

Cynulliad Cenedlaethol Cymru

Y Pwyllgor ar Ariannu Ysgolion

The National Assembly for Wales

The Committee on School Funding

Dydd Mercher, 15 Mawrth 2006

Wednesday, 15 March 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.

Swyddogion yn bresennol: Joanest Jackson, Cynghorydd Cyfreithiol.

Eraill yn bresennol: Gary Brace, Prif Weithredwr, Cyngor Cyffredinol Addysgu Cymru; Robin Morrison, Cymdeithas Prif Weithredwyr ac Uwch Reolwyr Awdurdodau Lleol Cymru; Gareth Newell, Swyddog Gweithredol, Cymdeithas Prif Weithredwyr ac Uwch Reolwyr Awdurdodau Lleol Cymru.

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.

Officials in attendance: Joanest Jackson, Legal Adviser.

Others in attendance: Gary Brace, Chief Executive, General Teaching Council for Wales; Robin Morrison, Society of Local Authority Chief Executives and Senior Managers, Wales; Gareth Newell, Executive Officer, Society of Local Authority Chief Executives and Senior Managers, Wales.

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

*Dechreuodd y cyfarfod am 9.32 a.m.
The meeting began at 9.32 a.m.*

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

[1] **William Graham:** Good morning, ladies and gentlemen, and welcome to the Committee on School Funding. In an emergency, the ushers will indicate the nearest safe exit. Headsets are available for translation and amplification. I think that Members are aware of how to use the equipment now. I ask everyone to switch off all mobile phones completely. There are no apologies or substitutions. I invite Members to make any declarations of interest under Standing Order No. 4.6. I see that there are none.

9.32 a.m.

Casglu Tystiolaeth Evidence Gathering

[2] **William Graham:** I welcome Gary Brace, the chief executive of the General Teaching Council for Wales. I remind you that a verbatim record of the meeting will be produced and eventually published to the internet. Members will know that GTCW has produced a background paper, which has been circulated. I ask Mr Brace to make his introductory remarks, and then I invite Members to ask their questions.

[3] **Mr Brace:** Thank you for the opportunity to speak to you all, on what I understand is the first occasion in this room. My starting point is probably slightly different to the other inputs and evidence that you have had in that, as the head of the teachers' professional body in Wales, my focus in relation to raising standards is going to be on the raising of teaching standards. One of the ways in which one does that is to ensure that teachers are always at the forefront of developments in their profession. So, the funding of teachers' professional development is absolutely crucial to us. I would have to say by way of introduction that I do not regard myself as an expert on wider funding issues, and that the focus of my input is very much going to be what I said about professional development and the funding of that.

[4] I think that the funding of teachers' continuing professional development is a good example of the general things that you have been looking at as part of this committee's work. Members will have seen this paper before; it has not been specifically produced for this meeting. It was actually chapter 11 from the advice document that we presented to the Assembly Government last summer. I have spoken to the Education and Lifelong Learning Committee about this before.

[5] Since our inception nearly five and a half years ago, many organisations have told us that the funding arrangements are generally unclear, and I think that we have unravelled that, particularly in relation to continuing professional development. In our first foray into advice on professional development, we said, in our 2002 advice document, that there was a need for sufficient funding so that all teachers were able to access CPD. What this meant was that sufficient time was needed to undertake activities and to reflect on their impact.

[6] Various types of CPD are available. There are the formal and nationally arranged programmes, including the induction and early professional development programmes, and the national professional qualification for headship programme, which is funded centrally. There are school and LEA-focused activities, which take place either in the context of LEA advisory services or within school activities, such as the use of the five in-service training days. Since 2001-02, there has been the individually focused CPD programme that the GTCW has administered.

[7] The funding streams for that are numerous, and I have set that out in paragraph 5 of the paper that you have. First, we have the better schools fund, which replaced the grants for education support and training, and the Audit Committee recently received a report on the operation of the grants for education, support and training scheme—now called the better schools fund—and has made recommendations on how to improve that. Secondly, there is the unhypothecated revenue support settlement, which is the basis of schools' budgets. That is supplemented by local authority funding. That works its way into schools and, therefore, is a means by which CPD is funded. Thirdly, you have the programme that I have just mentioned, the GTCW-administered individually-focused CPD programme. There are specific ring-fenced budgets. One example is the modern foreign languages pilot at key stage 2. The money for this is being directed to schools through Centre for Information Language Teaching and Research Cymru. Teachers also fund themselves on masters programmes and other such courses. There are, therefore, a variety of routes through which funding for teachers' CPD and training is administered.

[8] When we consulted on the development of this advice, which was not about funding but about a professional development framework, the one consistent theme that came through from written respondents and from consultees at the conferences was that all of this is great, and you can have a wonderful framework, but unless there is funding available for teachers to undertake CPD activity, it will be a meaningless framework. That was a broad statement, which separates into two points: the total level of funding for CPD in the round; and the different routes through which that funding is brought through to teachers. I have said before that the CPD experience that a teacher has is very much a geographic accident in Wales; it depends on your local education authority area. Paragraph 7 of the paper sets out some of the reasons for this. There are differences between LEAs in the level of funding available for CPD. There are differences between the ways that LEAs distribute the funding for CPD to schools—the extent to which they retain some and the extent to which they delegate. In some cases, we discovered reluctance on the part of some headteachers to release teachers because of other pressures.

[9] There are other issues. One is to do with the move from the GEST funding mechanism into the better schools fund mechanism, which, rightly, the Assembly Government says is for pump priming and for time-constrained activities; it is not intended to be forever-and-a-day recurring funding. However, that in itself creates its own difficulty. By moving from that, what happens to what we describe in this paper as maintenance-type CPD? Not all professional development is at the forefront, pushing teachers at the very edge of their professional practice; some of it is just about keeping up to date with syllabus development, the latest statutory requirements, and making sure that the information flow is there. That is not catered for under the current arrangements. I will give you an example. Let us not play down the cost of a teacher training day. You could say that, on average, a supply teacher to replace a teacher who is training costs £150 a day; it could be £170 at the top end of the pay rate. On top of that, you have the cost of the training course or the development activity. You can clearly see that, for a day's training, you are investing in a single teacher at a cost of £200 to £250, depending on the nature of the activity. I am not arguing that all activity is about going on a course. We are about encouraging the opposite; this is about teachers reflecting on their practice and learning from each other's experiences.

9.40 a.m.

[10] We feel that there is a need for greater clarity and transparency of the funding arrangements for CPD, and we have made that statement to the Welsh Assembly Government in our recommendation at the end of the paper. We are pleased to see that there is the potential for three-year budgets to come out of the committee's deliberations. That is very important in order to plan for the longer term CPD needs of teachers.

[11] In paragraph 12, we set out a structure for the funding of CPD. We have been fairly successful in convincing other organisations of the value of considering CPD and training in this way. We must recognise that there are needs at three levels. There are the needs of the Government in Wales and local authorities. Those needs are strategic and are concerned with bringing about change at a national or local level. There are the needs of schools, which have school development plans, and there are the needs of individual teachers. It was the needs of teachers that were missing from the equation prior to 2001-02. We have changed the focus now. We recognise that, in practice, the activities that take place and are funded are not neatly dividable in every instance.

[12] On the recommendations that we have made, the first is very significant. The Minister has accepted it and is keen for such a statement to be made. The statement has not yet been made, and I find it surprising that officials have taken so long to put such a statement together. It should clearly say what funding is going in to CPD and what the different routes of CPD funding are for. That level of clarity would help people's understanding a great deal. I end with a question: why should an accident of geography determine the professional development experience that a teacher will have in Wales, and thus the potential impact of that teacher on pupils' standards of achievement?

