Llywodraeth Cymru
Welsh Government

OPEN CONSULTATION, DOCUMENT

Guidance on the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026

We want your views on the draft guidance to the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026 and draft statutory guidance on local authority schemes for financing schools.

First published: 9 March 2026 **Last updated:** 27 March 2026

Overview

We are gathering views on the draft guidance for local authorities on the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026 and the draft statutory guidance on local authority schemes for financing schools.

How to respond

Responses to this consultation should be emailed and(or) posted to the address below to arrive by 19 June 2026 at the latest.

You can respond to this consultation by completing the questionnaire at the end of this document and returning it to us.

Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

The School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026 (https://www.legislation.gov.uk/wsi/2026/66/contents/made).

Contact details

For more information:

Education Infrastructure, Governance and Finance Division
Education Directorate
Welsh Government
Cathays Park
Cardiff
CF10 3NQ
email: **school.funding@gov.wales** (mailto:school.funding@gov.wales).

UK General Data Protection Regulation (UK GDPR)

The Welsh Government will be data controller for Welsh Government consultations and for any personal data you provide as part of your response to the consultation.

Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. The lawful basis for processing information in this data collection exercise is our public task; that is, exercising our official authority to undertake the core role and functions of the Welsh Government. (Art 6(1)(e)).

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. In the case of joint consultations this may also include other public authorities. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (for example a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. We publish responses anonymously and your name and contact details will not be included. If you would like your name or other details published alongside your response, please let us know when you submit your response, and we will include them.

You should also be aware of our responsibilities under Freedom of Information legislation and that the Welsh Government may be under a legal obligation to disclose some information.

If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than 3 years.

Your rights

Under the data protection legislation, you have the right:

- to be informed of the personal data held about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the UK GDPR, please see contact details below:

Data Protection Officer:
Welsh Government
Cathays Park
CARDIFF
CF10 3NQ

E-mail: **dataprotectionofficer@gov.wales** (mailto:dataprotectionofficer@gov.wales)

The contact details for the Information Commissioner's Office are:
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF
Tel: 0303 123 1113
Website: **ico website** (https://ico.org.uk/)

What is this consultation about

This consultation seeks to gather views on the clarity and usefulness of 2 guidance documents in relation to the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026 ("the 2026 Regulations").

One of the guidance documents is general guidance for local authorities on the 2026 Regulations, apart from Part 4 and Schedule 4, in relation to financial schemes. This guidance is issued under section 60 of the Government of Wales Act 2006. There is no statutory duty to have regard to this guidance, but the Welsh Ministers would expect those to whom it is addressed to take it into account when considering matters to which it relates.

The statutory guidance document on financial schemes for financing local authority maintained schools is issued by the Welsh Ministers pursuant to section 48(4) and paragraph 2A(2) of Schedule 14 to the **School Standards and Framework Act 1998** (http://www.legislation.gov.uk/ukpga/1998/31/contents) ("the SSFA 1998"). It is statutory guidance and as such local authorities must have regard to it when revising their financial schemes. The guidance is aimed at local authorities. However, they should seek their own legal advice as to what the law requires.

In addition to the 2 guidance documents, we will continue to provide guidance notes on the completion of budget statement and outturn statement returns.

What is the current position

The School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026 ("the 2026 Regulations") revoke and replace the School Funding (Wales) Regulations 2010 ("the 2010 Regulations"), the Education (Budget Statements) (Wales) Regulations 2002 ("the 2002 Regulations") and the Education (Outturn Statements) (Wales) Regulations 2003 ("the 2003 Regulations") in relation to financial years that commence on or after 1 April 2027.

The 2026 Regulations make provision for the funding of maintained schools in Wales and establish the financial framework for local authorities and schools. They also specify information about local authority expenditure on education which must be contained in budget statement of planned expenditure and outturn statement of actual expenditure.

The purpose of the changes made by the 2026 Regulations to the way local authorities allocate budgets is to provide greater transparency, comparability and consistency in the school funding system. This will allow informed budget discussions at all levels. They also ensure they reflect current policy and legislation and update terminology accordingly.

