



# Local authority support for schools to manage their budgets

March 2026

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## Executive summary

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Local authorities play a vital role in helping schools plan, manage and use their financial resources. At a time of rising costs, demographic shifts and increasing pressures on school budgets, high-quality local authority support is essential for schools to remain financially stable and able to prioritise resources to meet pupils' needs. This report considers how effectively local authorities support schools with budget management and strategic financial planning. The report draws on evidence from a national survey of local authorities, governing bodies and school leaders as well as documentary review and interviews with finance officers, education officers, headteachers, school business managers and governors.

### Purpose of the review

This review aims to evaluate the nature and effectiveness of the support that local authorities provide to maintained schools in Wales. It examines the following aspects:

- the clarity and timeliness of financial advice
- the transparency of local authorities' budget-setting processes
- the quality of relevant training for headteachers, business managers and governors
- how local authorities monitor risk, intervene in schools which face financial difficulty and support recovery
- how well local authorities help schools use targeted grants such as the pupil development grant (PDG); and
- how local authorities promote equity and long-term sustainability in their funding decisions.

### Overview of findings

Across Wales, local authorities showed strong commitment to supporting schools and maintaining constructive professional relationships with regards to budget management and strategic financial planning. Most schools valued the advice they received and had confidence in their link finance teams. However, the review found considerable variation between authorities, particularly in the depth of how they supported strategic planning, the clarity and timeliness of information, and the systems used to monitor risk and support improvement.

Three overarching messages emerged from the evidence.

#### **1. Operational financial support is strong, but strategic support is inconsistent**

Most local authorities provided secure operational guidance. Schools and governors were positive about day-to-day advice on budget monitoring, coding expenses and compliance. In most authorities, schools found officers were approachable and responsive, and templates for staffing forecasts and grant planning were widely used.

Overall, strategic support by local authorities varied considerably. Only a minority of authorities provided consistently strong support to help schools model the medium-term implications of their decisions, although many encouraged three-year planning in practice. In many authorities, support focused on balancing annual budgets rather than developing long-term plans. Limited capacity in local authorities, late grant funding announcements and fragmented cross-service working often restricted strategic oversight. Strong practice occurred where finance, human resources (HR) and school-improvement officers met jointly with schools and aligned financial decisions with educational priorities.

## **2. Budget-setting processes were generally open and transparent, but the quality, clarity and timeliness of information were uneven**

Budget-setting arrangements were usually structured and procedurally transparent. Most authorities issued planning timelines, offered meetings with finance officers and engaged schools through budget forums or consultation groups. Schools valued these opportunities and described communication as constructive.

The information schools received, however, was not always clear or timely, despite most authorities issuing guidance within required deadlines. Many schools struggled to confidently understand how delegated budgets were calculated, particularly where formulae had not been reviewed for many years or where documentation was highly technical. Late funding announcements from Welsh Government to local authorities remained a major barrier. Only around half of governors surveyed felt they received information early enough to make confident staffing or curriculum decisions. In authorities with small finance teams, capacity issues sometimes reduced consistency and limited the depth of collaborative planning.

## **3. Systems for monitoring financial risk and supporting schools in difficulty were well-intentioned but varied in quality**

Most authorities monitored budgets regularly and maintained supportive relationships with schools. Many used dashboards, RAG-rating systems or multi-agency meetings to track emerging risks. Schools generally found finance teams helpful when deficits emerged.

Support for long-term planning was strongest where authorities provided multi-year projections and helped schools understand demographic trends and implications of

staffing costs. However, early identification of risk was not consistent. A minority of authorities used integrated financial, HR and school-improvement data to diagnose pressures. In many areas, deficit recovery focused on immediate savings rather than long-term sustainability. Approaches to targeted grants such as the pupil development grant (PDG) were mostly compliance-driven, with limited evaluation of impact. Very few local authorities demonstrated a more strategic approach to the use of targeted grants, for example by consolidating them into wider programmes to clearly link their use to priorities and analyse outcomes.

## Introduction

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This thematic review responds to a request for advice from the Welsh Government<sup>1</sup> and aims to provide an independent national picture of how well local authorities support schools to manage their budgets and plan for long-term financial sustainability.

The intended audience for this report includes the Welsh Government, local authorities, school leaders, governing bodies and partner organisations involved in school funding, financial governance and school improvement. It will also be of interest to organisations working on policy development, equity, resource management and leadership capacity across Wales.

The report provides a succinct overview of the nature and effectiveness of local authority support for schools in six areas:

1. Strategic financial advice and communication
2. Transparency and collaboration in budget-setting processes
3. Financial training and literacy
4. Monitoring, risk identification and intervention
5. Support for the use of targeted grants; and
6. Equity and sustainability in funding and planning.

To inform this evaluation, Estyn drew on a wide range of evidence. Fieldwork included visits to 13 local authorities, a substantial programme of interviews with finance officers, school-improvement officers, headteachers, school business managers and governors. This was complemented by two national surveys: one sent to all 22 local authorities and another to all school governing bodies and school leaders. Estyn also carried out a detailed review of existing documentation including Welsh Government financial guidance, local authority reports, local authority budget policies and other relevant evidence. Further details on the methods used are provided in the methods

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<sup>1</sup> [Estyn annual remit: 2025 to 2026 \[HTML\] | GOV.WALES](#) ([Cylch gwaith blynyddol Estyn: 2025 i 2026 \[HTML\] | LLYW.CYMRU](#))

and evidence base section of the report.

Across the report, we highlight effective approaches, identify systemic barriers and draw on evidence to provide clear recommendations for strengthening financial leadership, improving transparency and supporting more sustainable long-term planning across Wales.

Across the sections within the report, common structural constraints — including local authority capacity, late national funding announcements and fragmented cross-service working — shaped how schools experienced financial support. These factors are therefore referenced throughout the report and are not restated in full in every section.

## Background

This thematic review builds on Welsh Government and Senedd concerns about increasing financial pressures on schools, variability in funding formulae and the rising number of schools experiencing budget deficits. There was no previous Estyn thematic work focused specifically on the financial support local authorities provide to schools. On the 31<sup>st</sup> of March 2025 Welsh Government statistics showed there were 393 maintained schools (approx. 27% of all schools) in Wales holding negative reserves totalling £72 million overall.

Table 1: Number of schools with reserves as a percentage of delegated schools expenditure at 31 March 2025

<b>Sector</b>	<b>Negative</b>	<b>Less than 5%</b>	<b>Between 5% and 10%</b>	<b>Over 10%</b>	<b>All schools</b>
Nursery	2	0	0	4	6
Primary	296	372	286	261	1,215
Middle	15	8	4	4	31
Secondary	71	64	29	12	176
Special	9	15	10	5	39
<b>Total</b>	<b>393</b>	<b>459</b>	<b>329</b>	<b>286</b>	<b>1,467</b>

Source: Welsh Government (2025), *Reserves held by schools as at 31 March 2025*

Evidence from Estyn’s inspection work indicates that while most local authorities provide schools with secure operational financial support, the quality and consistency of strategic financial advice vary widely across Wales. Many schools value the day-to-day assistance they receive from local authority finance teams, but they often have less access to strategic modelling, multi-year planning or integrated support that links financial decisions with curriculum and staffing choices. Evidence from pre-inspection questionnaires completed by school governors in inspections in the 2024-25 academic year show that only a minority of governors who responded received training on managing the school budget<sup>2</sup>.

<sup>2</sup> We asked ‘Have you received the following training to support you in your role as a school governor? Select all that apply’. ‘Managing the budget’ was one of several options. Data from 2024 – 25 inspections showed that 33.8% of 1,512 primary school governors, 33.6% of 301 secondary school governors, and 35.1% of 77 all-age school governors had received such training. You can find the questions we ask in pre-inspection questionnaires here: [Inspection questionnaires - Estyn](#).

A range of recent reports has highlighted structural issues in school funding that make local authority support increasingly important. The Welsh Government's Review of the School Funding Formula (2025) identified substantial inconsistencies between local authorities in how funding is allocated and communicated, with limited transparency and comparability across Wales. These inconsistencies create challenges for school leaders who must interpret complex financial information and plan within uncertain financial contexts. Welsh Government has since begun taking forward a programme of work to address these issues, including amendments to regulations and updated guidance aimed at improving transparency, comparability and consistency in the school funding system.

