

# School Funding in Wales

## Research Briefing

August 2018



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## 1. Introduction

During the Fourth and Fifth Assemblies (2011 onwards), the Welsh Government has sought to protect funding for schools in successive budget setting rounds. In 2018-19, it provided funding aimed at maintaining local government funding for schools budgets at existing levels, avoiding potential reductions.

In Wales, maintained (ie state funded rather than independent/private) schools are funded via local authorities, which receive the majority of their funding through the Welsh Government's annual local government budget. In addition to its approach of seeking to protect school budgets within the local government settlement, the Welsh Government has pledged an additional £100 million from the Department for Education budget in the Fifth Assembly for raising school standards.

In 2018-19, local authorities have budgeted £2.566 billion for expenditure on schools. This paper explains the way in which schools in Wales are funded, including the process for allocating money to individual schools and expenditure on school services that are centrally provided by local authorities. It includes all-Wales and local authority-level data on levels of school funding.

This Research Briefing also provides data on the levels of schools' reserves as well as providing some policy context to the extent to which school budgets have been protected in Wales.

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## 2. Process for setting school budgets

The large majority of funding for pre-16 provision<sup>1</sup> in maintained schools comes from local authorities, which in turn receive the majority of their funding through the annual local government settlement, set by the Welsh Government.

There are several stages to the process for setting school budgets.

- Firstly, the Welsh Government provides each local authority with its **Revenue Support Grant**. Together with its redistributed Non-domestic rates allocation, this makes up a local authority's Aggregate External Finance (AEF).<sup>2</sup> Each local authority uses this plus the money it raises from council tax to fund the range of services it provides, including education.
- Secondly, local authorities set **three tiers of education budget**, one of which is the money that is given directly (delegated) to schools.
- Thirdly, the local authority sets the **individual budget for each school** it maintains.

A school's headteacher and governing body are responsible for organising how the school spends its individual budget.

On top of the budget each school receives from their local authority, the Welsh Government uses a number of funding streams from its education budget to support the implementation of certain policies and priorities or target additional funding. These are often in the form of specific grants, such as the Education Improvement Grant and the Pupil Development Grant.

### 2.1. Local Government Settlement

The Revenue Support Grant (RSG) is allocated by the Welsh Government to local authorities to deliver the services for which they are responsible. The other main sources of funding for local authority budgets are council tax income and non-domestic rates income.

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1 Funding for post-16 provision in schools is by specific grant from the Welsh Government. See the Research Service's **A quick guide to post-16 education funding** (April 2018) for more information.

2 Non-domestic rates revenue is raised locally, amalgamated centrally by the Welsh Government then redistributed to local authorities. Together with the RSG, it makes up a local authority's Aggregate External Finance (AEF).

The amount of RSG each local authority in Wales receives is announced annually in the **Local Government Settlement**, using a commonly agreed formula. This, along with redistributed non-domestic rates revenue makes up the Aggregate External Finance (AEF).

The AEF is **un-hypothecated**, meaning that, whilst funding is provided by the Welsh Government, it does not direct its usage and local authorities have discretion over its allocation. In 2018-19, the Welsh Government has given local authorities a total of £4.214 billion of un-hypothecated funding through the AEF. This is a **0.2% increase** (£9 million) from 2017-18, after adjusting for transfers into the settlement. It is a **1.3% decrease in real terms**.<sup>3</sup>

### Standard Spending Assessments

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Alongside the financial allocations to local authorities, the Welsh Government details within the annual local government settlement information a Standard Spending Assessment (SSA) for each local authority. This is the Welsh Government's notional calculation of what each local authority needs to provide a standard level of service.

Whilst the AEF is un-hypothecated, the Welsh Government breaks down the SSA by services through **Indicator-Based Assessments (IBA)**. These calculations represent a **notional breakdown** of the money each local authority needs to spend to provide a standard level of service in each sector.<sup>4</sup> The education IBAs within the local government settlement are divided between the two sectors 'School services' and 'Other education'.

The Welsh Government says **IBAs and SSAs are not spending targets** and it is for each local authority to determine its own spending priorities from its overall AEF allocation and what it can raise from council tax.<sup>5</sup>

Details of the calculations used for the local government settlement are recorded in the Welsh Government's **Green Book**, which is published following the settlement information.

