

Financial flows in compulsory education in Europe

(diagrams for 2001)



COMPARATIVE OVERVIEW

1. To what extent are policies for financing and managing public resources for schools which provide compulsory education decentralised?

The diagrams reveal the extent to which the financing and management of resources for schools which provide compulsory education are decentralised.

Decentralisation of financing

The decentralisation of financing implies a downward shift of authority from the top-level or centre towards intermediate-level players corresponding to regional or local authorities. The intermediate players involved in financing resources for schools that provide compulsory education come to a decision regarding the amount of these resources and other forms of public expenditure and distribute the former among the schools concerned. In doing so, their room for manoeuvre depends on the regulations but, as pointed out above, this aspect is not a feature of the diagrams. In allocating amounts to schools, the area authorities generally make use of a global allocation from the central or top-level authorities for education, which is meant to cover a variety of public services, and their own resources such as taxes and other forms of income. In Romania, this has only been the case since September 2001. During 2000/2001, it was the sole country in which the

financing of compulsory education by the local authorities came solely from their local resources, thus ruling out the use of any levelling mechanism for more uniform nationwide distribution. It is this previous situation which is represented in the diagram.

In some countries, decentralisation is less clear-cut. Amounts of money for some categories of educational resources which the regional or local authorities receive from the central or top-level authorities for education are predetermined by the latter. The area authorities may then supplement these amounts from their own resources or be obliged to do so. This applies to the French Community of Belgium (in the case of education administered by the municipalities or provinces), Liechtenstein (in primary education) in the case of allocations for operational and capital resources, Germany for specific capital allocations and France in the case of allocations of school facilities and equipment for *collèges*.

In the five Nordic countries, the United Kingdom, Bulgaria, Lithuania and Poland, decentralisation of financing to the local authorities (and, in the case of Poland, the regional authorities as well) is very extensive, since they are in charge of funding school staff, operational and capital resources. The same applies to Hungary and Slovenia but, in these two countries, schools are also provided with funds for these resources from other public bodies.

The most widespread situation is one in which the financing of school capital and/or operational resources – and rather less frequently non-teaching staff resources – is decentralised, but that of the biggest

single item of school expenditure, namely teaching staff, is not. This applies to the French Community of Belgium (in the case of schools administered by the provinces and municipalities), Germany, Spain (in the case of primary education), France, Italy, Portugal (in the case of schools providing the first stage of *ensino básico*), primary education in Luxembourg (in which the local authorities also finance a share of teacher salaries), the Netherlands (solely for immovables), Austria (in the case of the *Volkschulen*, *Hauptschulen* and *Polytechnische Schulen*), Liechtenstein in the case of primary education, the Czech Republic, Estonia, Latvia and Romania

In a limited number of countries, namely Greece, Ireland in the case of the *vocational* schools and *community colleges*, and Slovakia, the financing of compulsory education is only decentralised in the sense that the regional and local authorities are responsible for distributing to schools allocations whose amounts are determined at the top level. Finally, the financing of resources is almost entirely the responsibility of the Community in the French Community of Belgium, in the case of schools administered by the Community authorities, and grant-aided private education, and in the Flemish Community of Belgium in the case of all schools. It is also highly centralised in Austria at federal government level (in the case of the *allgemeinbildende höhere Schulen*), Portugal (schools offering the second and third stages of *ensino básico*), Ireland (in the case of primary and some lower secondary education), Cyprus and Malta.

In contrast to the many instances in which the financing or distribution of school resources is decentralised, it should be noted that, in some countries, the central or top level of authority still transfers teaching materials (mainly school textbooks) in kind to schools, in the belief that they constitute a resource that should be reasonably uniform and consistent throughout the country as a whole. This applies to Greece, Austria (in the case of the *Volkschulen*, *Hauptschulen* and *Polytechnische Schulen*), Iceland, Bulgaria (in the first year of compulsory schooling), Lithuania, Romania and Slovakia.

Decentralisation of the acquisition of goods and services

Alongside the various ways in which financing is decentralised to area authorities, many countries delegate to schools the financial management of certain resources. In doing so, they grant schools significant managerial autonomy since, as a result, the latter are provided with amounts in cash covering one or several categories of resources. Using these sums of money, schools acquire goods and services. Where a cash allocation covers several categories of resources, the autonomy and responsibility of schools is that much greater, since they have to decide on the relative amounts earmarked for various budgetary headings.

