



Leicester
City Council

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CHILDREN'S SERVICES BUDGET BRIEFING NOTE No. 3

20th December 2010

**LOCAL GOVERNMENT PROVISIONAL FINANCE SETTLEMENT 2011/13
BRIEFING FOR CHILDREN'S SERVICES AND SCHOOLS**

Report of the Head of Finance, Investing in our Children

1. INTRODUCTION AND SUMMARY

- 1.1 This note sets out an initial analysis of the Local Government Provisional Finance Settlement for 2011/12 and (other than schools and capital) also for 2012/13, announced by the Government on 13th December 2010. It considers the national position and the implications for Leicester's Children's Services and schools.**
- 1.2 The note follows on from two earlier briefings, which considered the Chancellor's Spending Review, the Schools White Paper and other relevant announcements and commentary, and drew some conclusions and key messages for Leicester.
- 1.3 The revenue funding system from April 2011 is much simplified, with many individual grants being "rolled up" into the Council's Formula Grant (the General Fund budget), the new Early Intervention Grant, Dedicated Schools Grant (DSG) and the Pupil Premium. The capital funding system is similarly simplified.
- 1.4 Following the summary analysis, this briefing covers the following areas in more detail:

Section	Topic	Page
2	Formula Grant / General Fund Budget	4
3	Early Intervention Grant	6
4	Dedicated Schools Grant and Schools	9
5	Pupil Premium	12
6	Grants coming to an End	13
7	Capital Funding	15
8	Other Funding	17
9	Links to Press Notices and Ministerial Statements	17

Funding for Children's Services excluding Schools

- 1.5 In overall terms, the analysis set out in this briefing suggests that the Government's revenue funding via specific streams for Children's Services (excluding schools) in Leicester will be reduced by around £9.6m in cash terms in 2011/12.
- 1.6 In addition, if the 8.8% reduction in the Council's Formula Grant is applied pro-rata to the Children's Services share of the Children's General Fund budget, then this would suggest that a further £3.5m has been lost to the Council for Children's Services.
- 1.7 There is also a transfer from local government to the DfE for local authorities' centrally funded activities that move away from councils when schools become academies. This is applied to all councils on the same basis and reduces the City Council's funding by a further £0.9m in 2011/12.
- 1.8 These result in an effective overall cash funding reduction of around £14m (or 15%) across all budgets other than schools, as summarised in **Table 1**.

Table 1 – Reductions in Government Funding for Children's Services (Excluding DSG / the Schools Budget) 2011/12

Funding Source – Revenue	Reference	Reduction in 2011/12
Mainstreamed Grants	Pg 5, Table 2	£0.2m
Early Intervention Grant	Pg 7, 3.8	£5.3m
Standards Funds Ending (as named by DCLG*)	Pg 13, 6.4	£0.6m
Area Based Grant – Named Grants Ending	Pg 13, 6.4	£3.5m
Total Reductions in specific funding streams		£9.6m
Formula Grant /General Fund (notional, pro-rata to overall Council reduction)	Pg 4, 2.2	£3.5m
Cash Transfer from Formula Grant for Academies and Free Schools	Pg 4, 2.3	0.9m
Total Effective Reduction in Government Funding		£14.0m

* DCLG = Department for Communities and Local Government

- 1.9 The Council's formula grant is expected to reduce by a further 6.2% in 2012/13.

