

National Assembly for Wales
Evidence to the Enterprise and Learning Committee on the
Implementation of Recommendations on School Funding
January 2008

1. Introduction

As the largest union representing teachers and headteachers throughout Wales and the UK, the NASUWT recognises that it has a key interest in ensuring fair and equitable treatment for teachers, irrespective of where in the UK they teach. It is clear that where the teaching profession is well rewarded, valued and benefits from good conditions of service, standards of education will be high. The shared economic and social interests of the UK – to compete globally and to be integrated nationally – signal the importance of establishing a common funding framework which unites the four UK nations, but also provides room for each administration to respond to its own particular conditions and circumstances.

The provision of the nation's educational entitlement through schools requires that there is adequate investment in education as a public service. The NASUWT maintains that high-quality, fully funded public services are at the heart of a democratic and inclusive society. Public services exist to give expression to the needs and aspirations of individuals and communities and, in doing so, to deliver services which meet individual and wider community needs and aspirations. Public services are democratically accountable; they operate in the public interest, promote community cohesion and are valued and respected. They are owned by the public and are managed and delivered

in trust to the public. Public services work to create a better society, by tackling inequalities and by delivering social and economic justice for all. The provision of state education is critical to the public service ethos and the creation of a democratic, just and inclusive society.

2. NASUWT Position Statements on a fit for purpose framework for School Funding and commentary on the situation in Wales

The NASUWT believes that a fit for purpose framework for the funding of schools should be predicated on the following conditions and expectations.

2.1. **Sufficiency** – the global amount available for the funding of schools in Wales, as in each nation, should take account fully of UK-wide and nation-specific education priorities and needs and promote fairness, equity, inclusion and social cohesion. School budgets should be based upon clearly identified and agreed sets of expectations about what work schools should do and the performance expectations that will apply to them. The settlement of the quantum for schools should, at a minimum, be in line with the GDP average within the OECD, keep pace with domestic inflation and provide a basis for continued service improvement. There should be no decrease in the share of national wealth spent on education. Public funding for education should match the levels achieved on average within the independent sector. Sufficiency should be identified at the local area level (to enable the provision of effective support services for pupils and schools) as well as at the institutional level (to provide the conditions for effective teaching and learning to take place).

The NASUWT submits that the annual cycle of school staff redundancies demonstrates clearly that this test is not being met in Wales. The current funding methodology does not allow many schools to retain the minimum staffing levels required for curriculum delivery let alone allow them to meet the performance expectations. Under the current system, schools and local authority have no option other than to view the phenomenon of “falling rolls” as a problem rather than the opportunity it should provide, not only to improve

the quality of educational provision, but also to improve the working lives of teachers and school support staff.

2.2. Fair and appropriate distribution – the mechanisms for distributing funding to local authorities and schools should be fit for purpose, taking account of local circumstances and needs and the expectations on schools. The distribution arrangements should promote transparency, allowing for the identification of education-specific expenditure for teaching and learning. The funding mechanism should promote public and professional confidence in the system. It should also enable fair comparisons to be made with regard to the funding position and treatment of different schools, irrespective of their legal or governance status.

The NASUWT submits that this test is not being met at all levels of decision making on school funding. The Welsh Local Government Association (WLGA) has, for the first time this year, admitted that there is a “funding gap” between England and Wales. This is not, of course, a new situation. Schools in Wales have long-argued and evidenced that they are being short-changed when compared to English counterparts. There is also well-established evidence that identifies school funding disparities between the twenty-two local authorities in Wales. There is an urgent need to establish a common funding formula for schools throughout Wales.

2.3. Stability and sustainability – the funding allocation arrangements should promote stability for schools and enable schools to plan and organise their priorities in the longer term (through multi-year budgeting arrangements), and help to minimise turbulence and other adverse effects. Levels of provision within schools should be protected from the major resource shifts arising from refinements to the funding system. The system should not result in long-term balance sheet financing difficulties for education or rising levels of debt within individual schools as a result of the way in which capital programmes are financed. The funding arrangements should seek to cushion schools from

demographic, social and economic fluctuations, which might otherwise trigger avoidable or unnecessary changes to staffing, curriculum provision, admissions and school organisation.

The NASUWT submits that the move to multi-year budget planning is long overdue in Wales.

2.4. Service quality – the funding arrangements should provide the basis for delivering high-quality education provision which contributes to both Wales and UK economic success, social stability and enables every child to fulfil their potential. The quality of education provision should be benchmarked against averages that obtain across other OECD countries. In addition to the role of national administrations, local authorities should have a critical role to play in helping to drive improvement within the sector. At the local level, the capacity of the local authority to pursue strategic interventions on financial matters (including supporting schools in financial difficulties, redistributing financial resources and intervening where there is evidence of excessive unspent balances) should be recognised as critically important in helping to support high-quality service delivery for the benefit of all pupils.

The NASUWT submits that this test will not be met until there is a move away from the “bidding culture” that leads to uncertainty over the acquisition of additional funding and short term grants. Further, the Section 52 Outturn Statements evidence the need for a system that allows for greater local authority intervention in Wales to prevent some schools hoarding resources while others are forced to go into deficit.

2.5. Democratic control and accountability – the funding system for schools should be predicated on consultation and democratic involvement at supranational, national, local and institutional levels, including full recognition of school workforce trade unions. It should enable the effective engagement of school workforce trade unions in local and institutional collective bargaining. A social partnership mechanism, supporting the development and

review of national, local and institutional funding arrangements, should be integral to the funding system. Decisions taken on expenditure should be transparent and accountable to the electorate, and should provide opportunities for open and effective scrutiny of the arrangements to take place. The system should provide for the regular review of how the public service ethos in education is being maintained, irrespective of any diversification of funding sources for the provision of school-based education.

The NASUWT acknowledges that there is a much stronger commitment to democratic control and accountability over school funding in Wales when compared to the situation in England. However, the NASUWT questions the value of the School Budget Forums as they have not lived up to expectations. The failure to ensure the engagement of the trade unions in many of the School Budget Forums in Wales has led to their ineffectiveness. Further, the NASUWT warns of the threat to democratic control and accountability inherent in the recommendations of the recently published Webb Review "Promise and Performance" that suggest the setting up of "commissioning consortia" and the establishment of 'super' colleges to control post-14 education in Wales.

2.6. Efficiency-plus – the arrangements for funding schools should support the best use of resources, particularly through arrangements for strategic planning of local provision, institutional collaboration, and the pooling of resources to meet locally identified educational needs. It should promote an efficiency-plus approach which provides a basis for service improvement, development and growth. There should be a recognition that increasing expenditure does not denote inefficiency, and that additional investment should be provided where the evidence points to the need for the same. The funding system for schools should ensure that schools have the resources they need, whilst allowing for local area and institutional contingencies to be addressed. The funding system should promote value for money and economies of scale through school collaborations and federations, recognising that the interests of pupils and the workforce may be better

served by schools working together. The funding system should include mechanisms to prevent the inappropriate accumulation of unspent funds, whilst enabling funds available for schools to be directed where they are most needed. The centrality of local authorities in supporting delivery and the benefits they can provide in terms of greater economies of scale and intervention should be recognised fully within the funding system for schools.

The NASUWT submits that this test has not been met at source. Year on year, the Welsh Assembly Government has visited “efficiency savings” on local authorities as a cost-saving measure without regard for service delivery needs. It is to the credit of some local authorities in Wales that their schools have been protected from the efficiency savings, but there is no consistency across Wales.

2.7. Supporting a high-quality workforce – the funding arrangements should support the recruitment, retention and development of a world class school workforce. It should build on various reviews of effective measures in tackling the impact of child poverty on educational outcomes which has confirmed that teachers’ salaries and the retention of experienced teachers are critical to raising educational standards for all children. The funding system should prioritise teacher recruitment, retention, development and rewards as critical components in delivering better outcomes for all children. The funding system, its operation and the levels of funding available to schools should enable teachers and headteachers to focus on their core responsibility for teaching and leading teaching and learning, whilst encouraging the best graduates to enter and remain in teaching. The administration of the funding system should not increase the burdens on headteachers or other teachers. It should contribute to developing and sustaining a remodelled school workforce where teachers are enabled to focus on their core role of teaching. It should ensure that local authorities maintain an appropriate level of capacity to support and respond to the needs of schools, pupils and the workforce.

The NASUWT submits that there is growing evidence that this test is not being met in Wales. Too many local authorities in Wales have devolved to schools funding that should have been held centrally to provide economies of scale for the delivery of support services. Additionally, too many schools in Wales have been slow to embrace the remodelling of their workforce and the contractual changes that have resulted from the National Agreement.

2.8. Delivery of realistic entitlements for learners – the funding arrangements should guarantee learner entitlements, irrespective of the institution at which they are on roll. The funding mechanism should recognise and take account of the actual costs of providing a high-quality curriculum, recognising the specific cost implications associated with providing different types of educational opportunities or programmes and reflecting, too, the additional costs related to pupil deprivation, socioeconomic circumstances and school location/setting. The funding distribution mechanism should be based on a coherent and robust set of indicators relating to the needs of learners and schools.

The NASUWT submits that this test will not be met until a funding methodology based on the following principles is developed:

- *guaranteed minimum staffing levels required to deliver the Foundation Phase, the National Curriculum, 14-19 Learning Pathways, the Welsh Baccalaureate;*
- *common age-weighted pupil funding (unit) for each age group across Wales;*
- *progression towards the allocation of actual rather than average salary costs, with appropriate transitional arrangements and recognising the implications of salary discretion;*
- *opportunities for local authorities to enhance funding to take account of other factors, such as, social deprivation, sparsity, special educational needs, and ethnic minority needs;*

- *provision of adequate resources to ensure that local authorities are able to provide high-quality central services, in particular, to ensure they retain the necessary personnel services to fulfil their role and duties as employer.*

2.9. Equality of access and treatment – the funding arrangements should facilitate fair and equitable access, support, conditions and opportunities for all pupils and the workforce, irrespective of context, location or type of school. It should not result in anomalies between schools where their needs, circumstances and the expectations upon them are the same.

The NASUWT submits that the well-documented anomalies that exist between school of similar size and character across Wales evidences that this test has not been met. In May 2000, following the establishment of the Assembly in Wales the NASUWT, ATL, NUT Cymru, UCAC, Governors Wales, Parent Teachers Association of Wales, and the North East Wales Education Forum submitted a report “Funding the Education Service in Wales to provide Equality of Opportunity for All” to the then Education Minister, Rosemary Butler. The NASUWT suggests that the anomalies and inequities identified in that report remain prevalent, to varying degrees, in 2008.

2.10. Comparability – the funding system should promote the shared educational, social and economic interests of the UK. It should recognise the importance of national funding levels being comparable and commensurate. The funding arrangements should be supported by the provision of a common, basic set of robust, UK-comparable statistical and financial data relating to expenditure and outcomes within each national administration, and which should contribute to maintaining the integrity and coherence of the UK’s public education service.

The NASUWT recognises that the Welsh Assembly Government is attempting to provide greater transparency in relation to the allocation of school funding through the development of a school funding section on the main Assembly Government website. However, the NASUWT submits that the information available on the website must allow for simple comparisons to be made on a school by school basis, at local authority level, across Welsh local authorities and across the UK, if the test of comparability is to be met.

3. Responses to the specific questions

In terms of the questions posed by the Committee, the NASUWT submits the following comments, concerns and views.

3.1. The funding process

3.1.1. The NASUWT accepts that, in Wales, local authorities exercise considerable freedom over funding for schools, providing the potential for a direct strategic response to changing local conditions, concerns and priorities. Schools may also benefit from the maintenance of local capacity for strategic support. However, in a national context characterised by high levels of delegation of financial and other responsibilities and accountabilities to schools, the arrangements in Wales give rise to real concerns about fairness and equity in the mechanism for funding distribution to schools, and to what has been described as the Welsh ‘funding fog’:

“Where sound-bite and reality truly merge is in the description of the current arrangements as a funding fog. The Committee spent a considerable amount of time looking at this issue in detail and had the benefit of evidence from the Government’s own statisticians. Despite this, we were still left with the perception of a complicated and unresponsive system where accountability was scattered and unclear. However difficult it was for us to understand, it must be doubly so for teachers, governors and parents who have neither our time nor

resources to allow the system to be clarified. I hope that our recommendations will at the least start a debate on how we can make school funding more open, more accountable and more responsive to the needs of pupils today and in the future.” (Committee on School Funding (2006) Report on School Funding Arrangements in Wales)

3.1.2. The NASUWT firmly believes that, despite being generally well-received, nothing has changed since the publication of the Committee’s report in 2006. The system remains ‘complicated’, ‘unresponsive’ and obscure.

3.1.3. Unlike arrangements in England and Scotland, schools in Wales do not yet benefit from multi-year budgeting, further exacerbating the problems caused by the Welsh ‘funding fog’ and the decisions (sometimes seemingly arbitrary) taken by local authorities on their priorities for funding allocation to schools. The funding arrangements in Wales are non-hypothecated, resulting in some cases in a serious disjuncture between the national expectations expressed by the Welsh Assembly Government about the objectives that schools should deliver and the resources made available to schools to enable them to realise those objectives.

3.1.4. The NASUWT maintains that there has to be a significant change in attitude and policy, predicated on providing a greater level of transparency at Welsh Assembly Government, local authority and school level, otherwise the education funding system in Wales will remain a mystery to teachers, governors and parents.

3.1.5. The NASUWT suggests that simple, clear, concise data should be provided on a tri-level basis after the budget settlement is decided. The Welsh Assembly Government should publish the global amount given to each local authority for their Education Budget. In turn, each local authority should publish the amount of the education budget to be held centrally and the amount to be given to each school. Schools should then publish information to show how much is to be spent on teaching staff, how much is to be spent on

support staff and how much is to be spent on non-staffing costs and how much is held in reserves.

3.1.6. The NASUWT maintains that the provision of this information would allow teachers, governors and parents to identify disparities and inequalities in funding at national, local and school level. Consequently, the custodians of the public purse - the Welsh Assembly Government, local authorities and school governing bodies - ought to be more inclined to ensure that inequalities and disparities do not occur.

3.2. Access to information including the provision of information on the web

3.2.1. The NASUWT welcomes the fact that the Welsh Assembly Government is developing a school funding section on the main Assembly Government website, including a dedicated e-mail address for enquiries to provide accessible information on school funding.

3.2.2. However, the NASUWT maintains that the school funding section should, on its home page, provide the simple, clear, concise tri-level information referred to above.

3.2.3. Additionally, the section could be used to bring together the plethora of information that is already available but currently published and provided in too ad hoc a fashion. However, openness, ease of access, transparency and clarity would need to be the watchwords for the publication of such information to ensure that the website did not add to the “funding fog”.

3.3. Additional funding

3.3.1. The NASUWT has long maintained that the system used to allocate additional funding and short-term grants to schools is a major contributory factor to the high level of uncertainty that surrounds education funding in

Wales. It has created an unacceptable culture of schools having to 'bid' for various pots of money, a practice which has increased the pressures, bureaucracy and workload on schools and teachers and has led to those "in-the-know" being advantaged.

3.3.2. The NASUWT proposes that there is a need to move away from the uncertainty of the "bidding culture" to a system that allocates additional funding and/or short-term grants on the basis of need, as determined by the audits undertaken by local authorities, but subscribing to principles of fairness and equity.

