

School Funding in Wales

July 2019



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School Funding in Wales

July 2019



About the Committee

The Committee was established on 28 June 2016. Its remit can be found at: www.assembly.wales/SeneddCYPE

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Chair's foreword

Access to high quality education is a fundamental right for all our children and young people. It should not depend on where you live, on your social background or the language in which you learn. A good education is one of the most important building blocks a child can receive.

It is essential that there is sufficient funding available to ensure that the education that our children and young people deserve can be delivered effectively, and consistently. It was a great concern therefore to hear evidence from across the sector, and in all parts of the country, about the problems being experienced trying to operate within current school budgets.

That evidence was overwhelming. Put quite simply, there is not enough money going into the education system in Wales and not enough finding its way to schools.

A simple conclusion that, unfortunately, has no simple solution. The system for funding schools is hugely complex, multi-layered and dependent on many factors. While it would have been easy for us as a Committee to simply recommend additional funding for education and for schools, we absolutely believe that increasing the level of funding alone is not the solution. The funding must also be used effectively.

To understand the extent of the problems being faced, it is essential that we first know the funding gap facing the education system in Wales, particularly at a time of substantial reform. To identify this, we need to understand how much it costs to run a school and educate a child, as a basic minimum, before necessary factors such as deprivation and sparsity are taken into account. We therefore believe that the review we call for in our key recommendation must be undertaken urgently.

But as our report sets out, it is not just about the level of funding for schools but the way the money makes its way to the school front line and how it is used. This depends on a number of factors, including how resources for local government are shared out, whether local authorities prioritise schools within their own budget setting process, the extent to which they delegate funding to schools themselves and how they distribute that funding between their schools. Our recommendations therefore also focus on how these processes can be improved.

Our inquiry focused on school funding data up to 2018-19 which was the latest available to us at that time – this report was agreed on 26 June 2019. Data published on 4 July 2019 shows that in 2019-20 expenditure on schools has risen

in real times for the first time since 2010-11. This is obviously welcome but it should be noted that this still represents a 7.3% real terms decrease over the period since 2010-11.

Whilst both the size of the cake and how it is cut up are important, at a time when there is a huge level of educational reform on the way, we must have sufficient funding available to enable that reform to be the success that we want it to be.

If a funding crisis within the education system, and within our schools, is to be avoided, it is vital that those across the sector and in local and national government, urgently work together and deliver for our children and young people. We must ensure that school funding is sufficient, but is also managed effectively and consistently.

Lynne Neagle
Chair

Recommendations

Recommendation 1. That the Welsh Government commission an urgent review of how much funding is required to fund schools sufficiently in Wales, particularly given the level of reform currently being undertaken. That review should:

- consider, as its basis, what the basic minimum cost is of running a school and educating a child in Wales, before allocating additional resources required for other factors such as deprivation and sparsity and local circumstances; and
- provide an estimate of the current funding gap between the amount currently spent on schools and the amount required to deliver on all that is required of them – including the considerable reform agenda.

.....Page 35

Recommendation 2. That the allocation of spending across the Welsh Government’s budget should be balanced in favour of preventative spend. In doing so, the Welsh Government should keep under review the priority it gives to funding for local government and within that, the funding available for schools, in both its annual budget-setting process and in-year re-allocations of resources.

.....Page 36

Recommendation 3. That the Welsh Government continue to keep under review the cost/rates of payment across maintained and non-maintained settings for childcare, early years education, and the childcare element of Flying Start. Particular attention should be given to increasing the consistency between the hourly rate paid for early years education and childcare and the pilot that has been established in Flintshire should inform this approach.....Page 36

Recommendation 4. That the Welsh Government consider how the allocation of resources for local authorities can be determined by a needs-based approach, rather than one based on historic methodology. Such a needs-based approach, when considering the education element of local government’s overall funding, should start from the basis of considering how much it costs to educate a child (see recommendation 1) and applying indicators reflecting local circumstances such as deprivation and sparsity on top of that basic minimum cost.....Page 45

Recommendation 5. That the Welsh Government monitor more closely the level of priority local authorities give to education in the way they set their budgets, in order to help ensure that process is more transparent and robust and to assure itself that sufficient funding is being provided to enable schools to improve and deliver on its reform agenda.Page 54

Recommendation 6. That the Welsh Government publish guidance to clarify the exact purpose of the Indicator Based Assessments (IBAs), including whether or not they are a guide to how much a local authority needs to spend on education to provide a standard level of school services.....Page 55

Recommendation 7. That the Welsh Government clarify why it publishes local authorities' expenditure on education directly alongside the Indicator Based Assessments (IBAs) in its annual statistical release, if IBAs are not to be regarded as spending targets.Page 55

Recommendation 8. That the Welsh Government work with local authorities to balance how the principles of local decision-making and democratic accountability can be upheld while achieving greater transparency, consistency and fairness in the way schools across different local authorities are funded.Page 62

Recommendation 9. That the Welsh Government review the operation of Section 52 budget statements, to ensure that the data submitted by local authorities is comparable and consistent. The Welsh Government should also ensure that Section 52 budget statements are more easily accessible.Page 62

Recommendation 10. That the Welsh Government keep under review the balance it strikes between providing hypothecated funding for specific objectives, and the funding it provides local government to finance schools' core budgets. The Welsh Government should also regularly assess the value for money of allocating such funding.....Page 70

Recommendation 11. That the Welsh Government put mechanisms in place to ensure that grant funding is provided to schools as early as possible in the financial year. If such funding cannot be provided earlier in the financial year, the Welsh Government should build in greater flexibility within the relevant grant conditions for how and/or when schools are able to spend it.....Page 70

Recommendation 12. That the Welsh Government provide an update on its work with local authorities to investigate the reasons for the high levels of reserves, and whether those have been adequately tested, and publish any findings from its investigations. In particular, the update should highlight any work undertaken in relation to the 501 schools holding reserves above the statutory thresholds, including any possible local authority intervention..... Page 76

Recommendation 13. That the Welsh Government review the statutory powers available to local authorities under the School Funding (Wales) Regulations 2010 to establish if they are fit for purpose. In doing so, the Welsh Government should, in particular, investigate if the powers give adequate flexibility for local authorities to reallocate effectively any money they recover. Any review undertaken should also consider whether the thresholds of reserves should be a relative percentage of a school's budget rather than an absolute figure, to account for different schools' sizes..... Page 76

Recommendation 14. That the Welsh Government continue to work closely with local authorities to address cases where schools have deficit budgets, particularly where there is no recovery plan in place..... Page 77

Recommendation 15. That the Welsh Government consider how it can take forward the long-standing aim of providing schools with three-year budgets, in the context of three-year funding settlements for local authorities, in order to enable schools to plan more effectively for the long-term. In doing so, the Welsh Government should factor in the trade-off between the benefits of long-term projections and the accuracy and certainty of those long-term budget allocations.Page 80

Recommendation 16. That the Welsh Government undertake work to communicate and explain clearly the respective roles of local authorities and regional consortia in providing education services, specifically services to schools. In doing so, the Welsh Government should consider how this can be taken forward within the work of the middle tier group led by Professor Dylan Jones.Page 87

Recommendation 17. That the Welsh Government urgently investigate what the £11 million budgeted by local authorities for school improvement is spent on, compared to the £11 million that local authorities pay the regional consortia for their school improvement services..... Page 90

Recommendation 18. That the Welsh Government work with local authorities and the consortia to ensure there is no duplication and inefficient use of resources when funding is allocated for school improvement..... Page 91

Recommendation 19. That the Welsh Government monitor the extent to which local authorities and regional consortia delegate funding directly to schools. In doing so, it should be recognised that some services are delivered more effectively and efficiently centrally.....Page 99

Recommendation 20. That the Welsh Government investigate the effect of schools “buying back” services from local authorities, to ensure that the published delegation rates accurately reflect the level of funding which is genuinely delegated for a school’s core activity.....Page 100

Recommendation 21. That the Welsh Government closely monitor delegation rates for its own hypothecated education grants to ensure the money is finding its way to the front line, for the purposes intended.....Page 100

Glossary of Terms

Age Weighted Pupil Units (AWPUs) – is the rate local authorities set to allocate basic entitlement funding for pre-16 pupils in mainstream schools. Basic entitlement is a compulsory factor which must be used in the funding formula.

Aggregate External Finance (AEF) – the financial support provided to local authorities by the Welsh Government for revenue expenditure on services that impact on the council tax. AEF comprises the revenue support grant and redistributed national non-domestic rates (NNDR).

Delegation Rates – the proportion of gross schools budgeted expenditure which is given to schools themselves, rather than spent on schools by local authorities or regional consortia.

Deprivation – is a compulsory funding factor in local authorities' mainstream pre-16 schools block funding formula that directs funding to the most deprived pupils. It is also taken into account in the Welsh Government's distribution of resources between local authorities.

Green Book – is a statistical companion to the Local Government Finance Report. It provides background information for the calculation of standard spending assessments (SSAs) for the annual local government revenue settlement.

Indicator Based Assessment (IBA) – Within the Standard Spending Assessments used in the local government settlement, sector totals, for example School Services, are broken down into IBAs, which represent a notional figure for the amount of money the Welsh Government calculates is needed to provide a standard level of service.

Hypothecated Funding – funding which must be used for a specific purpose, for example dedicated grants as opposed to funding which is given to local authorities to determine its use.

Local Government Funding Formula – the formula used to allocate revenue funding between local authorities. It is subject to annual oversight and review by the Distribution Sub Group (DSG), which is a technical working group that sits under the Partnerships Council for Wales. The formula is set out annually in the Green Book.

Maintained school – a school which is funded by the local authority.

Non-domestic rates – a property tax paid on non-domestic properties. Often referred to as “business rates”, they are collected by local authorities on behalf of the Welsh Government which then redistributes them to local authorities as part of their Aggregate External Finance.

Quantum – a term used to mean total amount.

Revenue Support Grant (RSG) – the annual unhypothecated grant from the Welsh Government to local authorities to finance the services they provide to their residents. The RSG forms the majority part of the AEF within the annual local government settlement.

Schools forum – is a body comprising representatives of maintained schools, and early years providers within a local authority area, together with other local partners and stakeholders. The forum’s main purpose is to provide major stakeholders with an opportunity to offer advice and submit views to the local authority on school budgets in each financial year.

Sparsity – is an optional funding factor in local authorities’ mainstream pre-16 schools block funding formula. Schools that are eligible for sparsity funding must be small schools, and they must be located in areas where pupils would have to travel a significant distance to an alternative, if the school closed. It is also taken into account in the Welsh Government’s distribution of resources between local authorities.

Standard Spending Assessment (SSA) – the notional figure for the amount of money the Welsh Government calculates is needed to provide a standard level of service in a sector, for example School Services. SSAs are used to demonstrate how resource allocations have been calculated and are not intended to be spending targets.

StatsWales – is the Welsh Government’s free-to-use online repository for detailed statistical data for Wales.

Unhypothecated Funding – funding, the use of which may be determined by the recipient. For example, the RSG provided by the Welsh Government to local authorities is unhypothecated, meaning it is for local authorities to decide how they spend it, in line with their own circumstances and priorities.

1. Background to the inquiry

1. The issue of pressure on school budgets and the effect this has on the provision of education has been frequently raised during a number of inquiries and other, more general, scrutiny undertaken by our Committee during this Assembly.
2. Stakeholders, including teaching unions and local authorities have expressed real concern that insufficient provision for school budgets could inhibit the delivery of the Welsh Government's education reform agenda and key objectives of the Education in Wales: Our National Mission action plan¹, including school improvement, the new curriculum and teachers' professional learning and pupil wellbeing (including the whole school approach to emotional and mental health). The implementation of the new Additional Learning Needs (ALN) system is another key policy area which some stakeholders perceive to be at risk from insufficient funding.
3. Staff salaries make up the majority of any school's budget, and real terms reductions in funding have been highlighted as a cause of schools having to make staff cuts in order to meet the challenge of effectively running a school within an allocated budget.
4. Concerns have also been expressed about the level of transparency and variation in the distribution of funding for schools and there has also been debate over the balance between unhypothecated funding for local government and the more targeted finding aimed specifically at Welsh Government education priorities.
5. It is clear therefore that there are concerns not only relating to the level of resources available to schools but about the way in which the quantum of funding is distributed under the current system, and the effect this has.
6. In light of this, in October 2018, we agreed to undertake an inquiry into school funding in Wales, to look at:
 - the sufficiency of school funding in Wales; and
 - the way school budgets are determined and allocated.
7. Within those broad headings the inquiry focused specifically on:

¹ [Education in Wales: Our national mission Action plan 2017-21](#)

- the sufficiency of provision for school budgets, in the context of other public service budgets and available resources;
- the extent to which the level of provision for school budgets complements or inhibits delivery of the Welsh Government’s policy objectives;
- the relationship, balance and transparency between various sources of schools’ funding, including core budgets and hypothecated funding;
- the local government funding formula and the weighting given to education and school budgets specifically within the Local Government Settlement;
- Welsh Government oversight of how Local Authorities set individual schools’ budgets including, for example, the weighting given to factors such as age profile of pupils, deprivation, language of provision, number of pupils with Additional Learning Needs and pre-compulsory age provision;
- progress and developments since previous Assembly Committees’ reviews (for example those of the Enterprise and Learning Committee in the Third Assembly); and
- the availability and use of comparisons between education funding and school budgets in Wales and other UK nations.

8. The inquiry did not seek to identify how much money a school needs to operate, as this would require a more significant piece of work.

Evidence gathered by the Committee

9. We collected written evidence and oral evidence between October 2018 and April 2019, full lists of which are provided in Annex A and B to this report. We held a stakeholder event which focused on the more technical issues of the school funding process to gain an understanding of how local authorities allocate resources to education (and specifically to schools).²

10. We also visited three schools, using each as a case study, to ascertain the process from when and how a school’s budget is allocated, to how it is spent. During each case study, we heard from, and met with a wide range of those

² [Summary note of the Stakeholder Event: 16 January 2019](#)

involved in the process, including school leaders, teachers and pupils, school governors, parents, local authority officers and regional consortia.

11. We would like to thank everyone who contributed to our inquiry.

2. The School Funding process: How it works

The way in which individual schools are funded is complex. That funding process – from the highest level – is based on a number of different formulae. This section aims to provide an outline of how funding flows from UK Government level to individual schools, and what happens in between.

12. In oral evidence, Rob Williams, Director, National Association of Head Teachers (NAHT) Cymru highlighted the complexities of the school funding process, stating:

“Because of the complexities, you’ve got a formula at Welsh Government level, you’ve got 22 separate local authority formulas, you’ve got different arrangements feeding in and out of regional consortia, so if you followed a £1’s journey from Westminster to Welsh Government and through the system before it came to schools, it’s a wonder we don’t owe them money, frankly.”³

13. A brief explanation of each element of that funding process is set out within this section, and the report provides more detailed analysis of specific elements of the process within relevant sections. A more detailed explanation of the school funding process is contained in the Assembly Research Service’s publication, *School Funding in Wales*.⁴

How the money gets from UK Government to Welsh Government

14. The majority of Welsh Government funding flows from the UK Government in the form of the Welsh Block grant. The Welsh Block grant is calculated using the Barnett formula, which is the mechanism used by the UK Treasury to determine the amounts of funding allocated to Wales. The formula considers the following three factors to calculate changes to the Welsh Block grant:

³ Oral Evidence. ROP [Para 77], 21 February 2019

⁴ Assembly Research Service publication: *School Funding in Wales – August 2018*



15. The Barnett formula operates an incremental system, in that the allocation in one year is based on the previous year's allocation. The allocation calculated by the formula is known as the Barnett consequential.

16. Following agreement between the Welsh Government and the UK Government, a needs based factor has been introduced to calculate the Welsh Block grant, which will be set at 115%. This will ensure that funding per head in Wales remains at 115% of equivalent funding in England. Given funding per head in Wales is currently above 115% of equivalent funding in England, the fiscal framework agreement also includes a transitional period which currently applies a further 105% to uplifts in the Welsh Block until 115% is reached.⁵

Table 1: Changes in the Welsh Block since 2010-11 in cash and real terms

	£ million		£ million at 2019-20 prices	
	Wales Budget ^{*1}	If grown in line with GDP ^{*2}	Wales Budget ^{*1}	If grown in line with GDP ^{*2}
	Cash		Real Terms	
2010-11	15,366	15,366	17,703	17,703
2011-12	14,860	15,784	16,898	17,948
2012-13	14,857	16,361	16,561	18,237
2013-14	14,955	17,037	16,370	18,649
2014-15	15,156	17,742	16,379	19,174
2015-16	15,096	18,291	16,185	19,611
2016-17	15,418	19,025	16,169	19,952
2017-18	15,911	19,666	16,406	20,278
2018-19	16,309	20,238	16,565	20,556
2019-20	16,866	20,820	16,866	20,820

^{*1} Wales budget excluding repayable financial transactions

^{*2} Calculated using the GDP deflators at June 2018

Source: Welsh Government (at Draft Budget 2019-20) with Research Service analysis

⁵ Agreement between the Welsh Government and the United Kingdom Government on the Welsh Government's fiscal framework - December 2016

17. Table 1 shows the changes in the Welsh Block since 2010-11 in both cash and real terms.

18. Once the Welsh Block has been allocated, Welsh Government sets its budget – through the Annual Budget Process established in the Assembly.⁶ The UK Government does not specify how the Welsh Block should be spent.

How the money gets from Welsh Government to schools

19. There are three stages to the process for setting school budgets.

- First, the Welsh Government provides each local authority with its Revenue Support Grant (RSG). Together with its redistributed Non-domestic rates allocation, this makes up a local authority's Aggregate External Finance (AEF)⁷ within the annual local government settlement. Funding in the local government settlement is unhypothecated, meaning local authorities decide themselves how to spend it.⁸ Each local authority uses this plus the money it raises from council tax and charges to fund the range of services it provides, including education.
- Secondly, after local authorities have decided how much funding to allocate to education, they set three tiers of education budget, one of which (the Individual Schools Budget (ISB)) is the money that is given directly (delegated) to schools.
- Thirdly, the local authority sets the individual budget for each school it maintains. Each local authority does this according to its own formula within the parameters set by the School Funding (Wales) Regulations 2010.

20. 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

⁶ The Assembly and the Welsh Government have agreed a [budget protocol](#) for the principles underpinning this budget process.

⁷ 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).

⁸ The [Local Government Settlement](#) includes Standard Spending Assessments (SSAs) and Indicator Based Assessments (IBAs) which model an estimate of how much it costs each local authority to provide a standard level of service in various sectors. They notionally demonstrate how a local authority's AEF has been arrived at. However, they are not spending targets.

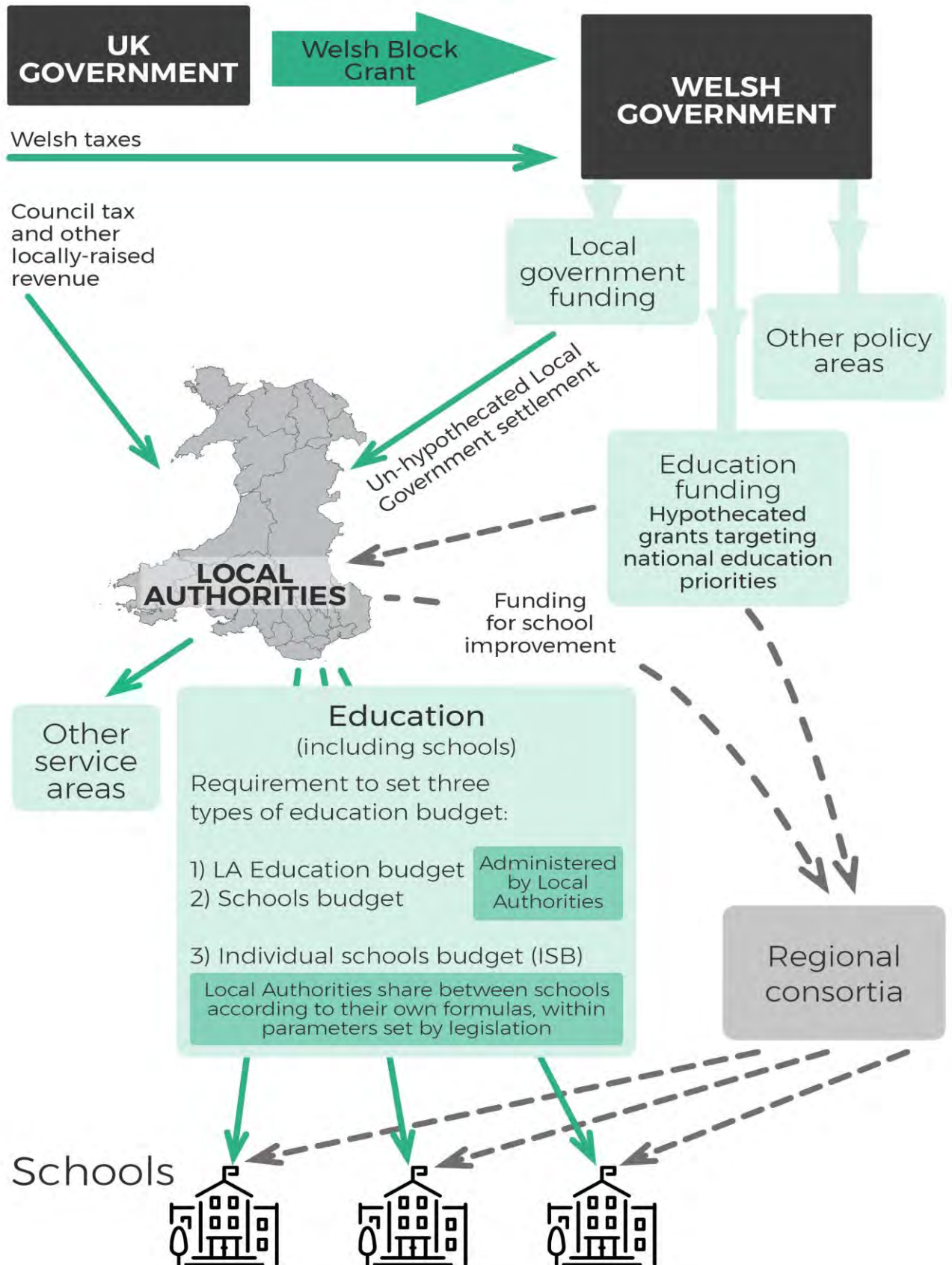
additional funding. These are often in the form of specific grants, such as the Education Improvement Grant and the Pupil Development Grant.

Individual Schools Budget (ISB)

21. 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 a number of different factors. This results in 22 different funding formulae across Wales.

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

How are schools funded in Wales?



3. School funding levels

The Welsh Government publishes annual statistics on the amount of money local authorities allocate to expenditure on schools. The latest edition available during this inquiry, Local authority budgeted expenditure on schools 2018-19, was released on 5 July 2018.⁹ This section provides detail on those funding levels.

23. 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 give directly to schools themselves.

Gross budgeted expenditure

24. Table 2 shows how much local authorities have allocated for expenditure on schools in recent years:

- In financial year 2018-19, £2.566 billion gross was budgeted by local authorities for expenditure on schools.
- The 2018-19 level was 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 rose by 4.4% (£108 million) (cash terms). This is a 8.4 % decrease in real terms. (At 2018-19 prices, using HM Treasury GDP deflators, March 2019)¹⁰

25. As stated in section 2, there are three tiers of budget which local authorities allocate education expenditure to. The Welsh Government publishes data on StatsWales¹¹ giving the following breakdown in 2018-19:

⁹ [Local authority budgeted expenditure on schools 2018-19 \(the 2019-20 data was due to be published on 4 July 2019\)](#)

¹⁰ [HM Treasury GDP deflators, March 2019](#)

¹¹ [StatsWales: Budgeted education revenue expenditure by authority and service and Delegated School Budgets by sector - August 2018](#)

- 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 devolved to schools, which is made up of various grants including the Pupil Development Grant.

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

- In 2018-19, £5,675 was budgeted per pupil.
- The 2018-19 level was 0.8% higher than 2017-18.
- The per pupil amount allocated by local authorities in 2018-19 was £266 (4.9%) higher than 2010-11 (cash terms). This was a 8.0% decrease in real terms. (At 2018-19 prices, using HM Treasury GDP deflators, March 2019.)¹²

Delegated expenditure

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

28. In 2018-19, on average across Wales, 84.2% of local authorities' gross schools budgeted expenditure was delegated to schools themselves. This was unchanged from 84.2% in 2017-18 and an increase from 75.0% in 2010-11.

29. 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 2 shows the rise in delegation rates over recent years.

