Early Intervention Grant
October 2012

There has been a lot of interest from member councils on what is happening to the Early Intervention Grant. In response we have prepared this briefing

KEY MESSAGE

The LGA is concerned at the proposed removal of a top-slice of £150m in each of the next two financial years. We are also concerned that EIG funding is being taken away and put in the ring-fenced Dedicated Schools Grant – a reduction of 27 per cent in non-fenced funding which constitutes a budget pressure.

Removing local authorities’ freedom to allocate funding inevitably means greater cost pressures on other service areas. Local authorities are also seeking assurance that there will be sufficient funding to meet their statutory responsibilities.

BACKGROUND

The Early Intervention Grant was paid to councils as a separate non-ring fenced grant in 2011-12 and 2012-13. In 2011-12 it was £2.235 billion and in 2012-13 it was £2.370 billion.

The EIG replaced a number of previous sources of funding, both ring-fenced and non-ring fenced. EIG represented a 32 per cent cut when compared with all previous grants (including those that were ended without being replaced) that local authorities received for children’s services not included in the Dedicated Schools Grant. The largest of these were the Sure Start Grant and the Connexions Grant for Information Advice and Guidance (within Area Based Grants). The formula for distributing EIG to authorities was based on a mixture of both the previous formulae.

Money to expand early education to more disadvantaged two year olds was announced in the Autumn Statement in 2011. The Government announced that the money for this would rise from £291 million in 2012-13 to £534 million in 2013-14 and £760 million in 2014-15. The 2012-13 money was within the Early Intervention Grant.

Technical consultation document on business rates reform

The consultation document on business rates retention which came out in July 2012 proposed that EIG would no longer be paid as a separate grant from 2013-14 onwards.

- £1.726 billion in 2013-14 and £1.632 billion in 2014-15 is to be incorporated into the business rates baseline – this will not be ring-fenced;
• £534 million in 2013-14 and £760 million in 2014-15 is to be taken into the ring-fenced Dedicated Schools Grant – to be used to expand provision for disadvantaged 2-year olds
• £150 million in each of 2013-14 and 2014-15 to be retained by DfE for central purposes.

This means that non-ring-fenced resources will fall by 27 per cent.

LGA VIEW

We said in our response to the business rates retention technical consultation that there is no justification for the removal of a top-slice of £150 million in 2013-14 and 2014-15 in this way. The Government provided no justification for this arbitrary reduction in the local government settlement as announced in Spending Review 2010, nor has it offered any explanation for how the money withheld will be utilised.

We added that we had also heard concern from member authorities that removing the 2 year old money to the ring-fenced Dedicated Schools Grant constitutes a budget pressure – with a fall in non-ringfenced resources of 27%. Removing local authorities’ freedom to allocate funding inevitably means greater cost pressures on other service areas. Local authorities are also seeking assurance that there will be sufficient funding to meet statutory responsibilities.

Individual councils will have to wait until December to find out exactly what the position for them, when the Local Government Finance Settlement and the Schools funding settlement are expected to come out. However in our response we said that the £150 million top-slice risks under-resourcing local authorities in delivering targeted early support to children, young people and families that need it most. Removing the 2 year old money to the ring-fenced Dedicated Schools Grant is counter-productive and will lead to significant cost pressures in the longer term, due to increased demand for more costly longer-term/lifelong interventions. Local authorities will be less able to provide support for children and families affected by disabilities or existing / potential development delays.