[13] **Janet Ryder:** Your last few sentences probably sum up everything that the committee has found. We need a clear statement of how money is going into schools, whether it is for training teachers or for something else. To return to what you said at the beginning, if we want to raise standards in the classroom, the main way to do that is to raise standards among the professionals themselves. The ongoing professional development of teaching staff is vital. We are here to clarify how that funding is going into schools. Why should an accident of geography affect the way that my school is funded or the sort of professional development that I have?

[14] I was interested to read point 7 of your opening points, where you talk about the differences between the ways that LEAs handle funding and the level of funding that different LEAs make available. Will you elaborate on that? Have you given any thought as to how we could overcome that variation and ensure that teachers throughout Wales, regardless of geography, have access to the same level of funding through the same simple and clear mechanism?

[15] **Mr Brace:** Those are big issues, which I am sure that you are struggling with. I would like to elaborate on points 2 and 3 on the first major part of point 7. On the differences between LEAs in the way that funding for CPD is distributed to schools, broadly, this comes down to the extent to which an LEA retains a larger or lesser part of the funding available for the CPD for central services. Some LEAs will delegate the CPD budget to schools entirely and then invite schools to buy back in to a local authority service. Other LEAs will retain a greater proportion to run an advisory service. This will vary according to the size of the local authority. We know that there are some very small local authorities—take Merthyr for example, with four secondary schools. The sort of advisory service that such an authority could operate would be limited; it therefore works in collaboration with other local authorities on an advisory service. Another larger LEA, such as Cardiff, would be able to operate an advisory service of its own. So, I think that there are differences in terms of size.

[16] We have at least two very successful cross-local-authority collaborations: the Education and School Improvement Service in the former Mid Glamorgan, which I mentioned, and Cynnal in the north west. That might answer part of your second question, offering a way forward to encourage greater collaboration between local authorities, on either a formal or an informal basis. Some more informal arrangements occur, for example, in south-west Wales, with collaboration between Ceredigion, Carmarthenshire and Pembrokeshire in terms of training. So, I think that I have explained the differences that exist between LEAs in terms of that point, the degree to which they retain funding for advice services and professional development, or the extent to which they put out.

[17] The final point, on the reluctance on the part of some headteachers to release teachers for continuing professional development, is part of a bigger issue to do with headteachers quite rightly having to make decisions about stability in their school. You cannot have a large proportion of your staff out at the same time and these are rightful decisions that headteachers must make. As a professional body, we would argue, 'Yes, that is right', but, at the same time, you need to consider the bigger picture and recognise that, although there is a loss of pupil contact time, teacher development may in the longer term have very significant benefits for those pupils when the teacher returns.

[18] **Janet Ryder:** On the amount of retention that an LEA makes of the CPD funds, would that be shown on their section 52 returns?

[19] **Mr Brace:** I am not able to answer that, I am sorry, Janet. I do not have that information.

[20] **Janet Ryder:** Someone from SOLACE, the Society of Local Authority Chief Executives and Senior Managers, should be able to answer that under the next item. That amount varies according to LEAs and how they administer things. Could I just push you a little further on that? If there is variance in that figure, does the General Teaching Council for Wales therefore see any sense in administering those funds in a different way, which would overcome the regional variation?

[21] **Mr Brace:** We come at it, as a professional body, from a slightly different angle because the locus of our activity and interest is the teacher and the teaching profession. We recognise and would argue very strongly that if you influence the teacher and the teacher's practice, inevitably, that ought to and will impact on standards in the classroom. We would argue that rather than it being led through local authorities and schools—and those are rightful things that should be happening as well, with strategic planning responsibilities—there should be a bottom-up impetus. I suppose that the central word that should be used here is 'entitlement'.

[22] We would argue that it is not an equitable system—'the accident of geography' is a phrase that I have used—if you take it down to individual-teacher level. We have heard accounts from teachers who say that they have not had any professional development in the last 10 or 15 years, although I am not sure how they defined that. Given that every school has five days a year for training, I would suggest that that is probably a slightly strong statement. Nevertheless, I think that there are inequalities in the system. One option would be to go entirely to a centrally funded system for professional development, which would remove the local responsibility, the role of the local authority and, potentially, the role of the school.

9.50 a.m.

[23] Another option would be to put continuing professional development funding directly into schools and bypass local authorities completely. So, there are options. The council has not taken a view on any desirable route; there are different ways of doing things, but they all have their downsides.

[24] **Janet Ryder:** On that last point, coming at it from another angle, groups have come before the committee and said that, as well as the individual need for ongoing professional development, there is a need for the school to ensure that it has covered everything identified as a training need. Some groups have said—and you have also made this clear in your paper—that that training should come out of the school's own budget. However, those budgets are not there anymore. So, is the teaching council saying that we need to look again at the money that is made available for whole-school training to find a way of ensuring that that amount arrives in the budget? How do we ensure that that is delivered equitably across Wales?

[25] **Mr Brace:** We are reflecting what consultees have told us, which is that the total level of funding, whether perceived or not, is inadequate. There is also a lack of clarity about how that funding for professional development is distributed. There are a number of routes, and although you could see that with this three-pronged analysis of individually focused CPD, you can see where the money is coming from: it is going via the General Teaching Council for Wales, school-based needs within the school budget, which is a combination of funding from local authorities and the Assembly, channelled through local authorities into school budgets, and the national needs that are sometimes ring-fenced programmes, such as the national professional headship qualification. So, the school-based element of it is probably the most difficult element to unravel. In an unhypothecated way, if this lump of money comes down and is not earmarked for professional development in the school budget—although that may have been its intention—some headteachers may use it for other purposes. That does not give a solution; it expands the problem.

[26] **Denise Idris Jones:** That was interesting. Are you saying that, in some authorities, teachers are not receiving the same kind of professional development as teachers in other authorities, and are therefore not moving up the teaching ladder as quickly? You mentioned the national headship qualification, and unless you have that you cannot apply for a headship. Therefore, in some areas of Wales, teachers are better trained than in others, and are more likely to move up the qualification ladder to become headteachers. So, this is a real hindering block.

[27] There is a problem with this bidding, and it is very bureaucratic. I remember it when it was grants for education support and training funding, and it is now the better schools fund. It also depends on when you bid—you can bid at the wrong time of year and therefore you do not receive the money. Could this be made easier?

[28] **Mr Brace:** On your second point, the better schools funding process is a lot clearer than it was under the GEST arrangements. There is a set timetable and the Wales Audit Office report to which I referred in my introduction—

[29] **Denise Idris Jones:** I am on the Audit Committee.

[30] **Mr Brace:** So you will have seen the diagram that shows the process and how it went wrong in the early part of this decade under the GEST arrangements. The recommendations in that report will make it a clearer method and process for local authorities drawing down the relevant sums of money within the headings that the better schools fund covers.

[31] On your first point, we are saying that teachers in Wales do not get the same continuing professional development experience. There are two elements there. They might not get the same level of funded support. That could be in local authorities or it could be between schools, depending on the prioritisation that heads give to it. There are, however, national programmes—the national professional qualification for headship—for those who aspire to headship. As you say, that is mandatory as of last September and, in a way, it partly bypasses the role of the local authority, because it is a centrally-held pot. We have argued in this professional development framework advice that not everyone, as you know, aspires to be a head, but we have a huge gap between the structures for the new teachers and those aspiring to headship, and the vast majority of teachers who are in the middle.

[32] New teachers are very well supported in Wales as there is the induction year and this unique two years of early professional development after that. For headship, there is the mandatory qualification and a training programme. However, as I said, the vast majority are not in there, so we need a framework. We argue—and I mentioned this in the Education and Lifelong Learning Committee—that having that chartered teacher programme would be a way of recognising the excellent teacher who is not aspiring to headship, but who wants to stay in the classroom and be a leading practitioner. We hinted in this document, and the current consultation is arguing, that there should be a commitment to funding the chartered teacher programme. So perhaps that is an alternative method.