Funding for Schools and Schools Budget Items

- 1.10 With regards to Dedicated Schools Grant and the Schools Budget, the Government has kept its commitment to maintain per pupil baseline funding in cash terms, although as expected this excludes a number of current grants with a value of £1.2m.
- 1.11 The City will lose £0.6m of DSG as the dual funding of pupils registered to a PRU and a school comes to an end, and we expect to gain £1.1m due to the effect of updated population data on the funding for 3 year olds. However, the DSG funding for the additional 2.5 hours free entitlement for early years is around £0.7m less in a full year than the funding received for the Autumn 2010 and Spring 2011 terms.
- 1.12 Therefore we expect the funding available for 3-16 education via DSG / the Schools Budget to be around £1.4m less than currently.
- 1.13 However, DSG / the Schools Budget generally and schools individually will undoubtedly be asked to fund / buy-back some services that have until now been funded from outside of DSG / the Schools Budget, due to the aforementioned wider funding reductions. Pressure could also arise due to severe reductions in Devolved Formula Capital.
- 1.14 The pupil premium will be introduced, at £430 per deprived pupil.
- 1.15 At school level, the Minimum Funding Guarantee (MFG) is -1.5% (excluding sixth form funding), meaning that no school will see a reduction in per pupil funding of greater than 1.5%, before the pupil premium is applied.

Overall Impact

- 1.16 In addition to the above, there is no funding for inflation costs. Assuming inflationary pressures of 2% (even with the planned pay freeze), this represents a further real terms reduction of over £6m across Children's Services and schools. The total loss of funding / spending power in real terms, including schools, is therefore in excess of £20m.
- 1.17 It should be noted that the Council will decide the actual funding to be allocated to Children's Services (with the exception of the ringfenced Dedicated Schools Grant (DSG); this note sets out the changes in the Government funding coming to the Council, and does not pre-empt the Council's budget setting process.

Capital Funding

- 1.18 Capital funding is also much simplified (with allocations for Basic Need, Capital Maintenance and schools' Devolved Formula Capital – DFC). Overall for Leicester, the non-BSF funding is reduced by around 50%. However, within this, schools' Devolved Formula Capital is reduced by over 80%. The BSF programme is expected to continue, albeit with lower capital funding.

2. FORMULA GRANT / GENERAL FUND BUDGET

- 2.1 **The City Council has done slightly better than average with its main formula grant allocation, with an 8.8% cut in 2011/12. This is the main component of the “General Fund” budget which pays for most Council services (excluding schools, council housing and other individual grant funded services), alongside funding from the Council Tax and redistributed Business Rates.**
- 2.2 If the 8.8% reduction is applied to the Children’s Services current General Fund budget, the notional pro-rata reduction in the Council’s formula grant attributable to Children’s Services would be £3.5m. However, the actual changes to be applied to the General Fund budget for Children’s Services will be for the Council to decide.
- 2.3 Some funds are transferred out of formula grant and moved to the DfE - the most significant is a cash transfer for academies, where the City Council will lose £0.9m in 2011/12 and will lose a further £0.6m in 2012/13.

The Secretary of State’s letter advises that local authority funding (outside of the DSG) is reduced, as Academies are funded for certain activities which for maintained schools sit with the Council’s central funding (such as SEN support services, non-statutory Education Psychology, school improvement, asset management and statutory / regulatory duties).

Because it is not possible to say precisely which schools in which local authorities will convert to Academy status and where all new Academies and Free Schools will be, the Government does not consider it practical to target the reductions at individual local authorities and therefore a national top slice has been applied. Whilst this has the advantage that all local authorities will have certainty over the funding they will receive over the period and will not see unpredictable changes because of variable patterns in the growth of the Academy sector, it does mean that the City Council will lose funding as set out above. Given the very limited development of academies and free schools in the City to date, the Council will not currently experience any significant cost reductions or income generation by trading with free schools and academies to offset this loss of funding.

- 2.4 As previously signalled, a number of grants currently within the Area Based Grant (ABG) are being mainstreamed into the main formula grant. These are shown in **Table 2** below, together with the current 2010/11 allocation (before any ABG Partnership top-slice) and the amount being added to the Children’s Services General Fund Budget in 2011/12 to reflect the transfer into formula grant at national level.

