

Cynulliad National
Cenedlaethol Assembly for
Cymru Wales



Committee on School Funding
**Report on School Funding
Arrangements in Wales**

June 2006

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Contents

Chair's Foreword

Committee Members

Main Report

Page

Section 1	Background & Terms of Reference	1
Section 2	Introduction	2
Section 3	The Committee's Programme of Work	3
Section 4	The Statistical Base	3
Section 5	Local Government Finance Issues	4
Section 6	Educational Attainment	6
Section 7	Variations between authorities	6
Section 8	Variations between schools	9
Section 9	Wales/ England comparisons	10
Section 10	Budgets - Central funding or local accountability?	11
Section 11	Special grant reports and specific grants	12
Section 12	Sources of income, funding mechanisms and a national funding formula	14
Section 13	Three-year budgets	15
Section 14	Other budget planning issues	16
Section 15	Capital Funding	16
Section 16	Monitoring	17
Section 17	Summary of recommendations	18

- A Schedule of evidence taken in public
- B Statistical Analysis of Local Authority Budgets for Education in Wales 2004-05
- C Education local authority budgeted delegation rates, by authority
- D Comparison of forecast and outturn capital expenditure for education, by unitary authority
- E Capital expenditure on education, pounds per head,
- F. Education as a percentage of all services, capital, by unitary authority
- G Main sources of funding for schools in Wales
- H Additional factors or criteria which may be taken into account in a local education authority formula
- I Education-related Special Grant Reports approved by the National Assembly for Wales
- J Home to school transport (net current expenditure, by authority)
- K Glossary of Terms

Chair's Foreword

The establishment of the Committee on School Funding did not have unanimous support across the Assembly. Despite this, the Committee has worked harmoniously together. It is a tribute to all Members of the Committee that they have been able to put aside party political considerations and have reached unanimous agreement on this report. It is a tribute to the growing maturity of the Assembly that the Committee has been able to focus on an issue of real concern and address it in a business-like way across party political boundaries.

The Assembly Government also deserves thanks. Despite their initial opposition to the establishment of the Committee, it has co-operated fully with our review. In particular, I am grateful to Jane Davidson, the Minister for Education, Lifelong Learning and Skills for her evidence to the Committee on a wide range of issues. I am also grateful to the Minister for Finance, Local Government and Public Services, Sue Essex, who very helpfully allowed us to question her officials on detailed aspects of local government finance.

Three issues have dominated our discussions. These were, comparisons with England and the alleged post-code lottery and funding fog. I am glad that the Committee recognised that comparisons with England and other countries may be valid aids to scrutiny but, they should not drive our policies in Wales. The Assembly needs to develop its own policies to meet our particular needs in Wales.

The allegation of a post code lottery may also have been over-emphasised. Our report does show real differences between school funding in different parts of Wales. We have come to the conclusion that part of the reason for this is because of an historically based funding formula that pays insufficient attention to the needs of schools now and for the future. The lack of a common understanding of schools' basic funding needs also requires remedy. However, it would be an injustice to committed and professional public servants in local authorities, as well as local Councillors, to describe this as a lottery. They work hard to ensure that schools receive the funding they think is needed and they try to make rational decisions taking account of many competing local needs. Unfortunately, they are hamstrung by a funding system that is based on the past not the future.

Where sound-bite and reality truly merge is in the description of the current arrangements as a funding fog. The Committee spent a considerable amount of time looking at this issue in detail and had the benefit of evidence from the Government's own statisticians. Despite this, we were still left with the perception of a complicated and unresponsive system where accountability was scattered and unclear. However difficult it was for us to understand, it must be doubly so for teachers, governors and parents who have neither our time nor

resources to allow the system to be clarified. I hope that our recommendations will at the least start a debate on how we can make school funding more open, more accountable and more responsive to the needs of pupils today and in the future.

Finally, I would like to thank Members of the Committee, all those who have contributed evidence to the Committee and to the staff of the Assembly's Committee and Research Service for their contribution to this report.

A handwritten signature in black ink that reads "William Graham". The signature is written in a cursive style with a large, prominent initial 'W'.

William Graham AM
Committee Chair

Members

Committee on School Funding



William Graham
Chair
Welsh Conservative Party



Peter Black
Welsh Liberal Democrats



Denise Idris Jones
Labour Party



Lynne Neagle
Labour Party



Janet Ryder
Plaid Cymru
The Party of Wales

1. Background & Terms of Reference

1.1 The Committee on School Funding was established by resolution¹ of the National Assembly under Standing Order 8.1 on 14 June 2005. The Assembly resolved that the Committee should have two Members from the Labour Party and one each from Plaid Cymru, the Conservative Party and the Liberal Democrat Party and that the Committee should elect its own Chair.

1.2 Our terms of reference, set out in the resolution, were to:

1. review all the sources of income (both revenue and capital), how so ever generated, which create maintained primary and secondary school funding (to include pupil referral units);
2. review the distribution of funding to maintained schools—both primary and secondary and pupil referral units;
3. consider the impact of National Assembly and UK Government initiatives on the funding of schools;
4. make recommendations to the National Assembly on the simplification and clarification of this system.
5. investigate and review the practicalities of introducing a three-year funding regime for schools.
6. report to the National Assembly no later than 12 months after the date of its first meeting.

1.3 The Committee was to report to the National Assembly no later than 12 months after the date of its first meeting and would cease to exist after 14 June 2006.

1.4 Members of the Committee were elected by a further resolution² of the National Assembly on 6 July 2005. William Graham AM, was unanimously elected as Chair of the Committee at its first meeting on 28 September 2005.

¹ Named Day Motion 2482 as amended by the Assembly in Plenary on 14 June 2005.

² Named Day Motion 2527 agreed by the Assembly in Plenary on 6 July 2005.

2. Introduction

2.1 In this report we make a series of recommendations aimed at improving the transparency, objectivity and fairness of the way education funding is distributed to local authorities and schools in Wales.

2.2 In approaching our work three issues were central:

- whether schools in Wales had enough funding to equip them to provide our children with the best possible education for the 21st century;
- whether funding was distributed objectively and fairly across Wales; and
- whether funding was distributed in a way that was transparent and easily understood by those who need to understand it.

2.3 It has proved difficult to get a clear answer to the first two questions. Overall funding for schools in Wales, and the way in which that funding is distributed, seems to be driven more by historic patterns of spending than by any objective assessment of schools' current and future needs.

2.4 This historic pattern does not help teachers, governors and parents understand why their school is being funded at a particular level when other similar schools and areas appear to attract very different levels of funding. This historic pattern also makes it very difficult for policy makers in Wales to make objective assessments of overall needs and to scrutinise overall funding levels for schools, including whether new initiatives are properly funded.

2.5 Some of our recommendations are more fundamental than others. In particular, we believe that it is vital that the overall funding arrangements for schools are based on an objective assessment of a schools current and future needs. Our key recommendation here (recommendation 5) is for the Assembly Government to review the education element of the local government distribution formula so that it is based on the current and future costs of providing education rather than on historic costs.

2.6 Alongside a forward looking funding formula, our other key recommendations (recommendations 15, 16 and 17) are that the Assembly Government should establish basic funding requirements for all schools in Wales and that local authorities should be expected to demonstrate that as a minimum they are spending up to that level.

2.7 Taken together, we believe these and our other recommendations can help clear some of the fog that surrounds school funding in Wales at present.

3. The Committee's Programme of Work

- 3.1 We met on 11 occasions from September 2005 until May 2006 to hear evidence from organisations and individuals with an interest or expertise in the Committee's field of work. A full schedule of those who have given evidence is attached as Annex A to this report. Individual Committee Members also visited a number of schools in Wales as part of our fact-finding for the review.
- 3.2 We wish to place on record our gratitude to all of those who assisted us and gave evidence.

4. The Statistical Base

- 4.1 During the course of the review, we considered a considerable amount of statistical information on spending on education throughout Wales, and comparative information on funding levels with England and border authorities. The main statistical evidence provided to the Committee is set out in Annexes B to F and a summary setting out the main sources of funding for schools in Wales is at Annex G.
- 4.2 The information we have received illustrates that there is a considerable variation in spending on education (per pupil) between local authority areas in Wales. The evidence presented to us indicated that it is likely that local arrangements and prioritisation of services, as well as historic patterns of spending, are among the most significant factors in explaining the differences in levels of spending per head.
- 4.3 Estyn's evidence to the Committee, (9 February 2006) included some points about the funding process and lack of transparency both in respect of the process and access to information:
- information about funding at the local level (including the Standard Spending Assessment) is not easily accessible;
 - this lack of information makes valid comparisons difficult;
 - within the Standard Spending Assessment, it should be made clear whether the weightings within the formula reflect the Assembly's policy aspirations - for example the question of whether socio-economic factors are given adequate weight when compared to sparsity;
 - information on the Assembly's website is not easy to locate or use;
 - in the flow of information from local education authorities to schools, it is not always the case that authorities effectively communicate their priorities and resulting financial decisions.

4.4 Estyn concluded that:

“The lack of information in the public arena, therefore, reduces the potential for a general understanding of the issues, detailed research and external challenge”.

4.5 They also pointed out that:

“The fact that there is local decision-making about how the funding is allocated at a local level does not nullify the need for clarity at the strategic level”.

4.6 The evidence from Estyn also touched on funding for different stages of education. They noted wide differences in funding levels between key stages. In particular, there was quite a dramatic difference between funding for Year 6 pupils and Year 7 pupils, raising the question as to why there is so much difference in funding for these pupils. The reasons appeared to be historical along with an historic acceptance that there should be such differences. Estyn felt that this assumption may need to be challenged as it is difficult to justify some of the large differences in funding that occur in certain areas. We agree that this is a matter of concern and feel that there is insufficient accessible information in the public domain in this area.

[1] We recommend that the Assembly Government should investigate the reason for differences in funding between the key stages, in particular for Year 6 and Year 7 pupils, and report to the ELLS committee.

5. Local Government Finance Issues

5.1 We considered the Standard Spending Assessment (the SSA), particularly the weightings within the formula given to the various indicators of need - for instance for deprivation and sparsity. Evidence from Estyn (9 February 2006) noted that schools in challenging circumstances may have to respond to a far greater degree than other schools to any number of socio-economic demands and that a number of factors can add to the cost and resource needs of those schools. Estyn stated that:

“...differences in funding arrangements may not adequately reflect the real differences in need between schools”.

5.2 Deprivation and sparsity are factors that are taken into account in allocating funding to LEAs and to schools but, we were not convinced that the balance between the two was correct based on an objective assessment of needs.

5.3 On sparsity, no clear rationale has emerged for the particular weightings used and on deprivation, we are not convinced that the number of children qualifying for free school meals is necessarily the best deprivation measure available.

