

## School funding

### Introduction

This topic brief assumes a working knowledge of local government finance arrangements. Relevant background information is available from the Members' Research Service QuickGuide series; [No.15: Local Government Settlement](#); [No. 16: Standard Spending Assessments \(SSA\)](#); and [No.8 Glossary of Public Finance Terms](#).

### How are schools funded?

Schools are funded by local authorities, who in turn receive around 80% of their funding from the Welsh Assembly Government (WAG). The amount schools receive depends on a three stage budget setting process; initially by the WAG when it determines the amount of funding individual local authorities are to receive and, subsequently, at two levels within individual local authorities as they decide upon an education budget and then individual schools' budgets. Funding formulas are in place at each stage of this process to determine the level of funding according to pupil numbers and other factors such as deprivation and sparsity. Due to these differing factors, and the discretion the local authority has to distribute much of this funding according to its stated priorities, the amount each school gets can vary considerably, both within and across local authority boundaries.

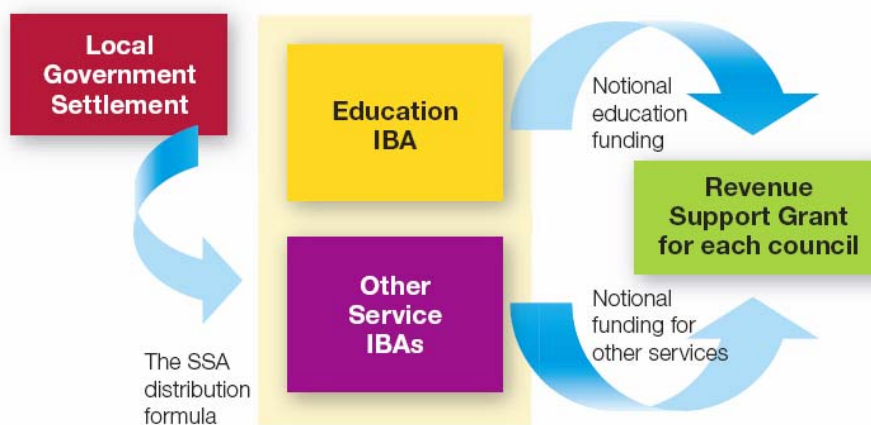
### Where does the funding originate?

Local Authorities receive three main sources of income that in turn fund the services they are responsible for, including education:

**Revenue Support Grant (RSG)** - the Welsh Assembly Government (WAG) provides local authorities in Wales with around 80% of their funding in the form of the unhypothecated RSG and redistributed national non-domestic rates (NNDR). The RSG is distributed to local authorities on the basis of Standard Spending Assessments (SSA). A SSA is split further into service-specific Indicator-Based Assessments (IBA). See figure 1 below.

The IBA and SSA are not spending targets, and are only a mechanism for distributing grants. They are in no way prescriptive in relation to local authority budgets. Subsequently local authorities have the discretion to set their service budgets above or below IBA, and their overall budget above or below their individual SSA, according to their own priorities.

Figure 1<sup>i</sup>



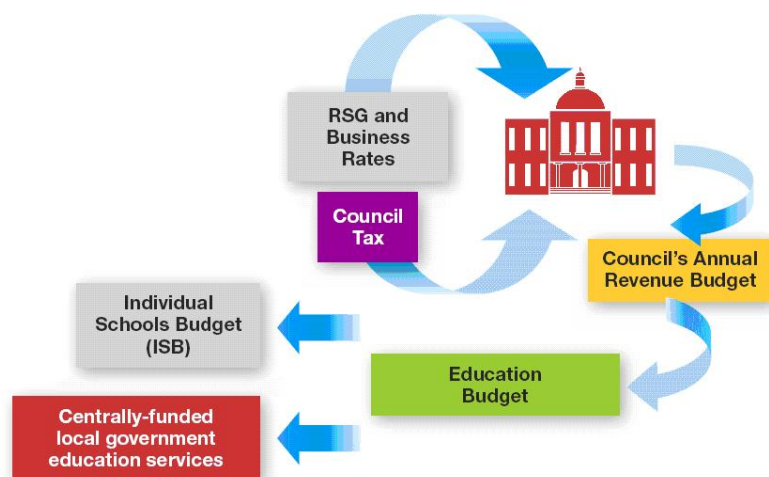
**Council Tax** – The remaining 20% is raised locally in the form of council tax. This is set by each authority as part of its annual budget setting process.

