition, would be at the flat rate. The variation comes in how many units you apply. So, while you have a standard number of units that you would apply for a given programme of study—we use, in our paper, an A-level for example; obviously, one would need to go back and research into the national curriculum to see how you translated that—what would then be subject to uplift would be the inclusion of learners from areas of economic, social and educational disadvantage, Welsh-medium education, and, indeed, where you have a critical mass because of population density. If we did not have a sparsity factor and, in pre-ELWa speak for further education, a rurality factor, you would have disenfranchised a lot of learners because institutions would not have been able to maintain a comprehensive curriculum offer, as they would not have been able to impose the same kind of minimum class size, for example, as an urban institution. So, those are the variables as opposed to the price that you pay.

[97] **Janet Ryder:** What proportion of your formula picks up capital investment and other investment?

[98] **Mr Clark:** The formula itself does not cover what most people would regard as capital investment. There is an inherent amount for routine repairs and renewals that one would expect—to repaint school corridors and that kind of thing. One would expect to upgrade personal computers on a three-year or four-year cycle within schools. The assumption built into the base credit equivalent unit is that there is funding to undertake those routine activities. However, what is quite distinct, and is funded via a separate capital stream of funding under the strategic investment element of the national planning and funding system, is the new build element and the big renovation element. In terms of schools, the big capital element budget was never transferred to ELWa, and still sits with LEAs, but in terms of further education colleges, the budget sits with us for that type of activity.

[99] **Janet Ryder:** On day-to-day wear and tear.

[100] **Mr Clark:** Day-to-day wear and tear, we feel, is best placed as an unidentified, but integral part, of the general funding formula.

[101] **Mr Hart:** The reason why you would do that, primarily, Chair, is because it is related to the volume of learning activity that takes place, whereas new capital build is not. You could have a very small school or college with a big capital need because they have Victorian buildings that need replacing, for example.

[102] **Lynne Neagle:** Going back to the issue of uplifts for things like social deprivation and sparsity, can you say a bit more about they work, how they are calculated, and what the evidence base is for them? You state in your paper that, under the previous system, similar programmes of study were being funded at different rates, and that this was leading to a postcode lottery. I would be interested in your comments as to whether you feel that that postcode lottery has an impact on the attainment of post-16 students.

[103] **Mr Hart:** We will answer that in two ways: I will just explain a little of the rationale behind the uplifts and then pass it on to Andrew to deal with how we manage them.

[104] If we first look at the issue of deprivation, we recognise that there is a three-way correlation between indices of disadvantage and participation in post-compulsory education—you will understand that that is where we are coming from. First, there is a high correlation between those indices and participation, full stop. In crude terms, you have a much greater staying-on rate in areas where you do not have high indices of disadvantage. There is a cost, therefore, associated with providers in encouraging and attracting learners into post-compulsory learning; sometimes, this is promotional activity, advice, guidance counselling, pre-enrolment marketing or whatever. It is also, sometimes, in the form of outreach learning, where learning goes out into the community. That comes with a cost.

[105] Secondly, there is the same correlation in terms of functional literacy and numeracy support needs. I would link that, primarily, in this context, with enabling people to fulfil their learning aspiration in terms of their mainstream programme, as opposed to discrete basic-skills programmes, although the same correlation will exist. Our funding methodology is to do with the former. Therefore, there is a cost associated with that, either with tutorial work or to do with smaller class sizes, additional staff support and so on.

[106] The third correlation is to do with retention through to completion; in crude terms, a learner from an area of social disadvantage is more likely to leave the course prematurely. Therefore, in terms of pastoral support, and so on, within colleges, that is also cost-related. I will pass on to Andrew to explain how we address deprivation at the moment.

[107] **Mr Clark:** To turn first to educational deprivation—I am making the distinction between educational and social deprivation, because, again, within the formulaic approach, we are trying to establish where the cost relativities are—we have three or four different research reports undertaken across the UK into the differing costs of providing for individuals who come from a variety of different educationally deprived backgrounds. Those reports note that anywhere between about 35 and 40 per cent additional funding is required down to about—from memory—10 to 11 per cent, depending upon which research report you read.

[108] So, we have said that our first problem is to discover how we can reliably identify individuals who could be described as being educationally deprived. The route that we have taken is to use the educational sub-domain of the Welsh index of multiple deprivation. It is the best statistical data-set that we have in this area; it has the advantage of being updated every five years—we have just had the 2005 version published, which has varied a little bit from the 2000 version. We then apply a percentage uplift that varies between 5 and 40 per cent, depending on the degree of deprivation to the base unit that Richard was speaking about earlier: the credit equivalent unit. So, the whole of the formula is predicated on taking x number of credit equivalent units for the activity that is going on, and then adding additional units for, in this case, educational deprivation.

3.10 p.m.

[109] The other issue that you raised was the sparsity uplift. This is much harder for us, because there is no positive index or research activity that we can fall back on to build up our knowledge base, so we have had to take a slightly different approach in this instance. It is the one instance in the formula where the funding does not follow the learner. It is institutionally based, and we have tried to identify individual providers, within specific sectors, suffering unavoidable diseconomies of scale. We have done that primarily using learner population densities, as opposed to overall population densities, because, again, we are trying to focus it down. In the formula, there is a methodology that allows for a minimum curriculum offer at any sixth form in Wales in a rural area. Again, that is endeavouring to supply sufficient funding to allow a curriculum offer that is probably beyond what a school would have been able to offer under its LEA funding methodology. We have schools with very low curriculum offers that we are trying to increase through this system.

