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Cabinet  
Council

11 September 2012  
18 September 2012

**Name of Cabinet Member:**

Cabinet Member (Strategic Finance & Resources) – Councillor Duggins  
Cabinet Member (Education) – Councillor Kershaw

**Director Approving Submission of the report:**

Director Finance & Legal Services  
Director Children Learning & Young People

**Ward(s) affected:**

All

**Title:**

Department for Education Consultation - Replacing Local Authority Central Spend Equivalent Grant (LACSEG): Funding Academies and Local Authorities for the functions that devolve to Academies

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**Is this a key decision?**

No – approval for response to a national consultation

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**Executive Summary:**

The Department for Education (DfE) has launched a consultation on proposals to replace Local Authority (LA) Block LACSEG from 2013-14 entitled "Replacing LACSEG: Funding Academies and Local Authorities for the functions that devolve to Academies".

The Government is proposing to transfer funding for central education functions for maintained and academy schools from the Department for Communities and Local Government to the Department for Education. This would mean that the level of funding the City Council receives in Formula Grant would reduce and be replaced by a separate un-ringfenced grant payable to both local authorities and Academies proportionate to the number of pupils for which they are responsible. The consultation document contains a limited set of proposals on the distribution of the new grant and Local Authority officers drafted a response to the consultation, which is included in appendix A.

**Recommendations:**

Cabinet is requested to:

- (1) Recommend that the Council approve the proposed response to the school funding consultation set out in appendix A for submission to the Department for Education by 24<sup>th</sup> September 2012.

Council is recommended to:

- (1) Approve the proposed response to the school funding consultation set out in appendix A

**List of Appendices included:**

*Appendix A: Replacing LACSEG: Funding Academies and Local Authorities for the functions that devolve to Academies Consultation Response*

**Other useful background papers:**

DfE: Replacing LACSEG: Funding Academies and Local Authorities for the functions that devolve to Academies

[www.education.gov.uk/consultations/](http://www.education.gov.uk/consultations/)

**Has it been or will it be considered by Scrutiny?**

No – due to the timescales involved

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

Yes, 18<sup>th</sup> September 2012

**Report title: Department for Education Consultation (DfE): Replacing LACSEG: Funding Academies and Local Authorities for the functions that devolve to Academies**

**1. Context (or background)**

- 1.1 Local Authorities currently receive funding for schools and education services in 2 main ways. The majority of funding for these services comes in the form of the Dedicated Schools Grant and other specific grants that are mainly ring-fenced. Most of this funding is delegated to schools through individual school budget shares and other grant allocations and some is retained centrally to provide services to, and on behalf of, schools.
- 1.2 Local Authorities also receive funding for statutory education services through the current Formula Grant process which forms part of the City Council's net budget. All of this funding is centrally retained and is used to fund the City Council's statutory and regulatory duties in relation to its education responsibilities. It is this area of funding which is subject to the proposals in the current consultation.
- 1.3 LACSEG stands for Local Authority Central Spend Equivalent Grant. When a maintained school converts to an Academy, a share of the funding that the Local Authority receives to provide services centrally to schools is top sliced to reflect the responsibilities that are transferred to Academies. Both Local Authority's centrally retained Dedicated Schools Grant and formula grant are top sliced for this purpose and these are known as Schools Block LACSEG and Local Authority (LA) Block LACSEG respectively.
- 1.4 On the 17<sup>th</sup> July the Department for Education (DfE) issued the Consultation on replacing LA Block LACSEG from 2013-14 with the deadline of 24<sup>th</sup> September 2012. The following paragraphs summarise the key points, and the full proposed response is set out in appendix A.
- 1.5 The National School Funding Reform requires Local Authorities to maximise delegation of centrally retained Dedicated Schools Grant to schools including Academies. Therefore from 2013-14, the Schools Block LACSEG for Academies will be replaced by additional money in the school budget shares.
- 1.6 From 2013-14, the Government propose to replace the current LA Block LACSEG with a single un-ringfenced national grant from the DfE and move to a national formula to calculate and distribute this funding to both Local Authorities and Academies. This will be done by a funding transfer from the Department for Communities and Local Government (DCLG) to the DfE. This means that this funding would come out of the current Formula Grant allocation methodology for local authorities. Note that the current Formula Grant system for funding local authorities is also subject to a current consultation which proposes the introduction of a business rate retention scheme. This issue is covered in a separate report which is also on today's Cabinet agenda.
- 1.7 The Government propose that the level of the funding transfer will be based on adjusted historical spend as reported on relevant lines of the 2011-12 section 251 budget statement plus the amount of 2011-12 LA Block LACSEG, which amounts to £1,22 billion in 2013-14 and £1.19 billion in 2014-15 nationally.
- 1.8 The DfE proposes the amount deducted from each Local Authority's Formula Grant allocation for 2013-14 to be equal to the amount paid back for all pupils in the Local Authority area including pupils in maintained schools and academies. So, in essence, the proposals are intended to be neutral in overall terms for local authorities and the schools and academies in their area.

