

Kirsty Williams AM
Minister for Education
Welsh Government
By Email

15 November 2019

Dear Kirsty

As you will be aware from the recent Plenary debate on the Children, Young People and Education Committee's report on School Funding, there are a number of areas in the Welsh Government's response to the report where the Committee would welcome some additional information or clarity.

A number of these areas were outlined during the debate, but I thought it would be helpful if I set out more formally the areas that are causing concern to the Committee. I am grateful to you for your commitment during the debate to provide additional information on these areas.

As I outlined during the debate, the Committee welcomes the fact that the Welsh Government has accepted all 21 recommendations in the report. However, looking more closely at a number of the recommendations, it appears in some cases that the narrative of the response either does not fully match the headline acceptance of the recommendation, or there is a lack of clarity in how the Welsh Government intends to take forward the recommendation made. In particular, this applies to the following recommendations:

Recommendation 5 (Welsh Government monitoring of the priority local authorities give to schools in budget allocations);

Recommendation 6 (the purpose of Indicator Based Assessments (IBAs));

Recommendation 11 (the flexibility of grant funding);



Recommendation 12 (Welsh Government investigations into high levels of school reserves);

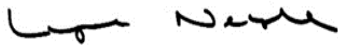
Recommendation 13 (review of local authorities' statutory powers of recovery and direction regarding schools' reserves);

Recommendation 14 (schools' deficit budgets)

Recommendation 17 (potential duplication of school improvement expenditure).

The Annex attached to this letter provides a summary of those areas of concern to the Committee, and includes a note of where we believe the response does not meet the acceptance of the recommendations. The Committee would be grateful if you could provide further information on the Welsh Government's response to these specific recommendations.

Yours Sincerely



Lynne Neagle AC / AM
Cadeirydd / Chair



Annex: Review of Welsh Government response

Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required
<p>Recommendation 5:</p> <p>That the Welsh Government monitor more closely the level of priority local authorities give to education in the way they set their budgets, in order to help ensure that process is more transparent and robust and to assure itself that sufficient funding is being provided to enable schools to improve and deliver on its reform agenda.</p>	<p>Accept</p> <p>The local government settlement is unhypothecated meaning that it is up to authorities how they spend this funding according to local needs and priorities. The settlement funding formula takes account of the relative need for authorities to spend across all services, given the amount of funding available for distribution and the relative ability of authorities to raise income locally, through council tax.</p> <p>The settlement formula makes an assessment of authorities' relative need to spend by calculating 'Standard Spending Assessments' (SSAs) across notional service areas known as Indicator Based Assessments (IBAs). The Wales total for each of these IBAs is set by looking at the total amount of funding available, adding an assumed element of council tax income and then apportioning across the notional services by using local authorities' budgeted and actual spend data, at a Wales level.</p>	<p>The narrative of this response does not reflect acceptance of the recommendation.</p> <p>The response says little about monitoring more closely the priority local authorities give to education. Instead, it restates the current process, which the Minister for Education and the Minister for Housing and Local Government outlined during the inquiry.</p> <p>It is therefore not clear from the response what the Welsh Government will do differently or additionally to at present, in order to assure itself that local authorities are adequately prioritising schools and that schools are being sufficiently funded.</p>

Each IBA is then distributed across the 22 authorities using formulae developed and agreed with local government through the Partnership Council for Wales and its Sub Groups.

Welsh Government publishes all the data on local government expenditure including schools in our statistical releases.

Local authorities are entirely responsible for determining how much funding is allocated to each individual school, and in line with their statutory function to provide appropriate education provision for all learners in Wales. Each Local Authority sets its own formula for funding schools in consultation with schools through their schools budget forum, and in line with the legislative framework provided by the School Funding (Wales) Regulations 2010. The School Funding (Wales) Regulations 2010 provide the framework within which local authorities set their funding for schools.

The Regulations ensure consistency with the requirement for 70% of schools budgets to be set based on pupil numbers. Local authorities have discretion to distribute the remaining 30% on the basis of a range of factors so that they can take account of individual school circumstances. Local authorities must consult their schools budget forums and all schools in their area when setting a funding formula.

