

To: Cabinet 9th January 2012

From: Paul Carter, Leader of the Council
John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Corporate Director of Finance and Procurement

Subject: Provisional Grant Settlement 2012/13

Summary: To update the Cabinet on the further information on provisional grant settlement for 2012/13 that could not be included in the draft Budget Book and Medium Term Financial Plan (MTFP) launched 20th December. To agree arrangements for KCC's response.

Cabinet members are asked to bring their copy of the draft Budget Book and MTFP to the meeting

1. Introduction

- 1.1 The provisional finance settlement from the Department for Communities and Local Government (DCLG) was announced on 8th December. The provisional settlements were largely as we had anticipated based on the indicative allocations announced on 31st January 2011 and are set out in table 3 of the draft MTFP (page 20) and covered in paragraphs 2.23 to 2.32.
- 1.2 The announcement of the schools' grant settlement was on 12th/13th December and came too late for the deadlines to finalise the draft Budget and MTFP. The main headlines are that Dedicated Schools Grant (DSG) will remain at the same cash per pupil as 2011/12 (which itself was the same as 2010/11) and that once again no authority can lose more than 2% in cash terms. The Minimum Funding Guarantee for individual schools limits overall reductions in grant to 1.5% per pupil (same as 2011/12). School's capital allocations were also announced.
- 1.3 There are still some specific grants which have not been announced but the Council's policy remains the same that we will adjust spending supported by specific grants in line with grant changes.
- 1.4 No indicative allocations for 2013/14 or 2014/15 have been published pending the outcome of consultation on changes to both the local government and schools funding systems. The government announced the outcome of the local government resource review on 19th December and published the draft Local Government Finance Bill on 20th December. This provides the legal framework for the Business Rates retention proposals. The Secretary of State for Education has published the responses to consultation on changes to the schools

funding arrangements but as yet we have no details when draft legislation will be published.

2. Provisional Local Government Settlement

2.1 The deadline for responses is 16th January 2012. By and large the provisional settlement is as anticipated and Government has not made any changes to the distribution methodology for Formula Grant other than it now includes the Council Tax freeze grant for 2011/12. As a consequence we have no new significant issues with the provisional allocations other than to repeat our objections with the “four-block” model and the inequitable allocations which were highlighted in the Autumn Budget Statement presented to Cabinet on 5th December.

2.3 The provisional settlement included a marginal increase in the anticipated amount for the Learning Disability & Health Reform Grant and this has been reflected in the draft budget for the Adult Social Care and Public Health portfolio. The Home Office grant which replaced the Safer Stronger Communities Fund has not yet been announced and we have no detail when this may be released. At this stage we have included the illustrative amount announced on 9th February 2011 in the draft 2012/13 Budget and 2012/15 MTFP. The provisional allocation of PFI grant has been recalled and we have no indication when revised allocations will be released.

2.4 The provisional amount for Early Intervention Grant (EIG) has increased from the previously published figure of £53.159m to £54.883m. We understand the £1.7m increase is to fund the support for an additional 260,000 most disadvantaged two year olds announced in the Chancellor’s autumn budget statement. At the time the draft Budget was being prepared we had no detail how this amount had been determined or what likely demand in Kent. Therefore, we did not include the increase in the draft budget or any additional funding Education Learning & Skills portfolio.

2.5 We intend to make a response to the consultation welcoming that the Government has not made any changes to the Formula Grant methodology and that it now incorporates the 2011/12 Council Tax Freeze grant. We propose to re-state our concerns with the “four block” model and that this will in effect be crystallised with the proposed changes from 2013/14 through the Business Rates retention proposals.

3. Adjustment to Local Authority Funding for Academy Transfers

3.1 The Government launched a separate consultation on 9th December about the calculation and recovery arrangements for the Academies Funding Transfer for 2011/12 and 2012/13. The deadline for this response is 12th January. Within the consultation the Secretary of State is “minded to” make no changes to the 2011/12 calculation

following previous consultation responses but is proposing some changes to the calculations from April 2012.