[33] **Denise Idris Jones:** I would be very concerned if this were an area with quite a few Welsh-medium schools. If these teachers who were being trained through the medium of Welsh were not receiving the same amounts of CPD as teachers in other authorities, we could be losing out in Wales, could we not? We would not be providing the same number of speech therapists or whatever. So, that would be a problem for us.

[34] **Mr Brace:** We do not have any specific evidence about whether there is less Welsh-medium training going on.

[35] **Denise Idris Jones:** Right. I will leave it there then.

[36] **William Graham:** You talk about qualification and having chartered teachers, and say that almost all these bodies are getting stronger. Part of the chartered designation will require members to undergo CPD. Can you see that becoming very much part of the mandatory process of selection? Do you think that the Assembly Government should give more guidance to local education authorities on the matters that you addressed earlier?

[37] **Mr Brace:** I will take those in order. On seeking mandatory CPD, in a way, the council has already said in the professional code for teachers, which was produced in 2001 and which has now been renamed ‘The Statement of Professional Values and Practice for Teachers’, that all teachers are committed to keeping their knowledge, understanding and skills up to date. Their entitlement to support from their employers is a separate issue, but all teachers ought to be committed to that. The chartered teacher is still embryonic at present, but I would imagine that, given the standards that we would expect of the chartered teacher, it would be mandatory.

[38] The second question related to whether it would be beneficial for the Assembly to issue guidance to local authorities on professional development. There is an awful lot of guidance out there and it may be that some connection, which could well be one of the outcomes of this committee, would be more valuable: greater clarity and a greater connection between the funding that is being committed by the Assembly for the purposes of professional development and how that then ends up in schools and thereby influences teachers. That is the connection that is unclear at present. That is where there is a lack of transparency.

[39] **William Graham:** So, where is it best for us to seek that guidance?

10.00 a.m.

[40] **Mr Brace:** The first step is possibly the first recommendation that we have made in this chapter, namely that there needs to be a statement setting out how much funding is available for professional development and training, addressed at the national, local and individual levels, and identifying the different mechanisms through which those funds are currently moved into schools. I do not think that we have a great deal of clarity in the current situation, let alone where we might move to. So, that needs to happen first.

[41] **William Graham:** Any other questions from Members?

[42] **Janet Ryder:** With regard to the chartered teacher qualification, that might be something that the Education and Lifelong Learning Committee might want to return to at some point. I think that we have been right to look at this aspect of professional development in this committee, because it impacts on school funding, and it is another confusing mechanism for putting money into schools. Some unions have put forward the idea that you could fund schools by taking out the teaching element, if you like, of a school and funding that through a common formula across Wales. Would you see professional development as being part of such a common formula, or would you see professional development as being another mechanism that would have to go in along with, perhaps, buildings and that the teaching element would form a third, but common, strand that would be equitable across Wales? Given that local authorities and schools can build on that if they want to, it would nonetheless give a common baseline.

[43] **Mr Brace:** There is a lot to be said for that argument about separating out different strands. The one thing that I would not want to lose is the recognition that there are needs at different levels. If you simply separated out a bit that is related to the teaching element and delegated that uniformly to schools, how would you guarantee that the professional development aspects are not diverted to other purposes? I would like, almost, to ring-fence the professional development, because it is so important to do so if that were the route taken—to separate out the teacher-related elements. One of the great benefits, and great successes, has been this individually focused CPD programme. Of some 34,000 eligible registered teachers, in the four and a half years that it has been running, there have been 21,000 separate teacher-funded opportunities. That is an incredible impact rate, I think, and I would not want to lose that by its being lumped together with other things.

[44] **Janet Ryder:** You have made the point that even that individual development is a very complex route for a teacher to find out about, because of having to look at different elements—you know, with some money coming from the Assembly, sums of money coming from your organisation and some money from the LEAs. Is there sense in bringing all that together, to simplify that in one teaching professional fund, although that would then be split into different grades. There would be one focus point for either a teacher or a school so that they know where they are going.

[45] **Mr Brace:** I understand the point that you are making. One way that we would approach that would be to ask, ‘What are the national standards that you would expect?’. We have argued in this advice document that there should be four standards, three of which are already in place. They are for the qualification—becoming a qualified teacher—there is statutory induction, there is NPQH, and there is the missing one, which we argue should be put in place for the majority of teachers, of chartered teacher. So, you could create a coherent funding mechanism so that any professional development that is moving towards any one of those four standards could be funded through a single approach or method. There would be logic and benefits in doing so, I suggest.

[46] **William Graham:** Are there any other questions from Members? I see that there are none. In that case, thank you, Mr Brace; that was well worth while. We are grateful for your evidence.

[47] **Mr Brace:** Thank you.

[48] **William Graham:** Members, as we are a little ahead of time and as our next presenter has not yet arrived, I suggest a break of 10 minutes.

*Gohiriwyd y cyfarfod rhwng 10.04 a.m. a 10.14 a.m.
The meeting adjourned between 10.04 a.m. and 10.14 a.m.*

**Cymdeithas Prif Weithredwyr ac Uwch Reolwyr Awdurdodau Lleol Cymru
Society of Local Authority Chief Executives and Senior Managers Wales**

[49] **William Graham:** I welcome you, Mr Morrison and Mr Newell. I remind you that a verbatim record of the meeting will be taken and eventually published on our website. I am grateful that, as representatives of the Society of Local Authority Chief Executives and Senior Managers Wales, you have agreed to appear at relatively short notice. I note that you have offered a memorandum after your oral evidence, and I invite you to give that oral evidence now.

[50] **Mr Morrison:** Thank you, Chair. Yes, it is short notice and I am not an expert on school funding, but I have volunteered to come and talk on behalf of SOLACE today. We welcome the opportunity of coming to the committee and presenting our evidence. I will start with the background of the situation before I get into more detailed technical points on the funding issues. It is true to say that local government plays a key role in determining local decisions to address local needs, while still retaining links to national priorities that are obviously set by the Welsh Assembly Government and central Government. Councils have the right to make their own decisions, and, more importantly, are democratically accountable locally for those decisions. I will come back to that later.

[51] It is true to say that all authorities, and SOLACE members as well, see education as a cornerstone to delivering a vibrant economy, but also to other key aspirations, such as the health and wellbeing agenda. So, for all authorities, it is true to say that it is a key priority. At this point, however, I must say that school funding is not a postcode lottery, in our opinion. Funding is targeted to support the most disadvantaged communities, and one size or one formula would not fit all authorities. We are all different, there are some similarities between some authorities, which have similar sorts of problems, but from the SOLACE perspective, one formula or one size would not fit all.

[52] There are also good socioeconomic reasons, relative to each area, which dictate spending patterns. For instance, our view is that higher spending can be attributed to the need to provide more transport in rural areas. Our rural colleagues obviously have a huge problem there. In areas of social deprivation, domestic and community circumstances are more likely to be less conducive to learning, necessitating the need—especially in my authority's case—for more staff and associated resources.

[53] It is true to say that the school funding regime is supported by strong consultation and partnership working with councils via the schools forum mechanism, and, of course, regular contact with officials in the Welsh Assembly Government, where we feed back our perspective from the front line and pick up the policy direction from Assembly officials. There is a requirement for councils to challenge the value for money that is provided by schools and the value added for the investment that is being made. In our case as an authority—and I am sure that it is true for most authorities now—40 to 45 per cent of our net revenue spending is on education. It is a huge area for us all.