Further scrutiny by the Children, Young People and Education Committee (2025) called for clearer information regarding responsibilities for universal free school meals, Seren funding and the transparency of regional improvement services. These recommendations highlighted the need for local authorities to communicate more clearly how national decisions translate to school-level budgets.

Alongside this, wider economic and policy pressures continue to affect school budgets. Senedd Research (2025) reported that although local authorities received a 4.5% uplift in core funding, rising pay awards, inflationary pressures and increasing additional learning needs (ALN) costs continue to erode financial capacity. Similarly, NAHT Cymru (2024) described a deepening funding crisis in schools and emphasised the need for stronger joint local authority-school planning and greater strategic support.

Research from the Institute for Fiscal Studies (2023; 2024) and the OECD (2024) has reinforced the argument that better alignment between school funding, strategic planning and pupil outcomes is essential. Although per-pupil spending in Wales is broadly in line with the rest of the UK, and spending across the UK is comparatively high in international terms, outcomes remain variable and financial sustainability uneven. These findings suggest that how effectively budgets are planned, deployed and monitored is as important as how much money is allocated.

Other literature highlights challenges relating to equity, particularly the accuracy of proxy measures for deprivation. For example, the introduction of universal free-school-meal provision complicates the use of free-school meal eligibility as a deprivation measure, increasing the need for local authorities to refine data and ensure allocations remain equitable. The Review of the Pupil Development Grant (Welsh Government, 2023) also found substantial variation in how local authorities monitor impact and support schools in making evidence-based decisions about grant spending. More recently, Welsh Government set out further changes to the operation of the pupil

development grant in a written statement published in December 2025. Welsh Government has already taken steps to streamline national funding through the Local Authority Education Grant (LAEG), consolidating several former grants into four core elements to reduce bureaucracy and improve alignment with local accountability arrangements.

Taken together, this existing evidence demonstrates a strong rationale for a national thematic review. Schools rely heavily on local authorities to provide strategic advice, timely communication and robust financial monitoring to help them plan sustainably and maintain high-quality education for pupils. However, the variability identified across Wales suggests that many schools do not receive consistent support in these areas.

This report therefore seeks to evaluate how effectively local authorities discharge these responsibilities, identify the strongest practice and provide recommendations to ensure that every school—regardless of sector, size or location—receives the financial support it needs to plan confidently and sustainably.

## Recommendations

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The evidence gathered for this review leads to a set of recommendations for the Welsh Government, local authorities, and for schools and governing bodies. These recommendations aim to strengthen support for strategic financial planning, improve the clarity and timeliness of funding information, enhance financial capability across the system, and support more equitable and sustainable decision-making. Where these relate to post-16 funding, the Welsh Government will need to work with Medr to deliver these.

### For the Welsh Government (and where relevant, Medr)

- **Where possible, improve the timeliness and predictability of national funding, recognising wider UK fiscal and electoral constraints**, including earlier publication of delegated budgets, post-16 allocations and grant notifications, supported by indicative multi-year assumptions.
- **Simplify and modernise the national funding system**, further reducing grant fragmentation, improving flexibility for local authorities and updating deprivation and ALN indicators to ensure consistency and to better reflect current needs.
- **Establish a coherent national framework for financial learning**, setting clear expectations for the knowledge and skills expected of relevant local authority education, finance and school-improvement officers, headteachers, school business managers and governors.
- **Invest in national data and analytical capacity** to enable consistent risk profiling, benchmarking and multi-year modelling across Wales.

### For local authorities

- **Strengthen the quality of strategic financial support** by embedding structured multi-year planning, scenario modelling and clear alignment between finance, curriculum and workforce decisions.
- **Strengthen strategic support for schools in deficit** by aligning financial recovery planning with HR and school-improvement advice, informed by integrated analysis of financial and educational data.
- **Improve co-ordination across finance, HR, ALN and school-improvement services** so that schools receive coherent, timely and consistent advice and intervention.
- **Provide clear, accessible and timely financial information**, including plain-language guidance, sequenced updates and earlier indicative budget information.

- **Enhance analytical capacity, the use of data and system resilience**, using tools such as dashboards, benchmarking and trend analysis to identify pressures early and inform intervention.
- **Improve the impact of financial learning**, offering role-specific, strategic training and evaluating how it strengthens decision-making.

### **For schools and governing bodies**

- **Embed medium-term, curriculum-led financial planning**, ensuring that three-year plans align with curriculum intentions and workforce requirements within budgets.
- **Strengthen financial literacy and strategic challenge**, with leaders and governors engaging in appropriate training and scrutinising assumptions effectively.
- **Use financial data and evaluation to inform decisions**, drawing on benchmarking, modelling and evidence of impact when planning and reviewing expenditure.
- **Engage proactively with local authority support and consultation**, including early escalation of risks and active participation in budget-forum discussions.

## Strategic financial advice and communication

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### **What strategic financial advice was available from local authorities to schools?**

Evidence from fieldwork, surveys and local authority submissions showed that most local authorities offered schools a coherent range of operational financial support. This includes help with budget monitoring, forecasting staffing costs and producing statutory returns, which are required reports on how school funding is planned and spent. These operational components were generally well understood by school leaders and formed the foundation for constructive working relationships. However, in many cases, the quality, depth and consistency of strategic financial advice varied considerably between local authorities.

In nearly all authorities, finance officers supported most schools to prepare annual budgets, reconcile accounts and comply with local financial procedures. Officers typically met termly with schools to review their financial position and provided support for ongoing queries. These elements were valued by schools and governors. By contrast, strategic work such as multi-year planning, scenario modelling or analysing the financial implications of curriculum and staffing options received less consistent attention. Officers often explained that limited capacity restricted their ability to work in depth with schools on medium-term sustainability.

In the minority of authorities who provided well-developed strategic advice, this was firmly integrated with wider school-improvement work. In these cases, finance, human resources (HR) and school-improvement officers met jointly with schools to consider staffing structures, curriculum costs and improvement priorities. This helped leaders understand the long-term implications of decisions and enabled authorities to intervene earlier where risks emerged. School leaders praised these 'multi-agency' approaches for promoting consistent messaging and moving discussions beyond day-to-day processes towards more strategic thinking. However, in the majority of authorities visited, finance teams and school-improvement services continued to operate largely in parallel, limiting opportunities for shared analysis or timely joint problem-solving.

Strategic support was also weaker in authorities that relied on very small finance teams. In a few cases, a single senior officer held most of the strategic knowledge, and any staff absence or turnover disrupted support. Schools in these authorities reported receiving mixed messages or experiencing delays in accessing reliable advice. By contrast, authorities that invested in succession planning, peer support or shared business manager models provided more resilient and consistent strategic guidance.

Survey responses reinforced this picture with many governing bodies reporting that their authority provided annual guidance on budget-setting procedures. However, analysis of comments indicated that this guidance often focused on operational support rather than strategic planning. Similarly, while many schools confirmed that templates for staffing projections or grant planning were helpful, they noted that templates alone did not constitute strategic support unless accompanied by deeper discussion about sustainability and priorities.

Authorities facing high numbers of schools with deficit budgets found that their strategic capacity was eroded by the volume of recovery and monitoring work required. As a result, advice became more reactive than proactive. A few attempted to mitigate this by introducing financial-recovery groups, early-warning dashboards or cluster-based business manager networks. These approaches improved oversight and helped authorities identify pressures earlier. Nonetheless, only a very few used benchmarking or financial trend data systematically to inform long-term strategy.

Overall, strategic financial advice to schools was strongest where authorities had invested in staff, embedded cross-service planning and worked proactively with schools to evaluate the sustainability and educational impact of financial decisions. In many authorities, strategic financial management continued to be constrained by capacity pressures, a need to respond reactively to emerging deficits and the limited availability of multi-year financial certainty.

### **Case study - Strategic, Transparent and Collaborative Financial Support**

Cyngor Sir Ceredigion has established a coherent and transparent model of financial support that places early forecasting and joint problem-solving at its core. Schools receive clear, accessible information through a shared digital platform, enabling them to understand the detail of their delegated budgets. This underpins strong trust between headteachers, governors and finance officers. The authority issues indicative budgets during the autumn term, allowing schools to plan staffing and curriculum arrangements earlier than is common elsewhere. Regular, structured monitoring meetings involve finance, HR and education officers, supporting schools to consider the long-term implications of decisions. This integrated approach helps identify risks early and manage deficits more effectively.

