



Eich cyf/Your ref P-04-660  
Ein cyf/Our ref HL/02155/15

William Powell AM  
Chair - Petitions Committee  
Ty Hywel  
Cardiff Bay  
Cardiff  
CF99 1NA

13 November 2015

Dear William

Thank you for your letter of 3 November asking for my view in relation to a petition the Petitions Committee has received from Save Powys Schools.

The petition refers to additional pressures on funding for educational provision in sparsely populated rural areas. It may be useful if I explain how schools in Wales are funded.

Funding for statutory age education is provided mainly on a non-hypothecated basis through the local government settlement (Revenue Support Grant – RSG). The Welsh Government also provides hypothecated grants for a wide range of education policies. The approach to funding is a key part of the Welsh Government's policy that local authorities are best placed to deliver services and that in order to do so well; they need financial flexibility to judge local needs and circumstances and to decide how to allocate their resources. Local authorities are accountable to their electorates for the decisions they make.

RSG funding is determined by a Standard Spending Assessment formula which decides authorities' relative need to provide services. The SSA calculation is broken down between the different services provided by the local authorities. These different elements – Indicator Based Assessments (IBAs) each have their own distribution formula. The main elements of the education formula are pupil numbers and measures of deprivation and sparsity. These recognise that it costs more to deliver education services in more deprived areas and to deliver those same services to more sparsely populated communities.

The revenue funding we provide to local authorities each year through the settlement is distributed according to relative need, using a formula which takes account of a wealth of information on the demographic, physical, economic and social characteristics of authorities.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

This funding formula has been developed in consultation with Local Government through the Distribution Sub Group (DSG) – a technical working group whose members include senior Local Government officers from across Wales, the Welsh Local Government Association and independent experts to ensure fair treatment of the different factors. In the interests of transparency, the detailed methodology is published in an annual *Green Book*.

The formula is kept under a continual programme of review and improvement overseen by the DSG. The Group produces an annual report for consideration by the Finance Sub Group of the Partnership Council for Wales.

Included within the formula are a number of indicators that account for varying degrees of rurality across authorities in Wales. Amongst other areas, these are used throughout the Education part of the formula to take account of the limited ability of rural authorities to benefit from economies of scale.

The ability of authorities to prioritise their spending according to their own particular circumstances is an important part of the budget-setting process. Once funding is distributed it is for the headteacher and governing body of each school to decide how the school's budget should be spent, taking into account the needs of their school and their particular circumstances.



**Huw Lewis AC / AM**

Y Gweinidog Addysg a Sgiliau  
Minister for Education and Skills