[54] It is also true to say that key performance indicators, but not too many—and I know that another debate is going on with the performance measurement framework—are an accurate benchmark in information. We have all had benchmarking experiences where we have one authority, one school or one organisation collecting data in one way and others are collecting data in another. We must get to an accurate benchmarking position.

[55] Local management of schools, as a philosophy and as management formulae, is essentially a 1980s philosophy. The existing mechanism that we use has been around for a long time. However, the general principles still apply, and it can be shown that the system has delivered continually rising standards in schools. Its democratic accountability is proven. There is the ability for local authorities to have a flexible approach, again, to deliver local needs. There is transparency, we would argue, in the budget-setting process. More importantly, overall, there is additional funding for schools—£23 million above the standard spending assessment guidelines is provided to schools by local authorities. There is overall satisfaction from schools at council performance in assisting them to deliver their agenda.

[56] It is interesting to note as well that in our research, and, I think, in SOLACE as an organisation, although various pieces of research have been commissioned by different bodies, whichever formula or model is promulgated, local government still has a strong role to play. We also believe in SOLACE that the 'Making the Connections' agenda, the Beecham review and the Lyons review into overall local government finance will have a significant role to play in the future direction of travel. We will obviously have to await the findings, especially for the Beecham review and the Lyons review, to discover in which direction we will eventually travel. Local government, and especially SOLACE, has supported the 'Making the Connections' agenda. We now have a regional agenda and there will be far more regional working and provision of services to schools on a regional basis.

10.20 a.m.

[57] On the revenue funding issues, I assume that the committee is familiar with how the overall revenue funding is set. Clearly, the starting point is the rate support grant mechanism, which informs the SSA, and the indicator-based assessments also inform the SSA. So quite a complex mix of indicators and different pieces of work inform the overall process.

[58] We note that the SSA is unhypothecated, and although the indicator-based assessments are statistically based, it is obvious, as I said at the start, that it is virtually impossible to make one formula fit all. A lot of data are coming together here.

[59] The committee should also remember that the IBAs are not spending targets. They certainly attempt to demonstrate relative need and they reflect historical spending patterns. Again, I reiterate that local councils in our opinion are responsible for spending judgments and are also directly accountable to their electorate for the judgments that they make.

[60] As I have already said, SOLACE members play a key role in how the councils deliver services. We are spending £23 million above SSA on education at the moment. On our IBA spending, given that it is a statistically based indicator and that a lot of accurate data inform the IBAs, the range is 96 to 106 per cent, so we would argue that no-one is way adrift from where they should be.

[61] It is interesting in schools—on a personal note, I am the chair of governors of a high school—that, in my time as a governor, we have seen costs rise in the school by an amazing rate, mainly due to the workload agreement, teachers' pay arrangements and class-size reduction initiatives. Funding has been received, in part, for some of these initiatives from the Assembly, which, of course, we greatly appreciate. However, that has also distorted the funding picture. If you look at our trends on expenditure as local authorities, schools expenditure has increased by a greater rate than expenditure for any other service that I can think of, other than waste, where we have a different set of parameters driving us.

[62] However, pupil numbers are in decline across the UK, other than in a few communities. Other services have growing requirements for funding, particularly, in our case, adult social services. Coupled with the cost-efficiency target savings required, it is vital that schools budgets are continually challenged and kept under constant review. I think that we generate the most effective schools delivery service that we can.

[63] Many may argue, and some of our members here may argue, that the existing funding formula favours sparsity over deprivation, thereby having a generally negative effect, especially in the south Wales area and in the Valleys authorities in particular. Having continuing discussions with the distribution sub-group, which is another group that is working on this, is probably the appropriate mechanism for dealing with that. However, we felt that it was important to raise here that we are looking at that issue through another vehicle. We do not have any evidence to provide here today, but that group is getting into far more statistical analysis on this issue.

[64] Our view as a group is that a three-year funding strategy is essential to support the initiatives that most authorities are adopting with their budget-setting processes. In my own authority, and I know that I speak on behalf of other colleagues, we have rolling three-year financial strategies that are far more sophisticated than we have had, and I have been in Wales since 1995, at the start of local government reorganisation. They are now far more sophisticated than when we assumed control as county borough councils. We have developed the budgetary process over that period and many authorities now have a three-year rolling financial strategy. That is important, because a lot of short-termism can be adopted that does not facilitate long-term planning, particularly when you are considering school amalgamations and school rebuilding programmes. We have to get into a three-year rolling cycle of budgets, and I know that the Assembly is actively looking at that, which will be welcomed.

[65] I will come back to the capital issue in a moment, but the reduction in the schools building improvement grant, on which we have just received the information, demonstrates the point. We have had a 30 to 40 per cent reduction across the board.

[66] Moving on to perhaps another contentious area, post-16 funding and ELWa, as we are all aware, all post-16 funding was transferred to ELWa as a result of the Learning and Skills Act 2000, with pre-16 funding being retained by schools. Our view is that this led to a major break in the funding continuum and introduced different planning cycles and funding regimes. For instance, in 2005-06, the average uplift to schools via the individual schools budget across Wales was 6.9 per cent for pre-16 education, and 2.5 per cent for post-16 education. It obviously led to a situation—we do not have evidence of that with us today, but I know what is happening in my own school, where I am the chair of the governors—where there was cross-subsidy between the key stages. We restructured our accounts to reflect the new income that we were having from ELWa. I speak on a personal level, although I am sure that other schools up and down the country have done the same. It creates problems and a situation where you can be cross-subsidising two different key stages.

[67] There are a lot of statistics on revenue spend and a lot are used in the press, and authorities are compared. It is fairly obvious, but the individual school budget measures the delegated funding per pupil that is under the direct control of schools. That is an obvious point, but it is an important point to confirm. There are obvious differences in delegation schemes because of local circumstances. Various factors will differ up and down the country. The cost of home-to-school transport in a rural county will be far greater than in a metropolitan or city area perhaps, and other levels of expenditure are retained centrally, sometimes with agreement. In my own authority's case we have service level agreements with schools. They are quite content for us to provide some services centrally, so funding for those is not delegated. They are quite content for us to operate those services, but on the basis of a strict service level agreement.

[68] The gross spend, on average, is £4,291, which I suppose compares reasonably well with that of our English colleagues, which I will refer to more in our evidence on capital. The range of expenditure is £3,947 to £4,963 per pupil. There is more variance there, but, as I say, we see different patterns of expenditure in different authorities and different issues in rural versus Valleys versus city authorities. Again, as I have already alluded to, there are key drivers for those differences, such as socio-economic needs and settlement patterns.

[69] On capital expenditure, which I suppose is a major bone of concern for us, the English authorities enjoy more capital investment than we do. They also have the benefit of more private finance initiative investment. Again, I speak from personal experience: in our authority, we could not get a PFI scheme off the ground, and we had to do the scheme via another route.

[70] Looking at the DfES investment strategy for 2005-08, each English school is receiving, on average, £190,000. On average, Welsh schools are only receiving £90,000—half that amount of money—and there are virtually the same issues to address on either side of the border.

[71] It is probably well-known to the committee, but I will reiterate it, that most authorities need the capital investment to address surplus places issues where we are amalgamating and building new schools. On the establishment of community-focused schools, we do not have one in my own authority, but we certainly have schools that will probably qualify. Again, you need that extra bit of capital investment. Special educational needs demands, again, is another hot potato for us all, and I have already mentioned amalgamation. Probably more important is the maintenance and improvement of buildings to reach the nationally set targets, which we are all anxious to do. I do not know of an authority that is not anxious about or striving towards reaching those maintenance targets. Having said that, authorities are being more imaginative in the use of prudential borrowing. The bad news is that this is of limited use in the longer term, as all we are doing is ring-fencing more and more revenue funding to pay back the loans. It is good in the short term; it is releasing capital, which is, perhaps, what should have been done 20 years ago in local government. We are grateful for the powers now, but it is generating a problem, although I would not say that it is a massive one. In our own authority, we have ring-fenced revenue maintenance expenditure to generate more capital funds to accelerate the maintenance programme. Again, that is £50,000 this year and £100,000 next year out of centrally-held maintenance funds to pay for loans. You cannot use that money again.