Table 2 – Area Based Grant Components being mainstreamed into Formula Grant / the Children’s Services General Fund Budget

	2010/11 in ABG	2011/12 transfer to Formula Grant	Reduction
Child Death Review Processes	£64k	£50k	£14k
Care Matters Grant	£458k	£348k	£110k
LSC Staff Transfer	£312k	£238k	£74k
Child and Adolescent Mental Health Services	£860k	£840k	£20k
Carers	£338k	£329k	£7k
Total	£2.03m	£1.80m	£225k

2.5 The Council has absolute discretion about how to apply the General Fund budget across the range of services. The Cabinet and then the full Council will set the budget in February 2011.

2.6 The Council’s formula grant is expected to reduce by a further 6.2% in 2012/13.

3. EARLY INTERVENTION GRANT

- 3.1 The allocations for the new Early Intervention Grant (EIG) have been announced for two years – the indicative figures for Leicester are £18.5m in 2011/12 and £18.84m in 2012/13. This new grant replaces a number of existing grants (see 3.15 below*). The grant will not be ring-fenced and it will be for local authorities to determine the most effective use of the funds.

Purpose and Scope

- 3.2 The Government is “*keen to emphasise the immense potential in combining a reduction in central prescription with a stronger focus on what works for different localities to produce better results. Investing in early intervention – acting more strategically and targeting investment early, ensuring the maximum resources go to frontline services – is essential if we are to have the greatest impact and secure better results downstream for children, young people and families.*”
- 3.3 The EIG is intended to cover (amongst a range of things) two key areas of intervention, namely free early education for disadvantaged two year olds and short breaks for disabled children.
- 3.4 The Government says that it has additionally ensured there is enough money in the EIG to maintain the existing network of Sure Start Children’s Centres, accessible to all but identifying and supporting families in greatest need. There will also be new investment through Department of Health budgets to provide 4,200 extra health visitors, working alongside outreach and family support workers, to enable stronger links with local health services (it is understood that these will come via the national Public Health Service).
- 3.5 The Government states that the Early Intervention Grant is of course not limited to these areas. It “*underpins creative approaches to local priorities, across all services for children, young people and families. Most of the Department’s funding for services for young people will now flow through the EIG. As we maintain the commitment to raise the participation age to 18 by 2015, the grant will help local authorities to support vulnerable young people to engage in education and training, intervening early with those who are at risk of disengagement. It will support transitional arrangements so that young people have access to impartial careers guidance in advance of the all age careers service being fully operational. It will also help areas to prevent young people from taking part in risky behaviours, like crime or teenage pregnancy, and to support those young people who have a learning difficulty, disability or mental health problem.*”
- 3.6 The new grant also “*provides an opportunity to look wider than individual children and young people and to seek greater coherence of local services, for example in supporting families facing the poorest outcomes who pose the greatest cost to local services. Local authorities will want to consider using EIG funds to support local action in support of the national campaign to improve outcomes for families with multiple and complex problems and reduce costs to welfare and public services. This will be underpinned by local Community Budgets and more flexible ways of funding services for vulnerable families and children.*”