In several countries, there is virtually no decentralisation of financial management to schools, as it is in most instances the responsibility of the local authorities. This is the situation in the French Community of Belgium (in schools administered by the municipalities and the provinces), Germany, France (in the case of primary education), Luxembourg, Austria (in the *Volkschulen*, *Hauptschulen* and *Polytechnische Schulen*), Portugal (in schools offering the first stage of

ensino básico), Iceland, Liechtenstein and Romania. It also applies to the Czech Republic and Slovakia, in the case of schools which have not yet acquired the status of a legal entity.

In countries which decentralise financial management to schools, operational resources and movables are, in most cases, the resource categories involved. Staff resources are not often decentralised and fixed capital resources (immovables) even less frequently so. The latter tendency is readily attributable to the fact that the forward planning of fixed capital investment is spread over several years.

The management of operational resources, in the strict sense, is decentralised in primary schools in Greece and the *vocational schools* and *community colleges* in Ireland.

Decentralisation extends to the management of capital goods (movables), and/or to the remuneration of some or all of the non-teaching staff in schools administered by the French Community in Belgium, all schools in the Flemish Community of Belgium, all schools in Spain, lower secondary education in France, Italian schools, the *allgemeinbildende höhere Schulen* in Austria, schools offering the second and third stages of *ensino básico* in Portugal, lower secondary education in Liechtenstein and in Latvian schools.

The management not only of operational resources and movables, but also of staff resources, is decentralised in primary schools in the Netherlands.

Decentralisation in the form of a global allocation to cover staff and operational resources in the broad sense exists in the Netherlands in lower secondary education, as well as in the United Kingdom and Poland.

The management of fixed capital assets (immovables) is less often a school responsibility. However, it applies to grant-aided private education in the French Community of Belgium, certain capital resources in schools in England (low-cost minor building or conversion, and building repair and maintenance), primary and *voluntary secondary schools* in Ireland, as well as Latvian schools and some schools in Poland (depending on the local authorities). Local authorities in the Netherlands may also delegate to secondary schools the financial management of external building maintenance. Capital allocations are not generally bracketed with other resources, except in Bulgaria, in which schools receive a single allocation covering expenditure on both the greater part of their operational resources and on capital, and in Hungary where the management of all resources, which are allocated globally, is decentralised.

Finally, decentralisation applies to the management of all resources in the case of schools which have the status of a legal entity in the Czech Republic and Slovakia, as well as schools in Slovenia. These establishments receive separate allocations for each category of resources, which are sometimes supplemented by the allocation of resources in kind.

It should be noted that, in the five Nordic countries and Lithuania, local authorities decide on whether and how the management of resources will be decentralised to schools. The pattern of decentralisation, therefore, is not the same for all schools in each of these countries. Decentralisation of the acquisition of goods and services in Denmark, Finland and Sweden may be relatively extensive. These variations appear in the diagrams.

2. How many bodies are involved in financing schools for compulsory education?

Bodies responsible for the public financing of schools for compulsory education may be considered in terms of their range and variety, for each country in turn. Indeed, it is of interest to examine whether an educational policy relies on many different bodies for the financing of compulsory education. The concern here is whether funding is unified or somewhat fragmented. This question is relevant to each country but also, within it, to each type of school for compulsory education associated with a particular method of funding (public-sector schools, grant-aided private schools, primary or lower secondary schools, schools which do/do not have the status of legal entities and so forth).

In some countries, there is no variation in the sources of public financing because this is the exclusive responsibility of a single public authority. This may apply to funding for which solely the central government or top-level authorities for education are responsible, as in the case of education administered by the French Community of Belgium and all schools in the Flemish Community of Belgium, Greece, Ireland, Luxembourg (in lower secondary education), Austria (in the *allgemeinbildende höhere Schulen*), Liechtenstein (in lower secondary education) and Slovakia. It may also be the case where the financing of all categories of resources is undertaken solely by the local authorities, as occurs in the Nordic countries, Bulgaria, Lithuania and Poland, although it should not be forgotten that the Finnish and Polish municipalities receive certain

predetermined central government allocations that they can supplement with their own income.