10.30 a.m.

[72] I have already said that the 40 to 50 per cent cut in school buildings improvement grant that was recently announced has been a major blow, given the short notice, especially after the commitment that we received in November that it would not be cut. This has obviously led to aborted work in local authorities, and, again, a change of plans. The knock-on effect is probably that some authorities that would have been further forward on their strategic plans for educational services and amalgamation, are now moving further back and will probably fail to reach targets.

[73] The additional capital allowance of £9 million, irrespective of size, is obviously very much welcomed by all authorities. However, if you are a larger authority, it puts you a disadvantage, because you have more schools but you have the same amount of money as every other authority. I work for a small authority, and this is a great advantage for us, of course. We are ready to spend the money, because we have plans for it. However, our colleagues from larger authorities have the same amount of money but probably twice or three times as many schools. It is a problem.

[74] To conclude, as I have said, education is a vital component in creating vibrant and prosperous communities. There are major challenges ahead that are being addressed, such as falling pupil numbers, population shifts, the need to improve school buildings and rationalisation programmes. There are stronger moves now towards collaborative working than there probably ever have been during my whole career in local government, whichever side of the border it has been on, with the 'Making the Connections' agenda and the formation of regional groups. There are going to be pressures due to the requirements of the Children Act 2004, the development of the foundation stage, the 14-19 learning pathways and the development of community-focused schools. There is awful lot going on. I think that local government has been innovative and will continue to be so in improving school standards and in capital investment, as I have alluded to in terms of prudential borrowing, but there are knock-on effects on other services. As unitary authorities, we have a huge raft of services to provide, and we see pressures elsewhere. Here is a service that has a falling customer base, but, that said, it is important to keep it as vibrant as possible.

[75] The view of SOLACE is that there is a vital need for long-term funding regimes to create stability and facilitate more effective planning. In terms of some of the issues regarding the ‘Making the Connections’ agenda, if we start to work together, as we are in my authority—and the Gwent authorities are all in this together with Cardiff—we will have to have some stability. We cannot have people coming in and out and saying, ‘Well, I do not want this service this year, but I might want it the year after’. We have to have some stability and long-term planning. The schools that are relying on us to provide some of these services will also require that. Speaking from a personal perspective, as a chair of governors, we certainly need that three-year picture looking forward to stabilise the situation, and for staff retention, stability and training, as well as pupil development, because the main thrust is to educate pupils.

[76] Our view, quite strongly, is that local government must retain the ability to determine local funding priorities and, therefore, the SSA must remain unhypothecated. Local government is democratically accountable. I know that the Assembly is also, but we are taking those decisions locally, and we will be judged by our communities very directly. Finally, SOLACE is committed to working in partnership with all relevant bodies to forge a sustainable environment in which education can thrive and prosper, as we are in terms of all services, but in particular for education, because we see it as a cornerstone.

[77] **William Graham:** We will now take questions from Members.

[78] **Lynne Neagle:** Thank you for your evidence this morning. I have a few questions. You opened by saying that you saw education as a cornerstone, and you also concluded on that point. You emphasised the fundamental importance of education to all sorts of other areas of delivery, such as regeneration, health and wellbeing, and so on. However, we have a situation in Wales where we have big variations in spend across the country. You said categorically that you did not feel that there was a postcode lottery in Wales, despite those big variations. What evidence do you have for making that kind of statement? You referred, as an example, to school transport, but the figures that I have seen for that show that some Valleys authorities are spending more than, or as much as, some rural authorities. What evidence do you have to say that those areas where more is spent on education are not the beneficiaries of a postcode lottery?

[79] You referred to the SSA more generally and the issues of sparsity and deprivation, and you indicated that you did not have any specific evidence to offer on that. However, can you say a bit more from your perspective as a chief executive of an authority in one of the most deprived parts of Wales, about whether you feel that the formula, with its present weightings for deprivation in particular, is meeting your needs.

[80] Moving on briefly to capital, you referred to the difficulties that the authorities are having, and you mentioned PFI. There has been more extensive use of PFI in England. Do you feel that the Assembly Government should be looking more closely at whether we can use PFI more in Wales?

[81] On the £9 million, you made a pertinent point in relation to the money going out to everyone in the same way. It is not just the differences between large and small authorities; there might be local authorities that have traditionally been big spenders on education where they would not have the backlog of repairs in the same way as an authority that has been a poor spender on education, particularly in the capital field. Do you have any observations on the methods of allocating capital funding in relation to need?

[82] **Mr Morrison:** I will do my best. On the postcode lottery, one of the problems that we have as a local government sector is that much of our funding is delivered on a historical basis. It is based on traditional trends. To refer to our particular case, when we took over as the county borough of Blaenau Gwent, the Gwent County Council education services had set the budgets—I did not work for Gwent, so I do not know how they were set, but they were probably based upon historical trends and an inflationary rise every year. The budgets were built up every year, and they kept building and building. That is fine. Those budgets were disaggregated to all of the unitary authorities on reorganisation, so we all ended up with a lump of money. Whether it was the right lump of money was another question. As we found out, for three or four years, it was not, and, as a smaller authority, we had particular problems in trying to balance the books.

[83] It is not a postcode lottery in the sense that someone has designed this; it is what you have historically ended up with or what you started off with. You then have the IBA informing the SSA, and the RSG informing the SSA, and, again, this is all historical spending. It is one of those issues where you need a fundamental challenge to the funding allocation to say, ‘Why are we spending money on any particular service, and why have we ended up where we are?’. We have had to do that in all of the local authorities. All of my chief executive colleagues have had to do this, and we are all at various stages of the game. I will not say that everyone is as advanced as everyone else, but we have had to look at what we spend money on and at why, historically, people have taken certain decisions to fund x here but not x over there, and why there are different policies in different authorities. There is no uniform, blanket policy that says that we all have to do something—unless it is a statutory requirement, and then we all have to do it. Some of the other things are discretionary. In fact, we have found out through our research that most of the services of social services are discretionary; there are very few that you have to provide statutorily.

[84] We have all started off somewhere. However, what authorities have done—I know that my SOLACE colleagues have been doing this, and we talk about it—is to fundamentally challenge budgets and look at what we are spending on schools. There are schools of different sizes. In our authority, for example, we started off with seven comprehensive schools; we now have six, and we will probably end up with five. Other authorities may have ended up with four comprehensive schools, but they were massive comprehensive schools with units of perhaps 1,000 or 1,500 pupils, while we ended up with smaller units. Therefore, this was based on historical patterns of settlement and the school patterns that you had. I know that other colleagues in rural areas have ended up with many small schools, which they are looking to amalgamate.

[85] There are other issues. If you look at our role as community planners and as the community guardians, as it were, a small school may look inefficient and ineffective to us on the one hand, if you are looking at it as an accountant, but, for a community, that small school is the hub. Taking the school away takes many other things away, and, before you know where you are, many other services have other collapsed; the post office goes, something else goes, and that community then struggles. Therefore, as I said in my evidence, the authority has to balance not always delivering an efficient service with the needs of the community—in this case, the school. I could argue for both sides here, and I could be very hypocritical about it, but I can see the benefits of some of my colleagues retaining such schools, because you are retaining not just a school—which may not be efficient when you look at a league table of school costs up and down the country—but you are retaining a community. Perhaps we compartmentalise school costs, but we do not ask what the school is adding to the community. That is hard to measure, and I do not know how to measure it.