Allocations

- 3.7 The Government states that overall the amount to be allocated through EIG is 10.9% lower at national level than 2010/11. However, it should be noted that this is after the in-year reduction to the DfE's contribution to the Area Based Grant applied in June 2010; a comparison to the 2010/11 original allocations results in a reduction of 20.8% at national level.
- 3.8 The indicative figures for Leicester are £18.5m in 2011/12 and £18.84m in 2012/13. For 2011/12, this represents a reduction of £2.7m or 12.9% compared to the 2010/11 revised allocations after the ABG reduction; and a real reduction of £5.3m or 22% compared to the 2010/11 original allocations.
- 3.9 The grant has been allocated to councils largely using the DfE's existing formula for Early Years services, with the remainder by the Youth Services formula. DfE propose to work with stakeholders, including local authorities, to consider the distribution approach in time to feed into decisions about allocations for 2013/14.
- 3.10 In order to minimise turbulence during the transitional period, a floor has been applied to the 2011/12 allocations (after the in-year ABG reduction), such that no authority loses more than 12.9% compared to their 2010/11 revised allocation. A ceiling is then applied to 'pay' for this floor. In this case, the ceiling is set at -8.4%, so all authorities lose at least 8.4% compared to their 2010/11 notional revised allocation.
- 3.11 For 2012/13, the overall amount to be allocated is 3.8% higher than that for 2011/12 (largely owing to increased funding to reflect the need to increase capacity for 2 year olds as local authorities build towards an entitlement for disadvantaged two year olds from 2013). Therefore, the floor has been set at 1.8% so every authority receives at least 1.8% more in 2012/13 compared to their 2011/12 allocation. To pay for this, a ceiling of 6.2% has been set so no authority will see their allocation increase by more than 6.2% between 2011/12 and 2012/13.
- 3.12 Based on the application of the formulae for Early Years and Youth, Leicester's new allocation in 2011/12 would have been a reduction of 21.1% or £4.5m compared to the 2010/11 revised allocation. The -12.9% "floor" has been applied, limiting Leicester's loss to £2.7m and providing protection of £1.8m.
- 3.13 For 2012/13, Leicester again benefits from the floor, receiving the minimum 1.8% increase and protection of £1.4m compared to the formula allocation.
- 3.14 Leicester will have a keen interest in the discussions on the longer term approach to distributing the EIG, as we will wish to see a formula which recognises Leicester's needs and which does not result in a further reduced share of the funding available nationally.

3.15 * The grants replaced by the EIG are a combination of discrete grants and funding streams within the Area Based Grant:

- Sure Start Children's Centres
- Early Years Sustainability
- Early Years Workforce
- Two Year Old Offer - Early Learning and Childcare
- Disabled Children Short Breaks
- Connexions
- Think Family
- Youth Opportunity Fund
- Youth Crime Action Plan
- Challenge and Support
- Children's Fund
- Positive Activities for Young People Programme
- Youth Taskforce
- Young People Substance Misuse
- Teenage Pregnancy
- Key Stage 4 Foundation Learning
- Targeted Mental Health in Schools Grant
- Contact Point
- Children's Social Care Workforce
- Intensive Intervention Grant
- January Guarantee
- Child Trust Fund
- Less: DfE Emergency Budget Reduction (to the Area Based Grant in summer 2010)

4. DEDICATED SCHOOLS GRANT AND SCHOOLS

- 4.1 DSG funds the Schools Budget (alongside YPLA funding for sixth forms, yet to be announced), which in turn funds individual schools' delegated budgets and certain centrally managed / retained costs as set out in national regulations.
- 4.2 **In summary, the Government has kept its commitment to maintain per pupil baseline funding in cash terms, although this excludes a number of current grants with a value of £1.2m. We will lose £0.6m of DSG as the dual funding of pupils registered to a PRU and a school comes to an end, and expect to gain £1.1m on funding due to updated population data on the funding for 3 year olds. However, the DSG funding for the additional 2.5 hours free entitlement for early years is around £0.7m less in a full year than the funding received for the Autumn 2010 and Spring 2011 terms. Therefore we expect the funding available for 3-16 education via DSG to be around £1.4m less than currently. In addition, there is no provision for inflation, which for schools is likely to be around the 2% mark.**
- 4.3 **At school level, the Minimum Funding Guarantee (MFG) is -1.5% (excluding sixth form funding), meaning that no school will see a reduction in per pupil funding of greater than 1.5%, before the pupil premium is applied.**

