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Y Gweinidog Addysg
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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-KW/5840/19
Lynne Neagle AM
Chair of the Children, Young People and Education Committee
National Assembly for Wales
Cardiff Bay
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16 December 2019

Dear Lynne

Thank you for your letter of 15th November 2019 regarding the Committee's report on School Funding in Wales and the Welsh Government's response.

My officials, working with key stakeholders have begun to take forward work on a number of the recommendations. As you know I was pleased to be able to announce that the leading education economist Luke Sibieta is taking forward an analysis of how total spending, and spending on different categories of inputs, varies across schools in specific circumstances in Wales. The findings may help determine whether schools and pupils in different circumstances have sufficient levels of funding, now and in the future. I have recently published further details of the review including the terms of reference and the stakeholder engagement plan for this important piece of work. <https://gov.wales/school-funding-review>

The attached table provides an update on the specific recommendations where you have requested further information. I will continue to provide further updates as work progresses.

Yours sincerely

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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.

Annex A

Welsh Government update

Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required	Welsh Government update
<p>Recommendation 5: 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 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. The settlement formula makes an assessment of authorities' relative need to spend by calculating 'Standard Spending Assessments' (SSAs) across notional service areas known</p>	<p>The narrative of this response does not reflect acceptance of the recommendation. 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. 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>	<p>The Committee's recommendation touches on the broader relationship between Welsh Government and Local Government. The delivery of schools education and improvement is the responsibility of elected members in each local authority. That is not to say the Welsh Government does not have a role. The performance arrangements both specifically for education through Estyn and the new arrangements set out in the Local Government and elections Bill together provide for both external and peer review and support. In terms of local authorities' local decisions on funding, I and Ministerial colleagues</p>

	<p>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>meet WLGA elected leaders regularly through the Finance Sub Group. I attended the meeting in September and welcomed Local Government Leaders clear statement that if additional funding was provided by the Welsh Government for schools or social care then Local Government was committed to this going into these frontline services which were a shared priority.</p> <p>I have and will continue through my discussions with ADEW and the WLGA, to emphasise the importance of ensuring funding reaches front line schools. Our Knowledge and Analytical Services department already collects and analyses data on local authority education budgets and this information is feeding into the work Luke Sibieta, of Sibieta Economics of Education LTD, is taking forward. The terms of reference for this work have been published and I am</p>
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			hopeful that this work will be completed before the summer recess of 2020. We must be mindful, however, the local government settlement is unhypothecated meaning that it is up to authorities how they spend this funding according to local needs and priorities.
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required	Welsh Government update
Recommendation 6: 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.	Accept The purpose of the Indicator Based Assessments (IBAs) are clearly defined in the Green Book Publication (paras 4 and 5 (top of page vii)). Officials will continue to look at ways of clearly explaining the purpose and function of the IBAs working closely with the DSG.	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. 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	IBAs are not a guide to how much authorities <i>must, should</i> or <i>need</i> to spend on individual services. IBAs form part of the mechanism for allocating funding to local authorities through the local government settlement and aim to model authorities' <i>relative</i> need to spend across all services, given the amount of funding available and making assumptions on council tax income. If further clarification is needed on this point, the Minister for Housing and Local Government is happy to write

		<p>whether IBAs are a 'guide to how much a local authority needs to spend'. The then Minister for Local Government's letter to the ELGC Committee 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 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</p>	<p>to the committee to further explain the purpose of IBAs and is also happy to offer technical briefings to committee clerks and chairs, if required.</p>
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		authorities <i>should</i> or <i>need</i> to spend on education, which is what the recommendation called for.	
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required	Welsh Government update
Recommendation 11: 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.	Accept 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.	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.	The UK Government announced a 3-year allocation for funding for schools in England as part of September's 'fast-tracked' one year Spending Round. However, as the UK Government only provided the Welsh Government with a one-year settlement for 2020-21 we have not been afforded the same ability to provide the same certainty for schools in Wales. While the UK Government's Spending Round indicated some signs of loosening the purse strings next year, it does not make up