1.9 The proposals in relation to the distribution of this new DfE grant include:

- Funding Local Authorities and academies in proportion to the number of pupils for which they are responsible;
- How to fund Local Authorities for statutory responsibilities retained for pupils in academies;
- Should area cost adjustment and deprivation be included as factors in the distribution of the new grant;
- Propose to transfer the statutory induction funding for Newly Qualified Teacher (NQT) into the Dedicated Schools Grant (DSG) and delegate to schools;
- Protect funding for academies so that no academy will see more than a 10% reduction in its per-pupil LA Block LACSEG allocation in 2013-14 when compared with the previous year. No corresponding protection is proposed for Local Authorities.

## **2. Options considered and recommended proposal**

- 2.1 The 2 options available are either to do nothing and not respond to the consultation or send a consultation response to the DfE expressing the Council's view.
- 2.2 The recommended option is to approve the appended responses as the City Council's response to the consultation.

## **3. Results of consultation undertaken**

- 3.1 Briefing will be carried out with all relevant stakeholders through school stakeholder briefings (including the Schools Forum), Trade Union Briefings and other relevant meetings.

## **4. Timetable for implementing this decision**

- 4.1 Response to the consultation should be submitted to the DfE by the 24<sup>th</sup> September 2012 following the Council's approval on 18<sup>th</sup> September 2012.

## **5. Comments from Director of Finance and Legal Services**

### **5.1 Financial implications**

The level of budgeted spend in this area is circa £7M in 2012/13. The national level of the new grant will be based on adjusted historical information, i.e. 2011-12 Section 251 reported local authority spend on the relevant areas plus 2011-12 LA Block LACSEG. The new grant will then be allocated to Local Authorities and academies based on a national distribution methodology (mainly on pupil numbers with other factors such as deprivation and area cost adjustment currently under consultation). The DfE propose that the total amount of funding deducted from each Local Authority would equal the amount to be allocated to the Local Authority and to all academies in the area.

This proposal is intended to be cost neutral for a local area (including funding for a Local Authority and academies within the Local Authority area). Compared with the current LA LACSEG recoupment methodology, the new approach should not cause adverse distributional impact between the Local Authority and the number of existing academies. However, as more maintained schools convert into academies, the level of funding the local authority will receive will reduce. The Local Authority will need to respond to the reduction in funding by reducing the costs of fulfilling its statutory responsibilities for education services or by finding savings in other areas, or by generating more income from Academies.

The DfE also proposed the grant allocation for Local Authorities will be adjusted for academy conversions in year on a monthly basis, which means Local Authorities will have no certainty over levels of funding at the beginning of the financial year. To budget and plan on this basis will be difficult. This may impact on the Local Authority's ability to manage central education services.

Academies within areas where historical spend on LA Block LACSEG is higher than national average (this is the case for Coventry in 2011/12) may see a funding reduction, although the DfE also propose a protection which guarantees that no academies will see a per pupil reduction of over 10% on LA Block LACSEG in 2013-14 when compared with the previous year.

## 5.2 Legal implications

The school funding consultation being conducted does not give rise to any specific legal implications should the Council fail to submit its response by the deadline date of 24th September 2012. The consultation is however the Council's opportunity to provide its input and to potentially influence the policy outcome.

## 6. Other implications

### 6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

Responding to the consultation will not directly contribute to the achievement of the council's key objectives, but if there are significant changes to the levels of revenue and capital funding in the City there will be implications for children and young people, which could impact on a number of the Council's core aims and objectives. Responding to the consultation gives the Council the ability to participate, and try and shape and influence this important agenda.

