

Education and Children's Services Funding

Purpose of report

For discussion.

Summary

This report updates members on the key issues on education and children services funding including:

1. The new schools funding formula;
2. The Replacing Local Authority Central Spend Equivalent Grant (LACSEG) consultation;
3. Early Intervention Grant;
4. Pressures on children's services;
5. Schools Capital.

Recommendation

Members are asked to discuss the information in the report.

Action

LGA Officers to proceed as directed.

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Education and Children's Services Funding

Overview

1. Schools and children's services are funded through the following main sources:
 - 1.1 the ring fenced Dedicated Schools Grant funds the Schools Budget;
 - 1.2 non-school education and children's services are funded through council tax, business rates, and the non-ring fenced Early Intervention Grant;
 - 1.3 capital is funded through a mix of capital grants, contributions from authorities from capital receipts.
2. Funding issues reflect:
 - 2.1. the Government's concentration on the academies programme, which is driving changes in the local formulae used for distributing the Dedicated Schools Grant and the funding of academies' central functions through LACSEG;
 - 2.2. the overall deficit reduction programme of the Government, where non-schools funding for local government is being cut by 28% in real terms over the period of the Spending Review;
 - 2.3. the changes which we expect to see enacted in the Local Government Finance Act – business rates retention and the localisation of council tax support;
 - 2.4. particular Government priorities such as expanding education for two year olds which are part of the coalition agreement.

Schools' Funding

3. Previous Boards have received updates on the new local formulae which DfE have insisted should be introduced in April 2013. We have recently, through the political group offices, received updates on the situation. The following remain the main issues of concern:
 - 3.1. The restricted number of factors and the lack of flexibility on, for example, small schools; the new rules will not permit a specific small schools factor or a factor relating to service children, this can lead to large shifts in funding for individual schools.
 - 3.2. A single lump sum – not more than £200,000 - which must be the same for all schools irrespective of phase, currently authorities tend to have different lump sums for primary and secondary.
 - 3.3. The new requirements to delegate more place a question mark over those services currently centrally provided, with Schools Forum agreement. Under the

25 October 2012

Item 1

new arrangements, representatives of maintained schools at the Schools Forum can agree de-delegation (ie allowing the authority to provide centrally and to fund from the Dedicated Schools Grant) for a small number of services such as insurance, staff cover, behavioural and ethnic minority support services, but this will not apply to academies. In practice this seems to be leading to more delegation of services such as behavioural support.

- 3.4. Less flexibility for the Schools Budget, going forward, to fund support for redundancy costs, capital expenditure and contribution towards combined budgets for children's services. Councils are be able to keep existing arrangements but will not be able to enter into any new arrangements.
- 3.5. Less choice for the authority to use its own deprivation factors – authorities have to use free school meals data or the Income Deprivation Affecting Children Index (IDACI) – again this leads to turbulence.
- 3.6. The fact that the DfE have only guaranteed that the minimum funding of -1.5% per annum will last until the end of the current spending review. DfE have now written to Directors of Children's Services (DCSs) to indicate that the MFG arrangements are likely to continue beyond April 2015 into at least the next Spending Review period.
- 3.7. The new funding arrangements for High Needs Pupils, where there will be new 'place plus' arrangements for settings such as special schools. These are based on a split between an element which goes straight to the provider (the place element, which for special schools is £10,000 per place) and a top-up element, with funding going to the responsible local authority as commissioner. Concerns about the data to be used to establish the new blocks have caused some to wonder whether this will be ready for April 2013; DfE consider that authorities have made progress and officers have indicated that this will be ready.
- 3.8. The DfE have decided on a top-slice for hospital education of £10 per pupil; this will be paid direct to authorities with hospital schools and similar facilities.
- 3.9. The increased role of the Education Funding Agency (EFA), which is increasingly being given a monitoring and compliance role, with authorities having to submit pro-formas to the EFA.