Overall DSG / Schools Budget Funding

- 4.4 The unit funding per pupil (years F1- 11) upon which our total DSG funding is calculated will remain at the 2010/11 level ("flat cash"), including the various Standards Funds and grants mainstreamed into DSG (see 4.21 below*). There is no provision for inflation costs, although inflationary pressures of at least 2% (even with the planned pay freeze) are likely.
- 4.5 The total DSG per pupil funding in 2011/12 will be £5,290.07, comprising £4,497.21 of historical DSG and £792.86 from mainstreaming the other grants. This is not what schools will receive, as the funding has to pay for a range of costs not delegated to schools and the distribution of the funding varies from school to school based on the local funding formula. The actual total DSG allocated to the Council will be the sum of the £5,290.07 for each full time equivalent pupil on the January 2011 census day. The pupil premium will be paid in addition for eligible pupils (see Section 5).
- 4.6 DSG funding will assume that at least 90% of the 3 year old population takes up the free entitlement. As the Government is using updated population estimates, our actual take up will fall below 90% (to 82%, using the January 2010 census), and we will gain £1.1m based on the 2010 figures (although we should of course be working to continually increase take-up).
- 4.7 It appears that three year olds (and four year olds in PVI settings) will be funded in DSG at 0.6 of an FTE pupil rather than 0.5, to reflect the extension of the free entitlement to

15 hours per week. This would generate DSG funding of £2.3m for the year, compared to the Standards Fund grant of £2.1m received for the Autumn 2010 and Spring 2011 terms (which equates to around £3m in a full year).

- 4.8 The dual funding of pupils registered at schools and Pupil Referral Units will stop – this will reduce Leicester’s DSG by around £600,000 based on the 2010 figures. It will require a re-evaluation of how the PRUs are funded.
- 4.9 No specific or additional funding is identified for the costs of the Carbon Reduction scheme and the “penalties” relating to schools’ energy use.
- 4.10 There is protection for councils with falling rolls, such that no council will lose more than 2% of its DSG + mainstreamed grants compared with 2010/11.
- 4.11 The School Finance Regulations and the calculation of the Central Expenditure Limit have not yet been released by DfE. These will be of critical importance in determining how DSG can be spent and the extent to which it could be used to offset (if desired) some of the wider funding changes and reductions elsewhere in this note as they affect schools.
- 4.12 The Council will work with the Schools Forum to determine how the available DSG will be distributed across schools and other permitted areas of spending.
- 4.13 The DSG allocation is announced for 2011/12 only. As previously signalled, the DfE will be consulting on changes to the school funding system, and indeed the commentary with the pupil premium states that the Coalition’s objective is to reform the underlying funding system so that over time deprived children in every part of the country receive the same level of support.
- 4.14 It should also be noted that a number of Standards Funds are coming to an end and the funding does not move anywhere else; the significant ones are Playing for Success, Aim Higher, National Challenge and (potentially, in its current form at least) the Music Grant. These total £1.2m.

Individual School Level

- 4.15 At school level, the Minimum Funding Guarantee (MFG) is -1.5% (excluding sixth form funding), meaning that no school will see a reduction in per pupil funding of greater than 1.5%, before the pupil premium is applied. However, locally, DfE advise that a higher guarantee may be set (if considered desirable and if affordable).
- 4.16 Schools’ delegated budgets will not provide for inflation costs, other than “pass through” costs such as rates. Schools can however expect to experience some inflationary costs, including the full year cost of the September 2010 teachers’ pay award (an impact of 0.96% on the teaching pay budget) and increases in employer’s pension contributions for non-teaching staff. Schools will also need to budget for the Council’s Single Status arrangements (or local equivalents) where appropriate, although most schools will already have been providing for this.

- 4.17 Schools should be careful to note the impact of the Standards Funds mainstreaming on the practicalities of their funding arrangements. The delegated s52 budget issued in March will essentially be their budget for the year, and will no longer be supplemented by various Standards Funds as at present to any significant degree.
- 4.18 Schools individually will undoubtedly be asked to fund / buy-back some services that have until now been funded from outside of DSG / the Schools Budget, due to the aforementioned wider funding reductions. Pressure could also arise due to severe reductions in Devolved Formula Capital (see Section 7).
- 4.19 16+ funding will be announced subsequently by the YPLA. It will include the first stage of reducing school sixth form funding towards the unit rate paid to FE and Sixth Form colleges.

