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Education and Children Services Funding

Purpose of report

For discussion.

Summary

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

1. outcome of the replacing Local Authority Central Spend Equivalent Grant (LACSEG) consultation;
2. early Intervention Grant;
3. the new schools funding formula and review;
4. pressures on children's services and the 2015-16 spending review;
5. schools Capital.

Recommendations

That members:

1. Note this report; and
2. Agree to receive further reports on any future developments.

Action

Officers to continue to provide updates to the Board.

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Replacing LACSEG consultation outcome

1. The outcome of the Replacing Local Authority Central Spend Equivalent Grant (LACSEG) consultation, which closed on 24 September 2012, was announced on 19 December 2012. Members are reminded that the Department for Education (DfE) proposed 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-ringfenced grant, to be called the Education Services Grant, proportionate to the number of pupils for which each is responsible.
2. The outcome is that the total amount to be top-sliced has been reduced to £1.04 billion in 2013-14 and £1.03 billion in 2014-15, a gain of £180 million in 2013-14 and £160 million in 2014-15. This is because DfE have agreed to use 2012-13 as opposed to 2011-12 data.
3. However on the amount retained, DfE have confirmed that authorities will receive an additional £15 for every pupil in the local authority area, in maintained schools or academies, for the statutory duties which do not transfer to academies. The LGA had proposed, based on evidence from authorities, that the amount retained should be at least £30 per pupil.
4. That means that for pupils in maintained schools local authorities will get £131 per pupil in the new grant. For pupils in academies they will get £15 per pupil; £116 per pupil will be removed from the authority.
5. The decision of DfE to only give £15 per pupil for those services which authorities have to provide for pupils in academies will cause considerable problems, particularly for councils which have a low spend on central services and which already have large numbers in academies. DfE have provided extra money to protect the position of those academies that lose large amounts but they have not offered the same protection for authorities. In developing its response to the Local Government Finance Settlement, we have included asking for extra protection for those authorities who are spending substantially under £116 per pupil.

Early Intervention Grant

6. The consultation document on business rates retention which came out in July 2012 proposed that Early Intervention Grant (EIG) would no longer be paid as a separate grant from 2013-14 onwards. The following has been confirmed:

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- 6.1. £1.709 billion in 2013-14 and £1.600 billion in 2014-15 is to be incorporated into the start-up funding assessment on which the business rates retention arrangements will be based – this will not be ring-fenced. This is lower than the sum originally consulted on; it has been reduced by 1% in 2013-14 and 2% in 2014-15 as a result of the cuts in the 2012 autumn statement;
- 6.2. £525 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. The distribution for 2013-14 was announced in November 2012.
7. However the distribution of the £150 million retained by DfE for central purposes in 2013-14 and 2014-15 has not yet been announced. The LGA is pressing for it to be announced as soon as possible. Any updates will be reported verbally to your meeting.
8. The LGA has heard considerable concern from member authorities at both the £150 million 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.

Schools' Funding

9. The Dedicated Schools Grant for 2013-14 was also announced on 19 December. Although the basic schools budget will remain 'cash flat' there have been some shifts between authorities. These reflect:
 - 9.1. Three new blocks per authority; a schools block, an early years block (which includes the 2 year old funding) and a high needs block;
 - 9.2. Incorporation of 16-24 Special Educational Needs (SEN) provision within the High Needs Block; for some authorities the Education Funding Agency (EFA) have limited the total resources as they have capped the total number of places being planned for in some authorities; this is of particular concern to these authorities. The LGA is still talking to the DfE and the EFA about finalising the data and funding to take into account the views of individual councils;
 - 9.3. A change to the previous system whereby 90% participation of 3 year olds is assumed; authorities will receive a transitional protection of 50% of the amount they would previously have received.
10. Authorities will have to set their Schools Budget on the basis of the restricted number of factors permitted by DfE, as previously reported to your Board, the new rules will not

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permit a specific small schools factor or a factor relating to service children and there is a single lump sum for all schools irrespective of phase, currently authorities tend to have different lump sums for primary and secondary.

11. All schools will receive a minimum funding of -1.5% per annum until the end of the Spending Review; DfE have confirmed that the Minimum Funding Guarantee (MFG) will continue beyond that but have not confirmed the amount.
12. Following concern expressed by the LGA and a number of authorities, DfE have now established a review of the 2013-14 arrangements; this will be based both on a review of the evidence from the new local authority pro-formas which councils have to return demonstrating how much will allocated on which factor and on fieldwork with a limited number of authorities. The review is expected to lead to changes in 2014-15.

Spending Pressures

13. Following the announcement by the Treasury that there will be a one-year spending review, for 2015-16, which will report in the first half of 2013, the LGA will be discussing with DfE how we can use the evidence we and others such as the Association of Directors of Children's Services (ADCS) have collected to feed into it effectively.

Capital

14. An announcement on schools capital is expected at the end of January. This seems likely to include:
 - 14.1. £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.
 - 14.2. Allocation of the additional resources announced in the Autumn Statement; almost £1 billion over two years; this is expected to be allocated by a bidding process
 - 14.3. Confirmation of the first batches of the new Priority School Buildings programme and where they will be located and some indication when the rest of the 261 schools included in the programme will have their needs addressed; this is expected to be phased over a number of years.

Financial Implications

15. None specific to this report.