3.4. Investment in school buildings

3.4.1. The NASUWT acknowledges the long-standing commitment of the Welsh Assembly Government to ensure that all schools are "fit for purpose" by 2010. However, whilst the NASUWT accepts that the policy commitment to transform the condition of school buildings has been accompanied by increased levels of capital expenditure there is an uncertainty about how capital spending is prioritised and allocated at local authority level.

3.4.2. Currently, local authorities are able to use capital receipts, revenue contributions and borrowing for capital investment, in addition to the notional amount of capital funding for schools which is identified within their General Capital Funding. Unfortunately the amounts of funding available through this route are un-hypothecated and the deployment is a matter for each local authority to decide.

3.4.3. At school level, the NASUWT is concerned that revenue expenditure is being held in reserves before being diverted into capital spend projects. In effect, schools' revenue budgets are being used to subsidise capital spending.

3.4.4. As with revenue funding, the NASUWT maintains that there must be greater transparency on a tri-level basis. The capital funding made available

to all local authorities for spending on school buildings should be clearly identifiable, local authorities should provide information on their capital investment programme for their schools, and schools should provide details of the funding arrangements for all their capital projects.

3.4.5. The NASUWT suggests that this information could be posted, in a simple, clear and concise form on the school funding section of the Assembly Government's website.

3.5. School budget fora

3.5.1 The NASUWT submits that the establishment of the Schools Budget Forums in Wales have not lived up to the expectation that they would provide a much needed robust scrutiny of local education budgets. In reality they have become 'talking shops' controlled by a small minority of headteachers and local authority personnel.

3.5.2 The NASUWT is of the firm view that the School Budget Forums need to have a properly defined and transparent role in the cycle of education funding and must involve full representation from the school-based trade unions, if they are to be of any value and/or play an effective part in the budget planning process.

3.6. Concluding Statements

The NASUWT would conclude by registering extreme disappointment that the promise of a "fit for purpose framework for the funding of schools" in Wales inherent in the recommendations of the former Committee on School Funding *Report on School Funding Arrangements in Wales*, published in June 2006, has proved elusive, as nothing has changed. The school funding system in Wales remains obscure, overly-complicated and unresponsive to need. Schools across Wales remain less favourably funded than schools in

England, and the disparities of funding between the local authorities and between schools continue to exist.

The NASUWT cannot stress strongly enough the need for a radical overhaul of the funding system for Education in Wales given the demands and expectations of the Foundation Phase, the changes to KS2 and KS3 curriculum and assessment arrangements, the Welsh Baccalaureate and the 14-19 Learning Pathways.

The successful implementation of these initiatives relies on the provision of appropriate and adequate levels of funding with clearly identifiable funding streams and mechanisms that provide equity and fairness of distribution and are subject to democratic accountability.

Finally, the NASUWT would wish to stress a willingness to provide oral evidence to the Committee in relation to any of the issues referred in this written evidence.

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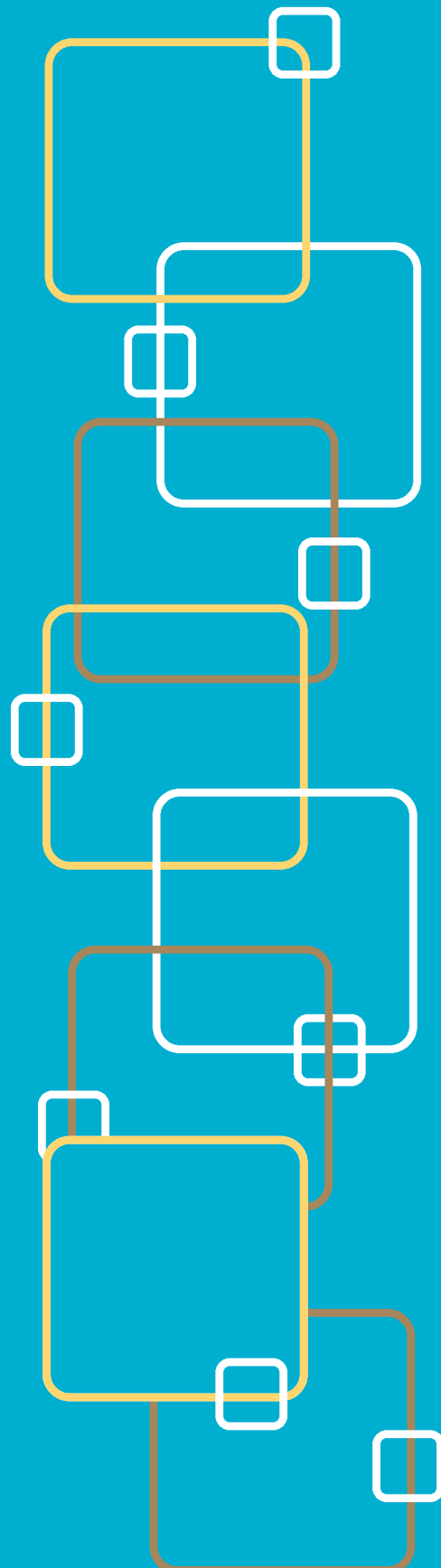
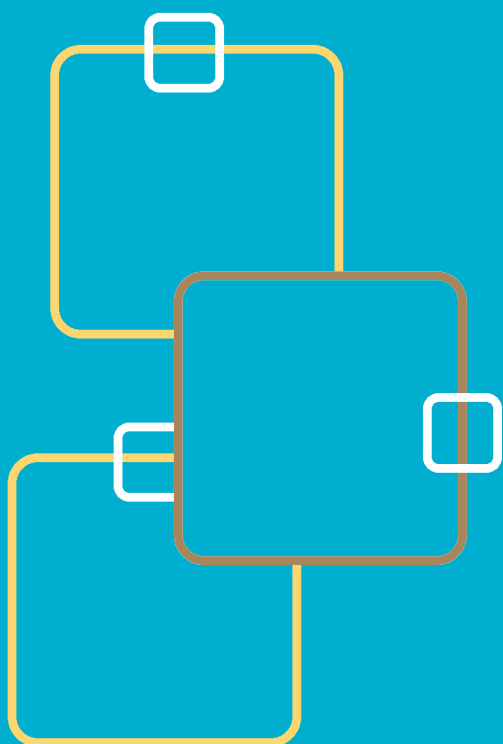
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NASUWT

the largest union representing teachers and headteachers throughout the UK

SCHOOL FUNDING



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This Report, adopted at the NASUWT Annual Conference 2007, identifies the challenges of school funding across the UK. It contends that the social, economic and political interests of the UK are served best where there is recognition of and a collective response to the shared conditions, circumstances and challenges facing the UK as a whole within the global economic context.

It examines recent trends in relation to revenue and capital funding of schools and explores some emergent similarities and differences, strengths and weaknesses and the inherent complexities within the funding arrangements in the four UK nations.

The Report argues that a common framework of expectations and conditions is needed for the benefit of all pupils and the workforce in schools and thus for the country as a whole.

1. Executive Summary

- 1.1 This report sets out the NASUWT agenda for funding schools within the UK. It recognises that in a context of devolved government administration, the creation of a single UK mechanism for school funding may no longer be politically achievable or desirable, particularly in view of the massive turbulence that would inevitably result from major changes to the funding system.
- 1.2 This report also recognises that the development of a single formula for the funding of schools is deeply complex, fraught with difficulty and would be highly contested. Evidence from the reforms introduced by successive governments over many years provides testimony to the considerable challenges involved in devising a funding formula which satisfies the diverse interests of all concerned.
- 1.3 A legacy of Local Management of Schools (LMS) and the move towards greater financial freedom and autonomy for individual schools is:
 - the current onslaught on public education services;
 - the undermining of the democratic process;
 - increased and higher stakes accountabilities for schools;
 - a heightened surveillance culture within schools and through the mediums of inspection, audit, performance tables and other practices;
 - threats to pay and conditions of service;
 - inequities in funding levels between schools;
 - obfuscation and lack of transparency in the funding arrangements; and
 - a consequential loss of jobs and services, particularly specialist and high-cost education services and skills (e.g. special needs, and behaviour and education personnel support).
- 1.4 NASUWT recognises that financial autonomy for schools, devolution of decision-making control and the legacy of LMS are critical features of the educational landscape, and provide fundamental challenges for the school workforce and the maintenance of the public service ethos in education. However, these environmental conditions are destabilising and disaggregating educational provision in schools in profound ways. These reforms, coupled with the increasingly marginalised position of local authorities, represent major barriers to securing high quality provision for pupils, threats to the jobs of teachers and other staff, and are deeply antithetical to building a secure, strategic and sustainable national education service.
- 1.5 NASUWT believes that there are a set of essential conditions which can and should be applied in the future development of the four UK funding systems. This report sets out these essential conditions.
- 1.6 This report takes as its starting point the challenge posed by the devolution settlements within the UK. In doing so, the report recognises that the direction of political travel has largely been to devolve governance, management and accountability outwards to the front line. To varying degrees, this has been a characteristic feature of education policy developments right across the UK, although, as this report indicates, there are significant variations within this overarching trend. In this context, headteachers and teachers have also been diverted by the requirements for financial planning and financial control away from their core responsibilities for teaching and leading teaching and learning, and the education service has become increasingly atomised, lacking in coherence, transparency and efficiency. Perversely, too, as this report suggests, the policies of devolution, delegation and extended school autonomy have acted as blocks to the Government's reform agenda, and undermined progress in a number of areas.
- 1.7 This report identifies that devolved government is the driver for education funding and policy divergence in the UK. However, this report contends that the social, economic and political interests of the UK are served best where there is recognition of, and a collective response to, the shared conditions, circumstances and challenges facing the UK as a whole within the global economic context. Whilst

recognising that political priorities in each of the UK administrations may differ, this report argues that a common framework of expectations and conditions is needed for the benefit of all pupils and the workforce in schools and thus for the country as a whole.

1.8 The report provides a consideration of the implications arising from devolved government for the funding of schools. It examines recent trends in relation to capital and revenue funding of schools and explores some emergent similarities and differences, strengths and weaknesses and the inherent complexities within the funding arrangements in the four UK nations. The report concludes by confirming the need for a national framework for school funding and sets out the NASUWT ten-point framework of expectations and conditions for school funding which addresses the need for:

- i. sufficiency;
- ii. fair and appropriate distribution;
- iii. stability and sustainability;
- iv. service quality;
- v. democratic control and accountability;
- vi. efficiency-plus;
- vii. supporting a high-quality workforce;
- viii. delivery of realistic entitlements for learners;
- ix. equality of access and treatment;
- x. comparability.

1.9 The context for the funding of schools is changing and will continue to change in light of new political, economic and social realities. NASUWT believes that a funding framework for schools must be able to meet the challenge of change. This report is a first stage in the process of delivering entitlements for all teachers and pupils throughout the UK in a relevant and sustainable way. The NASUWT framework of expectations and conditions provides an opportunity to appraise current and future proposals for the reform of school funding arrangements to ensure that they contribute to delivering a fit for purpose and world-class school system throughout England, Northern Ireland, Scotland and Wales.

2. Background

2.1 The political priority which Government affords to education is critical to decisions it takes about the share of the public purse that education should consume. In the UK, successive governments have identified education as a key election battleground issue, but this has not automatically been translated into increased expenditure on education. Between the 1980s and 1990s, education spending as a proportion of national wealth actually fell and to such an extent, it is argued, that it seriously undermined education provision, reduced the life chances of many children and young people, produced a demoralised workforce, and provided for a ravaged industrial relations climate within schools and colleges.

2.2 The starting point for this report, however, is a context in which there has been an unprecedented level of additional investment in education throughout the UK. Education has moved from being an election issue to becoming a high political priority for the Government, particularly since 1997. Increased public expenditure on education has particularly benefited schools. Increased investment in schools has been matched (albeit to varying degrees) by common expenditure and policy decisions by each of the four UK national administrations in England, Northern Ireland, Scotland and Wales. Nevertheless, this report also comes against the backdrop of the 2008-2011 Comprehensive Spending Review (CSR) when critical decisions are set to be taken about the share of the national cake that schools are likely to receive and for what purposes. The prospect of a tightening settlement for education and schools would necessarily trigger a debate about what constitutes a fit for purpose funding system, the impact of greater devolution to individual schools and the strategic, financial and governance relationships that should exist between schools, local authorities and the national administrations.

- 2.3 This report is set in a context of major improvements secured in respect of teachers' pay and conditions and their improved recruitment and retention. Indeed, teaching has been ranked as the second most popular career for final year undergraduate students and as 'the most popular career of choice for working graduates.'¹ Within this context, major achievements continue to be secured in respect of pupil attainment for pupils from all socioeconomic groups, although there continue to be differences between pupils from the highest and lowest socioeconomic groups, between boys and girls, and between pupils from different ethnic groups. Nevertheless, an essential element in the success of education systems within the UK has been the quality of teachers and the wider workforce in schools, coupled with additional investment.
- 2.4 Government recognises and accepts that the UK now has the best ever generation of teachers. Pupils are benefiting, too, from the contributions of a new cadre of qualified support staff working under the direction of qualified teachers to support teaching and learning. Across a number of key indicators – curriculum provision, pupil attainment, behaviour, attendance, curriculum quality – national inspectorate bodies have reported on the substantial improvements achieved by the school workforce.²
- 2.5 Building on these successes, this report seeks to identify a common framework for funding of schools which has the potential to be applied across all UK administrations. This report does not seek to define the funding methodology or funding formula, but rather to identify a set of critical indicators or conditions which would support the maintenance of a world class education service which satisfies the national interests and aspirations for education and the wider society.

3. Introduction

- 3.1 This report responds constructively to debates on the purpose of education and schools, the rights and entitlements of pupils and the need to ensure an effective, fit for purpose system which contributes to meeting the country's local, national and international needs and aspirations, whilst operating within a context of financial constraint. This is particularly apposite given the public and political desire to improve the UK's record on the wellbeing of children and young people, tackling social and economic inequality and improving young people's life chances.³ It is, perhaps, axiomatic that this UK-wide challenge demands a coherent UK solution, which bridges national boundaries in the pursuit of shared interests.
- 3.2 The present day regimes for extended public service 'performativity'⁴ have raised critical questions about the moral purposes of education, the contribution of schools to society, how education is delivered and by whom, power and control over the allocation and use of educational resources, and, not least, the costs of the system, its worth and the share of the public finances which education and particularly schools should consume.
- 3.3 It is, perhaps, inevitable that fundamental questions of this nature are being raised during a period of unprecedented increase in financial expenditure on schools. As more money has gone into schools, more has been asked of them. The boom in financial investment has also served as a source of uncertainty and controversy, not least due to the difficulty in measuring the impact of increased financial investment on standards of education achieved.⁵ Nevertheless, Government appears to accept that increased and appropriately deployed additional financial investment in education can deliver significant benefits in terms of raising educational standards.⁶ The transparency of the funding arrangements, the

¹ TDA (2006) 'Top career: 40,000 to start teacher training', www.tda.gov.uk/

² cf. Estyn (2007) 'The Annual Report of Her Majesty's Chief Inspector of Education and Training in Wales 2005-2006'; HMIe (2006) 'Annual Report 2005-06: HM Inspectorate of Education'; Ofsted (2006) 'The Annual Report of Her Majesty's Chief Inspector of Schools 2005/06'

³ UNICEF (2007) 'Child Poverty in Perspective: An Overview of Child Wellbeing in Rich Countries'

⁴ see Giddens, A. (1994) 'Beyond Left and Right: the Future of Radical Politics'

⁵ Levacic, R. and Vignoles, A. (2002) (eds) 'Researching the links between school resources and student outcomes in the UK: a review of issues and evidence' in *Education Economics* 10(3)

⁶ DfES and HM Treasury (2005) 'Child Poverty: Fair Funding for Schools'

basis of the funding settlement for the devolved administrations, and the impact of the distribution mechanism to local authorities and schools has also sparked heated debate about ‘winners and losers’, ‘haves and have nots’, and whether a ‘postcode lottery’ in children’s education has emerged. In short, the financial settlement reached for education has not been complemented with a clear and agreed political settlement or policy framework for the funding of schools. NASUWT believes that a political settlement is both desirable and possible. This report seeks to articulate the basis for such a settlement and articulates its principal dimensions.

