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Y Gweinidig Addysg  
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Llywodraeth Cymru  
Welsh Government

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Lynne Neagle ACChair  
Children, Young People and Education Committee

18 December 2018

Dear Lynne

Thank you for your letter dated 23 October outlining the launch of the school funding inquiry.

Your letter raised a number of specific questions in relation to your inquiry, which I have addressed below:

**Your assessment and views on the sufficiency of school budgets and the extent to which the current level of provision supports the delivery of the Welsh Government's education priorities and objectives**

Despite the UK Government's continued austerity programme and continuing real terms reductions to the budget for Wales, we have taken action to safeguard Local Authorities and front line school services.

On 20 November, we were able to announce a package of additional funding proposals worth a total of £141.5m over three years for local government, which will be included in the final Budget. In relation to schools, this includes an extra £15m over two years (£7.5m in 2018-19 and 2019-20) to help local authorities meet the cost pressures in schools, including implementing the teachers' pay award.

Whilst the settlement is the largest single source of funding available to local government for schools, it is not the only source of funding we provide. We also provide significant grant funding to support improved outcomes for learners, through the Pupil Development Grant; the Regional Consortia School Improvement Grant, which includes the Education Improvement Grant (EIG) for Schools; and our support to Local Authorities for small and rural schools and reducing class sizes .

Last month I announced as part of the National Approach to Professional Learning (NAPL), an additional £9 million investment in this financial year, increasing to £15 million next financial year for professional learning to give schools the time and resources they need to plan ahead for the new curriculum. This represents the single biggest investment in support for teachers in Wales since devolution.

**How the requirements of education services and specifically schools are considered within the total settlement given to local authorities and its allocation amongst local authorities**

The local government settlement is unhypothecated meaning that it is up to authorities how they spend this funding according to local needs and priorities. The settlement funding formula takes account of the relative need for authorities to spend across all services, given the amount of funding available for distribution and the relative ability of authorities to raise income locally, through council tax.

The settlement formula makes an assessment of authorities' relative need to spend by calculating 'Standard Spending Assessments' (SSAs) across notional service areas known as Indicator Based Assessments (IBAs). The Wales total for each of these IBAs is set by looking at the total amount of funding available, adding an assumed element of council tax income and then apportioning across the notional services by using local authorities' budgeted and actual spend data, at a Wales level.

Each IBA is then distributed across the 22 authorities using formulae developed and agreed with local government through the Partnership Council for Wales and its Sub Groups. Within the system, there exists the potential to make significant changes to the funding formula, but this must be done with the collective buy-in from local government, through the partnership arrangements in place.

The IBAs for education services distribute funding primarily on pupil numbers, but also take account of the differing needs of authorities by including indicators of deprivation and population sparsity.

Once the allocation of each IBA across all authorities has been calculated, these are then added up and the council tax assumptions reversed out to provide a single amount for each authority, known as Aggregate External Finance, which does not lend itself to being broken down into elements for different services.

It is important to note that SSAs are not spending targets - local authorities determine how they spend this funding along with other income from specific grants, council tax and other income from sales, fees and charges. Local Authorities are entirely responsible for determining how much funding is allocated to each individual school, and in line with their statutory function to provide appropriate education provision for all learners in Wales. Each Local Authority sets its own formula for funding schools in consultation with schools through their schools budget forum, and in line with the legislative framework provided by the *School Funding (Wales) Regulations 2010*.

Further information on the local government settlement funding formula can be found in the Green Book at the following link:

<https://gov.wales/topics/localgovernment/finandfunding/settlement/lg-settlement-2018-19/green-book-2018-19/?lang=en>

### **How the Welsh Government monitors the priority local authorities give to education and school budgets within their overall budget, including levels of delegated funding to schools and any monitoring of budgeted expenditure against Standard Spending Assessments and Indicator Based Assessments**

Standard Spending Assessments are the mechanism by which local government settlement funding is distributed. They are made up of notional service areas, which aim to model relative need to spend across all authorities and across all services, given the amount of funding available and making assumptions around authorities' relative ability to raise income locally through council tax. They are by no means spending targets and should not be treated as such by either local or central government.

Welsh Government publishes all the data on local government expenditure including schools in our statistical releases. We also list the education net revenue expenditure next to the education IBA in the schools release.