- 3.2 There are currently two adjustments to reflect academy transfers. DSG is reduced on a per pupil basis according to spending in each local authority as reported in section 251 statements. There is also a top-slice from Formula Grant to reflect local authority central functions transferring to academies (LACSEG).
- 3.3 Under the current LACSEG arrangements KCC had £4.019m removed from the 2010/11 baseline used for the 2011/12 Formula Grant. A further £3.166m was removed from the 2011/12 baseline used to determine the 2012/13 provisional Formula Grant. The LACSEG reduction was applied pro rata to all local authorities as a fixed percentage of the relative needs formula for central education functions i.e. irrespective of the number of pupils in academies in each local authority area.
- 3.4 The Secretary of State is “minded to” not make any changes to the LACSEG adjustment in the 2011/12 Formula Grant calculation. In reaching this decision the Secretary of State has taken heed of the unwelcome turmoil and instability any change to the 2011/12 calculation would cause.
- 3.5 For 2012/13 the Secretary of State is minded to agree an alternative LACSEG calculation at the end of the year based on the number of pupils in academies in each local authority area. Where this works out less than the pro rata LACSEG deductions authorities would be reimbursed the difference through an un-ringfenced grant allocation. Those authorities where the per pupil calculation is more than the pro rata calculation in the provisional grant calculation would have their contributions capped at the pro rata amount.
- 3.6 We welcome the decisions both for 2011/12 and 2012/13 as they ensure stability. Whilst we accept the logic that there should be a deduction for the transfer of central functions we remain opposed to a per pupil calculation (although accept for 2012/13 this cannot have a negative impact on local authority grants).
- 3.7 The consultation is also proposing to amend the calculation of the DSG recoupment to include a share of contingencies. Local authorities will be able to make representation that individual components of the contingency provisions should be excluded. We are opposed to this proposal as by their nature it seems inappropriate to allocate contingency funds on such a simple pro rata basis.

4. Schools Funding Settlement

- 4.1 The DSG settlement announced on 13th December is as anticipated (although we had not previously had any official indicative allocations). We welcome the stability this allows although as with Formula Grant

we have some fundamental concerns about the equity of allocations which were outlined in the Autumn Budget Statement to Cabinet on 5th December. In light of the ongoing consultation about changes to school funding it seems pointless to restate these concerns at this stage.

- 4.2 The Pupil Premium was announced on 12th December and we were able to include this in the draft 2012/13 Budget and 2012/15 MTFP. The total funding has increased as previously announced but will be allocated for more pupils (any pupil who has been eligible for a free school meal in the last 6 years). This means the per pupil amounts have not increased as much as previously anticipated.
- 4.3 The allocations for 16-19 year olds from the Young People’s Learning Agency were published on 13th December. This provided additional funding for the extra places as a result of raising the participation age. This additional funding should preserve the per capita amounts. The transitional arrangements announced for 2011/12 will continue into 2012/13 to help schools and colleges manage changes in funding.
- 4.4 The schools capital allocations were also announced on 13th December. The allocations for KCC are summarised in table 1.

Table 1	Local Authority £000s	Voluntary Aided £000s	Total £000s
Basic Need	14,278		14,278
Capital Maintenance	18,052	3,757	21,809
Devolved Formula	3,286	720	4,006
Total	35,616	4,477	40,093

- 4.5 The Government has changed the methodology for determining basic need to take account of both pupil numbers and existing capacity. Transitional protection ensures that no authority receives less than 80% of that they would have received under the existing methodology. KCC receives less under the new methodology. Basic need allocations do not include the additional £600m announced in the Chancellor’s autumn budget statement. There have been no changes to the capital maintenance and devolved formula capital (other than impact of academy transfers).
- 4.6 These school funding announcements are not subject to consultation and therefore there is no proposed response.

5. Recommendations

- 5.1 Cabinet members are asked to note the provisional allocations and to delegate authority to Cabinet Member for Finance and Business Support to agree the Council’s response

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