

SLOUGH SCHOOLS FORUM
12 September 2012

**Consultation on Replacing LACSEG: Funding Academies and local authorities for
the functions that devolve to Academies
(Director of Education & Children's Services)**

1 PURPOSE OF REPORT

- 1.1 To inform Schools Forum of the consultation issued in July and provide an opportunity for members to respond with comments.

2 RECOMMENDATIONS

- 2.1 That Schools Forum notes the Government's proposed changes to replace LA Block LACSEG and submits comments to officers for inclusion in Slough's response to the consultation.

3 REASONS FOR RECOMMENDATIONS

- 3.1 It is appropriate for Schools Forum to be aware of proposed changes to the funding of Academies and local authorities for the functions that devolve to Academies and to have the opportunity to respond to the consultation.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not applicable.

5 SUPPORTING INFORMATION

- 5.1 The Department for Education (DfE) issued consultation on the replacing Local Authority Central Spend Equivalent Grant (LACSEG) in respect of funding Academies and local authorities for the functions devolving to Academies on 17 July. The consultation will run for 10 weeks until 24 September.
- 5.2 The consultation sets out the DfE's proposals for a simpler, more transparent and fairer system of funding Academies and local authorities for the central education functions that they each provide. The proposal is to replace the Local Authority Block LACSEG, and the relevant element of local authority formula grant, with a single national grant from DfE.
- 5.3 The consultation is concerned with the detail regarding how the LA Block LACSEG should transfer to the DfE.
- 5.4 DfE are proposing to create a new grant, external to the Dedicated Schools Grant (DSG), by transferring nearly £1.2bn from the current formula grant funding pot to the DfE. The same amount will be distributed back to Academies and local

authorities, apart from £12m in respect of funding for newly qualified teachers, which will transfer to the DSG.

- 5.5 A key question is what will the difference be, at an individual local authority level, of the amount of funding Academies and local authorities will receive in future compared to the amount they are currently spending. Unfortunately, DfE have not provided any illustrative examples of the likely impact of these latest proposals in the consultation paper. The DfE have taken a top-down approach to developing their proposals, using Section 251 Budget Statements for 2011-12. There appears to be no mechanism for local authorities to challenge the DfE figures.

The Proposals

- 5.6 From 2013-14, the funding for Local Authority Block LACSEG functions should be transferred from the business rates retention scheme start-up funding allocation to the DfE. The DfE would then administer and distribute a separate un-ringfenced grant to local authorities and Academies proportionate to the number of pupils for which they are responsible.
- 5.7 The DfE are proposing to apply a multiplier of 4.25 for pupils in special schools / special Academies and apply a multiplier of 3.75 for pupils in PRUs / Alternative Provision Academies.
- 5.8 Local authorities remain responsible for a small number of functions to pupils in Academies, as well as to pupils in maintained schools (specific education welfare services, asset management and statutory / regulatory duties). For example, Slough will continue to be responsible for education welfare functions including prosecutions, tracking children missing education and child employment work. To ensure that local authorities receive appropriate levels of funding for the responsibilities that they retain for pupils in Academies, the DfE consider that the appropriate per-pupil amount to be distributed directly to local authorities for pupils in Academies is within the range of £8-£15 for 2013-14.
- 5.9 The costs of central education services included in this grant are likely to be affected by salary levels in different areas, although this is not clear from DfE analysis of section 251 budget data. The DfE are, therefore, asking whether an Area Cost Adjustment (ACA) should be applied when distributing the grant to Academies and local authorities.
- 5.10 Based on data held by the department, DfE believe it is not clear that levels of deprivation are a key factor in how much money is needed for central education services and whether it is significantly less expensive to provide or secure these services for schools with fewer deprived pupils. The DfE are asking whether a deprivation factor should be applied and what an appropriate rate is.
- 5.11 The Department for Communities and Local Government (DCLG) intends to calculate the deduction from each local authority's formula grant funding allocation, under the new business rates retention scheme, using the same per-pupil amount that the DfE will use to allocate the new grant. It remains unclear

whether the national rate will match the funding transferred to the DfE on an individual LA basis.

