

P-06-1358: Review the inadequate funding for schools in Wales

Y Pwyllgor Deisebau | 25 Medi 2023
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Petition Number: P-06-1358

Petition title: Review the inadequate funding for schools in Wales

Petition text: Many schools have set deficit budgets for 2023-24 financial year. More, perhaps most schools will be posting deficit budgets for 2024-25. The impacts on children in Welsh Schools are grave – poorer teaching and learning, poorer buildings, safety concerns and staff burnout.

More details: This petition was prepared by Chairs of Governor Associations throughout Wales.

The impacts of low funding on children in Welsh Schools are:

- Reduction in the quality of learning & teaching
- Increased adult/learner ratios
- Health & safety -less adult supervision, for example at lunchtime and breaks
- Fewer support staff, meaning that children with Additional Learning Needs are at risk of not receiving the help they need.
- Fewer adults in classrooms putting everyone at risk.
- Fewer teachers – either through non-replacement or redundancies.
- Less maintenance on buildings leading to safety concerns
- Increased stress on Headteachers and Senior staff, leading to increased sickness absence and burn-out.



And at the same time schools are struggling to implement educational reforms.

We urge the Welsh Government to urgently review the level of funding for Education for this and next financial years. Our children deserve the best education and must not suffer through funding cuts.

1. Summary

- Schools receive their budgets from local authorities, who use the funding, which they themselves receive from the Welsh Government through the local government settlement, to provide the range of services for which they are responsible.
- Funding from local authorities makes up the vast majority of funding that schools get, although the Welsh Government provides some direct funding to schools (via Regional Education Consortia) from its education budget for school improvement and targeted funding for the education of disadvantaged pupils.
- The money Local Authorities have planned to spend on schools is referred to as budgeted expenditure. This has increased in 2023-24 by 8%, compared to 2022-23. It has increased by 26% since 2019-20. This is a 5.3% real terms increase since 2019-20 and a real terms 1.1% increase since 2010-11.
- School budget reserves, the money schools themselves hold and as reported at a one-off point in the year, have been historically high for the past couple of years, although the Welsh Government says this is misrepresentative and a temporary position.
- The WLGA has warned of the inflationary pressures facing schools and reported overspends and budget gaps across all local authorities.
- The Welsh Government describes the overall current financial position as the toughest since devolution and the Minister for Education and Welsh Language says there are “no easy answers” to the budget pressures facing schools.

2. How are schools in Wales funded?

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.¹

¹ The Welsh Government says SSAs and IBAs are not spending targets and should not be treated as such. They represent a notional estimate of what 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.

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- Secondly, once they have decided how much of their overall budget to allocate to education, local authorities set **three tiers of education budget**:
 - 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 and supporting the education of disadvantaged pupils

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 regional school improvement consortia, such as the Regional Consortia School Improvement Grant (RCSIG) 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. A smaller portion of the PDG is given to the regional consortia to distribute to support the education of Looked After Children and adopted children.

The Welsh Government allocates the RCSIG to the regional consortia who pass some of this money to schools and spend it on various improvement initiatives. A breakdown of the RCSIG can be found in the Minister for Education and Welsh Language's paper to the Children, Young People and Education Committee (CYPE) on the 2023-24 budget (see Annex D).

3. Current funding position

3.1. Local Government Settlement 2023-24

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 2023-24 provided a **7.9% overall increase to local authorities** (with no local authority receiving less than 6.5%), compared to 2022-23. It is for **local authorities to decide on which services this increase is spent**.

Whilst reiterating that local authorities are responsible for providing schools with their core funding, the Welsh Government pointed to money that it has included in the un-hypothecated Revenue Support Grant (RSG), within the Local Government Settlement, for local authorities to give schools.

The Minister for Finance and Local Government said in Plenary in December 2022:

An additional £227m is being provided to local government through the settlement to help local authorities safeguard the important and wide range of services they provide, **including directly funding schools**. As a result of spending decisions made in relation to education in England, Wales received a **consequential of £117m a year in the Autumn Statement [November 2022]**. Through the choices we have taken, this is being **provided in full to local government**. [bold is our emphasis]

However, **local authorities had to meet the costs of the initial 5% 2022/23 academic year teachers' pay award from within their own resources**. The Welsh Government said this was reflected in the 7.9% increase it gave local authorities for 2023-24 and an earlier increase of 9.4% for 2022-23.

The Minister told the Children Young People and Education (CYPE) Committee during budget scrutiny that the cost to local authorities of the teachers' pay award was **£44m** between September 2022 and March 2023 and **£75m** for the full financial year of 2023-24. The CYPE Committee questioned how much of the additional funding for local authorities to spend on schools would be left after they had implemented the teachers' pay award. This is discussed further in the

CYPE Committee's report on the 2023-24 budget (paras 51-54 and paras 104-105) and in the Welsh Government's response (recommendation 5).

[A further 3% pay award for 2022/23 was agreed with teachers in February 2023. The Welsh Government provided grant funding to local authorities for this additional 3% element.]

3.2. Funding from the education budget

The Welsh Government is providing schools with **£121 million of PDG** in 2023-24 to supplement the core budgets they receive from local authorities, based on the numbers of eFSM pupils on their roll (£1,150 is allocated per eligible pupil).

The Welsh Government is also providing **£163 million of school improvement funding** via the regional consortia.