**Grant funding** – Local authorities may receive additional funds via the WAG's grant programme<sup>ii</sup>.

### How does a local authority allocate resources to education?

The amount of funding allocated to a local authority's education service is determined by an individual local authority's annual budget setting process. The education budget is then divided between resources for central education services and resources to be delegated to schools that the local authority maintains, called the Individual Schools' Budgets (ISB). See figure 2 overleaf.

Figure 2<sup>1</sup>



On average, across Wales, in 2006/07, 76.4% of local authorities' education budgets were delegated to individual schools' budget. A comparison of authorities shows that delegation rates varied from 70.5% (in the Isle of Anglesey) to 81.3% (in Bridgend, and in the Vale of Glamorgan) for 2006/07<sup>iii</sup>.

### How is the amount an individual school receives calculated?

The *Schools Budget Share (Wales) Regulations 2004*<sup>iv</sup> require 70% of funding for schools' delegated budgets to be distributed on the basis of pupil numbers. Local Authorities have the discretion to distribute the remaining 30% on the basis of criteria set out in the schedule of the aforementioned regulations. Local authorities each have a funding formula to determine individual school's share of the ISB.

### School funding in the Second Assembly

On 14 June 2005 the Committee on School Funding was formed by resolution of the National Assembly for Wales (NAfW) to review school funding arrangements in Wales. It reported to the NAfW in June 2006<sup>v</sup>, and made a number of recommendations to the WAG on how school funding arrangements in Wales could be improved. Jane Davidson AM, Minister for Education, Lifelong Learning and Skills (ELLS), responded formally to the report on 19 September 2006<sup>vi</sup>, accepting 23 of the Committee's 27 recommendations.

### Legacy issues from the Second Assembly

The ELLS Committee recommends in its legacy paper that a successor committee monitors 'progress in implementing recommendations made by the Committee on School Funding in its report on school funding in Wales'<sup>vii</sup>.

### Further information

For further information on any aspect of education, please contact:

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<sup>i</sup> Figures 1 and 2 are reproduced from the Wales Audit Office, *School Funding Analysis*, 9 March 2006 p. 5

[http://www.wao.gov.uk/assets/englishdocuments/Schools\\_Funding\\_Analysis.pdf](http://www.wao.gov.uk/assets/englishdocuments/Schools_Funding_Analysis.pdf)

<sup>ii</sup> A list of all grants available to local authorities is available from the WAG, as well as details of the 2007-08 local government settlement, at <http://new.wales.gov.uk/docrepos/40368/40382/938844/1056422/finalset07-08tablesA-E-e.xls?lang=en>

<sup>iii</sup> National Assembly for Wales, Education, Lifelong Learning and Skills Committee Paper (ELLS(2) 11-06 Paper 3), 5 July 2006 <http://www.stats.wales.gov.uk/tableviewer/document.aspx?FileId=788>

<sup>iv</sup> The *Schools Budget Share (Wales) Regulations 2004* SI 2004/2506 (W.224)

<http://www.opsi.gov.uk/legislation/wales/wsi2004/20042506e.htm>

<sup>v</sup> National Assembly for Wales, Committee on School Funding Report, *Report on School Funding Arrangements in Wales*, June 2006

<http://www.wales.gov.uk/documents/cms/2/DocumentsLaid/37B1A02600BF4FD0000436C0000000/N000000000000000000000000045329.pdf>

<sup>vi</sup> Welsh Assembly Government, Jane Davidson AM (Minister for Education, Lifelong Learning and Skills), *Assembly Government Response to Assembly School Funding Committee Report: 'School Funding Arrangements for Wales'*, Cabinet Written Statement, 19 September 2006 [http://assembly.cabinet/Content/statements/2006/19.9.06%20-%20wag%20response%20to%20school%20funding%20committee%20report%20\(e\).doc](http://assembly.cabinet/Content/statements/2006/19.9.06%20-%20wag%20response%20to%20school%20funding%20committee%20report%20(e).doc)

<sup>vii</sup> National Assembly for Wales, Education, Lifelong Learning and Skills Committee Paper (ELLS(2) 05-07 Paper 8), *Committee's Legacy Paper*, 21 March 2007

<http://www.wales.gov.uk/cms/2/EducationLifelongLearningAndSkillsCommittee/AgendasPapersTranscripts/24a230a9090dd7a47f920a9f93e63d88.htm>