3.4 Within each of the devolved administrations, critical questions are also being posed about the global sum for education, how it is distributed, its purpose, and the impact on schools and on pupils arising from the current funding mechanisms.⁷ The debate on the share of funding which schools receive has been stoked, to an increasing degree, by concerns about the financial settlement that underpins devolution in the UK, and the application of the funding formula which largely determines the global sum available for schools in each of the devolved administrations.⁸

3.5 The devolution settlements in respect of Northern Ireland, Scotland and Wales have sharpened the concern about the purposes of the school funding arrangements, the size of the pot and the effect and impact of the funding arrangements and distribution mechanisms. Public and political debate on the efficacy of existing funding arrangements and whether these are fit for purpose, fair and equitable is commonplace. New directions and policy responses are being developed and are emerging in each of the four nations.

- ***Will these developments enhance or limit educational opportunity and tackle the causes of social and economic inequality for the benefit of children and young people?***
- ***Will these developments support the recruitment and retention of a high-quality workforce within schools, critical to unlocking the potential of every child?***
- ***How can the gains that have been made in recent years be best sustained through a funding system for schools which benefits pupils, the workforce and the wider society?***

3.6 These are key underlying questions which will need to be addressed by the UK Government for the interests of the UK population and irrespective of national borders.

3.7 This report seeks to confirm the need and potential for a unifying vision or common framework of entitlements for schools which recognises and builds on the shared national desire for common entitlements for pupils and teachers alike. A common framework of expectations for school funding, which provides space for flexibility of response in each of the devolved administrations, could, it is argued, enable the aspirations arising from devolution to be satisfied without undermining the UK’s overall social and economic aspirations and interests.

4. Context for School Funding in the UK

4.1 In considering the matter of funding for schools in the UK and the issues of fairness and equity, winners and losers and whether there exists a postcode lottery in education, it is important to examine the impact of constitutional devolution and the underpinning funding mechanism. Thus, it is necessary to consider whether devolution in the UK has driven divergence and convergence in the systems of schooling between national boundaries due to the permissive nature of the funding regime that operates. It is also pertinent to question whether a unified UK-wide approach to the funding of schools is possible or even

⁷ House of Commons Education and Skills Select Committee (2006) ‘Public expenditure on education and skills’; Committee on School Funding (2006) ‘Report on school funding arrangements in Wales’; Independent Strategic Review of Education (2006) ‘Schools for the future: funding, strategy, sharing’

⁸ Edmonds, T (2001) ‘The Barnett Formula’

desirable in the devolved constitutional context, given that one of the very aspirations for devolved government in the UK was to provide a 'laboratory for experimentation', innovation and diversity.⁹

- 4.2 The current structure of devolution is still, to some degree, in its infancy, the result of referenda held in the late 1990s. It is in England where there has, perhaps, been the most marked tendency towards policy experimentation, as the school system has become increasingly marketised, and where government has explored a variety of funding models for schools, including through the involvement of the private sector.¹⁰ Nevertheless, over time, it is anticipated that the effect of the devolved settlement will be to increase policy and institutional divergence across the UK.¹¹
- 4.3 The legislative framework for devolution is set out in the Scotland Act 1998, the Government of Wales Act 1998 and the Northern Ireland Act 1998. However, the legislative basis for devolution belies the fact that the notion of 'devolution' is not applied in a singular fashion within the UK. Scotland, Wales and Northern Ireland all have different forms of devolution.
- 4.4 Scotland has a parliament and an executive and the parliament has the power to enact legislation in a number of areas, including education. Particularly relevant here is that the Scottish Parliament has the power to vary the standard rate of income tax by up to three percentage points from the UK level.
- 4.5 In Wales, certain prescribed powers have been devolved to the National Assembly for Wales. The Assembly can make delegated or secondary legislation, such as orders and regulations, in devolved areas, but primary legislation for Wales in devolved areas is still made by the UK Parliament.
- 4.6 Devolution in Northern Ireland is inextricably bound up with the peace process. However, the legislative framework enables a functioning Northern Ireland Assembly to pass primary and delegated legislation in those areas which are transferred, whilst the UK Parliament retains powers to legislate in certain 'excepted' and 'reserved' areas.
- 4.7 Funding for the devolved institutions is mainly provided by a block grant calculated under the Barnett formula. The Barnett formula was introduced in relation to Scotland in 1978. The formula had originally been intended to be a temporary measure prior to Scottish devolution. However, it has been used continuously, with some modification, ever since. The formula was extended to Wales in 1980.
- 4.8 Lord Barnett described the implication of the Barnett formula in the following terms:

“Can I...make clear...that the Barnett formula, either then or now...has nothing whatsoever to do with devolution. In my view, any Government would be bound to consider the facts as they now are in relation to income and expenditure between various regions of the UK. What is it? Put simply, the Barnett formula set percentages of changes in comparable expenditure in Great Britain. That is to say, it would be 85 per cent for England, ten per cent of expenditure for Scotland and five per cent for Wales. That is exactly what the Barnett formula is. It was set up for a variety of reasons. First of all, for the need to recognise the spending levels between the various parts of the UK, population sparsity in Scotland, transport needs, needs because of relative ill health, rural needs for education and so on and industrial needs – but above all, of course, although I know some distinguished people have suggested it had nothing to do with it, with income per head.” (Treasury Committee, HM Treasury, evidence to the Treasury Committee, The Barnett Formula, second report HC 341 1997-98)

⁹ Adams, J. and Schmuecker, K. (2006) *Devolution in Practice 2006: Public Policy Differences Within the UK*; Leeke, M., Sear, C. and Gay, O. (2003) 'An introduction to devolution in the UK', House of Commons research Paper 03/84

¹⁰ Abbott, I. (2007) 'School Funding'

¹¹ ESRC Devolution and Constitutional Change (2006) 'Devolution Programme – Final Report'

- 4.9 The formula applies to the Scottish and Welsh ‘blocks’ which cover most of the expenditure within the responsibilities of the devolved administrations. The formula works in an analogous way in Northern Ireland, save for the Irish uplift, which results in a 2.5% abatement because departments in the Northern Ireland Executive do not require provision to meet VAT expenditure. The formula is used in determining the aggregate size of the block. Each administration is free to distribute the block between services as they see fit. This permissive financial settlement is somewhat unique to the UK. Elsewhere, in Spain for example, funding for devolved administrations is allocated conditionally “by state-level governments in order to meet statewide objectives”, to provide for common standards and to avoid the emergence of a ‘postcode lottery’.¹² It is argued here that the Spanish solution, far from undermining devolution, serves to complement and enhance it.
- 4.10 In the UK, the Treasury determines the initial size or level of the blocks using rules applied to all departments. The proportions allocated to each nation are in essence determined by reference to the following factors:
1. planned spending in departments in England;
 2. the extent to which the relevant English departmental programme is comparable with the services carried out by each devolved administration; and
 3. the population proportion in each country.
- 4.11 The continued application of the Barnett formula is not without controversy and there have been numerous calls for the formula to be replaced. Thus, the Lords Constitution Committee 2003 review of the operation of the Barnett formula concluded that:

“There are serious difficulties presented by the long-term continuation of the Barnett formula. We do not think that it will be a sustainable basis for allocating funds to the devolved administrations in the long term. Many of those in Wales and Northern Ireland, as well as those in parts of England, consider that the formula is unfair in its allocation of funds to them in comparison to its allocation of funds to other areas, and does not provide them with the resources they need. Even if it does provide those resources, it does not do so in a manner that convincingly demonstrates that. This is largely because so much control remains in the Treasury’s hands. This will inevitably become a major source of tension in the devolution settlement. It may only become a matter of open dispute when the parties in office in the devolved administrations have profound disagreements with the UK Government, but that is likely to happen sooner or later.”

- 4.12 Nevertheless, despite this critique, the Committee continued:

“We do not have a neat ready-made alternative to Barnett to propose. We do not believe that full fiscal autonomy would be the answer, not least because it would threaten the economic and fiscal integrity of the United Kingdom. However, we would envisage that any alternative would incorporate the following elements:

- (a) an assessment of the needs of the devolved administrations, and the different regions of England, taking into account the nature of their responsibilities and the demographic characteristics of the relevant population;***
- (b) that needs assessment would not be repeated every year but only at periodic intervals. Adjustments to the funds available, whether annually or in-year, would be made by means of a formula;***
- (c) however calculated, funds made available to the devolved administrations would remain in the form of a block grant which the administration could allocate as it wished;***

¹² Jeffery, C. (2006) ‘Devolution and divergence: public attitudes and institutional logics’ in Adams and Schmuecker (eds) op cit

(d) funds for the devolved administrations should be payable solely to them. The present arrangement by which the offices of the Secretaries of State are ‘top-sliced’ from the devolved administration’s block grant should be ended and payments for those offices made separately and directly by the Treasury; and
(e) the transition to a new arrangement should be phased over a number of years, to minimise the effects of it for those parts of the UK which lose out relatively in terms of funding.” (Lords Select Committee on the Constitution (2003), ‘Second Report – Devolution: Inter-Institutional Relations in the United Kingdom, HL 28, 2002-03’)

4.13 The Government’s response thus far has been to propose no change to the Barnett formula. Nevertheless, the nature of the Barnett formula itself continues to raise questions about whether the basis for allocations to each devolved administration is sufficiently transparent, fair, appropriate to need and democratic and the degree to which control over fundamental fiscal matters should reside with the UK state or be devolved to a lower level. The operation of the formula, arguably, has delivered a number of tangible advantages, particularly for the devolved administrations, as the Economic Policy and Statistics Section of the House of Commons argues:

“The operation of the formula protects (to a large extent) the existing situation where spending per head is above the national average...there is no need for the administrations to argue the case for equal treatment on each occasion that a relevant programme in England receives increased funding...the administrations retain the freedom to allocate the block between programmes and are free from invasive Treasury scrutiny.” (Edmonds, T. (2001) ‘The Barnett Formula’, House of Commons Research Paper 01/108)

4.13 Indeed, looking at the relevant Treasury data on expenditure on education and services reveals a devolution dividend in Northern Ireland, Scotland and Wales:

UK identifiable expenditure on services by function and country, per head, 2000-01 to 2005-06

Accruals, £ per head

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
England	752	838	900	1,006	1,078	1,147
Scotland	904	1,002	1,024	1,083	1,160	1,258
Wales	820	901	975	1,039	1,112	1,170
Northern Ireland	1,119	1,087	1,205	1,271	1,313	1,459
UK identifiable expenditure	779	862	923	1,022	1,093	1,166

(Source: HM Treasury and National Statistics (2006) Public Expenditure: Statistical Analyses 2006)

UK identifiable expenditure on services by function and country, per head indexed, 2000-01 to 2005-06

Index (UK identifiable expenditure = 100)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
England	97	97	98	98	99	98
Scotland	116	116	111	106	106	108
Wales	105	105	106	102	102	100
Northern Ireland	144	126	131	124	120	125
UK identifiable expenditure	100	100	100	100	100	100

(Source: HM Treasury and National Statistics (2006) Public Expenditure: Statistical Analyses 2006)

4.15 The trend over the last five years, however, does indicate that England has increased its expenditure in education at a faster rate than the rest of the UK since devolution. Research for the Institute for Public Policy Research (IPPR) and the Economic and Social Research Council (ESRC) published in 2006 – *Devolution in Practice II: public policy differences within the UK* – confirms that whilst expenditure on education in each of the UK nations has increased over the last five years, it has increased at a faster rate in England, closing the expenditure gap in education traditionally enjoyed by Scotland, Wales and Northern Ireland. Between 1999-00 and 2004-05, spending on education and training had grown by:

- 56% in England – from £695 per head to £1,086 per head;
- 47% in Wales – from £755 per head to £1,107 per head;
- 43% in Northern Ireland – from £1,004 per head to £1,435 per head;
- 38% in Scotland – from £852 per head to £1,179 per head.

4.16 Reviewing the different spending priorities in each of the four nations is key to understanding this trend, which might also be explained by the role of the local authorities in the devolved administrations in setting local expenditure priorities which may not always be to the benefit of schools. Over the period, the devolved administrations chose to direct greater increases in expenditure to areas such as culture and agriculture, in comparison to the position in England. The authors of the IPPR and ESRC report sound a warning note, however, arguing that “any divergence of spending priorities must be careful not to lead to unacceptable differences in standards in key policy areas. Public attitude surveys show that while people support stronger powers for devolved administrations they also strongly favour common standards of public services across the UK.” Surveys of public attitudes appear to confirm the argument that in general there is little public appetite for variation in key policy/service areas across the UK. As the table below suggests, despite support for devolution there is a continuing preference for sharing risks (and opportunity) in a UK-wide framework:

Attitudes to policy variation in Great Britain (2003)

	Same everywhere	Allowed to vary
England Standards in health, schools, roads, police	66	33
Scotland Standards in health, schools, roads, police	59	40
Wales Standards in health, schools, roads, police	55	44

(Sources: British Social Attitudes Survey, Scottish Social Attitudes Survey, Wales Life and Times Survey in Devolution, Public Attitudes and National Identity Final Report of the Devolution and Constitutional Change Programme (2006) www.devolution.ac.uk/final_report.htm)

4.17 Despite this, since 2000 the funding arrangements for schools across the UK have seen a marked divergence in terms of the mechanisms for distribution and the priorities for use of funding between the four nations. Funding arrangements within education are far from demonstrating a move to increased stability or convergence. Indeed, as has been suggested above, a key driver for change and the increased complexity of the challenge for a coherent UK-wide approach to funding for schools arises from the commitment to devolved government in Northern Ireland, Scotland and Wales.