10.40 a.m.

[86] You mentioned deprivation, but it does not figure in the formula. It was taken out eight or nine years ago. As one of the most deprived authorities in Wales, we were not happy about that at the time, because we did not think that it reflected the true costs of some of the services that we had to run. We do not have bus loads of private sector companies pouring in to provide services in our communities. We have rebuilt our infrastructure, and there are more private sector companies coming in now. We have provided the quality of education that people look for, we have provided the platforms for industrial development, and we have built the infrastructure up to attract the private sector.

[87] Ten years ago, the private sector would not come to the Valleys to look at some of our authorities. They are going to be situated along the M4 or A55 corridors; they are certainly not arriving in spades to our area, but we are attracting more private sector companies. It is a matter of having a whole-service philosophy. The one advantage that we have is unitary authorities; we have the whole overview of all services. We have obviously had problems in my authority, and other authorities have had problems, but we are knocking those silos down. Our education is aligned to regeneration. It is not just a matter of schools. Our education services are geared towards regeneration, and, with regard to deprivation, we do not want to talk about the 'd' word. It is not in the funding formula, although we would like it to be. Therefore, we have had to create a raft of services to build up our area to attract inward investment.

[88] On capital, PFI is not the cheapest route. I could put a question mark over PFI. English authorities have used it, but is it a curse or an advantage? PFI is not the cheapest route for providing services. Having said that, if it is done on a large enough scale and done properly, it is a vehicle that should probably be looked at more closely. However, it may be that it is not the answer that we are looking for. It is not the cheapest route for providing capital investment. Prudential borrowing probably beats it every time. However, the problem with that is that you have to keep siphoning off and ring-fencing revenue expenditure.

[89] On the figure of £9 million of capital funding, I will declare an interest now on a personal level and say that, as a small authority, it was fine for us. We were ready to go. We had developed schemes, carried out a consultation with our schools, as had some of my colleagues, and our technical services had been aligned. They had done the design work and were ready to roll out the school building programme to meet the deadlines. I know that other authorities have not had that advantage. Even if they have more schools, some would not have that advantage because they were not ready to spend the money.

[90] I am sure that I speak on behalf of all my colleagues when I say that we do not necessarily want another competitive bidding process, pitting one authority against another. As a nation, we must work together to target the money where it is required most. With the regional working agenda, I think that that will come. We know that tough decisions will have to be made and that we will not all get a share of the cake. The money will be focused in certain areas, but it might be the case that the money is focused in that way in order to give the region or the nation the best advantage. In that regard, perhaps we need to work more closely with our Assembly colleagues to look at the whole map. You can look at 22 small units and see that we have our plans and everyone else has their plan, but we may need a system that acknowledges that there is only so much money to go around and decides how to target it for the maximum effect and to create sustainable development.

[91] There is no point in building schools for the sake of it or in building schools that might need a great deal of maintenance in future. I have plenty of those schools now that were built in the Victorian era. Ironically, they are still standing. They may be leaking, but they are still standing. We have closed two, but it will probably cost a lot of money to demolish them because they were built so well. They were leaking, they were from another era, and they did not meet the modern educational requirements. The buildings now, we hope, represent sustainable development, so we will not end up in 30 years' time with a school requiring a huge amount of money because the design that we used was not robust enough and was not sustainable. I think that there is a pay off here, in that we may have to spend more money on fewer schools to get sustainable schools, so that we do not have this long-term maintenance issue. Otherwise, all we will be doing is creating problems for the future. We can say, 'Fine, build as many as you can, keep it cheep and cheerful,' but I do not think that that is the way to go. I think that the whole-building life-cost needs to be looked at, but, again, it is about looking at what is best for the region and the nation, and how we can get the maximum return on our investment. Like any private sector company would do, we need to look for the maximum return. In this case, we would have to consider not only the lifetime building costs, but outcomes for education.

[92] We have to consider where we can make the biggest difference to standards, for instance. We are aiming to get above the national standard in my authority by 2009. We think that we will get there, so we are maximising our investment on a local level to get the maximum benefit to get those standards up, not only to get a statistics gain, but to give children the best start in life. It is as simple as that. If they are not educated, they are not going to have a chance to create a vibrant economy, and industrialists will not look at our area as somewhere to invest if they think that they will not have a workforce that is capable of working in their factories and offices and so on. It is all about that continuum, the complete picture and striking a balance.

[93] There are decisions to be taken, and some of them are not easy. On the £9 million, if we had another £6 million, I could take out another three primary schools and build one good one. That would look better and we could then focus our attention on far fewer schools and get those standards up more quickly. My colleagues from other authorities, if they were here, would say, 'Hang on, we have plans like that as well'. I think that this is where we need a grown-up debate. We have been going now as unitary authorities for 10 years and we know an awful lot more about the business than we did when we started, and the Assembly is now in a position where there are obviously national agendas and targets. My own view, which I think would be supported by all my colleagues, is that it is time to get around a table and talk about things in a more professional and constructive manner.

[94] **Lynne Neagle:** Thank you for your answers. There is a weighting for deprivation in the local government formula. The issue is whether the weighting is big enough in relation in sparsity, but it is there.

[95] **Mr Morrison:** I think there are a lot of technical areas there, in which I am not well versed. If I had brought my treasurer today, I am sure that he could have spoken forever on the issue, because he is on the distribution sub-group, and I know that it is looking at it. I feel that it is a hugely technical area and I am not qualified to speak on it.

[96] **Peter Black:** I just wanted to clarify that because we revamped the formula in 2001 and, ever since, we have had people complaining that there is not enough about sparsity in there. I know that a lot more deprivation measures were put into the formula at that time, and I just want to clarify whether you were talking about the revenue support grant or capital funding when you said that.

[97] **Mr Morrison:** I was talking about revenue.

[98] **Peter Black:** Okay. I want to talk about capital, but there are also some revenue issues that I want to raise. I asked the First Minister yesterday whether he thought that the Assembly's target of getting all schools fit for purpose by 2010 would be met. I think that he said in response that he did not think that this would happen, but I am going to check the Record on that. He said that the reason for that was that many local councils are not able to decide their priorities and that this was causing a delay. Would you say that that was a fair comment?

[99] **Mr Morrison:** Without checking with colleagues, I cannot really comment on that. I can only say that my authority knows its priorities and I know that a few other colleagues know what their priorities are. Have I spoken to 22 colleagues, or even 21, on this? I have not, and therefore I have to say that I do not know.

[100] **Peter Black:** Okay. Is that a fair comment in respect of your own authority?

[101] **Mr Morrison:** No, because we know our priorities.

[102] **Peter Black:** Are you likely to make your schools fit for purpose by 2010?

[103] **Mr Morrison:** It has not helped to have the school building improvement grant cut by 30 per cent or 40 per cent. However, we are now looking at prudential borrowing again and we hope to have all our schools fit for purpose by then. Again, it depends on future years and there are another three years to go. We have already had the cut this year and we do not know what future years will hold. We plan to, if the funding is there, but the recent cut in the school building improvement grant has put us back, but hopefully we can get back on the rails by looking at prudential borrowing, but we have no certainty of long-term funding. We know what next year holds, but not the year after.

10.50 a.m.

[104] **Peter Black:** I wanted to come onto that, because I only discovered about the cut in the school building improvement grant yesterday. Effectively, Swansea has received a 50 per cent cut over two years. Is this the first time that you have received a cut, or did you also have a cut this financial year?

[105] **Mr Morrison:** We have all had cuts across the board.

[106] **Peter Black:** For next year and the current year?

[107] **Mr Morrison:** Yes.