### **How accessible, timely and clear is the advice provided by local authorities?**

Most authorities took appropriate steps to give clear and accessible financial advice. Our evidence showed that schools generally regarded finance teams as approachable, supportive and knowledgeable in their fields. Officers maintained regular communication through meetings, emails, telephone conversations and, in a very few

cases, digital platforms. Nearly all authorities who participated issued budget-setting packs containing templates for staffing forecasts, planning grant spending and financial returns. A majority of respondents to the survey of headteachers and governors confirmed receiving these tools, and many commented on their usefulness for organising annual planning.

A minority of authorities enhanced accessibility through additional explanatory guidance, including plain-language notes, frequently-asked-questions documents and worked examples of formula changes. In a few cases, they provided digital dashboards with up-to-date expenditure information. Where these systems were in place, schools had a stronger grasp of key assumptions, and governing bodies felt more confident in scrutinising financial information.

In many authorities, supporting documents lacked clear explanations or were written in technical language that non-specialists found difficult to interpret. Schools and governors noted that spreadsheets were often presented without accompanying commentary, making it difficult to understand how allocations were calculated or how assumptions had changed. In a few cases, officers explained complex decisions verbally, but this information was not always recorded in a form that governing bodies could review.

Although a majority of governing bodies reported that financial guidance was issued on time, generally, timeliness was a significant challenge. Nearly all authorities were constrained by the late publication of Welsh Government budgets and the misalignment between the financial and academic years. As a result, schools often received final allocations close to the start of the financial year, limiting their ability to plan staffing or curriculum changes with confidence. Schools in a few authorities described revising budgets repeatedly as new information emerged, sometimes making decisions in early spring only to be required to re-plan once pay awards or grant allocations were finalised.

Many authorities attempted to address these challenges by issuing indicative budgets earlier in the cycle. These provided schools with a starting point for planning, but their provisional nature often caused frustration. Where indicative budgets differed substantially from confirmed figures, schools faced additional work in adjusting plans. Authorities acknowledged these limitations and reported their own difficulty in forecasting reliably without confirmed national figures.

Accessibility of advice also depended on staff capacity and continuity. In many authorities where finance teams were well resourced and stable, communication was consistent, and officers were available to respond quickly to queries. In contrast, a few authorities with substantially fewer staff struggled to maintain service levels. In these

cases, delays in communication and inconsistent advice caused concern among schools. A few authorities were heavily dependent on one or two experienced officers, and any absence of these individuals led to noticeable gaps in support.

Many authorities used school budget forums effectively to discuss changes to funding formulae and consult schools on strategic financial issues. These forums worked well when meetings were structured, information was presented clearly, and feedback was sought actively. However, in a minority of authorities, forums were infrequent or relied on technical documentation that governors found difficult to interpret. This restricted meaningful engagement and reduced transparency around decision-making.

Despite these variations, most schools reported that their link finance teams remained their most reliable and trusted source of financial information. Officers frequently translated complex decisions into practical implications for schools and clarified issues when written documents were less clear. This reliance, however, reinforced the vulnerability of the system where teams lacked depth or resilience.

Overall, while most authorities made genuine efforts to provide clear and accessible advice, systemic barriers, particularly the timing of national settlements and local capacity limitations, restricted their ability to do so consistently. Authorities that communicated regularly, provided high-quality written guidance and maintained stable, well-supported teams provided the most accessible and effective advice.

### **Case study - Proactive Forecasting and Relationship-Based Support**

Despite the authority's small finance team, Cyngor Sir Ynys Môn provides schools with proactive and highly accessible strategic financial advice. Draft three-year projections are shared in the autumn term each year, enabling leaders to identify pressures early and explore alternative scenarios. Headteachers and chairs of governors are invited to multi-agency discussions with finance, HR and education officers, where conversations focus on realistic solutions and the sustainability of staffing and curriculum plans. Leaders describe finance officers as consistently approachable and responsive, contributing to higher levels of confidence in the support provided and helping minimise escalation to formal deficit status.

### **Were schools satisfied with the quality and usefulness of local authority engagement?**

Survey responses, fieldwork interviews and documentary evidence indicated that most schools were satisfied with the professionalism and helpfulness of their local authority finance teams. School leaders commonly described finance officers as approachable, knowledgeable and responsive. Many appreciated the continuity provided by long-

standing officers and valued the practical advice given during monitoring meetings and budget-planning sessions.

Governors' satisfaction levels were lower when considering the strategic quality, timeliness and usefulness of communication. While many governors found advice easy to understand, only around a half felt that communication was transparent regarding allocations, pay awards and grant announcements. Governing bodies expressed concerns that late or incomplete information prevented them from providing effective oversight and from planning staffing or improvement priorities confidently.

Leaders in schools valued the clarity of communication around operational matters but highlighted weaknesses in strategic support. Many reported that advice focused primarily on ensuring budgets were balanced and deficits managed, rather than on supporting long-term financial sustainability or linking financial decisions to improvement priorities. They explained that they received reminders about monitoring returns but had limited opportunity to explore medium-term financial risks or curriculum-affordability scenarios with officers.

Where finance, HR and school-improvement officers worked collaboratively, schools expressed greater satisfaction. These 'multi-agency' approaches helped schools understand the wider implications of decisions and provided coherent support during periods of change. Schools in the few authorities with integrated models reported that conversations were more strategic, risks were identified earlier, and support was more consistent. By contrast, in authorities where services operated in isolation, messages were sometimes contradictory or disconnected from educational priorities.

Governing body confidence depended heavily on the quality of written information and the availability of training. Many governors we spoke to reported that they relied on the headteacher or business manager to interpret financial documents for them. In authorities where written guidance was detailed, accessible and supported with explanatory notes, governors felt better informed. In others, technical documentation or limited commentary reduced their ability to challenge effectively. A few governors wanted more consistent professional learning to support their strategic role.

School leaders and governors were also concerned about the implications of uncertainty related to aspects of budget planning. Revisions to indicative budgets, late notifications of pay awards and inconsistent grant announcements meant that schools often had to re-plan staffing or reconsider actions against improvement priorities. This caused frustration, additional work and concerns about making decisions that might later prove unsustainable. Headteachers frequently explained that such uncertainty made it difficult to provide reassurance to staff or governing bodies.

Despite these challenges, most schools maintained confidence in the integrity and commitment of their finance officers. They expressed empathy for the pressures finance teams faced and recognised that late national announcements constrained the authority's ability to provide clear and timely information. In a majority of cases, schools acknowledged the intended improvements or changes that authorities were attempting to make, such as issuing earlier indicative budgets, increasing the use of digital tools or enhancing written guidance.

Where authorities had stronger team capacity, better-designed and clearer written guidance and integrated cross-service planning, schools experienced clearer, more consistent and more strategic communication. In many authorities, however, limitations in capacity, the late timing of national funding announcements and uneven transparency continued to restrict the effectiveness of communication.

## Budget setting and transparency

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### How transparent and collaborative were school budget-setting processes?

Across Wales, nearly all local authorities who participated operated budget-setting processes that were structured and clearly sequenced, and these were generally well understood by headteachers, business managers and governors. As a result, schools typically experienced the process itself as open and procedurally transparent, even when the quality and consistency of information differed across authorities.

Much of schools' experience of budget-setting reflected the wider strengths and limitations in strategic financial communication described earlier in this report. Common features across authorities included:

- clearly structured and well-understood budget-setting processes
- constructive, relationship-based support from finance officers
- transparency at a procedural level, even where strategic clarity was weaker
- persistent challenges arising from the timing of national funding decisions and misalignment between financial and academic years
- variable depth and consistency of advice linked to local authority capacity
- increased reliance on individual officers where systems lacked resilience

In a very few authorities, officers strengthened collaboration further by promoting common processes for schools with similar profiles, which helped leaders understand comparative patterns of expenditure and identify realistic efficiency opportunities.