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3 At 2017-18 prices, using **HM Treasury GDP deflators** (June 2018)

4 See Tables 4c and 4d within the **Local Government Settlement information** published by the Welsh Government.

5 Welsh Government website, **Standard Spending Assessments** [accessed July 2018]

## Specific grants

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Although the vast majority of local government revenue funding is un-hypothecated, there remain some specific grants<sup>6</sup> which the Welsh Government pays to local authorities for a specific purpose. These have reduced in number over recent years following calls from the Welsh Local Government Association (WLGA) for less hypothecation of funding. This was particularly the case in 2018-19 when the Welsh Government 're-prioritised' several local authority grant streams to finance the protection of provision for school budgets and social care within the un-hypothecated settlement (discussed further in section 5.3 of this paper).

## 2.2. Local authorities' education budgets

Following receipt of their settlement allocation from the Welsh Government, local authorities set budgets for the services for which they are responsible, including education, according to **local needs and priorities**.

Under the provisions of the ***School Standards and Framework Act 1998***, the Welsh Government determines the legal framework within which local authorities allocate their education expenditure to schools. This framework is set out in the ***School Funding (Wales) Regulations 2010***, as amended. The regulations require local authorities to allocate expenditure to the following **three budgets**, the first two of which are retained and administered centrally by local authorities:

- The **Local Authority Education Budget**<sup>7</sup> is for a local authority's central functions relating to education. This includes expenditure on schools, for example certain types of Additional Learning Needs (ALN) provision, school improvement, school transport and strategic management. These elements are included in the school expenditure referred to in Tables 1-3 in chapter 3 of this paper. However, the local authority education budget also includes other education expenditure such as further education and training for young persons and adults, college transport, youth services and non-school strategic management.

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6 These grants are listed in Table 9 of the ***Local Government Settlement information*** on the Welsh Government's website and include both the Pupil Development Grant and the Education Improvement Grant.

7 The actual term in legislation is 'Non-schools Education Budget', as it refers to funding that is not delegated directly to schools. However, it is commonly known as the Local Authority Budget and was formerly called the LEA Budget. The term 'local authority' has been used instead of 'local education authority' in Wales since May 2010.

- The **Schools Budget** covers expenditure which is directly aimed at supporting schools. It comprises expenditure on services for which the local authority may retain funding centrally, for example other types of ALN provision and provision of school meals and milk.
- The amount of expenditure retained centrally by the local authority is deducted from the Schools Budget and the remainder makes up the **Individual Schools Budget (ISB)**, ie funding delegated to schools. There are also some grants delegated to schools such as the Pupil Development Grant. This funding on top of the ISB makes up schools' delegated budgets. The proportion of gross budgeted expenditure on schools that comprises delegated school budgets is known as the 'delegation rate'.

### 2.3. Individual Schools Budget (ISB)

The *School Funding (Wales) Regulations 2010* specify that the ISB must be allocated amongst schools maintained by the authority in the form of budget shares, using a locally determined funding formula. The regulations require that **70 per cent of the funding must be distributed on the basis of pupil numbers**. In their formula, local authorities may weight pupil numbers according to any or all of the following factors:

- age, including weighting according to key stage or year group;
- whether a pupil is provided with nursery education by a school;
- in the case of pupils under five, their exact age when admitted to school;
- in the case of pupils aged under five, hours of attendance;
- Special Educational Needs / Additional Learning Needs;
- whether a pupil at a school is also attending an institution within the Further Education sector;
- whether a pupil is being educated through the medium of Welsh.

Local authorities have **discretion to distribute the remaining 30 per cent** of funding on the basis of a range of factors in the regulations, eg the size and condition of buildings and grounds, rates, utility costs, cleaning, and salaries etc.

The ***Schools Forum (Wales) Regulations 2003*** require every local authority to have a local schools forum (also known as a **schools budget forum**). Local authorities are required to consult their schools forum annually on matters relating to their Schools Budget and changes to their Scheme for Financing Schools (see below). They can also consult their forums on other matters concerning the funding of schools, for example the financial implications of arrangements for free school meals, arrangements for insurance and arrangements for the use of pupil referral units and the education of children otherwise than at school.

Each local authority must have a **Scheme for Financing Schools** which sets out the financial relationship between the authority and the schools within its area. It contains requirements relating to financial management and associated issues and may specify where responsibilities on certain issues lie. The scheme should state the responsibilities of the head teacher and governing body in respect of the annual budget plan. The first formal budget plan of each financial year must be approved by the governing body. The Welsh Government issued ***Supplementary guidance on schemes for financing schools*** in 2002.

## 3. School funding levels in 2018-19

The Welsh Government publishes annual statistics on the amount of money local authorities allocate to expenditure on schools. The latest edition, ***Local authority budgeted expenditure on schools 2018-19***, was released on 5 July 2018.

These statistics are available as total figures as well as per pupil figures. The statistics also contain details of the 'Delegation rate', which is the proportion of gross budgeted expenditure on schools that local authorities gives directly to schools themselves.