### **The Welsh Government's oversight of the formulae local authorities use for allocating delegated budgets to individual schools under the School Funding (Wales) Regulations 2010.**

The Welsh Government provides funding to Local Authorities for pre-16 provision in schools mainly through the Local Government Revenue Settlement in the form of the Revenue Support Grant (RSG). The RSG is not ring fenced; the funding allocated to each Authority is available to the Authority to spend as it sees fit on the range of services for which it is responsible, including schools. This is in line with the Welsh Government's policy that Local Authorities are best placed to judge local needs and circumstances and to fund schools accordingly; they are accountable to their electorates for the decisions they make.

In terms of school funding, Local Authorities make the decisions about where schools are, their size and where children are admitted. They oversee the whole system in their area and so it makes sense that they also decide how their schools are funded. Once the RSG has been distributed to local authorities, it is the responsibility of individual authorities to set budgets for their schools which are determined by a local funding formula.

### ***The School Funding (Wales) Regulations 2010***

The School Funding (Wales) Regulations 2010 provide the framework within which Local Authorities set their funding for schools. The Regulations ensure consistency with the requirement for 70% of schools budgets to be set based on pupil numbers. Local Authorities have discretion to distribute the remaining 30% on the basis of a range of factors so that they can take account of individual school circumstances. Local authorities must consult their schools budget forums and all schools in their area when setting a funding formula.

Additional factors or criteria such as the size and condition of buildings and grounds, rates, cleaning, school meals and milk, salaries, a school which has a split site, special educational needs of learners, and so on, may also be taken into account in the Local Authority formula. This can affect the amount of funding that each individual school receives. Further information on these additional factors can be found under regulation 18, Schedule 3 of the School Funding Regulations (Wales) 2010, which can be accessed from the following link: <http://www.legislation.gov.uk/wsi/2010/824/contents/made>

### ***Fair Funding/National Funding Formula***

Any national funding formula will inevitably put some resources where they are needed less, and challenge the democratic process which allows for local expertise and knowledge to determine appropriate funding for local needs. It is essential to ensure that resources are targeted where they are most needed, and that authorities work closely with schools to ensure that the investment leads to real improvements in the quality of education received by pupils.

### ***Age Weighted Pupil Unit (AWPU)***

The AWPU is the rate Local Authorities set to allocate basic entitlement funding for pre-16 pupils in mainstream schools. This is a compulsory factor in the LA funding formula for schools and is not dealt with by Welsh Government. LAs can change their AWPU weighting for a particular year or year group to increase or decrease the financial weighting on that year or year group.

A degree of variation in Local Authorities approach to funding schools is to be expected due to the variations in their school estates and demographic needs as well as to the responsibilities which LAs delegate to schools.

### ***Average per pupil funding figure***

In terms of the statistics we publish, the average per pupil funding figure is a statistical tool to help aid understanding of authorities' relative spend on education overall. It is not a reflection of what schools actually receive or should receive in their delegated budgets. They are calculated by dividing the overall school budget by pupil numbers. It only includes money that has been passed to the school. Some budget is retained by the local authority to fund services that are provided centrally, such as school transport. The share of the budget retained by each local authority is different across Wales and therefore a comparison with a Welsh average would not be appropriate.

### **A summary of the formulae used by each local authority, if the Welsh Government holds this information (note that the Committee has written to each local authority requesting details of this)**

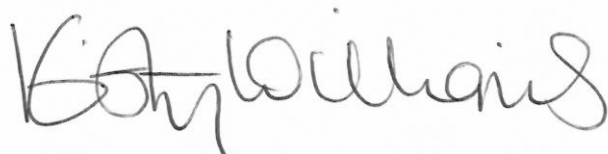
Section 52 of the School Standards and Framework Act 1998 requires each Local Education Authority (LEA) to prepare a budget statement containing information on its planned expenditure on maintained schools.

### **A summary of key policy developments affecting the way schools are funded since the work of the Second Assembly's Committee on School Funding, published in 2006, including outcomes from the 'Bramley Review'.**

The Enterprise and Learning Committee published a report into school funding in 2008, and a further follow up report in 2009.

Since then, Welsh Government introduced a National Model for Regional Working. The main grant received by regional consortia to support school improvement is the Education Improvement Grant (EIG). The EIG was introduced in April 2015 following a programme of grant rationalisation within school improvement. The EIG has now been further amalgamated into the Regional Consortia School Improvement Grant which brings together all other grants, 22 in total, down to just two.

I hope this information is helpful to the Committee.



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