Timeliness remained the main barrier to transparency. Just over half of governors surveyed felt that financial guidance arrived early enough for their governing body to make informed staffing or curriculum decisions. They identified the misalignment between the financial (April to March) and academic (September to August) years as a persistent source of frustration, particularly where late settlements created uncertainty into the spring term. While local authorities acknowledged that some aspects of timing were outside their control, a few did not communicate interim positions clearly nor provide more robust early modelling to support schools' planning.

A minority of authorities relied heavily on individual officers or very small finance teams, which affected the quality and depth of advice. In these areas, schools appreciated officers' willingness to help but felt that capacity issues reduced the breadth of support offered. As a result, collaboration was less strategic and more focused on ensuring procedural compliance.

Despite these challenges, nearly all local authorities demonstrated a strong intent to be transparent and supportive. The variation lay primarily in schools' experience and perception of that transparency. Where communication was timely, information was clear and collaboration was integrated across services, schools felt well supported and could plan with greater confidence. Where communication was late, fragmented or overly technical, school leaders and governors became more reliant on individual officers to interpret the underlying financial picture.

### **Did schools understand how delegated budgets were calculated, and how consistent were formulae and processes across LAs?**

Nearly all local authorities provided written information outlining the broad principles of their funding formulae and published detailed formula documents. However, in many of the authorities visited, school leaders' understanding of how delegated budgets were calculated was uneven. Headteachers and business managers often understood the high-level building blocks of their budgets but were less confident about how specific factors, particularly additional learning needs (ALN), poverty measures, small-school protections and average salary assumptions, were weighted and updated. Understanding among governors was more limited, although many said they understood their school's financial position.

There was substantial variation across local authorities visited in the longevity of their funding formulae, the timing and thoroughness of their most recent reviews, and the frequency with which they revisit these formulae. Although most authorities reviewed their formulae periodically, many had not completed a fundamental review for several years and still relied on legacy weighting systems that no longer reflected pupil needs or workforce structures. Where formulae had been reviewed recently, key elements were adjusted incrementally rather than revisited holistically, which made it harder for leaders to understand the rationale behind allocations. As a result, schools in these authorities were more likely to perceive the formula as outdated or opaque.

Generally, leaders said they placed their trust in their finance teams when it came to the formula but could not fully explain how key variables were applied. This dependency limited their ability to plan strategically or test alternative scenarios, particularly when financial pressures intensified. Small or rural schools were especially concerned about the transparency of uplift mechanisms, such as additional funding intended to protect smaller schools, and the sustainability of funding where pupil rolls were falling.

Where authorities reviewed formulae systematically and shared clear rationale for any changes, schools were more confident in the fairness of the system. In effective examples, authorities provided plain-language summaries, held consultation sessions through their school budget forum and published worked examples demonstrating the

effects of proposed formula changes. Schools valued this approach because it reduced uncertainty and helped them anticipate implications for staffing and curriculum models.

Differences in formula design and process across Wales meant that similar schools in different authorities sometimes faced very different financial outlooks and settlements. While this reflected local contexts and policy decisions, it also contributed to the widely expressed view that funding was inconsistent across Wales. Authorities that used benchmarking tools were better placed to explain these differences, but such tools were only used in a very few cases.

Overall, authorities had transparent intentions, but the clarity and consistency of formula information varied widely. Where information was detailed, accessible and regularly updated, schools had a stronger understanding of how their budgets were derived. Where formulae were outdated or insufficiently explained, their understanding was weaker and confidence in the system reduced.

### **Case study - Using Digital Tools to Strengthen Transparency**

Carmarthenshire has developed a financial dashboard that provides headteachers, business managers and governors with real-time access to their school's financial position. The dashboard integrates financial, HR and pupil-number data, allowing schools to benchmark their performance and identify emerging pressures. Governance meetings routinely draw on the dashboard to support scrutiny and decision-making. The approach has strengthened transparency and is beginning to contribute to improving leaders' confidence in interpreting financial information.

### **How did approaches to post-16 funding and pupil admission numbers influence formula decisions and long-term sustainability?**

Approaches to the funding of post-16 learners and pupil admission numbers had a substantial influence on the financial sustainability of secondary schools we met with. Most authorities recognised that the national post-16 funding model was complex and was often confirmed too late to support confident decision-making at school level. A few school leaders reported that their post-16 allocations varied substantially from year to year, even when pupil numbers were stable, and that final allocations were often confirmed after key staffing decisions had been made. This contributed to uncertainty and, in a very few cases, short-term staffing adjustments that were difficult to reverse.

A few authorities have taken steps to stabilise post-16 allocations by introducing three-

year indicative models or budget safeguarding mechanisms to alleviate any year-on-year fluctuations. The schools with post-16 provision valued these approaches because they reduced volatility and allowed more sustainable planning. However, such practice was not widespread, and many of these schools continued to experience variation that made long-term curriculum planning challenging.

Pupil admission numbers also played a central role in influencing school budgets, particularly in areas experiencing demographic decline. A few school leaders noted that falling rolls affected secondary and all age schools disproportionately, reporting that small changes in pupil numbers had large effects on staffing affordability due to the structure of their formula. In a few authorities, small or rural schools received additional protection to offset these pressures, but in others, protection mechanisms had not been reviewed recently and no longer reflected current patterns.

Local authorities were aware of the financial risks posed by declining pupil numbers, and many had begun early discussions with schools about future scenarios. In the most effective authorities, finance teams worked closely with school improvement colleagues to analyse demographic trends and help schools plan strategically. Many authorities used multi-year pupil projections to illustrate the trajectory of future budgets and encourage timely action. Schools found this approach particularly useful when considering changes to class structures, staffing levels or sixth-form provision. However, too often, schools lacked a clear understanding of how changes in pupil numbers would affect their funding in the medium term. A few authorities provided annual summaries, but these were not always detailed enough to support scenario modelling. As a result, schools sometimes made short-term decisions that were not aligned with longer-term demographic trends.

Across Wales, local authority approaches to managing post-16 and pupil number pressures were inconsistent and not always planned for strategically enough. Where authorities provided stable projections, clear modelling tools and integrated cross-service support, schools were more confident about sustainability. Where information was late or insufficiently detailed, schools struggled to plan strategically and were more likely to adopt reactive measures that increased risk over time.

## Training and financial literacy

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### **What training is provided and how effective is it for headteachers, school business managers and governors?**

Most local authorities we visited provided a suitable range of financial training, guidance and day-to-day support to help schools manage their budgets. In most cases, finance officers were accessible, knowledgeable and willing to provide additional advice when difficulties arose. Most governing bodies who responded to the survey said that finance officers were available when needed, and many reported that they received annual guidance on budget planning. These positive relationships formed the operational backbone of support across Wales and were consistently described as a key strength in both local authority and school feedback.

Across the authorities visited, the core training offer typically included induction sessions for new headteachers and governors, covering essential financial processes, delegated responsibilities and the use of budget-planning tools. Most delivered training at key points in the financial year, often supported by guidance notes, templates and standardised timelines. Workshops and briefings were held termly or half-termly, and many schools valued these opportunities to ask questions and maintain a shared understanding of expectations.

In authorities where training was most effective, support was well structured and responsive. These authorities provided role-specific training for school business managers (SBMs) and school staff, who frequently served as the operational link between schools and central finance teams. Where established, structured networks for SBMs promoted professional learning, collaborative problem-solving and the sharing of good practice. These networks tended to be better developed in the secondary and all age sector, where larger staffing structures supported more formalised professional roles.

Despite these strengths, training across Wales was often more operational than strategic. Many programmes focused on compliance such as navigating financial regulations, completing returns or understanding coding structures rather than on developing the deeper strategic competencies needed for sustainable financial planning. Survey results reinforced this finding with only a minority of governors saying that financial training was highly effective, supported by comments that content felt generic, overly technical and light on financial challenge. Many governors we spoke to indicated that while they understood budgeting processes, they felt less confident in evaluating value for money, assessing long-term affordability or interrogating spending decisions.

Timeliness of information also affected training effectiveness. A minority of participants noted that budget guidance or grant information often arrived late or changed during the planning cycle. This limited the usefulness of associated training and caused schools to make cautious, short-term decisions. Officers acknowledged these pressures, citing delays in national allocations or the administrative complexity of multiple grant streams.