### 3.1. Gross budgeted expenditure

Table 1 shows how much local authorities have allocated for expenditure on schools in recent years.

- In financial year 2018-19, **£2.566 billion** gross is budgeted by local authorities for expenditure on schools.
- The 2018-19 level is **0.9% higher than in 2017-18**.
- Gross budgeted expenditure fell in 2015-16 before rising again, surpassing the 2014-15 level in 2017-18 and rising further in 2018-19.
- Between 2010-11 and 2018-19, gross budgeted expenditure on schools has **risen by 4.4% (£108 million)** (cash terms). This is a 7.9 % decrease in real terms. (At 2017-18 prices, using **HM Treasury GDP deflators**, June 2018.)

**Table 1: All-Wales local authority gross budgeted expenditure on schools**

£ Billion	
<b>Gross Budgeted Expenditure on schools</b>	
<b>2018-19</b>	2.566
<b>2017-18</b>	2.543
<b>2016-17</b>	2.519
<b>2015-16</b>	2.496
<b>2014-15</b>	2.528
<b>2013-14</b>	2.519
<b>2012-13</b>	2.495
<b>2011-12</b>	2.470
<b>2010-11</b>	2.458

**Source:** Welsh Government, Statistical Bulletin: [Local authority budgeted expenditure on schools](#) (several annual editions)

**Notes:**

1. Covers all elements of local authority spending that relate to school provision, ie the school budget (including the ISB) plus the elements of the local authority education budget that relate to schools: ALN provision; school improvement; access to education; school transport; strategic management of schools; and other expenditure. The figures include the cost of educating pupils with statements of special educational needs who are educated out of county.
2. Figures are on a 'gross' basis, ie including funding from all sources.
3. Data for 2010-11, 2011-12 and 2013-14 was revised by the Welsh Government in the following year's statistical release. The figures in this table are the latest, revised data.
4. The 2015-16 figure and figures for previous years are not wholly comparable due to the movement of Flying Start expenditure from Education to Social Services in 2015-16. For example, the percentage change between 2014-15 and 2015-16 was a 1.3% decrease but was a 1.0% decrease when the 2014-15 amount is adjusted to remove Flying Start expenditure.

As stated in chapter 2, there are three tiers of budget which local authorities allocate education expenditure to. The Welsh Government publishes data on [StatsWales](#)<sup>8</sup> giving the following breakdown in 2018-19:

- The **Local Authority Education Budget** (elements relating to schools): £248 million [Note there is also £59 million budgeted for non-school expenditure such as further education and training, and youth services.]
- The **Schools budget** (minus the ISB): £158 million
- **Delegated budgets for schools:** £2.160 billion. This consists of the £1.941 billion **Individual Schools Budget (ISB)**, which represents schools' core funding, and £219 million non-ISB funding delegated to schools, which is made up of various grants including the Pupil Development Grant.

Annex A to this briefing paper contains a table showing how these totals have been arrived at.

Table 2 shows how much local authorities have allocated for expenditure on schools on a per pupil basis.

- In 2018-19, **£5,675** is budgeted **per pupil**.
- The 2018-19 level is **0.8% higher than 2017-18**.
- The per pupil amount allocated by local authorities in 2018-19 is £266 (4.9%) **higher than 2010-11** (cash terms). This is a 7.5% decrease in real terms. (At 2017-18 prices, using [HM Treasury GDP deflators](#), June 2018.)
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8 [Welsh Government, StatsWales, Budgeted education revenue expenditure by authority and service and Delegated School Budgets by sector](#) [accessed August 2018]

**Table 2: All-Wales per pupil local authority gross budgeted expenditure on schools**

£	
<b>Per Pupil Gross Budgeted Expenditure on schools</b>	
<b>2018-19</b>	5,675
<b>2017-18</b>	5,628
<b>2016-17</b>	5,570
<b>2015-16</b>	5,526
<b>2014-15</b>	5,607
<b>2013-14</b>	5,594
<b>2012-13</b>	5,520
<b>2011-12</b>	5,451
<b>2010-11</b>	5,409

**Source:** Welsh Government, Statistical Bulletin: [Local authority budgeted expenditure on schools](#) (several annual editions)

**Notes:**

1. Covers all elements of local authority spending that relate to school provision, ie the school budget (including the ISB) plus the elements of the local authority education budget that relate to schools: ALN provision; school improvement; access to education; school transport; strategic management of schools; and other expenditure. The figures include the cost of educating pupils with statements of special educational needs who are educated out of county.
2. Figures are on a 'gross' basis, i.e. including funding from all sources.
3. Data for 2010-11, 2011-12 and 2013-14 was revised by the Welsh Government in the following year's statistical release. The figures in this table are the latest, revised data.
4. The 2015-16 figure and figures for previous years are not wholly comparable due to the movement of Flying Start expenditure from Education to Social Services in 2015-16.

