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Y Gweinidog Tai a Llywodraeth Leol
Minister for Housing and Local Government



Llywodraeth Cymru
Welsh Government

John Griffiths AM
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Dear John and Lynne,

I am writing to you to provide the Equality, Local Government and Communities Committee and the Children, Young People and Education (CYPE) Committee with further details of the technical arrangements for prioritising funding for teachers' pay and pensions in maintained schools from nursery to year 11 which was included within the provisional local government settlement, for 2020-21. I know this is something which was raised with the Minister for Education at the CYPE Committee on 8 January.

As you will be aware, the local government settlement provides an un-hypothecated grant meaning authorities are able to make their own spending decisions according to their local needs and priorities. The formula which underpins the settlement uses a range of spending data, forecast data and statistical indicators to determine the distribution between authorities on the basis of relative need. The settlement also takes into account what local authorities can reasonably expect to raise locally through council tax, taking account of the distribution of properties across the council tax bands in each authority.

Funding can be added to the settlement calculation at various different levels. If funding is added at the top level it is divided between services according to expenditure and is then distributed between authorities according to each of the related 'Indicator Based Assessments'. Funding can also be added at a specific service area level so that the distribution between authorities is based on data and indicators specific to that service. For example, £100m added at the personal social services sector level will give a different distribution to £100m added to the transport sector, as there is a different relative need between authorities. While these 'Indicator Based Assessments' underpin the distribution calculations, they are not spending targets for each service a local authority provides.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

For the 2020-21 settlement the total additional funding on a like-for-like basis is £184 million. Welsh Government have estimated the additional costs arising from UK Government changes to relevant employer pension contributions; the additional costs of the 2019/20 teachers' pay deal for the full 2020-21 financial year; and the potential impact of the 2020/21 pay award which will come into effect from September 2020. The total estimate of cost is £122.5 million. That has been provided and distributed according to the indicators which apply to the schools service sector.

I attach a technical note in the annex, which explains how this has been done, for anyone who wishes to see this level of detail.

I made the decision to ensure that sufficient funding to meet the increased costs in schools was distributed on the relative need of authorities for the schools service area. Local authorities will judge whether to provide school budgets with more or less funding as part of their decision making over their total un-hypothecated settlement. I do note that, throughout the past decade of real cuts in local expenditure, Welsh local authorities have given school budgets relative protection. I note also the statement of the WLGA Finance Spokesperson, Cllr Anthony Hunt, who has confirmed:

“Local government shares the same priorities with Welsh Government. Leaders across Wales will be doing everything in their power to ensure that funding is directed towards schools to improve education outcomes, and towards social care to ensure the most vulnerable in our communities receive the care they deserve”.

Committee Members will have noted that the settlement provides different local authorities with different rates of increase in revenue support, ranging from 3% to 5.3%. This reflects the relative changes in a wide range of factors. The biggest impact derives from the relative change of overall population and school age populations across each local authority area. Local authorities will continue to reflect these changes in school populations as part of their allocations.

Yours sincerely



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Cc. Kirsty Williams AM, Minister for Education

Due to the way that the formula works, taking account of local authority spending data and forecast spend, part of the £122.5 million is already falling into the education service sector from baseline data. To ensure there is no double counting or missing funding due to authorities recording expected funding for pensions and teachers grant differently in their budgeted expenditure forms a number of adjustments have been made, amounting to a reduction of £43 million. This gives a residual amount of £79.3 million to be directed into the schools services sector so that overall £122.5m additional funding is distributed between authorities based on their relative need for schools funding. I am confident that this treatment reflects in full the additional expenditure pressures falling on schools during the coming year.

For absolute transparency, the elements of the £43 million adjustment are:

- A reduction of £39.1 million, the estimated cost of the 2019-20 teacher' pensions uplift, as this should have already been included by authorities on their budgeted expenditure forms and would automatically be distributed through the schools sector element of the formula.
- An increase of £10.4 million, the amount of specific grant income erroneously included in local authority budget forms. Grant income is netted off expenditure as part of the settlement calculation and as the pensions funding is being paid through the settlement not as a specific grant in 2020-21 this would incorrectly reduce the level of funding in the education service sector.
- A reduction of £14.5 million which is an estimate of the cost of a 2% pay rise included by local authorities from the 2019/20 teachers pay deal which fell into 2019-20 financial year (seven months expenditure). This should have been included in the local authority budgeted expenditure forms and therefore distributed through the schools sector automatically. The WLGA confirmed that 20 out of 22 local authorities had budgeted for a 2% pay rise which equates to £14.5m. Welsh Government did provide a grant towards the pay rise in 2019-20 however this was announced at too late a stage for it to be included on local authority budgeted expenditure forms.