4.18 Nevertheless, in the context of UK-wide provision of education, it would appear to be an anathema to the nation’s support for public services to see fundamental differences between each nation within discrete services. The extent to which public education service policy has become more divergent or convergent as a consequence of devolution is beyond the scope of this report, though there is some evidence of important emergent differences. Thus, the policy emphasises on choice, diversity of

institutional provision, the operation of market forces and competition between providers appears more marked in England and, to some degree in Northern Ireland also, than in Scotland and Wales.¹³

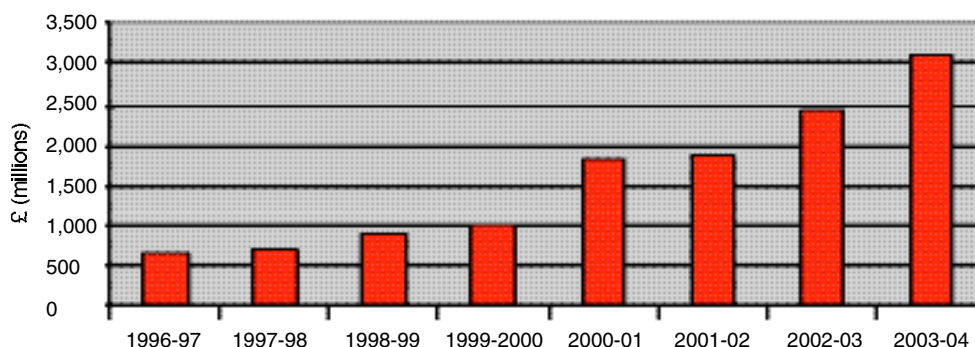
4.19 The extent to which such differences will widen is a matter for conjecture. Indeed, there is potential for policy convergence to occur not only as a result of a public desire for common service standards, but also the push/pull effects of a relatively integrated and interdependent labour market and common economic conditions. In short, it is perhaps increasingly the case that the success of the UK in the global economy is dependent upon a common understanding of the strategic context and its implications, policy convergence and movement towards similar ends and outcomes (e.g. in respect of education and skills). Evidence of such interdependence can already be seen in relation to the convergence of post-14 qualifications agendas, where devolved administrations have recognised the need for common, compatible and, at least, interchangeable qualifications which would not prevent movement of qualified labour.¹⁴ The extent to which such considerations have and will inform policy decisions in respect of teachers' pay and conditions is unclear, though, again, there are some indications that common challenges faced in relation to the employment of high-quality teachers is informing similar forms of response – see national agreements in Scotland (*A Teaching Profession for the 21st Century*) and in England and Wales (the National Agreement '*Raising Standards and Tackling Workload*'). In a shared policy and service context, it is disappointing that there has not been greater emphasis given to more effective policy co-ordination and sharing of practice across devolved administrative boundaries. Moreover, and recognising the political sensitivities involved, it is argued that more effective use of limited financial resources could be delivered by Whitehall and the devolved administrations negotiating minimum standards in key policy areas such as education and training. A common framework could have the advantage of assuring a more coherent and effective set of responses to the common opportunities and challenges faced by the UK as a whole and would also resonate positively with public opinion.¹⁵

5. Capital Funding

England

5.1 Capital funding arrangements in England have seen significant change since 2000, largely informed by the desperate and neglected state of school buildings and the objective evidence of the need for massive improvement to the school estate.¹⁶ Following decades of underinvestment, sustained increases in capital funding for schools have been delivered since 1997 as the following graph indicates.

Capital expenditure in England (£ millions)



(Source: National Statistics Bulletin – Education and training expenditure since 1994-95, DfES, issue May 2005)

¹³ Raffé, D. (2006) 'Devolution and divergence in education policy', in Adams and Schmucker (eds) op cit

¹⁴ Raffé, D. (2006) op cit

¹⁵ see also Adams and Schmucker (2006) op cit

¹⁶ see Audit Commission (2003) 'Improving School Buildings'

5.2 Indeed, this period of largesse is set to continue, as the Chancellor announced in his 2006 Budget Statement:

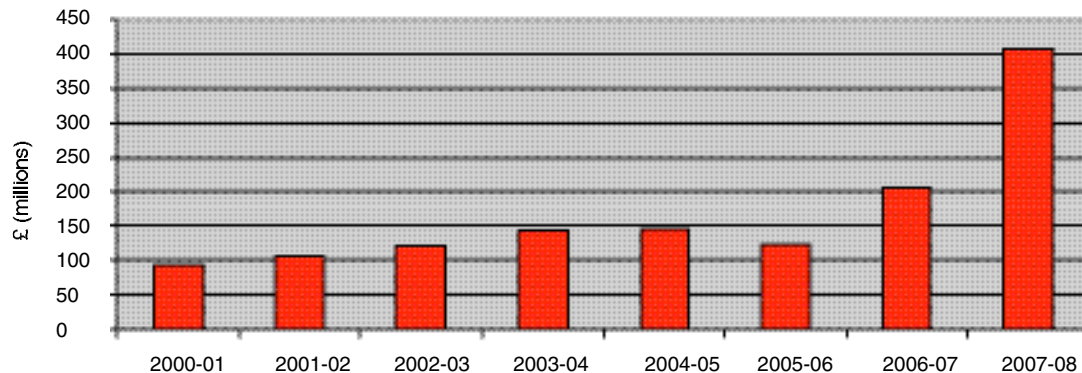
“The Government’s long-term ambition is for all pupils to have access to the same level of support and opportunities that are currently available to pupils in the independent sector. The Government will therefore aim – over time, and adjusting for inflation – to increase funding per pupil towards today’s private sector day school levels. As a first step towards this long-term goal, the Government will match today’s levels of private sector per pupil capital investment by the end of the CSR. Budget 2006 therefore announces that school capital investment will rise from £6.4 billion in 2007-08 to £8.0 billion by 2010-11. This unprecedented level of investment will support the Government’s commitment to transform the schools estate by providing 21st century facilities for all secondary school pupils through Building Schools for the Future, and by rebuilding and refurbishing at least half of all primary schools through the primary schools capital programme first announced in Budget 2005.” (HM Treasury (2006) ‘Budget 2006: A Strong and Strengthening Economy – Investing in Britain’s Future’)

- 5.3 Most capital funding has been allocated through a formula to schools and local authorities, enabling them to determine how best to target this increased investment and for local authorities to pursue the strategic priorities set out in their asset management plans. However, and in line with the Government’s commitment to modernise school buildings for the 21st century, this additional investment has been increasingly through the Building Schools for the Future Programme (BSF).
- 5.4 BSF is designed to support modernisation of the schools estate within a period of 15 years, contributing to the Government’s agenda of raising educational standards. In addition to monies devolved to local authorities and schools (around £3 billion in 2005-06), BSF is intended to promote a step-change in the quality of school building provision. BSF – worth £2.2 billion in its first year (2005-06) – aims to ensure that secondary pupils learn in 21st century facilities. The BSF programme is being rolled out across England in 15 waves.
- 5.5 In 2006, the Government launched a new primary capital programme. Primary schools in 23 pathfinder local authorities across England are to be targeted initially to develop state-of-the-art facilities, through investment of £150 million. The programme is a 15-year programme worth £7 billion, and will seek to rebuild, revamp and remodel 8,000 out of England’s 18,000 primary and primary special schools.
- 5.6 The Private Finance Initiative (PFI) has become the Government’s preferred mechanism for funding building, refurbishment and other major capital projects in England and has come about largely in response to the long legacy of underinvestment in the schools estate. PFI schemes involve a private sector consortium signing a contract with the local authority to design, build, finance and operate school buildings. The PFI provider may also provide facilities management as part of the contract. Local authorities pay a monthly charge to use the buildings subject to the terms of the contract. PFI contracts typically last for 25-35 years. At the end of the contract, control of the buildings would normally revert back to the local authority. Under the PFI leasing arrangements, there is a cost to the public purse, which is offset from the overall schools budget share. Of the £2.2 billion of Government money identified under BSF for the period 2005-06, £1.2 billion was to be provided under PFI. Some local authorities have embraced PFI or Public Private Partnership (PPP), whilst others have felt pressurised into using these schemes because of the absence of alternative public sources of funding. Local authority access to funding under the BSF programme has been conditional on participation in the PFI and academy schools programmes.

Northern Ireland

- 5.7 The schools estate in Northern Ireland is set to undergo significant change and investment, following the 2006 Report of the Independent Strategic Review of Education – ‘Schools for the Future: Funding, Strategy, Sharing’ – produced under the chairmanship of Professor Sir George Bain.
- 5.8 Investment in the schools estate in Northern Ireland has increased significantly in the last five years, a situation which is set to continue with a confirmed extra £3 billion over the next 10 years.

Capital expenditure (£ millions) schools estate in Northern Ireland



(Source: DENI)

- 5.9 However, these increases need to be considered in context. The Northern Ireland Office investment strategy confirms that there is a clear policy intent to rationalise provision and to tackle problems of overcapacity as quickly as possible, in a national context of rapidly falling pupil numbers:

“In education some £3 billion of investment in schools over the next decade and £820m for further education will transform the education estate by ensuring that schools and colleges are fit for the purpose of providing high-quality education. This will be essential to underpin key education reforms and will also be aimed at tackling the unsustainable overcapacity in the provision of school places.” (Northern Ireland Office (2005) ‘Delivering a world class Northern Ireland: Historic multi-billion pound regeneration blueprint unveiled’)

- 5.10 Indeed, the Bain Review has confirmed the need for the rationalisation of school places, on cost and other grounds:

“At the beginning of the Review’s work, I thought it would be mainly concerned with the issue of ‘surplus places’ and the economic case – cost-effective provision that gives good value for money – for rationalising the schools estate. As the work advanced, the economic case for rationalisation remained important, but two other arguments for rationalisation became even more important. First, the educational case – access for pupils to the full range of the curriculum, to high-quality teaching, and to modern facilities. Second, the social case – societal wellbeing by promoting a culture of tolerance, mutual understanding, and inter-relationship through significant, purposeful and regular engagement and interaction in learning.

“In short, the argument for rationalising the schools estate is not primarily about saving money – the savings, in any case, being difficult to quantify and, whatever their amount, being required for reinvestment in Northern Ireland’s schools – but about giving the children of Northern Ireland an excellent education that will benefit both them and the society in which they live. That is what the Review’s sixty-one

recommendations are intended to achieve, and I commend them strongly to the Government and to the citizens of Northern Ireland.” (Independent Strategic Review of Education (2006) ‘Schools for the future: funding, strategy, sharing’)

5.11 Action to rationalise provision will include the strategic planning of the schools estate by the newly established Education and Skills Authority, improved area-based planning arrangements, increased collaboration between schools and further education, a ceiling on the proportion (10%) of surplus capacity that may be permitted across the system and specific additional funding to promote integrated education.

Scotland

5.12 Capital expenditure on Scotland’s schools has seen considerable increases over the last decade, as the following table illustrates:

Capital expenditure, actual gross payments (£000), 1996-97 to 2005-06

	Primary and Secondary		Special	
	not funded from revenue	funded from revenue	not funded from revenue	funded from revenue
1996-97	95,152	19,877	1,994	74
1997-98	104,603	9,836	3,315	128
1998-99	110,834	38,392	4,857	1,449
1999-00	123,113	21,577	4,195	35
2000-01	119,331	18,442	1,991	31
2001-02	132,869	17,126	2,293	8
2002-03	143,600	12,356	3,856	135
2003-04	154,025	23,629	3,130	509
2004-05	182,648	13,184	3,299	–
2005-06	279,730	17,563	6,900	489

(Source: Scottish Executive (2007) ‘Statistics Publication Notice: Expenditure on School Education in Scotland 2005-06’)

5.13 ‘Building Our Future: Scotland’s School Estate’ sets out the Scottish Executive’s 10-15 year strategy to create all schools as centres of excellence, capable of meeting the challenges of learning in the 21st century and which “supports the delivery of better public services.”

5.14 The Scottish Executive’s National School Building Programme includes a £2.3 billion Scotland-wide programme of investment through PPP, investment through the Schools Fund capital grant, worth around £151 million, and funds from local authority resources and borrowing. One hundred and ten schools across Scotland have been either rebuilt or refurbished as a result of PPP. The emphasis on PPP as the funding route for school capital investment has been claimed as a critical component in the success of the Scottish strategy, as Scotland’s First Minister argued:

“Scotland has a high-quality education system, but if we are to raise standards even higher we need excellent school facilities such as these. PPP is delivering such facilities. Without PPP, schools would decline and children would suffer...The largest school building programme in this country’s history is one of the real achievements of devolution and our government remains absolutely committed to it.” (Scottish Executive (2006) ‘Praise for PPP Projects’, www.scotland.gov.uk/News/Releases/2006/12/11101057)

Wales

5.15 The Welsh Assembly Government intends that all schools should be fit for purpose by 2010. The policy commitment to transform the condition of school buildings has been accompanied by increased levels of capital expenditure, as the following tables confirm:

Total outturn capital expenditure by unitary authorities in Wales on education

	2000-01	2001-02	2002-03	2003-04	2004-05
Expenditure (£million)	76.0	96.1	96.9	115.9	143.8

(Source: Committee on School Funding (2006) 'Report on School Funding Arrangements in Wales')

Total capital expenditure by unitary authorities in Wales on education, per head

	2000-01	2001-02	2002-03	2003-04	2004-05
Expenditure (£)	26	33	33	40	49

(Source: Committee on School Funding (2006) 'Report on School Funding Arrangements in Wales')

5.16 Capital funding in Wales is provided to local authorities and governing bodies of voluntary aided schools in the form of grant and spending approval. The School Buildings Improvement Grant is a ring-fenced capital grant to local authorities and is distributed through General Capital Funding (GCF) to local authorities based upon 75% pupil numbers and 25% school buildings. Local authorities are required to submit proposals for development. The total grant identified for 2005-06 and 2006-07 stands at £74.684 million for each year.

5.17 Local authorities are able to use capital receipts, revenue contributions and borrowing for capital investment, in addition to the notional amount of capital funding for schools which is identified within their GCF. The amounts of funding available through this route are un-hypothecated and the deployment is a matter for each local authority to decide.

6. Revenue Funding

England

6.1 For the period 2007-08, there are five main revenue funding streams for schools: the Dedicated Schools Grant (accounting for £28.3 billion or c.83% of expenditure); sixth-form funding (accounting for £2.05 billion or c.6% of expenditure); School Standards Grant (SSG) (accounting for £1.43 billion or c.4% of expenditure); the School Development Grant (SDG) (accounting for £1.45 billion or c.4% of expenditure); and other grants (accounting for £0.86 billion or c.2.5% of expenditure).

6.2 The DSG forms the basis of the local authority's Schools Budget which is divided between funding for schools and other centrally funded provision. Local authorities, together with Schools Forums, are responsible for deciding how the Schools Budget is distributed.

6.3 Events surrounding the alleged 'funding crisis' of 2003-04 led to the implementation of revised funding arrangements which have operated since 2006. A key component of the current arrangements is a revenue funding settlement based upon multi-year budgets (two years for 2006-08, followed by three years 2008-11 and three-yearly thereafter), intended to provide schools and local authorities with greater clarity and stability in relation to future funding levels.