Replacing Local Authority Central Spend Equivalent Grant consultation

4. The Government's consultation on replacing Local Authority Central Spend Equivalent Grant (LACSEG) closed on 24 September 2012. Members are reminded that the DfE propose to remove £1.22 billion from the baseline for the business rates retention scheme in 2013-14 and £1.19 billion in 2014-15. DfE will pay the amount to authorities and academies as a non-ring fenced grant, proportionate to the number of pupils for which each is responsible. The consultation recognises that local authorities will retain responsibilities for pupils in academies and proposed a rate of £8-£15 per pupil.
5. The LGA has, based on evidence from member councils, replied that the 2012-13 rather than the 2011-12 s.251 returns should be used to establish the appropriate

Item 1

transfer. This would reduce the transfer to £782 million. We also proposed, based on evidence, that the rate for retained functions should be £50 per pupil. Discussions are proceeding with the DfE and a ministerial announcement is expected at the time of the Local Government Finance Settlement in December 2012.

Early Intervention Grant

6. The Early Intervention Grant was paid to councils as a separate non-ring fenced grant in 2011-12 and 2012-13. In 2011-12 it was £2.235 billion and in 2012-13 it was £2.370 billion. The EIG replaced a number of previous sources of funding, both ring-fenced and non-ring fenced. EIG represented a 32% cut when compared with the previous grants to local authorities (including those that were ended without being replaced) when compared with the originally announced amounts.
7. Additional money to expand early education to more disadvantaged two year olds was announced in the Autumn Statement in 2011. The Government announced that the money for this would rise from £291 million in 2012-13 to £534 million in 2013-14 and £760 million in 2014-15. The 2012-13 money was within the Early Intervention Grant.
8. The consultation document on business rates retention which came out in July 2012 proposed that EIG would no longer be paid as a separate grant from 2013-14 onwards.
 - 8.1. £1.726 billion in 2013-14 and £1.632 billion in 2014-15 is to be incorporated into the business rates baseline – this will not be ring-fenced;
 - 8.2. £534 million in 2013-14 and £760 million in 2014-15 is to be taken into the ring-fenced Dedicated Schools Grant – to be used to expand provision for disadvantaged 2-year olds
 - 8.3. £150 million in each of 2013-14 and 2014-15 to be retained by DfE for central purposes.
9. This means that non-ring fenced resources will fall by 27%.
10. The LGA has heard considerable concern from member authorities at both the £150 holdback and the simultaneous reduction in the non-ring fenced resources at the same time as the increase in the money for the two year old offer which will now be funded through the Dedicated Schools Grant. Directors of Finance have expressed the view that this could well lead to a fall in the number of children's centres being funded.

Spending Pressures

11. The LGA has been working on spending pressures on children's services, in the run-up to the next Spending Review. We have heard considerable concern from member authorities, particularly in the North East, about the pressures on looked after children. At the same time we have heard from some counties that budgets such as home to school transport (which is funded from general resources – in essence council tax and business rates) remain high.

25 October 2012

Item 1

12. LGA officers are working with both the ADCS and the DfE to collect information on the up to date position from authorities. The ADCS is currently working to update its research on pressures on safeguarding.

Capital

13. There has still been no Government response to the consultation on the James Review into schools capital; which reported in April 2011. The key issues remain the scope of any single capital pot to distribute funding locally and how new school building is to be procured.
14. Allocations for the Priority Schools Building programme were announced on 24 May; it was confirmed that 261 schools, of the 587 which applied, will be rebuilt, with the first schools opening in 2014. However it has become clear that the programme will be phased with schools procured in batches over a number of years. The first two batches are expected to come to market before the end of the calendar year; DfE has not yet confirmed where they will be. LGA officers understand that this is coming from savings on Building Schools for the Future. DfE is working on procurement models and on standardised building designs. Separately from this 42 schemes, concentrating on special schools will be prioritised for capital grant,
15. The LGA understands that capital grant figures for 2013-14 will be confirmed towards the end of the year. It seems likely that overall resources will remain around the same as this year: £1.2 billion for condition and maintenance for councils, academies and the voluntary sector (not distributed through a single capital pot) and £800 million for basic needs funding for councils. However these figures have yet to be confirmed by ministers.

Financial Implications

16. None specific to this report.