### 6.2 How is risk being managed?

There may be significant financial risks as identified in section 5.1 and the resultant consequences on services and education provision within Coventry. There is insufficient detail to quantify the potential impact and likelihood of these risks at this stage. We will keep up to date on the development of this key area and respond appropriately.

The DfE is committed to put protection arrangement in place for any significant funding reduction in academies for 2013-14 but there is no corresponding protection for Local Authorities.

### 6.3 What is the impact on the organisation?

Any potential reduction in funding to the Local Authority may lead to a reduction in staffing levels. At this stage of the consultation process, there is insufficient detail to outline the precise impact on the organisation. Once the specific grant funding allocation methodology has been agreed, it will be considered in further detail with all relevant stakeholders. Consultation will also be undertaken where appropriate with the relevant stakeholders.

### 6.4 Equalities / EIA

This report is in response to Department for Education consultation, so an EIA has not been produced by the Council at this stage. It will not be possible to calculate the likely impact on children and young people until there is more information available about the detailed implementation of the final proposals.

**6.5 Implications for (or impact on) the environment**

None

**6.6 Implications for partner organisations?**

The proposals carry implications for maintained schools as there could be changes to the levels of services that they may receive in the future. The proposals also have implication for academies as there could be changes to the level of funding that they receive in the future and the changes made to Academies by the City Council.

**Report author(s):**

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**Directorate:** Finance & Legal Services

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Enquiries should be directed to the above person.

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Neelesh Sutaria	HR Manager	CWS	03/08/12	14/08/12
Barry Hastie	Assistant Director (F&L)	FLS	03/08/12	14/08/12
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Councillor Kershaw	Cabinet Member (Education)			28/08/12
Councillor Duggins	Cabinet Member (Strategic Finance & Resources)			16/08/12

This report is published on the council's website: [www.coventry.gov.uk/moderngov](http://www.coventry.gov.uk/moderngov)

# **Replacing LACSEG: Funding Academies and local authorities for the functions that devolve to Academies**

## **Consultation Response Form**

The closing date for this consultation is:

24 September 2012

Your comments must reach us by that date.





**THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online response facility available on the Department for Education e-consultation website (<http://www.education.gov.uk/consultations>).**

The information you provide in your response will be subject to the Freedom of Information Act 2000 and Environmental Information Regulations, which allow public access to information held by the Department. This does not necessarily mean that your response can be made available to the public as there are exemptions relating to information provided in confidence and information to which the Data Protection Act 1998 applies. You may request confidentiality by ticking the box provided, but you should note that neither this, nor an automatically-generated e-mail confidentiality statement, will necessarily exclude the public right of access.

**Please tick if you want us to keep your response confidential.**

Name

Organisation (if applicable) Coventry City Council

Address: Civic Centre 2, Lower Studio  
Earl Street, Coventry, West Midlands  
CV1 5RS

If you have an enquiry related to the policy content of the consultation you can email [reform.LACSEG@education.gsi.gov.uk](mailto:reform.LACSEG@education.gsi.gov.uk).

Or call Sally Duffy on 01325 735340 or Olga Bernardo on 0207 340 7685.

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Consultation Unit by e-mail: [consultation.unit@education.gsi.gov.uk](mailto:consultation.unit@education.gsi.gov.uk) or by telephone: 0370 000 2288.

Please tick the box that best describes you as a respondent.

<input type="checkbox"/> Maintained School	<input type="checkbox"/> Academy	<input type="checkbox"/> Teacher
<input checked="" type="checkbox"/> Individual Local Authority	<input type="checkbox"/> Schools Forum	<input type="checkbox"/> Local Authority Group
<input type="checkbox"/> Teacher Association	<input type="checkbox"/> Other Trade Union / Professional Body	<input type="checkbox"/> Early Years Setting
<input type="checkbox"/> Governor Association	<input type="checkbox"/> Parent / Carer	<input type="checkbox"/> Other

If 'Other' Please Specify:

**Higher levels of funding for pupils in special schools/ Special Academies and Pupil Referral Units (PRUs)/Alternative Provision (AP) Academies**

In paragraphs 27 to 30 we discuss the higher staffing ratios per pupil and the need for more space per pupil in special schools/Special Academies and PRUs/AP Academies as a result of smaller group sizes and the intensive support that these institutions offer.