6.4 Multi-year budgets, coupled with a ring-fenced Dedicated Schools Grant, funding floors and ceilings to minimise turbulence and inequality, and simplified funding streams provide the main architecture of the revised funding arrangements, as the Minister for Schools announced in 2005:

“I am announcing today the school funding settlement for 2006-07 and 2007-08. The settlement will mean that, by 2007-08, total revenue funding per pupil will have increased nationally by over £1,400 in real terms since this government came to power, an increase of some 50 per cent. The settlement demonstrates the continuing high priority the government gives to schools...[N]ew school funding arrangements...will be introduced from April 2006: in particular a ring-fenced Dedicated Schools Grant (the DSG), multi-year budgets for schools and a rationalisation of standards-related grants. The purpose of those arrangements is to guarantee delivery of the government’s commitment to increase spending on schools in every local authority area, to provide schools with the tools to take a strategic approach to their financial planning, to reduce bureaucracy, to ensure stability and to enable schools to focus on raising standards for all pupils.” (Smith, J. (2005) ‘Written Statement – Department for Education and Skills: School funding settlement for 2006-07 and 2007-08’)

- 6.5 To take account of different cost pressures on primary and secondary schools, the DfES provided for a minimum funding guarantee (MFG) for secondary and special schools set at 3.4% per pupil for 2006-07 and 4% for nursery and primary schools; in 2007-08 the MFG was the same for all schools, at 3.7% per pupil. The Government expected that the majority of schools would be funded above the level set by the MFG. In this context, local authorities have had fewer incentives to further prioritise education spending.
- 6.6 A modified method of DSG distribution has been in place since 2006-07 which uses the local authority’s historical Schools Budget figure as the baseline for calculating the level of increase in per pupil funding. The remaining grant is allocated according to criteria determined by Ministers in advance of each multi-year budget period. In theory, this arrangement should not disadvantage previously higher spending local authorities, whilst enabling increases in funding to be targeted more directly in support of government priorities for schools. Additional funding was also provided specifically for schools in local authorities that had previously underspent against their Schools Formula Spending Share.
- 6.7 Each authority is required to devolve a very substantial part (85% or more) of that funding to school level. This is done using the local funding formula. The local authority is allowed to retain a small amount of budget at the centre for the provision of statutory services to schools, including special educational needs support and SEN statements, provision of Pupil Referral Units, non-maintained early years provision, primary and special school meals where not delegated, licences and subscriptions, some supply cover costs (including antenatal/maternity, long-term sickness and civil and trade union duties), library services for primary and special schools where they are not delegated to schools, and revenue funding used to support school capital projects. In addition to these costs, local authorities may, with the agreement of the Schools Forum, retain funding for such matters as school specific contingencies, premature retirement and redundancy costs and SEN transport costs. These central funds are restricted by a central expenditure limit (CEL) which restricts any increases to the same percentage as the increase in the Individual Schools Budget (ISB).
- 6.8 Levels of revenue funding for schools in England have increased progressively over the last decade, benefiting schools by a financial uplift of around 40% on average, ranging from the highest real terms per pupil funding increase in Middlesbrough (54.4%) to the lowest in Bournemouth (27%). Further details on revenue funding per pupil by local authority area is included in Annex A1 of this report.

Revenue funding per school pupil 1999-00 to 2007-08 (excluding Teachers' Pensions transfers) (England)

Funding per pupil	1999-00 <i>actual</i>	2000-01 <i>actual</i>	2001-02 <i>actual</i>	2002-03 <i>actual</i>	2003-04 <i>actual</i>	2004-05 <i>actual</i>	2005-06 <i>actual</i>	2006-07 <i>plan</i>	2007-08 <i>plan</i>
Real terms (£)	3,200	3,480	3,650	3,790	3,970	4,100	4,340	4,500	4,730
Real terms year-on-year change (£)	–	280	170	140	180	130	240	160	230

(Source: DfES)

- 6.9 At the time of writing, the operation of the current revenue distribution methodology was under review with a view to instituting changes to the formula for distributing the DSG, the CEL, use of deprivation factors in local funding formulae, the continuation of the MFG, reducing levels of school balances, the composition of School Forums and simplifying the structure of specific grants. Ministerial decisions following the review are expected in Summer 2007.
- 6.10 Funding for sixth-form provision in secondary schools is provided by the Learning and Skills Council (LSC), which provides funding for around 370,000 school-based 16-19 learners. Increasingly, the LSC remit has extended to include the provision of financial support to pupils at Key Stage 4, particularly in relation to vocational pathways, work-related learning and Young Apprenticeships.
- 6.11 The LSC's funding formula for post-16 provision is based on a flat per capita rate payable for each student with an additional base rate for each eligible qualification. Different qualifications attract different levels of funding.
- 6.12 A key policy priority for the LSC is:
- “to distribute available resources as fairly as possible for the benefit of all 16-19 year old learners, ensuring consistency and coherence with wider post-16 funding arrangements. This includes addressing anomalies in the LSC funding formulae for school sixth forms and for FE colleges where possible.”*** (LSC (2005) 'Priorities for Success: School Sixth Form Funding 2006-2008')
- 6.13 Since 2002, around 14% of school sixth forms have benefited from funding protection under a Real Terms Guarantee (RTG). However, the RTG is due to be withdrawn and replaced by inferior cash terms protection:
- “The RTG was designed to ensure that, over the funding transition, schools which maintained or increased their sixth form pupil numbers had their sixth form funding at least maintained in real terms. In 2005-06, around 14 per cent of schools with sixth forms are funded on the RTG...Ministers have agreed that the RTG has served its purpose, and that it is now the right time to withdraw it without destabilising those schools still benefiting from the RTG. Consequently, the LSC will begin a phased removal of the RTG from 2006-07, with no RTG in place from 2008-09. However, from 2006-07 all school sixth forms, including those that stand to lose funds by the removal of the RTG, will have their average per pupil funding protected in cash terms through the Minimum Funding Floor...”*** (LSC (2005) op cit)
- 6.14 The Government's agenda for reform of education and training qualifications at 14-19, the proposals set out in the 2006 FE White Paper 'Further Education: Raising Skills, Improving Life Chances', the recommendations set out in the Leitch Review of Skills (2006) and the LSC's Agenda for Change Prospectus (2005) are further changing the landscape of funding for secondary schools and imply a major period of uncertainty, if not instability, for schools. In particular, the Government has signalled its

intent to create a demand-led system underpinned by a new approach to education funding at 14-19 whereby funding in England is driven directly by employer and individual learner choice. At the time of writing, the DfES and the LSC were consulting on the development of proposals to create a demand-led market for post-14 education wherein funding will follow the individual learner. Further work to find alternatives to DSG funding for 14-16 provision, potentially extending the reach of the LSC as a core funding agency for 14-16 as well as 16-19 provision in schools, is also in train.

6.15 Turning to the issue of revenue grant funding for schools, there are some 16 recurrent grant strands which make up the allocation of the SSG, SDG and other grants. The majority of these grants are devolved mainly or fully to schools and are allocated on a formula, DfES designation or targeted basis. A summary of these specific grants is listed in Annex A2 of this report.

6.16 Increasingly the case, specific grants to schools are directed by the Government to schools to address specific national priorities. A recent example is the announcement of a financial bounty for schools to support personalised learning:

“This funding will go directly to schools through a reformed and more targeted School Standards Grant (SSG) – increasing direct payments for an average primary school from £31,000 in 2005-06 to a total of £39,500 in 2006-07 and £44,000 in 2007-08, and for an average secondary school from £98,000 in 2005-06 to a total of £150,000 in 2006-07 and £190,000 in 2007-08. Payments to the largest secondary schools in the most challenging circumstances through the reformed SSG and the former Leadership Incentive Grant will rise to over £500,000 in 2007-08, compared to £267,000 in 2005-06. Schools will be able to use this funding to support increased personalisation by, for example, improving the skills and knowledge of their teaching staff, and by supporting access to extended activities for pupils who may otherwise not benefit from the full range of opportunities that extended schools can offer.” (HM Treasury (2006) ‘Budget 2006: A Strong and Strengthening Economy – Investing in Britain’s Future’)

Northern Ireland

6.17 The table below shows a summary of the current and projected expenditure on schools (education budget objective A: schools) in the period 2004-05 to 2007-08.

Year	2004-05	2005-06	2006-07	2007-08
Amount (£million)	£1,448.4	£1,566.8	£1,624.9	£1,696.3

(Source: DENI)

6.18 Schools-related current expenditure in 2006-07 amounts to £1,595 million of which £611 million relates to three categories of expenditure: education and library board (ELB) centre budgets (accounting for £377 million or c.24% of expenditure), earmarked allocations determined for specific purposes identified by the DENI (accounting for £152 million or c.9% of expenditure) and other school-related recurrent expenditure (accounting for £529 million or c.33% of expenditure). In 2006-07, £995 million (around 62%) of schools-related current expenditure was distributed to schools’ delegated budgets. As the recent Strategic Review of Education in Northern Ireland confirmed:

“This delegation level represents a key ministerial decision about the extent to which decisions on funding priorities are either made centrally or devolved to individual schools. The Northern Ireland delegation level of 62 per cent is lower than in England where Local Education Authorities have been set tough targets to increase the level of delegated resources in individual schools’ budgets. As a result, levels of delegated funding in England typically exceed 80 per cent and though targets for the overall level of delegation to schools have not been set since 2003, there are still mechanisms to limit the level of centrally held resources.” (Independent Strategic Review of Education (2006) op cit)

- 6.19 The management of a school's budget is a matter for the board of governors and the principal in accordance with the priorities set out in the school's Development Plan. Since April 2005, all schools' budgets have been determined by reference to a single Common Funding Formula, based on the application of 15 factors, and which is aimed at ensuring "that the calculation of all school budgets [is] consistent, transparent and provide[s] schools of similar size and characteristics with similar funding regardless of sector or geographic location."¹⁷
- 6.20 Northern Ireland's five education and library boards are to be replaced by a single Education and Skills Authority which will be the funding body for schools.

Scotland

- 6.21 In Scotland, local authorities retain responsibility for education provision and determine the level of expenditure on school education in the context of their own assessment of local needs and priorities. Whilst the Scottish Executive applies a funding formula for local authorities which includes an education element, education funding is not ring-fenced, allowing local authorities the freedom to decide themselves how much to spend on education relative to other services.
- 6.22 Nevertheless, the level of revenue expenditure on schools in Scotland has increased significantly in recent years:

Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue (£ 000)	2,592,125	2,824,607	3,341,407	3,673,473	3,949,833	4,171,695

(Source: Scottish Executive (2007) 'Statistics Publication Notice: Expenditure on School Education in Scotland, 2005-06')

- 6.23 The system of Devolved School Management in Scotland provides schools with a lower level of delegated funding than is the case in other UK nation; however, staffing costs which constitute the majority of schools' revenue expenditure continue to be met by the local authorities. Financial delegation to schools is subject to approval by individual school boards. The percentage of net expenditure devolved to schools in 2006-07 is estimated at around 75%; however, there is considerable variation between local authorities in the levels of budget delegation to schools ranging from 95% (in North Ayrshire) to 57% (in Eilean Siar).¹⁸ As in England, schools in Scotland are able to work to multi-year budgets. Further details on revenue funding per pupil by local authority area is included in Annex A3 of this report.

Wales

- 6.24 The arrangements in Wales render it more difficult to establish clearly the position vis-à-vis the trends in respect of revenue funding for schools. The Audit Office for Wales has also argued about the need for greater transparency and clarity in relation to the funding process. Nevertheless, the available data sources do indicate that funding levels for schools have increased over the last five years or so.
- 6.25 Abbott (2007) in his report on 'School Funding' has identified that:

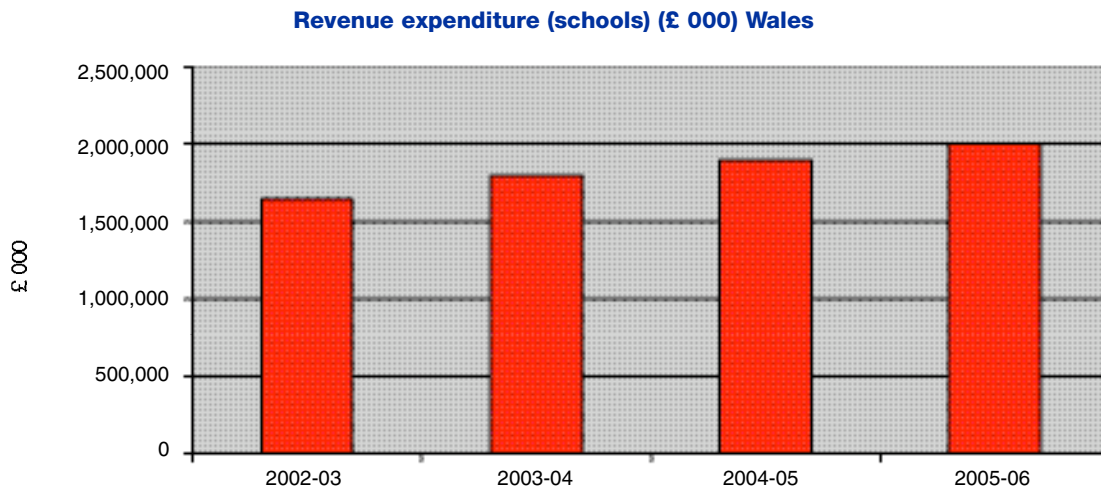
"Despite the confusion within the funding system, overall levels of expenditure on individual pupils has consistently increased:

	2003-4	2004-5	2005-6	2006-7
<i>Spend per pupil</i>	<i>£3,955</i>	<i>£4,178</i>	<i>£4,382</i>	<i>£4,732"</i>

¹⁷ Independent Strategic Review of Education (2006) op cit

¹⁸ Scottish Executive (2007) 'Statistics Publication Notice: Expenditure on School Education in Scotland, 2005-06'

6.26 This assessment is further confirmed by the official statistical data published by the Welsh Assembly:



(Source: Welsh Assembly Government (2006) 'Statswales', www.statswales.wales.gov.uk)

6.27 The Welsh Assembly Government provides funding to local authorities for the provision of education. Each local authority is free to set service budgets in accordance with their own priorities and determines the sum to be delegated to individual schools through the Individual Schools Budget (ISB). Each council has a funding formula to determine each school's ISB. The level of financial delegation to schools is considerable, although there are significant variations to this between different local authorities across the country:

"We noted that across Wales, around 70% of education authorities' education budget is delegated to individual schools. The comparisons provided across authorities illustrated that delegation rates for 2005-06 varied from 71.1% (in the Isle of Anglesey) to 81.2% (in Bridgend)." (Committee on School Funding (2006) 'Report on School Funding Arrangements in Wales')

6.28 Despite these variations, the Wales Audit Office has concluded that "the variations in Individual Schools Budget (ISB) per pupil between councils and within each council are not unreasonable."¹⁹ Further details on revenue funding per pupil by local authority area is included in Annex A4 of this report.

6.29 The Better Schools Fund was introduced in 2004-05 as a replacement to the Grants for Education Support and Training (GEST) and is targeted across seven priority areas, including school curriculum, governor training, pupil support, special educational needs, Welsh language training, music development, ICT and professional development. A community schools grant worth £3 million in 2005-06 provides support for the development of extended community services within schools including child care, lifelong learning, language learning, health and social services, cultural and sporting activities, play, out of hours learning, and community regeneration.

7. Coherence and Divergence

7.1 The arrangements described in the preceding sections highlight the diverse and complex nature of the arrangements for school funding within the UK. In presenting aspects of the various systems here, it has not been possible to attend to the panoply of factors, elements, arrangements and conditions that apply within each of the four nations. Despite its partiality, the presentation above does suggest strongly the very significant challenge that would exist in seeking to articulate a single, workable and politically and professionally acceptable solution, mechanism or formula for funding all schools in the UK. Moreover,

¹⁹ Wales Audit Office (2006) 'School Funding Analysis'

the differences emerging between each national context also suggest that it would be unwise to pursue a strategy of seeking wholesale reform to the funding system in any or all of the four nations, which would inevitably generate considerable turbulence within schools and risks to job security. This is not to argue against the need for improvements to the funding systems in any of the four nations. Rather, that a considered approach is needed, which recognises rather than seeks to deny the consequences of devolution on the current and future arrangements for school funding.