### 3.2. Delegated expenditure

The delegation rate represents the proportion of gross budgeted expenditure which comprises schools' delegated budgets, ie money which is provided to schools themselves, rather than retained centrally by the local authority.

In 2018-19, on average across Wales, **84.2%** of local authorities' gross schools budgeted expenditure is delegated to schools themselves. This is unchanged from 84.2% in 2015-16 and an increase from 75.0% in 2010-11.

In 2012, local government committed to a target set them by the Welsh Government to delegate 85% of all school funding directly to schools by 2014-15. Table 3 shows the rise in delegation rates over recent years.

**Table 3: All-Wales proportion of gross budgeted schools expenditure delegated to schools (delegation rate)**

Delegation rate	
<b>2018-19</b>	84.2%
<b>2017-18</b>	84.2%
<b>2016-17</b>	84.3%
<b>2015-16</b>	83.8%
<b>2014-15</b>	82.9%
<b>2013-14</b>	82.3%
<b>2012-13</b>	81.0%
<b>2011-12</b>	76.2%
<b>2010-11</b>	75.0%

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**Source:** Welsh Government, Statistical Bulletin: [Local authority budgeted expenditure on schools](#) (several annual editions)

**Notes:**

1. The delegation rate is calculated by dividing the amounts delegated to schools by the gross schools budgeted expenditure.
2. Delegation rates will vary based on the services provided centrally by local authorities. The statistical bulletin gives the delegation rate for each local authority.
3. Gross budgeted expenditure data for 2010-11, 2011-12 and 2013-14 was revised by the Welsh Government in the following year's statistical release. However, the data for the delegation rates was not revised. The delegation rates shown in this table for 2010-11, 2011-12 and 2013-14 are those published in the Original year's statistical release.

Whilst it has reduced over recent years as a proportion of total expenditure on schools, a substantial amount of school funding is still held and spent centrally by local authorities; £407 million in 2018-19 (15.8% of the total £2.566 billion budgeted). Local authorities decide some services, for example home to school transport and some Additional Learning Needs provision, are best provided centrally by themselves for reasons of efficiency, economies of scale or because they are specialised or essentially central services. These are listed in the table in Annex A.

### 3.3. Local authority-level data

The data the Welsh Government provides in the annual statistical release and on StatsWales is broken down by local authority. This is presented below in Table 4.

**Table 4: Local authority gross budgeted expenditure on schools and delegation rate**

	2016-17			2017-18		
	Gross (£Million)	Per Pupil (£)	Delegation Rate (%)	Gross (£Million)	Per Pupil (£)	Delegation Rate (%)
<b>Isle of Anglesey</b>	56.475	6,077	83.1	55.666	5,923	83.1
<b>Gwynedd</b>	97.898	5,947	83.4	99.154	6,015	83.0
<b>Conwy</b>	92.167	5,960	84.8	90.928	5,903	84.3
<b>Denbighshire</b>	86.799	5,713	86.0	90.209	5,948	85.1
<b>Flintshire</b>	119.971	5,252	86.0	120.889	5,326	86.3
<b>Wrexham</b>	102.769	5,460	84.8	102.617	5,444	86.7
<b>Powys</b>	104.989	5,933	78.0	105.239	6,153	76.8
<b>Ceredigion</b>	59.580	6,349	78.0	59.380	6,382	78.7
<b>Pembrokeshire</b>	99.012	5,760	85.8	96.423	5,667	85.4
<b>Carmarthenshire</b>	151.837	5,637	83.4	152.016	5,650	82.9
<b>Swansea</b>	176.409	5,126	84.8	184.200	5,346	83.7
<b>Neath Port Talbot</b>	111.906	5,674	81.0	113.722	5,756	80.2
<b>Bridgend</b>	120.281	5,240	85.5	121.842	5,332	84.7
<b>Vale of Glamorgan</b>	109.105	5,051	87.2	109.913	5,022	88.2
<b>Cardiff</b>	288.422	5,604	88.2	295.025	5,685	89.3
<b>Rhondda Cynon Taf</b>	215.010	5,585	82.8	217.515	5,716	82.5
<b>Merthyr Tydfil</b>	48.879	5,723	86.1	50.322	5,811	87.0
<b>Caerphilly</b>	152.186	5,576	82.2	152.714	5,608	82.1
<b>Blaenau Gwent</b>	55.283	6,327	85.3	55.034	6,317	84.8
<b>Torfaen</b>	79.492	5,537	83.4	79.862	5,594	83.5
<b>Monmouthshire</b>	63.410	5,602	82.0	62.964	5,526	81.9
<b>Newport</b>	126.886	5,282	85.4	127.456	5,234	84.5
<b>Wales</b>	2,518.768	5,570	84.3	2,543.089	5,628	84.2

