

<b>REPORT TO:</b>	<b>CHILDREN AND YOUNG PEOPLE SCRUTINY SUB COMMITTEE</b>  7 February 2017
<b>AGENDA ITEM:</b>	7
<b>SUBJECT:</b>	<b>EDUCATION BUDGET - 2017/18</b>
<b>LEAD OFFICER:</b>	<b>Lisa Taylor - Director of Finance, Investment and Risk (Deputy S151 Officer)</b>
<b>CABINET MEMBER:</b>	<b>Councillor Alisa Flemming – Cabinet Member for Children, Young People &amp; Learning Councillor Simon Hall, Cabinet Member for Finance and Treasury</b>

<b>ORIGIN OF ITEM</b>	<b>This item is contained in the Committee’s work programme</b>
<b>BRIEF FOR THE COMMITTEE</b>	<b>To scrutinise the proposed 2017/18 Education Budget</b>

## **1. INTRODUCTION AND BACKGROUND TO FUNDING**

- 1.1 The report sets out the various components of the 2017/18 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 for the 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 which are funded from the council’s 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 2017/18 DSG allocation was published on the 20<sup>th</sup> December 2016.

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 into three blocks: a schools block, a high needs block, and an early years block. The total 2017/18 DSG allocation for Croydon is £324.69m and is detailed in table 1 below.

**Table 1 - DSG allocation**

<b>Financial Year</b>	<b>Schools Block (before recoupment) (£million)</b>	<b>Early Years Block (£million)</b>	<b>High Needs Block (after EFA deductions) (£million)</b>	<b>Total DSG Allocation (£million)</b>
<b>2016/17 – Final Allocation</b>	241.98	18.33	49.05	<b>309.36</b>
<b>2017/18 – Allocation</b>	241.77	27.20	55.72	<b>324.69</b>
<b>Variance</b>	<b>(0.21)</b>	<b>8.87</b>	<b>6.67</b>	<b>15.33</b>

2.3 There has been an increase in the level of DSG funding received by Croydon. The 2017/18 DSG allocation is £15.33m higher than the previous financial year as a result of additional funding within the early years and high needs blocks. The above allocations also reflect transfers to the DSG from other schools grant funding and the movement within the blocks as a result of the re-baselining exercise conducted by the DfE in anticipation of the National funding formula implementation in April 2018. The increase to the DSG funding as a result of transfers from other grants includes:

- Transfer of retained rate of Education Services Grant (ESG) into DSG (£0.82m).
- Transfer of post-16 funding to the High Needs block (£0.34m) that was previously managed directly by the EFA.

#### 2.3.1 **Schools Block – £0.21m decrease**

- The Schools block now includes some agreed historic items (£3m prudential borrowing costs and £0.21m of historic teacher pension costs). These amounts are top sliced from the funding prior to the allocation.
- The Schools block also includes the £0.82m of ESG (see above) that will now be managed through DSG to fund school Improvement and school place planning.
- The adjusted total reflects £4.01m of previously agreed block transfers to the High Needs block that have now been transferred permanently.
- Finally, a reduction of £0.23m has been made to due to recoupment changes on the initial 16-17 allocation.

### **2.3.2 Early Years Block – £8.87m increase**

- £2.57m has been added to the Early Years universal settlement for 3 and 4 year olds.
- £3.58m has been added for 2 year olds from the most disadvantaged backgrounds.
- A £3.18m increase has been provided to cover the additional 15 hours of free childcare for 3 and 4 year old children of eligible working parents from September 2017. The block also includes a £0.6m early year supplement for maintained nursery schools and £0.27m of pupil premium and disability access funding.
- Re-baselining has led to an increase of £0.18m.
- A permanent block transfer of £1.51m has been transferred to the High Needs block.

### **2.3.3 High Needs Block – £6.67m increase**

- The 2017/18 total includes £4.01m and £1.51m of transfers from the Schools block and Early Year block respectively (see above). These amounts have been permanently added to the High Needs block.
- £0.34m of post-16 funding that was previously managed by the EfA has been added to this block.
- An increase in the block of £1.33m relating to population growth uplift (based on a projected 1,169 increase in the population for the 2-18 age group).
- An increase of £0.52m in the deduction to the High Needs block relating to the direct funding of places by the EFA (from £2.58m in 16/17 to £3.1m in 17/18).

## **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 was submitted to the DfE on the 20<sup>th</sup> January 2017 using the budget principles agreed at the October and November Schools Forum meetings. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools by March.

2.4.3 In 2016/17 Croydon's funding rate for the Schools block was £4,855.90 per pupil. In 2017/18 the equivalent rate per pupil is £4,794.79, which is broadly equivalent to the 2016/17 rate once the block transfers described above have been reflected. Tables 2 and 3 below set out the 10 highest and 10 lowest

funded local authorities in London on a per pupil basis, with Croydon ranked 24<sup>th</sup> out of 32 London boroughs.