Academies

- 4.20 With regards to academies, there are some changes to end “traditional” academies being “double-funded” for income which also comes from schools and parents (for example, outdoor education). The funding for the responsibilities that Academies hold in place of councils will be reduced to reflect corresponding reductions in local authority funding via the Formula Grant. Centrally retained school improvement grants will also be excluded as they end in 2010/11. There will be some protection for academies facing significant reductions.
- 4.21 *The grants mainstreamed into DSG are:
- School Development Grant (including Specialist Schools) (but excluding the amount currently paid via the Area Based Grant, which ends – see 6.5)
 - School Standards Grant (including personalisation)
 - National Strategies (Primary and Secondary) (certain elements only)
 - Ethnic Minority Achievement
 - Diploma Delivery Grant
 - London Pay Addition Grant
 - School Lunch Grant
 - 1-2-1 Tuition (formerly Making Good Progress)
 - Extended Schools - Sustainability
 - Extended Schools - Subsidy

5. PUPIL PREMIUM

- 5.1 **The national allocation is one quarter of the £2.5bn promised by 2014/15. The Premium will be £430 per deprived pupil in 2011/12, defined as pupils currently eligible for Free School Meals (which in practical terms means pupils registered for FSM on 20 January 2011 - school census day).**
- 5.2 The premium will also be allocated to Looked After Children also at £430 and to children from Armed Services families at £200.
- 5.3 The premium for deprived pupils and Service children will be implemented from April 2011, paid to the Council and passed in its entirety to the schools with the named pupils. Schools will have freedom to employ the strategies that they know will support their pupils to increase their attainment.
- 5.4 The premium for looked after children and deprived pupils in non-mainstream settings will be paid to the local authority with responsibility for care of the child, with “freedoms” for councils to distribute the funding as they see best.
- 5.5 Based on the 10,500 pupils registered for FSM at October 2010, Leicester’s schools would receive £4.5m. This is equivalent to 1.9% on top of our “flat cash” DSG + mainstreamed Standards Funds.
- 5.6 After 2011/12, the premium will be extended to those who have been eligible for FSM before, with DfE saying that eligibility will widen in coming years and the amount per pupil will increase. Reports in the TES state that Ministers wish to avoid creating a “poverty trap” and so will extend the funding to pupils who have been eligible for FSM in the last six years, and into the future families whose FSM entitlement ceases will not lose their eligibility for the pupil premium.
- 5.7 It is also reported that these extensions would mean an extra 50% of pupils qualifying for FSM, but as the funding allocated for the next four years is fixed, the sum per pupil (although increasing year on year as planned) could be a third less than if eligibility had not been extended. Ministers may also move away from a flat rate allocation, to pay a higher rate in rural areas as part of the strategy to equalise deprivation funding across the country.
- 5.8 Schools will note that it is now even more in their interests to promote registration for FSM. The Council will be working with schools to raise awareness and registrations across the City, probably focussing initially on those areas where there is a particular difference between the expected and actual registration levels.

6. GRANTS COMING TO AN END

- 6.1 A significant number of specific grants are coming to an end (see 6.4 below*). These grants total £4.1m in 2010/11 in Leicester.
- 6.2 The ending of these grants will leave a range of significant activities and services unfunded at this stage, and their future funding and provision will be a key consideration during the budget setting process.
- 6.3 The Secretary of State says that councils will need to prioritise services, such as school improvement, where they have greatest effect and look at opportunities for delivering services more cost effectively including through working and delivering services in conjunction with other local authorities.
- 6.4 * The list of grants coming to an end (as listed by DCLG), with the 2010/11 original allocations as in the Council's budget, is:

Standards Funds Grants:

- £322k Music Grant (*but see 6.6 below*)
 - £106k + Assessment for Learning (allocated to schools)
 - £162k Playing For Success
 - £ 11k Prospectus and Common Application Process
- £601k Total**

Part of the Area Based Grant (before any corporate top-slice):