**Source:** Welsh Government, Statistical Bulletin: [Local authority budgeted expenditure on schools](#) (several annual editions)

	2018-19		
	Gross (£Million)	Per Pupil (£)	Delegation Rate (%)
<b>Isle of Anglesey</b>	54.581	5,801	83.9
<b>Gwynedd</b>	100.390	6,081	82.5
<b>Conwy</b>	91.399	5,956	84.1
<b>Denbighshire</b>	91.239	6,041	84.5
<b>Flintshire</b>	121.732	5,401	86.5
<b>Wrexham</b>	103.424	5,499	87.1
<b>Powys</b>	107.162	6,456	75.1
<b>Ceredigion</b>	58.773	6,249	79.1
<b>Pembrokeshire</b>	97.453	5,768	85.6
<b>Carmarthenshire</b>	150.638	5,573	83.1
<b>Swansea</b>	188.729	5,506	82.9
<b>Neath Port Talbot</b>	114.887	5,772	80.7
<b>Bridgend</b>	121.624	5,306	85.2
<b>Vale of Glamorgan</b>	111.643	5,107	87.9
<b>Cardiff</b>	300.156	5,724	89.9
<b>Rhondda Cynon Taf</b>	219.018	5,731	82.1
<b>Merthyr Tydfil</b>	50.934	5,830	86.2
<b>Caerphilly</b>	152.384	5,660	81.9
<b>Blaenau Gwent</b>	55.522	6,355	85.2
<b>Torfaen</b>	81.404	5,687	82.7
<b>Monmouthshire</b>	63.512	5,552	82.1
<b>Newport</b>	129.845	5,232	84.9
<b>Wales</b>	2,566.450	5,675	84.2

**Notes:**

1. Gross figures cover all elements of local authority spending that relate to school provision, ie the school budget (including the ISB) plus the elements of the local authority education budget that relate to schools: ALN provision; school improvement; access to education; school transport; strategic management of schools; and other expenditure. The figures include the cost of educating pupils with statements of special educational needs who are educated out of county. They are also on a 'gross' basis, ie including funding from all sources.
2. The delegation rate is calculated by dividing the amounts delegated to schools by the gross schools budgeted expenditure. Delegation rates vary based on the services provided centrally by local authorities.

## 4. School reserves

The Welsh Government publishes **annual data on school reserves** each October. The latest data, published on 19 October 2017, is for financial year 2016-17 and shows the position as at 31 March 2017.

The total level of reserves held by schools was £46 million as at 31 March 2017, which equates to £102 per pupil. This was a **28% decrease compared to 2015-16**.

Table 1 of the Welsh Government's **latest statistical release** breaks down both the £46 million total and the £102 per pupil figure by local authority. Isle of Anglesey County Council held the highest level of reserves at £223 per pupil, whilst Powys had the lowest level of positive reserves at £2 per pupil. Denbighshire was the only authority whose schools were running an overall deficit at £70 per pupil.

### 4.1. Numbers of schools with positive and negative reserves

Of the 1,588 schools in Wales, 1,304 (82%) schools held positive reserves as at 31 March 2017, whilst 284 (18%) had negative reserves (ie were carrying over deficits at the end of the financial year).

Table 3 of the Welsh Government's statistical release provides a breakdown of the number of schools by the level of reserves which they held as of 31 March 2017. Below is a summary:

Of 1,319 **primary** schools:

- 669 (51%) held positive reserves of less than 5% of their annual budget;
- 316 (24%) held positive reserves of between 5% and 10%;
- 139 (11%) held positive reserves of over 10%;
- **195** (15%) held **negative** reserves.

Of 207 **secondary** schools:

- 114 (55%) secondary schools held positive reserves of less than 5% of their annual budget;
- 16 (8%) held positive reserves of between 5% and 10%;
- 4 (2%) held positive reserves of over 10%;
- **73** (35%) held **negative** reserves.

Table 6 of the Welsh Government's statistical release breaks this information down by local authority. School-level data is available online at [StatsWales](#).

## 4.2. Local authorities' powers of direction or recovery

Under the *School Funding (Wales) Regulations 2010*, where a school's reserves **exceed a certain threshold**, a local authority may direct the school to spend the surplus amount. If the school does not do this, the local authority may recover that amount. The thresholds are £50,000 for a primary school and £100,000 for a secondary school.