Overall, although most authorities provided a suitable range of financial training and guidance, its effectiveness was inconsistent. The system supported compliance well but did not consistently develop the financial leadership skills required to plan strategically, interpret complex financial risks or manage budgets sustainably.

### **Case study - Building Financial Capability Across Leadership Roles**

Cyngor Sir Ceredigion has developed a structured programme of financial professional learning that is responsive to the differing needs of schools. Targeted workshops support leaders of small primary schools to understand their financial challenges and share solutions. New and acting headteachers receive bespoke induction and in-school coaching from finance officers, focusing on interpreting reports and linking expenditure to priorities. Governors and business managers benefit from termly forums and tailored briefings. This approach has strengthened confidence among leaders and governors, reduced dependency on central officers and supported more strategic decision-making at school level.

### **How is training evaluated and improved where required?**

Evaluation of financial training varied widely across authorities and, in many cases, remained under-developed. A minority of authorities had begun to evaluate their programmes more systematically, collecting participant feedback and using this information to refine course content, timing and delivery. These authorities gathered attendance data, structured feedback or short reflective tasks to gauge participants' confidence and understanding. In such cases, leaders reported that training felt more relevant and responsive to their needs.

In many local authorities, evaluation practices were basic and largely limited to satisfaction surveys or informal feedback. Very few authorities assessed how training had impacted on confidence and improved financial decision-making over time. This meant that authorities were often unable to determine which elements of training were most effective, where gaps remained or how participants' needs evolved over time. As a result, the coherence and strategic development of the training offer across Wales were constrained.

Where evaluation of training did occur, it tended to focus on immediate reactions rather than sustained improvements in practice. Very few authorities linked training evaluation to risk-based monitoring, deficit recovery processes or wider school improvement activities.

Cross-departmental working that linked finance, HR and school improvement was well-established in a minority of authorities and offered potential for more integrated evaluation. These authorities were more likely to recognise the importance of aligning financial training with curriculum planning, workforce management and longer-term strategic goals. However, such integrated approaches remained isolated examples rather than a shared national pattern.

Overall, evaluation of training is an area for improvement. While authorities typically monitored attendance and engagement, only a very few gathered evidence that training built the strategic financial literacy required to lead and govern schools effectively. This limited their ability to adapt provision systematically or ensure that training developed financial capability consistently across roles and career stages.

### **Case study - Consistent Financial Training**

Cyngor Sir Ynys Môn provides annual finance training for headteachers and governors, ensuring a consistent understanding of statutory responsibilities, funding formulae and monitoring expectations. The training offers clear, practical examples and reflects the authority's local financial processes. New headteachers receive additional induction modules, helping them develop early confidence in managing budgets. As a result, governors report greater ability to scrutinise financial information and leaders describe improved clarity in their understanding of compliance requirements.

### **Are there gaps in financial capability and support for new leaders?**

Evidence from both surveys and fieldwork suggested notable gaps in financial capability across leadership roles. This was particularly apparent among new headteachers, governors and staff in smaller schools. Although most authorities provided induction training, the support available beyond this initial phase was inconsistent and often depended on local relationships, individual finance team capacity or informal networks. As a result, new leaders in a minority of authorities felt well supported, while others reported feeling under-prepared for the financial aspects of their roles.

Survey findings and interviews showed that many governors continued to lack confidence in scrutinising financial information or challenging spending decisions

effectively. A minority described training as too generic or not tailored to the complexities of school budgets. For headteachers and business managers, gaps in their capability often related to medium-term financial planning, understanding cost drivers or evaluating the financial implications of staffing and curriculum decisions.

Smaller primary schools were particularly affected. Many lacked dedicated business management capacity, leaving headteachers to manage complex financial responsibilities alongside wider leadership duties and their teaching responsibilities. In authorities where business manager networks were stronger, these gaps were mitigated through peer support, shared practice and collaborative problem solving. However, access to such networks was inconsistent and less common among primary schools.

Officers acknowledged these disparities and highlighted the pressures facing new leaders, especially where financial challenges were acute or where schools operated in sustained deficit. Many authorities provided targeted support such as additional mentoring, bespoke sessions or more frequent monitoring but these practices were not universal.

Overall, while operational advice from finance teams was strong, there were gaps in strategic financial capability across the system. These gaps were most evident among new leaders and governors and were particularly pronounced in settings with limited access to specialist financial expertise.

## Monitoring, risk and intervention

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### **How effectively do local authorities monitor school budgets and identify risks early?**

Most authorities had established systematic arrangements to monitor school budgets and many identified financial pressures at an early stage. In most authorities, schools attended at least termly or half-termly meetings with finance officers and, in a majority of cases, these discussions also involved HR and school improvement staff. These meetings usually followed a structured format, supported by standard templates or monitoring reports, and enabled schools to review their financial position. Most governors felt able to access support from the local authority when needed, reflecting generally strong communication and constructive relationships between schools and finance teams.

Across Wales, many authorities demonstrated a clear commitment to early identification of financial risk, although the sophistication of their approaches varied. Generally, authorities used predictive tools such as dashboards, RAG-rating systems or multi-agency risk panels to track emerging pressures. These tools gave officers an accessible view of school reserves, projected deficits and contextual data. In the strongest examples, financial information was analysed alongside educational indicators, staffing data and school improvement priorities. This allowed officers to understand more clearly the impact of financial decisions on pupils' experiences and curriculum planning.

In a minority of authorities, early identification relied more on officer expertise, professional relationships and regular communication with headteachers than on analytical tools. While this helped build trust and provided nuanced contextual knowledge, it also meant that risk detection was not consistently systematic across all schools. In a minority of local authorities, officers relied heavily on historical spending patterns or previous discussions with school leaders. This limited their ability to foresee emerging pressures, particularly those relating to falling rolls, ALN demand or changes in staffing structures.

Although most authorities collected and monitored financial data routinely, in a majority of cases their ability to forecast risk accurately was constrained by a lack of integrated systems. Few authorities had the technical infrastructure to align financial, HR and school improvement data in one place. As a result, officers often reviewed these datasets separately, reducing opportunities to triangulate information.

Despite these challenges, there were pockets of innovative and highly effective practice.

In these authorities, ‘multi-agency’ approaches enabled officers from different services to meet regularly, share insights and agree co-ordinated support for vulnerable schools. In others, dashboard systems allowed officers to track financial risk alongside attendance, pupil numbers and school improvement concerns, enabling earlier discussions with headteachers and governors. In a few authorities, proactive communication, regular termly reviews and clear expectations helped maintain low numbers of schools in deficit.

Overall, local authorities monitored school budgets regularly and maintained positive relationships with schools. However, the quality and consistency of early risk identification varied. Most authorities carried out regular monitoring but were not using sufficiently robust analytical tools or integrated data systems to identify long-term vulnerabilities confidently. This meant that some schools only came to the authority’s attention when deficits were already developing rather than at an earlier, preventative stage.

### **How effectively do local authorities support and intervene where schools face financial difficulty?**

Most local authorities provided schools facing financial difficulty with generally supportive and collaborative assistance. Many supported schools with actual or projected deficits to produce a three-year deficit recovery plan, and these plans were usually reviewed through termly or half-termly meetings. Discussions typically focused on options to stabilise budgets, refine staffing structures or make better use of grants. Where finance officers, HR partners and school improvement advisers worked together, support was better co-ordinated and more effective in addressing the underlying causes of difficulty. In other authorities, structured categorisation of schools’ financial risk helped officers allocate support proportionately and ensure that schools received additional monitoring when necessary.

Survey findings supported this picture of constructive relationships. When faced with deficit budgets, many governors said local authority advice was clear and understandable, and many governing bodies valued the availability of officers and their willingness to provide advice at short notice. Headteachers frequently commented that finance officers were approachable and responsive and that they appreciated the continuity of support during challenging periods.

However, the quality and strategic depth of support varied considerably across Wales. In many authorities, finance officers focused mainly on technical budget monitoring rather than on longer-term financial planning. Support often centred on identifying immediate savings or ensuring compliance, rather than on modelling different staffing or curriculum scenarios. As a result, schools sometimes made short-term decisions that

did not align with their wider improvement priorities.