[108] **Peter Black:** Does that apply to all local authorities across Wales?

[109] **Mr Morrison:** Yes. Perhaps there is not enough money in the system, which is why we have had a cut, but many of my colleagues and I will be seeking answers on this from other routes when we hold our regular meetings. Why has this funding been cut? Most of us were on a plan to achieve something, and now we are not on the plan, and we must look at alternatives. That all takes time, and it is not easy to throw a prudential borrowing scheme together. We are looking at it for the purposes of getting our asset management and estate fit for purpose. Will we get there? We hope to, but if I do not know what funding is available, I cannot give a definitive answer, and most of my colleagues will be in the same position.

[110] **Peter Black:** Is that contrary to the assurances that you have had previously from the Assembly Government? I represent the Swansea area, and I understand that the local education authority was planning on the basis of having £2 million a year right up to 2010. It was given an indication by the Assembly Government that that was how much it was likely to receive. Is that a common assumption by all local authorities? Have you received assurances from the Assembly Government that led you to make that assumption?

[111] **Mr Morrison:** It will be common, because a lot of information is issued by our colleagues in the Assembly, by civil servants. I see the letters that come through, saying ‘These are your allowances’, and you plan on that basis. You plan on the last approval. If the approval is then changed, it changes all the plans again. My education colleagues are now revamping their plans. The changes have only just come, and we did not know about them until very recently.

[112] **Peter Black:** I have one more question on the capital before I ask a question on revenue. You made a comparison with England in terms of the amount of capital available to each school. You said that it was £190,000 per school in England, I think.

[113] **Mr Morrison:** On average.

[114] **Peter Black:** And £90,000 on average to Welsh schools. On what basis did you make that comparison? Can a like-for-like comparison be made in that way?

[115] **Mr Morrison:** It is based on WLGA published statistics. These are official Government statistics in England. It is not spending just £190,000 on each school; that is an average figure per school in England. Ours is an average figure per school in Wales. The figures show that twice as much money is being spent in England as is spent in Wales on average. Those are published Government statistics. In fact, they are also based on accountancy returns by local authorities. So, it is based on Government figures and audited local government figures.

[116] **Peter Black:** My last question is on the revenue side. We have all held meetings with unions and various other people about the impact of the Gershon savings—or cuts, whichever way you look at it. In the current financial year, I understand that half of the local authorities in Wales applied that 1 per cent cut to their school budgets. My understanding is that, next year, it looks like 18 of the 22 authorities will apply the 1 per cent cut to their school budgets. The Minister for Education and Lifelong Learning tells us that she wants that money to be applied to schools only if there is a genuine efficiency saving. As we have a prospect of 1 per cent being held back on a year-by-year basis, is it a realistic assumption by the education Minister that it is applied only on the basis of efficiency savings?

[117] **Mr Morrison:** It depends on the approach taken by individual authorities. Sometimes, the 1 per cent is taken at source. We did not get it in the first place, so it is not as though we have to give it back; we never had it. We are one of the authorities that passed the cut or the efficiency savings on to our schools. We did not do that in a cavalier fashion; we did an awful lot of analysis.

[118] In my authority’s case—and I know that other authorities also did this—we looked at everything from school reserves to pupil numbers to various other costs. We have also contained various costs. At one time, for instance, we had a huge retirement bill, because we were downsizing. We ended up with a lot of schools having to go and we ended up with a huge retirement cost bill. That has stabilised now. We thought that we were in a position to transport that out. If we are not going to transport it out, given that education is 40 or 45 per cent of most authorities’ expenditure, all that we will end up with is a 2 per cent cut on everything else. We are all signed up to the mission to make things more efficient and we do not have a problem with that, because you can always make things more efficient. That is where ‘Making the Connections’ agenda will have more impact, especially when we start the joint working. Some of the authorities cannot provide all the services that they need to provide in the schools. We have done this for a long time in education. A lot of joint working and joint arrangements that were retained post 1996 were never dismantled. Had they been—in Gwent for instance—we would have ended up with five times various services, which would have been totally inefficient and too costly. So, there is a need here for everyone to sit around the table and ask how we can look at these cost savings.

[119] One of the biggest issues for us—for everybody—is utility charges, which are racing ahead at a rate far greater than inflation. It is a 20 per cent to 30 per cent increase in costs. So we will be looking to help schools with energy efficiency measures, for instance. I am sure that some of my colleagues will also do that because, if we do not contain those costs, 1 per cent will look pretty thin on the ground. Schools are going to face huge increases, as are authorities, in energy prices, and so getting more efficient energy costs is a major area that we all need to focus attention on.

[120] However, if 18 authorities apply that 1 per cent, I think that everyone will eventually say that this sector, like the whole of the public sector, cannot be devoid of making efficiency savings. I think that SOLACE members would support me on this. It is about different policies as I said earlier on, and local determination by local councils. Some have decided to do it and some have not. With the efficiency side of the business and the 1 per cent per annum, we need to look at all the costs in every single budget. Nothing is sacrosanct, in a sense, not even social services, which is a very emotive area. We need to look at it and ask whether it can be provided more efficiently and ask whether it can produce better outcomes for the client group. It is a case of looking at things differently. It is not just incremental budgeting, where we add on inflation every year; it is a fundamental challenge to budgets to ask what the budget share is. My authority has done a lot of analysis looking at similar and different authorities, analysing costs to see whether we were distributing money in some perverse manner compared with everybody else. We were not, but we are challenging how that money is spent and we are asking whether we are getting value for money from it. I do not think that schools should be exempt from those regimes, and I think that my SOLACE colleagues would support me here.

[121] **Janet Ryder:** We could debate this forever, because there are many aspects to it. To take you back to what you said about the comparison between the spend in England and that in Wales, can you tell me ‘yes’ or ‘no’ to the following? Is that a comparison of complete spending in schools incorporating all the different grants that go in?

[122] **Mr Morrison:** All that I know is that I have taken the figures from the Department for Education and Skills’s investment plans for secondary schools, and I have picked that figure up from the Welsh Local Government Association figures. That is what it is quoting and that is what we have also contributed to. I do not think that it is for all of the grants going to schools, because other grants from the National Assembly for Wales are going to schools. This figure is for capital building spend.

[123] **Janet Ryder:** It is for capital building spend, is it?

[124] **Mr Morrison:** I believe that it is; I can double-check and come back to the committee with written confirmation of that, but I think that it is for capital building not all the other grants.

11.00 a.m.

[125] **Janet Ryder:** On the revenue side, we have heard time and again from people giving evidence of the complexity of revenue sources going into schools. You said yourself that it comes mainly through the revenue support grant into local government, but on top of that, your organisation is given many extra grants throughout the year to administer on behalf of the Assembly. Can SOLACE see any sense in simplifying that to ensure that schools would be notified at an early point in the year of their complete budget? To enable that to happen, you would need to know the complete budget, and not have odd grants being announced halfway through with three months to spend them.

[126] **Mr Morrison:** I think that the answer is 'yes'. The earlier we know from the local authority—whatever service it is, not just education—the more informed our budget-setting process can be. I would say 'yes', because, again, there is this three-year rolling pattern. As a chief executive, grants cross my desk every day, with £100,000 for this or for that. Do not get me wrong, they are very welcome and we are very appreciative of them, but it would have been more efficient and effective to know earlier that that money was coming in. We could have planned it into our budgetary cycle and then looked more seriously at how services are delivering. With the 'Making the Connections' agenda, if we are having money, and perhaps three or four other authorities are having money. If you put that money together, suddenly you can provide more efficiency on an economies-of-scale basis. So, the earlier we know, the better, because we can plan more effectively.