[110] However, there is not a hard-and-fast evidence base for the sparsity uplift as there is for the educational deprivation uplift. We have searched for one, but failed to find one.

[111] **Mr Hart:** The final point raised was that of the postcode lottery, which is one of those buzz phrases that was doing the rounds when we started this exercise five years ago. We recognise that, having inherited a considerable variation in funding in the FE sector in 1992-93, it took a period of three or four years to migrate to a standard level of funding. We expected a similar period to be applied for school sixth forms. Our first task was to find the level of funding that we were inheriting; we found a significant variation that went from about £2,400 per pupil in one local authority to £4,400 per pupil in another. We could not really reach the rationale to explain that differential. It was said by one of our Estyn colleagues that, with the methodology that we have, we can point to every pound and say where it goes and why it goes there, because we have a rationale and a formula. We could not actually break in to find why, other than history, there was this kind of differential.

[112] Originally, we thought it would be a see-sawing action, but, following a presentation here and discussions with the Assembly Government, we see that what has actually happened is that transition, provided the number of learners does not decline at a local authority, and funding will be statted. Those who are below the rate will then be brought up over the period of time. So, it is not a bringing down or a coming up; it is a bringing up and a levelling in that way. I am more confident than simply saying, hopefully, by 2010, we will have levelled that.

[113] **William Graham:** In point 16, you talk about the national planning and funding system. What sort of streams predominantly contribute to that?

[114] **Mr Hart:** The one that we have been talking about is to do with recurrent funding of the learning provision. If, in loose terms, we talk about £250 million for colleges and £100 million for schools, of that £350 million, I am going to guess that £325 million to £330 million is for learning provision. The rest is for the other three streams of support for learners; that is, special educational needs in schools. We use the phrase 'learners with learning difficulties and/or disabilities' in post-school and other post-16 learning. We have our strategic investment streams, which include the investing in quality strategy, our capital funding, our bilingual strategies, the development of bilingual learning materials, and also workforce development. In addition, we have another £100 million—I am using very round numbers—for work-based learning, but that is outside the national planning and funding system at the moment.

[115] **Peter Black:** As we are concentrating on school funding, I will concentrate my questions on the money that you pay directly to sixth forms, effectively, in schools. In terms of the NPFS, we heard earlier that Estyn considered that, because you effectively had a credit-base formula, it was easier to trace that money than it is generally to trace the pre-16 money going through LEAs but, at the same time, you fund schools through the LEA. Are you finding that you are encountering transparency issues in terms of your giving x amount to the LEA and the school asking why it is not getting that?

[116] **Mr Clark:** I will take this one. When we issued funding to the LEAs for 2005-06, we introduced, for the first time, some fairly serious conditions of funding. One of those conditions stated that the LEA could only top-slice up to 3 per cent of our grant for central services unless it had the agreement of individual schools' boards of governors. We have monitored that over the year and we have data from 20 of the 22 LEAs; I am still awaiting two returns. However of the 20, only one has exceeded that 3 per cent and it has only gone to 3.4 per cent. So, schools are getting the vast majority of the funding that we allocate to the LEA. The LEAs need to retain some of the funding because they provide central services to those schools.

[117] **Peter Black:** What was the rationale behind your introducing that stipulation?

[118] **Mr Clark:** We had undertaken a survey of the amount of funding in previous years that LEAs had retained and found that it varied anywhere between zero in one or two LEAs up to, from memory, about 14 or 15 per cent. The majority of them were around 2, 3 and 4 per cent, so we settled on 3 per cent. However, if schools within an LEA wanted more central services provided, they could agree that with their LEA.

[119] **Peter Black:** You have stimulated my curiosity. Where a local education authority was retaining 14 or 15 per cent and was then suddenly told that it could only retain 3 per cent, did that local education authority have issues with you in terms of what it could or could not fund in terms of what it was funding previously? Did you get any explanation as to why there was that difference?

[120] **Mr Clark:** Only one LEA was above 10 per cent and I think—I am stretching my memory—that only one was above 5 per cent. We looked at that one rather more closely than the others and we found that its spending was to do with the way in which it was organised as an LEA. It was not doing anything that other LEAs did not do, but, elsewhere, schools paid money back to the LEAs, whereas that particular LEA just retained the funding centrally. There was nothing peculiar about the activities that were taking place.

[121] **Peter Black:** Clearly, there are transparency issues because of the way that that happened.

[122] **Mr Hart:** One of the outcomes of our many consultation exercises was our putting a figure in the conditions of funding, because we received numerous comments from headteachers saying that they would find it helpful if they had a certain degree of surety about what kind of percentage of the LEA's funding they would be receiving. So, we were very happy to accede to that.

[123] **Janet Ryder:** Do LEAs fill in, as part of their section 52 returns, what they use the retention for? Do they declare it to you? Do you keep a track of it?

[124] **Mr Hart:** I am not going to try to waffle my way through that one. I do not know the answer to that question but I know someone who does and I am quite happy to submit a written reply.

[125] **Janet Ryder:** That will be interesting.

[126] **William Graham:** Thank you for answering our questions and for your attendance today.

3.20 p.m.

**Cofnodion y Cyfarfod Blaenorol  
Minutes of the Previous Meeting**

[127] **William Graham:** I ask Members to agree the minutes. I see that Members agree with them. That is the end of our meeting. Thank you for your attendance.

*Cadarnhawyd cofnodion y cyfarfod blaenorol.  
The minutes of the previous meeting were ratified.*

*Daeth y cyfarfod i ben am 3.20 p.m.  
The meeting ended at 3.20 p.m.*