Where deficits persisted, many authorities escalated their involvement through increased monitoring and more formal intervention. In the most effective authorities, intervention was tiered according to the level of risk. Schools in the early stages of financial difficulty received enhanced monitoring and targeted advice, while schools with more serious or sustained deficits were subject to multi-agency review and, in some cases, formal governance oversight. This helped ensure that intervention increased with need, avoided unnecessary workload and supported earlier action to stabilise budgets.

Less effective authorities lacked clear escalation frameworks. In these cases, intervention depended heavily on officer judgement, and expectations were not always communicated clearly to schools. As a result, a very few schools did not receive timely or sufficiently assertive challenge, and deficits persisted longer than necessary. Conversely, in a very few cases, schools reported that intervention felt overly rigid or compliance-driven, with insufficient attention to the school's educational context or improvement priorities.

Schools facing deficits also reported challenges with the timeliness and clarity of guidance. Late budget notifications, revised grant allocations and delays in receiving approval for staffing changes constrained schools' ability to implement recovery actions promptly. In a minority of authorities affected by staffing shortages within finance teams, schools experienced gaps between meetings, reducing opportunities for early intervention and limiting the impact of support.

When deficits continued over time, local authorities used a range of mechanisms to strengthen challenge. In many authorities, schools were required to attend recovery meetings with senior finance officers or education leaders, providing opportunities for more robust scrutiny and clearer decision-making. In a very few cases, formal sanctions such as the suspension of budget delegation were applied. These measures were used sparingly but, where applied, were generally effective in clarifying expectations and accelerating recovery.

Evidence showed that support and intervention were most impactful when they were well co-ordinated and when schools received consistent messages from finance, HR and school improvement officers. In the most effective cases, schools reported that intervention helped them understand the underlying causes of their financial difficulty and take strategic action, including restructuring staffing and leadership models, reviewing curriculum plans or using grants more effectively. Where communication was unclear, advice was inconsistent or approvals were delayed, intervention was less effective and recovery stalled.

Overall, local authorities demonstrated commitment to supporting schools through financial difficulty and intervening where deficits persisted. However, variation in timeliness, strategic alignment and analytical capacity limited the overall impact of support and intervention. Authorities that combined constructive support with proportionate challenge, and that based decisions on clear analysis of financial and educational data, were most effective in helping schools stabilise their financial position. Oversight of school budgets was most evident in escalation arrangements, including recovery discussions involving senior officers and Cabinet members.

## Use of targeted grants

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### **How effectively did local authorities support the strategic use of grants such as the PDG?**

Targeted grants such as the pupil development grant (PDG) remained a key mechanism through which Welsh Government and local authorities sought to address the impact of poverty and support school improvement. Many participating authorities have developed clear and secure systems for managing these grants. In most cases, financial coding, authorisation and reconciliation procedures were robust, and schools understood the conditions of use. Local authorities strengthened their compliance processes through standardised templates, regular liaison between finance and education officers and accessible written guidance.

The governing body survey results showed that a majority of respondents valued this support with respondents saying local authority officers were available when financial challenges arose, and they found the advice easy to understand. This confidence reflected the clarity of information provided and the practical nature of the support. Many authorities issued grant timelines, guidance notes, and examples of eligible expenditure to help schools plan. A majority also used review meetings or online tools to track allocations and maintain transparency.

Where practice was most effective, local authorities went beyond compliance to align grant use with improvement priorities. For example, a few authorities integrated local education grants with improvement planning and streamlined reporting requirements, while others used dashboards or forums to monitor expenditure and encourage challenge. These examples illustrated how coherent systems and cross-team collaboration help schools use grants more strategically and reduce administrative burden. However, across Wales, this level of integration is variable. In many authorities, grants such as the PDG were still treated as separate financial streams rather than resources that could underpin improvement plans. Strategic links between finance teams and school improvement services were often under-developed. A minority of authorities lacked sufficient capacity or analytical expertise to offer schools detailed planning advice beyond eligibility guidance. As a result, schools often decided how to deploy grants with limited strategic dialogue, reducing the potential for system-wide learning or alignment.

### **How effectively did local authorities monitor the impact of grants?**

Overall, many local authorities monitored compliance effectively but evaluated impact less rigorously. Authorities maintained clear audit trails and ensured that schools met

the basic conditions of grant use, but only around half reported that their monitoring included any analysis of outcomes or value for money. In many cases, authorities relied on schools' self-evaluation to demonstrate effectiveness. A minority of authorities requested brief end-of-year statements of impact, but these were not usually synthesised into an authority-wide view.

Evidence from fieldwork and survey analysis confirmed that monitoring remained predominantly process-driven rather than outcome-focused. Officers described their primary role as ensuring that money was spent correctly rather than assessing whether pupils' progress had improved. This narrow focus limited the ability of both schools and local authorities to understand what approaches worked best or represented good value for money. Only a minority of authorities attempted to link expenditure data with pupil-outcome indicators such as progress, attendance or well-being measures.

The proliferation of small, short-term grants compounded this problem. Many authorities managed multiple overlapping funding streams, each with different reporting timetables. This complexity diverted capacity from evaluation and encouraged compliance-based monitoring. A minority of authorities began consolidating similar grants into broader programme budgets, but this was not widespread.

Governing body responses reflected these findings. While many said their school evaluated the impact of targeted grants, comments revealed considerable variation in the rigour of those evaluations as they often focused on outputs, such as staff time or activity levels, rather than outcomes for pupils. Only a minority of governors reported that they received concise, outcome-focused reports linking grant spending to pupil progress.

Overall, local authorities had effective systems to ensure compliance but lacked systematic mechanisms to evaluate educational impact. In general, officers recognised the need to develop a clearer framework for assessing the difference grants made to pupils affected by the impacts of poverty but limited analytical capacity and time constrained progress.

### **Did local authority support enable spending that brought about the greatest impact on pupil outcomes?**

Evidence from visits, supported by survey responses, indicates that many authorities provided prompt and practical advice to schools, and this support often enabled them to maintain provision for vulnerable pupils. In many authorities, schools used targeted grants to fund key staff such as teaching assistants, family-engagement officers and pastoral workers. These roles were highly valued by schools and, in many cases, had become integral to day-to-day provision. However, this pattern also indicated a growing

reliance on grants to sustain core staffing. Leaders in several authorities acknowledged that grants had become essential for maintaining existing services rather than for testing new approaches or innovations.

Lack of timeliness and predictability of funding limited its impact. In most cases, national allocations reached authorities late in the financial year, compressing planning cycles and forcing reactive decisions. Around half of governors who responded to our survey stated that advice and information about grants were not sufficiently timely to support forward planning. Although many authorities issued indicative figures early in the calendar year, the misalignment between the financial and academic years remained a structural barrier. Late or uncertain funding reduced schools' capacity to plan sustained interventions that might deliver measurable gains in pupil outcomes.

The continued use of free-school-meal eligibility as the principal measure of deprivation further restricted precision in targeting. A few LAs and school leaders questioned its reliability following the introduction of universal free-school-meals provision for primary-aged pupils. A minority of authorities had begun exploring additional socio-economic indicators, but there was no consistent approach.

Despite these challenges, there were emerging examples of stronger practice. A few authorities introduced sample impact reviews that combined finance data with pupil -outcome evidence to identify effective practice. Others worked with the regional school improvement service to train headteachers in evaluating the cost-effectiveness of interventions. These initiatives demonstrated that, where capacity existed, local authority support could influence spending decisions that led to better outcomes for pupils. However, these examples remained limited in scope and largely dependent on individual officer expertise rather than by design.

In summary, targeted-grant management across Wales was procedurally secure but strategically under-developed. Many authorities supported schools well on compliance and communication but only a minority evaluated impact robustly or used data to inform future allocation. Timeliness, fragmentation and over-reliance on grants for staffing continued to constrain improvement. Where authorities linked financial monitoring with educational outcomes, there was a better understanding of what worked well to support disadvantaged pupils.

## Promoting equity and sustainability

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### How do local authorities address equity in funding decisions?

Many local authorities demonstrated a clear moral and strategic commitment to embedding equity within their school-funding decisions. Leaders generally recognised that fairness, transparency and predictability were central to maintaining confidence in the funding system, particularly at a time when rising costs, growing additional learning needs (ALN) and demographic decline placed schools under increasing pressure. This commitment appeared regularly in corporate plans, education-service strategies and budget-setting documentation. However, the degree to which this intent translated into equitable, coherent and sustainable funding practices varied across Wales.