As of 31 March 2016, there were 412 primary schools and 77 secondary and middle schools holding reserves in excess of the statutory thresholds.<sup>9</sup> A year later, as of 31 March 2017, this stood at 330 primary schools, 60 secondary schools and 5 middle schools.<sup>10</sup>

## 4.3. Reductions in reserves since 2016-17 and the message from the Cabinet Secretary

The issue of school reserves featured in the Children, Young People and Education Committee's scrutiny of the Welsh Government's 2017-18 draft budget in November 2016. The Cabinet Secretary for Education, Kirsty Williams AM, **told the Committee** she was '**quite shocked to see some very high levels of reserves** in some individual schools'.

**Data published in October 2016** showed that the total net level of school reserves in Wales as of 31 March 2016 was £64 million, or £142 per pupil.

The Cabinet Secretary said that what is an appropriate level of reserves varies from school to school and it is up to local authorities and regional consortia to work with schools on what is suitable. However, Kirsty Williams AM also told the CYPE Committee on **10 November 2016**:

My message is, if people [schools] are hanging on to that money for a rainy day, **well it's raining** and we need that money being used to its best effect-that is, delivering for school pupils. (para 31) [my emphasis]

9 Letter from Cabinet Secretary for Education to CYPE Committee, **30 November 2016**

10 Research Service analysis of **Delegated School Outturn Expenditure, by school £ thousand), StatsWales** [accessed July 2018]

As discussed previously, the **updated data published on 19 October 2017** shows a **28% reduction** in the total net level of school reserves from £64 million (£142 per pupil) as of 31 March 2016 to £46 million (£102 per pupil) as of 31 March 2017. The number of schools with reserves of more than 10% of their annual delegated expenditure decreased from 206 to 152, which is a decrease in proportional terms from 13% of schools to 10% of schools.

As was also discussed in section 4.2, there was also a decrease in the number of schools holding reserves above the statutory thresholds at which local authorities can intervene. As of 31 March 2017, 330 primary schools and 65 secondary and middle schools held reserves over the thresholds, compared to 412 and 77 respectively on 31 March 2016.

In **October 2017, the BBC reported** the National Association of Head Teachers (NAHT) as saying that the fall in school reserves 'should ring alarm bells' and 'suggests that schools are having to use reserves to plug a shortfall in basic school funding'.

The Cabinet Secretary subsequently told the CYPE Committee on **16 November 2017**:

There may be, in some cases, legitimate reasons why schools would hold on to reserves. They may be perhaps saving up for a particular project or they've got something very much in mind about why those resources will be spent. But, as I said, I continue to challenge local government to ensure that schools are making good use of the funding allocated, and whilst the overall level of reserves has now decreased, there are some schools that are making better use than others. So, some schools continue to maintain higher balances of more than 10 per cent of their total delegated budget. **One has to question why that is. There may be a legitimate reason, but local authorities have a duty to be questioning and to be satisfying themselves.** We continue to keep pressure on this particular area, but we have seen movement over the last year. (para 114) [my emphasis]

## 5. Policy context

Increasing spending on education has been a priority for the First Minister, Carwyn Jones AM. It was one of his key pledges when he campaigned for the leadership of Welsh Labour and became First Minister for Wales in December 2009.<sup>11</sup>

### 5.1. Protection of school budgets in the Fourth Assembly

In the Fourth Assembly (2011-2016), the Welsh Government had a Programme for Government commitment to protect school budgets. This was to increase spending on Wales' schools by at least **one percentage point higher than the change in the total amount of money coming from Westminster** for devolved functions (the Welsh Government, the National Assembly for Wales, Wales Audit Office etc), known as 'the Welsh block'.

Following scrutiny of the issue and calls for greater transparency, the Welsh Government provided an explanation of its approach to the '1% school budget protection' policy in the **narrative to the Draft Budget 2015-16** (Annex E). An update was then given by the **paper submitted by the then Minister for Education and Skills, Huw Lewis AM**, to the Children, Young People and Education Committee for scrutiny of the 2016-2017 draft budget in January 2016 (paras 95-101).

The Welsh Government reported the changes in the Welsh block and in schools' budgets between 2010-11 and 2015-16, as well as the **average annual growth** during the period. This showed that the Welsh Government's budget grew by **0.02%** on average each year between 2010-11 and 2015-16. It also stated that funding for budgets which 'directly or indirectly support learners in school settings' rose on average each year by **1.02%**.<sup>12</sup>

The Welsh Government stated this resulted in an **additional £106 million for schools between 2010-11 and 2015-16**. £72 million of this was channelled through the local government settlement and £34 million of it came from education budget lines.<sup>13</sup>

11 BBC, **Candidate's pledge on education**, 2 November 2009 [accessed July 2018]

12 The Welsh Government reported the outcome of its policy in terms of average annual growth in budgets over the 2010-11 to 2015-16 period, rather than changes between each individual year.