- £ 34k School Travel Advisers
 - £119k School Improvement Partners
 - £ 68k Secondary Nat Strategy - Behaviour & Attendance
 - £607k Primary National Strategy - Central Co-ordination
 - £563k Secondary Nat Strategy - Central Co-ordination
 - £464k Extended Schools Start Up Costs
 - £ 86k Flexible 14-19 Partnerships Funding
 - £ 76k School Intervention
 - £ 22k General Duty on Sustainable Travel to School
 - £ 54k Extended Rights for Free Travel (*but see 6.6 below*)
 - £ 16k Designated Teacher Funding
 - £ 49k Choice Advisers
 - £ 88k Education Health Partnerships
 - £1.3m School Development Grant (*see 6.5 below*)
- £3.54m Total**
- £4.14m Combined Total**

- 6.5 The School Development Grant funds a range of activities, including the City Learning Centres (£475k), a range of special needs activities (£326k), school support staff training (£125k), Safeguarding in schools (£70k), ICT in schools (£54k) and school intervention (£77k).
- 6.6 In selected areas, although the current grants are ending, the Government expects to continue to provide funding:
- **Music Services:** In relation to music services, the White Paper made clear that the Government is committed to improving music education. Darren Henley is currently conducting a review of music and the Government will make announcements about future music funding in the New Year in the light of the recommendations. The current grant is £322k.
 - **Home to School Transport:** The Government wants all families to be able to choose the right school for their child and is therefore reviewing home to school transport. In relation to the grant which supports extended rights for free home to school travel (currently £54k), transition funding will be announced in the New Year to enable local authorities to continue to deliver their duty in this area for the rest of this academic year, pending the outcome of the review.
- 6.7 In addition, the ABG funding for Child Poverty will not continue, as it was a one-off in-year grant in 2010/11. The ABG funding used as a contribution to Children's Services Infrastructure is being added to the General Fund budget as a pressure.

7. CAPITAL FUNDING

- 7.1 **The Secretary of State writes that the DfE capital settlement was extremely tight, with a 60% reduction in 2014/15 compared to the historic high of 2010/11.**
- 7.2 **Leicester's total allocation for 2011/12 (excluding BSF) is £12.77m. This is half of the average of £25m in 2009/10 and 2010/11, which is comparable to the national reduction.**
- 7.3 This means that the Secretary of State has had to consider very carefully how the balance of capital funding is allocated, and to ensure that it is targeted to the areas of greatest need. There are significant pressures for additional school places, particularly at primary age, in many areas of the country because of rising birth rates and changed migration patterns. **His priorities are the provision of additional pupil places where they are needed, and addressing priority building condition needs.**
- 7.4 The capital funding system appears also to be greatly simplified, with the key funding allocations below replacing the current range of separate funding streams. Funding will be delivered as capital grant, with no supported borrowings into the future.
- 7.5 The Secretary of State recognises that authorities would welcome capital certainty for the following years, to enable them to plan with confidence for larger projects. However, details of capital from 2012/13 will depend on the outcome of the James capital review, where the Secretary of State aims to publish the final report in the New Year. He has said that the level of support for basic need and for capital maintenance for each year to 2014/15 is expected to stay in line with the total amounts allocated for 2011/12. The mechanisms for allocation and management will however depend on the capital review. Indications are that the recommendations will favour a move to a more national and standardised approach.
- 7.6 The announcement is the full allocation for local authorities and maintained schools for 2011/12, therefore presumably there will be no separate /specialist funding streams (e.g. the current Primary Capital Programme, Schools Access Initiative, School Kitchens, City Learning Centres, etc).

Allocations

- 7.7 The allocations comprise:
- 7.7.1 **Basic Need** - For 2011/12, the national level of basic need funding for school places is being doubled to £800m, compared to recent years. The Basic Need funding is to be used for the needs of all the taxpayer funded schools in the area. Councils have the responsibility for ensuring sufficient school places in their area. Where councils are planning for growth in numbers, they should consider all sectors in prioritising this funding. This includes schools in the voluntary aided sector, open academies, and especially proposals for new free schools where they can address basic need pressures. Leicester's allocation for 2011/12 is £6.9m.