[2] We recommend that the Assembly Government should immediately set in train a review of the weight given to factors such as transportation, sparsity and deprivation in allocating education resources within the local government settlement, to ensure that weightings are based on objective need.

[3] The Committee fully supports the Wales Audit Office recommendation³ to the Assembly Government that there should be a review of whether eligibility for free school meals represents the best indicator of deprivation and recommends that it be implemented as soon as possible.

5.4 The operation of the local government finance system falls within the remit of the Local Government and Public Service (LGPS) Committee. The Assembly's Standing Orders require the LGPS Committee to undertake the formal scrutiny of this element of the budget. Nevertheless, it is the mechanism by which most funding ultimately spent on education is distributed.

[4] To improve transparency and budget scrutiny, we recommend that the Assembly Government should make arrangements to permit relevant committees to scrutinise the local government finance budget as part of the annual budget setting procedure.

5.5 We have been dismayed to discover the degree to which the formula for distributing funding to local authorities in Wales is based on historic spending patterns. We recognise that, as most funding local authorities receive from the Assembly Government is un-hypothecated, there is nothing to prevent local authorities from spending more or less than the amount shown in their Indicator-Based Assessment for Education.

5.6 Professor Hugh Coombs, an independent member of the local government formula distribution sub-group perhaps summed up the issue when he said; "I wondered whether we could look forward to what it should cost to run a school, rather than what it has cost." He went on to make the point that the current formula may be perfectly sound but said that it may now be time to look at the issue in a wider context which could look to the future rather than be backward looking.

³ School Funding Analysis – Published 9 March 2006

[5] We recommend that the Assembly Government should immediately set in train a review of the local government distribution formula so that the education element is based on the current and future costs of providing education services rather than on historic costs.

6. Educational attainment

6.1 Although strictly outside our remit, we have been concerned to establish whether and to what extent differences in levels of funding between schools and authorities are responsible for differences in educational attainment. Although it seems self-evident that there must be a link between funding and attainment, no matter how marginal compared to other factors, we have been surprised to find that there is apparently very little evidence to support this proposition.

6.2 The Minister for Education Lifelong Learning and Skills said in her evidence that there is “no evidence in terms of input level ... of an impact on education and educational attainment”. She went on to say in the context of deprivation and attainment that any link “is not a direct linear financial issue” and agreed that more research is needed in this area.

[6] We recommend that the Assembly Government should commission detailed research on the effect that variations in funding have on pupil attainment after taking account of other variables such as deprivation and sparsity.

7. Variation between authorities

7.1 In its evidence (25 January 2006), the Statistical Directorate (part of the Government Statistical Service), provided the Committee with an explanation of published statistics on Local Authority Budgets for Education in Wales for 2004-05, and a report on budgets set by local authorities in Wales for education services in 2005-06. We noted that across Wales, around 70% of education authorities’ education budget is delegated to individual schools. The comparisons provided across authorities illustrated that delegation rates for 2005-06 varied from 71.1% (in the Isle of Anglesey) to 81.2% (in Bridgend).

7.2 In its evidence, the Association of Directors of Education in Wales (25 January 2006) informed us that local authorities provide different central services in different areas according to local needs. This impacts on the delegation rates shown in statistics published by the Statistical Directorate and provided annually to the Education, Lifelong Learning and Skills Committee.

7.3 The General Teaching Council for Wales (GTCW) gave us evidence (15 March 2006) regarding the Continuing Professional Development (CPD) scheme for teachers. We noted that some authorities delegate the CPD budget entirely to schools and then invite schools to buy back into a local authority service. Other authorities retain a greater proportion to run what is effectively an advisory service. Additionally, there are examples of cross-border collaboration amongst authorities. The GTCW evidence included a desire for clarity on the amount and source of funding going into CPD.

7.4 The question of variation between authorities was examined in the recent research carried out by the Wales Audit Office (WAO). The WAO considered the question:

"Why there is a variation of about £1,000 per pupil between the highest and lowest local authority average levels of school funding in Wales?"

7.5 The WAO presented the results of their research to the Committee at our meeting on 30 March 2006 (they had previously reported to the Education, Lifelong Learning and Skills Committee). The WAO made the following recommendations:

"The Welsh Assembly Government should:

R1 In its next review of the distribution of Education IBA [indicator-based assessments], with local government, assess whether the level of eligibility for free school meals represents the best indicator of deprivation.

R2 State clearly the limitations as a basis for comparison of the education finance data that is reported annually.

The Welsh Assembly Government and council officers should:

R3 Work together to achieve consistency in the way in which the 2007/08 Revenue Account Forms are completed and the Welsh Assembly Government should subsequently issue revised guidance.

Councils should:

R4 Issue a concise annual summary that shows, for each of the primary, secondary and special school sectors, a breakdown of the factors that have influenced the forthcoming budget. The summary should show the previous year's Individual Schools Budget for each sector, and the increases and decreases caused by each of the factors contributing to the new budget.

R5 Work with the School Budget Forum to review the school funding formula and, where necessary, to:

- explain the way in which funding is allocated more clearly; and*
- assess whether the school funding formula reflects adequately the additional costs incurred in schools serving deprived areas. "*

7.6 The Minister provided a report to the Committee on 30 March 2006 regarding the WAO report and stated:

"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".

[7] We recommend, in line with the Wales Audit Office's recommendation, that the Assembly Government should require all local authorities to issue concise annual summaries to schools in their area, showing the factors that have led to changes in school budgets.

[8] We recommend that the Assembly Government should issue guidance to local authorities to ensure that these annual budget summaries are comparable across local government boundaries and that clear, consistent audit trails are set up and monitored.

7.7 We note that the WAO report expressed concern and made a recommendation about the guidance and reporting in relation to the "RA" accounting system. We are pleased to note that Government officials have indicated that they intend to take steps to make improvements in this area.

[9] We recommend that the Assembly Government should issue a single set of unequivocal guidance to authorities on completion of Section 52 budget statements to ensure consistency of reporting

7.8 We have also noted that it has proved difficult to obtain clear data and comparisons of the amounts that authorities and schools spend directly on education and that spent on administration services.

[10] We recommend that, in reviewing the “RA” accounting return, the Assembly Government should ensure that it becomes easier to compare across authorities the proportion of education funding spent directly on education and on central and other administration services.

8. Variations between schools

8.1 A recurring theme has been a perception, raised by Head Teachers, of different levels of funding for schools that appear, on the face of it, very similar. This seems to be a concern not just across local authority boundaries but within them as well. We heard that whilst local authorities across Wales use pupil numbers as a common basis to determine funding allocations, other components vary from authority to authority.

8.2 Local Education Authorities (LEAs) must allocate their individual school budgets in the form of budget shares for each school in accordance with the *Schools Budget Shares (Wales) Regulations 2004*. The Assembly Government provides no further guidance to accompany the Regulations. The Regulations state that:

- School forums, head teachers and governors of maintained schools must be consulted about any proposed changes to the formula for determining schools budgets;
- LEAs must determine the formula to be used in determining schools' budget shares having regard to the factors, criteria and the requirements of the regulations. LEAs are required to take account in their formula of:
 - Pupil numbers;
 - A factor or factors based on social deprivation.

8.3 The LEA must ensure that the formula provides that at least 70% of their individual schools budget is allocated on the basis of pupil-led funding.

8.4 The Schedule to the Regulations contains a list of 36 factors (listed in Annex H) which also may be taken into account in determining budget shares. These include such factors as pupils who do not have English or Welsh as a first language, 'overhead' costs such as rates, energy costs, cleaning etc., school milk and meals and salaries. Authorities use different combinations of these in their formulae according to local needs and priorities.

8.5 We noted that transport costs are centrally-held by all authorities. Annex J shows a table detailing home to school transport costs for each authority - per pupil, for primary and secondary schools using data provided in LEA returns to the Assembly's Statistical Directorate.

[11] Irrespective of any other changes, we recommend that the Government should work closely with local government to improve schools' understanding of the funding process and funding streams.

[12] We recommend that the Assembly Government requires authorities to prioritise in their distribution formulae the provision of targeted support to the most deprived schools in their area, and demonstrate this in the proposed schools budgets reported to the Assembly Government.

9. Wales/ England comparisons

- 9.1 We considered the published comparisons between expenditure on education in Wales and England (25 January 2006) and found that meaningful comparisons are limited with different funding streams in operation. The Statistical Directorate gave evidence explaining that they had changed the basis of their comparison with England because the previous basis was found to be unstable.
- 9.2 From the published statistics, we noted that data for England are presented both including and excluding London when making comparisons with Wales. However, it was argued in evidence (16 November - Prof David Reynolds 2005) that there is no reason to discount the funding that London schools receive when making national comparisons.
- 9.3 We agree that decisions on spending by the Assembly in Wales should not be driven by comparisons with spending in England, elsewhere in the UK or internationally. Nor do we believe that funding allocated to the Assembly under the Barnett Formula should be earmarked for particular purposes.
- 9.4 However, wider comparisons are useful both as benchmarks and as an aid to scrutiny. We think it should be possible to make meaningful comparisons between levels of education spending in Wales, the other nations and regions of the UK and internationally.

[13] We recommend that the Assembly Government should publish, at the lowest level of disaggregation possible, meaningful comparisons of education spending in Wales, the other nations and regions of the UK and internationally and that it should work with other parts of Government to increase the level of detail available.

- 9.5 Similarly there appears to be a degree of opacity around funding provided under the Barnett formula. It should be possible on an annual basis to set out in clear and detailed terms exactly what proportion of the funding provided under Barnett was consequential on comparable spending in England. If this information was provided alongside the Assembly

Government's annual budget proposals, we believe it would aid transparency, scrutiny and debate.

- 9.6 There are also public expectations of funding coming to Wales as a result of statements made in Westminster. The Finance Minister set out a summary of the Barnett formula in a Cabinet Written Statement in October 2005. However, we feel that information on Barnett consequential sums is less transparent. Assembly Committees may wish to seek to influence the direction of expenditure as a result of consequential funding and must have the information to be able to do so. Whilst this is outside the remit of this committee, we noted that other portfolio areas may have similar concerns regarding the transparency of the process in terms of their ability to properly scrutinise the annual budget.

[14] We recommend that the Minister for Education, Lifelong Learning and Skills should, at the timing of receipt, inform the ELLS Committee of any education-related Barnett consequential funding that is received by the Assembly Government.