Whilst the 2026 Regulations are largely a simple amalgamation of the 3 previous set of regulations, some changes have been introduced. The changes are set out in the draft general guidance. The changes include:

- Funding formula publication requirements on a website which is accessible to the general public.
- Deprivation factor changes.
- The ability for federated schools to request a single federated budget.
- Financial scheme publishing requirements on a website which is accessible to the general public.
- A requirement for local authorities' financial schemes to set out the areas of their schools budget which are not delegated to schools but retained centrally by the local authority to spend on schools.
- Move non-domestic rates (NDR) from the schools budget to the non-schools education budget.
- The limit of 0.2% applied to licence fees or subscriptions in Schedule 2 to the 2010 Regulations, which lists what may be included in the schools budget (expenditure which may be delegated to schools or centrally retained by local authorities to spend on schools) is removed.
- Schedule 3 to the 2010 Regulations, which sets out additional factors or criteria which may be taken into account in a local authority funding formula is removed.
- Surplus school budget threshold values to be replaced with a percentage of 5% of the school balance.
- Local authority financial schemes must include a statement setting out how the local authority will monitor the use by a governing body of the surplus included in any surplus statement.
- Local authority financial schemes must contain a provision requiring a governing body to submit a deficit recovery plan to their local authority for approval and include the process in relation to a draft deficit recovery plan.
- Amendments to the budget statement to include Core Delegation, Discretionary Delegation and Additional Learning Needs (ALN) Delegations (which is further

split into ALN Core Delegation and ALN Discretionary Delegation) columns and columns to record the estimated school's budget share for the following 2 funding periods.
- Combine Parts 2 and 3 of the budget statement as required by Schedules 2 and 3 of the 2002 Regulations and require that this is completed for each of the different delegated budget types for each school and type of school.
- The date for submission of the outturn statement is amended to 31 July.

Part 2 of the 2026 Regulations deals with the non-schools education budget, the schools budget and the individual schools budget. The non-schools education budget relates to the expenditure on local authority functions that the local authority must retain centrally.

The individual schools budget is formed by deducting any or all of the expenditure items set out in Schedule 3 to the 2026 Regulations from the schools budget. It is for the local authority to decide what expenditure items from Schedule 3 to deduct from the schools budget. Whatever is left remaining in the schools budget after that exercise will form the individual schools budget.

It is a matter for the local authority to determine what to do with the expenditure items deducted from the schools budget and which are not allocated to its individual schools budget.

Part 3 of the 2026 Regulations deals with schools' budget shares. Regulation 8 of the 2026 Regulations requires the individual schools budget to be allocated as budget shares to schools. This means that the individual schools budget must be divided up into school's budget shares with each maintained school receiving a budget share. Regulation 10 of the 2026 Regulations requires a local authority to determine a formula for the budget shares. Regulations 14 to 26 set out the factors and criteria to be taken into account in determining schools' budget shares.

Part 4 of the 2026 Regulations deals with local authorities' financial schemes.

Part 5 deals with the information about a local authority's expenditure on education which must be contained in the statement of planned expenditure which each local authority is required to prepare before the beginning of each funding period under section 52(1) of the 1998 Act. Part 6 deals with the information about local authorities' expenditure on education which must be contained in a statement.

Each local authority is required to prepare after the end of each funding period an outturn statement by section 52(2) of the 1998 Act.

Why are we publishing guidance

We have received feedback from stakeholders that guidance on the 2026 Regulations would be helpful for local authorities. The aim of the guidance is to support implementation and consistency.

Key features of the general guidance to the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026

The draft guidance has been provided alongside this consultation document. This is general guidance for local authorities on the 2026 Regulations, apart from Part 4 and Schedule 4, in relation to financial schemes, which is provided separately (see draft statutory guidance on schemes for financing local authority maintained schools).

The draft general guidance is divided into:

Overview

This outlines that the document provides non-statutory guidance and does not aim to be a comprehensive statement of the law and so should not be taken to be advice as to what the law requires.

Overview of changes

This outlines the changes the 2026 Regulations introduce.

Budget types

This outlines the different budget types, including the new identification of core and discretionary delegation included in the 2026 Regulations.

Funding formula

This includes the general principles and other requirements for local authority funding formulae and publication requirements.

Budget statements

This outlines details around Part 1 and 2 of the budget statement, which reports on budgeted expenditure. It includes information about the budget statement template.

Budget process

This outlines the timings, consultation and publication requirements.

Outturn statements

This includes requirements regarding completion and publication of outturn statements.

Annex A: Funding formula additional factors or criteria

A local authority may use any factors considered necessary for the allocation of school shares in a fair and appropriate manner. The is a non-exhaustive list of examples of appropriate factors and criteria.

Key features of the statutory guidance on schemes for financing local authority maintained schools

The draft statutory guidance has been provided alongside this consultation document. This draft statutory guidance should be read in conjunction with the general guidance on the 2026 Regulations. Section 48(1) of the SSFA 1998 requires each local authority to maintain a scheme dealing with matters connected with the financing of schools they maintain. Part 4 and Schedule 4 to the 2026 Regulations sets out matters in connection with such schemes. The draft statutory guidance includes the provisions that a local authority's scheme must, should or may include. The draft statutory guidance is aimed at local authorities, governing bodies and school funding forum.