¹² [HM Treasury GDP deflators, March 2019](#)

Table 2: Gross budgeted expenditure on schools

	Gross Budgeted Expenditure on schools £ Billion	£ Per Pupil Gross Budgeted Expenditure on schools	Delegation Rate
2018-19	2.566	5,675	84.2%
2017-18	2.543	5,628	84.2%
2016-17	2.519	5,570	84.3%
2015-16	2.496	5,526	83.8%
2014-15	2.528	5,607	82.9%
2013-14	2.519	5,594	82.3%
2012-13	2.495	5,520	81.0%
2011-12	2.470	5,451	76.2%
2010-11	2.458	5,409	75.0%

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

Notes:

i) Covers all elements of local authority spending that relate to school provision, i.e. the school budget (including the Individual Schools Budget) 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.

ii) Figures are on a "gross" basis, i.e. including funding from all sources, thereby comprising core funding and grant funding such as the Pupil Development Grant and the Education Improvement Grant.

iii) The delegation rate is calculated by dividing the amounts delegated to schools by the gross schools budgeted expenditure. Delegation rates will vary based on the services provided centrally by local authorities. The Welsh Government's statistical bulletin gives the delegation rate for each local authority.

iv) 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.

v) 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.

vi) The 2019-20 data is due to be published on 4 July 2019.

30. 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 Table 3 below.

Table 3: Breakdown of gross budgeted expenditure on schools in 2018-19

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

Source: Extracted from Welsh Government, StatsWales, *Budgeted education revenue expenditure by authority and service* and *Delegated School Budgets by sector*

4. The sufficiency of the overall quantum and the priority given to education

At the most basic level, the size of the overall quantum of funding available for education largely determines how much can be allocated to schools. This function is in practice shared between Welsh Government and local authorities – as local authorities decide how much funding goes to schools based on how much funding they receive through the local government settlement, and from locally raised revenue such as Council Tax. This section explores whether the size of the overall funding pot is big enough and whether enough priority is given to education.

31. As set out in section 3 of this report, the Welsh Government publishes annual data on each local authority's expenditure on schools. The most important elements of that data in relation to the overall levels of school finding are:

- The total gross budgeted expenditure on schools increased by 4.4% (£108 million) between 2010-11 and 2018-19. However, this was a 8.4% (£237 million) decrease in real terms.
- Per pupil gross budgeted expenditure increased from £5,409 in 2010-2011 to £5,675 per pupil in 2018-19. This was a 4.9% increase in cash terms but a 8.0% decrease (£493) in real terms.^{13 14}

Stakeholders' evidence

32. There has been an overwhelming consensus in the evidence provided during this inquiry that there are insufficient resources being made available to schools. Most stakeholders feel that the primary problem is with the overall size of the pot, rather than how it is divided up. However, concerns have also been raised by a number of stakeholders regarding how the overall quantum is distributed, and these are covered in specific sections in the report.

¹³ Real terms calculations are at 2018-19 prices, using [HM Treasury GDP deflators, March 2019](#).

¹⁴ The 2019-20 data is due to be released on 4 July 2019.

33. The general perception within the education sector is that the Welsh Government does not prioritise funding for schools to the same extent as funding for the NHS, and there are some concerns that schools struggle to compete with social care within local authority budgets.

34. Stakeholders, including the head teachers' unions, report "year on year cuts",¹⁵ "unprecedented pressure",¹⁶ "schools at breaking points",¹⁷ "the situation must be considered a crisis"¹⁸ and particular pressures on secondary schools, many of whom are running deficit budgets. The NASUWT's representative told us that it was the "worst year" for school budgets in his experience stretching back to 1995.¹⁹ The Association of School and College Leaders (ASCL) summed up the position facing schools as follows:

"It's depressing, if we're utterly honest. We reckon that, currently, in excess of 50 per cent of secondary schools are in deficit. We expect that figure to rise probably to somewhere between 75 per cent and 80 per cent on 1 April."²⁰

35. Local authorities said they have sought to protect school budgets as far as they can but are now in a position where this is unlikely to remain possible. The WLGA highlighted the scale of the pressure facing school budgets, initially citing a £109 million "budget gap" in 2019-20 which they said equates to around 4.8%. WLGA projected that the "budget gap" will rise further to £319 million in 2022-23 and warned of "significant real-terms cuts" and "compulsory redundancies".^{21 22}

36. The NASUWT also highlighted the impact of reduced school budgets on teachers' posts, referring to figures included in the StatsWales, School Census Results, 2018, stating that:

"The shortfall in school budgets in Wales is exemplified by the statistics on teachers in post in Wales. Since 2010 the number of pupils in school in Wales has decreased by only 29 pupils from 467,141 to 467,112 in

¹⁵ Written Evidence. [SF01 – Individual and SF24 – Vale of Glamorgan Council](#)

¹⁶ Written Evidence. [SF34 – NEU Cymru](#)

¹⁷ Written Evidence. [NEU Cymru to Finance Committee on Draft Budget Proposals 2019-20](#)

¹⁸ Written Evidence. [UCAC to Finance Committee on Draft Budget Proposals 2019-20](#)

¹⁹ Oral Evidence. [ROP \[Para 186\], 21 February 2019](#)

²⁰ Oral Evidence. [ROP \[Para 4\], 21 February 2019](#)

²¹ Written Evidence. [SF 36 – WLGA and ADEW](#)

²² Oral Evidence. [ROP \[Para 4\], 20 March 2019](#)

January 2018. Over the same period the number of full-time equivalent teachers has fallen by 1,416 from 25,286.6 to 23,870.6.”²³

37. In oral evidence, Tim Cox, Wales Policy and Casework Official at NASUWT told us:

“I think this is the worst year I’ve ever seen for school budgets in Wales. We’ve been in action, industrial action, over redundancies just about every year, and that’s been increasing year on year, the number of redundancies, but we’re anticipating this year to be, by far and away, the worst that we’ve ever seen.”²⁴

38. Subsequent information provided by WLGA projected that the 2019-20 “funding gap” had narrowed to £63 million. This followed funding the Welsh Government had passed on from the UK Government to meet both the teachers’ pay award and the associated rise in employer pension contributions.²⁵

39. Stakeholders have warned that the insufficiency of funding threatens the delivery of the Welsh Government’s education priorities, as set out in Education in Wales: Our National Mission, and successful implementation of substantial reforms including the new curriculum and new ALN system. The WLGA said:

“... it’s a bit like trying to run a marathon with a lead weight tied around your neck. The funding is always the elephant in the room. So, there is that enthusiasm to make these reforms work, to invest in them, but obviously it’s difficult in the context of the current funding situation.”²⁶

40. The National Education Union (NEU) told us:

“These are unprecedented times. (...) These are huge concerns that are impacting not only upon our members in the schools, but are impacting upon pupils and the way in which education is being provided, and whether or not we can actually deliver the national mission.”²⁷

41. The NAHT called for some form of national audit or review to establish how much it costs to run a school effectively, i.e. what does a school need as its basic

²³ Written Evidence. [FI 37 - NASUWT](#)

²⁴ Oral Evidence. [ROP \[Para 186\], 21 February 2019](#)

²⁵ Written evidence. [SF.FI.04 - WLGA](#)

²⁶ Oral Evidence. [ROP \[Para 14\], 20 March 2019](#)

²⁷ Oral Evidence. [ROP \[Para 184\], 21 February 2019](#)

funding.²⁸ NAHT argued that this question was paramount before any changes were considered to the formulae for funding schools.

42. The Association of Directors of Education in Wales (ADEW) concurred:

“I think what we need to look at in Wales is the overall quantum for education. We need to look at what is the cost of educating a child in Wales, stripping away deprivation, stripping away sparsity, because they can be overlaid afterwards. What is the fundamental basic cost of educating a child in Wales? And it needs to be built up from that base.”²⁹

43. Mudiad Meithrin, which provides Welsh medium education and care in the voluntary sector, raised the specific issue of “fair funding” in the Foundation Phase in the non-maintained sector. They highlighted the “chasm” between the rate of funding for childcare and education for three year olds. As such, Mudiad Meithrin reported that there is an increase in Cylchoedd Meithrin which are considering withdrawing from being providers of education for 3 year old for financial reasons.³⁰

44. This was an issue which the Committee raised in its Stage 1 report on the Childcare Funding (Wales) Bill.³¹ As part of its evidence at that time Cwlwm³² told the Committee that £4.24 (in Cardiff) is the highest average hourly rate paid by local authorities to non-maintained providers, and £1.49 (in Gwynedd) is the lowest³³. This compares to the hourly rates for the childcare offer being £4.50. The WLGA, when asked to provide the data it held, stated that the hourly rate paid for early years education ranged between £3.00 and £3.50.³⁴

45. The Committee recommended in its Stage 1 report on the Childcare Funding (Wales) Bill:

²⁸ Written evidence. [SF.31 – NAHT](#)

²⁹ Oral Evidence. [ROP \[Para 50\], 20 March 2019](#)

³⁰ Written evidence. [SF 30 – Mudiad Meithrin](#)

³¹ [CYPE Committee Stage 1 report. Childcare Funding \(Wales\) Bill](#)

³² Cwlwm is an umbrella organisation of childcare providers and is made up of five organisations: Clybiau Plant Cymru Kids’ Clubs, Mudiad Meithrin, National Day Nurseries Association (NDNA Cymru), PACEY. Cymru and Wales Pre-School Providers Association (Wales PPA).

³³ Written Evidence. [CYPE\(5\)-20-18 – Paper to note 3](#)

³⁴ During scrutiny of the Childcare Funding (Wales) Bill, the WLGA explained that most local authorities do not pay non-maintained early years education providers based on hourly rates. The WLGA stated that where hourly rates are paid, these range between £3 and £3.50. [FI.CCF.05 – WLGA](#)

“That the Welsh Government undertake a review of the cost/rates of payment across maintained and non-maintained settings for childcare, early years education, and the childcare element of Flying Start. Particular attention should be given to increasing the consistency between the hourly rate paid for early years education and childcare.”³⁵

46. The Welsh Government rejected this recommendation to undertake such a specific review but said it would keep the position under review more generally.³⁶ Subsequently in January 2019, the Minister for Education and Deputy Minister for Health and Social Services issued a written statement announcing a pilot with Flintshire County Council to align these two funding streams.³⁷ The statement referred to the evaluation of the first year of early implementation of the Childcare Offer, published in November 2018, which recognised that “the rate at which some of these providers are paid to deliver Foundation Phase Nursery is often lower than the rate paid to deliver childcare funded by the Offer”.

47. The Minister and Deputy Minister also said this reinforced the findings of the National Day Nursery Association’s Annual Survey which listed “Delivering a sustainable Foundation Phase Offer” as a significant concern for the sector. Their statement went on to say:

“We therefore intend to run a pilot project, in partnership with Flintshire County Council, to test the impact of a consistent funding rate for early education and childcare. The pilot will run for the Foundation Phase for 3 year olds in the spring and summer term 2019. An evaluation will be undertaken whilst the pilot is underway and we expect a report on the findings in winter 2019. The Welsh Government’s position.”³⁸

The Welsh Government’s position

48. The Welsh Government has highlighted the context of austerity and reductions in its own funding from the UK Government. The Minister for Finance and Trefnydd, Rebecca Evans AM, said during the Plenary debate on the 2019-20 Final Budget:

“Wales has £850 million less to spend, in real terms, on public services in 2019-20 than in 2010-11. (...) If spending on public services had kept

³⁵ [CYPE Committee Stage 1 report, Childcare Funding \(Wales\) Bill – Recommendation 22](#)

³⁶ [Welsh Government response to CYPE Committee Stage 1 report, Childcare Funding \(Wales\) Bill](#)

³⁷ [Written Statement from Minister – January 2019](#)

³⁸ [Written Statement from Minister – January 2019](#)

pace with gross domestic product growth since 2010-11, we would have £4 billion more in 2019-20—that’s 20 per cent up on our current budget.”³⁹

49. The Minister for Education, Kirsty Williams AM, told us:

“Undoubtedly, there are significant financial pressures in our education system and I wouldn’t for one moment want to make light of that. Headteachers are having to make some difficult decisions. I’m clear that my job is to continue around the Cabinet table to press the case for education spending. (...)

And we can have a conversation about whether the entirety of the cake is big enough, and there are difficult decisions for all political parties, because if you want to spend more on education, that money has to come from somewhere and those aren’t easy decisions.”⁴⁰

50. When asked what discussions take place within the Cabinet around political priorities and whether these are reflected in how the Welsh Government allocates resources, the Minister for Education said “those discussions happen all the time – they’re constant”.⁴¹

51. In the Committee for the Scrutiny of the First Minister on 5 April 2019, Mark Drakeford AM said:

“The position the Welsh Government faces, and so does the National Assembly for Wales, is that any decision to spend more money on one thing can only be made by taking money away from some other cash-strapped part of Government. There is nowhere to go where money is just standing idle and not doing something that is vitally important in the lives of some of our fellow citizens. So, that is the huge dilemma that the Government faces.”⁴²

52. In a letter to the Assembly’s Petitions Committee, the Minister for Education pointed to additional funding for teachers’ professional learning, the targeted grant funding provided through the regional consortia and the additional £100 million in this Assembly for raising school standards as evidence of the Welsh

³⁹ 2019-20 Budget Debate. ROP. [Para 330]. 15 January 2019 (refer to paragraph 17)

⁴⁰ Oral Evidence. ROP. [Para 4]. 3 April 2019

⁴¹ Oral Evidence. ROP. [Para 16]. 3 April 2019

⁴² Committee for the Scrutiny of the First Minister. ROP. [Para 69]. 5 April 2019

Government's investment in education.⁴³ Emphasising the fundamental role of local authorities in funding schools, the Minister for Housing and Local Government, Julie James AM, highlighted the £3.5 million in the 2019-20 Local Government Settlement to ensure that no authority received a decrease of more than 0.3% in their unhypothecated revenue funding from the Welsh Government.⁴⁴

53. When we asked about this, the Minister for Education indicated that an education-equivalent to the 2014 report commissioned by the Welsh Government from the Nuffield Trust⁴⁵ to estimate how much additional funding was needed by the Welsh NHS, would be “an interesting piece of work to be undertaken”⁴⁶.

54. In a recently published report from Sibieta Economics of Education, it was estimated that the Welsh Government would need to spend an extra £120 million per year by 2020-21, compared to current levels, in order to maintain expenditure on schools at the same real-terms level as 2016-17.⁴⁷ However, this is based on maintaining the status quo and does not take into account additional resources required to implement the reforms which have not yet reached their implementation stage, including the new Curriculum for Wales and the new Additional Learning Needs system.

Our view

55. The evidence presented to us paints a very bleak picture in terms of the overall quantum of funding available for education. It is absolutely clear that schools across the country are facing a period of unprecedented funding concerns, and budget difficulties. In simple terms, we agree with the views expressed that the overall quantum of funding is insufficient. There is not enough money currently available to ensure schools meet everything required of them, and provide an education for our pupils at the level they deserve.

56. We note that in recent years there have been cash increases in education budgets. However, the level of cash increases has meant that in real terms there have been consistent decreases in the overall budget allocations. This is at all levels including:

⁴³ [Letter from Minister for Education to the Petitions Committee: 27 February 2019](#)

⁴⁴ [Oral Evidence. ROP. \[Para 95\]. 3 April 2019](#)

⁴⁵ [Nuffield Trust Report: “A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26”](#)

⁴⁶ [Oral Evidence. ROP. \[Paras 35 and 36\]. 3 April 2019](#)

⁴⁷ [Sibieta Economics of Education Report: School Spending in Wales – April 2019](#)

- a 1.5% real terms decrease to the revenue funding for local government between 2017-18 and 2018-19;⁴⁸
- a 8.4% real terms decrease to the total gross budgeted expenditure on schools between 2010-11 and 2018-19 (see paragraph 24); and
- a 8.0% real terms decrease in spending per pupil between 2010-2011 to 2018-19.

57. These year on year real term cuts are having a detrimental effect on the allocation of school budgets and we believe that if this pattern continues, schools will find themselves in a crisis situation. We note the evidence from local authorities that where it has been possible, school budgets have been protected. We are therefore concerned that these year on year real terms cuts may mean that local authorities can no longer protect education budgets, which will result in even more difficult budget planning for schools.

58. The year on year budget cuts must, however, also be considered against the reduction in real terms of the Welsh Government's own budget, which the Minister for Finance and Trefnydd indicated has resulted in £850 million less in real terms for the Welsh Government to spend on public services in 2019-20 than in 2010-11. Paragraph 17 of this report provides detail on the budget received by Welsh Government since 2010-11.

59. We were pleased that the Welsh Government has provided additional funding for teachers' professional learning, the targeted grant funding provided through the regional consortia and the additional £100 million in this Assembly for raising school standards. However, the estimate provided in the report from Sibieta Economics of Education is that in order to maintain expenditure on schools at the same real-terms level as 2016-17, the Welsh Government would need to spend an extra £120 million per year by 2020-21.⁴⁹ This is very alarming, and even more so when this prediction of the additional funding required is to simply maintain the status quo, and does not take into account additional resources required to implement the considerable educational reforms on the horizon. The huge challenges of meeting the changes required as a result of the Additional Learning Needs (Wales) Act 2018, the new curriculum and the whole school approach on emotional and mental health must be built into budget considerations going forward.

⁴⁸ [Local government revenue and capital settlement: final 2018 to 2019 – the real terms calculation is at 2017-18 prices using HM Treasury GDP Deflators March 2019 \[update link after return\]](#)

⁴⁹ [Sibieta Economics of Education Report: School Spending in Wales – April 2019](#)

60. The provision of sufficient funding for schools is absolutely essential to ensure the successful delivery of education for our pupils. All those involved in education delivery must work together to tackle the immense funding pressures facing our schools. To assess if funding levels are sufficient, there first needs to be greater clarity of how much it costs to run a school effectively.

61. In doing this, we must be mindful of data that suggests that higher levels of funding do not necessarily go hand in hand with higher levels of performance within schools. Annex C provides data on local authorities' expenditure on schools and their educational performance.

62. As an immediate step, we believe the Welsh Government should commission an urgent review of how much funding is required to sufficiently fund schools in Wales. This is particularly important given the level of reform currently being undertaken. In taking forward such a review, we believe the Welsh Government must consider what the basic minimum cost is of running a school and educating a child in Wales. This basic minimum cost could then be applied across all schools, with additional and specific funding (for deprivation and sparsity, and other local factors) overlaid afterwards.

63. We also believe that the review should be used to provide an estimate of the current funding gap between the amount currently spent on schools and the amount required to deliver on all that is required of them – including the considerable reform agenda on the immediate horizon. This review should be undertaken with a similar objective to the Nuffield review on the Welsh NHS.

Recommendation 1. That the Welsh Government commission an urgent review of how much funding is required to fund schools sufficiently in Wales, particularly given the level of reform currently being undertaken. That review should:

- consider, as its basis, what the basic minimum cost is of running a school and educating a child in Wales, before allocating additional resources required for other factors such as deprivation and sparsity and local circumstances; and
- provide an estimate of the current funding gap between the amount currently spent on schools and the amount required to deliver on all that is required of them – including the considerable reform agenda.

64. We fully recognise the difficulties faced by the Welsh Government and local authorities in providing additional resources for schools, and acknowledge that providing additional funding would require reductions in funding elsewhere. We

also acknowledge that providing additional money to local authorities will not in itself guarantee additional funding for schools due to the unhypothecated nature of local government funding.

65. In looking at the wider issue of spending across the Welsh Government's budget we believe, however, that this should be more balanced in favour of preventative spend. Given the considerable amount of preventative work being undertaken within schools across Wales, this change in approach would be likely to result in a greater proportion of funding for education.

66. Evidence of such preventative work, or early intervention, has been seen across many areas we have considered – most recently, in our inquiry on the emotional and mental health of children and young people. In our key recommendation from the Mind over Matter report we were clear that the urgent challenge lay at the preventative end of the care pathway – emotional well-being, resilience and early intervention. Such challenges straddle every element of education delivery, and funding should recognise that.

67. We therefore believe the Welsh Government must keep under review the priority it gives to funding for local government and within that, the funding available for schools, in both its annual budget-setting process and in-year re-allocations of resources in order that there is a greater balance towards preventative spend. This, we believe, requires a mature and realistic debate over how best to prioritise the limited money that is available.

Recommendation 2. That the allocation of spending across the Welsh Government's budget should be balanced in favour of preventative spend. In doing so, the Welsh Government should keep under review the priority it gives to funding for local government and within that, the funding available for schools, in both its annual budget-setting process and in-year re-allocations of resources.

68. On the specific issue of early years funding, whilst not directly relating to school funding, the Committee believes that the cross over between the Childcare Offer and early years education is an area that warrants further attention. We welcome the Welsh Government's announcement of a pilot in Flintshire to test the impact of a consistent rate for early education and childcare.

Recommendation 3. That the Welsh Government continue to keep under review the cost/rates of payment across maintained and non-maintained settings for childcare, early years education, and the childcare element of Flying Start. Particular attention should be given to increasing the consistency between

the hourly rate paid for early years education and childcare and the pilot that has been established in Flintshire should inform this approach.

5. The Welsh Government's allocation of available resources between local authorities

The majority of funding for schools comes from the unhypothecated funding local authorities receive from the Welsh Government in the local government settlement, plus the income they generate from council tax, fees and charges. Section 4 of the report looks at the overall size of the pot available, and in this section we consider the effectiveness of the formula used by Welsh Government to allocate funding between local authorities.

69. The Aggregate External Finance (AEF), which is made up of the Revenue Support Grant (RSG) and redistributed non domestic rates, is allocated to local authorities by the Welsh Government under a formula – known as the local government settlement formula – set out in the Government's annual "Green Book". This formula is made up of many indicators and is agreed and overseen by the Distribution Sub Group,⁵⁰ which is a technical working group that sits under the Partnerships Council for Wales⁵¹ and advises on how much revenue funding each local authority receives. Membership of the DSG includes representative officials of the WLGA, Welsh Government officials and independent members.

70. The local government settlement formula is based on Standard Spending Assessments (SSAs), which model an estimate of how much each authority needs to spend across various sectors to provide a standard level of service. Indicator Based Assessments (IBAs) provide a breakdown of how the SSAs have been arrived at. Both the Welsh Government and local government have emphasised that SSAs and IBAs are not spending targets; rather, they are notional calculations to demonstrate how each authority's settlement has been determined.

71. The two IBAs for Education – "School Services" and "Other Education" – are calculated primarily in accordance with pupil numbers. However, they also take

⁵⁰ [Distribution Sub Group website](#)

⁵¹ The [Partnership Council for Wales](#) is intended to promote joint working and co-operation between the Welsh Government and local government.

account of the differing needs of authorities to spend, based on deprivation and population sparsity.

72. The result is that the total Education IBA for local authorities varied in 2018-19 from £4,432 per pupil (Vale of Glamorgan) to £5,755 per pupil (Powys). Annex C of this report provides an analysis of the notional IBA calculations, local authorities' actual expenditure and the consequent levels of spend per pupil. Section 6 of this report outlines the priority that local authorities give to education, making reference to IBAs and the analysis contained in Annex C.

Stakeholders' evidence

73. A great deal of concern was expressed by the teaching unions about a perceived lack of transparency in the way schools are funded. The NEU referred to a "funding fog",⁵² while NAHT pointed to "huge discrepancies".⁵³ In its written submission to the inquiry, ASCL stated that:

"There is real inequality between the levels of funding apportioned to schools by different local authorities. It is no exaggeration to say that two schools five miles apart, but in different authorities, may see their funding differ by as much as a thousand pounds per pupil per year. This is not fair nor equitable."⁵⁴

There are three main factors which might explain such a difference.

- First, the overall level of funding the local authority receives from the Welsh Government, based on the local government funding formula and the notional Education IBA (discussed in this section).
- Secondly, because the funding is unhypothecated, how much the local authority then decides to spend on education from within the overall allocation – this may or may not be influenced by the Education IBA in the local government settlement (discussed in section 6).
- The third factor might also be the level of delegation, i.e. the extent to which the local authority retains some of the funding to finance the provision of some services to schools centrally (discussed in section 13).