10. Budgets - Central funding or local accountability?

- 10.1 A number of those who gave evidence argued for greater hypothecation of education spending. Others argued for central funding of core school functions based on a pupil or school entitlement. This argument was made on the basis that there are certain core functions associated with all schools and therefore the costs of these should be provided centrally.
- 10.2 On the other hand, a number of witnesses, including the Minister for Education, Lifelong Learning and Skills, argued for freedom of decision-making for local authorities. This argument was based on the principle of local democratic accountability, but also that local authorities were in a better position to make informed and appropriate decisions about local circumstances and priorities.
- 10.3 We accept that local decision making is a key factor in sustaining viable local democracy. We also accept that local authorities are very often in the best position to judge local circumstances and to respond flexibly and sensitively to local needs. However, we are also concerned at the very wide variations in spending between local authorities and the perception that pupils' education can be affected by a so-called "post code lottery".

[15] We recommend that the Assembly Government should establish and publish minimum common basic funding requirements for school staffing, accommodation and equipment and that this information should be used to benchmark and inform decision-making at national and local levels on school funding. The Assembly Minister for Education, Lifelong Learning

and Skills should report regularly to the ELLS committee on progress towards establishing a minimum common funding requirement for schools.

10.4 If a common entitlement can be established, this would of course represent the minimum that schools need to facilitate these services. It would be disingenuous to believe that this would not put pressure on both the Government and local authorities to fund schools to at least this level. There would of course be considerable scope to provide further discretionary spending on education both at local level and to implement and prime national initiatives. Nevertheless, in these circumstances it may make accountability for decision making more transparent if this element of schools funding were set centrally by the Assembly Government.

[16] We recommend that the Assembly Government should require authorities to report annually on any difference between the funding they allocate to schools and the minimum common basic funding requirement published by the Assembly Government.

[17] We recommend that the Minister for Education, Lifelong Learning and Skills and the Minister for Local Government and Public Services should work closely with those local authorities who are funding schools below the minimum common basic funding requirement, to ensure that funding is brought up to this level within an agreed timescale. Until a minimum common basic funding requirement can be established, education IBA's should be used as a target indicator.

[18] We recommend that the Minister for Education, Lifelong Learning and Skills should report regularly to the ELLS Committee on the progress made by local authorities in meeting the minimum common funding requirement for schools or in the interim their education IBA target.

11. Special Grant Reports and Specific Grants

Special Grant reports

11.1 In the absence of any other power to pay grant, special grant provisions under Section 88B of the *Local Government Finance Act 1988* may be used to distribute funds to one or more local authorities. Approval is needed from the Assembly to make the grant and, in seeking this, a Special Grant Report should be submitted to the Assembly by the Minister, which sets out the purpose, allocation criteria and who will receive the grant. The powers to make special grants are broad and flexible but cannot be used indefinitely.

11.2 There have been a number of education-related Special Grant Reports since 1999 (see Annex I). These fall into three broad areas.

- Those made to allocate funds for education received by the Assembly as a consequence of budget announcements made in England on funding being made direct to schools. There were three such Special Grant Reports made between May 2000 and May 2001;
- One-off payments for specific purposes e.g. Grants to meet costs associated with a shortfall in funding for teacher's threshold payments or the introduction of unique pupil numbers;
- Longer-term funding e.g. reducing Key Stage 2 class sizes.

11.3 Special Grants should adhere to the Grants Protocol as agreed with the Welsh Local Government Association (*Protocol on hypothecated grants* - a protocol between the Welsh Assembly Government and the Welsh Local Government Association). There is no set rule as to when such grants are subsumed into the Revenue Support Grant (RSG) - some are subsumed within 3 years, others are considered unlikely to go into the RSG for the foreseeable future.

Specific grants

11.4 Section 14 of the Education Act 2002 provides a general power to the National Assembly to give financial assistance for purposes related to education or childcare. Section 14 has replaced the use of section 484 of the Education Act 1996 under which the Assembly was able to make regulations for grants for education support and training. For example, payment of GEST (Grants for Education Support and Training), now the Better Schools Fund grant has moved from payment under section 484 of the 1996 Act to payment under section 14 of the 2002 Act.

11.5 In the case of payments of additional revenue grants to local authorities for schools, they were first made using special grant reports (section 88B of the Local Government Finance Act) as the regulations in existence under section 484 of the 1996 Act did not cover the purposes for which the grant was to be used. However with the availability of section 14 powers under the 2002 Act, the Assembly has gradually moved to make grant payments under section 14 e.g. community focused schools, school uniform and RAISE, the Assembly Government's new scheme (Raising Attainment and Individual Standards in Education in Wales), targeting disadvantaged pupils.

[19] We recommend that the Assembly Government should avoid initiating unsustainable policy actions through short-term specific grant programmes and should aim to provide longer-term funding (in alignment with the three-year budgeting proposals) to allow better financial planning by schools.

[20] The Assembly Government should ensure that the benefits of new grant schemes and streams of funding are not compromised by excessively onerous and bureaucratic bidding mechanisms.

12. Sources of income, funding mechanisms and a national funding formula

Sources of income

12.1 We considered the wide range of sources of income under which schools can operate. Estyn noted, in terms of uncertainty about future resource levels, school funding was unpredictable and that the time-limited nature of much of the funding made it difficult for schools to be able to plan ahead effectively.

[21] To help schools plan, we recommend that when new grant schemes are implemented, the Assembly Government prepares a report on its sustainability and on an exit strategy for each scheme as part of the guidance to authorities on the continuation of schemes.

Funding mechanisms

12.2 On funding mechanisms and partnership working, the evidence from Estyn argued that although local area networks have a responsibility to plan provision they do not control core funding. This, they argued, meant that there was little or no control over delivery.

A national funding formula?

12.3 We were interested to hear of ELWa's experience of operating a national funding formula for post-16 provision. We were informed that on its creation (in 1992), the Further Education Funding Council had inherited eight methodologies from the then eight local authorities - and that no two were the same. By 1996, the FEFC had worked to standardise the eight (plus a number of former Welsh Office grants). ELWa inherited this new methodology together with methodologies from the training and enterprise councils and more latterly, the 22 new local education authorities. The Assembly Government then asked ELWa to develop a national funding system.

12.4 On methodologies, Estyn reported the most effective authorities target funding and resources for a specific reason identified through the use of data. They noted that a number of LEAs have extensive data systems which they can use to identify what issues are in their schools and then target support and intervention appropriately. Estyn noted that, quite often the better authorities will do some sort of testing so that, at the end of the period of support, they can see what impact they have had.

12.5 We have already recommended that consideration should be given to a common basic funding requirement as a benchmarking tool. However, even if this approach is not possible, it might still be possible to arrive at a common methodology for local authorities to allocate funding to schools. This would not remove local decisions on the quantum amount spent on school funding but, might ensure greater equity between schools in Wales and greater transparency for schools in assessing their funding compared to schools in other local authority areas.

[22] We recommend that the Assembly Government considers amending the guidance on local education authority funding formulae to ensure greater consistency across Wales and to dampen year to year changes in funding arising from variation in pupil numbers.

12.6 We considered the increasing role played by school budget fora. In evidence, Estyn noted that transparency in terms of information from authorities to head teachers was key and that the increasing role of school fora was beginning to increase the awareness of head teachers in terms of the mechanisms for funding distribution.

12.7 We acknowledge the fact that as a relatively new concept, it is too early to fully evaluate the impact and effectiveness of school budget fora, but note that their existence is providing a useful arena for informed local debate.

[23] We recommend that an evaluation of the function and responsibilities of school budget fora is undertaken by the Assembly Government with a view to improving the communication between authorities and schools.

13. Three-year budgets

13.1 We note that the legal power to introduce three year budgets now rests with the Assembly. We considered at some length the relative merits of a three-year budgeting system. A number of those giving evidence stated how beneficial three-year budgets would be to allow schools to plan ahead sensibly. Clearly such a proposal for education budgets would have to be seen in the context of the wider local government settlement.

- 13.2 In March 2006, the Local Government and Public Services (LGPS) Committee received an interim report from the Finance Minister on the emerging themes for introducing three-year revenue and capital settlements in Wales as informed by responses to the consultation exercise which ended in late January. An action plan will be presented to the LGPS Committee and to the Consultative Forum on Finance in the summer.
- 13.3 We believe that there is now a widespread consensus that 3-year budgets would improve planning and provide schools with an opportunity to use funding creatively and fully with less need to maintain high balances against the fear of future funding shortfalls.

[24] We recommend that 3-year budgets for schools should be introduced as a priority.

14. Other budget planning issues

- 14.1 We received evidence detailing the timetable for budget setting by authorities. We noted that authorities are required, after consultation with their budget forum, to notify the Assembly Government of their proposed schools budgets by 31 January each year. Budgets for all services must be set by 11 March and schools notified by 31 March.
- 14.2 A number of witnesses argued that budget planning is made more difficult by the late notification of budgets and particularly what was described as a bureaucratic bidding culture that can surround grant funding for specific initiatives. It was argued that schools need as much budgetary information as possible, as early as possible.

[25] We recommend that the Assembly Government should require authorities to report annually on their adherence to the budget-setting timetable and that this information is reported annually to the ELLS committee.

- 14.3 Some evidence suggested that school financial planning is not helped by the mismatch between the financial year and academic year. Other evidence noted that the withdrawal of funding after an initial “pump-priming” period can also create difficulties, specifically if pupil numbers fluctuate or staff leave.

15. Capital funding

- 15.1 We found widespread scepticism as to whether the Assembly Government’s target, that all schools should be fit for purpose by 2010, can be met at planned funding levels. Although some witnesses expressed

concerns about the technical ability of local authorities to use funding effectively, the consensus seemed to be simply the view that funds are insufficient.

- 15.2 The Minister for Education, Lifelong Learning and Skills in her evidence rejected any suggestion that this was because of a cut in the School Buildings Improvement Grant. She reiterated a commitment made in Plenary to provide the ELLS Committee with a full assessment of LEAs' progress against the Assembly Government's target. The assessment will be shared with the Education and Lifelong Learning Committee in July.
- 15.3 The Minister did express concern about whether local authorities are adequately using their own general capital allocation, which is notionally allocated to education, to supplement the specific capital funding being provided to local authorities for education. Again, she promised to report on these issues to the Education, Lifelong Learning and Skills Committee in July.
- 15.4 By the time the Minister reports to the ELLS Committee, this report will have been finalised and it is not possible for us to take account of the findings here. However, if the assessment suggests that the target will not be met we believe that consideration should be given to increasing the resources available for this purpose either by making available additional resources or by ring-fencing a greater proportion of local authorities general capital allocation.

[26] We recommend that the Assembly Government should require that funding allocated to authorities for capital purposes is fully utilised on education capital spending and should consider making available additional resources if it remains committed to its target to make all schools fit for purpose by 2010.