Most participating authorities used funding formulae that included elements designed to support equity, such as allocations for ALN, socio-economic disadvantage or rurality. These arrangements were often well established, and a minority of authorities were in the process of reviewing or refining them during the period of this thematic work. Where practice was strongest, authorities revisited their formulae and used evidence from previous allocations, school feedback and demographic change to inform adjustments. A few authorities, for example, introduced new weighting approaches or refined modelling methodologies to ensure that small schools, Welsh-medium provision or particular clusters of schools received support proportionate to their needs.

A few authorities we visited have started adopting alternative approaches to how they measure disadvantage, such as beginning to use the Welsh Index of Multiple Deprivation (WIMD) to complement or replace free-school-meal eligibility as a proxy for socio-economic need. These authorities explained that WIMD data provided a broader picture of community disadvantage and helped refine targeting. In contrast, authorities that continued to rely heavily on single indicators sometimes struggled to demonstrate how their allocations accurately reflected variation in local deprivation patterns. Where this occurred, schools often questioned the fairness of distribution, even when overall intentions were sound.

Budget decisions with equity implications were generally discussed through school budget forums. Across Wales, these forums played an important role in mediating financial decisions, offering a structured opportunity for a representation of headteachers and governors to question proposals, highlight risks and seek clarification. In the majority of cases, participants reported that discussions were constructive and that authorities were open to challenge. In the most effective authorities, budget forums were integral to decision-making and had a demonstrable impact on resource allocation. In a minority of authorities, by contrast, forums

functioned primarily as communication channels rather than places where equity issues were interrogated or shaped. This inconsistency reduced the perceived fairness and legitimacy of decisions for a very few school leaders.

Overall, many authorities made reasonable efforts to incorporate equity considerations into funding decisions. However, weaknesses in communication, inconsistent use of data and variation in the quality of consultation limited the extent to which schools understood and endorsed the principles underpinning these decisions. Authorities with clearer processes, stronger analytical capacity and more open engagement practices were better able to build trust and support equitable resource allocation.

### **How do local authorities ensure equality considerations are explicitly built into formulae, advice and intervention processes?**

Most local authorities included explicit equalities considerations in the design of their funding formulae or in the processes used to advise, challenge and support schools facing financial difficulty. Across Wales, authorities acknowledged that meeting the needs of pupils with ALN, those experiencing socio-economic disadvantage, pupils from minority ethnic backgrounds and those educated in small or rural schools required differentiated support. However, although broad intentions were consistent, the depth, rigour and transparency of practice differed widely.

Nearly all authorities we visited include an ALN factor within their funding formula. However, the adequacy of these allocations and the mechanisms used to distribute them varied. Most authorities reported that ALN budgets had become increasingly challenging to sustain as the number, complexity and cost of individual placements rose. A few responded proactively by establishing specialist ALN data roles, improving data quality and using modelling to forecast demand more accurately. These authorities were more confident that their ALN allocations reflected real need. Others continued to rely on historical patterns of spending, which did not always reflect emerging local needs. In these authorities, the gap between delegated budgets and the real cost of provision created volatility and sometimes undermined equitable access to support for schools with small pupil populations.

Visits and survey responses identified that in many authorities equalities considerations extended beyond funding formulae and were embedded in wider advisory and intervention processes. For example, when schools entered into financial difficulty, many authorities analysed whether the underlying causes related to the cost or complexity of supporting disadvantaged or ALN pupils. A few used cross-functional panels including finance, education and ALN services to review cases holistically. This approach supported better alignment of school improvement advice, inclusion support and financial planning. In a minority of authorities, financial intervention processes

focused mainly on compliance and deficit recovery, with limited exploration of how equity factors influenced a school's financial position.

The extent to which authorities used equality impact assessments (EIAs) varied. In the most effective cases, EIAs were integrated into decision-making, supported leaders to test proposals objectively and highlighted risks that could disproportionately affect small, rural or schools with high levels of pupils with ALN for example. These assessments were often shared through budget forums, helping stakeholders understand the equity implications of proposed changes. In a minority of authorities, however, EIAs were less well-developed or not routinely used. As a result, stakeholders lacked insight into how equalities considerations influenced decisions, and this sometimes contributed to perceptions of inconsistency or unfairness.

Support for minority-ethnic learners was less consistently reflected in funding formulae, although several authorities used specific grants or service-level support to address local needs. Similarly, a few authorities offered enhanced provision for small and rural schools, recognising the increased costs of maintaining a broad curriculum and stable staffing in areas with fluctuating pupil numbers. However, a very few small schools reported that they remained financially vulnerable despite local authority efforts to address discrepancies.

Governing body survey evidence highlighted that many respondents considered financial advice from authorities clear and easy to understand. However, a few described training that focused heavily on technical processes rather than exploring how funding decisions related to broader questions of inclusion or equality. This limited the degree to which governing bodies could scrutinise whether equalities considerations were embedded consistently across decisions.

Despite these inconsistencies, the direction of travel across Wales was positive. Many authorities were reviewing their approaches to equalities and equity, updating formulae, strengthening cross-departmental working and developing clearer communication with stakeholders. Authorities that aligned equity considerations across formula design, advisory processes and intervention approaches were better able to demonstrate fairness and support schools to manage the financial implications of inclusive practice.

At the same time, variation in local funding formulae across Wales meant that similar schools could receive different financial settlements in different authorities. While this variation reflected local decision-making and context, it was also a source of concern for some schools, which viewed funding arrangements as inconsistent across Wales.

### **How are local authorities supporting schools in longer-term financial planning?**

Many local authorities encouraged schools to plan their budgets over a three-year period, although the consistency and quality of the support provided varied. The short-term nature of annual funding settlements, late confirmation of grants and uncertainty around future budget levels limited the reliability of these plans. Despite these constraints, a minority of authorities took proactive steps to support schools in longer-term financial planning. While many local authorities provided demographic analysis and modelling, schools' engagement with this information varied, particularly where uncertainty or competing pressures encouraged short-term decision-making.

A majority of authorities have developed financial dashboards and modelling tools that enabled schools to test different scenarios, explore the impact of staffing changes and consider demographic trends. These tools help leaders plan more strategically and reduce reliance on short-term reactive decisions. Where these approaches were better established, schools reported greater confidence in aligning staffing structures with curriculum requirements and inclusion responsibilities.

Budget forums played an important role in longer-term planning. In many local authorities, these forums considered the potential implications of demographic change, funding formula reviews and national policy shifts. Where forums were strong, they created a shared understanding of future risks and enabled schools to prepare more effectively. In the strongest cases, authorities went further by providing indicative multi-year projections, even when these were based on assumptions rather than confirmed allocations. These local authorities found that schools were better able to manage uncertainty and avoid unnecessarily reactive decisions.

A minority of authorities established wider partnerships or shared-service arrangements to support planning. These included collaborative procurement, shared business management functions or regional modelling work. Such approaches helped smaller authorities address capacity challenges and gave schools access to more specialist support.

Across Wales, however, variation in support for longer-term financial planning remained wide. Authorities with greater analytical capacity, stable leadership teams and strong relationships with schools were able to provide better proactive and strategic guidance. Those constrained by staff turnover, limited systems or high levels of immediate financial pressure found it more difficult to move beyond short-term problem-solving.

Overall, many local authorities demonstrated an improving understanding of the relationship between longer-term financial planning, curriculum delivery and sustainability. However, progress was not consistent across Wales, and schools in several authorities continued to experience uncertainty that limited their confidence and ability to plan for the future.

## Methods and evidence base

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This thematic review was conducted in line with Estyn’s guidance for state-of-the-nation thematic work. It drew on a wide range of evidence to evaluate how effectively local authorities supported schools in Wales to plan and manage their budgets. The methods combined survey research, field visits, semi-structured interviews, analysis of documentary evidence and review of national and international literature. The project team applied consistent lines of enquiry across all evidence-collection activities to ensure comparability and reliability.

### Approach to fieldwork design

The design of the fieldwork was informed by the objectives of the thematic review and by a set of structured enquiry questions grouped into six thematic areas:

1. Strategic financial advice and communication
2. Budget setting and transparency
3. Training and financial literacy
4. Monitoring, risk and intervention
5. Use of targeted grants; and
6. Promoting equity and sustainability.