⁵² Oral Evidence. ROP. [Para 231]. 21 February 2019

⁵³ Oral Evidence. ROP. [Para 9]. 21 February 2019

⁵⁴ Written Evidence. SF.26 – ASCL

74. Over a number of years, individual local authorities have expressed concern about the local government funding formula. However, evidence provided during this inquiry clearly suggests that there is very little appetite amongst local government as a whole for significant changes to the funding formula at this time. When asked specifically about this, the WLGA said:

“... you could go around in circles on this when, really, the problem that’s facing us—both Welsh Government and local government—is the size of the pie, not who gets what slice of it—”⁵⁵

75. The clear message from the WLGA and ADEW was that while the current arrangements are “imperfect” they are still the best method available.⁵⁶ They suggested that there will always be winners and losers from the formula and it would be very difficult to overcome that. The difficulties in changing the formula were highlighted in the written evidence submitted by individual authorities, which showed a split of opinion as to whether sparsity or deprivation should be the more influential determinant of how the overall funding pot was divided.

76. In their recent report, Sibieta Economics of Education demonstrated that sparsity and deprivation broadly offset each other in the settlement.⁵⁷ Luke Sibieta explained some of the reasoning behind the report’s findings during a private briefing to the Committee, providing an example that the proportion of eFSM pupils is almost double in Blaenau Gwent than Ceredigion, although the effects of sparsity mean they have similar levels of funding per pupil.⁵⁸

77. Some stakeholders raised concerns about the currency of some of the data which is used within the local government settlement formula. For example, NAHT observed that 1991 census data is used to drive the distribution of sparsity funding, and that this data was out of date.

78. The WLGA acknowledged that the census data used in the formula for sparsity dates back to 1991 but said the issue is more complicated than replacing the census data:

“The problem’s been one of a technical nature that you can’t just update the census indicator that’s in there, the old 1991 census data; you have to recalibrate the whole construct. And when you start recalibrating the whole construct and turning the dials and the weights

⁵⁵ Oral Evidence. ROP [Para 46], 20 March 2019

⁵⁶ Oral Evidence. ROP [Para 47], 20 March 2019

⁵⁷ [Sibieta Economics of Education Report: School Spending in Wales – April 2019](#)

⁵⁸ Written Evidence. SF 32 – [Sibieta Economics of Education](#)

of the different indicators, whether it's pupils, the sparsity or the deprivation, then you start throwing lots of money around, and this enormous amount of financial turbulence."⁵⁹

79. Following the Assembly's School Funding Committee's report in 2006,⁶⁰ the Welsh Government commissioned a review to look at resource allocation. The Bramley Review (2007) recommended a relatively complex and sophisticated methodology, based on current and future needs rather than historic costs, with more of an emphasis on deprivation and narrowing gaps in attainment. However, the Welsh Government did not take this forward as it said it would have meant "drastic turbulence".⁶¹

80. The WLGA, which was critical of the Bramley report at the time, told us that the report was "abandoned", "because the consequences of getting it wrong are disastrous".⁶²

Annex E of this report, provides a summary of previous inquiries and reviews regarding school funding, including the Bramley Review.

81. The WLGA informed us that the Distribution Sub Group is undertaking some work to look at elements of the formula but that "it will take a long time"⁶³ to reach a solution. In information provided following their oral evidence, the WLGA explained the position regarding potential changes to the way resources for local government are allocated as follows:

"The funding formula has remained largely unchanged since the time of the original review [by Swansea University and Pion Economics in 1999]. There have been attempts to update the underlying analyses and the data used but these proposals have been rejected at a political level. The reasons for this have mostly been because of the resultant financial turbulence and the difficulties associated with the sparsity measures."⁶⁴

⁵⁹ Oral Evidence. ROP [Para 54], 20 March 2019

⁶⁰ Committee on School Funding Report: School Funding Arrangements in Wales

⁶¹ Paper from the then Minister for Children, Education, Lifelong Learning and Skills to the Enterprise and Learning Committee

⁶² Oral Evidence. ROP [Para 60], 20 March 2019

⁶³ Oral Evidence. ROP [Para 58], 20 March 2019

⁶⁴ Written Evidence. SF.FI.04 – Welsh Local Government Association

The Welsh Government's position

82. The Welsh Government has said that it is open to considering changes to the local government settlement formula if local authorities can reach a consensus. The Minister for Finance and Trefnydd said in Plenary on 30 January 2019:

“... actually, Julie James [the Minister for Housing and Local Government] and I are very open to other ideas. If local authorities feel, as a collective through the Welsh Local Government Association, that this formula isn't working for them and they want to come forward with other ideas as to how things could be improved, then certainly we would be keen to explore any ideas that they have to bring forward to us.”⁶⁵

83. The Minister for Housing and Local Government, told us:

“... if somebody wants to come forward with a suggestion for change to that arrangement, then we have a very robust system for testing through how that will work, because, obviously, in any change to the distribution formula, there will be winners and losers.”⁶⁶

84. However, as the Minister for Education said:

“... there's no consensus, and the evidence that you've already received is that the WLGA say, 'We don't really want to go there. We don't really want to change the data. We're not particularly fussed on changing the funding formula'.”⁶⁷

85. The Minister for Education also added that changing the formula during a time of austerity is more difficult as there is not enough funding available to compensate the “losers” or provide transitional arrangements:

“...there's no consensus about how this system should be changed, because in any funding formula change there will be winners, there will be losers, and in an age of austerity, how you will usually manage that situation is that you would put in a floor and you would have differential

⁶⁵ Record of Proceedings, Plenary 30 January 2019

⁶⁶ Oral Evidence, ROP [Para 82], 3 April 2019

⁶⁷ Oral Evidence, ROP [Para 89], 3 April 2019

increases somewhere else, but that's really, really challenging to do in an age of austerity."⁶⁸

86. In terms of the relatively smaller scale work that is currently taking place to look at aspects of the formula, the Minister for Education said in Plenary:

"I am aware that the distribution sub-group of local government are currently looking and have started a new stream of work to look at how indicator-based assessment levels of education are completed when determining levels of RSG."⁶⁹

87. She expanded on this in Committee:

"... the distribution sub-group are already undertaking some work around the building blocks of the education element of that funding formula. That work is already happening. (...)

We continue to test the amount of resource that is needed. One of the real challenges is, in a way, a slightly more complex picture, perhaps, in terms of identifying unit cost. Unit cost really is a challenge to identify. But in the local government distribution sub-group, there has been an agreement to start to look at whether you could do a unit cost or a bottom-up approach to the indicative budget allocation, to be able to get a better understanding of reflecting that in the formula. That work is starting. We're supporting that work in the local government department and in the education department, which potentially might influence IBA and might influence changes to the revenue support grant."⁷⁰

88. We wrote to the Minister for Education at the start of this inquiry requesting information on the Bramley Review and what changes (if any) have taken place since. The Minister for Education's response did not directly address this.⁷¹ However in 2009, the then Minister for Children, Education, Lifelong Learning and Skills, Jane Hutt AM, stated:

⁶⁸ Oral Evidence. ROP. [Para 89], 3 April 2019

⁶⁹ Record of Proceedings. Plenary 13 March 2019

⁷⁰ Oral Evidence. ROP. [Para 32], 3 April 2019

⁷¹ Letter from Minister for Education: 18 December 2018

“The Bramley report has provided a valuable basis for taking forward thinking and work on changes to the revenue settlement formula to provide an element of outcome based funding.

The Assembly Government does not intend to implement the funding scenarios set out in the Bramley Report. Doing that would mean drastic turbulence in funding allocations that would destabilise local authority and school funding. In turn, that would undermine attempts to improve what learners achieve. That said, the Bramley Report has rightly underlined the importance of focussing on improving outcomes and has identified key drivers for achieving that. The report has usefully informed our understanding of how to develop the distribution of RSG to reflect more effectively our strategic outcomes agenda. Therefore since the publication of the Report, officials have considered how to make changes that will make funding more outcome focused in a way that will not destabilise local authority funding.”⁷²

89. On the issue of the currency of the data in the formula, the official accompanying the Minister for Housing and Local Government in Committee emphasised that the most important indicator – pupil numbers – is updated each year, based on the most recent school census.⁷³ She also explained that the Distribution Sub Group had discussed how to use more up to date data but decided to continue using the 1991 sparsity data as to use more recent data would cause “too big a change”, which is consistent with the lines outlined in the WLGA’s oral evidence.⁷⁴

Our view

90. The current methodology used by Welsh Government to allocate funding to local authorities is hugely complex. As highlighted by the Welsh Local Government Association, it is recognised that under that existing funding formula there are winners and losers – with some local authorities receiving a greater proportional share of funding than others depending on the indicators used and the weighting placed on these. The challenge of establishing a new funding formula which is more equitable cannot be underestimated – and in our view, it could simply lead to a position in which different winners and losers are created.

⁷² Paper from the then Minister for Children, Education, Lifelong Learning and Skills to the Enterprise and Learning Committee.

⁷³ Oral Evidence. ROP. [Para 70], 3 April 2019

⁷⁴ Oral Evidence. ROP. [Para 105], 3 April 2019

91. We note the WLGA's view that while arrangements may be imperfect the current funding formula is the best method available. We note therefore that there is no clear appetite from local authorities to undertake a wholesale review of the local government funding formula at this time.

92. We welcome the Welsh Government's openness to a review of the funding formula, but recognise that there is a need for consensus across all local authorities before this could be implemented. We also agree with the view expressed by the Minister for Education that there would need to be funding available to compensate on a transitional basis any local authority that would lose out from the establishment of a new funding formula. As this report has highlighted, there is already insufficient funding available for schools – as such, we believe that it would be difficult at this time to undertake that wholesale review of the local government funding formula.

93. In accepting that a wider review will not be undertaken at this time, we believe that the Welsh Government could do more to consider how the allocation of resources for local authorities can be determined to a greater extent by a needs-based approach when considering the education element of local government's overall funding, rather than one primarily based on historic methodology.

94. There has been significant work undertaken in the past by the Assembly's School Funding Committee (2006) and in the form of the Bramley Review itself (2007) on establishing a needs-based and outcomes-based approach to allocating resources. In light of this, in order to take things forward, we would therefore urge the Welsh Government to establish workable solutions rather than repeating a position whereby recommendations could not be taken forward due to the complexities involved or to lack of buy in from local authorities.

Recommendation 4. That the Welsh Government consider how the allocation of resources for local authorities can be determined by a needs-based approach, rather than one based on historic methodology. Such a needs-based approach, when considering the education element of local government's overall funding, should start from the basis of considering how much it costs to educate a child (see recommendation 1) and applying indicators reflecting local circumstances such as deprivation and sparsity on top of that basic minimum cost.

95. Alongside the work we recommend is undertaken on determining a needs-based approach, we believe there are other elements of the funding formula that could be improved without undertaking a wholesale review. We acknowledge the work being undertaken by the Distribution Sub Group in this respect. In particular

we note their work on reviewing the SSA and IBAs, which determine how the available quantum of resource for local government is shared out between local authorities. We believe this work should be taken forward thoroughly and at pace. As outlined in recommendation 1, however, we believe there is a need for a more fundamental review of the sufficiency of funding for schools, even if that is not a review of the local government funding formula as a whole.

96. We note the concerns raised relating to the currency of the data used within the funding formula, and the potential use of out of date data. This is particularly relevant to the use of the 1991 census data when considering sparsity at the same time as using more up to date data on pupil numbers. We welcome the confirmation from the Welsh Government that the data on pupil numbers, which is the most significant indicator used, is updated each year based on the most recent school census (see paragraphs 68 to 71 of this section).

97. In relation to the use of the 1991 census data for sparsity, we note the evidence provided by both the WLGA and Welsh Government that updating the census data would also require changes to the whole of the funding formula. As we have already indicated in this section, we believe it would be difficult at this time to undertake a wider review of the funding formula.

6. Local authorities' prioritisation of funding for schools

As already outlined in the report, local authorities receive funding from the Welsh Government to provide services. From that funding, it is local authorities themselves that decide how much to spend on education, and specifically on schools. This section considers how local authorities prioritise funding for schools within their overall budget allocations. More specific consideration of the allocation of funding between schools is covered in section 7 of this report.

98. Following receipt of the local government settlement allocation from the Welsh Government, local authorities set budgets for the wide range of services for which they are responsible. Education is one of those services and is funded according to local needs and priorities. It is local authorities themselves who have the legal responsibility to fund education, including schools, and in doing so must prioritise and balance funding across the range of service areas for which they are responsible.

99. When allocating the local government settlement, the Welsh Government calculates the Education IBA for each local authority. This is not a spending target, and local authorities can spend above or below this. The Welsh Government publishes each local authority's Education IBA in the local government settlement information,⁷⁵ as well as in the annual statistical release on local authorities' expenditure on schools⁷⁶.

100. Annex C provides some analysis of the notional IBA calculations, local authorities' actual expenditure and the consequent levels of spend per pupil. This shows that since 2016-17, the all-Wales total local authority budgeted net revenue expenditure on education has exceeded the IBA. Prior to 2016-17, expenditure was historically below the IBA level. In considering the published data, the general picture is that the same authorities tend to allocate more to education than their IBA each year – although this data does not include specific detail about exactly

⁷⁵ [Local government revenue and capital settlement: final 2019 to 2020](#)

⁷⁶ [Statistical Bulletin 41/2018: Local Authority Budgeted Expenditure on Schools: 2018-19](#)

how much funding goes to schools. Similarly, the same local authorities tend to allocate less to education than their IBA from year to year.

101. The data shows that eight local authorities spent below their Education IBA in 2018-19. It is important to note, however, that this does not necessarily mean they spent less per pupil than the Welsh average. This is because the IBAs themselves do not equate to the same level per pupil i.e. the methodology for resource allocation assumes that it is more expensive to educate a pupil in one local authority than another etc.

102. The analysis in Annex C shows for 2018-19:

- That the amount of money that is notionally calculated for local authorities to provide education (the IBA) varies from £4,432 per pupil to £5,755 per pupil (note this includes built in assumptions about how much the authority can raise from council tax) (Table A1).
- Which local authorities (Table A1 and Table A3):
 - Spent more than their IBA and (consequently or otherwise) had higher than average expenditure;
 - Spent more than their IBA but still had lower than average expenditure per pupil;
 - Spent less than their IBA but managed to have higher than average per pupil expenditure;
 - Spent less than their IBA and (consequently or otherwise) had lower than average per pupil expenditure.
- The amount of money spent by local authorities on schools, including hypothecated grants such as the Pupil Development Grant, varied from £5,107 per pupil to £6,456 per pupil (Table A2).

103. Analysis of the data also suggests that there is no correlation between higher levels of funding per pupil and higher educational performance (as measured by the proportion of schools categorised as Green or Yellow). Tables A5 and A6 of Annex C include data on this, showing:

- The six authorities with the lowest per pupil expenditure all have higher than average educational performance.

- The three authorities with the highest per pupil expenditure all have lower than average educational performance.

Stakeholders' evidence

104. In evidence to the inquiry, local authorities have indicated that they have sought to protect schools' budgets as far as they can within their overall budget allocations, but are now in a position where this is unlikely to remain possible. Section 4 of this report discusses this in more detail in relation to the overall quantum and priority given to education.

105. The WLGA's Finance Spokesperson and Leader of Torfaen County Borough Council told us:

"In the current context of declining resources in real terms, it's incredibly difficult. Schools are our largest single budget area, and whilst we're doing our best to try and protect school spending—for example, in my own authority, we put an extra £0.75 million into schools this year—in a situation where we've got declining resources, it's very difficult. (...)

If you add schools and social care together, that's getting on for 70 per cent of our spend as an authority. So, when the quantum of your money as a whole is going down, even if you work very hard to relatively protect spending on schools, it's difficult and schools are going to face challenges to put budgets together."⁷⁷

106. The former Chief Executive of the WLGA, Steve Thomas, told the Equalities, Communities and Local Government Committee in October 2018:

"We've constantly, over the last eight years, looked to protect as much as we can in education and social care. They've been the two big areas in terms of going forward. For a period of time within the Welsh Government, there was a level of increased protection for schools. That has now gone."⁷⁸

107. The protection for schools Mr Thomas was referring to was the one percentage point (above the change in the Welsh block) protection that Welsh Government put in place during the Fourth Assembly. The Welsh Government

⁷⁷ Oral Evidence. ROP.[Para 8], 20 March 2019

⁷⁸ Record of Proceedings, Equalities, Communities and Local Government Committee, 25 October 2018

provided an explanation of this approach in the narrative to the Draft Budget 2015-16 (Annex E).⁷⁹

108. The Welsh block grant from Westminster grew by 0.02% between 2010-11 and 2015-16. The Welsh Government indicated that it provided £72 million in the local government settlement and £34 million through education grants to enable funding for schools to increase by 1.02% during this period. Local authorities were required through their monitoring returns to the Welsh Government to evidence that their budgeted spending on schools (net of specific grants and allowing for adjustments in pupil numbers) increased in line with the Local Government funding element of the 1 percentage point commitment.⁸⁰

109. In this Assembly term, that one percentage point protection is not provided, but the Welsh Government has channelled a broadly equivalent quantum of additional funding (£100 million), through targeted, hypothecated grants aimed at raising school standards (see section 8 for further detail on use of hypothecated grants).

110. In evidence, several stakeholders called for an element of ring-fencing of expenditure that is guaranteed for schools, although recognised this would have implications for councils' local decision-making. The NASUWT said that it would support a reinstatement of the one percentage point protection for school budgets and the ring-fencing of core funding for schools within the funding given to local government.⁸¹

111. In its written evidence, ASCL stated that:

“it is a real weakness of the current system that school funding is not hypothecated: This allows councils to take decisions that are patently not in the interests of education, but in the interest of local governance”.⁸²

112. The NAHT questioned how the Welsh Government can be committed to fair funding for schools when the setting of school budgets is subject to 22 different authorities giving differing priority to education. NAHT went on to say that “there is

⁷⁹ Narrative to the Draft Budget 2015-16 (Annex E)

⁸⁰ Narrative to the Draft Budget 2015-16 (Annex E)

⁸¹ Oral Evidence. ROP [Para 204], 21 February 2019

⁸² Written Evidence. SF.26 – ASCL (Cymru)

no consistency across Wales” and the current system of funding for schools produces outcomes that are “inequitable and not transparent”.⁸³

113. NAHT also referred to the local authorities that spend less on education than their notional IBAs, arguing that because they are not set as targets there appears to be little incentive for local authorities to meet them. NAHT said that it was “pointless creating IBAs if local authorities choose not to at least meet them”.⁸⁴

114. In relation to IBAs, the WLGA and ADEW were both very clear that they have very little bearing on how much a local authority should spend on education, and stated:

“... all the IBAs in the Green Book are is a mathematical construct for distributing resources. If anyone in Wales thinks that the IBA represents what you should spend in any specific area, they’re entirely wrong, and we have to be clear about that. (...)

... it’s very important that we understand that an IBA isn’t a statement of how much should be spent on something because, in a way, all an IBA is is a mathematical line and every authority will spend more or less than that line.”⁸⁵

The Welsh Government’s position

115. The Welsh Government’s clear position is that it is the responsibility of local authorities to determine how much priority they give to education and how much funding they provide to schools. The Minister for Education’s letter at the outset of the inquiry stated:

“... local authorities determine how they spend [funding in the local government settlement] 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.”⁸⁶

⁸³ Written Evidence. [SF.31.NAHT](#).

⁸⁴ Written Evidence. [SF.31.NAHT](#).

⁸⁵ Oral Evidence. [ROP \[Para 8\], 20 March 2019](#).

⁸⁶ [Letter from Minister for Education: 18 December 2018](#).

116. When asked how the Welsh Government satisfies itself that local authorities are prioritising schools sufficiently in their budgets, the Minister for Housing and Local Government said:

“Well, we don’t, really. We take the view that local authorities are locally elected and that they, inside the revenue support grant, have unhypothecated powers to come to their own conclusion about what the school funding should be in their area.”⁸⁷

117. The Minister for Housing and Local Government added that the IBAs are “just to indicate to the authority how the formula has worked for that local authority” and are “not to be regarded as either a spending floor or a target”.⁸⁸ When asked whether the Welsh Government discusses expenditure levels with particular authorities that are consistently spending below their IBA, The Minister for Education said:

“Again, this comes back to the principle that the legal responsibility lies with those local authorities. Local authorities then are democratically accountable to the people that elect them for the decisions that they make.”⁸⁹

118. At the same time, Kirsty Williams also acknowledged:

“But we’re all democratically elected as well, aren’t we? And we all stand on manifesto commitments. (...)

Governments are also democratically elected to deliver on their commitments and their promises that they’ve made.”⁹⁰

119. The Director of the Welsh Government’s Education Directorate, Steve Davies, said that the Welsh Government does monitor the sufficiency of the resources made available to schools through the targeted, hypothecated grants. However, he indicated that to do that in relation to local authorities’ provision for schools’ core budgets would require work on a wholly different scale:

“We test the resources that we put through grants in terms of sufficiency, because we test them against the—we set the ambition and expectations of the regions and the local authorities who own and run

⁸⁷ Oral Evidence. ROP. [Para 82]. 3 April 2019

⁸⁸ Oral Evidence. ROP. [Para 85]. 3 April 2019

⁸⁹ Oral Evidence. ROP. [Para 113]. 3 April 2019

⁹⁰ Oral Evidence. ROP. [Para 88]. 3 April 2019

them in terms of what they need to do to enable schools to deliver on those initiatives. (...)

What we're not in a position to do is to look across the 22 local authorities, which have their own models to define how they spend their money, against which criteria they spend their money, to actually make an overall judgment that that is sufficient at that time. (...) So, we haven't done it across the 22 councils. We've done it in terms of the investment of the £100 million (...)."⁹¹

120. When asked specifically whether capacity was the only reason the Welsh Government does not undertake such wider monitoring, Mr Davies said:

"No, it's about complexity. If you want to look at how much it costs to have a proper education for every child in Wales, it's a complex question to ask and benchmark against. (...)

I think it's something that it would be good to be able to do, but I think it isn't just about capacity, although it's a significant piece of work; it is about complexity. So, how much does it take to have a good education for a seven-year-old in Ceredigion against a seven-year-old in Blaenau Gwent. (...)

The complexity of the task that you outlined is very, very large."⁹²

Our view

121. The amount of funding going into education, and specifically to schools, and the variations in funding across the 22 local authorities, is an area of concern. There are clear differences in the level of priority given to school budgets by local authorities across Wales. While we accept that there needs to be an element of local decision making, it is clear from the published data that funding is inconsistent across Wales, and could result in a position that is not equitable.

122. Decisions made by local authorities over the levels of funding to education and to schools need to be transparent, robust and clearly understood. We are concerned that there is a perception, as expressed by ASCL, that some councils could be taking funding decisions that are detrimental to education and schools,

⁹¹ Oral Evidence. ROP. [Para 34], 3 April 2019

⁹² Oral Evidence. ROP. [Para 74], 3 April 2019

and staff and pupils, in particular. The fact that those doubts exist suggests that there is a lack of clarity and understanding over that decision making process.

123. We are also very concerned to hear from the Welsh Government that it does not monitor the level of priority that local authorities give to schools within its distribution of funding. The Welsh Government has been very clear throughout this inquiry that local authorities are responsible for allocating resources to education, and are democratically accountable for this. While we accept this is the legal position, we believe that the Welsh Government must be able to satisfy itself that, through their budget allocations, local authorities are prioritising education sufficiently. As the Minister for Education herself acknowledged, whilst local authorities are democratically accountable so is the Welsh Government, on a national level, for the education received by children across Wales.

124. We acknowledge the complexity that would be involved with monitoring this across the 22 local authorities, and the resource and capacity issues this might create for the Welsh Government. However there would be real benefits in ensuring that local authority decisions on education spending were transparent, robust and clearly understood. We therefore believe that the Welsh Government should monitor more closely the way in which local authorities allocate their budgets.

125. Whilst allocating additional resources to schools is no guarantee of success, additional monitoring of whether local authorities are prioritising education is required for the Welsh Government to be satisfied that its ambitions of raising school standards will be realised and its reform agenda successfully implemented.

Recommendation 5. That the Welsh Government monitor more closely the level of priority local authorities give to education in the way they set their budgets, in order to help ensure that process is more transparent and robust and to assure itself that sufficient funding is being provided to enable schools to improve and deliver on its reform agenda.

126. We share the concerns raised that the purpose of IBAs is not clear, and that they have limited influence on the prioritisation of spending on education. The strong feeling expressed in oral and written evidence is that it appears there is little point establishing IBAs if local authorities choose not to at least meet them. It is a significant concern that the WLGA and ADEW were both very clear that IBA's have very little bearing on how much a local authority should spend on education. We believe that the Welsh Government must provide greater clarity on the purpose of IBAs.

127. Adding to the confusion over the purpose of IBAs is the fact that the Welsh Government publishes local authorities' expenditure on education directly alongside the IBA figures in its annual statistical release. We understand that in order to explain how an authority's AEF allocation has been arrived at, the IBAs are published within the Local Government Settlement information. It is not clear, however, why IBAs are published in the information regarding local authorities' actual expenditure. Whilst we recognise this has benefits in terms of transparency, we believe the Welsh Government should clarify why it does this, especially as it unequivocally states that IBAs are not to be regarded as spending targets.