7.2 The description set out in the preceding sections of the report suggest a number of areas of similarity and difference between the four UK funding systems; in particular, the extent to which it will be important to note in the context of seeking improvements to the funding system for schools:

- ***funding levels for schools have increased*** – it is evident that increased funding levels in schools have been witnessed in all four UK nations. Although it is the school system in England which appears to have benefited most from additional investment over the last decade, some parts of the country have benefited more than others. Thus, particular differences exist in funding levels between different local authorities and regions and there are also differentials between schools based on type, phase and size. This is not only an issue for schools in England; in Wales, Scotland and Northern Ireland, too, differences in the funding levels of individual schools have resulted from formulae based upon historical patterns of expenditure, and existing local priorities for delegation to and expenditure on schools. Nevertheless, it may well be argued that the funding settlement for the devolved nations has provided a vital force for educational coherence and the maintenance of a UK-wide drive for improvement in respect of funding for schools. All of the four nations have benefited from the current arrangements. However, the application of the Barnett formula is clearly not yet a politically settled issue;
- ***control of the budget for education is delegated to individual schools*** – each of the UK systems is predicated on the principle of delegating control of a proportion of funding to individual schools. There are clearly variations in the extent of this, not only between each nation, but also within each nation. Nevertheless, whilst differences of emphasis do exist, the general trajectory is towards moving control over schools' financial expenditure to the level of the institution. It is important to be clear, however, that government, and, to a greater or lesser degree, local authorities have retained control over the general pot of money for schools and for determining how the financial cake is divided between schools;
- ***local or national administrations control the flow of money into schools and, thereby, direct the work of schools*** – it is clear that devolved government within the UK has fuelled a debate about the relative power and control of national versus local administrations. In response to national concerns about provision and capacity within schools, there has, to differing degrees, been a tendency on the part of national administrations to seek greater control over the system and to be much more hands-on in their approach. This is no more so than in the case of funding for schools in England, where “macro funding decisions have increasingly been moved from local to national level with individual schools being given greater autonomy for micro funding decisions.”²⁰

7.3 This report has confirmed that public spending on schools has risen considerably since 1997. However, despite this, the proportion of the nation's public finances spent on education has remained slightly below the average for all OECD countries in the period between 1995 and 2002 (see table overleaf).

²⁰ Abbott, I (2007) op cit

	Public expenditure on all levels of education as % of total public expenditure		Public expenditure on all levels of education as % of GDP	
	2002	1995	2002	1995
UK	12.7	11.4	5.3	5.2
OECD mean	12.9	11.9	5.4	5.3

(Source: OECD (2005) 'Education at a Glance 2005')

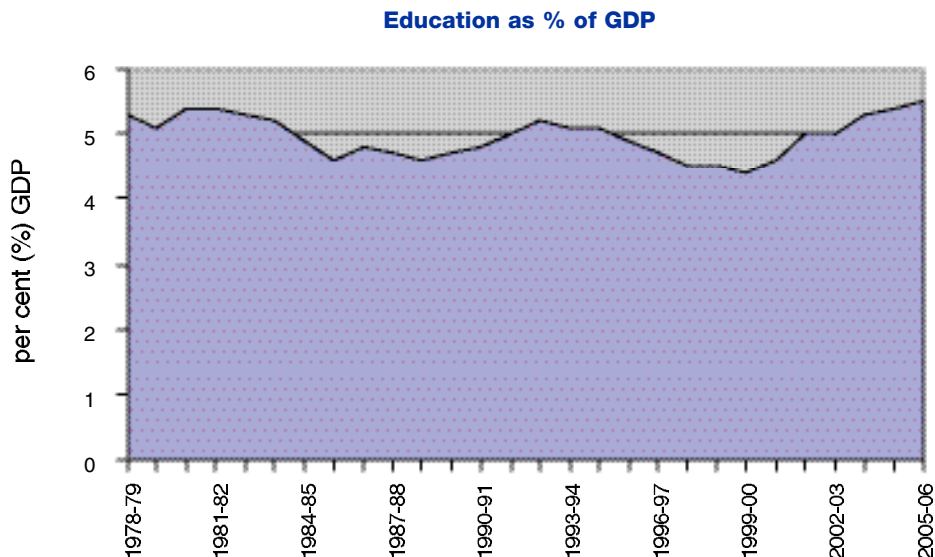
7.4 This raises a key issue concerning the potential of the UK's competitiveness in the global economy, which could be thwarted by a failure to invest properly in education and in schools.

8. Opportunities and Challenges

8.1 The education landscape is changing, and with these changes will come changes in the models for funding schools. Devolution, too, in all likelihood, will continue to act as a spur for development, reform and for national identities to find their expression within the terrain of school funding. Difference and diversity have increasingly been hailed as the signature of a modern and plural education system, catering for all needs. In this context, the demand for personalised, tailored and context-specific provision is likely to intensify rather than recede. How then, in such a context, should schools be funded? Is a single funding model possible, let alone desirable? How can a pluralised system of school funding exist alongside the public, professional and political desire for equality, fairness and inclusivity?

Investment and outcomes

8.2 Set to unite schools across all four nations will also be the outcome of the 2007 Comprehensive Spending Review and the impact of changing demography. It cannot be argued that levels of expenditure on education have increased significantly over the past decade. Expenditure on education services by central and local government in the UK increased by 42 per cent in real terms between 1995-96 (£44.9 billion) and 2004-05 (£63.7 billion) and also significantly as a share of Gross Domestic Product.



(Source: Office for National Statistics)

8.3 Despite the increases in education expenditure over the last two decades (0.9% of GDP), latest Treasury forecasts estimate that education expenditure as a percentage of GDP will decline slightly over the next five decades. A slow down or reduced investment in education would, it is argued, have serious consequences for schools, particularly given the extended expectations that are currently being expressed and the need to ensure stability and continuity of provision.

Spending projections (per cent of GDP)

	2005-06	2015-16	2025-26	2035-36	2045-46	2055-56
Education	5.5	5.3	5.3	5.3	5.2	5.2

(Source: HM Treasury (2006) 'Long-term public finance report: an analysis of fiscal sustainability')

8.4 Moreover, as has been indicated previously in this report, the nature of the allocation mechanism to each devolved administration (through the application of the Barnett formula) is pertinent here. Strong recommendations have been made in a number of quarters for a recalibration or indeed replacement of the Barnett formula on the grounds that total expenditure is not being allocated on the basis of relative need across the four nations. The formula used by the Treasury, it has been argued, is woefully out of date, exacerbates funding disparities and undermines equity of service provision.²¹ Thus, establishing a level playing field across the four nations is a critical challenge for the system. In the context of the continued application of the Barnett formula, any future levelling off or decline in the amount of funding for schools could have a particularly adverse impact on provision in the devolved administrations.

8.5 The future stability of provision within schools is also likely to be substantially affected by the funding implications arising from the projected sharp decline in pupil numbers throughout the UK during the course of the next 10 years. In Northern Ireland, for example, the projected 6% decline in pupil numbers by 2011 has already triggered a series of sweeping recommendations for school reform from the Independent Strategic Review of Education. In Wales, the pupil population is forecast to fall by around 8% by 2014, and in Scotland,²² a 26% decline in pupil numbers is projected to hit schools by 2024. In England, declining pupil numbers are also forecast, over the next three to five years, although there are likely to be very significant regional (North-South) variations.²³ In all national contexts, however, declining pupil numbers, although not spread uniformly, has the potential for school closures and staff redundancies, notwithstanding the available and persuasive evidence of the relationship between pupil:teacher ratios and educational attainment.²⁴

8.6 In a context of pressures for fiscal tightening, the issue of school funding winners and losers is likely to continue to dominate the debate. The question of what constitutes a fair and equitable system of distribution remains at issue, as debate will need to be had on the emphasis to give to pupil numbers versus need in the funding distribution formula. The question of how to define 'need' will also have to be addressed, if not resolved. Whatever changes emerge, no doubt, will be informed by wider political priorities and concerns.

8.7 In 2006, the House of Commons Education and Skills Select Committee called for the application of national and local funding formulae, capable of forensically identifying and targeting additional funding to pupils from disadvantaged backgrounds. However, such targeting remains an imperfect science, and is highly controversial, since it is incredibly difficult to agree upon those factors which constitute deprivation and disadvantage and to do so without creating inequalities in other areas.²⁵ At the same time, however, it has been suggested that a local distribution mechanism is unlikely to fare better than a national one, since it would create new sets of winners and losers. Evidence provided by some commentators has

²¹ Edmonds, T. (2001) op cit

²² see www.scotland.gov.uk/Resource/Doc/154294/0041450.xls

²³ DfES Data Services and Local Statistics (2007)

²⁴ Blatchford, P. and Mortimer, P. (1993) 'The Issue of Class Size'; Blatchford et al., (2003) 'The Class Size Debate: Is Small Better?'

²⁵ Abbott, I. (2007) op cit

suggested that a national funding framework, bypassing the local authorities, could provide a better basis for enhancing funding equity for schools.²⁶

8.8 Whilst each of the national administrations recognise the desirability of ensuring that schools are funded equitably, they must also attend to the need to provide stability for schools and for learners. Creating simplicity in the funding arrangements for schools is also not without its difficulties, since this might again lead to a redistribution of available resources, which might not only give rise to new sets of winners and losers but also undermine the viability of existing provisions and threaten job security. In a context of continuing educational reforms, where the sources of funding are becoming increasingly diverse, where schools are expected to respond to new and changing needs and demands of individuals and their communities, and where there is continuing population change (in particular, arising from migration, declining birth rates and increased ethnic and linguistic diversity), the issue of stability of funding for schools will need to assume an increased prominence and priority for schools, local authorities and Government.

8.9 Closing gaps in educational attainment so that all pupils reach their potential is a recognised long-term challenge, which is critical to the nation's economic competitiveness. The 2005 DfES/Treasury Child Poverty Review identified that increased expenditure on education does make a difference to educational standards, provided that it is targeted appropriately:

“Recent work has demonstrated that additional expenditure has the greatest impact when targeted towards disadvantaged pupils. The DfES Value for Money unit has carried out a study that aimed to identify the impact of expenditure on GCSE attainment in terms of point scores...It found that the impact of expenditure on pupil attainment becomes increasingly important the higher the level of deprivation. Overall, an increase in expenditure per pupil of £1,000 is associated with 1.32 extra GCSE points...More evidence in this area has become available in 2005, in a study of the relationship between school resources and pupil attainment at KS3 being undertaken by the Centre for the Economics of Education (CEE) for DfES...The research shows:

- ***additional expenditure on schools has a positive and statistically significant impact on maths and science attainment. However, the impact is relatively small with an increase of £100 per pupil leading to an increase of 0.04 of a level at maths and science;***
- ***targeting money on increasing the number of teachers has a bigger impact on raising attainment than general increases in expenditure. For example, an extra £100 per pupil spent reducing the pupil-teacher ratio leads to an increase of 0.07 of a level for maths and 0.09 of a level for science;***
- ***additional resources devoted to pupils who are eligible for FSM has a larger positive effect on attainment than when it is spent on all pupils – the impact of a marginal increase in expenditure was three times as great for maths and four times as great for science when spent on FSM pupils. A reduction in the pupil-teacher ratio had approximately 1.6 times the effect on maths and 1.5 times the effect on science when targeted on FSM pupils...”*** (DfES and HM Treasury (2005) Child Poverty: Fair Funding for Schools)

8.10 The DfES/Treasury Review concluded:

“While there is clear evidence that additional resources do have a positive (if relatively modest) impact on attainment, and that their impact is greatest when targeted towards disadvantaged pupils, evidence on precisely how these resources should be

²⁶ NFER and LGA (2005) 'School funding: what next? Local authority and school views'

spent to maximise their impact on attainment is less conclusive. A review of the academic literature carried out for DfES in 2000 concluded that...a number of measurable school inputs have an impact, including class size, teacher experience and teacher salaries..." (DfES and HM Treasury (2005) op cit)

- 8.11 Throughout the UK, more and more is being achieved by schools and, at the same time, much more is being expected. The emergence of new strategies to tackle educational and social inequalities and to better engage with pupils and their families are in evidence in every part of the UK, from the development of the Breakfast Clubs initiative in Wales to the provision of extended services in schools in England, Northern Ireland and Scotland. These developments raise important questions about the purpose of school budgets and whether funding for schools is becoming stretched to support activities beyond teaching and learning. The establishment of children's services strategies and structures herald a major challenge for the delivery of continued improvements in teaching and learning in the four nations, unless there is a clear and transparent identification of education-specific funds to be used by schools.
- 8.12 Also impacting on the stability of schools is the implementation of 14-19 education reforms throughout the UK. As schools enter new 14-19 partnerships, including with FE colleges, to deliver new 14-19 learner entitlements, there is likely to be pressure on the current funding arrangements, which could well impact on the viability of 14-16 as well as 16-19 provisions in schools. Who funds these new provisions and at what level such provision is funded represent critical challenges to the future stability of schools. These and other new demands, whilst they have come about at the same time as increased investment, have the potential to alter provision and staffing levels and employment conditions in schools in ways which cannot be ignored.

School autonomy and competition

- 8.13 The Government's appetite for promoting choice and diversity is being keenly felt. The publication by the DfES of the 'Five Year Strategy for Children and Learners: Putting People at the Heart of Public Services' (2004) set out the Government's vision for reform and modernisation of schools in England. In reviewing the strategy, the DfES has made clear its continued intention to pursue the agenda of autonomy and diversity for schools as a route to raising educational standards:

"We believe that giving greater autonomy to excellent providers across the education system will deliver higher standards and better services. We have provided schools with more independence...82% of secondary schools now have specialist status, which puts us on track to see every school a specialist school by 2008. We created a fast track route for secondary schools to acquire foundation status in August 2005, and extended it to primary schools from August 2006, allowing them to own their own assets, employ their own staff, and forge partnerships with outside sponsors and educational foundations...The proposals for trust schools...extend this commitment...As part of their wider responsibilities for children and young people, local authorities will have a new duty to promote choice, diversity and fair access to school places...This will be supported by a new network of choice advisers..." (DfES (2006) 'The Five Year Strategy for Children and Learners: Maintaining the Excellent Progress')

- 8.14 The variety of school types in the state sector, and the means by which they are funded, is set to increase as a result of the provisions in the Education and Inspections Act 2006. An emphasis on school competitions, the establishment of the office of the Schools' Commissioner, the provisions governing the expansion of 'successful' schools, specialist and trust schools, and the announcement by the Prime Minister of the commitment to establish 400 academy schools by 2015 confirm the Government's aspirations for schools in England, whilst at the same time signalling the weakening of local democratic control and the cementing of the relationship between an increasing number of schools and the national administration through the system of school funding.

- 8.15 The Government's programme of academy schools continues to raise particular concerns not only about the moral purpose of education, but also equality and fairness of the funding arrangements for these schools compared with other state-funded provision.²⁷ The arrangements for calculating the reduction in the DSG received by local authorities for schools they no longer maintain – i.e. for academy schools in their areas – has the potential either to disproportionately benefit or to reduce the funding position of maintained schools vis-à-vis academy schools. Moreover, local authorities, it has been argued, have also been under pressure to 'sacrifice' control of a minority of their maintained schools to the academy schools programme in order to secure access to additional capital funds under BSF to support the refurbishment of the remainder of the local schools estate. This can have longer term financial implications for the viability of other maintained schools in the local area.
- 8.16 Strategies in respect of capital financing, to overcome decades of chronic underinvestment in school buildings have been, in England and Scotland at least, substantially predicated on securing investment from the private sector through the PFI and PPP routes. These strategies for investment in the renewal and rebuilding of schools carry a number of risks, not least the impact of the repayment schedules on the sums secured from private sector companies²⁸ and the threats they pose to the longer term sustainability of public services, democratic accountability and the maintenance of the public service ethos. In its study on 'The Private Sector and State Education' (2006), NASUWT confirmed a number of concerns with PFI and PPP as the means for financing capital schemes in schools. In particular, these private financing schemes are often more expensive in the longer term; undermine the future sustainability of public education services; undermine democratic accountability; and represent high risk strategies which threaten the viability and stability of local public service provisions and jobs. In the context of extended school autonomy, school leaders have needed to invest considerable amounts of their time in dealing with contractual issues, distracting them from their core responsibilities for teaching and learning.