Additional factors or criteria such as the size and condition of buildings and grounds, rates,

	cleaning, school meals and milk, salaries, a school which has a split site, special educational needs of learners, and so on, may also be taken into account in the Local Authority formula. This can affect the amount of funding that each individual school receives.	
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required
<p>Recommendation 6:</p> <p>That the Welsh Government publish guidance to clarify the exact purpose of the Indicator Based Assessments (IBAs), including whether or not they are a guide to how much a local authority needs to spend on education to provide a standard level of school services.</p>	<p>Accept</p> <p>The purpose of the Indicator Based Assessments (IBAs) are clearly defined in the <u>Green Book Publication</u> (paras 4 and 5 (top of page vii)).</p> <p>Officials will continue to look at ways of clearly explaining the purpose and function of the IBAs working closely with the DSG.</p>	<p>In referring to the relevant paragraphs of the Green Book, the response does clarify the Welsh Government's position that IBAs are not spending targets and do not state how much a local authority <i>must</i> spend on education.</p> <p>However, there remains some ambiguity over whether IBAs represent how much the Welsh Government believes <i>should</i> be spent on a particular service area. The response does not address the recommendation that the Welsh Government clarifies whether IBAs are a 'guide to how much a local authority needs to spend'.</p> <p>The <u>then Minister for Local Government's letter to the ELGC Committee</u> on 13 November 2017 and statements made by the Welsh Government during the 2018-19 budget setting round pointed to £62 million within the 2018-19 local government settlement to protect school budgets. In identifying a certain amount intended to be spent on schools, it is not clear how this aligns with the Welsh Government's position throughout this inquiry that local government funding is unhypothecated and</p>

		<p>that IBAs do not reflect how much local authorities will spend on education.</p> <p>Whilst accepting that IBAs do not prescribe how much local authorities <i>must</i> spend on education, can the Minister expand on the response to clarify whether they represent the Welsh Government's assessment of what local authorities <i>should</i> or <i>need to</i> spend on education, which is what the recommendation called for.</p>
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required
<p>Recommendation 11:</p> <p>That the Welsh Government put mechanisms in place to ensure that grant funding is provided to schools as early as possible in the financial year. If such funding cannot be provided earlier in the financial year, the Welsh Government should build in greater flexibility within the relevant grant conditions for how and/or when schools are able to spend it.</p>	<p>Accept</p> <p>We will continue to work to provide grant funding allocations as early as possible. However much is dependent on final budget decisions and timelines. Grant funding must be spent during the financial year.</p>	<p>Whilst the response says the Welsh Government will provide grants as early as possible, the response does not address the important part of the recommendation that there should be greater flexibility in when schools are able to spend the grant.</p>

Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required
<p>Recommendation 12:</p> <p>That the Welsh Government provide an update on its work with local authorities to investigate the reasons for the high levels of reserves, and whether those have been adequately tested, and publish any findings from its investigations. In particular, the update should highlight any work undertaken in relation to the 501 schools holding reserves above the statutory thresholds, including any possible local authority intervention.</p>	<p>Accept</p> <p>The School Funding (Wales) 2010 regulations specifies that a local authority's 'scheme for financing schools' should prescribe for a statement from the governing body on what they plan to do with a surplus school budget which exceeds 5% of the school budget share or £10k, whichever is greater.</p> <p>It also provides authorities with the ability to take certain specific action when school surpluses reach certain levels. When surpluses are £50,000 or more in a primary school, £100,000 or more in a secondary school or special school, authorities will be able to direct schools to spend balances. If the governing body does not comply with the direction, the amount could be clawed back with the proceeds applied to the authority's Schools Budget.</p> <p>Schools with surpluses should be subject to ongoing monitoring by local authorities to ensure that approved plans to spend their balances are delivered and within the timescales agreed with the authority. Through ADEW we will continue to work with local authorities to ensure this remains a priority. We will monitor the position and challenge those local authorities that are not effectively managing this.</p>	<p>The narrative in the response does not actually respond to the recommendation and does not reflect acceptance of the recommendation.</p> <p>The response reiterates the legal position but does not give an update on what the Welsh Government has done to challenge and discuss with local authorities the high levels of reserves previously discussed in the Committee.</p> <p>The Minister gave assurances on this issue during the Committee's budget scrutiny in November 2019 and during this inquiry in April 2019.</p>

Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required
<p>Recommendation 13:</p> <p>That the Welsh Government review the statutory powers available to local authorities under the School Funding (Wales) Regulations 2010 to establish if they are fit for purpose. In doing so, the Welsh Government should, in particular, investigate if the powers give adequate flexibility for local authorities to reallocate effectively any money they recover. Any review undertaken should also consider whether the thresholds of reserves should be a relative percentage of a school's budget rather than an absolute figure, to account for different schools' sizes.</p>	<p>Accept</p> <p>The School Funding (Wales) Regulations 2010 provide the framework within which local authorities set their funding for schools.</p> <p>The Regulations ensure consistency with the requirement for 70% of schools budgets to be set based on pupil numbers. Local authorities have discretion to distribute the remaining 30% on the basis of a range of factors so that they can take account of individual school circumstances. Local authorities must consult their schools budget forums and all schools in their area when setting a funding formula.</p> <p>Additional factors or criteria such as the size and condition of buildings and grounds, rates, cleaning, school meals and milk, salaries, a school which has a split site, special educational needs of learners, and so on, may also be taken into account in the Local Authority formula. This can affect the amount of funding that each individual school receives.</p> <p>We will look at the School funding (Wales) Regulations, working with key stakeholders to explore how these can be strengthened.</p>	<p>The response predominantly reiterates the legal position. It states the Welsh Government will explore how the regulations could be strengthened but does not refer to the two specific factors highlighted in the recommendation (flexibility in how to reallocate the money recovered, and whether the thresholds should be proportional rather than absolute).</p>

Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required
<p>Recommendation 14:</p> <p>That the Welsh Government continue to work closely with local authorities to address cases where schools have deficit budgets, particularly where there is no recovery plan in place.</p>	<p>Accept</p> <p>The existing School funding (Wales) Regulations 2010 sets out that local authorities must have recovery plans in place, to manage school deficits. We will however continue to work with local authorities and local government to explore the effective management of school deficits.</p> <p>Local authorities should closely monitor school budgets to ensure that no school receives more than it needs, that expenditure is efficient and effective and that deficits are planned and managed properly. Local authorities must challenge schools with significant reserves to determine how they have arisen and to what purpose schools intend to use them.</p> <p>I continue to challenge both regional consortia and local authorities with regard to ensuring that as much money as possible reaches the front line of our education system in to individual schools. I am always open to discussions as to how best we can ensure that more money makes it into our schools.</p> <p>Ultimately, however, school funding is the responsibility of local authorities and it is up to them how they spend this funding.</p>	<p>The response only addresses the recommendation in part. Can the Minister provide further detail about the role the Welsh Government itself will play, specifically in relation to schools' deficit budgets (which was the focus of the recommendation).</p>

Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required
<p>Recommendation 17:</p> <p>That the Welsh Government urgently investigate what the £11 million budgeted by local authorities for school improvement is spent on, compared to the £11 million that local authorities pay the regional consortia for their school improvement services.</p>	<p>Accept</p> <p>We will continue to work closely with local authorities, regional consortia and the WLGA to clarify the budgets for school improvement. We monitor the spend of local authorities and regional consortia on school improvement through the terms and conditions of grants and will continue to do so as we move forward. In education there isn't an exhaustive list of functions that are carried out by local authorities.</p> <p>In the main, there are general duties for school improvement. However, the National Model for Regional Working does describe what activities we expect to be carried out regionally. Crucially, though, the funding and agreement for the delivery of these services are determined within each regional Business Plan that is agreed by each of the joint committees.</p> <p>My officials have already started work to look at the level of funding local authorities and regional consortia delegate to schools and what is provided as core contributions. We will continue to keep the committee updated.</p>	<p>The response does not fully explain the different purposes and uses of the two amounts of expenditure. The Committee would welcome this additional information.</p>