

Cynulliad Cenedlaethol Cymru | National Assembly for Wales

Y Pwyllgor Plant, Pobl Ifanc ac Addysg | Children, Young People and Education Committee

Cyllido Ysgolion yng Nghymru | School Funding in Wales

SF FI 04

Ymateb gan: Cymdeithas Llywodraeth Leol Cymru
Response from: Welsh Local Government Association

A note on the cost implications of the teachers' pay award and associated employer pensions contributions and whether these have been fully funded by the Welsh Government.

One of the issues around the presentation of the WG budget and terms such as 'additional funding' and 'fully funded' has been addressed by the CYPE Committee in the past especially the Scrutiny of the Welsh Government Budget 2018-19. The bottom line is that when there is an underlying cut to the local funding, it is hard to justify there has been additional year-on-year funding even if WG have may have fully passported amounts of the money that it has received from the UK Government.

At the oral evidence session, the Chief Executive from Gwynedd set out how this plays out in a practical sense in his authority at paragraph 43 of the transcript. Nationally however, the increase in aggregate external finance was 0.2% or around £10m. Taking out 'new responsibilities' funding left the settlement approximately cash flat. So, in terms of the year-on-year position there is no additional funding. For 2019-20 the WLGA estimated all local government pressures as £262m and those attributable to education as £109m. Teachers' pay accounts for around £25m of that.

Is the Teachers' pay deal fully funded?

In 2018-19, local government received two grants of £15.6m to assist with teachers' pay. One of which was subsumed into the settlement, and the other (the remaining £7.5m) continues to be paid as a grant to local authorities in 2019-20.

As indicated above we estimated the full year cost of teachers' pay pressure as £25m so the pay award may be 62% funded.

Accordingly, local government has received resources to partly fund the September 2018 pay award. There are questions about whether the £7.5m grant becomes recurrent beyond 2019-20. There is nothing available to fund any pay award granted in September 2019 to teachers (or anyone else employed by schools) but local authorities must make provision for the likely effect of any pay award in the 2019-20 budget year and determine how to find the resources to fund such an award.

Funding for Teachers' Pensions

In the case of funding for additional contributions to the teachers' pensions scheme this is straightforward and, in our view, has been fully funded via specific grant for 2019-20, notwithstanding the issue of the underlying cut.

The pressure in future years will be picked up through the Spending Review.

Funding Teachers and other education officers

We estimated the increased workforce costs (pay and pensions) for Teaching Assistants and other education officers at £28m for 2019-20. No additional funding has been made available.

Conclusion

Overall, approximately half of the overall funding gap for schools and education is funded by the WG. We estimate schools and local authority education departments will have a net budget gap of £62.5m. In practice, cuts to other non-education services as well as additional council tax income will make up some of the remaining shortfall. Detailed budget figures on education spend are usually published in June.

A note on changes that the Distribution Sub Group has made or has considered making, to the Local Government Settlement formula in recent years.

The formula was comprehensively reviewed in 1999 in a study commissioned by Welsh Office/WLGA from Swansea University/Pion Economics. While the recommendations were made in 1999, it wasn't until 2000 that work commenced on the new formula as there was a great deal of analysis to undertake, the table below show over 100 papers considered by the DSG in 2000.

The Review document¹ tells us that prior to the Review the main schools formula contained two main variables: pupil counts and number of schools. Prior to 1997-98 there was a weighting for deprivation which was removed for the 1998-99 settlement.

After the review, deprivation (Free School Meals) returned as a feature of the schools formula. Although not obvious from the current formula, the number of schools are modelled within it.

¹ Swansea University/Pion Economics (1999), A Review of the Approach to Calculating SSAs in Wales, pp45

The table below summarises the general thrust of the papers and discussions in the DSG from the time of the review to the present day.

Year	Number of Papers considered by DSG	General observations on papers	Education Specific matters.
2000	115	Most of the work to implement review commences.	Schools/Schools transport and Special Education formulae reviewed.
2001	45	Bulk of work continues around the Swansea University recommendations.	Sixth-form transport and Special Education transport considered.
2002	54	Continuing review work, smaller services analysed, planning for Census.	More update data used to recalibrate primary and secondary formulae. Early Years considered.
2003	45	More of a focus on Social Care formulae with York University. Impact of 2001 census.	Continued work on recalibrating main formulae.
2004	54	Social Care formula recommendations for Children's and Older Services	Special Education and EMAG considered.
2005	52	Preparation for commissioning work to update sparsity indicators. Focus on Younger Adults Social Care formulae.	Special Education/School Meals formulae.
2006	35	Reviews of smaller services – roads, refuse services etc. Consideration of deprivation grant.	Continuing reviews of special education/ education capital.
2007	48	Smaller services subject to continued tinkering. However, work is commissioned to look to fundamentally reshape education formulae.	Consideration of 'Bramley' Review of education services
2008	37	Focus on grants and stabilising the settlement. Work to prepare for 3-year settlements	Learner transport and use of pupil projections in the main formulae
2009	39	Fairer charging initiative/measuring deprivation/Deprivation Grant. Work starts on sparsity adjustment for social care formula.	Suitability of using FSM indicator in the education formulae.
2010	41	Focus on travel costs within social care formula. Additional work on multiyear settlements.	Only one paper on measuring deprivation in the education formulae.
2011	40	Work on smaller services and 'repair and maintenance work' on formulae. The Group starting to reconsider different approaches to designing the system.	Education sector considered.
2012	42	Large number of specific grants issues, Council Tax Reduction Scheme (CTRS).	School meals, transport and proxying deprivation.
2013	34	Smaller services – consumer protection/street cleansing & CTRS	Adult Education & SEN

2014	26	Transfers/smaller services & social care sparsity.	Post-16 SEN and out of school childcare grants
2015	24	CTRS and social care sparsity	N/A
2016	22	Data issues: population projections welfare benefits and social care sparsity	N/A
2017	17	Grants & Data issues	Preliminary discussions around post-16 SEN
2018	31	Grants & Data issues – some renewed focus around bottom-up approaches for waste and education.	See box left

Conclusion

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.

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.