Recommendation 6. That the Welsh Government publish guidance to clarify the exact purpose of the Indicator Based Assessments (IBAs), including whether or not they are a guide to how much a local authority needs to spend on education to provide a standard level of school services.

Recommendation 7. That the Welsh Government clarify why it publishes local authorities' expenditure on education directly alongside the Indicator Based Assessments (IBAs) in its annual statistical release, if IBAs are not to be regarded as spending targets.

128. We welcome the evidence from local authorities that they have sought to protect school budgets where possible. We are concerned however that local authorities are finding themselves in a position where they are no longer able to protect spending on schools within the overall budget allocations. It is clear that in previous years the one percentage point school funding protection put in place by the Welsh Government had a beneficial impact on local authority spending on education.

129. We recognise that the one percentage point protection is no longer incorporated into the allocation to local government, and that the Welsh Government has more recently allocated an equivalent sum through targeted, hypothecated grants. We note that there is support from some stakeholders for the reinstatement of the one percentage point protection for school budgets. However, this would either require additional funding for education, which is discussed in section 4 of this report, or the alternative use of the £100 million, allocated for raising school standards, towards unhypothecated funding for local government to finance school budgets. There are, however differences in opinion about the use of hypothecated versus unhypothecated funding. This issue is explored further in section 8 of this report.

7. Local authorities' apportioning of the funding they make available for schools, between schools

A consistent theme of this inquiry has been the insufficiency of the overall quantum of funding available for schools. However, our inquiry has also considered the way this quantum is distributed, i.e. not only the size of the cake but how the cake is shared out.

130. As set out in section 2, there are several steps to the process of how funding is allocated to schools. Each of those steps is covered separately within this report as follows:

- First, how the Welsh Government apportions the available resources for local government through the local government settlement (covered in section 5);
- Secondly, how much of this resource local authorities allocate to education (covered in section 6);
- Thirdly, the extent to which local authorities delegate school funding directly to schools (covered in section 13); and
- Finally, how each local authority apportions the funding in its Individual Schools Budget (ISB) between its schools (this section).

131. Each local authority devises its own formula for apportioning the ISB, albeit within the parameters set by the School Funding (Wales) Regulations 2010.⁹³ These regulations require that at least 70% of the ISB is allocated according to a school's number of pupils. However, local authorities may decide how to weight these pupil numbers according to a number of factors. The most significant factor is Age Weighted Pupil Units (AWPUs). Other factors include Additional Learning Need and language medium.

132. In apportioning the remainder of the ISB (which may be as high as 30%), local authorities may take into account factors listed in the regulations. These

⁹³ [School Funding \(Wales\) Regulations 2010](#)

include the size and condition of school buildings and grounds, utility costs and staff salaries. The regulations also require that the formulae used by local authorities take into account the incidence of social deprivation amongst pupils registered at each school.

133. The Schools Forum (Wales) Regulations 2003⁹⁴ require every local authority to have a local schools forum (also known as a school budget forum). Each local authority must also have a Scheme for Financing Schools which sets out the financial relationship between the authority and the schools within its area. Local authorities are required to consult their school budget forum annually on matters relating to their ISB and changes to their Scheme for Financing Schools.

134. Local authorities are required, under Section 52 of the School Standards and Framework Act 1998, to prepare a budget statement each financial year. The format of the budget statement is specified in the Education (Budget Statements) (Wales) Regulations 2002. Every budget statement must be prepared in three parts as follows:

- Part 1 containing particulars of planned expenditure for individual schools;
- Part 2 information with respect to the methodology for determining schools' budget shares;
- Part 3 information with respect to the budget share of each of the authority's schools.

135. A copy of the budget statement must be supplied to the governing body and headteacher of each maintained school in the local authority and also made available for reference to parents and other persons at all reasonable times and without charge.

Stakeholders' evidence

136. Evidence submitted to the inquiry has suggested that having 22 separate funding formulae across Wales leads to inconsistency and a lack of transparency. NAHT, for example, said that "there is no consistency across Wales and the current system produces a picture that is inequitable and not transparent".⁹⁵ They cited information they had obtained under Freedom of Information (FOI) requests,

⁹⁴ [The Schools Forum \(Wales\) Regulations 2003](#)

⁹⁵ [Written Evidence. SF.31 – NAHT](#)

indicating significant differences in the AWPU values used by local authorities. NAHT said:

“It’s not consistent. We did a FOI request asking about the age-weighted pupil unit and the criteria used in those, and they vary across the whole of the local authorities. So, you end up with certain local authorities that add elements in that other local authorities don’t. Some local authorities were unable to explain their criteria to us. Sometimes, they’re so historical that, actually, the person who originally must’ve put it there is no longer there, I don’t think, and no-one seems—but they just stuck to it. So, those differences are massively different, and our members and schools, and I would argue parents of children, need to know that their child is having their fair amount of money, irrespective of where they are in Wales.”⁹⁶

137. ASCL pointed to a variation in the per pupil funding of schools with similar characteristics in different local authorities by as much as a thousand pounds each year.⁹⁷ However, it is not clear to what extent this variation is due to the formula used by each local authority, rather than the differing amounts they receive in the local government settlement (as demonstrated by their notional Education IBA calculation) or the priority they give to school budgets.

138. When asked specifically about the variation in school budgets across local authorities, ADEW told us:

“... it’s inevitable, to a certain extent, that there will be disparity in the budgets of schools across Wales, because local authorities receive different amounts of funding, so they’ve got different amounts of funding to pass on to schools in the first instance. The formulae that local authorities use for allocating their budgets to schools are very similar, actually, across Wales, and they are shared between finance officers, but there are local differences that are taken into account.”⁹⁸

139. Some respondents questioned the efficacy of Section 52 budget statements in their current form. ADEW and the WLGA suggested that the information required by the Welsh Government cannot be extracted from these annual returns. They went on to say that “the content, consistency and comparability of the current annual returns” needs looking at in order to see if an “improved

⁹⁶ Oral Evidence. ROP. [Para 150], 21 February 2019

⁹⁷ Written Evidence. SF 26 – ASCL (Cymru)

⁹⁸ Oral Evidence. ROP. [Para 111], 20 March 2019

method of data collection could be developed”.⁹⁹ The Vale of Glamorgan Council agreed that the Section 52 process “would benefit from review”, in particular the comparability and consistency of the data submitted by authorities.¹⁰⁰

140. At the outset of the inquiry, we wrote to each local authority asking for details of the formula they use to apportion their ISB. Unfortunately, only seven of the 22 authorities provided this information, so it was not possible for us to undertake any robust analysis of the different formulae.

141. Looking across the evidence received, one of the more consistent themes that emerged was how the principles of local decision-making and democratic accountability could be maintained, while achieving greater consistency and equity between those local processes. Discussion around this kept returning to the merits of establishing a national funding formula for schools.

142. We received mixed views in written evidence about the benefits of having a national funding formula instead of each local authority applying its own formula for setting school budgets. In co-ordinated responses, five individual head teachers stated “it surely can’t be efficient for a country the size of Wales to have 22 different funding formulae”.¹⁰¹ In contrast, Swansea Council stated that a national formula “would inevitably have winners and losers” and that it would be “at the detriment of [schools in] urban local authorities”.¹⁰²

143. The issue of a national school funding formula was raised by many delegates in the Stakeholder event.¹⁰³ The majority of those participating in the stakeholder session believed it would be extremely difficult, or not possible at all, to move to a national funding formula. It was suggested, however, that it could be feasible to have a halfway house which included a nationally applied funding level per pupil in Wales, with additional funding based on specific criteria.

144. There was no consensus between the unions as to whether schools should be directly funded under a national funding formula. ASCL called for a “national formula for funding schools”, under which schools would be either directly funded by the Welsh Government, or local authorities would be required to allocate a prescribed amount to each school.¹⁰⁴

⁹⁹ Written Evidence. [SF 36 – WLGA and ADEW](#)

¹⁰⁰ Written Evidence. [SF 24 – Vale of Glamorgan Council](#)

¹⁰¹ Written Evidence. [SF 04](#), [SF 14](#), [SF 15](#), [SF 16](#) and [SF 21](#) – Individuals

¹⁰² Written Evidence. [SF 10 – Swansea Council](#)

¹⁰³ [Summary note of the Stakeholder Event: 16 January 2019](#)

¹⁰⁴ Oral Evidence. [ROP \[Para 63\], 21 February 2019](#)

145. The other teaching unions did not go as far as calling for direct funding under a national formula but argued that the inequity of school budgets in different local authority areas needed to be addressed. The NASUWT set out the following challenges of establishing a national formula:

“Every school is different and in a different situation, so trying to write a formula that encapsulates all the issues for all schools and different sectors as well—primary, secondary, special—is almost impossible, and I think the flaws that we’ve seen coming through the system in England exemplified that. So, there does need to be local involvement in any formula. That, in itself, will bring about variations, because every local authority is different in some way. So, you need to know the situation of each individual school to be able to create a formula that works correctly. There clearly are base elements of a formula—pupils, special needs, teacher salaries—that would have to be applied, but then there will also be local issues around the nature of school buildings, the nature of sites, sparsity, deprivation and other matters that would have to be left to local determination.”¹⁰⁵

The Welsh Government’s position

146. In our letter at the outset of the inquiry, we asked the Minister for Education to provide information on what oversight the Welsh Government has regarding the formulae used by the 22 local authorities.¹⁰⁶ The Minister’s response explained the legislative position and indicated that the Welsh Government does not maintain such an oversight, emphasising its view that these are responsibilities best held locally.¹⁰⁷

147. We also asked the Welsh Government for a summary of the formulae used by each local authority. The Minister’s response simply referred to local authorities’ responsibilities to publish such information. However, the Minister for Education’s response also stated:

“A degree of variation in local authorities’ approach to funding schools is to be expected due to the variations in their school estates and

¹⁰⁵ Oral Evidence. ROP [Para 254], 21 February 2019.

¹⁰⁶ [Committee letter to the Minister for Education: 23 October 2018](#)

¹⁰⁷ [Letter from the Cabinet Secretary for Education: 18 December 2018](#)

demographic needs as well as to the responsibilities which LAs delegate to schools.”¹⁰⁸

148. In oral evidence, both the Minister for Education and the Minister for Local Government emphasised that the Welsh Government’s relationship with local authorities is one of “professional trust” rather than excessively monitoring the decisions they take.¹⁰⁹ The Minister for Education said:

“We are trying to build strong relationships with partners in local government. If we’re to say all of the time, ‘We’re going to stand over your shoulder and watch all the time everything that you do and second-guess your actions’, I think that makes it more difficult to have that relationship of trust. But it is also an issue of capacity—capacity for Welsh Government and officials in the education department. Also a capacity issue for local government.”¹¹⁰

149. As well as being a matter of principle, the Welsh Government also referred to practical issues of capacity and complexity. The Director of its Education Directorate referred to the scale of the task if Welsh Government officials were to monitor the arrangements each local authority has for setting school budgets (the complexity of Welsh Government oversight of local authorities is also covered in section 6 of this report, in the context of the prioritisation of spending for education).

Our view

150. The evidence received to the inquiry suggests that having 22 separate funding formulae across Wales can lead to inconsistency and a lack of transparency in how funding is allocated to schools. We are particularly concerned by two elements of the evidence received:

- that information obtained under FOI by NAHT indicates significant differences in the AWPU values used by local authorities, and
- that there is a variation in the per pupil funding of schools with similar characteristics in different local authorities by as much as a thousand pounds each year.

¹⁰⁸ [Letter from the Cabinet Secretary for Education: 18 December 2018](#)

¹⁰⁹ [Oral Evidence. ROP \[Para 53\], 3 April 2019](#)

¹¹⁰ [Oral Evidence. ROP \[Para 53\], 3 April 2019](#)

151. While we fully accept that a degree of variation in local authorities' approach to funding schools is to be expected, we believe there should be greater consistency between local authorities that have similar characteristics. There should also be greater consistency in how AWPU values are applied across local authorities.

152. We acknowledge that local authorities apportion their Individual Schools Budget between schools according to their own formulae within the parameters of the School Funding (Wales) Regulations 2010. We also note the Welsh Government's position of having a relationship with local authorities based on "professional trust" rather than excessively monitoring their decisions.

153. As set out in Section 6 of this report, we believe that the Welsh Government should monitor more closely the priority local authorities give to education within the overall budget allocations. However, we agree with the Welsh Government's view that on the more local level – and within the current structure – local authorities are best placed to make the decisions on apportioning the Individual Schools Budget between schools. Notwithstanding this, the Welsh Government should do more to work with local authorities to uphold the principles of local decision-making and democratic accountability while also achieving greater consistency and fairness for schools between those local processes.

Recommendation 8. That the Welsh Government work with local authorities to balance how the principles of local decision-making and democratic accountability can be upheld while achieving greater transparency, consistency and fairness in the way schools across different local authorities are funded.

154. We are concerned that that the Section 52 budget statement process appears not to be working effectively. Evidence presented, including by the WLGA and ADEW, clearly suggests that the information required by the Welsh Government cannot easily be extracted from these annual returns. The consistency and comparability of the data submitted by local authorities is also a concern. We believe that Welsh Government should therefore review the operation of Section 52 budget statements to ensure they are more accessible and effective.

Recommendation 9. That the Welsh Government review the operation of Section 52 budget statements, to ensure that the data submitted by local authorities is comparable and consistent. The Welsh Government should also ensure that Section 52 budget statements are more easily accessible.

155. We have considered the calls in evidence for a national school funding formula for all Welsh schools. Under such a formula schools could be either directly funded by the Welsh Government or local authorities, who would be required to allocate a prescribed amount to each school.

156. This would require very clear understanding of what the prescribed amount for each school needs to be, but that figure is not clear at this time. This links to recommendation 1 of the report, which calls for a base figure for running a school and educating a child to be established. Subject to recommendation 1 being taken forward, and the base figure being established, we believe this base figure could be used to identify a prescribed amount for each school, on a national level. Factors such as deprivation, sparsity, conditions of buildings etc would need to be applied on top of that base figure.

157. The use of such a baseline figure is also at the core of recommendation 4 regarding how the allocation of resources for local authorities can be determined. Having that base figure used across the different funding mechanisms within education would, we believe, help address the inequity of school budgets across different local authorities.

8. Unhypothesized funding and targeted funding

As set out in section 2 of this report, the vast majority of education expenditure comes in the form of unhypothesized funding provided to local government through the local government settlement. There have been calls for many years from local government for all funding to be unhypothesized. This section covers the merits of using hypothesized (targeted) funding, and whether this is being done in the best way.

158. Of the £2.566 billion budgeted in 2018-19 for expenditure on schools:

- £2.347 billion came from the unhypothesized funding available to local government, of which £1.940 billion was delegated to schools and £406 million was administered centrally by local authorities.
- £219 million came from the Welsh Government's education budget and was targeted at certain priorities and initiatives. Around £87 million was passported directly to schools in the form of the Pupil Development Grant (PDG) and the remainder made up the Regional Consortia School Improvement Grant (RCSIG).¹¹¹

159. The Welsh Government also has a Programme for Government commitment to spend an additional £100 million on raising school standards during this Assembly, which it has decided to channel through grants and other funding streams aligned to its action plan, Education in Wales: Our National Mission.¹¹² This was a change in approach to the way it prioritised approximately £100 million, also for school budgets, in the previous Assembly when the majority of this funding was provided via the unhypothesized local government settlement in the form of protecting schools' budgets at a level of one percentage point above the change in the Welsh block.

¹¹¹ Detail in Table 3 of this report

¹¹² [Education in Wales: Our national mission – Action plan 2017-21](#)

160. As a result, whilst Welsh Government statistics report that there is £219 million of funding devolved to schools outside of schools' core budgets, this is actually around £240 million when all of the money for raising school standards is counted. Other than the £87 million PDG for eFSM pupils which is allocated directly to schools, this funding is used by the regional consortia. The Minister for Education's letter of 5 December 2018 provided a breakdown of the £150 million RCSIG in 2018-19, aligned to the four objectives of Education in Wales: Our National Mission.¹¹³

161. There was general support expressed for the principle of targeted funding in the inquiry we undertook in 2018.¹¹⁴ In its report, we therefore supported having an element of school funding targeted at certain priorities and initiatives but recommended that more be done to ensure its value for money and positive impact. We also raised the issue of the balance which the Welsh Government needs to strike between unhypothecated funding and targeted funding in our report on the 2019-20 draft budget.¹¹⁵

Stakeholders' evidence

162. Representing the long standing view of local government, the WLGA and ADEW told us that "on behalf of local government we have lobbied consistently for all education funding to be transferred into the Revenue Support Grant".¹¹⁶ They went on to say that "there appears to be a growing reluctance to fund schools through the RSG" and that "this approach is incomprehensible".¹¹⁷ This is a point that has also been broadly made by all local authority submissions to the call for written evidence.

163. As well as local government, many other respondents to the call for written evidence were concerned about the multiplicity of grant funding. Some specific points made were that they: fluctuate year on year, create uncertainty, result in a "piecemeal" approach, do not always reflect local priorities, are a bureaucratic burden. It was also suggested that too high a percentage of the grants themselves are used for tracking and monitoring, rather than being used for the purpose they were intended.

¹¹³ [Letter from the Cabinet Secretary for Education: 5 December 2018](#)

¹¹⁴ [CYPE Committee Inquiry: Targeted Funding to Improve Educational Outcomes](#)

¹¹⁵ [CYPE Committee Report: Scrutiny of the Welsh Government Draft Budget 2019-20](#)

¹¹⁶ [Written Evidence. SF.36.WLGA and ADEW](#)

¹¹⁷ [Written Evidence. SF.36.WLGA and ADEW](#)

164. Some respondents reported that the Education Improvement Grant and Pupil Development Grant are used to “top up” and bolster core funding rather than for the purpose which they are designed for. This was also a theme in the evidence in our inquiry on targeted funding.¹¹⁸

165. There were strongly registered concerns about the amount of funding which is retained and spent by local authorities and regional consortia. ASCL referred to their open letter issued to the Minister for Education, stating that £450 million out of the total £2.6 billion for education never reaches schools.¹¹⁹

166. ASCL acknowledged that some of the funding channelled via consortia is productively used but argued that such resource should be prioritised for schools’ core budgets:

“The money is pushed to the consortia who then take the decisions on our behalf. From a school’s perspective, we don’t feel, (a) they’re necessarily taking the right decisions all the time, and (b) we feel that that money should come to us—in other words, to the school—so that the school can take those decisions.”¹²⁰

167. When questioned, the unions accepted to an extent the need for targeted, hypothecated grants which are aligned to Welsh Government priorities, but argued that schools’ core budgets need to be sufficient in the first instance. NAHT summarised:

“Of course we welcome the money that comes from grants—some of them are really valid and targeted, like the Pupil Development Grant—however, fund our schools at the core budget first, and let’s have the amount of money that we need to deliver our core, basic direction, and all of this can come on top.”¹²¹

168. The consortia emphasised the benefits of regional working and set out the case for some level of hypothecation to ensure that money is used for what is intended. Central South Consortium’s (CSC) interim managing director said:

¹¹⁸ CYPE Committee Inquiry: Targeted Funding to Improve Educational Outcomes

¹¹⁹ Letter from Association of School and College Leaders (Cymru): 12 February 2019

¹²⁰ Oral Evidence. ROP [Para 95], 21 February 2019

¹²¹ Oral Evidence. ROP [Para 97], 21 February 2019

“I think there’s a risk, if it was included and it went directly to schools, then you would not have that collaborative working that we’ve built up over a number of years... (...)”

If it went into schools directly, then the sum of money that each school would get would be quite small, and there wouldn’t be that quality assurance that it would be spent on the priorities as whatever grant we’re talking about would actually be saying. So, there would be risks attached to it.”¹²²

169. The North Wales consortium, GwE, argued that the grant funding channelled via regional consortia had a clear focus:

“There is an impression out there that these grants get to us and we can do as we choose with them, but there are very strict conditions related to these grants. We also have to provide business plans to the Government in relation to these grants, and we are held to account in order to ensure that that expenditure is made where it should be, whatever conditions are attached to that particular line within the grant.”¹²³

170. Of the £150 million Regional Consortia School Improvement Grant, GwE, CSC and EAS (South East Wales) delegate just over 90% of their share to schools, whilst ERW (South West and Mid Wales) delegate around 84%. The different levels of delegated funding from ERW reflect the fact that they operate under a different model, as they receive less school improvement funding from local authorities.

171. The late receipt of money from hypothecated grants was raised as a concern by those working on the frontline. During the visits we undertook to schools as part of this inquiry, staff highlighted that grant money often comes to schools late in the financial year. During the stakeholder event held in January, we were told that when such funding is received late in the financial year it can be difficult (and sometimes impossible) to spend it within the required timeframes and on its intended purpose. It was suggested that if the funding was released earlier, the money could be spent more strategically, which would assist schools’ budget planning. We were told that the late receipt of funding and the resulting inability to spend it also has the effect of inflating the level of school reserves at the end of the financial year. This is discussed further in section 9 of this report.

¹²² Oral Evidence. ROP [Para 334]. 20 March 2019

¹²³ Oral Evidence. ROP [Para 338]. 20 March 2019

The Welsh Government's position

172. The Minister for Education rejected the recommendation in our report on the 2019-20 draft budget that the Welsh Government should develop and publish criteria explaining the basis for allocating funding for schools either through the local settlement or via targeted grants.¹²⁴ We were concerned that the approach has varied over recent years and there did not appear to be a clear strategic rationale over which route the Welsh Government took year-to-year.

173. Commenting on the principle that it is for local authorities to decide how to fund schools, the Minister for Education described the balance between respecting local democracy and delivering on the Welsh Government's priorities which also have a democratic mandate:

"I stood on a manifesto commitment about the Pupil Development Grant, and so just like councillors are democratically elected to deliver on their commitments Governments are also democratically elected to deliver on their commitments and their promises that they've made. (...)

So, there's that balance."¹²⁵

174. The Minister for Education told us that the main factor in deciding whether to hypothecate an element of education funding was whether it was "the most appropriate mechanism for the delivery of the policy outcomes that we're trying to achieve":

"... we gave the regional school improvement grants to consortia to work on a regional basis, because that work is about school-to-school improvement and, actually, you may find that the school that you need to work with, to raise their standards, doesn't happen to be in the same local authority. It crosses boundaries. We need greater collaboration. So, in that case, it's appropriate that that goes to a regional body, because that's the most appropriate delivery mechanism to achieve the policy outcomes that we want to achieve."¹²⁶

175. The Minister for Education went on to say it was about "national priorities":

¹²⁴ [CYPE Committee Report: Scrutiny of the Welsh Government Draft Budget 2019-20](#)

¹²⁵ [Oral Evidence. ROP \[Para 88\]. 3 April 2019](#)

¹²⁶ [Oral Evidence. ROP \[Para 155\]. 3 April 2019](#)

“So, PDG, closing the attainment gap is a national priority for me and for this Government. Therefore, that goes, as a national grant, out to achieve that.”¹²⁷

176. She also said the Welsh Government uses hypothecated grants where there is an element of risk and there is a need for some innovation:

“So, for instance, if we look at the supply teaching pilot, we know that issues around supply are highly controversial and we’re looking at new ways of doing that. It’s quite difficult to dictate to a local authority to take the risk and to innovate. So, actually, Welsh Government provides that money as a pilot so that we can take the risk, we can look to innovate, and we can see if there’s a better way of doing something.”¹²⁸

177. Finally, the Minister for Education said it also depended on who is best placed to deliver the activity. For example, the Welsh Government delegated the additional money for teachers’ professional learning directly to schools as:

“...the people who are best placed to be able to decide what professional learning is needed are actually at a school level: It is the headteacher knowing their individual professionals.”¹²⁹

Our view

178. Over recent years, we have undertaken some considerable work looking at the use of targeted funding, most recently in the inquiry into the use of targeted funding to improve educational outcomes. As a consequence of our previous inquiries, we believe that the use of such targeted funding can have clear benefits.

179. In general terms, we support both the principle and the practical reality of providing a proportion of funding for schools through hypothecated grants that are aligned to strategic objectives. Clear examples of the appropriate use of hypothecated funding are the Pupil Development Grant and the additional grant funding provided for teachers’ professional learning. Moving forward, we believe there is a strong case for the use of targeted funding to meet the challenges of the reform agenda, including (for example) implementation of the new curriculum, ALN reform and the whole school approach to emotional and mental health.