These thematic areas formed the analytical framework for all evidence gathering and underpinned the development of surveys, interview schedules and aide memoires. The lines of enquiry were drawn directly from the project plan and reflected the Welsh Government’s request for advice.

The selection of local authorities for fieldwork visits followed a sampling model designed to capture demographic and contextual variation across Wales. The final sample included 13 local authorities representing rural and urban contexts, Welsh-medium and bilingual provision, areas with falling and rising pupil numbers, and authorities with differing levels of financial pressure. All maintained school phases were within scope, including primary, secondary, all-age and special schools. PRUs and non-maintained settings were not included, in line with the agreed project scope.

### Fieldwork activities

During the fieldwork period, inspectors carried out structured evidence-collection activities in each of the 13 local authority areas. These activities included:

- Semi-structured interviews with finance officers, education officers, HR officers and senior leaders with responsibility for financial planning.
- Interviews with school leaders including headteachers, school business managers and, where available, chairs of governing bodies or finance committee chairs.
- Documentary review of local authority financial guidance, funding formula documentation, budget-setting timelines, grant-management processes, deficit-recovery protocols and internal monitoring tools.
- Triangulation meetings involving finance, education and HR officers where these were routinely part of practice.

In total, inspectors undertook interviews with stakeholders across all 13 local authority areas visited. The precise number of individuals interviewed varied by authority depending on size, staffing structures and local arrangements for financial support.

All interviews were conducted using standardised aide memoires to ensure consistency. The aide memoires covered question areas including strategic advice, budget-setting processes, financial risk monitoring, use of grants, training provision, equity considerations and governance. These question areas aligned with the project's six thematic parts. The aide memoires used for interviews with LA officers, headteachers, business managers and school governors were those set out in the project plan.

### **Survey evidence**

Two national surveys formed an important part of the evidence base:

#### Local authority survey

A survey was issued to all 22 Welsh local authorities. Questions focused on the annual cycle of financial support, quality assurance processes, training, use of grants, strategic planning, formula reviews, equity considerations and monitoring arrangements. All local authorities received the survey link and were invited to respond. We received responses from 15 local authorities.

#### Governing body and school leader survey

A second national survey was issued to headteachers, school business managers, and members of governing bodies of maintained schools in Wales. The survey explored governors' views on the clarity, accessibility and timeliness of advice; understanding of delegated budgets; effectiveness of financial training; communication around grant use; and support during financial difficulty.

The analysis recorded both the number of responses and, where possible, a response rate proportional to those invited. We received a total of 145 responses to the survey for members of governing bodies (governors, headteachers, school business managers, and teachers) from 105 individual providers. We asked respondents to identify their role. Of those who responded, 57.2% were governors, 41.1% were headteachers, 4.1% were business managers, and 1.4% were teachers.

No external organisation was commissioned to design or conduct the surveys. Both surveys were designed and administered internally by Estyn, with technical support from Estyn's statistics and research team.

Copies of both surveys can be found on the thematic webpage.

### **Other sources of evidence**

The team also reviewed a range of documentary and background evidence. This included Welsh Government budget documentation, reviews of the school funding formula, guidance on targeted grants, Senedd committee reports, national research on funding policy and international analyses of value for money, equity and resource deployment. These sources provided national policy context, comparative analysis and insight into wider financial pressures affecting schools in Wales.

Where external research was referenced, it is acknowledged that these data were collected for different purposes and using methods outside the control of this review. Findings drawn from these sources were used only to contextualise LA and school perspectives, not as primary evidence for evaluative conclusions.

### **Data handling and analysis**

Evidence from interviews, surveys and documentary review was analysed thematically against the six key areas of enquiry. Triangulation took place across all evidence types to test the consistency and reliability of emerging findings.

### **Limitations**

As with all thematic reviews, evidence reflects the specific period of fieldwork and the sample of local authorities visited. Although the sample captured a wide demographic spread, findings may not represent every aspect of practice in all 22 authorities. The review did not include non-maintained settings, FE providers or independent schools. Two local authorities neither responded to the survey nor were they included in the sample list for visits.

It is important to note that the governing body and school leader survey sample was self-selecting, which means that the responses cannot be deemed representative of governors and leaders in Wales. There are inherent biases in the responses, as governors and leaders may have chosen to respond due to particularly negative or positive experiences they wished to convey. However, as noted above, triangulation of evidence ensures that our conclusions are robust.

## Glossary

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<b>Additional learning needs (ALN)</b>	A term used in Wales to describe children and young people who need extra support to learn, including those with learning difficulties, disabilities or social, emotional or behavioural needs.
<b>Benchmarking</b>	Comparing a school's spending or performance with similar schools or national averages to help identify strengths, gaps or areas for improvement.
<b>Budget forum</b>	A group in each local authority that represents schools and discusses funding matters, such as formula changes or financial pressures.
<b>Cluster / cluster of schools</b>	A group of schools in the same local area that work together, often including one secondary school and its partner primary schools.
<b>Curriculum-led financial planning</b>	A method of planning a school's budget by starting with the curriculum and working out the staffing and resources needed, ensuring these plans are affordable.
<b>Delegated budget</b>	The funding that a local authority gives directly to each school to manage. Schools make decisions about staff, resources and services using this budget.
<b>Deficit recovery plan</b>	A formal plan schools must produce if they are overspending. It sets out the steps they will take to return to a balanced budget, usually over three years.
<b>Deprivation indicators</b>	Measures used to identify levels of socio-economic disadvantage, such as eligibility for free school meals (FSM) or data from the Welsh Index of Multiple Deprivation (WIMD).

<b>Financial dashboard</b>	A digital tool that brings together key financial information (such as spending and pupil numbers) to help schools and local authorities monitor risks.
<b>Financial sustainability</b>	A school's ability to maintain its staffing, curriculum and provision over time without going into financial difficulty.
<b>Grant fragmentation</b>	A situation where schools receive many separate small grants instead of one larger, simpler funding stream. This can increase workload and reduce flexibility.
<b>HR (Human resources)</b>	The part of the local authority or school that deals with staffing matters such as recruitment, pay, contracts and employment policies.
<b>Indicative budget</b>	An early estimate of the funding a school is likely to receive. It helps schools plan ahead even though the final amount may change.
<b>Local authority (LA)</b>	A council responsible for education, finance, social care and other public services in a defined geographic area.
<b>Medium-term financial planning</b>	Planning a school's finances over several years—usually three—to help ensure future staffing and curriculum decisions are affordable.
<b>Multi-agency meeting</b>	A meeting where officers from finance, HR, ALN and school improvement come together to give joined-up support to schools.
<b>Pupil Development Grant (PDG)</b>	Funding from Welsh Government to help schools support pupils affected by poverty and reduce the impact of socio-economic disadvantage.
<b>RAG rating</b>	A colour-coded system (Red/Amber/Green) used to show levels of risk or priority, helping authorities identify where support is most needed.
<b>Scenario modelling</b>	Using different “what if” scenarios to explore how changes (such as pupil numbers or staffing decisions) might affect a

school's budget in future.

**School funding formula**

The method local authorities use to calculate how much funding each school receives. Factors often include pupil numbers, ALN, deprivation and school size.

**School improvement services**

Teams that support schools to improve teaching, leadership and pupil outcomes. They often work closely with finance and HR where financial concerns affect provision.

**Strategic financial advice**

Guidance that helps schools think long-term about staffing, budgets, risks and sustainability, rather than day-to-day financial tasks.

**Targeted grants**

Funding for specific purposes, such as supporting disadvantaged pupils or improving certain parts of school provision. These grants usually come with conditions and reporting requirements.

**Value for money (VfM)**

A judgement about whether spending achieves the best possible outcomes for pupils using the resources available.

**Welsh Index of Multiple Deprivation (WIMD)**

This is the official measure of relative deprivation for small areas. It ranks all small areas in Wales from most deprived to least deprived, providing a relative measure of deprivation across eight domains.

**Numbers – quantities and proportions**

nearly all =	with very few exceptions
most =	90% or more
many =	70% or more
a majority =	over 60%
half =	50%
around half =	close to 50%
a minority =	below 40%
few =	below 20%
very few =	less than 10%

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