16. Monitoring

- 16.1 As the matters covered in this report mainly lie within the remit of the Minister for Education, Lifelong Learning and Skills, we believe that that Committee should be mainly responsible for monitoring the Government's response to the recommendations in this report. The Local Government and Public Services Committee may also wish to consider and monitor the recommendations concerning local government finance.

[27] We recommend that the ELLS Committee and the LGPS Committee's should follow up progress in responding to our recommendations, initially, within 6 months of the Government's initial response.

17. Summary of Recommendations

1. We recommend that the Assembly Government should investigate the reason for differences in funding between the key stages, in particular for Year 6 and Year 7 pupils and report to the ELLS committee.
2. We recommend that the Assembly Government should immediately set in train a review of the weight given to factors such as transportation, sparsity and deprivation in allocating education resources within the local government settlement, to ensure that weightings are based on objective need.
3. The Committee fully supports the Wales Audit Office recommendation⁴ to the Assembly Government that there should be a review of whether eligibility for free school meals represents the best indicator of deprivation and recommends that it be implemented as soon as possible
4. To improve transparency and budget scrutiny, we recommend that the Assembly Government should make arrangements to permit relevant committees to scrutinise the local government finance budget as part of the annual budget setting procedure
5. We recommend that the Assembly Government should immediately set in train a review of the local government distribution formula so that the education element is based on the current and future costs of providing education services rather than on historic costs
6. We recommend that the Assembly Government should commission detailed research on the effect that variations in funding have on pupil attainment after taking account of other variables such as deprivation and sparsity.
7. We recommend, in line with the Wales Audit Office's recommendation, that the Assembly Government should require all local authorities to issue concise annual summaries to schools in their area, showing the factors that have led to changes in school budgets
8. We recommend that the Assembly Government should issue guidance to local authorities to ensure that these annual budget summaries are comparable across local government boundaries and that clear, consistent audit trails are set up and monitored

⁴ School Funding Analysis – Published 9 March 2006

9. We recommend that the Assembly Government should issue a single set of unequivocal guidance to authorities on completion of Section 52 budget statements to ensure consistency of reporting
10. We recommend that, in reviewing the "RA" accounting return, the Assembly Government should ensure that it becomes easier to compare across authorities the proportion of education funding spent directly on education and on central and other administration services
11. Irrespective of any other changes, we recommend that the Government should work closely with local government to improve schools' understanding of the funding process and funding streams.
12. We recommend that the Assembly Government requires authorities to prioritise in their distribution formulae the provision of targeted support to the most deprived schools in their area, and demonstrate this in the proposed schools budgets reported to the Assembly Government.
13. We recommend that the Assembly Government should publish, at the lowest level of disaggregation possible, meaningful comparisons of education spending in Wales, the other nations and regions of the UK and internationally and that it should work with other parts of Government to increase the level of detail available
14. We recommend that the Minister for Education, Lifelong Learning and Skills should, at the timing of receipt, inform the ELLS Committee of any education-related Barnett consequential funding that is received by the Assembly Government
15. We recommend that the Assembly Government should establish and publish minimum common basic funding requirements for school staffing, accommodation and equipment and that this information should be used to benchmark and inform decision-making at national and local levels on school funding. The Assembly Minister for Education and Lifelong Learning should report regularly to the ELL committee on progress towards establishing a minimum common basis funding requirement for schools.
16. We recommend that the Assembly Government should require authorities to report annually on any difference between the funding they allocate to schools and the minimum common basic funding requirement published by the Assembly Government.
17. We recommend that the Minister for Education, Lifelong Learning and Skills and the Minister for Local Government and Public Services should work closely with those local authorities who are funding schools below

- the minimum common basic funding requirement, to ensure that funding is brought up to this level within an agreed timescale. Until a minimum common basic funding requirement can be established, education IBA's should be used as a target indicator.
18. We recommend that the Minister for Education, Lifelong Learning and Skills should report regularly to the ELLS Committee on the progress made by local authorities in meeting the minimum common funding requirement for schools or in the interim their education IBA target.
 19. We recommend that the Assembly Government should avoid initiating unsustainable policy actions through short-term specific grant programmes and should aim to provide longer-term funding (in alignment with the three-year budgeting proposals) to allow better financial planning by schools
 20. The Assembly Government should ensure that the benefits of new grant schemes and streams of funding are not compromised by excessively onerous and bureaucratic bidding mechanisms.
 21. To help schools plan, we recommend that when new grant schemes are implemented, the Assembly Government prepares a report on its sustainability and on an exit strategy for each scheme as part of the guidance to authorities on the continuation of schemes.
 22. We recommend that the Assembly Government considers amending the guidance on local education authority funding formulae to ensure greater consistency across Wales and to dampen year to year changes in funding arising from variation in pupil numbers
 23. We recommend that an evaluation of the function and responsibilities of school budget fora is undertaken by the Assembly Government with a view to improving the communication between authorities and schools
 24. We recommend that 3-year budgets for schools should be introduced as a priority
 25. We recommend that the Assembly Government should require authorities to report annually on their adherence to the budget-setting timetable and that this information is reported annually to the ELLS committee
 26. We recommend that the Assembly Government should require that funding allocated to authorities for capital purposes is fully utilised on education capital spending and should consider making available additional resources if it remains committed to its target to make all schools fit for purpose by 2010

27. We recommend that the ELLS Committee and the LGPS Committee's should follow up progress in responding to our recommendations, initially, within 6 months of the Government's initial response.

Annexes

Schedule of Evidence taken in Public

Date	Name of Organisation	Paper Reference
September 28 2005	Committee Service	SFC2-01-05(p.1)
	Government Statistical Service	SFC2-01-05(p.2)
	Government Statistical Service	SFC2-01-05(p.3)
November 2 2005	Welsh Local Government Association (WLGA)	SFC2-02-05(p.1)
	National Union of Teachers (NUT)	SFC2-02-05(p.2)
	Secondary Heads Association (SHA)	SFC2-02-05(p.3)
	Undeb Cenedlaethol Athrawon Cymru (UCAC)	Oral Evidence
	National Association of Schoolmasters Union of Women Teachers (NASUWT)	Oral Evidence
November 16 2005	Professor David Reynolds, University of Exeter	SFC2-03-05(p.1)
	National Association of Head Teachers Cymru (NAHT Cymru)	SFC2-03-05(p.2)
	Professional Association of Teachers (PAT)	SFC2-03-05(p.3)
January 12 2006	Governors Wales	SFC2-01-06(p.1)
	Welsh Secondary Schools Association (WSSA)	SFC2-02-06(p.2)
January 25 2006	Statistical Directorate, Welsh Assembly Government	Oral Evidence
	Association of Directors of Education in Wales (ADEW)	Oral Evidence
February 9 2006	Estyn	Oral Evidence
	ELWa	SFC2-03-06(p.1)
March 2 2006	Association of Teachers and Lecturers (ATL)	SFC2-04-06(p.1)
	Welsh Primary Schools Association (WPSA)	SFC2-04-06(p.2)
	Rhieni Dros Addysg Gymraeg (RhAG)	SFC2-04-06(p.3)

	Estyn	SFC2-04-06(p.4) Paper to Note
March 15 2006	General Teaching Council for Wales (GTCW)	SFC2-05-06(p.1)
March 15 2006	Society of Local Authority Chief Executives (SOLACE)	Oral Evidence
March 30 2006	Wales Audit Office (WAO)	SFC2-06-06(p.1)
	Minister Jane Davidson, Welsh Assembly Government	SFC2-06-06(p.2)
	Professor Hugh Coombs, University of Glamorgan	SFC2-06-06(p.3)
	Statistical Directorate, Welsh Assembly Government	SFC2-06-06(p.4) Paper to Note
May 10 2006	Local Government and Finance Division, Welsh Assembly Government	SFC2-07-06(p.1)

Education and Lifelong Learning Committee

Wednesday 20 April 2005

Statistical Analysis of Local Authority Budgets for Education in Wales

Purpose

1. To provide an analysis of budgets for education set by local education authorities for 2004-05, including comparative information for England.
2. Previous comparisons have been made on the basis of expenditure budgeted for by local authorities on schools and school services rather than on overall education budgets. However data collection on school funding in England and Wales is no longer carried out on the same basis and comparison of budgeting for schools is no longer possible.
3. This paper therefore compares budgets on the basis of all revenue spending on education. This includes 'non-school' education expenditure such as adult and youth education. The figures for Welsh authorities are not therefore the same as those used in the report attached to the Minister's report for 07 July 2004 which looked only at spending on schools and school services.

Summary

4. The key points to note from this analysis are :
 - Average budgeted per pupil spend on local authority education in Wales in 2004-05 was £4,141. This represents an increase of 4.7% on the previous year, more than double the rate of inflation (table 3). The range was from £3,806 in the Vale of Glamorgan to £4,785 in Ceredigion (table 1 and chart 1). The overall budget per pupil for England was £4,298 (£4,163 excluding London). This represents a rise of 4.1%, 0.6% lower than Wales (table 3);
 - Cross border comparisons show per pupil budgeted spend higher in mid and South East Wales than in the neighbouring English authorities (table 4);
 - 2004-05 pupil numbers fell by 0.3% in Wales and 0.2% in England (table 3).

Introduction

5. This paper analyses the resources that local authorities budgeted to make available for education in 2004-05. The paper makes comparisons between Welsh local education authorities and between the Wales average and the overall and regional averages in England. There is also a brief consideration of the historical trend.

Data sources

6. The main sources of financial information are the Revenue Account budget returns (RAS52) and Revenue Outturn returns (RO1).
7. The numbers of pupils are taken from the annual schools census taken at January each year. Generally, weighted averages are then used to arrive at financial year estimates of pupil numbers, apart from 2004-05 where unadjusted January 2004 census numbers are used.

Description of the analysis of 2004-05 budgets

8. The analysis of 2004-05 budgets is in two parts:
 - Individual education authorities within Wales (table 1 and chart 1).
 - Wales average and English regional averages (table 2 and chart 2).
9. The English regions used for the comparison are sub-divisions of the 9 standard regions. For the purposes of this work, London has been split to show inner and outer London separately. Other regions have been split into metropolitan and non-metropolitan components. Thus the north west region is divided into the metropolitan area – Liverpool and Manchester – and the non-metropolitan area – Cumbria, Lancashire, Cheshire etc.
10. For the different areas, tables 1 and 2 show the following information:
 - Total education spend. This is on a "current basis", that is it includes expenditure financed by specific government grants and by grants from ELWa in Wales and LSC in England. They include expenditure on inter-authority education recoupment, nursery schools, mandatory student awards, and adult and youth education.
 - Education spend per pupil. This is not a measure of 'schools' expenditure per pupil because of the inclusion of adult and youth education expenditure but the only way of making a comparison with England is to use overall education spend. The reason for calculating education spend per pupil is therefore solely for the purpose of making a comparison with England. The pupil numbers used include full time equivalents for nursery, primary, secondary, special and pupil referral units.