Where compulsory education is financed by several different bodies, the funding of teaching staff and/or non-teaching-staff resources, is in most cases assumed by the central or top-level authority for education, whereas operational and/or capital resources are allocated by the local authorities or other intermediate bodies. This applies to the vast majority of EU countries and a few pre-accession countries, namely the Czech Republic, Estonia, Latvia and Romania.

Alongside the most conventional model in which the financing of resources is shared by the central government and local authorities as explained above, it is worth noting that some categories of resources in some countries are financed from a variety of different public sources. Among the pre-accession countries, Slovenia is one in which teaching staff and non-teaching-staff resources, operational resources, movables and immovables are each financed both by the central government and the local authorities. In Hungary, much the same applies to movables and immovables and, among the EU countries, to immovables in Italy and Portugal (in schools offering the second and third stages of *ensino básico*).

3. What is the scale of private as compared to public financing?

In the majority of European countries, schools are able to seek non-public sources of financing. Their freedom in this respect is often governed by legislation but may still exist in the absence of any legal provision.

The few countries in which schools do not seek non-public sources of funding are the German-speaking Community of Belgium, Greece, Luxembourg, Iceland and Cyprus. In Denmark, Germany, Finland, Sweden, Norway, and Lithuania, their room for manoeuvre in this respect is determined by the local authorities. In Lithuania and Poland, the use of funds raised by schools from non-public sources is also determined by the local authorities. Schools in the Czech Republic and Slovakia have to have the status of legal entities in order to undertake fund-raising from non-public sources. In some countries, such as Denmark and Finland, there is scope for fund-raising by schools but this only rarely occurs in practice.

In most cases, opportunities for schools to raise money from non-public sources involve the organisation of events, fund-raising campaigns, donations and sponsorship. Rather less frequently, they may let out school property to third parties, provide services and engage in advertising. Less frequently still, schools may accumulate financial reserves, undertake investment, or raise loans as in the French Community of Belgium (in grant-aided private schools), the Flemish Community of Belgium, Spain, France (lower secondary education), Ireland, the Netherlands, Austria, Portugal (schools offering the second stage of *ensino básico*), the United Kingdom (England, Wales and Northern Ireland) and Bulgaria. Only in the Netherlands, the United Kingdom (England, Wales and Northern Ireland) for grant-aided private schools, and in Bulgaria, are schools allowed to sell assets.

Where schools are able to raise non-public sources of funding, they may generally use the money obtained to acquire operational goods and services (teaching and other equipment and materials) and movables, and to carry out extracurricular activities. Funding from private

sources is less frequently used for expenditure on staff. This may nonetheless occur in Italy, the Netherlands and the United Kingdom (England, Wales and Northern Ireland) and in several pre-accession countries, namely the Czech Republic, Lithuania, Hungary, Poland and Romania. As to the use of private sources of funding to finance fixed capital expenditure, this applies to grant-aided private schools in the French Community of Belgium, all schools in the Flemish Community of Belgium, public-sector schools in Italy, public-sector and private grant-aided schools in the United Kingdom. Among the pre-accession countries, public-sector schools in the Czech Republic, Hungary and Slovenia are in the same situation.

The budget that schools can draw up on the basis of privately obtained funds is generally distinct from the one based on allocations from the public authorities. However, grant-aided private schools in the French Community of Belgium, and all schools in Spain, Italy, the Netherlands, the United Kingdom (England, Wales and Northern Ireland), Latvia, Hungary and Romania may combine funds from non-public sources with allocations they receive from the public authorities and earmark them for most categories of resources which they can manage autonomously. Finally, in the French Community of Belgium (in schools administered by the municipalities and provinces), Austria and United Kingdom (Wales, Northern Ireland and Scotland), schools may also use money obtained from non-public sources of funding to purchase goods and services they are unable to acquire from their public-sector allocations.

4. How is information and communication technology in schools financed in the various countries?

Some diagrams contain information on the financing of information and communication technology (ICT) in compulsory education. They thus indicate which countries earmark funding specifically for ICT, rather than funding it from one of the other main school resource categories.