			<p>for nearly a decade of cuts. And it does not provide the sustainable, long-term basis on which to plan that our public services desperately need. We have committed to providing our key stakeholders with their indicative funding allocations as early as possible which has been difficult in the context of Brexit-driven delays and the announcement of a UK general election which has forced us to delay the publication of our draft Budget until 16 December. HM Treasury has indicated there will be a Comprehensive Spending Round next year which does provide some hope of longer-term certainty over budgets.</p>
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required	Welsh Government update

<p>Recommendation 12: 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 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. 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. Schools with surpluses should be subject to ongoing</p>	<p>The narrative in the response does not actually respond to the recommendation and does not reflect acceptance of the recommendation. 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. The Minister gave assurances on this issue during the Committee's budget scrutiny in November 2019 and during this inquiry in April 2019</p>	<p>My officials are in the process of writing to all local authorities, asking for updates on the work they are undertaking with those schools holding reserves above the statutory thresholds, and for information on any plans the authorities have for intervention/recovery.</p> <p>ADEW and ADEW Finance have been informed that we will be undertaking this work, I will provide the Committee with an update on this work as it progresses.</p> <p>As you know my Officials are also working with key stakeholders to consider The School Funding (Wales) 2010 regulations.</p>
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	<p>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>		
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required	Welsh Government update
<p>Recommendation 13: 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</p>	<p>Accept 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</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</p>	<p>Where an authority has been through the appropriate stages of consultation and consideration about the surplus balance and decides that it wishes to claw funds back from a school it should only ever deduct from the current year's budget share a maximum amount equal to the excess above the threshold. Local authorities can choose</p>

<p>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>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. We will look at the School funding (Wales) Regulations, working with key stakeholders to explore how these can be strengthened.</p>	<p>proportional rather than absolute).</p>	<p>to claw back a different lesser amount if it so wished.</p> <p>Recovered monies will be kept in the authority schools' budget and recycled for education on whatever the local authority sees fit.</p> <p>How this process is managed is for local decision. Each authority must, with its schools, develop an appropriate policy framework for its own needs.</p> <p>I have asked my officials to work with Local Authorities and stakeholders to consider whether the thresholds should be proportional rather than absolute. A number of local authorities have indicated that the cash limits of £50,000 and £100,000 are too rigid and do not take into account different sizes of schools or local circumstances sufficiently. We would like to add a percentage to the already existent numerical figure to strengthen local authorities'</p>
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			<p>ability to challenge and enable the retention of balances suitable to local and current circumstances and to ensure that they reflect the needs of all schools whatever the size and budget.</p> <p>My officials are currently considering revising the regulations to allow schools to be challenged at a 5% percentage or a monetary value of £50,000 and above for nursery/primary schools and £100,000 and above for secondary school/middle/special schools whichever is the lesser.</p> <p>Authorities will continue to have the ability to use local discretion as far as directing schools to spend excess reserves and/or clawing back such monies.</p>
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required	Welsh Government update

<p>Recommendation 14: 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 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. 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. 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</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>	<p>In tandem with Recommendation 12, my officials are in the process of writing to all local authorities to ask for an update of the work they are doing with schools that have deficit budgets and whether there are appropriate recovery plans in place, If there are schools with deficit budgets that have no recovery plans in place, we have requested the rationale for this. Are schools with deficit budgets complying with their recovery plans, if not, what action is the local authority taking with the school. Again I will provide the Committee with an update on this work following its completion.</p>
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	<p>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>		
Committee Recommendation	Welsh Government response	Review of the response. Further information / clarity required	
<p>Recommendation 17: 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 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</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>	<p>The definition of school improvement is wide ranging. We agree for the need to be transparent and clear and avoid any perception of duplication. We are working with stakeholders to ensure we have a clear understanding of expenditure allocations under this heading. We will seek further information on the reported figures and will keep the committee updated.</p>

	<p>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.</p> <p>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>		
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