11. Charts 1 and 2 summarise the overall budget per pupil within Wales and for Wales and the English regions. The solid line on chart 1 represents the Wales average and on chart 2 the Wales and England average.

Historical trend in spend on education services

12. Table 3 shows the trends in spend on education, pupil numbers and spend per pupil from 1999-00 to 2004-05. The table also shows average spend per pupil on a constant price base (2004-05). The figures are based on final outturn expenditure except for 2004-05 where budgets have been used. For the first three years of this period spending per pupil in Wales was higher than in England (excluding London). In 2002/03 spending in England (excluding London) moved ahead of Wales, but over the last two years this gap has been markedly reduced.

Comparison between authorities on the Wales-England border

13. Table 4 provides a comparison of expenditure between border authorities.

Further information

14. In July each year an analysis is provided for the committee of school budgets set by Welsh local authorities for the current year. Analysis of budgets for 2005-06 will be provided for the committee before the Assembly's summer recess.

15. The information presented in this paper summarises spending on education, excluding further and higher education. More detailed analyses are available on request.

16. The standard published sources are as follows:

- Welsh Local Government Financial Statistics, 2004
- Schools in Wales: General Statistics 2004
- Local Government Financial Statistics England, 2004
- Statistics of Education, Schools in England 2004

17. Recent National Assembly statistical publications are available on the Assembly web site. These can be found at:

<http://www.wales.gov.uk/keypubstatisticsforwales/index.htm>

18. The Statistics Directorate holds the centrally collected information. Details of what data are available can be obtained from.

Local Government Financial Statistics
SD3

Cathays Park
Cardiff
CF10 3NQ
Tel (029) 2082 3963
Fax (029) 2082 5350
E-mail – stats.finance@wales.gov.uk

Analysis of local authority education budgets, 2004-05

Charts and tables

Table 1 - Education budgets, Wales, 2004-05

Table 2 - Education budgets, Wales and English regions, 2004-05

Table 3 - Education spend, Wales and England, 1999-00 to 2004-05

Table 4 - Education per pupil, authorities on the Wales-England border, 2004-05

Chart 1 - Education budget per pupil, Wales, 2004-05

Chart 2 - Education budget per pupil, Wales and English regions, 2004-05

Chart 3 - Education spend per pupil, Wales and England, 1999-00 to 2004-05 (amounts at cash prices)

Chart 4 - Education spend per pupil, Wales and England, 1999-00 to 2004-05 (amounts at constant 2004-05 prices)

Analysis of local authority education budgets, 2004-05

Table 1 - Education budgets, Wales, 2004-05 (a)

	Education £ thousand	Education £ per pupil (b)	Difference on Wales average
Isle of Anglesey	46,804	4,498	8.6%
Gwynedd	77,899	4,326	4.5%
Conwy	72,055	4,194	1.3%
Denbighshire	62,574	3,824	-7.7%
Flintshire	95,154	3,828	-7.5%
Wrexham	76,259	4,099	-1.0%
Powys	90,592	4,367	5.5%
Ceredigion	50,460	4,785	15.6%
Pembrokeshire	82,160	4,269	3.1%
Carmarthenshire	123,126	4,425	6.9%
Swansea	148,479	4,206	1.6%
Neath Port Talbot	95,181	4,354	5.2%
Bridgend	89,263	3,931	-5.1%
Vale of Glamorgan	82,508	3,806	-8.1%
Cardiff	207,109	4,145	0.1%
Rhondda Cynon Taff	173,458	4,078	-1.5%
Merthyr Tydfil	42,374	4,112	-0.7%
Caerphilly	123,226	4,049	-2.2%
Blaenau Gwent	50,570	4,437	7.2%
Torfaen	65,203	3,863	-6.7%
Monmouthshire	51,998	4,016	-3.0%
Newport	98,620	4,035	-2.6%
Wales	2,005,070	4,141	0.0%
Maximum	207,109	4,785	15.6%
Minimum	42,374	3,806	-8.1%

(a) The education expenditure figures in this table are on a "current basis", that is they include expenditure financed by specific government grants including ELWa grant for post 16 provision. The figures include expenditure on schools services, LEA central costs, mandatory student awards, inter-authority education recoupment, nursery schools and adult and youth education.

(b) The pupil numbers used in this table include full time equivalents for nursery, primary, secondary, special and pupil referral units.

Analysis of local authority education budgets, 2004-05

Table 2 - Education budgets, Wales and English regions, 2004-05 (a)

	Education £ thousand	Education £ per pupil (b)	Difference on Wales average
Wales	2,005,070	4,141	0.0%
Regional averages in England			
East	3,386,268	4,053	-2.1%
East Midlands	2,706,648	4,081	-1.4%
Inner London	2,168,571	6,059	46.3%
Outer London	3,189,685	4,655	12.4%
North East (met)	695,775	4,181	1.0%
North East (non-met)	962,146	4,171	0.7%
North West (met)	2,776,158	4,360	5.3%
North West (non-met)	1,906,809	4,199	1.4%
South East	4,842,306	4,185	1.1%
South West	2,914,543	4,049	-2.2%
West Midlands (met)	1,988,116	4,448	7.4%
West Midlands (non-met)	1,639,893	3,963	-4.3%
Yorkshire (met)	2,300,937	4,224	2.0%
Yorkshire (non-met)	1,031,715	4,089	-1.3%
Authority type averages in England			
London Boroughs	5,358,256	5,136	24.0%
Metropolitan Districts	7,760,986	4,324	4.4%
Unitary Authorities	5,388,411	4,270	3.1%
Shire Counties	13,999,366	4,041	-2.4%
Isles of Scilly	2,551	9,681	133.8%
Shire Authorities	14,001,917	4,041	-2.4%
England	32,509,570	4,298	3.8%
England excluding London	27,151,314	4,163	0.5%
Wales and England	34,514,640	4,288	3.6%

- (a) The education expenditure figures in this table are on a "current basis", that is they include expenditure financed by specific government grants including ELWa / LSC grant for post 16 provision. The figures include expenditure on schools services, LEA central costs, mandatory student awards, inter-authority education recoupment, nursery schools and adult and youth education.
- (b) The pupil numbers used in this table include full time equivalents for nursery, primary, secondary, special and pupil referral units.

Analysis of local authority education budgets, 2004-05

Table 3 - Education spend, Wales and England, 1999-00 to 2004-05 (a)

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (b)
Total spend						
Wales (£m)	1,407	1,517	1,651	1,739	1,921	2,005
% increase		7.8%	8.8%	5.3%	10.5%	4.4%
England excluding London (£m)	18,563	19,884	21,852	23,737	26,099	27,151
% increase		7.1%	9.9%	8.6%	10.0%	4.0%
England (£m)	22,164	23,747	26,121	28,405	31,293	32,510
% increase		7.1%	10.0%	8.7%	10.2%	3.9%
Wales as a % of England	6.3%	6.4%	6.3%	6.1%	6.1%	6.2%
Full time equivalent pupil numbers (c)						
Wales ('000)	491	491	490	488	486	484
% increase		0.0%	-0.2%	-0.3%	-0.5%	-0.3%
England excluding London ('000)	6,550	6,568	6,569	6,561	6,536	6,521
% increase		0.3%	0.0%	-0.1%	-0.4%	-0.2%
England ('000)	7,576	7,604	7,610	7,604	7,580	7,565
% increase		0.4%	0.1%	-0.1%	-0.3%	-0.2%
Spend per pupil						
Wales (£ per pupil)	2,868	3,092	3,372	3,562	3,955	4,141
% increase		7.8%	9.1%	5.6%	11.0%	4.7%
England excluding London (£ per pupil)	2,834	3,027	3,327	3,618	3,993	4,163
% increase		6.8%	9.9%	8.8%	10.4%	4.3%
England (£ per pupil)	2,926	3,123	3,432	3,735	4,128	4,298
% increase		6.7%	9.9%	8.8%	10.5%	4.1%
Average spend per pupil at constant 2004-05 prices						
Wales (£ per pupil)	3,229	3,441	3,660	3,738	4,034	4,141
England excluding London (£ per pupil)	3,191	3,369	3,611	3,797	4,072	4,163
England (£ per pupil)	3,294	3,476	3,725	3,920	4,210	4,298
Difference - England over Wales at constant 2004-05 prices						
England excluding London (£ per pupil)	-38	-72	-49	59	38	23
(% difference)	-1.2%	-2.1%	-1.3%	1.6%	0.9%	0.5%
England (£ per pupil)	65	35	66	182	176	157
(% difference)	2.0%	1.0%	1.8%	4.9%	4.4%	3.8%

- (a) The education expenditure figures in this table are on a "current basis", that is they include expenditure financed by specific government grants, including ELWa / LSC grant for post 16 provision. The figures include expenditure on schools services, LEA central costs, mandatory student awards, inter-authority education recoupment, nursery schools, and adult and youth education.
- (b) The expenditure figures are based on outturn data, with the exception of 2004-05 which are budgeted.
- (c) The pupil numbers used in this table include full time equivalents for nursery, primary, secondary, special and pupil referral units.

Analysis of local authority education budgets, 2004-05

Table 4 - Education per pupil, authorities on the Wales-England border, 2004-05 (a)

	<u>Education £ per pupil</u>
North	
Cheshire SC	3,986
Wirral MD	4,352
Conwy	4,194
Denbighshire	3,824
Flintshire	3,828
Wrexham	4,099
Central	
Herefordshire UA	3,863
Shropshire SC	3,883
Telford & Wrekin UA	4,103
Worcestershire SC	3,828
Powys	4,367
South	
Gloucestershire SC	3,926
South Glous UA	3,792
Monmouthshire	4,016
Newport	4,035
Cardiff	4,145
Averages	
Wales	4,141
English averages	
Metropolitan District	4,324
Shire County	4,041
Unitary Authority	4,270
England excluding London	4,163
England	4,298

(a) The education expenditure figures in this table are on a "current basis", that is they include expenditure financed by specific government grants including ELWa grant for post 16 provision. The figures include expenditure on schools services, LEA central costs, mandatory student awards, inter-authority education recoupment, nursery schools and adult and youth education. The pupil numbers used in this table include full time equivalents for nursery, primary, secondary, special and pupil referral units.