In order to measure the different levels of per-pupil funding that these institutions require, we compared levels of whole school funding for special schools and Pupil Referral Units (PRUs) with funding for mainstream schools. This showed that: special schools/Special Academies should receive funding at 4.25 times the amount allocated to pupils in mainstream settings; and PRUs/AP Academies should receive funding at 3.75 times the amount allocated to pupils in mainstream settings.

**Question 1: Do you agree that a multiplier of 4.25 should be applied for pupils in special schools/Special Academies?**

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Not Sure
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Comments:

The ratio proposed is based on funding level, which is largely due to staffing level (mainly education staffing) in various types of provisions. It is not clear how funding for education provision impact or reflect on funding on LA Block LACSEG services. We think this should be looked at on a line by line basis. For example it is not clear how special schools incur 4.25 times the costs of mainstream schools against school improvement.

**Question 2: Do you agree that a multiplier of 3.75 should be applied for pupils in PRUs/AP Academies?**

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Not Sure
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Comments:

See above for comments

## Funding local authorities for the responsibilities that they retain for pupils in Academies

In paragraphs 31 to 35 we talk about the need to provide local authorities with an amount of per-pupil funding for the responsibilities that they retain for pupils in Academies. Under our proposals, between £8 - £15 per pupil in an Academy would be allocated to the local authority and not delegated to Academies.

### Question 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?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Not Sure
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Comments:

Local authorities retained responsibility for pupils in Academies should be recognised.

Information is based on a survey of 16 LAs, we question how representative and robust this is. There seems to be a wide range of spend across the 16 LAs as demonstrated by page 9 paragraph 34 of the consultation document: the local authority whose spend ranks 8<sup>th</sup> of the 11 local authorities (i.e. 16 local authorities surveyed excluding 5 who spent very little in these areas) is £15/pupil and the 5 lowest spend LAs' average is £8/pupil. And 5 LAs is over 30% of the total 16 LAs surveyed. This indicates there is little consistency on how much funding each Local Authority spend on these areas and the sample size is too small to draw any conclusions. When we looked at the national benchmarking per capita analysis published on DfE website, it is also apparent that there is no consistency in local authority spend in LA LACSEG budgets. To base the national rate on a limited sample size and a wide spread of spend would not be representative or statistically correct.

### Area cost adjustment (ACA)

We want to allocate the new grant on a clear and transparent basis. In paragraphs 36 to 38 we consider whether an ACA should be applied. It is not clear from the data we hold whether the salary levels in different parts of the country are a significant factor in determining how much money is needed for these central education services. There are 28 different ACA bandings and, rounded to the nearest pound, this would result in around 14 different per-pupil rates for Academies and local authorities, depending on where they are in the country. We need to decide whether to apply an ACA or whether to distribute the funding on the same basis to pupils in all areas of the country.

**Question 4: Do you think that an ACA should be applied when distributing the grant to Academies and local authorities?**

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not Sure
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Comments:

In theory and fairness ACA should be applied because this reflects different salary levels in different areas as the majority of costs will be staffing related if there is consistency in Local Authorities' and Academies' spend on these areas.

The consultation document (page 9) mentioned there is no link between the amount spent by local authorities and the general labour market costs. The reason behind this potentially is because Local Authority spend would be based on local circumstances and reflect local policies.

**Deprivation**

In paragraphs 39 to 41 we explain that we need to decide whether the new grant should be weighted towards deprived pupils. Section 251 budget data shows very varied levels of expenditure by local authorities on the central education services included in this grant. It is not clear from the data we hold whether levels of deprivation are a key factor in determining 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. We could identify between 1% and 10% of the total amount of money for this grant and allocate this separately to deprived pupils. This would reduce the rate for pupils who are not deprived but increase the rate for pupils who have been eligible for free school meals at any time in the past six years. The impact on the per-pupil rates would depend on the proportion of the total funding pot that is identified for deprived pupils.

**Question 5: Do you think that a deprivation factor should be applied?**

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not Sure
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Comments:

There should definitely be a deprivation factor applied.

Deprivation will lead to spend differentiation in the LA Block LACSEG relevant service areas. For example, the correlation between deprivation and lower attainment means that schools in deprived communities are likely to have greater reliance on School Improvement Services. The correlation between deprivation and transience means that schools in deprived communities are also likely to have more reliance on the Education Welfare Service. Deprived communities may have less access to activities such as music, visual and performing arts and outdoor education services than less

deprived communities. We believe this should be recognised in funding terms also to give children from deprived background a better life chance.