Role of local authorities

- 8.17 Local authorities have traditionally played a key role in the local delivery of education, and continue to do so in many parts of the UK. However, the relationship between local authorities and local schools has changed, particularly with the advent of local management of schools. Presently, in England, the role of local authorities is set to undergo further change and reform. Local authority education departments have disappeared, replaced by wider remitted children's services directorates, with control of education, social service and other funds. The 2006 Local Government White Paper²⁹ proposes to embed these changes further with the introduction of a duty on local authorities and their partners to develop and work to Local Area Agreements (LAAs). The LAA, containing 35 locally agreed targets in addition to the national targets on education and childcare, is intended to provide a mechanism for bringing local services together in a more coherent way. However, the LAA has the potential to further blur the lines of control over education and schools, weaken local authority specialist support for schools, and dilute the impact of increased national expenditure on school-based education, as the pooled and non-ringfenced budgets used to drive the delivery of the LAA are used 'flexibly' and 'creatively' at the local level. The loss of local authority capacity for education support is set to be further weakened since, with effect from 2007-08, a number of Standards Fund Grants will automatically become part of the LAAs, including the centrally retained element of the School Development Grant, central co-ordination grants for primary and secondary strategies, secondary behaviour and attendance grant and the grant for school travel advisers. These grants will be paid through the LAA grant from the Department of Communities and Local Government. In addition, there is provision that grants for Extended Schools, School Improvement Partners and Education and Health Partnerships could also be transferred to the LAA Grant.

²⁷ Catalyst/Public World (2006) 'Academy Schools: Case Unproven'

²⁸ Centre for Policy Studies (2006) 'Simply Red: The True State of the Public Finances'

²⁹ Department for Communities and Local Government (2006) 'Strong and Prosperous Communities'

- 8.18 There are increasing concerns that financial devolution to schools is compromising service delivery at the front line, creating new inequalities and uncertainties for learners and the workforce, limiting the potential for flexible responses to be applied to meet changing needs and circumstances, reducing the supply and development of expert professionals who can support schools and pupils, and distorting the balance of local provision. In too many cases, the result of devolution to schools has been to pare to the bone the capacity of local authorities to provide effective strategic advice, challenge and early intervention to support school improvement. A further by-product has been to create a fissure within the local democratic process. School workforce trade unions have also seen their ability to engage in constructive collective negotiations undermined as a result of the difficulties in identifying and retaining sufficient central funds to support trade union facilities arrangements and the resistance of individual self-governing schools to enable trade union organising. In conditions where local authorities have little or no financial control over local schools, and where local authority central strategic capacity has been 'squeezed' and rendered no longer viable, many local authorities appear to have simply abnegated strategic responsibility for their schools. At the same time, it has been necessary for schools themselves to 'reinvent the wheel' in terms of developing their own financial management, commissioning and procurement processes. Unable to take advantage of economies of scale, the management arrangements within individual schools has often been more expensive and provided for poorer levels of service quality compared to that previously obtained from the local authority's central support service.
- 8.19 As the capacity for local authority-led strategic intervention becomes increasingly fragile, fragmented and remote, there now exists the potential that schools in England will be exposed to very real risks when they encounter financial difficulties, due to the absence of capacity at local level to deliver strategic support and intervention where and when it is needed. This could have devastating consequences for pupils and workforce alike, unless local authorities or another body are funded specifically to underwrite schools in such circumstances. Increased financial freedoms for schools have intensified calls for improved local authority-level monitoring of school budgets and expenditure and for more stringent arrangements for redistributing funds between schools.³⁰ This could help to mitigate the accumulation of excessive and uncommitted balances in school budgets. The capacity of the local authority to intervene in these financial matters within schools is therefore critically important.
- 8.20 In Northern Ireland, it is without doubt that the greatest challenge arises from the uncertainty regarding the resumption of devolved government; yet, the restoration of the political process in Northern Ireland also provides a major opportunity for education and for schools. Notwithstanding this, however, the recommendations set out in the report of the Independent Strategic Review of Education published in December 2006 are intended to deliver improved stability to the school system in Northern Ireland. Critical to the changes envisaged will be the move towards a more integrated system of schools. The Review's 61 recommendations for achieving this aim are largely predicated on changes to the funding methodology for schools, the introduction of incentives to promote collaboration between schools, and action to rationalise the number of schools and school places. Changes to the methodology for distributing funding to schools through the Common Funding Formula are also proposed, providing the potential for further turbulence within the school system, at least in the short term. At the same time, increased delegation to schools is proposed whilst the five education and library boards are to be replaced by a single Education and Skills Authority which will become the funding body for schools. The potential for these new arrangements to operate in a consultative, inclusive and democratic manner is clearly important, as is the need for effective consultative arrangements with the school workforce.
- 8.21 In contrast, the situation in Scotland suggests a high degree of stability compared to Northern Ireland or England. The Scottish system of funding for schools is predicated on a relatively high degree of control by local authorities which enables schools to benefit from the economies of scale, flexibilities and local strategic capacity the local authority is able to provide. The main challenge posed by the extended control which the local authorities retain is the potential for differences to emerge in funding levels

³⁰ NfER and LGA (2005) op cit

between schools in different local authority areas as a result of differing expenditure priorities. Indeed, in the last decade where local authorities in England have witnessed declining control over school funding matters when compared with local authorities in Scotland, the funding advantage enjoyed by schools in Scotland has reduced compared to that enjoyed by schools in England.

8.22 In Wales as in Scotland, local authorities exercise considerable freedom over funding for schools, providing the potential for a direct strategic response to changing local conditions, concerns and priorities. Schools may also benefit from the maintenance of local capacity for strategic support. However, in a national context characterised by high levels of delegation of financial and other responsibilities and accountabilities to schools, the arrangements in Wales give rise to real concerns about fairness and equity in the mechanism for funding distribution to schools, and to what has been described as the Welsh ‘funding fog’:

“Where sound-bite and reality truly merge is in the description of the current arrangements as a funding fog. The Committee spent a considerable amount of time looking at this issue in detail and had the benefit of evidence from the Government’s own statisticians. Despite this, we were still left with the perception of a complicated and unresponsive system where accountability was scattered and unclear. However difficult it was for us to understand, it must be doubly so for teachers, governors and parents who have neither our time nor resources to allow the system to be clarified. I hope that our recommendations will at the least start a debate on how we can make school funding more open, more accountable and more responsive to the needs of pupils today and in the future.” (Committee on School Funding (2006) op cit)

8.23 Unlike arrangements in England and Scotland, schools in Wales (and also in Northern Ireland) do not yet benefit from multi-year budgeting, further exacerbating the problems caused by the Welsh ‘funding fog’ and the decisions (sometimes seemingly arbitrary) taken by local authorities on their priorities for funding allocation to schools. The funding arrangements in Wales are non-hypothecated, resulting in some cases in a serious disjuncture between the national expectations expressed by the Welsh Assembly Government about the objectives that schools should deliver and the resources made available to schools to enable them to realise these objectives. The Minister for Education and Lifelong Learning in the Welsh Assembly has declared a commitment to addressing the issue of multi-year budgets from 2008.

Democratic accountability

8.24 The realisation of the goal of tackling educational inequality appears, in England at least, to be reliant upon the national administration’s adoption of an increasingly hands-on approach to directing resources into schools, bypassing local authorities. Irrespective of school type, additional funding for maintained schools in England directly provided for from Whitehall has had the effect of tipping the balance of control over key strategic education matters in favour of the national administration and away from the local authorities. In many respects, given the expectations and conditions associated with direct funding for schools, it might be argued that the national administration has sought to micro-manage the affairs of schools.³¹ Surprisingly, though, the general absence of ring-fenced funding has allowed increasingly autonomous schools the freedom to exercise considerable discretion over how these additional sums are used. It may well be argued that the Government’s approach to the direct funding of schools has allowed individual schools latitude to reshape public education policy and, potentially at least, this has granted schools the ability to thwart intended statutory provisions, national objectives and the policy aspirations of government itself. It should also be of concern that national bodies established for the inspection of standards in education have not yet sought to examine the impact of school autonomy and diversity on educational standards, and whether these policies are delivering improvements in educational standards for all. For example, the push towards greater institutional freedom and autonomy

³¹ Ainscow, M. et al, cited in Abbott, I (2007) op cit

has undermined the delivery of national policy objectives, and led to a failure, in some cases, to deliver statutory entitlements for pupils and teachers. Neither has the governance arrangements within schools been adequate or sufficiently fit for purpose to tackle such problems, and diminishing local authority influence has provided a further stumbling block to ensuring the full implementation of national reform agendas.

- 8.25 The trend in favour of institutional autonomy, diversity and competition brings with it a number of difficulties in relation to school funding, not least: how to ensure that all schools are resourced fairly and equitably to deliver the full range of entitlements of pupils, including those who may have limited choices or options (especially pupils with SEN and disabilities); how to bring schools together to collaborate to meet the new challenges of 14-19 education and extended services; how to maximise the efficient use of education resources through the economies of scale of school clusters and federation arrangements; how to respond quickly and effectively to changing needs, demands and demographic patterns, including inward migration; and how to deliver support to schools according to their needs, particularly to those schools operating in challenging circumstances. Any funding strategy for schools must be capable of addressing effectively each of these challenges, and recognise the central importance of maintaining effective local strategic co-ordination and support for front line service provision in schools. There is clearly a key role here for local authorities, as is the case in Scotland and Wales.
- 8.26 The establishment of the Schools Forums in England have not delivered a convincing alternative to the role of local authorities, nor have they provided a solution to the need to improve democratic accountability, given the regulatory framework of restrictions that apply in relation to their composition (The Schools Forums (England) (Amendment) Regulations 2005). Instead, the Schools Forums have shifted local control over area-based provision from the democratically elected and accountable local authorities into the hands, principally, of a small minority of headteachers and school governors.
- 8.27 The introduction in England of a requirement on all maintained schools to meet the Financial Management Standard in Schools (FMSiS) is an inevitable policy response to the push towards increased financial delegation and institutional autonomy. However, within the context of the provision of a public education service, compliance with financial accountancy protocols does not obviate the need for democratic control and accountability at the institutional and local authority level. The introduction of the FMSiS does not resolve this challenge, though it may assist in avoiding the repetition of previous episodes of financial mismanagement, as witnessed previously following the incorporation of further education colleges.³²
- 8.28 At a national level, in England at least, there are some encouraging developments. The establishment of the DfES School Funding Implementation Group (SFIG) in England has provided a mechanism for consultation with national stakeholder bodies including trade unions on school funding matters and provides a mechanism for evaluating proposals for changes to the system. This is an important development and one which should be recognised as a basis for developing good practice in relation to strategic planning and governance on school funding matters, wherein the voice of the workforce in schools can inform future deliberations and developments in the arena of school funding.

9. A National Funding Framework

- 9.1 The UK Government has a key responsibility for pursuing a strategic response to the issues facing the UK population, establishing measures which tackle inequalities and which promote inclusion and national solidarity. However, although the devolved settlement is still at a relatively early stage, the UK Government has, some have argued, been slow to respond to these imperatives.³³ Whether and to what

³² Smithers, A. and Robinson, P (2000) (eds.) 'Further Education Re-Formed'

³³ Adams, J. and Robinson, P. (2006) 'Regional economic development in a devolved United Kingdom' in Adams, J. and Schmucker, K (eds) op cit

extent it will do so, is a matter for conjecture; however, the debate is increasingly becoming significant, as the remarks by Gordon Brown, Chancellor of the Exchequer, confirm:

“I would argue that if we are clear about what underlies our Britishness and if we are clear that shared values...define what it means to be British in the modern world, we can be far more ambitious in defining for our time the responsibilities of citizenship; far more ambitious in forging a new and contemporary settlement of the relationship between state, community and individual; and it is also easier too to address difficult issues that sometimes come under the heading ‘multiculturalism’ – essentially how diverse cultures, which inevitably contain differences, can find the essential common purpose without which no society can flourish.

“So Britishness is not just an academic debate...Indeed in a recent poll, as many as half of British people said they were worried that if we do not promote Britishness we run a real risk of having a divided society.

“And if we look to the future I want to argue that our success as Great Britain, our ability to meet and master not just the challenges of a global economy, but also the international, demographic, constitutional and social challenges ahead, and even the security challenges, requires us to rediscover and build from our history and apply in our time the shared values that bind us together and give us common purpose.

“I believe most strongly that globalisation is made for a Britain that is stable, outward looking, committed to scientific progress and the value of education. And that by taking the right long-term decisions Britain can stand alongside China, India and America as one of the great success stories of the next global era.

“But it is also obvious to me that the nations that will meet and master global change best are not just those whose governments make the right long-term decisions on stability, science, trade and education, but whose people come together and, sharing a common view of challenges and what needs to be done, forge a unified and shared sense of purpose about the long-term sacrifices they are prepared to make and the priorities they think important for national success.” (Brown, G. (2006) ‘The Future of Britishness’, www.fabian-society.org.uk).