Analysis of local authority education budgets, 2004-05

Chart 1 - Education budget per pupil, Wales, 2004-05 (a)

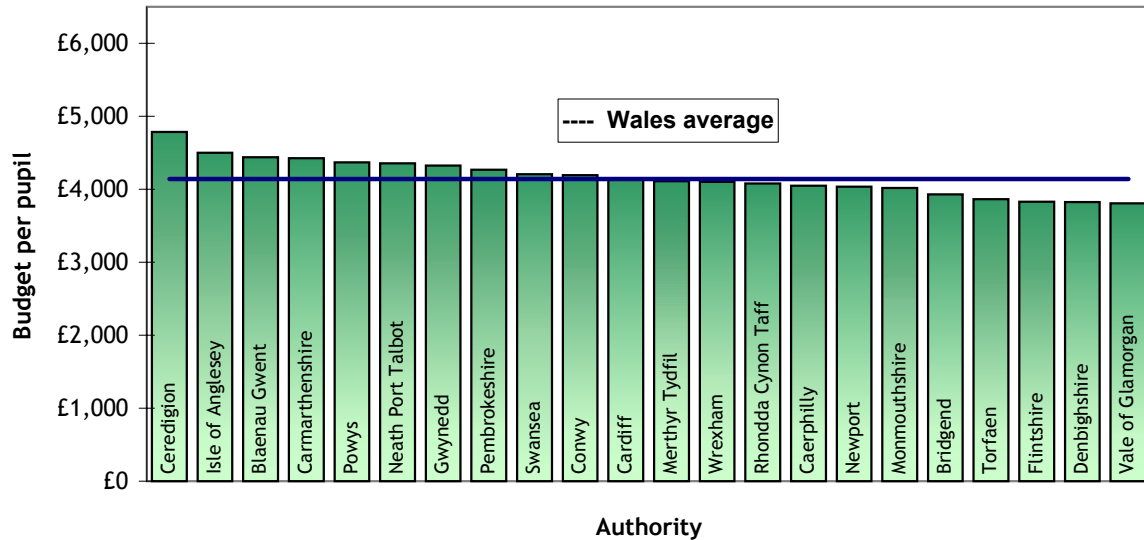
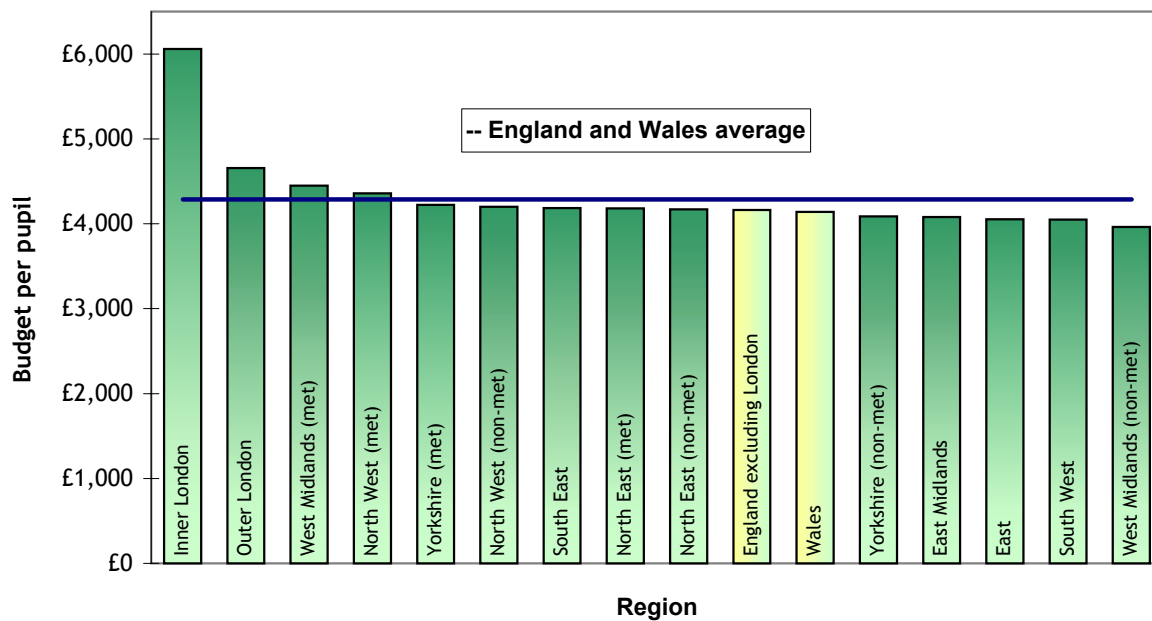
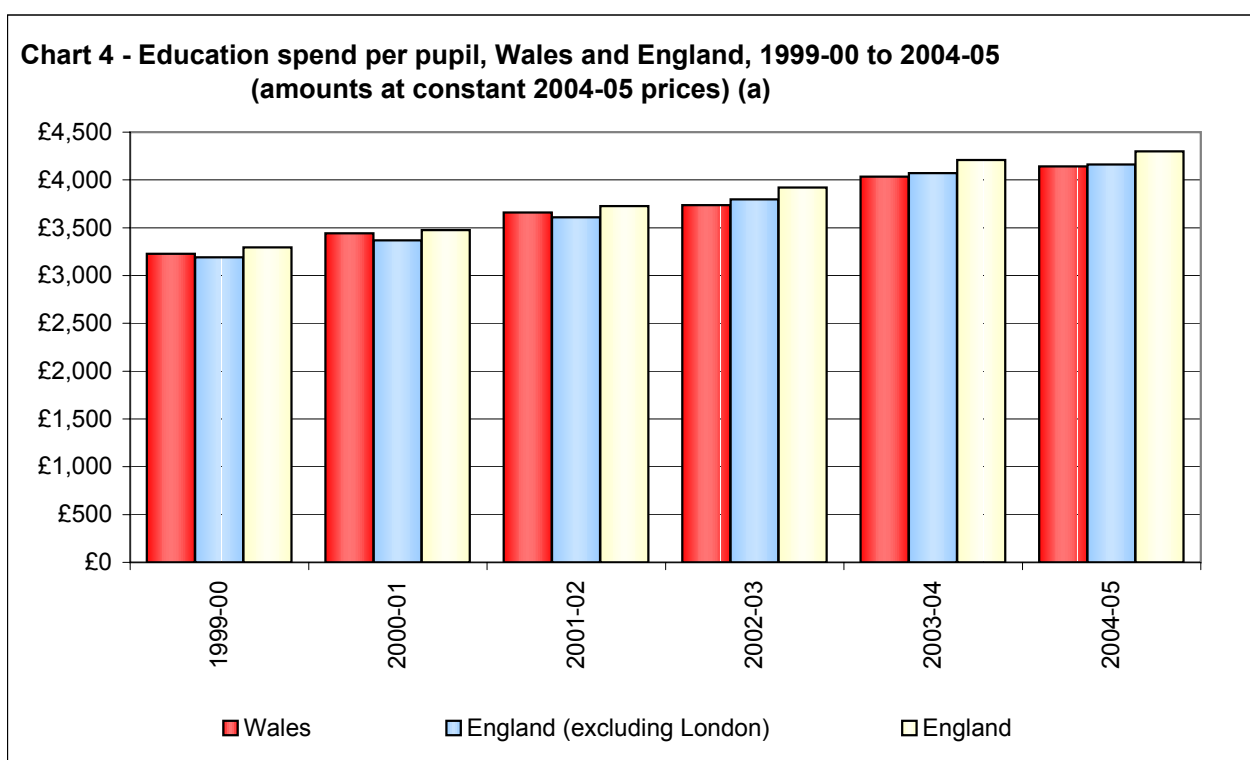
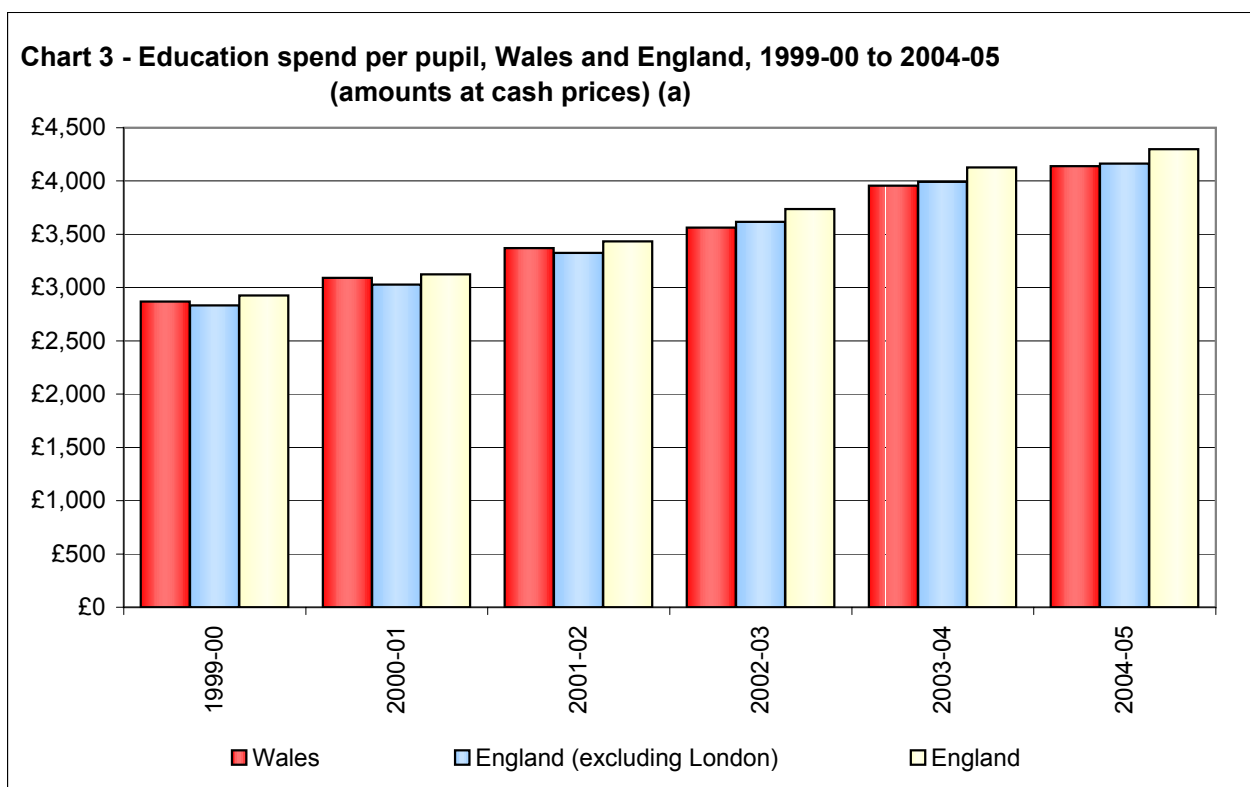


Chart 2 - Education budget per pupil, Wales and English regions 2004-05(a)



(a) The education expenditure figures in this table are on a "current basis", that is they include expenditure financed by specific government grants including ELWa / LSC (England) grant for post 16 provision. The figures include expenditure on schools services, LEA central costs, mandatory student awards, inter-authority education recoupment, nursery schools and adult and youth education.