¹²⁷ Oral Evidence. ROP [Para 156], 3 April 2019

¹²⁸ Oral Evidence. ROP [Para 156], 3 April 2019

¹²⁹ Oral Evidence. ROP [Para 157], 3 April 2019

180. However, in order for targeted funding to work effectively, we believe it is vital that core budgets for schools are sufficient in the first instance. Any such targeted funding should not be used to top up or prop up deficiencies in the core funding provided.

181. While we agree that it is appropriate to continue to allocate hypothecated funding for specific objectives, the Welsh Government must keep under review the balance it strikes between this and the funding it provides for local government to finance schools' core budgets. In providing hypothecated funding, the Welsh Government should also regularly assess the value for money attained from that allocation.

Recommendation 10. That the Welsh Government keep under review the balance it strikes between providing hypothecated funding for specific objectives, and the funding it provides local government to finance schools' core budgets. The Welsh Government should also regularly assess the value for money of allocating such funding.

182. We are concerned that the Welsh Government has sometimes provided some grant funding late in the financial year, which in some cases has meant that the money provided cannot be used effectively or for the purpose it was intended. To ensure the most effective use of grant funding, we believe the Welsh Government should provide that funding to schools as early as possible in the financial year. This will assist budget planning and maximise how the money can be spent strategically. The same principles should apply to grant funding allocated via the consortia.

183. We acknowledge, however, that it may not always be possible to provide such funding earlier. In those circumstances, we believe there should be greater flexibility for schools on how and when to spend it.

Recommendation 11. That the Welsh Government put mechanisms in place to ensure that grant funding is provided to schools as early as possible in the financial year. If such funding cannot be provided earlier in the financial year, the Welsh Government should build in greater flexibility within the relevant grant conditions for how and/or when schools are able to spend it.

9. School budget reserves and deficits

The subject of schools' reserves has been considered during our annual budget scrutiny. Most recently, we recommended the Welsh Government does more in the 2019-20 financial year to monitor reserve levels and ensure they are not excessive in the current economic climate. This section looks at the use of school budget reserves in the context of school funding more generally.

184. The Welsh Government publishes data annually on the levels of reserves held by schools.¹³⁰ During scrutiny of the Welsh Government's Draft Budget 2017-18, the Minister for Education told us she was "quite shocked to see some very high levels of reserves in some individual schools".¹³¹ Table 4 below provides detail on the levels of reserves held since 2016. Further information is provided in Annex D to this report.

Table 4: School reserves by financial year

Financial year (FY)	Net level of school reserves	Per pupil level of school reserves	% change compared to previous FY
2015-16 (as of 31 March 2016)	£64 million	£142	+0.9
2016-17 (as of 31 March 2017)	£46 million	£102	-28
2017-18 (as of 31 March 2018)	£50 million	£111	+10

Source: Statistics for Wales, *Reserves held by schools in Wales at 31 March 2018*, October 2018

185. In addition to the overall level of reserves, the number of schools holding reserves above the statutory thresholds at which local authorities can intervene also increased. As of 31 March 2018, 501 schools held reserves above these thresholds, which was an increase from 395 a year earlier.¹³²

186. Under the School Funding (Wales) Regulations 2010, where a primary school holds reserves in excess of £50,000 or a secondary school has reserves over £100,000, local authorities can either direct the school to spend the balance or they can recover the money. There is no evidence of local authorities having ever

¹³⁰ [Welsh Government Publication: Reserves held by schools](#)

¹³¹ [Record of Proceedings, 10 November 2016](#)

¹³² [Research Service analysis of Welsh Government, StatsWales Delegated School Outturn Expenditure, by school \(£ thousand\)](#)

used the statutory powers under the School Funding Regulations. There is also little evidence that the Welsh Government monitors the position.

Stakeholders' evidence

187. At the stakeholder event on 16 January 2019, some participants suggested the data capture of levels of reserves is quite an arbitrary measure.¹³³ They argued that a single point in the year does not provide an account of how schools might be using their reserves for specific purposes at other times in the year, explaining that reserves are often earmarked for certain purposes.

188. As noted in section 8 of this report, the Welsh Government frequently releases funding to local authorities which is then passed on to schools late in the financial year. Stakeholders highlighted that in those circumstances such funding is almost impossible to spend, therefore it inevitably falls into reserves. ADEW cited the example of additional money for school maintenance which, although welcome, was allocated late in the 2017-18 financial year and “artificially inflated” school balances at the 31 March recording date.¹³⁴

189. NAHT highlighted in oral evidence that the March 2017 figure was the lowest level of school reserves since 2001 and the increase in March 2018 should therefore be seen in that context.¹³⁵ NAHT said that the March 2018 figure was still the second lowest figure in almost twenty years and school reserves remain historically low. The NASUWT compared the position with England, contrasting the £102 per pupil figure in March 2017 in Wales with £355 per pupil across the border in the same year.

190. Local authorities commented that it was difficult to judge when a school was excessively holding on to reserves and therefore when they should intervene. ADEW described the powers under the School Funding (Wales) Regulations 2010 as “inflexible”, stating:

“I’m not aware of any instances where school balances have been clawed back in Wales. What we are required to do is to instruct a school to spend in those circumstances, and if a school then fails to spend its balances, then we can claw it back, but it has to be redistributed to schools using an agreed formula within a certain timescale, and the timescale is very tight. So, what happens usually on the ground is we

¹³³ [Summary note of the Stakeholder Event: 16 January 2019](#)

¹³⁴ [Oral Evidence. ROP \[Para 126\]. 20 March 2019](#)

¹³⁵ [Oral Evidence. ROP \[Para 39\]. 21 February 2019](#)

would have an informal discussion with the school before we have to move to statutory powers.”¹³⁶

191. The WLGA added that the statutory powers are useful as a “backstop” and their main purpose is as a deterrent to schools holding on to excessive balances. They commented that “the fact that it’s there means that, very often, you don’t actually have to use it”.¹³⁷

192. ADEW went on to say that “there needs to be far more focus on school deficits rather than balances (reserves)”.¹³⁸

Statistics show that, as of 31 March 2018, 79 (39%) secondary schools and 146 (11%) of primary schools were in deficit. The proportion of secondary schools in deficit ranges from none in the Vale of Glamorgan and Merthyr Tydfil to 86% in Denbighshire and 75% in Monmouthshire [see Annex D].

193. When giving evidence in March, ASCL estimated that the proportion of secondary schools in deficit was around 50% and they project this to rise to between 75% and 80% as of 31 March 2019.¹³⁹

The Welsh Government’s position

194. When we first raised the issue of school reserves with the Minister for Education in November 2016, she said:

“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.”¹⁴⁰

195. While this led to a reduction in the level of school reserves in March 2017, during scrutiny of the Welsh Government Budget 2019-20, we asked the Minister for Education to comment on the increase in school reserves the following year:

“...that’s an increase from where we were on the previous year, which I guess would be counterintuitive, wouldn’t it, for parents looking at the

¹³⁶ Oral Evidence. ROP [Para 118], 20 March 2019

¹³⁷ Oral Evidence. ROP [Para 132], 20 March 2019

¹³⁸ Oral Evidence. ROP [Para 137], 20 March 2019

¹³⁹ Oral Evidence. ROP [Para 4], 21 February 2019

¹⁴⁰ Oral Evidence. ROP [Para 32], 10 November 2016

situation, where they see people saying, ‘Actually, school budgets are really, really difficult’ but we see reserves going up? (...)

Now, there may be very legitimate reasons why a school is holding a certain level of reserves—they may be working towards a specific spend for that—but I am concerned. (...)

...for some schools we can see that these reserves have been held over a long period of time, and that is particularly worrying to me. (...).¹⁴¹

196. In our report on the scrutiny of the Welsh Government’s Draft Budget 2018-19, published in January 2019, we recommended that the Welsh Government:

- work more proactively with local government to reduce the number of schools holding reserves above the statutory threshold;
- provide assurance, following discussion with local government, that all schools holding reserves above the statutory threshold are doing so for a legitimate reason and have a clear plan to spend the money appropriately.¹⁴²

197. This recommendation was accepted by Welsh Government, who stated that officials were “working closely with Local Government officers and the WLGA and will continue to do so to ensure Local Government is best able to deliver on our shared priorities, including ensuring that all schools are making best use of the resources available to them”.¹⁴³

198. In her oral evidence to this inquiry, the Minister for Education reiterated that the number of schools holding reserves above the statutory thresholds “seems counterintuitive”. She said:

“... we were in touch with all local authorities in October around these issues and we continue, at official level, to work with local authorities to challenge them on whether they are adequately working with their local schools to understand what the reasons are for those high levels of reserves, and whether those have been adequately tested, and what

¹⁴¹ [Record of Proceedings, 8 November 2018](#)

¹⁴² [CYPE Committee report on the scrutiny of the Draft Budget 2018-19: Recommendation 5](#)

¹⁴³ [Welsh Government Response to the CYPE Committee report on the scrutiny of the Draft Budget 2018-19](#)

action they will take if they feel that those schools do not have a sound reason for having levels of reserves.”¹⁴⁴

199. The Welsh Government’s Director of Education added that officials are comparing what was projected in October 2018 against what was going to be spent from reserves and would be reviewing that data with each local authority in April 2019.¹⁴⁵

Our view

200. It is a matter of significant concern to us that both the level of reserves across the country, and the number of schools holding on to reserves, have risen in the last year. We recognise that the current figures are lower than in 2016, but at a time where budgets are increasingly tight, it would seem inappropriate for some schools to be able to hold on to high levels of reserves, especially those whose reserves are above the thresholds specified in the relevant regulations.

201. We are particularly concerned that local authorities do not use the statutory powers available to them to intervene in such cases and that, until recently as a result of the Committee’s prompting, the Welsh Government did not monitor this position.

202. We note the evidence provided that suggests the data capture regarding levels of reserves is an arbitrary measure, and agree that this does not account for how schools might be using their reserves for specific purposes at other times in the year.

203. We also note the issue raised that the Welsh Government frequently releases some grant funding late in the financial year, which schools often find difficult to spend. In these circumstances, that late funding can inevitably fall into reserves. This is an issue that is covered in section 8, and we have made a specific recommendation that schools should have greater flexibility in relation to when and how to spend funds that arrive late in a financial year.

204. We accept that there will be circumstances in which it is appropriate, and perhaps unavoidable, for schools to have funding reserves. However, there are a growing number of cases where the levels of reserves are above the thresholds, and this needs to be managed much more robustly.

¹⁴⁴ Oral Evidence. ROP. [Para 65]. 3 April 2019.

¹⁴⁵ Oral Evidence. ROP. [Para 66]. 3 April 2019.

205. According to the data we have seen, there are approximately 500 schools currently holding reserves above the statutory thresholds at which local authorities can intervene. While we welcome the work that the Welsh Government is undertaking with local authorities to investigate what the reasons are for the high levels of reserves (and whether those have been adequately tested), details of this work, and any findings, should be published.

Recommendation 12. That the Welsh Government provide an update on its work with local authorities to investigate the reasons for the high levels of reserves, and whether those have been adequately tested, and publish any findings from its investigations. In particular, the update should highlight any work undertaken in relation to the 501 schools holding reserves above the statutory thresholds, including any possible local authority intervention.

206. In relation to the numbers of schools that are holding reserves above the statutory thresholds, we are also concerned by the apparent lack of action by local authorities to claw back funds under the 2010 Regulations. As highlighted in evidence, there appears to be no instances where school balances have been clawed back in Wales.

207. The evidence provided by the WLGA and ADEW suggests that the powers under the 2010 Regulations may not be fit for purpose. The WLGA implied that rather than being a result of lack of action by local authorities, the lack of clawback is attributable to timescales, and the Regulations' requirements on local government being unrealistic and unachievable. In our view, the statutory powers have a limited use as a deterrent to schools holding on to excessive balances if local authorities are unable (or unwilling) to exercise their powers of clawback effectively.

208. We believe, therefore, that the Welsh Government should review the statutory powers available to local authorities and whether they are fit for purpose. For example, do they enable local authorities to reallocate effectively any money they recover? The Welsh Government should also consider the question of whether the thresholds in the Regulations should be a relative percentage of a school's budget rather than an absolute figure, to account for the different sizes of schools.

Recommendation 13. That the Welsh Government review the statutory powers available to local authorities under the School Funding (Wales) Regulations 2010 to establish if they are fit for purpose. In doing so, the Welsh Government should, in particular, investigate if the powers give adequate flexibility for local authorities to reallocate effectively any money they recover. Any review

undertaken should also consider whether the thresholds of reserves should be a relative percentage of a school's budget rather than an absolute figure, to account for different schools' sizes.

209. Although the issue of excessive reserves is an important one, we agree with the concerns expressed by ADEW that there also needs to be more focus on school deficits rather than reserves. The proportion of schools in deficit in the latest available data was extremely concerning. The warning from ASCL that they predict this could rise to over 75% when figures for 2018-19 are released is even more worrying. Evidence received throughout this inquiry strongly suggests that without action, providing sufficient budgets for schools will become more and more difficult. If this is the case, more and more schools are likely to find themselves in deficit, and to a higher level (with some schools potentially facing a situation where they may never be in a position to move out of deficit).

Recommendation 14. That the Welsh Government continue to work closely with local authorities to address cases where schools have deficit budgets, particularly where there is no recovery plan in place.

10. Three-year budgets for schools

Moving to three-year budgets for schools has been a long standing policy objective, although it has proved difficult to implement in practical terms. This section outlines some of the work that has already been done and considers the potential for moving to three-year school budgets.

210. In 2006, the Assembly’s School Funding Committee recommended that “three-year budgets for schools should be introduced as a priority”. That Committee concluded:

“We believe that there is now a widespread consensus that 3-year budgets would improve planning and provide schools with an opportunity to use funding creatively and fully with less need to maintain high balances against the fear of future funding shortfalls.”¹⁴⁶

211. The Welsh Government accepted the recommendation and said it would be taken forward in the context of three-year funding settlements for local authorities.¹⁴⁷ To date this accepted recommendation has not been implemented.

Stakeholders’ evidence

212. Evidence received during this inquiry suggests that greater certainty in terms of the budget a school can expect beyond one year would be welcomed generally.

213. The school visits we undertook highlighted the uncertainty schools face when setting their budgets year-to-year, with any significant changes in pupil numbers substantially affecting the budget they receive from the local authority. We were told during the visits that this can make it difficult to plan provision and make key decisions about employing additional teaching staff or the affordability of retaining existing staff.

214. During the stakeholder event on 16 January 2019, local authority representatives referred to school budget projections often being false, acting

¹⁴⁶ [School Funding Committee Report – June 2006](#)

¹⁴⁷ [Written Ministerial Statements 11 July, 19 September and 26 September 2006](#).

simply as “a line in the sand”.¹⁴⁸ It was suggested by stakeholders that having a one year budget cycle does not help with this, and some local authorities would prefer medium term budget allocations, with three year budgets being the preferred approach.¹⁴⁹

The Welsh Government’s position

215. The Welsh Government has stated that it has sought to provide greater certainty to schools in terms of the resources that will be available to them in the future. This was one of the reasons it cited for fixing Pupil Development Grant (PDG) allocations for 2018-19 and 2019-20 at the January 2016 school census figures.¹⁵⁰

216. However, in our “On the money? Targeted funding to improve educational outcomes” report, we warned that this could disadvantage schools whose eFSM numbers subsequently went up.¹⁵¹

217. Providing a longer outlook to schools in terms of their core budgets has proved more difficult for the Welsh Government. The Minister for Education told us:

“I would love to be in a position, and I’m sure Julie [the Minister for Housing and Local Government] would love to be in a position, where we can give longer term outlooks for services that we fund. The reality is Welsh Government does not know with any level of certainty regarding funding beyond 2020.”¹⁵²

218. Minister for Housing and Local Government told us that the Welsh Government does not know what the arrangements for the UK Government’s Comprehensive Spending Review are, which is due in 2019. She said:

“... I have a constant conversation with the WLGA and local authorities, actually through the WLGA, about the trade-off, if you like, between being able to give some kind of long-term indication and then how accurate that is. (...)

¹⁴⁸ Stakeholder Event – 16 January 2019: Summary of discussions

¹⁴⁹ Stakeholder Event – 16 January 2019: Summary of discussions

¹⁵⁰ Oral Statement: Update and next steps for the Pupil Development Grant – 17 April 2018

¹⁵¹ On the money? Targeted funding to improve educational outcomes

¹⁵² Oral Evidence. ROP [Para 129], 3 April 2019

The earlier we give them the certainty, the more pessimistic the forecast, and then the more likely it is that they will end up with differential amounts of money afterwards. (...)

So, it's a constant trade-off, which we constantly discuss with them, about at what point in the year we can give them the best trade-off between certainty and longer term planning."¹⁵³

Our view

219. The call to move to three-year budgets for schools has been long standing. We note, and still agree with the recommendation of the School Funding Committee in 2006, that “three-year budgets for schools should be introduced as a priority”.

220. The evidence collected by the 2006 Committee was clear that there was widespread consensus that three-year budgets would improve planning and would provide schools greater flexibility to use their funding creatively. The evidence presented to this inquiry does not suggest any divergence from that consensus.

221. It is disappointing that although the recommendation for three-year funding was accepted by the Welsh Government in 2006, this has not been taken forward in the context of three-year funding settlements for local authorities.

222. We accept the Welsh Government’s position that its own funding is dependent on UK Government funding, and that the arrangements for the UK Government’s Comprehensive Spending Review are not yet known. The Welsh Government cannot therefore know, with any level of certainty, what its funding will be beyond 2020.

223. Nevertheless, we do not believe that this in itself prevents the Welsh Government providing three-year funding settlements for local authorities, and within that enabling three-year budget cycles for schools. We believe this can still be achieved, recognising that there is a trade-off between the benefits of long-term projections and the accuracy and certainty of those long-term budget allocations.

Recommendation 15. That the Welsh Government consider how it can take forward the long-standing aim of providing schools with three-year budgets, in the context of three-year funding settlements for local authorities, in order to

¹⁵³ Oral Evidence. [ROP \[Para 132\]. 3 April 2019](#)

enable schools to plan more effectively for the long-term. In doing so, the Welsh Government should factor in the trade-off between the benefits of long-term projections and the accuracy and certainty of those long-term budget allocations.

11. The role of the “middle tier”

The term “middle tier” is used to refer to organisations with functions for education that sit between the Welsh Government and schools on the front line. The main two types of middle tier organisation relevant to this inquiry are local authorities and regional consortia. This section looks at the role of the middle tier in providing services to schools.

224. The education regional consortia were created in 2012 across four regions of Wales. Through the consortia, local authorities pool their school improvement services, although they remain statutorily responsible for these services. Local authorities also retain operational responsibility for other education services, including the funding of schools.

225. The consortia’s role is therefore one of school improvement and is set out in the National model for regional working (2015).¹⁵⁴ The Welsh Government sees them as integral to its agenda for raising educational standards.

226. In addition to their day to day school improvement functions which local authorities finance (around £11 million per year), regional consortia are also responsible for distributing the Welsh Government’s education grants. These grants are packaged into the Regional Consortia School Improvement Grant (RCSIG) which in 2018-19 was around £150 million.¹⁵⁵ The distribution of grants therefore makes up a much larger portion of their role in monetary terms.

227. The issue of the hypothecated funding which the Welsh Government channels through regional consortia as opposed to local government’s provision for schools’ core budgets was discussed in section 8 of the report. This section focuses on the clarity of purpose of the consortia’s role, as distinct from local authorities.

Stakeholders’ evidence

228. The head teaching unions registered strongly held concerns about the transparency and value for money of the grants system administered by the regional consortia. As discussed in section 8 of this report, ASCL and NAHT are

¹⁵⁴ [National model for regional working \(2015\)](#).

¹⁵⁵ [Letter from the Cabinet Secretary for Education: 5 December 2018](#).

concerned that not enough of this funding reaches the school front line and they would prefer to see the money put into schools' core budgets.

229. Writing about the “added layer” of the consortia, NAHT commented:

“Currently, school leaders are expressing an increasing lack of belief in the benefits of the middle tier, in general, questioning whether it can drive genuine improvements at school-level and, as a result, confidence in the middle tier is at an all-time low.

The perception of school leaders is that the middle tier lacks the same levels of accountability, particularly in terms of delivery (value for money), that is expected of schools.”¹⁵⁶

230. The teaching unions argued there was a need to review the workings of the consortia and their specific role within the middle tier. The NASUWT said that having “some kind of middle tier is absolutely essential” but questioned whether “it’s constructed in the right way”.¹⁵⁷ The NEU told us:

“We’ve had problems with the consortia ever since they were established, and the issues go back to the way in which they were established. We are not against support being provided for the schools; support is clearly needed. One has to question whether or not the consortia are the right way of actually doing this. There are some excellent people working for the consortia, and we need to retain their skills, but whether or not the way in which it’s been established is the right way, I would question that.”¹⁵⁸

231. NASUWT underlined the confusion about the relationship between the consortia and local authorities:

“The thing I can’t understand is that the consortia are a consortia of local authorities. The local authorities are on their management committees; they actually run them. They’re not separate entities. So, you’ve got the directors of education in each of the authorities on the management committee. So, why aren’t they doing what the local authorities want them to do, because they’re managing them? And yet, the local authorities are complaining, in some cases, that the regional consortia aren’t working properly. Well, they’re the ones who are

¹⁵⁶ Written Evidence. [SF 31 – NAHT \(Cymru\)](#)

¹⁵⁷ Oral Evidence. [ROP \[Para 311\], 21 February 2019](#)

¹⁵⁸ Oral Evidence. [ROP \[Para 304\], 21 February 2019](#)

running them. So, it must be their fault then that they're not working properly. I can't get my head around it. I really can't get my head around it."¹⁵⁹

232. When asked whether the Welsh Government should initiate a review of the actual workings of the regional consortia to introduce some consistency, more accountability and scrutiny, and better value for money, the NEU said this was their “whole policy position”.¹⁶⁰

233. Councillor Anthony Hunt, the WLGA's Finance Spokesperson and Leader of Torfaen Council, said that local authorities in South East Wales were “working very well” with the EAS consortium,¹⁶¹ while Paula Ham, ADEW's lead on finance and Director of Education in the Vale of Glamorgan, said that outcomes had “improved significantly” since CSC was established in 2012¹⁶². However, Ms Ham added that it was difficult to ascertain whether that was directly a result of the consortium's role:

“... there will be a number of supporting mechanisms for schools in place, and not just those delivered by the consortia, but a number of support services that go in from local authorities as well. So, it's difficult to isolate consortia and establish whether they are the cause for the improvement in outcomes.”¹⁶³

234. In their oral evidence, the consortia acknowledged to some extent that there may be a need to improve understanding of their role and purpose as distinct from the other education services provided by local authorities. EAS said “there seems to be a perception that there are not clear roles and responsibilities” but maintained “there is not duplication at local authority level”.¹⁶⁴ ERW said this was a particular priority for them:

“... it's part of what we're trying to do to develop a business plan that is absolutely clear about what the region does, what the local authority does, and what schools will do. Because, ultimately, it's not two lots—there are three bits.”¹⁶⁵

¹⁵⁹ Oral Evidence. ROP [Para 304], 21 February 2019

¹⁶⁰ Oral Evidence. ROP [Para 318], 21 February 2019

¹⁶¹ Oral Evidence. ROP [Para 183], 20 March 2019

¹⁶² Oral Evidence. ROP [Para 185], 20 March 2019

¹⁶³ Oral Evidence. ROP [Para 185], 20 March 2019

¹⁶⁴ Oral Evidence. ROP [Para 360], 20 March 2019

¹⁶⁵ Oral Evidence. ROP [Para 379], 20 March 2019

235. GwE drew a distinction between the core funding from local authorities (which their representative said is for the “here and now” and supporting schools to make more immediate improvements) and the grant funding from the Welsh Government (which is for the “reform journey” and to enable schools to build up extra capacity to prepare for the reforms).¹⁶⁶ GwE said:

“I think one of the key areas for us is to facilitate, and we are quite clear that not one individual school can move the reform journey on its own—it’s got to be a collective; we’ve got to work together. We’ve got a key role, then, in helping schools to collaborate, work together, helping schools to find where the best practice is, to be clear then to maximise the money that comes from Welsh Government...”¹⁶⁷

236. ERW commented that “essentially, schools have both a day job and the reform job” and “ultimately, it needs to become the same thing”.¹⁶⁸

The Welsh Government’s position

237. The Welsh Government views regional consortia as integral to supporting and facilitating school improvement now and into the future. Between 2014 and 2017, Schools Challenge Cymru provided a combination of funding, support, challenge and advice to certain underperforming schools. The Minister for Education told us during our 2018 inquiry about targeted funding to improve educational outcomes that Schools Challenge Cymru “served its purpose” whilst building up the capacity of regional consortia at a time when they were in their “relative infancy”.¹⁶⁹

238. In evidence to our targeted funding inquiry, the Welsh Government said that the consortia were well placed to take on the baton of school improvement.¹⁷⁰ In our targeted funding inquiry report, we recommended that the Welsh Government closely monitor and evaluate how effectively regional consortia fulfil their school improvement role.¹⁷¹

239. The Minister for Education told us that she had established a “middle-tier group”, chaired by Professor Dylan Jones. Professor Jones is a former secondary head teacher and currently the Dean of Education at the University of Wales

¹⁶⁶ Oral Evidence. [ROP \[Para 242\], 20 March 2019](#)

¹⁶⁷ Oral Evidence. [ROP \[Para 243\], 20 March 2019](#)

¹⁶⁸ Oral Evidence. [ROP \[Para 318\], 20 March 2019](#)

¹⁶⁹ [On the money? Targeted funding to improve educational outcomes](#)

¹⁷⁰ [On the money? Targeted funding to improve educational outcomes](#)

¹⁷¹ [On the money? Targeted funding to improve educational outcomes](#)

Trinity Saint David and Head of the Wales Institute of Education and School Leadership. The Minister for Education said:

“... the group is there to establish very clearly a greater coherence across the middle tier, not just in terms of financial resources, but, actually, their role in the national mission and delivering higher standards in our schools.”¹⁷²

Our view

240. We are concerned by some of the views expressed that there is an increasing lack of belief in the benefits of the middle tier. Particularly concerning is the fact that this view was expressed strongly by school leaders. In our view, the key function of the consortia is to drive improvements at a school level. A lack of confidence or belief in their role from school leaders brings into question whether the consortia can deliver this key role.

