

## Briefing for the Petitions Committee

Y Pwyllgor Deisebau | 2 Ebrill 2019

Petitions Committee | 2 April 2019

### Research Briefing: Protect school funding or admit to the weakening of service provision

Petition number: [P-05-872](#)

Petition title: **Protect school funding or admit to the weakening of service provision**

#### Text of petition:

We call upon the Welsh Government to protect funding to schools and, if they cannot, to acknowledge the impact of cuts on educational provision, particularly for our most vulnerable learners.

As cuts continue to council budgets, and these cuts are passed on to schools, governing bodies are being asked to make impossible decisions about which vital educational services should be removed from our schools.

This will mean reduced provision for pupils with additional learning needs, less support for vulnerable learners, a narrowed curriculum choice, insufficient learning resources and dilapidated buildings.

These are not the foundations on which schools can be expected to construct and implement a world leading educational curriculum.

## 1. Summary

- The Research Service published a paper on [School Funding in Wales](#) in August 2018. This explains the way school funding is distributed in Wales (summarised at section 2 of this briefing, contains relevant data (summarised at section 3 of this briefing), and provides some policy context in terms of the Welsh Government's approach to providing funding to schools (briefly discussed at section 2.2 of this briefing).
- Gross budgeted expenditure on schools has increased in cash terms by 4.4% since 2010–11, which is a **8.4% decrease in real terms**.
- Expenditure **per pupil** has increased by 4.9% during this time but **decreased by 8.0% in real terms**. (See section 3)

- The **Children, Young People and Education (CYPE) Committee** is currently undertaking an [inquiry into School Funding](#). Following its gathering of external evidence, the CYPE Committee is holding a session with the Minister for Education and the Minister for Housing and Local Government on 3 April 2019.
- As part of its inquiry, the CYPE Committee is considering both the sufficiency of the level of funding available and the way in which the quantum of funding available is distributed. In doing so, the CYPE Committee is considering the extent to which the level of provision for school budgets **complements or inhibits delivery of the Welsh Government’s policy objectives**. The implementation of the **Additional Learning Needs and Education Tribunal (Wales) Act 2018** and the introduction of the new **Curriculum for Wales** are particular priority areas which the CYPE Committee has heard are perceived to be at risk from the level of funding available for schools.

## 2. The way in which school funding is distributed in Wales

### 2.1 Un-hypothecated funding for local authorities

The large majority of funding for schools comes from local authorities, which in turn receive the majority of their funding from the annual local government settlement set by the Welsh Government.

The **local government settlement is un-hypothecated**, meaning it is for each local authority to decide how to allocate their available resources to the various services they provide, including education and within that how much funding they give to schools.

There are **three main steps** to the process for setting school budgets:

- Firstly, 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). Each local authority uses this plus the money it raises from council tax to fund the range of services it provides, including education. Each **local authority’s RSG is arrived at using a formula**, based on Standard Spending Assessments (SSA) which are notional calculations of how much each local authority needs to maintain a standard level of service. SSAs are broken down into Indicator Based Assessments (IBA) which model notionally the amount needed in each service sector. ‘School services’ is one of the SSA sectors used for the IBAs.<sup>1</sup>
- Secondly, once they have decided how much of their overall budget to allocate to education, local authorities set **three tiers of education budget**:

---

<sup>1</sup> SSAs and IBAs are not spending targets and the Welsh Government says they should not be treated as such. They represent a notional calculation of what the Welsh Government estimates a local authority needs to provide a standard level of service (although they are dependent on the overall quantum of funding made available by the Welsh Government for the local government settlement). They also build in an assumption of what the local authority can raise from council tax.

- The Local Authority Education Budget is for central functions relating to education, including but not wholly comprising expenditure on schools.
  - The Schools Budget contains expenditure which is directly aimed at supporting schools but considered to be more efficiently administered centrally.
  - The Individual Schools Budget (ISB) is the remainder of education funding which is delegated to schools.
- Thirdly, the local authority sets the **individual budget for each school** it maintains, apportioning the ISB according to its own locally determined formula, within the parameters set by the [School Funding \(Wales\) Regulations 2010](#).

## 2.2 Ring-fenced funding targeted at school improvement objectives

On top of the budget each school receives from their local authority, the Welsh Government uses a number of funding streams from its central education budget to support the implementation of **certain policies and priorities** or **target additional funding**. These take the form of **specific grants** distributed via the four regional school improvement consortia, such as the Education Improvement Grant (EIG), and the Pupil Development Grant (PDG). Most of the PDG, which supplements schools' income based on the number of their pupils who are eligible for free school meals (eFSM), is passported in its entirety to schools.

