

## SFC(2) 06-06(p2)

### SCHOOL FUNDING: PAPER FOR ELL COMMITTEE TO NOTE, 16 MARCH 2006

1. In August last year I commissioned an analysis from the Wales Audit Office of the variations in LEA per pupil level spend in Wales, in order to give us a better understanding of the reasons for the differential spend above and below the current Wales average of £4,291. I committed to share the results with Ell Committee when available. The WAO have now completed their analysis and their final report has been tabled for discussion at ELL Committee on 16 March.

2. I welcome the conclusions of the WAO's report, which explain the rationale for the current arrangements we have for funding schools through the local government settlement. Notably, the report concludes that the factors used to determine the education Indicator Based Assessment (IBA) within the Standard Spending Assessment (SSA) are suitable, and that – while the IBA is in no way a spending target - there is a close match between sums distributed by the education IBA in the settlement and total council spending on education. This bears out the statistics on local authority budgets set for education in 2005-06 which I presented to the Committee in October last year (ELL2 11-05(p3) refers) and which showed that total local authority spend on education was running at some £23m ahead of total education IBA. The report goes on to conclude that the variations in LEA per pupil spend between councils and within councils are not unreasonable.

3. I would like to set the findings of the WAO's report in the context of overall funding for education in Wales. The past six years have seen tremendous new investment in education, training and children's services in Wales. Direct investment by the Assembly Government has increased from £760m in 1999-2000 to over £1,500m for 2006-07.

4. This is only part of the story. Local authorities are the major funders of education in Wales and continue to contribute significantly to achieving success. Over the same period we have increased Revenue Support Grant (RSG) funding to local authorities from £2,439m in 1999-2000 to £3,535m in 2006-07. Overall, central government support for local government funding has increased by over 50%, i.e one and a half times the level of funding when the National Assembly was established.

5. In 2005-06, direct funding of £1.4bn through the Assembly Government's Education and Lifelong Learning budget represented 11% of the Assembly Government's total budget of £12.7bn. RSG funding to local authorities of £3.3bn represented a further 26% of the total Assembly budget.

6. Total local authority revenue spending on education in 2005-06 was at an all time high of

£2,100m, representing 34% of the £6.1 billion total gross budgeted expenditure by local authorities in Wales. Local authorities have spent over one third of their total revenue budgets on education in every year since 1999-2000.

7. The latest statistical analysis of local authority budgets set for education for 2005-06 and comparative information for England is attached as an annex to this paper. This compares budgets on the basis of all revenue spending on education, including 'non-school' education expenditure such as student awards and adult and youth education. This is the only way to make a valid comparison because data collection on school funding in England and Wales is no longer carried out on the same basis.

8. The analysis shows that average budgeted per pupil spend on local authority education in Wales in 2005-06 was £4,382, an increase of 4.9% on the previous year's outturn. The overall budget per pupil for England was £4,655 (£4,511 excluding London), a rise of 5.3%. Cross border comparisons show per pupil budgeted spend continues to be generally higher in mid and South East Wales than in the neighbouring English authorities.

9. Overall, spend on education per head of population in Wales in 2005-06 is £712, compared with £698 in England.

10. In conclusion, the WAO's report provides an objective analysis of the reasons for the variations in LEA per pupil level spend in Wales and gives us an improved understanding of the reasons for those variations. I consider the evidence in the report supports the Assembly Government's view that the arrangements we have for funding schools in Wales have served, and continue to serve, schools well.

11. The report nonetheless make a number of recommendations – two for the Assembly Government alone and one jointly with council officers – that I shall want to consider in more detail with the Minister for Finance, Local Government and Public Services. We shall also want to seek the Welsh Local Government Association's views on the two recommendations for councils. My initial reaction is that the Assembly Government will be able to accept the recommendations in full. In particular, we recognise what the report says about tackling deprivation and will be giving careful thought as to how we take that forward. I shall provide a detailed response, including timescales for implementation, within six weeks from publication.

**JANE DAVIDSON AM**

**Minister for Education and Lifelong Learning**

**March 2006**