241. We are also concerned that there appears to be a perception that the middle tier – both in terms of local authorities and consortia – lacks the level of accountability faced by schools, particularly in terms of the delivery of value for money.

242. The evidence we have received from local government and from consortia suggests that both are clear on the roles that they play in driving school improvement. It also suggested that there is no duplication of effort across the two. We also note the positive comments regarding the work of the consortia in certain areas, and that there have been improvements since their establishment.

243. However, the weight of evidence received suggests there is a lack of understanding more generally about the respective roles of local government and regional consortia, especially in the area of driving school improvement. We believe that the Welsh Government should do more to communicate and explain the respective roles of the local authorities and regional consortia in providing education services.

244. We welcome the Minister for Education’s establishment of a middle-tier group, chaired by Professor Dylan Jones. We note the aim of the group is to establish a greater coherence across the middle tier, in terms of financial resources, and its role in delivering higher standards in our schools. We intend to monitor the work of the group closely.

¹⁷² Oral Evidence. ROP. [Para 181]. 3 April 2019

Recommendation 16. That the Welsh Government undertake work to communicate and explain clearly the respective roles of local authorities and regional consortia in providing education services, specifically services to schools. In doing so, the Welsh Government should consider how this can be taken forward within the work of the middle tier group led by Professor Dylan Jones.

12. Expenditure on “school improvement”

School improvement is a crucial part of the education system. It is the core purpose of the regional consortia which provide shared services to local authorities.’ However, local authorities also retain an element of funding for school improvement. This section looks at the issue of whether there is any duplication of spend across local government and consortia.

245. The Welsh Government publishes data on StatsWales giving a breakdown of the £2.566 billion which local authorities budgeted for schools in 2018-19.¹⁷³ This shows that £22.4 million was allocated to “school improvement” in 2018-19.

246. The financial information provided by the regional consortia shows that local authorities spent a total of £11.0 million in 2018-19 on purchasing school improvement services from the consortia.¹⁷⁴

247. Information obtained by ASCL from local authorities through FOI requests indicates that in addition to the money local authorities spend purchasing school improvement services from consortia, local authorities themselves spend £10.9 million annually on school improvement.¹⁷⁵

248. This broadly accounts for the £22.4 million reported on StatsWales. However, it means local authorities spend around the same amount of money on their own school improvement services as they do on the consortia’s services, raising questions of whether there is any duplication.

Stakeholders’ evidence

249. ASCL was particularly concerned about the possibility of duplication of expenditure on school improvement, based on the information it obtained through FOI.¹⁷⁶ ASCL had received the information requested from 18 of the 22 local authorities, and the data showed that all of those who responded had retained funding for their own school improvement activities. In some cases the

¹⁷³ StatsWales. Budgeted education revenue expenditure by authority and service

¹⁷⁴ Written Evidence. SF.FI.03 – Regional Consortia

¹⁷⁵ Written Evidence. SF.FI.02 – Association of School and College Leaders (Cymru)

¹⁷⁶ Written Evidence. SF.FI.02 – Association of School and College Leaders (Cymru)

local authority had retained a greater amount than it had delegated to the consortia.

250. When asked whether there was any duplication, the WLGA suggested that the perception of any duplication was likely to be due to a wide definition of school improvement in the way expenditure is accounted for and that regional consortia are “one mechanism” for delivering this. They said that school improvement continues to be part of local authorities’ day to day activities.¹⁷⁷

251. CSC’s Interim Managing Director said:

“I think school improvement, defining what school improvement is, sits much wider than us as consortia, because it’s not just about what goes on in schools, it’s what goes on outside schools—as I mentioned some of the services earlier that contribute to that. So, I think it’s a partnership. It has to be a partnership. As a director, I would not see it as duplication of work.”¹⁷⁸

252. GwE concurred with this, although acknowledged there may be a need to better explain which elements of school improvement are undertaken by local authorities and which elements are the responsibility of consortia.¹⁷⁹ CSC also said:

“If you look at purely school improvement services, they have to work in partnership with other local authority services, because children and young people don’t exist in a vacuum. There’s children’s services, for example, you’ve got attendance and well-being, ALN services—they all contribute to the school improvement agenda, so that relationship with local authorities is crucial.”¹⁸⁰

The Welsh Government’s position

253. When asked to explain why local authorities spend around £11 million on school improvement when they also give the consortia £11 million to deliver school improvement on their behalf, the Minister for Education said:

“Well, I’m very concerned, and officials are very concerned, about issues around duplication, because we are in such a tight financial system, we cannot afford and schools cannot afford to have duplication. So, I would

¹⁷⁷ Oral Evidence. ROP [Para 191], 20 March 2019

¹⁷⁸ Oral Evidence. ROP [Para 373], 20 March 2019

¹⁷⁹ Oral Evidence. ROP [Para 374 and 376], 20 March 2019

¹⁸⁰ Oral Evidence. ROP [Para 342], 20 March 2019

be very, very concerned around that. I note that the Welsh Local Government Association say that, sometimes, what they badge as 'school improvement services' doesn't necessarily mean that that is duplicating what their regional consortia are doing, so there could be a wider definition and there's not a huge amount of clarity around that. (...)

... it would be very curious indeed, given the fact that we all acknowledge that these are tough, tough times and getting money to the front line is a priority, why you would end up in a situation where a local authority that is part of running a regional consortia would choose to duplicate their spending to the detriment, potentially, of individual school budgets."¹⁸¹

Our view

254. It is clear from the data published on StatsWales, and from the information received by ASCL that local authorities across the country are providing funding to the consortia for school improvement purposes, and retaining funding themselves for school improvement at around the same level.

255. We are concerned that having two separate pots of money allocated for school improvement could lead to some duplication of spend, and duplication of resources more generally. There is clearly some confusion among school leaders over how this money is being spent, and this is leading to a perception that there must be some level of duplication.

256. It is also concerning that the Welsh Government does not appear to be aware of how the funding is being used to deliver across either the consortia or local government and whether there is any duplication. We therefore believe the Welsh Government should investigate as a matter of urgency what the £11 million budgeted by local authorities for school improvement is spent on, compared to the £11 million that local authorities pay the regional consortia for their school improvement services. The Welsh Government should also work with local authorities and the consortia to ensure there is no duplication and inefficient use of resources for school improvement.

Recommendation 17. That the Welsh Government urgently investigate what the £11 million budgeted by local authorities for school improvement is spent on,

¹⁸¹ Oral Evidence. ROP. [Para 175]. 3 April 2019

compared to the £11 million that local authorities pay the regional consortia for their school improvement services.

Recommendation 18. That the Welsh Government work with local authorities and the consortia to ensure there is no duplication and inefficient use of resources when funding is allocated for school improvement.

13. Delegation: the proportion of education funding reaching the chalk face

There are several steps in the process of allocating funding to schools. Initially the Welsh Government apportions the available resources to local government. Local authorities then allocate to education generally, and also delegate funding directly to their schools, apportioning funding in their Individual Schools Budget between the schools in their respective authorities. This section looks specifically at the proportion of funding that is delegated and reaches the front line in schools.

257. Of the £2.566 billion gross budgeted expenditure on schools, 84.2% is classed as “delegated” in Welsh Government statistics (2018-19). This comprises £1.941 billion, which is the aggregate total of local authorities’ Individual Schools Budgets (ISB), and the £219 million of hypothecated education grants from the Welsh Government.

258. Therefore, local authorities delegate the majority of expenditure on schools to schools themselves. £407 million is retained in total by local authorities as documented in Table 3 in section 3. This is split between the schools element of the Local Authority Education budget and the Schools budget which, alongside the ISB, are the three tiers of budget local authorities are required by legislation to designate expenditure to.

259. The reason that not all expenditure on schools is delegated is that local authorities decide some services, for example home to school transport and some ALN provision, are best provided and financed centrally by themselves for reasons of efficiency, economies of scale or because they are specialised or essentially central services.

260. As shown in Table 2 in section 3, the proportion of expenditure which is delegated by local authorities to schools rose from 75.0% in 2010-11 to 84.2% in 2018-19. 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.

261. The funding that regional consortia receive from local authorities for their day to day school improvement services is contained within the “School Improvement” category within the non-delegated Local Authority Education Budget (part of the £22 million as discussed in section 12 and documented in Table 3 in section 2).

262. The large majority of the grant funding which the consortia distribute on behalf of the Welsh Government is regarded as delegated funding. The total grant funding channelled through the consortia in 2018-19 was £243 million. This is made up of:

- **Pupil Development Grant:** Consortia passport the vast majority of this (the eFSM element of £87 million) in its entirety to schools and manage the remainder (£4.6 million for Looked After Children and adopted children) themselves.
- **Regional Consortia School Improvement Grant (RCSIG):** From 2018-19, a collection of other Welsh Government education grants for local authorities and schools, some of which were already distributed via the consortia, was streamlined and packaged into a single RCSIG. The aggregate total of the RCSIG in 2018-19 was £152 million, of which £118 million was the Education Improvement Grant (EIG).¹⁸²

263. The Welsh Government sets a condition that consortia must delegate at least 80% of the EIG to schools.

Stakeholders’ evidence

264. The teaching unions called for as much funding to be delegated to the front-line (to schools themselves) as possible. This was the thrust of ASCL’s open letter to the Minister for Education in February 2019, in which they claimed “at least £450 million [of the £2.6 billion allocated for schools] never gets to schools because it is retained by the local authorities or regional consortia”.¹⁸³

265. ASCL clarified in oral evidence that the £450 million was made up of the £407 million in the retained local authority education budget and schools budget, as well as “a further £40-plus million that goes into the consortia and does not

¹⁸² [Letter from the Cabinet Secretary for Education: 5 December 2018](#)

¹⁸³ [Letter from Association of School and College Leaders \(Cymru\): 12 February 2019](#)

come out to schools, either in terms of contributions from local authorities or grant funding”.¹⁸⁴

266. Delegation rates have increased over the past decade. Therefore, the £407 million (2018-19) that ASCL says never gets to schools is actually a lower proportion of the total funding for schools than in the past. Furthermore, other stakeholders did not necessarily concur with ASCL that this money should be regarded as money not spent on schools and recognised the need for some element of expenditure to be managed by the local authority. NASUWT told us:

“... remembering that there are lots of small, rural primary schools—some have got two or three teachers in them, who, otherwise, without the support of the local authority, just would not be able to manage. So, on the one hand, when you’ve got—I’m going to say this—big secondary schools saying, ‘Give us all the money, we can make the right decisions’, yes, maybe they can, but that doesn’t take into account those small schools who would not be able to manage if there weren’t central services to help them run their schools. And that’s all sorts of things, from HR and financial management to behaviour support.”¹⁸⁵

267. NASUWT added that it made sense for local authorities to provide some services due to economies of scale:

“When a primary school gets £9 a year to deal with legal matters, and you think, well, you can’t even get a lawyer for 20 minutes for that. It’s complete nonsense that you would delegate out, whereas, every now and then, they would need some support on a legal matter—it might be three or four, five years—but holding that money centrally then makes absolute sense. But also, it’s things like support for the pupils, where those things are not evenly spread. So, delegating it out on an even basis across all schools is complete nonsense, frankly.”¹⁸⁶

268. We heard during our visits to schools that local authorities will often delegate funding to schools and then offer them the opportunity to buy back services which they can provide more efficiently centrally. The schools recognised that this works relatively well as it gives them a choice over whether or not to enter into

¹⁸⁴ Our understanding is that the £11 million contribution to consortia from local authorities is included within the £407 million and most of the grant funding to consortia is treated as delegated to schools (the £219 million referred to in Table 3 in section 3).

¹⁸⁵ Oral Evidence. [ROP \[Para 296\]. 21 February 2019.](#)

¹⁸⁶ Oral Evidence. [ROP \[Para 296\]. 21 February 2019.](#)

Service Level Agreements with local authorities. However, ASCL stated that this “inflates the [reported] levels of delegation” and is “misleading”.¹⁸⁷

269. The WLGA’s Finance Spokesperson commented:

“Obviously, there’s a decision to make whether a function is better co-ordinated at a local level or a school level, and a number of different considerations will come into that, and a number of different approaches that may make delegation rates seem higher or lower in some authorities, but it doesn’t necessarily mean that they’re doing it right or wrong.”¹⁸⁸

270. Its Chief Executive added:

“I think there’s an underlying principle there that decisions about how funding is allocated are best taken as close to the point of delivery as possible, which is why there is this drive to increase delegation rates, and there has been an increase over time. (...)”

... there are some authorities—Gwynedd might be one, Ceredigion, Powys—where, because transport costs are disproportionately high, there are other elements of retained funding where authorities have statutory responsibilities to retain that funding. So, I can’t remember the figure, but I think it’s around 5 per cent that legally can’t be delegated. There are other areas where, for insurance and other issues, operating at scale and doing it centrally adds more value than delegating it to schools, and then, more locally, authorities will work with their schools and get some kind of agreement about what’s retained and what’s delegated to the schools.

But I think it would be misleading to simplify the debate as being that delegating everything to the schools is a good thing, and retaining some element of funding is a bad thing.”¹⁸⁹

271. The regional consortia provided information on their income and how much of the grants they distribute on behalf of the Welsh Government they delegate to schools. As referred to in Section 11 of the report, there are multiple grant streams

¹⁸⁷ Written Evidence. [SF 26 - ASCL \(Cymru\)](#)

¹⁸⁸ Oral Evidence. [ROP \[Para 92\], 20 March 2019](#)

¹⁸⁹ Oral Evidence. [ROP \[Para 92\], 20 March 2019](#)

that make up the RCSIG, which are generally not well understood by stakeholders and there are concerns about a lack of transparency.

272. However, all of the consortia meet the condition that at least 80% of the EIG, which makes up the majority of the RCSIG, is delegated to schools. Table 5 below shows how much is delegated by each consortia:

Table 5: Welsh Government education grants distributed by regional consortia

	Regional Consortia School Improvement Grant (RCSIG)		Pupil Development Grant (PDG)		£ RCSIG/PDG income not delegated to schools
	£ Total	Delegated to schools	£ Total	Delegated to schools	
GwE (North Wales)	38,330,308	91%	17,868,550	99%	3,533,746
ERW (South West and Mid Wales)	47,645,467	84%	24,392,333	97%	8,574,860
CSC (Central South Consortium)	46,280,755	94%	31,501,321	99%	3,101,750
EAS (South East Wales)	32,232,991	91%	19,523,375	99%	2,993,762

Source: Information provided by the regional consortia, March 2019¹⁹⁰

Notes:

i) The consortia are required to passport the eFSM element of the PDG to schools in its entirety. This makes up the vast majority of the PDG. The remainder is the Looked After Children and adopted children element.

ii) The consortia are required to delegate a minimum of 80% of the Education Improvement Grant (EIG) to schools. The EIG makes up the large majority of the RCSIG.

iii) Each consortium also receives £100,000 PDG funding to finance its Lead PDG Adviser post. This is not included in the figures in this table.

273. When asked why ERW delegates to schools a lower proportion of the grant funding it manages than the other consortia, its Managing Director pointed to a context whereby its member authorities contribute substantially less to its running costs than in the other three regions:

“In ERW, we notionally would have a £250,000 local authority contribution, which is a few million less than some other regions, because of the way the model developed in ERW. What then happens,

¹⁹⁰ [Written evidence, SF.FI.03 – Regional Consortia](#)

for example, is that there is funding for leadership programmes. ERW, from the grant, has to fund somebody to lead on leadership, professional learning and other aspects. So, many of what would be considered core functions of the other three regions are actually funded through grant in ERW because of the legacy of where we are.”¹⁹¹

274. Asked when ERW would be operating in a similar context to the other regions, its Managing Director said:

“That’s part of the ongoing reform journey that ERW is committed to, so that we get to a point where there is a better balance between core funding and grant funding, so that schools receive more of the delegated funding. (...)

... the funding needs to move over a period of time to a position where it is able to sustain the body that is there to deliver on behalf of the six authorities—that it’s able to do that and release grant at the same rate as you’d reasonably expect happens across the other regions.”¹⁹²

275. As referred to in section 11 of this report, the general view of the consortia is that the grant funding for which they are responsible for distributing supports schools in delivering the Welsh Government’s education reforms. EAS said that the Welsh Government’s action plan, *Education in Wales: Our National Mission*¹⁹³ has “helped enormously” in terms of setting out clearly the aims which the consortia’s work is geared towards¹⁹⁴. Each consortium’s RCSIG allocation from the Welsh Government is broken down against the four objectives of *Our National Mission*. EAS’ Managing Director told us:

“If the systems and structures are very clear, if the governance arrangements are very clear at regional level, if all partners, including school leaders and governors have a transparent view of what the funding is for, where it’s going, what the delegation rate is, and, most importantly, what the outcomes are going to be, what the impact of that is going to be, I think that funding methodology works well. Where it doesn’t work so well is where it lacks clarity of what the outcomes and impact need to be. And, over time, that has decreased because our

¹⁹¹ Oral Evidence. ROP [Para 292]. 20 March 2019

¹⁹² Oral Evidence. ROP [Para 292]. 20 March 2019

¹⁹³ *Education in Wales: Our National Mission*

¹⁹⁴ Oral Evidence. ROP [Para 246]. 20 March 2019

business plans go through quite hefty scrutiny at local level and national level.”¹⁹⁵

The Welsh Government’s position

276. The Minister for Education told us that, in addition to pressing for additional resources for education, her “job and [her] priority” is “ensuring that as much money of that as possible finds its way to the front line”. She also said that a key question for her was “are we maximising the resources that are finding their way into individual school budgets to allow headteachers to do what they need to do on the ground?”¹⁹⁶

277. However, the Minister for Education also highlighted that for some services, the best value for money is likely to be found in financing those services on a local authority rather than a school level:

“... that’s always one of the challenges, isn’t it? What provides greater efficiency, value for money, and issues around workload? (...)

... there are some voices that say all the money should go to schools—everything. But, actually, do we want schools being responsible for commissioning and purchasing and buying in or providing every single service that that school would need? That’s a huge workload issue, potentially, for headteachers. But, actually, if we have a very specialist service, is that more efficient, more cost effective, and presumably service effectiveness, is that better delivered at a regional level or at an LEA level? So, there’s always that conflict, isn’t there, about what is the right service to deliver in the right place in terms of making it a great service for the recipient and good value for money?”¹⁹⁷

278. The Minister for Education added that she is particularly keen to monitor how much of the Welsh Government’s education grant funding is delegated by the regional consortia and local authorities to schools:

“I think I want bigger scrutiny on the delegation rates, especially for the grants that I’m responsible for, because I think there is a piece of work to be done there to clarify and to satisfy ourselves, on Welsh Government grants, how they are finding their way out of local education authorities and into individual schools and how they’re

¹⁹⁵ Oral Evidence. ROP [Para 270], 20 March 2019

¹⁹⁶ Oral Evidence. ROP [Para 5], 3 April 2019

¹⁹⁷ Oral Evidence. ROP [Para 166], 3 April 2019

finding their way out of regional consortia and into individual schools. It might be something that the committee might want to recommend, but I personally am very keen on this issue. I'm very keen on establishing greater levels of transparency for that delegation rate, certainly for central Government grants that we are giving to both regional consortia and schools."¹⁹⁸

Our view

279. As has been set out in previous sections of this report, we recognise that teaching unions would like as much funding delegated to schools as possible to ensure this funding reaches the front line. While we understand the calls from unions in this respect, we also recognise that some services are more effectively and efficiently delivered centrally.

280. We have considered the evidence presented by ASCL regarding the £407m they believe never gets to schools because it is retained by the local authorities or regional consortia. If this were to be the case, we would be very concerned that such a large proportion of funding was not getting to schools. However, as we have already stated, it is appropriate for an element of expenditure to be managed on a central basis, and we accept the evidence presented that this funding is being used on schools even if it is not being delegated to them directly.

281. There is, however, a big question in relation to the transparency of the spend. We therefore believe the Welsh Government should monitor much more closely the extent to which local authorities and regional consortia delegate funding directly to schools. In doing so, it should be recognised that some services are delivered more effectively and efficiently centrally.

Recommendation 19. That the Welsh Government monitor the extent to which local authorities and regional consortia delegate funding directly to schools. In doing so, it should be recognised that some services are delivered more effectively and efficiently centrally.

282. We note the evidence we received during the school visits relating to local authorities delegating funding to schools and then offering them the opportunity to buy back services. In some cases, this works well as it provides the school with a choice over whether to purchase a service from the local authority, run it themselves or procure it from a third party. However, it could potentially inflate delegation rates by making them appear higher than they are. We believe the

¹⁹⁸ Oral Evidence. ROP. [Para 127]. 3 April 2019

Welsh Government should investigate this issue to ensure that the published delegation rates accurately reflect the level of funding which is genuinely delegated for a school's core activity.

Recommendation 20. That the Welsh Government investigate the effect of schools "buying back" services from local authorities, to ensure that the published delegation rates accurately reflect the level of funding which is genuinely delegated for a school's core activity.

283. We welcome the fact that the Minister for Education is particularly keen to monitor how much of the Welsh Government's education grant funding is delegated by the regional consortia and local authorities to schools. We believe that the Welsh Government should always monitor delegation rates for its own hypothecated education grants to ensure the money is finding its way to the front line, for the purposes intended.

Recommendation 21. That the Welsh Government closely monitor delegation rates for its own hypothecated education grants to ensure the money is finding its way to the front line, for the purposes intended.

Annex A: List of oral evidence sessions

The following witnesses provided oral evidence to the Committee on the dates noted below. [Transcripts of all oral evidence sessions](#) can be viewed on the Committee's website.

Date	Name and Organisation
21 February 2019	Tim Pratt, Association of School and College Leaders (ASCL) Lee Cummins, Ysgol Emrys ap Iwan & Association of School and College Leaders (ASCL) Rob Williams, National Association of Headteachers Cymru (NAHT) Dean Taylor, Pentrepoeth Primary School and National Association of Headteachers Cymru (NAHT) Tim Newbould, Ysgol Penycae Community Primary School and National Association of Headteachers Cymru (NAHT) Tim Cox, NASUWT David Evans, National Education Union Cymru (NEU) Dilwyn Roberts-Young, Undeb Cenedlaethol Athrawon Cymru (UCAC)
20 March 2019	Chris Llewelyn, Welsh Local Government Association (WLGA) Jon Rae, Welsh Local Government Association (WLGA) Dilwyn Williams, Gwynedd Council Anthony Hunt, Torfaen County Borough Council Paula Ham, Vale of Glamorgan Council and Association of Directors of Education in Wales (ADEW) Debbie Hartevelde, Education Achievement Service for South East Wales (EAS) Arwyn Thomas, GwE Geraint Rees, Education through Regional Working (ERW) Esther Thomas, Central South Consortium (CSC)
03 April 2019	Kirsty Williams AM, Minister for Education Julie James AM, Minister for Housing & Local Government Judith Cole, Welsh Government Steve Davies, Welsh Government

Annex B: List of written evidence

The following people and organisations provided written evidence to the Committee. All [consultation responses and additional written information](#) can be viewed on the Committee's website.