The **Welsh Government's approach**, in terms of how much funding it provides for schools' core budgets via the un-hypothecated local government settlement and how much it provides through targeted grants aligned to school improvement objectives, has been the **matter of some debate**. In the Fourth Assembly (2011–2016), the Welsh Government provided additional funding to local authorities to protect schools' core budgets, although in this Assembly has targeted roughly equivalent additional funding at initiatives aimed at raising school standards.<sup>2</sup> This has been a key theme of the **Children, Young People and Education Committee's current inquiry into school funding**.

## 2.3 Proportion of total quantum of funding for schools which is allocated for schools' core budgets

Of the **£2.566 billion** budgeted for expenditure on schools in 2018–19:

- £1.941 billion is delegated by local authorities to schools;
- £407 million is retained and administered by local authorities; whilst
- £219 million is channelled through hypothecated grants via the regional consortia and is treated in Welsh Government statistics as delegated to schools.<sup>3</sup> This is how the delegation rate of 84% is arrived at (see Table 1 in section 3 of this briefing).

<sup>2</sup> See chapter 5 of the Research Service's [School Funding in Wales](#) (August 2018) for more information.

<sup>3</sup> Breakdown provided in [School Funding in Wales](#) based on Welsh Government statistics.

In February 2019, the [Association of School and College Leaders \(ASCL\) issued an open letter](#) to the Minister for Education in which they criticised the ‘totally inadequate level of funding in our schools’ and the amount of funding which they say is retained by local authorities and regional consortia and does not reach the school front line.

### 3. Changes in levels of funding for schools

#### 3.1 Local Government Settlement

As explained in section 2 above, the predominant source of funding for schools budgets is provided by the Welsh Government to local authorities through the un-hypothecated Aggregate External Finance (AEF) within the local government settlement.

The [Final Local Government Settlement 2019–20](#) provides £4.237 billion AEF to local authorities). This is £10.3 million (0.2%) more than in 2018–19. The 2019–20 ‘School Services’ Standard Spending Assessment (SSA) sector is £2.239 billion, £19.4 million (0.9%) more than in 2018–19. (2018–19 figures are adjusted for transfers to ensure like for like comparison.) However, in [evidence to the CYPE Committee’s School Funding inquiry](#), the WLGA and ADEW have identified a £105 million budget gap in funding for schools in 2019–20.

#### 3.2 Budgeted expenditure on schools

The Welsh Government publishes [annual statistics](#) on the amount of funding for schools. These are on the basis of local authority budgeted expenditure on schools, although also include funding from the Welsh Government’s hypothecated grants, referred to above in section 2.

The statistics are available as total figures as well as per pupil figures. They also include the ‘Delegation rate’ which is the proportion of gross budgeted expenditure on schools that local authorities give directly to schools themselves. The information is presented in Table 1 below.

##### *Total funding*

- In financial year 2018–19, £2.566 billion gross is budgeted by local authorities for expenditure on schools. This is 0.9% higher than 2017–18 (cash terms).
- Gross budgeted expenditure fell in 2015–16 before rising again, surpassing the 2014–15 level in 2017–18 and rising further in 2018–19.
- Between 2010–11 and 2018–19, gross budgeted expenditure on schools has risen by 4.4% (£108 million) (cash terms). This is a **8.4 % decrease in real terms**. (At 2018–19 prices, using [HM Treasury GDP deflators, March 2019](#).)

##### *Per pupil funding*

- In 2018–19, £5,675 is budgeted per pupil. This is 0.8% higher than 2017–18 (cash terms).
- **Per pupil** gross expenditure is £266 (4.9%) higher in 2018–19 than 2010–11 (cash terms). This is a **8.0% decrease in real terms**. (At 2018–19 prices, using [HM Treasury GDP deflators, March 2019](#).)

**Table 1: Gross budgeted expenditure on schools**

	<u>Gross Budgeted Expenditure on schools £ Billion</u>	<u>£ Per Pupil Gross Budgeted Expenditure on schools</u>	<u>Delegation rate</u>
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, ie the school budget (including the ISB) plus the elements of the local authority education budget that relate to schools: ALN provision; school improvement; access to education; school transport; strategic management of schools; and other expenditure. The figures include the cost of educating pupils with statements of special educational needs who are educated out of county.

ii) Figures are on a 'gross' basis, ie 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 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.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.