

REPORT TO:	SCRUTINY SUB COMMITTEE – CHILDREN AND YOUNG PEOPLE 12 January 2016
AGENDA ITEM:	8
SUBJECT:	THE EDUCATION BUDGET 2016/17
LEAD OFFICER:	Lisa Taylor - Head of Finance and Deputy S151 Officer
CABINET MEMBER:	Councillor Alisa Flemming – Cabinet Member for Children and Young People Councillor Simon Hall, Cabinet Member for Finance and Treasury

ORIGIN OF ITEM	This item is contained in the Committee’s work programme
BRIEF FOR THE COMMITTEE	To scrutinise the proposed 2016/17 Education Budget

1. INTRODUCTION AND BACKGROUND TO FUNDING

- 1.1 The report sets out the various components of the 2016/17 Education Budget to enable this committee to review the proposals for the coming year.
- 1.2 The Education budget can broadly be split into three areas, which are:
- The funding on day to day running costs of schools which come via the Dedicated Schools Grant (DSG).
 - The services that the council is required to provide as the Local Education Authority and is funded by the councils general fund budget
 - Capital expenditure in relation to the requirement to provide school places.
- 1.3 The report will cover each area in turn.

2. DEDICATED SCHOOLS GRANT

- 2.1 The 2016/17 DSG allocation was published on the 17th December 2015.
- 2.2 The majority of funding for education in Croydon comes from the Department of Education (DFE) in the form of the **Dedicated Schools Grant** (DSG). The DSG

is a grant that is received by the local authority on a financial year basis and funds all aspects of education that relate directly to children. The grant is split in to three blocks: a schools block; a high needs block; and an early years' block. The total 2016/17 indicative DSG allocation for Croydon is £312.5m and is detailed in table 1 below.

Table 1 - DSG allocation

Financial Year	Schools block (before recoupment) (£million)	Early years block (£million)	High needs block (after recoupment) (£million)	Total additions for non-block funding (£million)	Total DSG allocation (£million)
2015/16 – Final allocation	238.69	21.59	48.35	0.07	308.7
2016/17 – Indicative allocation	241.87	21.59	49.05	0.07	312.58
Variance	3.18	0	0.7	0	3.88

2.3 The 2016/17 DSG allocation is £3.88m higher than the previous year due to a number of key contributing factors in the schools and high needs blocks as follows :-

2.3.2 Schools Block

Croydon has also had an increase in pupil numbers of 655, which at a per pupil rate of £4,855.90 has increased our funding by £3.18m.

2.3.3 Early Years Block

The figures for the Early Years block are indicative, this allocation will be updated after the January 2016 census results.

2.3.4 High Needs Block

The high needs block has increased by £0.7m. This is Croydon's share of £92.5m additional top-up based on our proportion of the 2-19 aged population projections for 2016.

2.4 DSG Funding Formula

2.4.1 The DSG funding formula is maintained by the finance function of the local authority and agreed by the schools forum and its working groups. The Schools Forum is actively involved in working with the Local Authority to agree the principles of the DSG funding formula and there are dedicated working groups for each of the funding blocks. These working groups are attended by representatives from all education establishments in the borough.