Organisation	Reference
Individual	SF 01
Individual and Head Teacher	SF 02
Pembrokeshire Association of Secondary Headteachers	SF 03
Individual and Head Teacher	SF 04
Association of Educational Psychologists	SF 05
Neath Port Talbot County Borough Council	SF 06
Pembrokeshire County Council's Schools and Learning Overview and Scrutiny Committee	SF 07
Gwynedd Council	SF 08
Children's Commissioner for Wales	SF 09
Swansea Council	SF 10
Merthyr Tydfil County Borough Council	SF 11
Powys County Council	SF 12
National Deaf Children's Society Cymru	SF 13
Individual and Head Teacher	SF 14
Individual and Head Teacher	SF 15
Individual and Head Teacher	SF 16
Cardiff Council	SF 17
Chair of governors of Ysgol Dyffryn Conwy Llanrwst	SF 18
Waun Wen Primary School	SF 19
Edwardsville Primary School and Merthyr Tydfil School Governors' Association	SF 20
Individual	SF 21
Education Workforce Council	SF 22
Welsh Language Commissioner	SF 23
Vale of Glamorgan Council	SF 24
Chair of the Vale of Glamorgan Budget Forum	SF 25
Association of School and College Leaders (ASCL)	SF 26
Ethnic Minorities & Youth Support Team Wales (EYST Wales)	SF 27
Ceredigion County Council	SF 28

Ysgol Penglais School	SF 29
Mudiad Meithrin	SF 30
National Association of Headteachers (NAHT)	SF 31
Individual	SF 32
Fitzalan High School	SF 33
National Education Union Cymru (NEU)	SF 34
Undeb Cenedlaethol Athrawon Cymru (UCAC)	SF 35
Welsh Local Government Association (WLGA) & Association of Directors of Education in Wales (ADEW)	SF 36
NASUWT	SF 37

Additional Information Received

Organisation	Reference
Welsh Language Commissioner	SF FI 01
Association of School and College Leaders (ASCL)	SF FI 02
Regional Consortia	SF FI 03
Welsh Local Government Association (WLGA)	SF FI 04
Welsh Government	SF FI 05

Annex C: Analysis of local authorities' Indicator Based Assessment (IBA), budget allocations for education, per pupil expenditure and school standards

This annex provides some analysis of:

- The amount of money the Welsh Government calculates each local authority needs to provide a standard level of education service, as measured by each local authority's notional Indicator Based Assessment (IBA) within the unhypothecated Local Government Settlement (note these are not intended as spending targets);
- The amount each local authority actually allocates to education, exclusive of hypothecated grants from the Welsh Government;
- The amount each local authority allocates to education per pupil;
- The amount that is provided specifically for schools in each local authority area per pupil, inclusive of hypothecated grants from the Welsh Government;
- An indication of school standards in each local authority, as measured by the proportion of schools categorise as either Green or Yellow (the two highest of the Welsh Government's four categories in the national categorisation of schools system); and
- An analysis of expenditure on schools against school standards for each local authority.

Net expenditure on education (relates to Table A1)

Although the Welsh Government emphasises that IBAs are not spending targets, it presents data in its annual statistical release on local authorities' expenditure on education, alongside their education IBA in the local government settlement. Consideration of expenditure against IBA is therefore on the basis of expenditure on education generally rather than on schools specifically. It also excludes Welsh Government hypothecated grants as this money is distributed outside the local government settlement.

This information is presented in Table A1, which is colour-coded to signify whether:

- a local authority's IBA per pupil (and therefore the level of funding they receive from the Welsh Government) is above or below the Welsh average;
- the funding which a local authority allocates to education is above or below their IBA;
- a local authority's budgeted net education expenditure per pupil is above or below the Welsh average.

Table A1: Local authorities' net revenue expenditure on education compared to their Indicator Based Assessment (IBA)

2018-19	Number of pupils (FTE) (i)	Education Indicator Based Assessment (IBA) per pupil		Education Indicator Based Assessment (IBA) £000 (ii)		Budgeted net revenue expenditure on education £000 (iii)	Budgeted net revenue expenditure above IBA £ (iv)	Budgeted net revenue expenditure above IBA as a proportion of IBA (iv)	Ranking in budgeted net revenue expenditure above IBA (iv)	Budgeted net revenue expenditure, per pupil £	Ranking in budgeted net revenue expenditure, per pupil	2018-19
		Indicator Based Assessment (IBA) per pupil (ii)	Ranking in Education IBA per pupil (ii)	Indicator Based Assessment (IBA) £000 (ii)	Budgeted net revenue expenditure on education £000 (iii)	Budgeted net revenue expenditure above IBA £ (iv)	Budgeted net revenue expenditure above IBA as a proportion of IBA (iv)	Ranking in budgeted net revenue expenditure above IBA (iv)	Budgeted net revenue expenditure, per pupil £	Ranking in budgeted net revenue expenditure, per pupil		
Isle of Anglesey	9,409	5,541	2	52,138	48,493	-3,645	-7.0%	22	5,154	10	Isle of Anglesey	
Gwynedd	16,509	5,466	4	90,231	91,164	932	1.0%	12	5,522	4	Gwynedd	
Conwy	15,346	5,083	11	77,997	80,894	2,897	3.7%	8	5,271	7	Conwy	
Denbighshire	15,105	5,020	13	75,831	82,410	6,579	8.7%	3	5,456	5	Denbighshire	
Flintshire	22,539	4,972	14	112,060	108,242	-3,818	-3.4%	21	4,802	19	Flintshire	
Wrexham	18,810	5,063	12	95,230	95,277	47	0.0%	14	5,065	14	Wrexham	
Powys	16,600	5,755	1	95,529	95,918	389	0.4%	13	5,778	2	Powys	
Ceredigion	9,405	5,538	3	52,087	52,761	674	1.3%	11	5,610	3	Ceredigion	
Pembrokeshire	16,896	5,265	6	88,963	87,276	-1,687	-1.9%	18	5,165	9	Pembrokeshire	
Carmarthenshire	27,029	5,112	10	138,167	134,069	-4,098	-3.0%	20	4,960	17	Carmarthenshire	
Swansea	34,274	4,854	16	166,370	169,363	2,993	1.8%	10	4,941	18	Swansea	
Neath Port Talbot	19,905	5,214	7	103,794	103,481	-313	-0.3%	16	5,199	8	Neath Port Talbot	
Bridgend	22,920	4,502	21	103,180	108,208	5,027	4.9%	7	4,721	20	Bridgend	
Vale of Glamorgan	21,862	4,432	22	96,899	99,990	3,091	3.2%	9	4,574	21	Vale of Glamorgan	
Cardiff	52,437	4,610	19	241,750	262,409	20,659	8.5%	4	5,004	15	Cardiff	
Rhondda Cynon Taf	38,215	4,761	18	181,942	194,529	12,586	6.9%	5	5,090	13	Rhondda Cynon Taf	
Merthyr Tydfil	8,736	4,908	15	42,875	47,478	4,603	10.7%	1	5,435	6	Merthyr Tydfil	
Caerphilly	26,922	5,134	9	138,218	137,991	-227	-0.2%	15	5,126	12	Caerphilly	
Blaenau Gwent	8,736	5,398	5	47,159	51,274	4,115	8.7%	2	5,869	1	Blaenau Gwent	
Torfaen	14,313	4,838	17	69,251	73,714	4,463	6.4%	6	5,150	11	Torfaen	
Monmouthshire	11,440	5,140	8	58,806	57,150	-1,656	-2.8%	19	4,996	16	Monmouthshire	
Newport	24,817	4,578	20	113,606	111,937	-1,669	-1.5%	17	4,510	22	Newport	
Wales	452,220	4,958		2,242,085	2,294,026	51,941	2.3%		5,073		Wales	

Source: Pupil numbers from StatsWales, *Delegated school budgets per pupil, by authority: IBA and Net budgeted expenditure from Welsh Government Statistical release*, *Local authority budgeted expenditure on schools*; Others are Research Service calculations.

Table A1 Notes:

i) Pupil numbers are full-time equivalent (FTE) numbers, as used to determine each school's budget via the relevant authority's school budget formula. They differ from other pupil numbers in the annual school census which record the number of pupils on the school roll on census day in January each year.

ii) This is the sum of the two Education IBA sectors – "School Services" and "Other Education", within the Local Government Settlement.

iii) This is net of hypothecated grants from the Welsh Government such as the Pupil Development Grant (PDG) and the Education Improvement Grant (EIG).

iv) The Welsh Government emphasises that it is for local authorities, as democratically accountable elected bodies, to determine how to spend their unhypothecated funding and that Standard Spending Assessments (SSAs) and Indicator Based Assessments (IBAs) are not targets and should not be treated as such.

v) The use of green shading highlights where values are above the Welsh average, whereas the use of red shading highlights where values are below the Welsh average.

Gross expenditure on schools (relates to Table A2)

Whilst the Welsh Government's annual statistical release presents each local authority's net education expenditure against its IBA, the main focus of the release is on gross expenditure on schools. Gross figures include funding from hypothecated Welsh Government grants, the largest of which are the Education Improvement Grant (EIG) and the Pupil Development Grant (PDG). The EIG is itself part of the packaged grant that goes via the regional consortia, the Regional Consortia School Improvement Grant (RCSIG).

Table A2 below provides each local authority's gross budgeted expenditure per pupil and "ranks" these. The table is colour-coded to signify whether a local authority's gross schools expenditure is above or below the all-Wales average. Note that this is influenced by how each local authority's IBA per pupil compares with other authorities and the extent to which they spend more or less than the IBA on education (the latter of which is affected by decisions on prioritisation of services and the level of council tax they set).

Table A2: Local authorities' gross expenditure on schools

2018-19	Number of pupils (FTE) (i)	Gross budgeted expenditure on schools £000 (ii)	Gross budgeted expenditure on schools, per pupil £ (ii)	Ranking in gross budgeted expenditure on schools, per pupil (ii)
Isle of Anglesey	9,409	54,581	5,801	8
Gwynedd	16,509	100,390	6,081	4
Conwy	15,346	91,399	5,956	6
Denbighshire	15,105	91,239	6,041	5
Flintshire	22,539	121,732	5,401	19
Wrexham	18,810	103,424	5,499	18
Powys	16,600	107,162	6,456	1
Ceredigion	9,405	58,773	6,249	3
Pembrokeshire	16,896	97,453	5,768	10
Carmarthenshire	27,029	150,638	5,573	15
Swansea	34,274	188,729	5,506	17
Neath Port Talbot	19,905	114,787	5,772	9
Bridgend	22,920	121,624	5,306	20
Vale of Glamorgan	21,862	111,643	5,107	22
Cardiff	52,437	300,156	5,724	12
Rhondda Cynon Taf	38,215	219,018	5,731	11
Merthyr Tydfil	8,736	50,934	5,830	7
Caerphilly	26,922	152,384	5,660	14
Blaenau Gwent	8,736	55,522	6,355	2
Torfaen	14,313	81,404	5,687	13
Monmouthshire	11,440	63,512	5,552	16
Newport	24,817	129,845	5,232	21
Wales	452,220	2,566,450	5,675	

Source: Pupil numbers from StatsWales, [Delegated school budgets per pupil, by authority](#); Gross budgeted expenditure on schools from Welsh Government Statistical release, [Local authority budgeted expenditure on schools](#).

Notes:

i) Pupil numbers are full-time equivalent (FTE) numbers, as used to determine each school's budget via the relevant authority's school budget formula. They differ from other pupil numbers in the annual school census which record the number of pupils on the school roll on census day in January each year.

ii) These gross figures include hypothecated grants from the Welsh Government such as the Pupil Development Grant (PDG) and the Education Improvement Grant (EIG).

iii) The use of green shading highlights where values are above the Welsh average, whereas the use of red shading highlights where values are below the Welsh average.

Summary analysis (relates to Table A3)

Table A3 compiles the information presented in Tables A1 and A2 into one table. In doing so, it attempts to summarise the relative position of local authorities in Wales as to whether they:

- Receive higher than average per pupil funding from the Welsh Government (through the IBA);
- Allocate more than their notional IBA calculation to education;
- Spend more or less than the Welsh average per pupil on education, excluding Welsh Government grants.
- Spend more or less than the Welsh average per pupil on schools, including Welsh Government grants.

(“Average” is used here to mean the all-Wales figure.)

School standards (relates to Tables A4-A6)

Table A4 provides data on the proportion of primary schools, the proportion of secondary schools and proportion of both primary and secondary schools combined that are categorised as either Green or Yellow. The Welsh Government’s **National School Categorisation System** categorises each school in one of four colour-coded categories: Green, Yellow, Amber and Red. The aim of the system is not to label schools or create league tables but identify the level of challenge and support they need to improve. However, the Welsh Government states in its guidance that the system aims to indicate how well a school is performing.

Table A5 presents each local authority’s school standards categorisation data against the order of expenditure. Table A6 shows the same data the other way round.

Table A3: Summary analysis of local authorities' Indicator Based Assessment (IBA), budget allocations for education, and per pupil expenditure

2018-19		Receive higher IBA per pupil than average across Wales	Allocate more than their IBA	Spend more per pupil than average across Wales (NET EDUCATION)	Spend more per pupil than average across Wales (GROSS SCHOOLS)
IBA from WG is less than the average but allocate more than IBA and have higher than average per pupil expenditure.	Rhondda Cynon Taf Merthyr Tydfil Torfaen	NO NO NO	YES YES YES	YES YES YES	YES YES YES
IBA from WG is less than the average but allocate more than IBA. Net expenditure on education per pupil is slightly less than average, although gross expenditure on schools per pupil slightly more than average.	Cardiff	NO	YES	NO	YES
IBA from WG above the average, allocate more than IBA, and spend more per pupil than average.	Gwynedd Conwy Denbighshire Powys Ceredigion Blaenau Gwent	YES YES YES YES YES YES	YES YES YES YES YES YES	YES YES YES YES YES YES	YES YES YES YES YES YES
IBA from WG above the average, allocate less than their IBA but still spend above average per pupil.	Isle of Anglesey Pembrokeshire Neath Port Talbot	YES YES YES	NO NO NO	YES YES YES	YES YES YES
IBA from WG is above the average, allocate just less than their IBA but spend more per pupil on education net of grants than average, although less than average on schools gross including grants.	Caerphilly	YES	NO	YES	NO
IBA from WG is lower than the average, allocate more than IBA but still have lower than average per pupil expenditure.	Swansea Bridgend Vale of Glamorgan	NO NO NO	YES YES YES	NO NO NO	NO NO NO
IBA from WG is higher than average, allocate marginally more than their IBA but have lower than average per pupil expenditure.	Wrexham	YES	YES	NO	NO
IBA from WG is lower than average, spend less than their IBA and have lower than average per pupil expenditure.	Newport	NO	NO	NO	NO
IBA from WG above the average but allocate less than their IBA and have lower than average per pupil expenditure.	Carmarthenshire Flintshire Monmouthshire	YES YES YES	NO NO NO	NO NO NO	NO NO NO

Sources and Notes: See Tables A1 and A2. (The term "average" is used to mean the all-Wales figure.)

Table A4: Proportion of schools categorised as Green or Yellow in each local authority

2018-19	Proportion of primary schools categorised as Green or Yellow	Ranking in proportion of primary schools categorised as Green or Yellow	Proportion of secondary schools categorised as Green or Yellow	Ranking in proportion of secondary schools categorised as Green or Yellow	Proportion of primary and secondary schools categorised as Green or Yellow	Ranking in proportion of primary and secondary schools categorised as Green or Yellow	2018-19
Isle of Anglesey	88.1%	12	100.0%	1	89.4%	8	Isle of Anglesey
Gwynedd	95.3%	5	71.4%	10	92.0%	6	Gwynedd
Conwy	90.6%	9	71.4%	10	88.3%	9	Conwy
Denbighshire	97.8%	3	75.0%	9	94.4%	4	Denbighshire
Flintshire	95.3%	6	81.8%	7	93.3%	5	Flintshire
Wrexham	91.4%	8	55.6%	13	86.6%	13	Wrexham
Powys	78.8%	18	45.5%	19	74.7%	18	Powys
Ceredigion	78.6%	19	42.9%	20	73.5%	21	Ceredigion
Pembrokeshire	71.4%	22	50.0%	15	68.8%	22	Pembrokeshire
Carmarthenshire	78.1%	20	100.0%	1	80.6%	15	Carmarthenshire
Swansea	95.0%	7	100.0%	1	95.7%	3	Swansea
Neath Port Talbot	98.2%	2	100.0%	1	98.4%	1	Neath Port Talbot
Bridgend	89.6%	11	77.8%	8	87.7%	10	Bridgend
Vale of Glamorgan	100.0%	1	87.5%	5	98.1%	2	Vale of Glamorgan
Cardiff	87.8%	14	83.3%	6	87.1%	11	Cardiff
Rhondda Cynon Taf	89.7%	10	70.6%	12	86.8%	12	Rhondda Cynon Taf
Merthyr Tydfil	86.4%	15	50.0%	15	80.8%	14	Merthyr Tydfil
Caerphilly	85.1%	17	25.0%	21	76.7%	17	Caerphilly
Blaenau Gwent	85.7%	16	50.0%	15	80.0%	16	Blaenau Gwent
Torfaen	88.0%	13	16.7%	22	74.2%	19	Torfaen
Monmouthshire	76.7%	21	50.0%	15	73.5%	20	Monmouthshire
Newport	97.6%	4	55.6%	13	90.2%	7	Newport
Wales	88.4%		69.4%		85.7%		Wales

Source: Welsh Government, [National school categorisation system: support categories](#), January 2019. Notes: See Tables A5 and A6

Table A5: Local authorities' expenditure on schools against school standards (in order of expenditure)

2018-19	Gross budgeted expenditure on schools, per pupil £	Ranking in gross budgeted expenditure on schools, per pupil	Proportion of primary and secondary schools categorised as Green or Yellow	Ranking in proportion of primary and secondary schools categorised as Green or Yellow	2018-19
Powys	6,456	1	74.7%	18	Powys
Blaenau Gwent	6,355	2	80.0%	16	Blaenau Gwent
Ceredigion	6,249	3	73.5%	21	Ceredigion
Gwynedd	6,081	4	92.0%	6	Gwynedd
Denbighshire	6,041	5	94.4%	4	Denbighshire
Conwy	5,956	6	88.3%	9	Conwy
Merthyr Tydfil	5,830	7	80.8%	14	Merthyr Tydfil
Isle of Anglesey	5,801	8	89.4%	8	Isle of Anglesey
Neath Port Talbot	5,772	9	98.4%	1	Neath Port Talbot
Pembrokeshire	5,768	10	68.8%	22	Pembrokeshire
Rhondda Cynon Taf	5,731	11	86.8%	12	Rhondda Cynon Taf
Cardiff	5,724	12	87.1%	11	Cardiff
Torfaen	5,687	13	74.2%	19	Torfaen
Caerphilly	5,660	14	76.7%	17	Caerphilly
Camarthenshire	5,573	15	80.6%	15	Camarthenshire
Monmouthshire	5,552	16	73.5%	20	Monmouthshire
Swansea	5,506	17	95.7%	3	Swansea
Wrexham	5,499	18	86.6%	13	Wrexham
Flintshire	5,401	19	93.3%	5	Flintshire
Bridgend	5,306	20	87.7%	10	Bridgend
Newport	5,232	21	90.2%	7	Newport
Vale of Glamorgan	5,107	22	98.1%	2	Vale of Glamorgan
Wales	5,675		85.7%		Wales

Source: Gross budgeted expenditure on schools from Welsh Government Statistical release, [Local authority budgeted expenditure on schools](#). Categorisation data from Welsh Government, [National school categorisation system: support categories](#), January 2019

Notes:

i) Under the Welsh Government's [National School Categorisation System](#), schools are categorised in one of four colour categories: Green, Yellow, Amber and Red. The Welsh Government says the aim of categorisation is to provide a clear structure to review how well a school is performing. It takes into consideration how effectively the school is led and managed, the quality of learning and teaching, and the level of support and challenge it needs to do better. The Welsh Government says the system is not about labelling schools or creating league tables.

ii) The figures for gross budgeted expenditure on schools refer to all schools, which includes middle schools and special schools as well as the primary and secondary schools covered by the data on categorisation.

iii) The use of green shading in this table highlights where values are above the Welsh average, whereas the use of red shading highlights where values are below the Welsh average.

Table A6: Local authorities' expenditure on schools against school standards (in order of school standards)

2018-19	Proportion of primary and secondary schools categorised as Green or Yellow	Ranking in proportion of primary and secondary schools categorised as Green or Yellow	Gross budgeted expenditure on schools, per pupil £	Ranking in gross budgeted expenditure on schools, per pupil	2018-19
Neath Port Talbot	98.4%	1	5,772	9	Neath Port Talbot
Vale of Glamorgan	98.1%	2	5,107	22	Vale of Glamorgan
Swansea	95.7%	3	5,506	17	Swansea
Denbighshire	94.4%	4	6,041	5	Denbighshire
Flintshire	93.3%	5	5,401	19	Flintshire
Gwynedd	92.0%	6	6,081	4	Gwynedd
Newport	90.2%	7	5,232	21	Newport
Isle of Anglesey	89.4%	8	5,801	8	Isle of Anglesey
Conwy	88.3%	9	5,956	6	Conwy
Bridgend	87.7%	10	5,306	20	Bridgend
Cardiff	87.1%	11	5,724	12	Cardiff
Rhondda Cynon Taf	86.8%	12	5,731	11	Rhondda Cynon Taf
Wrexham	86.6%	13	5,499	18	Wrexham
Merthyr Tydfil	80.8%	14	5,830	7	Merthyr Tydfil
Carmarthenshire	80.6%	15	5,573	15	Carmarthenshire
Blaenau Gwent	80.0%	16	6,355	2	Blaenau Gwent
Caerphilly	76.7%	17	5,660	14	Caerphilly
Powys	74.7%	18	6,456	1	Powys
Torfaen	74.2%	19	5,687	13	Torfaen
Monmouthshire	73.5%	20	5,552	16	Monmouthshire
Ceredigion	73.5%	21	6,249	3	Ceredigion
Pembrokeshire	68.8%	22	5,768	10	Pembrokeshire
Wales	85.7%		5,675		Wales

Source: Gross budgeted expenditure on schools from Welsh Government Statistical release, [Local authority budgeted expenditure on schools](#). Categorisation data from Welsh Government, [National school categorisation system: support categories](#), January 2019

Notes:

i) Under the Welsh Government's [National School Categorisation System](#), schools are categorised in one of four colour categories: Green, Yellow, Amber and Red. The Welsh Government says the aim of categorisation is to provide a clear structure to review how well a school is performing. It takes into consideration how effectively the school is led and managed, the quality of learning and teaching, and the level of support and challenge it needs to do better. The Welsh Government says the system is not about labelling schools or creating league tables.

ii) The figures for gross budgeted expenditure on schools refer to all schools, which includes middle schools and special schools as well as the primary and secondary schools covered by the data on categorisation.

iii) The use of green shading in this table highlights where values are above the Welsh average, whereas the use of red shading highlights where values are below the Welsh average.

Annex D: Data on Reserves held by schools

The tables in this annex provide supplementary information to Section 9 of the Committee's report.

Table A7 shows, for each local authority area, as of 31 March 2018:

- The number of schools holding positive reserves;
- The number of schools holding negative reserves;
- The number of schools holding positive thresholds above the statutory thresholds at which the local authority can intervene
- The number of schools holding positive reserves at a level 10% above the budget given to them by the local authority.

Table A8 shows the same information as a proportion of schools within the local authority area.

Notes for Tables A7 and A8:

The statutory thresholds referred to are the thresholds set out in the School Funding (Wales) Regulations 2010 at which local authorities can intervene, either by directing a school to spend the excess balance or otherwise recover the money. This is £50,000 for primary schools and £100,000 for secondary schools.

The total number of primary schools holding reserves above the statutory threshold is 4 above that in the Welsh Government release "Reserves held by schools, at 31 March 2018," as the data on StatsWales was amended following the publication of that statistical release. The figure quoted by the Minister for Education in CYPE Committee on 8 November 2018 of 497 therefore differs to the figure included in this table (501). It is not clear if this is a rounding issue or if this relates to the changes to the data set on StatsWales following publication of the statistical release.

The calculations of positive reserves above 10% are as a proportion of the budget allocation a schools has received from the local authority rather than the school's actual expenditure.