- 5.12 The DfE intend to use the October 2012 School census to calculate the new rates and will include pupils aged 3-19 in mainstream state funded schools.
- 5.13 DfE want to ensure that the move to the new national system does not lead to destabilising Academies budgets and will therefore put protection arrangements in place so that no Academy will see more than a 10% reduction in its per-pupil Local Authority Block LACSEG allocation in 2013-14 when compared with the previous year. DfE will create some form of contingency fund to pay for this additional protection but the cost of protection will not, apparently, be met from core funding for this grant or from the DSG.
- 5.14 From September 2012, the induction regulations will change so that teaching schools can act as the “appropriate body” for the induction of newly qualified teachers (NQTs) in maintained schools. In order to allow schools to pay for the services of their preferred appropriate body, the funding for statutory induction will need to move into the DSG so that it can be delegated to all schools through the local funding formulae. This will reduce the new proposed per-pupil rates for all local authorities in respect of the Local Authority Block LACSEG but, correspondingly the local authorities’ DSG will increase.
- 5.15 Attached at Appendix A is a table showing the consultation questions and the Council’s initial comments, pending further consultation and modelling.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of this report.

Section 151 Officer – Strategic Director of Resources

- 6.2 The financial implications of the proposed changes on Academies and local authorities are unclear as shown in paragraphs 5.5 and 5.13.

Access Implications

- 6.3 There are no access implications.

7 CONSULTATION

Principal Groups Consulted

- 7.1 None.

Method of Consultation

- 7.2 Not applicable.

Representations Received

7.3 Not applicable.

Background Papers

DfE School Funding Reform: Next steps towards a fairer system (March 2012)

DfE Replacing LACSEG: Funding Academies and Local Authorities for the functions that devolve to Academies (July 2012)

EFA Consultation on the Schools Finance regulations 2013 and additional grant conditions for the Dedicated Schools Grant (July 2012)

EFA Draft School and Early Years Finance (England) Regulations 2013 (July 2012) DfE Consultation on the proposed decision on the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13 (July 2012)

Contact for further information

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APPENDIX A

Replacing LACSEG: Draft Consultation Response

Question	Synopsis	Schools Comments	Academy Comments	Local Authority Comments
1. Do you agree that a multiplier of 4.25 should be applied for all pupils in special schools and special academies?	Special schools / academies typically have significantly higher staff to pupil ratios			Average primary / secondary per pupil budget share in £4,600 compared to c£23,500 per place for AV & HC, so 4.25 appears to be on low side? (L £33,800 per place)
2. Do you agree that a multiplier of 3.75 should be applied for pupils in PRUs and AP academies?	PRU / AP typically have higher staff to pupil ratios			See LA comments on Q1 (PRU not separated out from Haybrook College)
3. Do you agree that a rate of approximately £8-£15 per pupil is appropriate for the responsibilities that Local Authorities retain for pupils in Academies?	LA continuing responsibilities for aspects of education welfare services, asset management and statutory & regulatory duties			DfE recognition of continuing responsibilities and provision of funding is welcome. Need to model appropriateness of approximate rate.
4. Do you think that an area cost adjustment (ACA) should be applied when distributing the grant to academies and local authorities?	+ Would reflect differing costs in areas across England - Would be more complex / less transparent and result in 14 different rates			Concern that this could set a dangerous precedent if no ACA
5. Do you think that a deprivation factor should be applied?	+ Would deliver more funding to LA / Academy for deprived pupils and less for other pupils - Would be more complex / less transparent			Formula grant reflects deprivation and this could set a dangerous precedent if no deprivation factor. Need input from education colleagues as to whether deprivation impacts on cost of services.
6. If a deprivation factor is	Unclear, but likely to depend			Need to model this (analyse

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<p>applied, where between 1% and 10% should the DfE set the proportion of the funding pot to be allocated separately to deprived pupils?</p>	<p>on impact (proportion of pupils on ever 6 free school meals)</p>			<p>pupil numbers and proportions)</p>
<p>7. Do you agree that the funding should be deducted from local authorities using the same national rates that we will use to allocate the new grant?</p>	<p>Unclear, but likely to depend on impact (how sum of funding at national rates compares to current s251 budget)</p>			<p>Not possible to make an informed judgement on this in the absence of LA level financial implication analysis. Likely to depend on whether spend above per pupil average (+ve) or below (-ve) at point of transfer</p>
<p>8. Do you agree that the funding for Newly Qualified Teaching (NQT) induction should transfer into the DSG so that it can be delegated to all schools in the school budget share?</p>	<p>Current LA responsibility funded through formula grant</p>	<p>Schools becomes commissioners</p>		<p>Confirm potential impact on sustainability of LA service</p>