13 The Welsh Government provides core funding for schools in the local government settlement, which is funded from the Local Government Main Expenditure Group (MEG) in its annual budget. The Education Main Expenditure Group (MEG) finances specific education reforms and initiatives, as well as further and higher education.

In the information he provided to the Committee in January 2016, the then Minister said that funding for schools was increasing by 1.85% in 2016-17, compared to 2015-16. This was one percentage point above the change in the Welsh block which was a 0.85% increase in 2016-17. The then Minister reported this resulted in an **additional** £40 million for schools in 2016-17. £35 million of this went through the local government settlement and £5 million of it was identified from education budget lines.

## 5.2. Additional funding for raising school standards in the Fifth Assembly – via the Welsh Government’s central Education budget

At the start of the Fifth Assembly, the Welsh Government again prioritised funding for schools in its **Programme for Government 2016-2021, Taking Wales Forward**, committing to ‘invest an **additional £100 million** to drive up school standards over the next [Assembly] term’.

The Welsh Government decided to channel this additional £100 million through specific programmes and policies in the Education Main Expenditure Group (MEG), rather than through funding for local government and schools’ core budgets (as was its method of protecting school budgets in the Fourth Assembly).

The Welsh Government allocated £20 million to a Raising School Standards Budget Expenditure Line (BEL) within the Education MEG in 2017-18, with a further £25 million allocated in 2018-19 and £25 million indicative for 2019-20.<sup>14</sup>

The Cabinet Secretary for Education, Kirsty Williams AM, explained the rationale for channelling the additional money in this way in a **letter to the Children, Young People and Education Committee dated 30 November 2016**:

The £100 million allocated over this Assembly term to raise school standards should not be seen as a replacement for the 1% protection. This funding, as with all our reforms, seeks to raise standards and help reduce the attainment gap. Therefore it will be targeted at those areas. I am keen to **target this funding at the areas we believe will yield the greatest return** on our investment; around well-being, the curriculum, assessment, pedagogy, leadership and the self-improving system. [my emphasis]

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14 Cabinet Secretary for Education, **Paper to CYPE Committee on draft budget 2018-19**, November 2017, Annex B

The **Welsh Government said during scrutiny of the draft budget 2018-19** that the £100 million is 'aligned to [its] priorities for action in [its education action plan] **Education in Wales: Our national mission**'. The Cabinet Secretary has further stated that the £45 million allocated up to March 2019 will be approximately spent as follows:

- £23.25 million on teachers' professional learning
- £9.5 million on collaboration and self-improvement
- £6.25 million on leadership
- £5 million on curriculum and assessment
- £1 million on pupil well-being.<sup>15</sup>

In its **report on the 2018-19 Welsh Government budget**, the Children, Young People and Education Committee expressed concern that the £100 million fund risked becoming 'a recourse for policy initiatives that do not otherwise have a natural budget home or become a source of funding budget lines that are insufficiently resourced'. The Committee called on the Welsh Government to set out clearly how it is strategically targeting the £100 million with clear targets in order to ensure it does not become simply a 'miscellaneous' budget line.

The Committee also recommended in its **Targeted funding to improve educational outcomes inquiry report** (June 2018) that, in order to demonstrate the additionality of the £100 million, the Welsh Government should 'provide, on both an individual and aggregate basis, a list of budget expenditure lines (BELs) within the Education MEG which predominantly finance the raising of school standards, for 2016-17, 2017-18 and 2018-19, as well as commit to doing so for the remainder of this Assembly term'.

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15 See **CYPE Committee transcript of 14 June 2017** (para 190) for details of how the £20 million was allocated in 2017-18 and the **Cabinet Secretary's letter of 17 November 2017** for details of how the £25 million will be allocated in 2018-19.

### 5.3. Protecting funding for school budgets in the 2018-19 local government settlement

The Welsh Government said during scrutiny of its draft budget 2018-19 that it was 'protecting' school budgets.<sup>16</sup> It did this by reprioritising funding for local government. The Welsh Government ended a number of specific grants and providing additional funding to the initial calculation of the quantum of schools funding within the 2018-19 local government settlement

A **letter from the Cabinet Secretary for Local Government and Public Services, Alun Davies AM**, to the Equalities, Local Government and Communities Committee in November 2017 explained the following:

- The Welsh Government's **initial calculation** of the Aggregate External Finance (AEF), notionally identified for school services within the 2018-19 local government settlement, would have resulted in a **£60.3 million reduction** from the 2017-18 level.
- The Welsh Government used £61.8 million sourced from the '**reprioritisation of local government funding to avoid such a decrease**' and enable a £1.5 million (0.1%) increase (from £1.554 billion to £1.556 billion.)