It costs more in deprived areas for schools to compensate for the impact of deprivation and social disadvantage and narrow the gap in educational attainment for the most disadvantaged children and young people. Government policy has always had a focus on supporting children from deprived background recognising more support is required for deprived children to achieve. We feel strongly this policy should be reflected in all funding allocations.

**Question 6: If a deprivation factor is applied, where between 1% and 10% should we set the proportion of the funding pot to be allocated separately to deprived pupils?**

Yes

No

Not Sure

Comments: 10% if not more

**How the funding would be deducted from local authority start-up funding allocations**

In paragraphs 42 to 45 we explain how funding would be deducted from the business rates retention scheme start-up funding allocation for local authorities. Under our proposals, the Department for Communities and Local Government would calculate the deduction from each local authority's business rates retention scheme start-up funding allocation for 2013-14 using the same per-pupil rates that the Department for Education will use to allocate the new grant. The total amount of funding deducted from each local authority would then be allocated to the local authority and to all Academies in the area based on the number of pupils for which they are responsible. This means that the amount deducted from the start-up funding allocation for each local authority would equal the amount paid back for all pupils in the local authority area. A local authority without any pupils in Academies throughout 2013-14 would have an amount deducted which equals the amount paid back in the form of a separate un-ringfenced grant from the Department for Education.

**Question 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?**

Yes

No

Not Sure

Comments:

### Transferring the funding for statutory induction into the Dedicated Schools Grant (DSG)

In paragraphs 52 to 54 we explain that, 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. The new regulations will also allow appropriate bodies, including local authorities, to charge for their services. In order to allow maintained schools and Academies to pay for the services of their preferred appropriate body, the funding for statutory induction will need to move into the DSG so it can be delegated directly to all schools through local funding formulae. We propose that £12 million should be removed from this new grant and distributed through the DSG.

#### Question 8: Do you agree that the funding for NQT induction should transfer into the DSG so that it can be delegated to all schools in the school budget share?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Not Sure
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##### Comments:

We believe schools should have control over the programme of induction for NQTs and one way of achieving this is to delegate NQT funding to schools. But as NQT is no longer an allowable factor in delegating funding to schools, it is difficult to delegate this funding to schools that reflects individual school's funding requirement for NQT induction. Also as this funding is not ring fenced, schools with less or no NQTs will benefit compare with schools with more NQTs. We understand the amount involved may not be material but the principle of being fair should be considered in any delegation of funding.

It would be beneficial to know where the average costs of NQT induction programme used to calculate the level of NQT funding is from to inform the local authority charging for NQTs.

#### Question 9: Have you any further comments?

##### Comments:

We are pleased to see that the government has taken on some of the comments included in the local authority responses to the previous consultation.

We have some concerns over the detailed calculation for 2011-12 and 2012-13 financial year refund. The assumption that Local Authorities would have adjusted the relevant budgets in 2011-12 S251 statement for academy conversion is unsound. At the beginning of 2011/12, local authorities were not in a position to estimate the number of academy conversions as Local Authorities are not required to be involved in academy conversion decision making processes. Therefore the 2011/12 S251 reported LA spend on education areas was not reduced and to add the LACSEG top slice amounts on top of reported S251 budget would lead to double counting of resources and higher top slice for Local Authorities in 2012-13.

The decision on adjusting Local Authority payment in year based on academy

conversion will not facilitate Local Authorities' budget planning. In year cost reduction may not be achievable as service costs are largely fixed in the short and medium term. This will have impact on the service provision to maintained schools.

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

**Please acknowledge this reply ✕**

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consulters' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.



If you have any comments on how DfE consultations are conducted, please contact Carole Edge, DfE Consultation Co-ordinator, tel: 01928 738060/ email: [carole.edge@education.gsi.gov.uk](mailto:carole.edge@education.gsi.gov.uk)

**Thank you for taking time to respond to this consultation.**

Completed questionnaires and other responses should be sent to the address shown below by 24 September 2012.

Send by e-mail to: [reform.LACSEG@education.gsi.gov.uk](mailto:reform.LACSEG@education.gsi.gov.uk)

Send by post to:

Sally Duffy  
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2<sup>nd</sup> Floor, Mowden Hall  
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Darlington, DL3 9BG