Analysis of local authority education budgets, 2004-05



(a) The education expenditure figures in this table are on a "current basis", that is they include expenditure financed by specific government grants including ELWa / LSC (England) grant for post 16 provision. The figures include expenditure on schools services, LEA central costs, mandatory student awards, inter-authority education recoupment, nursery schools and adult and youth education. The historical trend is based on outturn data, with the exception of 2004-05 which is budgeted.

Education local authority budgeted delegation rates, by authority

Authority	2002-03 (a)	2003-04 (b)	2004-05 (c)	2005-06 (c)
Isle of Anglesey	79.6%	76.3%	72.2%	71.1%
Gwynedd	80.0%	79.1%	76.5%	76.7%
Conwy	80.2%	80.8%	76.3%	75.0%
Denbighshire	81.4%	81.6%	78.4%	77.9%
Flintshire	78.9%	79.0%	75.3%	74.9%
Wrexham	77.7%	76.6%	74.2%	75.5%
Powys	78.6%	77.1%	75.8%	72.6%
Ceredigion	81.8%	79.6%	75.5%	76.4%
Pembrokeshire	80.7%	80.1%	78.4%	79.6%
Carmarthenshire	79.5%	78.6%	77.3%	76.8%
Swansea	81.3%	78.9%	76.7%	77.6%
Neath Port Talbot	82.4%	82.4%	75.8%	74.7%
Bridgend	82.6%	82.8%	80.3%	81.2%
The Vale of Glamorgan	82.6%	84.6%	78.8%	80.5%
Cardiff	83.8%	80.5%	78.2%	79.0%
Rhondda Cynon Taff	81.3%	77.2%	75.4%	76.5%
Merthyr Tydfil	82.6%	79.9%	78.9%	76.7%
Caerphilly	80.4%	78.4%	75.6%	74.4%
Blaenau Gwent	78.1%	75.3%	73.4%	75.2%
Torfaen	83.6%	81.1%	79.2%	76.4%
Monmouthshire	80.5%	78.8%	76.3%	75.2%
Newport	83.0%	79.3%	76.2%	76.9%
Wales	81.1%	79.5%	76.7%	76.7%
Minimum	77.7%	75.3%	72.2%	71.1%
Maximum	83.8%	84.6%	80.3%	81.2%

(a) Net Individual Schools' Budget (ISB) as a percentage of net Local Schools' Budget (LSB).

(b) Gross ISB as a percentage of gross LSB.

(c) Gross ISB as a percentage of gross 'schools expenditure'.

£ million

Comparison of forecast and outturn capital expenditure for education, by unitary authority

Authority	2000-01		2001-02		2002-03		2003-04		2004-05			
	Forecast	Outturn	Difference	%	Forecast	Outturn	Difference	%	Forecast	Outturn	Difference	%
Isle of Anglesey	2.2	1.3	-38%	3.3	3.7	3.0	-19%	2.8	2.0	3.4	1.5	-55%
Gwynedd	2.9	3.2	12%	4.1	4.1	4.5	12%	3.4	4.2	5.4	3.6	-33%
Conwy	1.4	2.0	51%	3.4	1.2	1.9	-6%	6.2	3.3	2.5	12.5	407%
Denbighshire	0.6	1.4	146%	2.5	4.5	3.1	-32%	5.9	4.3	6.1	4.6	-24%
Flintshire	3.1	3.9	27%	5.8	3.6	4.1	15%	2.0	4.7	0.6	2.6	307%
Wrexham	2.7	3.7	37%	3.9	4.0	5.4	34%	7.7	7.5	15.7	16.5	5%
Powys	3.6	4.1	13%	3.3	4.9	3.4	-30%	5.3	4.0	4.2	4.9	17%
Ceredigion	0.8	1.3	62%	1.5	1.5	1.7	12%	2.5	3.1	2.6	2.1	-20%
Pembrokeshire	7.3	5.7	-22%	4.4	7.5	5.2	-31%	12.7	6.6	11.2	8.9	-21%
Carmarthenshire	2.4	3.4	42%	3.5	2.2	5.4	148%	5.2	7.3	5.2	7.7	48%
Swansea	3.6	3.9	8%	7.5	5.0	5.4	9%	5.4	10.2	2.9	6.5	126%
Neath Port Talbot	2.9	2.0	-31%	2.9	2.4	1.9	-22%	3.7	2.0	2.9	4.4	54%
Bridgend	2.4	4.1	70%	2.9	4.8	6.5	34%	3.9	3.9	3.9	5.3	37%
Vale of Glamorgan	5.3	5.1	-4%	3.8	7.4	7.1	-4%	6.6	7.2	5.0	4.2	-15%
Rhondda Cynon Taff	4.7	7.2	55%	11.8	9.8	12.0	22%	13.9	10.6	13.0	10.8	-17%
Merthyr Tydfil	1.1	1.2	12%	1.6	1.9	2.2	16%	3.6	2.4	2.8	2.6	-6%
Caerphilly	4.0	4.8	18%	2.1	4.2	4.9	16%	2.0	4.0	7.5	10.0	35%
Blaenau Gwent	1.2	1.8	53%	1.9	1.5	2.3	58%	2.1	8.1	8.8	6.9	-22%
Torfaen	2.3	1.7	-28%	2.6	3.1	1.9	-38%	3.5	2.8	6.9	5.1	-27%
Monmouthshire	1.0	1.8	75%	1.7	0.6	1.4	118%	4.9	3.1	3.4	7.2	112%
Newport	7.5	5.2	-30%	7.1	5.9	4.3	-27%	4.7	4.8	4.4	5.0	12%
Cardiff	7.9	7.2	-9%	12.6	10.3	9.4	-9%	9.2	9.9	10.0	10.9	9%
Total Unitary Authorities	70.7	76.0	7%	94.2	94.2	96.9	3%	117.3	115.9	128.2	143.8	12%
Annual percentage change in outturn:							1%		20%			24%

Source: Local Government Financial Statistics Unit

Capital expenditure on education, pounds per head, by unitary authority (a)

Authority	2000-01	2001-02	2002-03	2003-04	2004-05
Isle of Anglesey	20	38	44	29	22
Gwynedd	27	48	39	36	31
Conwy	19	30	17	30	113
Denbighshire	16	38	33	46	49
Flintshire	27	26	28	32	18
Wrexham	29	27	42	58	128
Powys	33	44	27	32	38
Ceredigion	18	26	22	42	27
Pembrokeshire	51	47	46	58	78
Carmarthenshire	20	27	31	42	44
Swansea	17	29	24	46	29
Neath Port Talbot	15	30	14	15	33
Bridgend	32	32	51	31	41
Vale of Glamorgan	43	35	59	60	35
Rhondda Cynon Taff	31	35	52	46	47
Merthyr Tydfil	21	35	40	42	47
Caerphilly	28	38	29	23	59
Blaenau Gwent	25	32	33	116	100
Torfaen	18	23	21	31	56
Monmouthshire	21	35	16	36	84
Newport	38	29	31	35	36
Cardiff	23	32	30	32	35
Total Unitary Authorities	26	33	33	40	49

(a) Uses the Registrar General's mid-year estimates of population 1998 for 2000-01, 1999 for 2001-02, 2000 for 2002-03, 2001 for 2003-04 and 2002 for 2004-05.

Education as a percentage of all services, capital, by unitary authority

£ million

Authority	2000-01		2001-02		2002-03		2003-04		2004-05	
	Education	All services %	Education	All services %	Education	All services %	Education	All services %	Education	All services %
Isle of Anglesey	1.3	11.1	2.6	12.2	3.0	17.5	2.0	17.7	1.5	19.0
Gwynedd	3.2	25.3	5.5	30.1	4.5	25.5	4.2	26.7	3.6	34.8
Conwy	2.0	19.3	3.2	23.4	1.9	22.9	3.3	23.6	12.5	34.8
Denbighshire	1.4	15.8	3.5	21.2	3.1	23.5	4.3	21.8	4.6	22.6
Flintshire	3.9	31.9	3.8	18.4	4.1	23.7	4.7	29.7	2.6	30.1
Wrexham	3.7	20.4	3.4	24.0	5.4	29.5	7.5	34.4	16.5	42.7
Powys	4.1	20.6	5.6	26.5	3.4	24.1	4.0	26.7	4.9	29.7
Ceredigion	1.3	12.0	1.9	13.0	1.7	20.3	3.1	23.8	2.1	19.6
Pembrokeshire	5.7	24.6	5.2	26.2	5.2	25.2	6.6	29.0	8.9	31.2
Carmarthenshire	3.4	37.8	4.7	33.6	5.4	34.5	7.3	41.9	7.7	56.1
Swansea	3.9	30.2	6.6	40.6	5.4	46.9	10.2	58.2	6.5	71.6
Neath Port Talbot	2.0	29.4	4.0	33.2	1.9	25.7	2.0	31.8	4.4	47.8
Bridgend	4.1	21.5	4.1	22.1	6.5	23.8	3.9	24.5	5.3	25.5
Vale of Glamorgan	5.1	15.9	4.1	18.2	7.1	21.2	7.2	18.5	4.2	20.2
Rhondda Cynon Taff	7.2	40.2	8.1	42.0	12.0	44.1	10.6	52.2	10.8	62.0
Merthyr Tydfil	1.2	13.6	2.0	11.4	2.2	10.8	2.4	13.4	2.6	14.1
Caerphilly	4.8	29.6	6.4	31.6	4.9	32.1	4.0	41.1	10.0	48.8
Blaenau Gwent	1.8	17.5	2.3	19.5	2.3	29.5	8.1	39.3	6.9	35.1
Torfaen	1.7	16.9	2.1	21.5	1.9	18.0	2.8	21.1	5.1	26.6
Monmouthshire	1.8	11.8	3.0	14.7	1.4	16.6	3.1	17.0	7.2	22.6
Newport	5.2	24.7	4.0	27.1	4.3	43.2	4.8	42.2	5.0	52.2
Cardiff	7.2	60.0	10.1	65.2	9.4	55.8	9.9	64.9	10.9	71.2
Total Unitary Authorities	76.0	530.1	96.1	575.7	96.9	614.3	115.9	699.4	143.8	818.4

Source: Local Government Financial Statistics Unit



Key source of funding for local education authorities and schools in Wales

- Revenue support grant (RSG)

The Welsh Assembly Government provides around 80% of funding to local authorities in Wales in the form of Revenue Support Grant (RSG) and redistributed national non-domestic rates (NDR). The other 20% of local authority funding is raised locally in the form of council tax which is set by each authority as part of its annual budget setting process. The RSG is distributed on the basis of a needs based formula maintained and reviewed by a joint Assembly/local government working group called the Distribution Sub Group.