The Cabinet Secretary for Education told the CYPE Committee in a letter dated **17 April 2018** that the Education MEG was contributing £33 million to the protection of school budgets in the local government settlement over the two years 2018-19 and 2019-20. However, in two of the cases where the Welsh Government 'reprioritised' local government funding (removing the Minority Ethnic/Gypsy Traveller element of the Education Improvement Grant and ending the School Uniform Grant) the Welsh Government has had to reinstate funding, leading to the **CYPE Committee raising further questions** about the merits of the initial approach taken in the 2018-19 budget.

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16 Welsh Government, **Draft Budget 2018-19 - Outline proposals - A new Budget for Wales**, 3 October 2017, paras 4.49-4.50 and **Oral statement by the Cabinet Secretary for Finance and Local Government**, Mark Drakeford AM, 3 October 2017

## 5.4. Levels of funding compared with England

The Welsh Government has not published comparative Wales and England school funding data since 2011. An [\*\*article by the Welsh Government's Chief Statistician in March 2015\*\*](#) explained the difficulties in publishing consistent, comparable and robust data due to the introduction of Academies in England and changes there to the way schools are funded and data collected.

In the last year, in which comparative data was available (2009-10), [\*\*statistics indicated\*\*](#) that £604 more was spent per pupil in England (£6,200) than in Wales (£5,595). When London was excluded, the statistics suggested that the difference was £412 per pupil. Alternative data, [\*\*HM Treasury's Public Expenditure Statistical Analyses\*\*](#) indicated that more is spent in Wales than England per head of population (rather than per pupil).

[\*\*Work by the Institute for Fiscal Studies\*\*](#), details of which were published in July 2018, presents a somewhat different picture. The IFS analysis, which uses an updated methodology including total spending on schools and headcounts from age 3-18 including early years and sixth forms, suggests:

- The £600 per pupil funding gap between Wales and England in 2009 was actually closer to £300.
- Per pupil expenditure has **fallen since 2009-10 in real terms in both Wales and England**.
- There has been a **greater per pupil funding reduction in England** (8%) than in Wales (5%) since 2009-10.
- The **per pupil funding gap** (amount Wales spends less than England) now stands at around £100 per pupil and, if London is excluded, is **probably closer to zero**.<sup>17</sup>

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<sup>17</sup> Luke Sibieta, Research Fellow, Institute for Fiscal Studies, [\*\*Comparing schools spending per pupil in Wales and England\*\*](#), Presentation to Wales Public Service 2025 conference, 12 July 2018

## 5.5. Forthcoming Assembly Committee inquiry

The Children, Young People and Education Committee has **stated its intention** to undertake an inquiry into school funding. It is envisaged that such an inquiry will focus on the sufficiency of provision for school funding and the way in which school budgets are determined and allocated.

The Committee noted that ‘pressure on school budgets had a ubiquitous presence throughout’ its **Targeted funding to improve educational outcomes inquiry** and that the issue has also been raised in other scrutiny work, including scrutiny of the Welsh Government’s annual budget.

The Committee said in its inquiry report that **‘the time has come for closer investigation and scrutiny of school funding’** and it intends to undertake a closer and deeper examination of school funding and the impact it is having on the Welsh Government’s education policies and objectives.

## 6. Annex A: Breakdown of gross budgeted expenditure on schools

**Table 5: Gross budgeted expenditure on schools in 2018-19**

<b>£ thousand</b>			
<b>2018-19 budgeted expenditure</b>	<b>Breakdown</b>		
Local Authority Education budget (retained centrally by local authority) 248,082	Additional Learning Needs School improvement Access to education Home to school transport Strategic management - schools Other Local Authority Education budget - schools		20,677 22,437 36,881 112,710 54,498 879
Schools budget (retained centrally by local authority) 158,439	Additional Learning Needs Inter-Authority Recoupment Staff Other schools expenditure Capital expenditure charged to revenue account		71,430 10,522 3,157 68,258 5,072
Delegated schools' budgets 2,159,929	Individual Schools Budget (ISB) Non-ISB devolved to schools		1,940,630 219,294
<b>Total Gross budgeted expenditure on schools</b>		<b>2,566,450</b>	

**Source:** Extracted from Welsh Government, StatsWales, [Budgeted education revenue expenditure by authority and service](#) and [Delegated School Budgets by sector](#) [accessed August 2018]



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