- 9.2 What is also clear is that there is no political desire to turn back the clock on the devolved settlement; pressure, where it comes, will be to find ways of articulating national differences within a common and unified civic and constitutional framework.
- 9.3 As the largest union representing teachers and headteachers throughout the UK, NASUWT recognises that it too has a key interest in ensuring fair and equitable treatment for teachers, irrespective of where in the UK they teach. It is also clear that where the teaching profession is well rewarded, valued and benefits from good conditions of service, standards of education will be high. The shared economic and social interests of the UK – to compete globally, and to be integrated nationally – signal the importance of establishing a common framework which unites the four UK nations, but also provides room for each administration to respond to its own particular conditions and circumstances.
- 9.4 The provision of the nation’s educational entitlement through schools requires that there is adequate investment in education as a public service:

“High-quality, fully funded public services are at the heart of a democratic and inclusive society. Public services exist to give expression to the needs and aspirations of individuals and communities and, in doing so, to deliver services which meet individual and wider community needs and aspirations. Public services are democratically accountable; they operate in the public interest, promote community cohesion and are valued and respected. They are owned by the public and are

managed and delivered in trust to the public. Public services work to create a better society, by tackling inequalities and by delivering social and economic justice for all. The provision of state education is critical to the public service ethos and the creation of a democratic, just and inclusive society. (NASUWT (2006) 'The Private Sector and State Education')

- 9.5 The NASUWT vision for school funding recognises and is informed by the Union's vision for education as a public service. The existence of national differences does not override the importance of pursuing a common framework of aspirations for the funding of schools throughout the UK which should provide the platform for delivering high-quality public services. A suitably configured UK framework for the funding of schools could and should provide sufficient opportunity for national differences to find expression and also for local flexibilities; such a framework should also enable the aspirations for national devolution to be supported and advanced without undermining the UK's overarching social and economic needs and interests.
- 9.6 The material presented in this report points to the need to establish a fit for purpose framework for the funding of schools, predicated on the following common conditions and expectations.
1. **Sufficiency** – the global amount available for the funding of schools in each nation should take account fully of UK-wide and nation-specific education priorities and needs and promote fairness, equity, inclusion and social cohesion. School budgets should be based upon clearly identified and agreed sets of expectations about what work schools should do and the performance expectations that will apply to them. The settlement of the quantum for schools should, at a minimum, be in line with the GDP average within the OECD, keep pace with domestic inflation and provide a basis for continued service improvement. There should be no decrease in the share of national wealth spent on education. Public funding for education should match the levels achieved on average within the independent sector. Sufficiency should be identified at the local area level (to enable the provision of effective support services for pupils and schools) as well as at the institutional level (to provide the conditions for effective teaching and learning to take place).
 2. **Fair and appropriate distribution** – the mechanisms for distributing funding from each administration to local authorities and schools should be fit for purpose, taking account of local circumstances and needs and the expectations on schools. The distribution arrangements should promote transparency, allowing for the identification of education-specific expenditure for teaching and learning. The funding mechanism should promote public and professional confidence in the system. It should also enable fair comparisons to be made with regard to the funding position and treatment of different schools, irrespective of their legal or governance status.
 3. **Stability and sustainability** – the funding allocation arrangements should promote stability for schools and enable schools to plan and organise their priorities in the longer term (through multi-year budgeting arrangements), and help to minimise turbulence and other adverse effects. Levels of provision within schools should be protected from the major resource shifts arising from refinements to the funding system. The system should not result in long-term balance sheet financing difficulties for education or rising levels of debt within individual schools as a result of the way in which capital programmes are financed. The funding arrangements should seek to cushion schools from demographic, social and economic fluctuations, which might otherwise trigger avoidable or unnecessary changes to staffing, curriculum provision, admissions and school organisation.
 4. **Service quality** – the funding arrangements should provide the basis for delivering high-quality education provision which contributes to UK economic success, social stability and enables every child to fulfil their potential. The quality of education provision should be benchmarked against averages that obtain across other OECD countries. In addition to the role of national administrations, local authorities should have a critical role to play in helping to drive improvement within the sector. At the local level, the capacity of the local authority to pursue strategic interventions on financial matters (including supporting schools in financial difficulties, redistributing financial resources and

intervening where there is evidence of excessive unspent balances) should be recognised as critically important in helping to support high-quality service delivery for the benefit of all pupils.

5. **Democratic control and accountability** – the funding system for schools should be predicated on consultation and democratic involvement at supranational, national, local and institutional levels, including full recognition of school workforce trade unions. It should enable the effective engagement of school workforce trade unions in local and institutional collective bargaining. A social partnership mechanism, supporting the development and review of national, local and institutional funding arrangements, should be integral to the funding system. Decisions taken on expenditure should be transparent and accountable to the electorate, and should provide opportunities for open and effective scrutiny of the arrangements to take place. The system should provide for the regular review of how the public service ethos in education is being maintained, irrespective of any diversification of funding sources for the provision of school-based education.
6. **Efficiency-plus** – the arrangements for funding schools should support the best use of resources, particularly through arrangements for strategic planning of local provision, institutional collaboration, and the pooling of resources to meet locally identified educational needs. It should promote an efficiency-plus approach which provides a basis for service improvement, development and growth. There should be a recognition that increasing expenditure does not denote inefficiency, and that additional investment should be provided where the evidence points to the need for the same. The funding system for schools should ensure that schools have the resources they need, whilst allowing for local area and institutional contingencies to be addressed. The funding system should promote value for money and economies of scale through school collaborations and federations, recognising that the interests of pupils and the workforce may be better served by schools working together. The funding system should include mechanisms to prevent the inappropriate accumulation of unspent funds, whilst enabling funds available for schools to be directed where they are most needed. The centrality of local authorities in supporting delivery and the benefits they can provide in terms of greater economies of scale and intervention should be recognised fully within the funding system for schools.
7. **Supporting a high-quality workforce** – the funding arrangements should support the recruitment, retention and development of a world class school workforce. It should build on the DfES and Treasury review of effective measures in tackling the impact of child poverty on educational outcomes which has confirmed that teachers' salaries and the retention of experienced teachers are critical to raising educational standards for all children. The funding system should prioritise teacher recruitment, retention, development and rewards as critical components in delivering better outcomes for all children. The funding system, its operation and the levels of funding available to schools should enable teachers and headteachers to focus on their core responsibility for teaching and leading teaching and learning, whilst encouraging the best graduates to enter and remain in teaching. The administration of the funding system should not increase the burdens on headteachers or other teachers. It should contribute to developing and sustaining a remodelled school workforce where teachers are enabled to focus on their core role of teaching. It should ensure that local authorities maintain an appropriate level of capacity to support and respond to the needs of schools, pupils and the workforce.
8. **Delivery of realistic entitlements for learners** – the funding arrangements should guarantee learner entitlements, irrespective of the institution at which they are on roll. The funding mechanism should recognise and take account of the actual costs of providing a high-quality curriculum, recognising the specific cost implications associated with providing different types of educational opportunities or programmes and reflecting, too, the additional costs related to pupil deprivation, socioeconomic circumstances and school location/setting. The funding distribution mechanism should be based on a coherent and robust set of indicators relating to the needs of learners and schools.
9. **Equality of access and treatment** – the funding arrangements should facilitate fair and equitable access, support, conditions and opportunities for all pupils and the workforce, irrespective of context, location or type of school. It should not result in anomalies between schools where their needs, circumstances and the expectations upon them are the same.

10. **Comparability** – the funding system should promote the shared educational, social and economic interests of the UK. It should recognise the importance of national funding levels being comparable and commensurate. The funding arrangements should be supported by the provision of a common, basic set of robust, UK-comparable statistical and financial data relating to expenditure and outcomes within each national administration, and which should contribute to maintaining the integrity and coherence of the UK's public education service.

10. Equality Impact Statement

- 10.1 This report has arisen from concerns of teachers and headteachers about the climate of high stakes competition and marketisation which increasingly are requiring individuals and schools to demonstrate that they are delivering the same or better outcomes than others. This culture of performativity, and the climate of fear it generates, necessarily brings with it a deep-seated scepticism about whether each school is getting its fair share of the funding cake to enable it to compete on level terms with others. Whilst this report has not sought to rehearse fully these debates and concerns, it recognises that without a clear political and financial settlement for schools, any funding mechanism will continue to generate controversy.
- 10.2 Underpinning the NASUWT framework for school funding is the need to deliver secure educational entitlements for all children and young people and for the workforce in schools. A framework of common expectations and conditions for schools in the UK recognises that teaching and learning are in essence similar processes for teachers and pupils, wherever they are in the UK. However, the NASUWT school funding framework acknowledges and recognises, too, that different national contexts will give rise to particular sets of conditions and differentiated approaches. In this way, the apparently competing desires for equality and national difference are afforded the opportunity to coexist.
- 10.3 This report is founded on a fundamental commitment to the maintenance of the public service ethos, which is a cornerstone of social and economic equality within our society. For NASUWT, any system of school funding must demonstrate that it supports and advances the public service ethos and delivers entitlement, access, opportunity and improved outcomes for the benefit of all individuals, schools and the wider society.

A1 Total revenue funding (£) per pupil (England) (2004-05)

Local authority	2004-05	Local authority	2004-05
Barking and Dagenham	4,580	Halton	4,250
Barnet	4,370	Hammersmith and Fulham	5,930
Barnsley	3,920	Hampshire	3,680
Bath and NE Somerset	3,640	Haringey	5,330
Bedfordshire	3,860	Harrow	4,310
Bexley	4,000	Hartlepool	4,080
Birmingham	4,370	Havering	3,980
Blackburn and Darwen	4,290	Herefordshire	3,860
Blackpool	3,950	Hertfordshire	3,880
Bolton	3,840	Hillingdon	4,300
Bournemouth	3,680	Hounslow	4,710
Bracknell Forest	3,900	Isle of Wight	4,050
Bradford	4,200	Islington	5,970
Brent	5,090	Kensington and Chelsea	6,120
Brighton and Hove	4,100	Kent	3,970
Bristol City	4,050	Kingston upon Hull	4,140
Bromley	4,070	Kingston upon Thames	4,130
Buckinghamshire	3,920	Kirklees	3,950
Bury	3,740	Knowsley	4,510
Calderdale	3,910	Lambeth	6,040
Cambridgeshire	3,730	Lancashire	3,790
Camden	5,990	Leeds	3,940
Cheshire	3,640	Leicester	4,270
Cornwall	3,790	Leicestershire	3,540
Coventry	4,060	Lewisham	5,590
Croydon	4,350	Lincolnshire	3,830
Cumbria	3,850	Liverpool	4,490
Darlington	3,850	Luton	4,280
Derby	3,950	Manchester	4,680
Derbyshire	3,650	Medway	3,870
Devon	3,730	Merton	4,370
Doncaster	4,020	Middlesbrough	4,410
Dorset	3,690	Milton Keynes	4,070
Dudley	3,630	Newcastle upon Tyne	4,260
Durham	3,890	Newham	5,130
Ealing	4,830	Norfolk	3,830
East Riding of Yorkshire	3,660	NE Lincolnshire	3,900
East Sussex	3,950	North Lincolnshire	3,820
Enfield	4,530	North Somerset	3,670
Essex	3,920	North Tyneside	3,890
Gateshead	4,070	North Yorkshire	3,760
Gloucestershire	3,680	Northamptonshire	3,720
Greenwich	5,440	Northumberland	3,870
Hackney	6,160	Nottingham	4,450

Local authority	2004-05	Local authority	2004-05
Nottinghamshire	3,650	Stoke-on-Trent	4,090
Oldham	4,080	Suffolk	3,690
Oxfordshire	3,880	Sunderland	4,030
Peterborough	4,150	Surrey	3,820
Plymouth	3,810	Sutton	4,180
Poole	3,590	Swindon	3,660
Portsmouth	4,030	Tameside	3,860
Reading	4,270	Telford and Wrekin	3,830
Redbridge	4,230	Thurrock	4,170
Redcar and Cleveland	4,050	Torbay	3,750
Richmond upon Thames	3,940	Tower Hamlets	6,260
Rochdale	4,150	Trafford	3,700
Rotherham	3,950	Wakefield	3,730
Rutland	3,690	Walsall	3,890
Salford	4,170	Waltham Forest	4,880
Sandwell	4,110	Wandsworth	5,300
Sefton	3,930	Warrington	3,520
Sheffield	4,000	Warwickshire	3,710
Shropshire	3,770	West Berkshire	3,940
Slough	4,710	West Sussex	3,790
Solihull	3,620	Westminster	5,760
Somerset	3,710	Wigan	3,740
South Gloucestershire	3,550	Wiltshire	3,710
South Tyneside	4,160	Windsor and Maidenhead	4,010
Southampton	4,090	Wirral	4,040
Southend-on-Sea	4,030	Wokingham	3,760
Southwark	5,700	Wolverhampton	4,180
St Helens	4,010	Worcestershire	3,600
Staffordshire	3,580	York	3,600
Stockport	3,580	ENGLAND	4,020
Stockton-on-Tees	4,010	<i>(Source: DfES)</i>	

A2 Specific Revenue Grants (England) 2007-2008

	Value (£m)	Ring-fenced at school level	Devolved to schools or LA retained	Basis of allocation	Entitlement for all schools or targeted?
School Standards Grants					
<i>School Standards Grant</i>	1,060	No	Fully devolved	Formula	All
<i>School Standards Grant (Personalisation)</i>	365	No	Fully devolved	Formula	All
School Development Grant					
<i>Main School Development Grant</i>	1,450	No	Mainly devolved; some LA retention	Spend plus	All
<i>Post-LIG Funding</i>	148	No	Fully devolved	Formula	Targeted
<i>Specialist Schools</i>	350	No	Fully devolved	Formula following DfES designation	Targeted
<i>Leading Schools</i>	11	No	Fully devolved	DfES designation	Targeted
<i>Training School</i>	10	No	Fully devolved	DfES designation	Targeted
<i>City Learning Centres</i>	25	Yes	Some devolution; some LA retention	DfES designation	Targeted
Targeted Grants					
<i>Ethnic Minority Achievement Grant (EMAG)</i>	181	Yes	Mainly devolved; some LA retention	Formula	Targeted
<i>Targeted Improvement Grant</i>	5	No	Mainly devolved; some LA retention	Targeted	Targeted
<i>Extended Schools</i>	76	No	Mainly devolved; some LA retention	Formula	Targeted
<i>Targeted Support for Primary Strategy</i>	140	No	Mainly devolved; some LA retention	Formula	Targeted
<i>Targeted Support for Secondary Strategy</i>	105	No	Mainly devolved; some LA retention	Formula	Targeted
<i>Aimhigher</i>	30	No	Mainly devolved; some LA retention	Formula	Targeted
<i>Fresh Start and New Partnerships</i>	8	No	Mainly devolved; some LA retention	Targeted	Targeted
<i>Music at Key Stage 2</i>	23	No	Fully devolved	Formula	All schools with KS2 pupils

A3 Total gross revenue expenditure (£) per pupil in primary and secondary schools in Scotland (2004-05)

	Primary	Secondary
Aberdeen City	3,976	5,284
Aberdeenshire	3,613	5,386
Angus	3,593	5,553
Argyll & Bute	4,696	5,976
Clackmannanshire	3,478	4,746
Dumfries & Galloway	3,306	4,783
Dundee City	3,768	5,698
East Ayrshire	3,507	5,157
East Dunbartonshire	3,782	5,169
East Lothian	4,197	5,594
East Renfrewshire	3,794	4,987
	Primary	Secondary
Edinburgh, City of	4,183	5,582
Eilean Siar	7,375	8,853
Falkirk	3,437	5,850
Fife	4,215	5,794
Glasgow City	4,424	6,170
Highland	4,112	5,521
Inverclyde	3,679	5,013
Midlothian	3,780	5,722
Moray	3,474	4,847
North Ayrshire	3,975	5,379
North Lanarkshire	3,775	5,322
Orkney Islands	6,159	7,329
Perth & Kinross	4,047	5,339
Renfrewshire	3,859	5,182
Scottish Borders	3,635	4,989
Shetland Islands	6,241	9,852
South Ayrshire	4,016	5,520
South Lanarkshire	3,810	4,981
Stirling	3,420	5,235
West Dunbartonshire	4,118	5,770
West Lothian	3,680	5,208
SCOTLAND	3,855	5,428

(Source: Scottish Executive)

A4 Total revenue funding (£) per pupil (Wales) (2004-05)

	2004-05		2004-05
Isle of Anglesey	4,498	Vale of Glamorgan	3,806
Gwynedd	4,326	Cardiff	4,145
Conwy	4,194	Rhondda Cynon Taff	4,078
Denbighshire	3,824	Merthyr Tydfil	4,112
Flintshire	3,828	Caerphilly	4,049
Wrexham	4,099	Blaenau Gwent	4,437
Powys	4,367	Torfaen	3,863
Ceredigion	4,785	Monmouthshire	4,016
Pembrokeshire	4,269	Newport	4,035
Carmarthenshire	4,425	Wales	4,141
Swansea	4,206	Maximum	4,785
Neath Port Talbot	4,354	Minimum	3,806
Bridgend	3,931		

(Source: Welsh Assembly)

the largest union representing teachers and headteachers throughout the UK

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