

P-06-1494 : Welsh Government to protect funding in education from WG and Local Authority cuts

Y Pwyllgor Deisebau | 20 Ionawr 2025
Petitions Committee | 20 January 2025

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Petition Number: P-06-1494

Petition title: Welsh Government to protect funding in education from WG and Local Authority cuts

Petition text: ALN Reform Wales call on Welsh Government to protect funding in education from WG and LA cuts. There are numerous reports of LA's putting out consultations or actual published budgets with massive cuts to education budget. Jeremy Miles pledged to invest in education. This cannot be allowed to happen to the most vulnerable members of society. Recent reports show Wales education standards have fallen. Our children's education is the best investment in social justice and a healthy economy.

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 funding to schools from its education budget** through the Local Authority Education Grant (LAEG).
- The money local authorities have planned to spend on schools is referred to as budgeted expenditure. This has **increased in 2024-25 by 7.4%**, compared to 2023-24. It has increased by 35.2% since 2019-20. This is a 10.8% real terms increase since 2019-20 and a real terms 2.5% increase since 2010-11.
- The **Draft Budget 2025-26 is currently being scrutinised** by Senedd Committees. The Provisional Local Government Settlement 2025-26 provides **local authorities with an average 4.3% increase** compared to 2024-25.
- **School budget reserves**, the money schools themselves hold and as reported at a one-off point in the year, have been **historically high**, peaking during and after the pandemic, although have **decreased in the past two years**.
- The **WLGA has warned** of the inflationary pressures facing schools and reported shortfalls, largely related to pay.
- The Welsh Government has allocated **£38 million in 2025-26 to support the implementation of Additional Learning Needs (ALN) reforms**. This funding is on top of money included in schools' core budgets to support pupils with ALN (£592 million in 2024-25, a 7.7% increase on the previous year).

2. Previous petitions and other scrutiny in the Senedd

2.1. Autumn 2023

This Committee considered a previous petition in autumn 2023, calling on the Welsh Government to “review the inadequate funding for schools in Wales”. The Committee took evidence from some chairs of governors and head teachers in November 2023.

The Committee wrote to the Finance Committee, the Local Government and Housing Committee, and the Children, Young People and Education (CYPE)

Committee ahead of scrutiny of the Draft Budget 2024-25 to bring the matter to their attention. The CYPE Committee discussed school budgets in its subsequent [report on the Draft Budget 2024-25](#) and made several recommendations to the Welsh Government.

2.2. Fifth Senedd: 2019

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](#).

2.3. Ongoing budget scrutiny

The CYPE Committee is again expected to raise the issue of school budgets with the Cabinet Secretary for Education during scrutiny of the [Draft Budget 2025-26](#) on [16 January](#).

3. How are schools in Wales funded?

3.1. 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 money for this is contained within the Housing and Local Government budget ('Main Expenditure Group' (MEG)).

To put this into context, of the [£3.6 billion budgeted for schools in the current year \(2024-25\)](#), around £3.3 billion comes from local authorities. The remainder comes from the Welsh Government's Education budget (see section 3.2 below).

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
- 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.

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.

- 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.

3.2. Additional funding from the Welsh Government's Education budget

On top of the budget each school receives from their local authority, the Welsh Government provides funding through the Local Authority Education Grant (LAEG) which supports national priorities and objectives.

The LAEG was created in 2024-25 following the merging of a number of previously separate funding streams. The two main components of this funding were the Pupil Development Grant (PDG) and an already packaged grant in the form of the Regional Consortia School Improvement Grant (RCSIG). Other encompassed funding included Welsh in Education grants and the Recruit, Recover and Raise Standards (RRS) funding put in place for the educational recovery from the pandemic.

The LAEG consists of four strands, **totalling £379 million in 2024-25² and £400 million in 2025-26**. Allocations to the four strands are follows:

- Education Reform: 2024-25: £59 million, 2025-26: £67 million
- School Standards: 2024-25: £160 million, 2025-26: £168 million

² On 6 December 2024, the Cabinet Secretary for Education announced an additional £50 million for education to be provided in-year in 2024-25. This included funding to be distributed via the LAEG. This funding will be formalised in the 2nd Supplementary Budget 2024-25 in February. Therefore, the value of the LAEG in 2024-25 is likely to be higher than the £379m cited here.

- Equity in Education (including PDG): 2024-25: £150 million, 2025-26: £156 million
- Cymraeg 2050: 2024-25: £10 million, 2025-26: £9 million.

The Welsh Government's Education budget (the 'Education MEG'), which as discussed does not contain core funding for schools, is increasing in the Draft Budget 2025-26 by £84 million (4.9%) from £1.716 billion to £1.800 billion. This comparison is with the revised baseline the Welsh Government has calculated for comparison purposes and excludes non-fiscal (non-cash) funding, which it has not discretion over how it is used.

Around two-thirds of the total Education MEG is for post-16 education, although there are several increases to pre-16 education budgets, including the LAEG.

4. Current funding position

4.1. Local Government Settlement 2025-26

As explained in section 3 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) / Revenue Support Grant (RSG) within the local government settlement.

The Provisional Local Government Settlement 2025-26 provides a **4.3% overall increase** to local authorities compared to 2024-25 (ranging from 2.8% in Monmouthshire to 5.6% for Newport). This amounts to an additional £253 million. It will be for **local authorities to decide on which services this increase is spent**. This follows 3.3%, 7.9% and 9.4% increases in 2024-25, 2023-24 and 2022-23 respectively.