- 2.4.2 The Schools Block funding formula is currently being finalised and will be submitted to the DFE in January 2016 using the budget principles agreed at the November and December Schools Forum meetings. At the time of writing this report the detailed per school budgets have not yet been finalised and they will be issued to schools in March.
- 2.4.3 The minimum funding guarantee will continue, meaning no school or academy will see a reduction compared to its 2015/16 budget (excluding sixth form funding) of more than 1.5% per pupil. However Croydon is seeking approval from the Secretary of State to transfer funding from the schools block to the high needs block to better align resources. **At the time of writing a reply has not been received.** If the request is approved the MFG rate for schools will be re-set at the 2013/14 rate and therefore funding for schools will be reduced and funding for high needs will be increased. Failure to approve this will lead to an overspend in the high needs block and this will need to be funded from future years DSG allocation
- 2.4.4 The Early years block for 3 and 4 year olds' formula factors were agreed at the schools forum in November 2015 with an increase in the hourly rate funded through the removal of sustainability and extended hour factors. The funding for 2 year olds will not be confirmed until June 2016 and the formula factors for 2 year olds have been agreed to be the same as for 2015/16.
- 2.4.5 The High Needs draft budget was also agreed at the Schools Forum in November 2015. The draft budget included a budget gap of £1.5m in 2016/17 which will need to be carried forward as a top-slice from DSG in 2017/18. The increase in funding allocation detailed in table 1 of £0.7m will reduce this gap to £0.8m.
- 2.4.6 The High Needs Block has faced demand increases of 5% for the last three years, without an increase in per pupil funding for increased numbers. This has been managed within the cash flat allocation for a number of years however in 2015/16 this demand is creating a pressure of at least £3m that is being managed through a re-direction of DSG allocations from schools from the 2016/17 allocation.

2.5 Academies

- 2.5.1 Academies are funded directly from the Education Funding Agency on an academic year basis.

Academies funding is included within the DSG allocation for the local authority for transparency but is not actually paid to the local authority. Instead it is passed directly to academies. The removal of funding from the DSG allocation for academies is known as recoupment and for 2016/17 it is anticipated that £95m will be recouped from the DSG schools block allocation. This amount will be subject to change depending on the number of schools that convert to academies during the year.

2.6 Pupil Premium

2.6.1 Pupil Premium funding is also awarded in addition to the DSG and is allocated on a per pupil basis for pupils who meet the criteria. The aim of the funding is to raise the attainment of disadvantaged pupils and close the gap between them and their peers. Funding is currently awarded on a per pupil basis for any pupil who has been eligible for Free School Meals in the last 6 years. For any children who have been looked after for one day or more, and for children who have been adopted from care or leave care under a special guardianship or residency order. Children whose parents are in the armed forces are also eligible. The 2016/17 funding allocation has not been announced yet but it is anticipated that the allocation for Croydon will be £24m, and in line with the 2015/16 allocation.

2.7 Revenue Funding

2.7.1 The DSG and other grants do not fund the statutory functions of the Local Authority. These elements are funded from the Council's revenue budget and are due to be approved by Council in February 2016.

2.7.2 The Council faces financial challenges over the coming years as a result of funding and grant reductions from national government. It is estimated that over the medium term (by 2018/19) there is a projected funding gap of £100m.

2.7.3 To address this funding gap the Council initiated the Croydon Challenge programme to drive through the transformation of the Council. This programme is focused on making the council more efficient and effective through a focus on the right outcomes, and delivering services to the public that change's people's lives for the better.

2.7.4 There are some education functions that the Council has to provide and fund as a statutory duty from its revenue budget. This includes statutory education welfare, the Virtual School for Children Looked After, exclusions, children who are electively home educated, the commissioning of Alternative Provision and intervention in schools causing concern. The School Improvement team has oversight of standards in primary, secondary, special schools and pupil referral units and focus on school improvement matters to drive forward both national and local strategies

2.7.5 The team focuses on five key themes to improve the quality of education and learning provision in Croydon over the coming five years. These are improving service delivery, raising all standards, narrowing the gap, enriching the curriculum and building learning communities. Other services are 16-19 services, including NEET tracking, and the schools music service. The team also commissions Octavo to deliver various monitoring and improvement functions, for example providing all schools with a Link Adviser.

2.7.6 Savings of £1m have been achieved in the 2015/16 financial year as a result of the establishment of the School Improvement Mutual- Octavo which commenced trading on the 1st April 2015. Council Officers meet regularly at both operational and strategic level to review the performance of Octavo against key performance indicators included in the contract.