In making any changes to their financial schemes, other than directed revisions, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools.

The guidance is divided into:

Summary and changes

This outlines that the document provides statutory guidance and as such local authorities must have regard to it when revising their financial schemes. It outlines that the Welsh Ministers may, by a direction, revise the whole or any part of the scheme as from such date as may be specified in the direction (see paragraph 2A(4) of Schedule 14 to the SSFA 1998). It also includes the amendments that Schedule 4 to the 2026 Regulations makes to the required content of financial schemes.

The outline scheme

This outlines what the 2026 Regulations state that financial schemes must deal with.

Introduction

This includes the role, application, publication and revision of the scheme, and delegation of powers to the headteacher and maintenance of schools. It also highlights that the financial scheme should describe the main features of the current funding framework. A specimen description is proposed to be included at Annex A to the statutory guidance document.

Financial controls

This includes general financial procedures, accounting, budget plans, school resource management, virement, audit, register or business interests, purchasing, tendering and contracting requirements, contracts, central funds and ringfencing, spending, notice of concern and fraud.

Schools operating a bank account for the purpose of expending the budget share

This includes frequency of instalments, interest, and accounts.

The treatment of surplus and deficit balances arising in relation to budget shares

This includes the right to carry forward surplus balances, interest and the new requirement that a scheme must include a statement setting out how the local authority will monitor surplus budgets.

It also includes the obligation to carry forward deficit balances, interest and the new requirement that a scheme must include a provision requiring a governing body to submit a deficit recovery plan to the local authority for approval. It also includes what must and should be included in the financial scheme.

Income

This includes income from lettings, fees and charges, fund-raising activities, sale of assets, the administrative procedures for the collection of income and the purposes for which income may be used.

Expenditure headings in the schools budget retained by the authority

This outlines that a scheme must have a provision setting out the expenditure headings within the schools budget that are retained by the local authority. This is a new requirement in the 2026 Regulations.

The charging of school budget shares without the consent of the governing body

This includes the general provision, charging of salaries at actual cost and circumstances in which charges may be made if stipulated within the scheme.

Taxation

This includes VAT, construction industry scheme and employment status determination.

The provision of services and facilities by the local authority

This includes the provision of services from centrally retained budgets, provision of services bought back from the local authority using delegated budgets, packaging, service level agreements and teachers’ pensions.

Private finance partnerships

This includes that a local authority may wish to include other provisions relating to private finance projects.

Insurance

This includes insurance cover.

Miscellaneous

This includes right of access to information, liability of governors and governors' allowances, responsibility for legal costs, health and safety, right of attendance for Chief Finance Officer, additional learning needs, interest on late payments, whistleblowing, child protection and redundancy and early retirement costs.

Responsibility for repairs and maintenance

This includes a statement showing the categories of work and that local authorities should delegate funding for repairs and maintenance to schools.

Annex A: The funding framework main features

The financial scheme should describe the main features of the current funding framework (as outlined in section 3 of the draft statutory guidance). This Annex is a draft specimen description. This may be amended, added to or replaced by a different version, but the scheme should aim for at least this level of detail.

Consultation questions

Question 1

Do you agree that the draft general guidance on the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026 provides clarity on the School Funding, Budget Statements and Outturn Statements (Wales) Regulations 2026?

Question 2

Do you agree that the draft general guidance is clear and understandable?

Question 3

Do you agree that the draft general guidance clearly explains the different natures of the non-schools education budget, the schools budget, the individual schools budget and schools' budget shares, and are the boundaries clear?

Question 4

Do you agree that the draft general guidance is clear in relation to the need for a demonstrable formulaic approach to determining schools' budget shares?

Question 5

Do you agree that the draft general guidance clearly differentiates between core delegation and discretionary delegation?

Question 6

Are there any areas in the draft general guidance that you would like more detail on?

Question 7

Are there any areas that would be useful to cover in the general guidance that aren't already covered?

Question 8

Do you agree that the draft statutory guidance on schemes for financing local authority maintained schools provides clarity on financial schemes?

Question 9

Do you agree that the draft statutory guidance is clear and understandable?

Question 10

Are there any areas in the draft statutory guidance on schemes for financing schools that you would like more detail on?

Question 11

Are there any areas that would be useful to cover in the statutory guidance on schemes for financing schools that aren't already covered?

Question 12

What, in your opinion, would be the likely effects of the general guidance and statutory guidance on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.

- Do you think that there are opportunities to promote any positive effects?
- Do you think that there are opportunities to mitigate any adverse effects?

Question 13

In your opinion, could the general guidance and statutory guidance be formulated or changed so as to:

- have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or
- mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?

Please use the consultation response form to respond to the above questions.