

## **Education and Children Services Funding**

### **Purpose of report**

For discussion and direction

### **Summary**

This report updates members on the key issues in education and children services funding including: Education Services Grant – previously Local Authority Central Spend Equivalent Grant (LACSEG); Early Intervention Grant and the Adoption Reform Grant; the new schools funding formula and review; pressures on children's services; and the 2015-16 spending review and schools capital.

### **Recommendations**

That the Board should:

1. note this report; and
2. agree to receive further reports on any developments

### **Action**

Officers to continue to provide updates

**Contact officer:** Mike Heiser  
**Position:** Senior Advisor Finance  
**Phone no:** 020 76643265  
**E-mail:** mike.heiser@local.gov.uk

## **Education and Children Services Funding**

### **Education Services Grant – previously LA LACSEG**

1. Members are reminded that the Department for Education (DfE) will pay £1.04bn in 2013-14 and £1.03bn in 2014-15 to schools and academies as a non-ring fenced grant, to be called the Education Services Grant, proportionate to the number of pupils for which each is responsible. It will be paid at the same rate everywhere: £116 per pupil.
2. 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. 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.
3. As a measure of transitional protection, academies will get at least £150 per pupil in 2013-14 and £140 per pupil in 2014-15. No such protection is being offered to authorities although we did ask for it in our reply to the Local Government Finance Settlement.
4. DfE have now published the provisional allocations for ESG for 2013-14 although these will be subject to change quarterly as more schools convert to academies. According to the provisional allocations authorities will receive £686m for maintained schools and £113m for retained duties – or £799m in total. The remaining £205m will be paid to academies through the Education Funding Agency.

### **Early Intervention funding**

5. Early intervention funding for 2013-14 has been confirmed as follows:
  - 5.1. £1.709bn in 2013-14 and £1.600bn in 2014-15 is within the start-up funding assessment on which the business rates retention arrangements will be based – this is not ring-fenced. The sum originally consulted on was reduced by 1% in 2013-14 and 2% in 2014-15 as a result of the cuts in the 2012 autumn statement;
  - 5.2. £525m in 2013-14 and £760m in 2014-15 has been 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.

**Item 4**

5.3. The £150m holdback will be used for an adoption reform grant. The amounts for 2013-14 were announced on 14 February; £50m is ring-fenced and will be distributed on the basis of the number of children placed for adoption per local authority and the number of children with an adoption decision still waiting to be placed for adoption per local authority. The remaining £100m is not ring-fenced and is meant to be used for capacity building. It will be distributed on the basis of a formula taking into account the number of under-fives with adjustments for deprivation, sparsity and higher costs.

**Schools' Funding and the Review of 2013-14 school funding**

6. As previously reported, authorities have set Schools Budget this year on the basis of the restricted number of factors permitted by DfE. The new rules will not 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. Losses beyond -1.5% per annum per pupil are protected by the Minimum Funding Guarantee. DfE have confirmed that the MFG will continue beyond April 2015 but have not confirmed the amount.
7. Following concern expressed by the LGA and a number of authorities, DfE have now established a review of the 2013-14 arrangements; based both on a review of the evidence from the new local authority pro-formas which councils have to return demonstrating how much will be allocated on which factor and on fieldwork with a limited number of authorities. The review is expected to lead to changes in 2014-15.
8. DfE published a review document on 12 February; the closing date for responses is 26<sup>th</sup> March. The LGA's response, which will be cleared by leading members, will be circulated at the meeting.
9. The review document can be seen to look two ways. On the one hand it asks whether we are moving towards the national consistency which ministers want or whether there should be further restrictions setting out a minimum to be distributed in pupil-led factors. On the other hand it does pick up the concerns that have been raised and proposes some options for changes to factors on prior attainment, pupil mobility, the lump sum and the possible inclusion of sparsity measures which may give more flexibility, for example on small schools. They also ask for more evidence on service children. In addition a number of questions are asked about the high needs funding system, although they are unlikely to lead to radical change.

**Item 4**

**2015-16 Spending Round and beyond**

10. Following the announcement by the Treasury that there will be a one-year spending review, for 2015-16, which will be announced on 26<sup>th</sup> June, an initial LGA submission was sent to the Chancellor on 12 March. This contains a section on children's services which notes the increases in both numbers of children requiring social care and the overall increase in pupil numbers. It notes with concern the reduction in non-ring fenced funding and calls for authorities to be allowed to make a contribution to early intervention from the Schools Budget (with the agreement of the Schools Forum). Under the most recent funding reforms DfE have stopped any new commitments of this nature being made.
11. The LGA will also be gathering evidence for submission to the next full Spending Review. We are in the process of commissioning some work on cost pressures in children's services and schools capital.

**Capital**

12. The delayed announcement of schools capital was finally made on 1<sup>st</sup> March. This announced resources for 2013-14 and 2014-15. It included:
  - 12.1. £1.2bn per annum for condition and maintenance for councils, academies and the voluntary sector (not distributed through a single capital pot) and £800m for basic needs funding for councils.
  - 12.2. Allocation of the additional resources announced in the Autumn Statement; £982m over two years through a Targeted Basic Needs Programme; this will be allocated by a bidding process which is now open. The closing date is 30 April with authorities being informed of the outcome in June 2013 and the first schools being open by September 2014.
13. The government has not yet confirmed exactly when the 261 schools in the Priority School Buildings programme will have their needs addressed; this is expected to be phased over a number of years. The LGA put out a press release based on a survey of authorities and Cllr Simmonds was interviewed on the Today programme. In response, David Laws, the minister responsible said that they were now putting in place the revised PFI framework and that the programme was expected to be complete by 2017.
14. The National Audit Office has also published a report on schools capital which was critical of the information used by the Government to make allocations. It says that local authorities contributed on average 34% of the cost of new school places in 2012-13.

**Financial/Resource Implications**

15. None specific to this report.