In her paper to the CYPE Committee on the Draft Budget 2025-26, the Cabinet Secretary for Education says she and Cabinet colleagues have "continued to prioritise" local government funding (from which schools, along with social care, are the main recipients) "to safeguard as far as possible core funding to schools". However, as the WLGA's submission to the Finance Committee's consultation ahead of the Draft Budget outlines, local authorities face £559 million of financial pressures in 2025-26, which the WLGA say would require a 7% funding increase to address in full.

The WLGA estimates £122 million of pressures in schools in 2025-26, projecting further shortfalls of £111 million and £112 million in 2026-27 and 2027-28 respectively. They say pay accounts for 80% of these pressures.

4.1.a. Meeting the cost of the teachers' pay award

As already explained, the additional funding notionally allocated within the RSG for schools is not ringfenced and it will be up to local authorities whether they use it in this way. However, they will in any case **have to meet the costs of the teachers' pay award for academic year 2024/25.**

Teachers have been awarded a 5.5% pay rise for academic year 2024/25. The Cabinet Secretary committed in November to provide additional funding to support local authorities and schools. Her paper to the CYPE Committee regarding the Draft Budget 2025-26 says £18.164 million is being given to local authorities from the Education MEG in 2024-25 for the costs from September to March. There is £12.974 million in the RSG in 2025-26 for the costs from March to August, with a further £18.164 million for the costs moving forward. However, this is **less than the estimated costs** given in the Regulatory Impact Assessment of the School Teachers' Pay and Conditions (Wales) Order 2024, which were £56 million in 2024-25 and £96 million in 2025-26.

4.1.b. Local Authority Education Grant

As explained in section 3.2 above, the Local Authority Education Grant (LAEG) is worth £378 million in 2024-25 and £400 million in 2025-26.

4.2. School funding levels over recent years

The Welsh Government publishes data annually on the total amount of expenditure that is budgeted 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

	£ Per Pupil		
	Gross Budgeted Expenditure on schools £ Billion	Gross Budgeted Expenditure on schools	Percentage delegated to schools
2024-25	3.591	7926	80.6
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 2024-25 is **7.4% higher than in 2023-24 (4.9% higher in real terms*)**. Funding per pupil is 8.2% higher (5.7% higher in real terms*).
- Funding has risen since 2019-20 by **35.2% in cash terms and 10.8% in real terms***. Increases per pupil are 35.3% in cash terms and 11.0% in real terms*.
- Taking a longer backward look, funding has **increased in real terms* by 2.5% (2.8% per pupil) since 2010-11**.

* Real terms changes are calculated using the [HM Treasury GDP deflators for October 2024](#).

4.3. School reserves

The CYPE Committee has questioned Ministers during previous years' budget scrutiny regarding the level of budget reserves held by schools. These are recorded as at 31 March each year and **since March 2021 have been considerably higher than the historical norm, although there were reductions in 2023 and 2024.**The Welsh Government's explanation for the comparatively high levels has been that schools had built up reserves due to the pandemic, including because they had received resources relatively late in the financial year, with the annual reporting resulting in a misleading picture.

Schools have been increasingly drawing on these reserves and the WLGA "project that school reserves will continue to reduce at a significant rate as budget savings need to be made", which they say "is not a sustainable position". They warn "where school expenditure continues to exceed the income they receive there is a likelihood that school reserve balances will be soon in a net deficit position".

Table 2 below shows the levels of school reserves over recent years.

Table 2: Reserves held by schools

	Total	Per Pupil
March 2024	£115m	£253
March 2023	£208m	£456
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)

There is considerable variation between local authority areas. Isle of Anglesey have the highest reserves at £602 per pupil. Two authorities have negative reserves – Neath Port Talbot: £9 per pupil and Monmouthshire: £14 per pupil.

4.4. Funding for Additional Learning Needs (ALN)

The petition has been submitted by 'ALN Reform Wales'. The education sector is currently implementing the new Additional Learning Needs (ALN) system, established by the Additional Learning Needs and Education Tribunal (Wales) Act 2018, which is replacing the Special Educational Needs (SEN) system.

The CYPE Committee is scrutinising the implementation of ALN reforms throughout this Senedd term and published an interim report in July. Funding pressures was cited as a key challenge to implementation and the CYPE Committee recommended the Welsh Government review how ALN provision is funded in mainstream schools.

The Welsh Government publishes annual data on budgeted expenditure on SEN/ALN. The latest release (2024-25) showed that total expenditure on SEN/ALN provision in schools by local authorities is budgeted to be **£592 million in 2024-25**, an **increase of £42.3 million or 7.7%** compared with the previous year. 29% of the total budgeted SEN/ALN expenditure is delegated to special schools. Notional allocations within the budgets local authorities give to nursery, primary, middle and secondary schools account for a further 42% of the total. The remaining 29% is funding held centrally by local authorities (as part of the Local Authority Education and Schools budgets referred to in section 3.1 of this briefing).

In addition, the Welsh Government allocates money from its Education budget for ALN. There is a dedicated ALN budget line plus funding contained in the Education Reform strand of the LAEG. The Cabinet Secretary's paper to the CYPE Committee on the Draft Budget 2025-26 says these combined **provide £38 million per year for ALN**, on top of the funding contained in schools' core budgets.

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.