

Scottish Government consultation - Fair Funding to Achieve Excellence and Equity in Education

Response from Audit Scotland on behalf of the Accounts Commission and the Auditor General for Scotland, 13 October 2017

1. Audit Scotland welcomes the opportunity to respond to the consultation paper.
2. The Accounts Commission published *School education* in June 2014, available [here](#), and *School education – Review and Impact* in October 2016, available [here](#). The focus of the audit was on how effectively and efficiently councils are using their resources to maximise pupil achievement in schools. The report includes a number of findings and recommendations that are relevant to the Scottish Government's consultation. The Accounts Commission and the Auditor General have published a number of reports highlighting the importance of good governance and clear accountability arrangements. This includes reports on *The role of boards*, available [here](#), on *Arms-Length External Organisations*, available [here](#), and on public bodies in different sectors, including *Scotland's colleges 2016*, available [here](#). We have drawn on the principles of good governance set out in these reports, and others, in our response.
3. Education policy is a matter for the Scottish Government, and we have not replied to questions in the consultation relating to policy matters. We have replied to the questions that are most relevant to the findings and recommendations in previous reports by the Accounts Commission and the Auditor General.
4. We will be carrying out an audit on educational attainment on behalf of the Accounts Commission and the Auditor General in 2019/20, and we will continue to monitor developments in relation to education until then.

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

5. Decisions on funding and the allocation of funding are a matter of policy. What we know from our audit work is that there is more than can be done by those responsible for providing education services to better understand how best to target resources to improve equity and outcomes and to understand what approaches and interventions can make most difference. The Accounts Commission's 2014 School Education report noted the importance of using data effectively to assess, monitor and measure performance, and to help target actions to improve outcomes. Access to robust and consistent data, and consistent use of data by those responsible for raising attainment, is vital.
6. The 2014 report looked at how councils are targeting their resources to support improvement and raise attainment. Most councils could provide examples of ways that they were targeting resources to raise attainment, but we found that they could make better use of performance information (such as pupil tracking and monitoring data) to help support decisions that have a financial impact, such as providing more staff to particular schools with low attainment levels. These principles of understanding local needs, understanding what makes most difference and targeting resources accordingly

apply irrespective of who is responsible for making decisions about the use of resources.

Question 6 - The Scottish Government's education governance reforms will empower headteachers to make more decisions about resources at their school. What support will headteachers require to enable them to fulfil these responsibilities effectively?

7. The Commission's 2014 report highlighted the importance of strong leadership in schools. There will need to be investment in further developing the quality of leadership in schools to ensure that headteachers have the skills and capacity to take on these additional responsibilities. The report highlighted the reductions in education staffing numbers between 2010 and 2013, with some of the largest reductions in business managers based in schools. Headteachers will need:
- support to help them analyse and use data and research evidence on how best to target their resources
 - training and support to deal with the accounting requirements and audit trail around the funding they will be responsible for, and to ensure they apply best practice in recruiting staff and costing this appropriately
 - appropriate training and dedicated support from others in the schools, council and/or regional improvement collaboratives to help them take on their new role while meeting their other commitments
 - opportunities to collaborate with other headteachers, councils and regional improvement collaboratives to explore where educational resources could potentially be shared to ensure economies of scale; such collaborations also provide opportunities to share examples of good practice
 - clearly defined roles and accountabilities, within clear governance arrangements, to enable them to fulfil these new responsibilities effectively. This includes clarity about any current areas of responsibility that will transfer to others. We comment on accountability arrangements further in response to the next question.

Question 7 - What factors should be taken into account in devising accountability and reporting measures to support greater responsibility for funding decisions at school level?

8. The principles of good governance and effective accountability arrangements are for individuals to have clearly defined functions, roles and reporting arrangements. The principles of openness, integrity and accountability are key to good governance. It should be clear:
- what headteachers are accountable for, in terms of both using and managing the funding and their other responsibilities, such as recruiting staff
 - what outcomes headteachers are expected to deliver
 - who they are accountable to
 - how this will be monitored and reported, with clarity about what will be reported, when and to who.

9. It will be essential that headteachers are held accountable for the resources allocated to them and the outcomes these resources deliver. There will need to be a clear audit trail on the use of public money as part of public accountability for this funding. Headteachers will be required to make best use of the funding, staffing and other resources available to them. They must be clear on how they plan to use these resources and the outcomes they are aiming to achieve, with regular monitoring against indicators of progress.
10. Moreover, an important part of councils' relationships with their communities are their statutory obligations to report their performance publicly. Under the Best Value duty, councils are required to make arrangements to report their performance to the public, and they are held to account by the Accounts Commission. In addition, the Accounts Commission directs councils as to what performance information they should publish in order that the public can gauge and compare their council's performance. It will need to be clear in any new arrangements if and how such responsibilities apply to headteachers.
11. The Code of Guidance on Funding External Bodies and Following the Public Pound, which has statutory backing, includes a set of requirements that apply to the decisions local authorities make about spending public money.¹ Such requirements are based upon the principles of openness, integrity and accountability that apply to councils in their decisions on spending public money, which are subject to public record and external audit. It is essential helpful to consider these principles in relation to schools and other public bodies using public money, regardless of their status. The requirements are that bodies with responsibility for spending public money should:
 - have a clear purpose, including aims and targets
 - establish a suitable financial regime, including accounting and auditing requirements
 - have arrangements so that those providing the funding can monitor the bodies' financial and service performance
 - consider local scrutiny arrangements and carefully consider who should sit on the board or equivalent
 - establish limits to the funders' involvement in the body and set out how such arrangements are reviewed
 - maintain audit access to support accountability.
12. The roles and responsibilities of everyone else involved in setting education policy and delivering services at a local and regional level must also be clear. This applies to local authorities, regional improvement collaboratives, and the planned new executive heads and cluster leaders. The Commission's 2014 school education report highlighted the important role of local elected members in scrutinising education services. Irrespective of the changes to education governance arrangements, there needs to be clarity about

¹ *Code of Guidance on Funding External Bodies and Following the Public Pound*, Accounts Commission and the Convention of Scottish Local Authorities (COSLA), 1996. Available [here](#).

what local scrutiny arrangements will be in place, what they will be responsible for scrutinising, and how these will operate in practice.

13. At a broader level, the Scottish Government needs to provide clarity about the status, responsibilities, governance and audit arrangements for regional improvement collaboratives, for example whether they are statutory bodies. There will also need to be clarity about how the changes to governance arrangements will be reflected in Parliamentary scrutiny and accountability.