In some pre-accession countries (Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia), ICT receives funding in its own right. Although the financing of operational and capital resources, and sometimes staff resources, in these countries is in most cases decentralised to intermediate level, while the resources themselves are either managed at this level or by schools, their ICT resources are funded by special central government allocations which may or may not reach schools via intermediate authorities. In the United Kingdom, ICT is financed through schools' delegated budget which also covers other main categories of resources. However, additional specific funding is made available in England through the *Standards Fund*, in Wales through *GEST*, and in Scotland through the *Excellence Fund*. Another source of funding for ICT in England, Wales and Northern Ireland is the *New Opportunities Fund* provided by the National Lottery.

In Lithuania, Hungary, Poland in the case of the newly established *gimnazja*⁽⁴⁾ and Slovenia, in all of which funding is largely decentralised, ICT resources are

(4) The *gimnazja* are new schools introduced in 1999/2000 which offer three years of lower secondary education from the ages of 13 to 16.

allocated directly by the government to schools. Allocations are in kind, except in Lithuania. And in Slovenia, they only correspond to some school ICT resources.

Throughout the United Kingdom, except for some categories of school in Northern Ireland which are funded directly by the Department of Education, specific allocations for ICT are in cash and reach schools via the local authorities.

In Latvia, the central authorities allocate ICT resources to the municipalities from which they are transferred to schools in kind, while the municipalities also draw on their own budget to award ICT resources to schools.

In the case of some schools in Slovakia, ICT resources are allocated directly in kind by the government, whereas the remainder receive theirs via the intermediate bodies responsible for acquiring them.

5. What have been recent or on-going trends in the financing of compulsory education?

In the last 30-40 years, a very sizeable majority of EU and EFTA/EEA countries have taken steps to reform their methods of financing and awarding resources in compulsory education. In most cases, changes in this respect have reflected decentralisation towards local authorities or schools. However, in the last few years as such, it is clear that methods of financing and managing resources have changed little overall. A limited number of countries are experiencing changes: in the Netherlands, Portugal, the United Kingdom (England

and Wales), some schools have been granted greater autonomy in the area of financial management.

In recent years, it has become possible for municipalities in the Netherlands to delegate to secondary schools expenditure associated with the external maintenance of buildings.

In England and Wales, funding for building maintenance and repairs is now managed by schools. In addition, all schools in England now receive a *Formula Capital Grant* based on pupil numbers which can be used on small capital projects or can be saved to fund future larger scale works. Furthermore, schools in England are being encouraged to initiate and manage capital works through the *Seed Challenge Grants* provided by the DfEE via *local education authorities* (LEAs). Schools may apply to the LEA for money from these grants provided that they meet a percentage of the expenditure from their own funds.

In Portugal, the status of schools offering the first stage of *ensino básico* is currently being amended to give them some degree of financial autonomy. This has no bearing whatever on their autonomy as regards public financing (since the schools concerned administer none of their public resources), but it enables them to raise and use money obtained from private sources. At present, 65 % of schools offering the first stage of *ensino básico* are completing the formalities necessary to secure this kind of administrative autonomy which is likely to be extended to all of them in due course.

During the 1990s, methods of awarding and managing resources for compulsory education underwent major changes in most pre-accession countries, reflecting two distinct trends. The first corresponded to decentralisation of the funding of some or all categories of educational resources to local or regional authorities. This applied in particular to Hungary (1990), the Czech Republic and Slovakia⁽⁵⁾, Poland (1990 in the case of primary education and 1999 in the case of lower secondary education) and Romania (1999).

The second trend to emerge concerns managerial autonomy which has been granted in the last ten years to schools in Bulgaria (in the form of a pilot project launched in 1998), in the Czech Republic (an ongoing development), Slovenia (1996), Slovakia (an ongoing development) and Malta (1995/96). Transfers of responsibility to schools from either the central government or local authorities may be involved.

In two pre-accession countries, the Czech Republic and Slovakia, these moves to increase the autonomy of schools are part of a process to change their status. Some of them have already been granted a form of legal status under which they can themselves administer their expenditure on the basis of a variety of allocations and, in the case of the Czech Republic, engage in fund-raising. Schools with no legal status receive all their resources in kind.

⁽⁵⁾ In the Czech Republic and Slovakia, the transfer of responsibilities was more marked between administrative divisions of their ministries. However, the most recent reform in the Czech Republic is seeking to transfer responsibility for funding to the autonomous regional authorities. The regions concerned were formally established in 1997 and were entrusted with regional autonomy, carrying with it financial responsibility, on 1 January 2001.