[127] **Janet Ryder:** To enable schools to know their yearly budget in good time, instead of finding out a week or two before the end of the financial year, when they have to set the next budget, how early does local government need to know? Do we need to look again at when local government is being notified of its revenue support grant?

[128] **Mr Morrison:** In realistic terms, we need to know at about the half-year point, before the next financial year, in September or October. We need a fairly good handle on it, because most local authorities—

[129] **Janet Ryder:** But an agreement has been reached that you should be notified no later than then. Are you saying that that is not really happening?

[130] **Mr Morrison:** No, we do get it, but the final confirmation comes in late November or early December, and any other grants are not always known, because they sometimes come afterwards. I am saying that if we knew by September or late October at the latest what the position was I am sure that all of us could plan far more effectively. Of course, if you have six months to plan before the start of the next financial year, if you have to restructure or reconfigure various services, the longer you have the better. It is no good doing it at a week's notice, and having to stop doing something suddenly. We need to know with plenty of time in advance, so that we can start negotiations. There may be trade union consultation to undertake. With all those sorts of issues, the longer we know in advance, the better. Around September or October would be ideal. I know that we get indications now, and we are certainly setting out our budgets on those indications, but I think that we need to have it firmed up, and there cannot be anything coming later on, if you know what I mean.

[131] **Janet Ryder:** Are you giving schools an early indication of what their budgets are?

[132] **Mr Morrison:** We are giving them that as best we can, because, obviously, it is a complex budget-setting process. You are not just doing a schools budget; you are doing a budget for every varying service. We need quite a lot of analysis for our budget this time, to work out who should have increases and why they should have increases. So, we are giving schools as much notice as anybody else has, but we cannot give them the definitive figures until the end of January, which is the due date anyway. That was what we did this year.

[133] **Janet Ryder:** This committee's aim is to bring some clarity to how that money actually arrives in schools. That might reflect on the mechanism by which it arrives in schools as well. There has been some talk of simplifying that mechanism, perhaps drawing it into some main budget headings or main grant streams to make it very clear, joining together with the element that it costs to deliver education in the classroom. You might be able to work that out as a common element across Wales, regardless of the other variations that need to go on top of that. Something that comes up time and again is transport, and Lynne touched upon this. Is there a need to start looking at what we term as 'pure money' to provide the educational aspect in the classroom, with other aspects, such as transport, being pulled out and put into a separate grant, so that when parents are looking at the money and are trying to trace an audit trail, they can see clearly what is being used where?

[134] **Mr Morrison:** The budget-setting process, the way we transfer money out to schools and what we retain, in my authority is fairly transparent; you could track it down to the penny. I think that most of my colleagues in their authorities are the same. There may be different policies on delegation and on what schools have and do not have, but that is the local determination. However, I have no evidence that it is not known where the money came from and what it is being spent on. If I take my school, where I am chair of governors, the money comes from Powys in a lump-sum figure and it is pupil-weighted, and then, with the assistance of accountants from the council, we allocate the money out across budget heads. As a governing body, we decide what should take priority—the money is not hypothecated even from Powys; it is a case of, ‘Okay, here is a lump of money’, which, in our case, is nearly £2 million. We then allocate that money as we think fit as a board of governors to the various subject areas and so on.

[135] We will also use the school development plan, in our case, to target where capitation should be used. If a particular area of the curriculum is struggling and may need capitation, we would target that area for instance. That is what we do in my school. I know that that is also done in other schools in my own authority—the governors will sit down and allocate the money sent by the authority, and the individual schools budget. We do not hypothecate it from the local council’s perspective. It is a case of, ‘here is the money; it is pupil-weighted—spend it as you see fit’.

[136] **Janet Ryder:** I do not necessarily mean how a school will use a budget when it gets down to the school or how it might be hypothecated, if that was the chosen route. I am talking about the money as it arrives at the local authority. When that money arrives, it has transport, special educational needs and everything in there under the same budget heading. There is great variation across Wales as to what is retained by each authority, what that is used for and what each authority then chooses from that revenue support grant allocation to pass on to its schools. Is there a need to separate that element out, and say, ‘you might receive the same amount of money, but to make it clear, that is the amount that goes into transport and retained services and that is the element for teacher salaries’?

[137] **Mr Morrison:** It may well be allocated on some sort of formula, but you should remember that the money comes to us, as a local authority, unhypothecated, so we will have unhypothecated money unless it is a specific grant for a specific purpose. In our own authority, we will passport that money out to schools.

[138] **Janet Ryder:** Is that done completely? Do any councils retain money from specific grants?

[139] **Mr Morrison:** I am not in a position to state that today, because I do not have that evidence with me. So, I do not know. That is something that the auditors could probably answer better than I could, but I do not know. I know that, in our case, if it is a specific grant, we would passport it through to the schools. We may have to retain something, with schools’ agreement, if we are going to provide a central service, for instance, and provide some part of a service or where schools buy back into a central service, but we have always had a record of passporting money. If the Assembly has said in the budget settlement that there is £1 million available for X, that money will have gone to schools. On how they then spend it, it is passported out, but although we will obviously give a strong indication, it is unhypothecated.

[140] **Janet Ryder:** We have just had evidence from the General Teaching Council for Wales regarding the continuing professional development money, and its evidence clearly stated that it is administered in different ways in many different counties. Some counties retain some of that amount of money; they do not feel that it is all passed on. It might eventually be used for continuing professional development, but it may not be used for that. In such an instance, is there not a need to say that we need to see some common practice emerging across Wales on how these grants are dealt with?

[141] **Mr Morrison:** If it is an Assembly grant, I would play it back to the Assembly and ask what conditions were applied to the grant. It is an Assembly grant—it comes from the Assembly, not from the local authority. You are using us as a bank to pass the money on, in the very simplest sense. What are the conditions of the grant? I would pass that back to the Assembly, and ask the officials, when they are talking to councils, their education departments or whatever—there are now children’s departments in different authorities—to ask what has been done with the money.

11.10 a.m.

[142] **Janet Ryder:** You said earlier that every council is ultimately—and rightly so—responsible to its electorate for what it passes on.

[143] **Mr Morrison:** But, you are talking about a specific grant. If you are passporting out a specific grant to local authorities for a specific purpose, what are the conditions of your grant? If your conditions are not tight enough, that will allow an authority to take that local decision for whatever reason; it is up to the local authority. We would always want to see local authorities making local decisions, but if the conditions of that grant were so rigid, for instance, that we could not retain it, it would have to go to schools. If the conditions of the grant are not so specific, it is okay if some local authorities wish to retain that money, for whatever reason; I cannot argue what that reason would be. However, there must be some specific circumstances, I would argue, for why they would want to retain it. Again, that is for local determination. I would throw it back and say that you should look at the conditions of the grant.

[144] **Denise Idris Jones:** May I just come in on that?

[145] **William Graham:** For a very quick question and a very quick answer.

[146] **Denise Idris Jones:** When you had the teachers’ workload budget, for example, did you pass that on to schools?

[147] **Mr Morrison:** In our particular case, yes, we did.

[148] **William Graham:** Thank you for your evidence. I remind you that you are to give us a memorandum of what you have said today. I ask you to highlight those points that you made on deprivation and also on the three-year funding, which I think the committee would find helpful.

[149] **Mr Morrison:** That is no problem at all. Thank you for the opportunity to present our evidence.

[150] **William Graham:** It was good of you to come.

11.12 a.m.

**Cynnig Trefniadol
Procedural Motion**

[151] **William Graham:** We will come back in 10 minutes and go straight into private session. I propose that

The committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 8.24(vi).

[152] I see that the committee is in agreement. Thank you.

Daeth rhan gyhoeddus y cyfarfod i ben am 11.12 a.m.
The public part of the meeting ended at 11.12 a.m.