2.7.7 The Education Services Grant (ESG) was introduced in 2013 and replaced the Local Authority Central Spend Equivalent Grant, which was paid to academies to cover the cost of the services that local authorities provide centrally to maintained schools but academies must provide themselves. ESGs paid to Local Authorities and Academies on a per pupil rate as a un-ring-fenced grant. The 2016/17 the ESG allocation for Croydon is estimated to be £2.45m and is used to fund the school improvement services listed above along with place planning and admission costs, costs associated with asset management and costs associated with management. Current assumptions are that ESG will reduce by £1.150m in 2016/17 from £3.6m in 2015/16, as schools transfer to Academy status.

2.8 Capital Funding

2.8.1 The need and costs for school places within the borough continues to grow and the 3 year capital programme, along with the necessary funding required for the supply of these places, will be presented to Cabinet on the 22th February 2016 for recommendation on to Full Council on 29th February 2016. The cost of this programme over the 3 year period is estimated to be £146m.

2.8.2 The funding sources for this programme are from the Department of Education and council borrowing and detailed in table 2 below:-

2.8.3 Details of the programme are shown in appendix 1 of this report.

Table 2 Draft education capital programme

Education Programme	2016/17 £m	2017/18 £m	2018/19 £m	2016/19 £m
Total Cost of Education Programme	105	39	2	146
DFE/Other Funding	33	0	0	33
Education Programme Funded Through Borrowing	72	39	2	113

2.9 Autumn Financial Statement Announcements

2.9.1 In the Autumn Financial Statement on the 25th November the Chancellor announced that the Government will introduce the first national funding formula for schools, high needs and early years. A consultation will be launched in 2016 and the government will implement the new formulae from 2017/18. At this stage the impact on Croydon is unclear.

2.9.2 It was also announced that there will be investment of £3bn over the Parliament to open 500 free schools and provide 600,000 additional schools places, rebuild and refurbish 500 schools and address maintenance needs. However, at this stage the method for allocating these monies is unclear and therefore the implications for Croydon are not known.

3. CONSULTATION

3.1 All Departments have been consulted during the preparation of this report. Individual projects and programmes within the budget will also be subject to necessary consultation as required.

4 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 The report is submitted by Lisa Taylor – Head of Finance and Deputy S151 Officer.

5 COMMENTS OF THE COUNCIL SOLICITOR & MONITORING OFFICER

5.1 The Solicitor to the Council comments that the Council is under a duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of Council Solicitor & Monitoring Officer)

6 HUMAN RESOURCES IMPACT

6.1 There are no direct Human Resources considerations arising from this report as such, but items from savings packages and action plans included in the report or those that need to be developed in response to the report are likely to have significant HR impact. These can vary from posts not being filled or deleted, through to possible redundancies. Where that is the case, the Council's existing policies and procedures must be observed and HR advice must be sought.

Approved by: Heather Daley , Director of Human Resources

7 EQUALITIES IMPACT

7.1 In setting the Education Budget 2016/17, the Council has taken into account the need to ensure targeted funding is available for work on raising the attainment of disadvantaged pupils who are likely to share a “protected characteristic” (as defined in the Equality Act 2010) and close the gap between them and their peers.

7.2 This has been achieved through:

- An increase of £0.7m funding for the High Needs Block. This is Croydon's share of the additional top-up based on the projected increase in the 2-19 aged population for 2016.

- The Pupil Premium funding that is awarded on a per pupil basis for any pupil who has been eligible for Free School Meals, any children who have been looked after, and for children who have been adopted from care or leave care under a special guardianship or residency order. The 2016/17 allocation for Croydon is anticipated to be £24m.

Approved by :- Yasmin Ahmed – Equality Manager

8 ENVIRONMENTAL IMPACT

8.1 There are no direct implications contained in this report.

9 CRIME AND DISORDER REDUCTION IMPACT

9.1 There are no direct implications contained in this report.

10 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

10.1 The recommendations are to note the budget position for education funding. There is no direct action requested at this point.

11 OPTIONS CONSIDERED AND REJECTED

11.1 Given the current budget position there is no requirement for additional action at this time.

REPORT AUTHOR AND CONTACT: Lisa Taylor- Head of Finance and Deputy S151 Officer