- Grant funding

Additionally, local authorities may receive additional funding through the Assembly grant programme. In terms of education-related grants, the Assembly Government has made a number of special grant reports and specific grants.

- Special grant reports - in the absence of any other power to pay grant, special grant provisions under Section 88B of the *Local Government Finance Act 1988* may be used to distribute funds to one or more local authorities. Approval is needed from the Assembly to make the grant and, in seeking this, a Special Grant Report should be submitted to the Assembly, which sets out the purpose, allocation criteria and who will receive the grant. The powers to make special grants are broad and flexible and cannot be used indefinitely. Special grant reports include funding to reduce Key Stage 2 class sizes. A complete list of education-related special grant reports since 1999 is shown at Annex 2.
- Specific grants - Section 14 of the Education Act 2002 provides a general power to the National Assembly to give financial assistance for purposes related to education or childcare. Section 14 has replaced the use of Section 484 of the Education Act 1996 under which the Assembly was able to make regulations for grants for education support and training. Recent specific grants have included those for school uniforms, the ethnic minority achievement grant, and RAISE, the Assembly Government's new programme targeting disadvantaged pupils, seeking to raise their levels of performance.

Additional factors or criteria which may be taken into account in a local education authority formula*

Except where otherwise stated the factors or criteria set out below in this Schedule may be taken into account by a local education authority in their formula on the basis of actual or estimated cost.

1. Special educational needs of pupils determined in a manner that the authority consider appropriate as a means of assessing such needs.
2. Pupils for whom English or Welsh is not their first language.
3. Turnover of pupils other than as part of the general admissions process at a school.
4. The extent to which the authority meet the cost of admission arrangements at a school other than from the school's delegated budget.
5. The size and condition of a school's buildings and grounds relative to those of other schools maintained by the authority: the funding must be in accordance with scales published by the authority which reflect (so far as appropriate) the statutory duties of governing bodies in relation to school premises and their eligibility for grant from the National Assembly or any government department.
6. A school which has a split site: the funding must be in accordance with criteria published by the authority.
7. Facilities, for the education of pupils, found at some schools only.
8. Rates payable in respect of the premises of each school (including actual or estimated cost).
9. Charges for water and sewerage (including actual or estimated cost).
10. Use of energy by schools.
11. Rent payable in respect of school premises or payments in respect of the use by a school of facilities not exclusively occupied by that school (including actual or estimated cost).
12. Cleaning of school premises.
13. Transport to and from activities outside the school premises which form part of the school's curriculum (including actual or estimated cost).

* Source: Schedule to Schools Budget Shares (Wales) Regulations 2004

14. Hire of facilities outside school premises (including actual or estimated cost).

15. In cases where an amount in respect of insurance is to be included in the school's budget shares -

(a) where the authority insure, the appropriate proportion of the authority's planned expenditure on insurance; or,

(b) where the authority do not insure, the appropriate proportion of the amount that the authority would have spent had they insured,

to be determined on a basis decided by the authority which must have regard to the number of registered pupils at the school.

16. Payments in relation to a private finance transaction as defined in regulation 16 of the Local Authorities (Capital Finance) Regulations 1997 (including actual or estimated cost).

17. Amounts payable to a school which is, as the result of the discontinuance of one or more maintained schools, either established or, pursuant to Chapter II of Part II of the 1998 Act, the subject of prescribed alterations, to reflect the extent to which a school which has been discontinued has spent more than or has not spent all of its budget share (within the meaning of the 1996 or the 1998 Act) in any financial year. Any such factor or criteria must provide that any amount deducted must not exceed the amount which the school receives during the financial year as part of its budget share by virtue of being a new school.

18. Whether the school is to be discontinued in the financial year in question.

19. School milk, meals and other refreshment: the authority may not treat any element of this expenditure as having a negative value.

20. Salaries at a school (including actual or estimated cost): the funding must be in accordance with a scale published by the authority.

21. Safeguarding of salaries in accordance with orders made from time to time under section 122 of the 2002 Act or safeguarding other salaries.

22. Social priority allowances in accordance with a School Teachers' Pay and Conditions Document having effect in accordance with an order under section 122 of the 2002 Act (including actual or estimated cost).

23. The need for single payments to be allocated to primary, secondary or special schools, or any combination of such schools, regardless of size.

24. The need for payments to be allocated to schools, of a size and satisfying other conditions, specified by the authority.

25. Schools whose budget shares would otherwise be reduced year-on-year by more than 5 per cent: the funding must be in accordance with a scale published by the authority.
26. Contracts to which the governing body of a school are bound by virtue of a provision in the authority's scheme (including actual or estimated cost).
27. Payroll administration costs: the funding must be based on the number of staff at the school, unless factors permitted elsewhere in these Regulations are used.
28. Any other factors or criteria not otherwise falling within this Schedule provided that the total amount allocated in accordance with the authority's formula, having regard to such factors or criteria, does not exceed 1 per cent of the authority's schools budget.
29. Effect of taxation on schools.
30. Incidence of pupils from ethnic minorities having below average levels of academic achievement in relation to other pupils in the authority's area, to be determined on a basis decided by the authority.
31. Incidence of nursery classes and places recognised by the authority as reserved for children with special educational needs.
32. Incidence of Newly Qualified Teachers.
33. Housing development or armed forces' movements leading to an increase or reduction in numbers on roll at a school of at least 20% within the financial year in question.
34. Prior attainment of pupils entering a school.
35. Infant class sizes limited by Regulations made under section 1 of the 1998 Act: the authority may include a sum which reflects any increase in expenditure incurred as a direct result of those Regulations.
36. Junior class sizes limited to a maximum of 30 pupils: the authority may include a sum which reflects any increase in expenditure incurred as a direct result of conditions contained in any special grant made in accordance with section 88A of the Local Government Finance Act 1988 or any arrangements for financial assistance provided in accordance with section 14 of the 2002 Act which requires an improvement of school standards by reducing class sizes.

Education-related Special Grant Reports Approved by the National Assembly for Wales			
Report	Description/Purpose	Date Approved	Value (£)
6/2000	School Support Grant (funds to be used for improving standards)	16/05/2000	20,000,000
9/2000	School Support Grant (funds to be used for improving standards)	19/12/2000	7,000,000
4/2001	Reducing Key Stage 2 class sizes, improving standards at Key Stage 3 and supporting underperforming schools	08/03/2001	26,000,000
8/2001	School Support Grant (funds to be used for any purpose relating to the school)	10/05/2001	15,000,000
14/2001	Reducing administrative burdens	10/07/2001	2,000,000
23/2001	Reducing Key Stage 2 class sizes, improving standards at Key Stage 3 and supporting underperforming schools	05/02/2002	25,000,000
4/2002	Teachers' threshold pay	28/02/2002	5,057,730
6/2002	To help schools work together, community use of schools and introducing unique pupil numbers	30/04/2002	3,205,000
8/2002	Teachers' threshold pay and costs associated with assimilating into the leadership group	18/07/2002	18,700,000
13/2002	To assist small and rural schools to work together, help community use of school buildings and assistance with unique pupil numbers	12/02/2003	4,760,000
19/2002	Funding to help meet teachers' threshold pay costs	10/12/2002	5,196,288
2/2003	Relief for administrative burdens	19/03/2003	3,000,000
12/2002	Reducing Key Stage 2 class sizes, improving standards at Key Stage 3 and supporting underperforming schools	05/03/2003	32,000,000
8/2004	Supporting innovation and developing schemes for schools to work together; supporting schools to increase the community use of school buildings; providing administrative support in schools where the head has significant teaching commitment.	25/02/2004	3,500,000
9/2003	Key Stage 2 class size reduction; improve standards at Key Stage 3 and support low-performing schools	02/03/2004	31,500,000
6/2004	Key Stage 2 class size reduction; support low performing schools and support for head teachers with teaching commitments	08/03/2005	23,000,000
Total			224,919,018

Source: Welsh Assembly Government

Home to school transport (net current expenditure, by authority)						
	2002-03		2003-04		2004-05	
	Spend per pupil		Spend per pupil		Spend per pupil	
	Primary	Secondary	Primary	Secondary	Primary	Secondary
	£	£	£	£	£	£
Isle of Anglesey	57.9	188.7	61.5	219.7	63.2	226.8
Gwynedd	68.0	173.9	72.5	181.3	72.7	198.6
Conwy	68.9	133.7	72.9	150.8	76.9	162.7
Denbighshire	56.6	107.9	57.8	120.9	57.0	132.9
Flintshire	45.4	131.2	53.7	156.4	57.0	171.3
Wrexham	80.9	200.3	88.2	213.1	80.5	172.3
Powys	170.1	329.9	180.6	382.0	172.1	355.8
Ceredigion	114.0	428.7	118.5	455.8	119.9	496.4
Pembrokeshire	144.9	268.9	142.0	287.4	140.7	276.6
Carmarthenshire	49.3	244.1	53.0	249.7	54.5	269.3
Swansea	72.7	132.5	79.2	149.3	80.8	154.3
Neath Port Talbot	38.6	141.7	48.4	152.1	54.8	160.5
Bridgend	77.9	177.2	81.1	189.7	60.5	204.4
Vale of Glamorgan	41.5	129.8	43.9	143.6	47.9	145.4
Rhondda Cynon Taf	84.3	191.8	86.7	218.3	101.6	219.6
Merthyr Tydfil	37.0	128.7	77.2	166.9	109.2	175.2
Caerphilly	71.0	139.2	71.2	147.4	72.0	159.5
Blaenau Gwent	70.4	101.5	56.4	121.4	70.8	115.6
Torfaen	32.8	89.2	36.6	96.7	36.6	92.6
Monmouthshire	156.9	228.2	140.8	261.7	178.8	278.4
Newport	28.8	47.6	28.3	65.9	27.5	69.6
Cardiff	15.0	51.7	16.0	54.6	17.1	54.5
All authorities	67.1	159.6	70.7	177.1	73.5	181.8
This analysis excludes special schools and other settings						

Glossary of terms

CPD	Continuing Professional Development
ELLS	Education Lifelong Learning and Skills
FEFC	Further Education Funding Council
IBA	Indicator-Based Assessments
ISB	Individual Schools Budget
LEA	Local Educational Authority
LGPS	Local Government and Public Services
RA	Revenue Accounts Form
RSG	Revenue Support Grant
S52	Section 52 Forms
SSA	Standard Spending Assessment
WAO	Wales Audit Office