7.7.2 **Capital Maintenance** - Over £1bn nationally is allocated for capital maintenance funding to local authorities and to the LCVAP (Locally Controlled Voluntary Aided Programme). The local authority maintenance allocation includes funding for maintenance of Sure Start Children's Centres and DfE has also advised that it can be used to support the needs of City Learning Centres where this is a local priority. Leicester's allocation for 2011/12 is £4.2m for LA schools (and other relevant centres / buildings) and £0.5m for VA schools.

7.7.3 **Schools' Devolved Formula Capital (DFC)** - There is a £185m nationally for schools as DFC. This is around 80% lower nationally than current allocations. Leicester's allocation is £930k for LA schools and £132k for VA schools, a total of £1.062m. This compares to £5.3m in 2010/11. If the loss of the Harnessing Technology Grant is taken into account, then the overall reduction rises to 83%.

The national (indicative) formula for Devolved Formula Capital is as follows:

Devolved Formula Capital		LA School		VA School (adjusted for VAT)
Per School sum	£	4,000.00	£	4,320.00
Per Primary Pupil	£	11.25	£	12.15
Per Secondary Pupil	£	16.875	£	18.23
Per SEN pupil	£	33.75	£	36.45

The allocations for a typical primary school with 400 pupils would be £8,500, and a typical secondary with 1,000 pupils would receive £20,875.

These significant reductions will mean that schools will have to review very carefully their plans for work to premises and ICT in particular. There will inevitably be an impact on schools' revenue budgets - where costs that would have been charged to DFC or Harnessing Technology will have to fall to the revenue budget, once any unspent DFC and revenue balances have been used. There will also be implications for those schools that have committed future years' DFC allocations as part of the funding for larger capital schemes.

7.8 The Secretary of State has confirmed that the **BSF programme** for secondary and special schools can continue, on the basis of the efficiencies identified as part of the recent exercise undertaken collectively with schools.

7.9 With regards to **non-schools capital spending**, resources will be very tight. However, separately to the Local Government finance announcement, the Government has announced £40m nationally of capital investment for **short breaks for disabled children** in 2011/12.

8. OTHER FUNDING

- 8.1 A number of other funding streams are coming to an end or changing, which do not appear in this note as they do not come directly from the Government - for example the Sports Partnership funding, TDA workforce development grants, and also elsewhere in the Council such as the reduction in Supporting People funding (as it becomes mainstreamed into Formula Grant) for housing related support for young people.
- 8.2 Information from the Ministry of Justice on funding for youth offending is awaited, as is funding from the YPLA for sixth forms, young apprenticeships (current and any future cohorts) and the Education Business Partnership beyond 31st March 2011.
- 8.3 With regards to Community Safety and Crime Reduction, the Home Office has committed to making a contribution to local government funding in 2011/12. This reflects the important role local authorities play in community safety and crime reduction. The funding will be un-ringfenced and will replace the current Stronger Safer Communities Fund (Home Office Element), Young People Substance Misuse (Home Office Element) and Community Call for Action ABG funding streams. The Home Office will announce the level of funding for 2011/12 and individual local authority allocations in mid-January.

9. LINKS TO PRESS NOTICES AND MINISTERIAL STATEMENTS

DfE Press Notices and Written Ministerial Statements can be viewed at:

* [The Local Government Finance Settlement](#)

<<http://www.communities.gov.uk/news/newsroom/1796009>>

* [The Pupil Premium](#)

<<http://www.education.gov.uk/inthenews/inthenews/a0070359/written-ministerial-statement-by-the-secretary-of-state-for-education-on-schools-financial-settlement-pupil-premium>>

* [The full education settlement and Early Intervention Grant](#)

<<http://www.education.gov.uk/a0070450/written-ministerial-statement-by-the-secretary-of-state-for-education-on-schools-financial-settlement-education-spending>>

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