Table A7: Number of schools holding positive and negative reserves, by local authority, as of 31 March 2018

Number of schools holding:

as of 31 March 2018	Positive Reserves above statutory threshold				Negative Reserves				Positive Reserves				Positive Reserves above 10% (LEA)			
	Primary	Secondary	Middle	Total	Primary	Secondary	Middle	Total	Primary	Secondary	Middle	Total	Primary	Secondary	Middle	Total
Isle of Anglesey	11	2	0	13	2	1	0	3	41	4	0	45	8	0	0	8
Gwynedd	15	4	1	20	5	4	0	9	88	10	1	99	21	1	1	23
Conwy	21	4	0	25	3	1	0	4	50	6	0	56	2	0	0	2
Denbighshire	8	1	0	9	14	6	1	21	32	1	0	33	9	0	0	9
Flintshire	20	0	0	20	3	6	0	9	61	5	0	66	6	0	0	6
Wrexham	17	2	0	19	4	5	0	9	54	4	0	58	1	0	0	1
Powys	20	2	0	22	14	7	1	22	65	4	0	69	15	1	0	16
Ceredigion	9	2	2	13	1	1	1	3	38	3	2	43	15	0	0	15
Pembrokeshire	9	2	0	11	5	4	0	9	53	4	0	57	11	0	0	11
Cardiganshire	18	6	0	24	28	5	0	33	69	7	0	76	10	1	0	11
Swansea	50	9	0	59	2	4	0	6	77	10	0	87	11	0	0	11
Neath Port Talbot	24	3	0	27	11	2	1	14	44	5	1	50	13	0	0	13
Bridgend	7	1	0	8	17	4	0	21	31	5	0	36	1	0	0	1
Vale of Glamorgan	21	2	0	23	2	0	1	3	41	7	0	48	1	0	0	1
Rhondda Cynon Taf	33	5	1	39	4	9	0	13	98	7	1	106	10	0	1	11
Merthyr Tydfil	14	3	0	17	0	0	0	0	22	4	0	26	0	0	0	0
Caerphilly	24	5	1	30	13	6	0	19	60	6	1	67	4	0	1	5
Blaenau Gwent	9	1	0	10	4	1	2	7	15	1	0	16	1	0	0	1
Torfaen	15	1	0	16	2	3	0	5	24	3	0	27	2	0	0	2
Monmouthshire	10	1	0	11	8	3	0	11	22	1	0	23	3	0	0	3
Newport	19	5	0	24	0	2	0	2	42	7	0	49	5	1	0	6
Cardiff	57	4	0	61	4	5	0	9	94	13	0	107	4	0	0	4
Total	431	65	5	501	146	79	7	232	1121	117	6	1244	153	4	3	160

Source: Research Service analysis of Welsh Government, StatsWales, [Delegated School Outturn Expenditure, by school \(£ thousand\)](#)

Table A8: Proportion of schools holding positive and negative reserves, by local authority, as of 31 March 2018

as of 31 March 2018	Proportion of schools holding:															
	Positive Reserves above statutory threshold				Negative Reserves				Positive Reserves				Positive Reserves above 10% (LEA)			
	Primary	Secondary	Middle	Total	Primary	Secondary	Middle	Total	Primary	Secondary	Middle	Total	Primary	Secondary	Middle	Total
Isle of Anglesey	22.4	40.0	0.0	24.1	4.1	20.0	0.0	5.6	83.7	80.0	0.0	83.3	16.3	0.0	0.0	14.8
Gwynedd	16.0	28.6	100.0	18.3	5.3	28.6	0.0	8.3	93.6	71.4	100.0	90.8	22.3	7.1	100.0	21.1
Conwy	37.5	57.1	0.0	39.7	5.4	14.3	0.0	6.3	89.3	85.7	0.0	88.9	3.6	0.0	0.0	3.2
Denbighshire	17.4	14.3	0.0	16.7	30.4	85.7	100.0	38.9	69.6	14.3	0.0	61.1	19.6	0.0	0.0	16.7
Flintshire	31.3	0.0	0.0	26.3	4.7	50.0	0.0	11.8	95.3	41.7	0.0	86.8	9.4	0.0	0.0	7.9
Wrexham	29.3	22.2	0.0	28.4	6.9	55.6	0.0	13.4	93.1	44.4	0.0	86.6	1.7	0.0	0.0	1.5
Powys	23.5	18.2	0.0	22.7	16.5	63.6	100.0	22.7	76.5	36.4	0.0	71.1	17.6	9.1	0.0	16.5
Ceredigion	21.4	50.0	66.7	26.5	2.4	25.0	33.3	6.1	90.5	75.0	66.7	87.8	35.7	0.0	0.0	30.6
Pembrokeshire	14.3	25.0	0.0	15.5	7.9	50.0	0.0	12.7	84.1	50.0	0.0	80.3	17.5	0.0	0.0	15.5
Carmarthenshire	17.8	50.0	0.0	21.2	27.7	41.7	0.0	29.2	68.3	58.3	0.0	67.3	9.9	8.3	0.0	9.7
Swansea	63.3	64.3	0.0	63.4	2.5	28.6	0.0	6.5	97.5	71.4	0.0	93.5	13.9	0.0	0.0	11.8
Neath Port Talbot	42.9	37.5	0.0	40.9	19.6	25.0	50.0	21.2	78.6	62.5	50.0	75.8	23.2	0.0	0.0	19.7
Bridgend	14.6	11.1	0.0	14.0	35.4	44.4	0.0	36.8	64.6	55.6	0.0	63.2	2.1	0.0	0.0	1.8
Vale of Glamorgan	45.7	28.6	0.0	42.6	4.3	0.0	100.0	5.6	89.1	100.0	0.0	88.9	2.2	0.0	0.0	1.9
Rhondda Cynon Taf	32.4	31.3	100.0	32.8	3.9	56.3	0.0	10.9	96.1	43.8	100.0	89.1	9.8	0.0	100.0	9.2
Merthyr Tydfil	63.6	75.0	0.0	65.4	0.0	0.0	0.0	0.0	100.0	100.0	0.0	100.0	0.0	0.0	0.0	0.0
Caerphilly	32.0	38.5	100.0	33.7	17.3	46.2	0.0	21.3	80.0	46.2	100.0	75.3	5.3	0.0	100.0	5.6
Blaenau Gwent	47.4	50.0	0.0	43.5	21.1	50.0	100.0	30.4	78.9	50.0	0.0	69.6	5.3	0.0	0.0	4.3
Torfaen	57.7	16.7	0.0	50.0	7.7	50.0	0.0	15.6	92.3	50.0	0.0	84.4	7.7	0.0	0.0	6.3
Monmouthshire	33.3	25.0	0.0	32.4	26.7	75.0	0.0	32.4	73.3	25.0	0.0	67.6	10.0	0.0	0.0	8.8
Newport	39.6	55.6	0.0	42.1	0.0	22.2	0.0	3.5	87.5	77.8	0.0	86.0	10.4	11.1	0.0	10.5
Cardiff	58.2	20.0	0.0	51.7	4.1	25.0	0.0	7.6	95.9	65.0	0.0	90.7	4.1	0.0	0.0	3.4
Average	33.0	32.3	38.5	32.9	11.2	39.3	53.8	15.3	85.8	58.2	46.2	81.8	11.7	2.0	23.1	10.5
	= above Wales average															

Source: Research Service analysis of Welsh Government, StatsWales, *Delegated School Outturn Expenditure, by school (£ thousand)*

Annex E: Summary of previous inquiries and reviews

There were several inquiries by Assembly Committees in the Second and Third Assemblies into School Funding. There was also a review commissioned by the Welsh Government, which reported in 2007 (the “Bramley Review”). The main recommendations of the Bramley Review were not taken forward by the Welsh Government. This appears to be because the alternative method of allocating resources which it set out was considered as being overly complex and causing too much disruption.

The Committee included progress since these previous reviews as part of its Terms of Reference for this inquiry, mainly in recognition that some of the relevant issues have been considered previously and a desire to avoid “reinventing the wheel”.

School Funding Committee (2006)

A purposely assembled School Funding Committee reported in 2006,¹⁹⁹ making 27 recommendations including:

- that the Welsh Government set in train a review of the local government distribution formula so that the education element is based on the current and future costs of providing education services rather than on historic costs;
- that the Welsh Government review the weight given to sparsity and deprivation factors to the allocation of resources to meet demand for education services within the local government settlement;
- the Welsh Government should use IBA calculations as a target for local authorities' expenditure on education until such time that a minimum common funding requirement can be established;
- the introduction of three-year budgets for schools.

The Welsh Government responded in a series of Written Statements.²⁰⁰ This included commissioning a review by Professor Glen Bramley at Heriot-Watt

¹⁹⁹ [School Funding Committee Report – June 2006](#)

²⁰⁰ [Written Ministerial Statements 11 July, 19 September and 26 September 2006.](#)

University to investigate alternative methods of resource allocation, including ones based on current and future needs rather than historic costs.

The Welsh Government also adopted the IBA as a local spending target as an interim measure. However, it later moved away from treating the IBA as a spending target, and now makes it clear that it is not such a target. The then Minister, Jane Davidson, said:

“Until we complete our review of the standard spending assessment formula [The Bramley Review] and its outcomes can be used in the local government settlement—this is expected to be for 2008-09—the education IBA for each authority will be used as the local target for education spend, as an interim measure. This does not mean fettering authorities’ discretion to set education budgets according to local priorities. However, where authorities set a budget that is different from their education IBA, they will be asked to report on the reasons for that to their schools budget forum, their full council and the Assembly Government. This will aid both transparency and local accountability.”

The then Minister also set out the difficulties in establishing a minimum common funding requirement for schools:

“I have sympathy with the objective behind the committee’s recommendation that the Assembly Government should establish minimum common basic funding requirements for school staffing, accommodation and equipment. However, we should be under no illusion about the difficulty of achieving this. We would need to weigh up, first, how it could be done, what the consequences might be in terms of affecting the budgets of individual schools, and whether, given the extensive work that would be needed, the outcome would be worthwhile.”

The Bramley Review (2007)

The review, commissioned by the Welsh Government from Professor Glen Bramley at Heriot-Watt University, reported in September 2007.²⁰¹ Its remit was as follows:

²⁰¹ It has not been possible to find the report by Professor Glen Bramley and David Watkins, *Alternative resource allocation models for local services in Wales (2007)*, online, although a hard copy is kept in the National Assembly’s Library.

- a) To investigate alternative methodologies that may be used to predict the relative demand/need for local government services within the parameters of current data availability.
- b) To make recommendations for future data collection where there are gaps.
- c) To place specific emphasis on the education formula in relation to the recommendations of the [2006] School Funding Committee).
- d) To assist Local Government Finance officials in exemplifying the effects of any proposed new model.
- e) To assess the general applicability of conclusions to other service areas.

The Bramley review proposed a relatively complex and sophisticated approach to allocating education funding. It was based on the concept of allocating expenditure to the end of achieving certain policy intentions, for example narrowing the attainment gap between authorities and offsetting the impact of deprivation.

The existing school funding system is based on an analysis of historic spend on schools. Regression analysis is used to determine what factors cause differences in spend: for example pupil numbers and deprivation. A formula can then be produced that gives so much for a pupil, so much for a pupil in receipt of free school meals, and so forth.

The Bramley review took a different approach to measuring need, looking at outcomes in the form of pupil attainment. The research examined whether there is a link between pupil attainment and costs and considered a range of factors such as Special Educational Needs (SEN), poverty and school size. The key findings were that:

- the biggest single influence on educational achievement was related to individual pupils' circumstances;
- of these, SEN and poverty had the biggest impact;
- free school meals is the best indicator of poverty;
- prior attainment is significant for secondary schools;
- pupils achieve better in larger schools.

On the basis of these findings, Professor Bramley's report developed three broad funding models. These constructed a "base position" and applied three different criteria, each with their own policy intention in relation to pupil attainment, taking into account the expenditure required to achieve that policy intention. Each of the models, to differing extents, would provide more funding to local authorities with lower attainment and higher deprivation levels.

The three criteria were as follows:

Criterion A: A minimum attainment standards: a set of minimum standards for pupil achievement, giving extra funding to local authorities with the poorest performing schools, so that each have the funding necessary to reach a certain level. This would have the effect (based on data available in 2007) of giving more money to valleys authorities and less to high attaining and affluent areas. All rural areas would see a reduction.

Criterion B: Convergence of Attainment: a "convergence approach" which would seek to the gap between the top and the bottom of the attainment table. This is similar, although simpler than Criterion A as it treats high and low attainers symmetrically (oppositely not the same). This would also have meant giving more money to valleys authorities, particularly Blaenau Gwent and Merthyr Tydfil, and less to high attaining, affluent and rural authorities. However, few authorities gain more under criterion B than criterion A but many lose less.

Criterion C: Compensation for social disadvantage: a social disadvantage approach, taking account of poverty and potentially SEN. This is comparable to criterion B in terms of re-allocating resources between local authorities at primary school level but leads to more dispersion and redistribution at secondary school level. The first version of C focuses on poverty while a second version adds in incidence of SEN.

The Bramley report included two tables (Table 6.3 on page 71 and Table 6.4 on page 74) showing the effect that each of the models would have on school funding allocations to local authorities, against the 2005/06 level. They are reproduced below to provide an indication of the level of change that would have been entailed.

Table 6.3: Exemplification of Four Alternative Formulae for Primary Schools

(net school delegated expenditure per pupil 2005/06; minimum school spend £1650)

LEA Name	Actual Expend	Base Expend	Exp Need Crit A	Exp Need Crit B	Exp Need Crit Ci	Exp Need Crit Cii
Anglesey	2822	2660	2823	2777	2652	2664
Gwynedd	2875	2852	2537	2619	2747	2717
Conwy	2781	2597	2490	2548	2480	2432
Denbigh	2744	2730	2506	2660	2612	2563
Flint	2531	2673	2342	2528	2460	2367
Wrexham	2678	2704	2874	2801	2696	2696
Powys	2924	3105	2634	2918	2884	2813
Ceredigion	3785	3153	2657	2801	2909	2838
Pembroke	2941	2917	1971	2175	2845	2849
Carmarthen	3181	3064	2801	2928	3008	2989
Swansea	2693	2752	2916	2814	2782	2856
Neath PT	3026	2995	3244	3170	3160	3209
Bridgend	2578	2672	2773	2791	2737	2716
Vale of Glam	2719	2742	2307	2480	2450	2350
Rhondda CT	2654	2734	3170	3050	2994	3023
Merthyr Tydfil	2857	2726	3549	3221	3129	3277
Caerphilly	2581	2708	2946	2911	2891	2917
Blaenau Gwent	2913	2947	3561	3360	3339	3472
Torfaen	2752	2746	3063	2982	2894	2928
Monmouth	2572	2815	2301	2548	2503	2441
Newport	2790	2733	3248	2907	2835	2876
Cardiff	2857	2881	2905	2841	2844	2852
Wales Ave	2801	2811	2812	2811	2812	2812
Min	2531	2597	1971	2175	2450	2350
Max	3785	3153	3561	3360	3339	3472
Std Dev	266	155	407	26.9	234	287
CV	9.5	5.5	14.5	9.6	8.3	10.2
Ratio	1.50	1.21	1.81	1.54	1.36	1.48

Table 6.4: Exemplification of Four Alternative Formulae for Secondary Schools
(net school delegated expenditure per pupil; minimum school spend £2750 /pupil)

LEA Name	Actual Expend	Base Expend	Exp Need Crit A	Exp Need Crit B	Exp Need Crit Ci	Exp Need Crit Cii
Anglesey	3526	3389	3394	3367	3372	3362
Gwynedd	3584	3582	3227	3330	3450	3433
Conwy	3456	3367	3193	3255	3267	3254
Denbigh	3123	3371	3265	3303	3215	3206
Flint	3296	3437	3079	3333	3178	3157
Wrexham	3590	3386	3482	3529	3479	3479
Powys	3475	3544	3073	3269	3208	3185
Ceredigion	4199	3813	3192	3401	3484	3457
Pembroke	3603	3623	3160	3443	3473	3460
Carmarthen	3669	3535	3620	3464	3573	3558
Swansea	3532	3532	3599	3547	3547	3550
Neath PT	3513	3615	3709	3723	3792	3800
Bridgend	3483	3367	3388	3446	3357	3350
Vale of Glam	3239	3424	3066	3220	3145	3136
Rhondda CT	3539	3540	3882	3754	3808	3825
Merthyr Tydfil	3486	3462	4112	3855	3881	3905
Caerphilly	3455	3482	3743	3744	3695	3711
Blaenau Gwent	3580	3705	4135	3966	3996	4013
Torfaen	3271	3517	3358	3581	3527	3524
Monmouth	3463	3576	2921	3275	3129	3096
Newport	3530	3515	3940	3636	3613	3635
Cardiff	3600	3516	3788	3535	3617	3630
Wales Ave	3509	3508	3508	3508	3509	3507
Min	3123	3367	2921	3220	3129	3096
Max	4199	3813	4135	3966	3996	4013
Std Dev	204	114	357	209	246	260
CV	5.8	3.2	10.2	6.0	7.0	7.4
Ratio	1.34	1.13	1.42	1.23	1.28	1.30

The Welsh Government's response to the Bramley Review and further inquiries by the Enterprise and Learning Committee (2007-2009)

The Welsh Government welcomed the Bramley report, upon its publication, with then Minister for Children, Education and Lifelong Learning, Jane Hutt, describing it as a “groundbreaking piece of work”. She said that she and the then Local Government Minister Brian Gibbons would be considering how to take it forward. Brian Gibbons referred to the role of the Distribution Sub Group and the Consultative Forum of Finance in considering next steps.

However, a WLGA paper to its Co-ordinating Committee in October 2007 reported:

“Frankly if Bramley’s report had been based on a methodology which was understandable, subject to detailed consultation, peer review and scrutiny and written in a style that was slightly more readable we may have had the opportunity to have a debate on it (albeit a very difficult debate). However because it was penned in relative isolation the report sits as a complex and flawed piece of work which started to ask the right questions but whose answers could not be properly explained. Our members in particular have argued that because of the lack of confidence in the report it should now effectively be consigned to a high shelf in the assembly.”

The Third Assembly’s Enterprise and Learning Committee undertook two further inquiries on school funding. In its 2008 inquiry, it called on the Welsh Government to present plans on what changes it would make in light of the Bramley Review.²⁰² Subsequently, during its 2009 follow up inquiry,²⁰³ the then Minister Jane Hutt reported to the Committee:

“The Bramley report has provided a valuable basis for taking forward thinking and work on changes to the revenue settlement formula to provide an element of outcome based funding.

The Assembly Government does not intend to implement the funding scenarios set out in the Bramley Report. Doing that would mean drastic turbulence in funding allocations that would destabilise local authority and school funding. In turn, that would undermine attempts to improve what learners achieve. That said, the Bramley Report has

²⁰² Enterprise and Learning Committee Report: Arrangements for school funding in Wales

²⁰³ Enterprise and Learning Committee: Arrangements for School Funding – Follow-up Inquiry

rightly underlined the importance of focussing on improving outcomes and has identified key drivers for achieving that. The report has usefully informed our understanding of how to develop the distribution of RSG to reflect more effectively our strategic outcomes agenda. Therefore since the publication of the Report, officials have considered how to make changes that will make funding more outcome focused in a way that will not destabilise local authority funding.”

When pressed by Huw Lewis AM as to why the Welsh Government was “parking” the Bramley Review, Jane Hutt told the Enterprise and Learning Committee:

“As I have said, work has started on how we can allocate money to improve outcomes and that is a demonstration of the fact that the Bramley recommendations have not been parked and that we are making progress in that direction. We need to get to the point at which we can demonstrate what this all means in terms of allocations. The crunch always comes when you get to the questions of, ‘What does this mean? Are there going to be winners and losers?’²⁰⁴

In the report arising from its 2009 follow up inquiry, the Enterprise and Learning Committee recommended that the Welsh Government “review school funding mechanisms to reduce obscurity, complexity and disparity within the current system, to improve its responsiveness to current and future need, and to focus on desired outcomes”.²⁰⁵ In response, the Welsh Government said it was “not prepared to undertake a fundamental review of funding mechanisms as this is unnecessary”.²⁰⁶ The then Minister, Jane Hutt, emphasised that management and funding of schools is the responsibility of local government, asserting that “school funding and local government funding cannot be treated as separate entities”.

Jane Hutt also wrote:

“... ultimately decisions are a matter for individual authorities in the light of local needs and priorities across all services for which they are responsible.

These arrangements contain complexities but only such as are necessary to meet the differing needs within the Welsh education community and to allow local authorities sufficient discretion to fund,

²⁰⁴ [Enterprise and Learning Committee on 9 July 2009](#)

²⁰⁵ [Enterprise and Learning Committee Report: Arrangements for School Funding Follow-up](#)

²⁰⁶ [Welsh Government Response to the Enterprise and Learning Committee Report: Arrangements for School Funding Follow-up](#)

organise and support schools in what they, the local decision makers consider to be best. Local decision making inevitably generates a degree of disparity; the alternatives, which the Welsh Assembly Government reject, are direct funding of schools or a detailed national funding formula which all authorities must use. Complexity should not be confused with flexibility and local discretion for decision making.”²⁰⁷

The Enterprise and Learning Committee also recommended that the Welsh Government commission an independent review of schools’ revenue needs which would form a basis for agreement between the Welsh Government and local authorities on a recommended minimum funding requirement in respect of local authorities’ education spend’. Jane Hutt said:

“Local Authorities and the Assembly Government need to work together well in order for education services, particularly schools, to run well and improve. I cannot however agree with the need for an independent review or with the stated goal for that review of agreeing a recommended minimum funding requirement in respect of local authorities’ education spend. A similar recommendation was made by the School Funding Committee and to take such a recommendation forward would cut across the significant improvement programmes through which we are transforming our schools system and would ignore the very important fact that it is entirely appropriate for there to be differences.

It is not be possible to be in favour of local democracy and supportive of local authorities’ role in service delivery yet expect there to be no differences in spending levels or delegation arrangements for an individual service such as education. There will always be differences. It is of course appropriate for bodies such as those whose evidence is quoted in the report to question whether authorities devote a fair proportion of what they receive for education but that question must be directed to each local authority individually.”²⁰⁸

²⁰⁷ [Welsh Government Response to the Enterprise and Learning Committee Report: Arrangements for School Funding Follow-up](#)

²⁰⁸ [Welsh Government Response to the Enterprise and Learning Committee Report: Arrangements for School Funding Follow-up](#)

Finance Committee inquiry into specific education grants (2009)

The Finance Committee undertook an inquiry into specific education grants in 2009, making seven recommendations.²⁰⁹ Future Education Ministers, Huw Lewis and Kirsty Williams, were members of the Committee at the time. The Finance Committee inquiry did not extend to examining the relative merits or demerits of specific grants themselves but focused on the administration and processes involved.

Stakeholders' comments in this inquiry (2018/19)

The NAHT's written evidence says that the lack progress since previous Assembly Committee reviews is "unacceptable", particularly an absence of appetite from the government to reform and improve the mechanisms underpinning school funding.

The NASUWT also noted the lack of developments since previous reviews and referred to a report the union, along with other stakeholders, submitted to Ministers in the early stages of devolution. The NASUWT said: "eighteen years on it is disappointing that little or no progress has been made".

The WLGA told the Committee in oral evidence on 20 March:

"The last time this Assembly committee looked at this issue, at the same time, an academic, Professor Bramley was asked to look at this issue—I don't know if any of you have looked at the report that he produced—but we discussed the work at length with Professor Bramley at the time. Eventually, I think that work was abandoned as well, because the consequences of getting it wrong are disastrous."²¹⁰

The WLGA stated in additional evidence following its appearance:

"The funding formula has remained largely unchanged since the time of the original review. There have been attempts to update the underlying analyses and the data used but these proposals have been rejected at a political level. The reasons for this have mostly been because of the resultant financial turbulence and the difficulties associated with the sparsity measures.

²⁰⁹ [Finance Committee Inquiry into Specific Education Grants – Completed August 2009](#)

²¹⁰ Oral Evidence. ROP. [Para 60], 20 March 2019

The only attempt to fundamentally review the education formula was the study authored by Prof Glen Bramley of Heriot-Watt University. It was more of an outcomes-based approach and was commissioned in response to the NAFWs School Funding Committee in 2006. However, it was too complex and redistributed an enormous amount of resource.

Currently the Distribution Sub Group is proposing to test out a bottom-up approach using data with greater granularity to understand the cost structure of running a school and educating the pupils within it."²¹¹

²¹¹ Written Evidence. [SF.FI.04.Welsh Local Government Association](#)