3.3. Budgeted expenditure on schools

The Welsh Government publishes **data annually on the total amount of expenditure that local authorities budget for schools**. This includes schools' core

budgets, provided by local authorities, and financed from the RSG, and the grant funding from the Welsh Government’s Education budget. Table 1 below provides data for recent years.

Table 1: Gross budgeted expenditure on schools

	Gross Budgeted Expenditure on schools £ Billion	£ Per Pupil Gross Budgeted Expenditure on schools	Percentage delegated to schools
2023-24	3.343	7327	81.9
2022-23	3.096	6773	82.9
2021-22	2.913	6387	83.4
2020-21	2.822	6203	83.7
2019-20	2.657	5857	83.9
2018-19	2.566	5675	84.2
2017-18	2.543	5628	84.2
2016-17	2.519	5570	84.3
2015-16	2.496	5526	83.8
2014-15	2.528	5607	82.9
2013-14	2.519	5594	82.3
2012-13	2.495	5520	81.0
2011-12	2.470	5451	76.2
2010-11	2.458	5409	75.0

Source: Welsh Government, [Statistical Bulletins: Local authority budgeted expenditure on schools](#) (several years’ editions)

- Total funding for schools in 2023-24 is 8.0% higher than in 2022-23 (5.3% higher in real terms). Funding per pupil is 8.2% higher (5.5% higher in real terms).
- Funding has risen since 2019-20 by 25.8% in cash terms and 9.1% in real terms. Increases per pupil are 25.1% in cash terms and 8.5% in real terms.
- Taking a longer backward look, funding has increased in real terms by 1.1% (0.7% per pupil) since 2010-11. Before this year (2023-24), there had been a real terms decrease in funding since 2010-11.

[Real terms changes are calculated using latest [GDP deflators data](#) published by HM Treasury in June 2023.]

3.4. School reserves

The Welsh Government also publishes [annual data on the budget reserves held by schools](#). This is captured as at the end of March each year. Table 2 below provides data for recent years:

Table 2: Reserves held by schools

	Total	Per Pupil
March 2022	£301m	£659
March 2021	£181m	£393
March 2020	£32m	£70
March 2019	£46m	£102
March 2018	£50m	£111
March 2017	£46m	£102
March 2016	£64m	£142
March 2015	£64m	£141
March 2014	£60m	£132

Source: Welsh Government, [Statistical First Release: Reserves held by schools](#) (several years' editions)

Levels of reserves in the past two years (as at 31 March) have been historically high. The Welsh Government's explanation has been that, due to the pandemic, schools received additional resources relatively late in the financial year, resulting in a misleading picture. It has said that the high level of reserves reported in recent years is a temporary position due to school closures and reduced activity during the pandemic.

This is discussed further in the [CYPE Committee's report on the 2023-24 budget](#) (paras 65-67 and paras 112-114) and in the [Welsh Government's response](#) (recommendations 10-11).

4. The financial outlook facing the public sector

The Welsh Government described the 2022-23 budget-setting round as “one of the toughest” since devolution, pointing to 40 year-high inflation rates, and “soaring” energy prices, both at the same time that living standards are falling. The Minister for Finance and Local Government said Wales’ funding settlement from Westminster was “not sufficient to meet all these extraordinary pressures, let alone all our priorities in 2023-24”. The Minister said that, even after an additional £1.2 billion over two years resulting from the UK Government’s Autumn Statement, Wales’ settlement was still worth up to £3 billion less in real terms and up to £1 billion less in 2023-24.

In its response to the Finance Committee’s consultation ahead of the 2022-23 Draft Budget, the Welsh Local Government Association (WLGA) warned that schools were facing inflationary pressures of £177 million and £114 million in 2023-24 and 2024-25 respectively. The WLGA also reported that every local authority across Wales was reporting an overspend in 2022-23 and budget gaps in future years. It said that, other than the experience of the early months of the pandemic, there was no precedent for pressures of this scale escalating so quickly.

The Minister for Education and Welsh Language reiterates this context in his letter regarding this petition. He says he “recognise[s] that the cost-of-living crisis is putting schools and local authorities under significant pressure” but “there are no easy answers to resolving the[se] issues”.

The First Minister issued a statement on 9 August 2023 following a meeting of the Welsh Government’s Cabinet to discuss financial pressures. He said the current position was the “toughest financial situation we have faced since devolution” and:

.... our financial position after the UK Spring Budget in March, was up to £900m lower in real terms than when that budget was set by the UK Government at the time of the last spending review in 2021. (...)

The Cabinet will be working over the summer to mitigate these budgetary pressures based on our principles, which include protecting frontline public services, as far as possible, and targeting support towards those at greatest need.

5. Previous scrutiny in the Senedd

The Fifth Senedd's Petitions Committee considered a similar petition in 2019, which was to "Protect school funding or admit to the weakening of service provision" (P-05-872). This petition was drawn to the attention of the Fifth Senedd's Children, Young People and Education Committee which was undertaking a policy inquiry into school funding at the time. This looked at both the sufficiency of the overall quantum of funding being made available to schools and the way in which that funding is distributed. In response, the Welsh Government commissioned a review by education economist, Luke Sibieta.

The current CYPE Committee continues to scrutinise the level of funding for schools, including in its annual budget scrutiny, most recently in January 2023.

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.