**Table 2 - DSG 2017/18 Schools block allocations per pupil – Highest Funded Greater London Authorities**

<b>Local Authority</b>	<b>PP allocation (£)</b>
Tower Hamlets	6,965.12
Hackney	6,847.43
Southwark	6,412.68
Lambeth	6,404.26
Hammersmith and Fulham	6,336.50
Camden	6,252.37
Islington	6,181.79
Kensington and Chelsea	6,098.99
Newham	6,085.13
Westminster	6,003.47

**Table 3 - DSG 2017/18 Schools block allocations per pupil – Lowest Funded Greater London Authorities**

<b>Local Authority</b>	<b>PP allocation (£)</b>
Hillingdon	4,825.44
<b>Croydon</b>	<b>4,794.79</b>
Merton	4,758.68
Havering	4,712.65
Redbridge	4,702.75
Bromley	4,649.44
Kingston upon Thames	4,616.93
Sutton	4,616.78
Bexley	4,567.79
Richmond upon Thames	4,424.70

2.4.4 The minimum funding guarantee will continue meaning no school or academy will see a reduction of more than 1.5% per pupil compared to its 2016/17 budget (excluding sixth form funding).

2.4.5 The Early years block for 3 and 4 year olds' formula factors were agreed at the schools forum in November 2016 with an hourly rate of £3.99 for 2017/18. Since then, the DfE have issued a consultation response on the changes to the EY funding formula mandating that local authorities pass on a minimum of £4 per hour to providers for 3 and 4 year olds. The response to the consultation by providers indicated that the proposed rate of £3.99 would not be sufficient to cover the cost of delivering early years education. As a consequence, the schools forum agreed to increase this rate to £4.30 in January 2017 in light of the increased allocation in Early Years DSG funding for 2017/18 (see paragraph 2.3.3 above).

- 2.4.6 The 2 year olds hourly rate of £5.66 was also agreed at schools forum. This is a reduction of £0.65 from the 2016/17 rate of £6.31. In previous years the rate was supplemented through the use of reserves but these have now been fully utilised. There is a risk that this change will affect the financial sustainability of some providers and work is required to establish the extent of this issue.
- 2.4.7 The 2017/18 High Needs draft budget was agreed at the Schools Forum in October 2016. The draft budget includes an on-going budget gap of £1.4m. Previous year overspends have been carried forward to be recovered via a top-slice from the DSG in 2017/18.
- 2.4.8 The High Needs Block has faced demand increases of 5% for the last three years without any corresponding increase in per pupil funding. This has been managed within the cash flat allocation for a number of years through re-directing DSG allocations within the Schools block. The re-baselining exercise by the DfE reflects this in the allocations for 2017/18 onwards.

## **2.5 Academies**

- 2.5.1 Academies are funded directly from the Education Funding Agency on an academic year basis.
- 2.5.2 Academies funding is included within the DSG allocation for the local authority for transparency but is not actually paid to the local authority and is instead passed directly to academies. The removal of funding from the DSG allocation for academies is known as recoupment and it is anticipated that £140m will be recouped from the DSG schools block allocation in 2017/18. This amount will be subject to change depending on the number of schools that convert to academies during the year. Of the 50,006 pupils on roll in 2016/17, 30,349 (61%) are in academy schools.

## **2.6 Pupil Premium**

- 2.6.1 Pupil Premium funding is 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. Children who have been looked after for one day or more, adopted from care or leave care under a special guardianship or residency order, and children whose parents are in the armed forces are also eligible. The 2017/18 funding allocation was announced on 20 December 2016 with the rates per pupil maintained at the 2016/17. This means an allocation of £24m for Croydon, which is based on per pupil rates of £1,320 for children in reception year 1 to year 6, and £935 for pupils in year 7 to year 11.

## **2.7 Revenue Funding**

- 2.7.1 The Council is required to provide some education functions as a statutory duty. These include statutory education welfare, the Virtual School for Looked After Children, exclusions, children who are electively home educated, the

commissioning of Alternative Provision, and intervention in schools causing concern. In addition, the School Improvement team has oversight of standards in primary, secondary, special schools and pupil referral units. They generally focus on improving service delivery, raising standards, narrowing the gap, enriching the curriculum and building learning communities. Other services include 16-19 services (NEET tracking), the schools music service, and commissioning of Octavo (the school improvement mutual).

- 2.7.2 The DSG and other grants do not fund the statutory functions of the Local Authority. These services are funded entirely from the Council's revenue budget which is due to be approved by Council in February 2017.
- 2.7.3 The Council faces financial challenges in the coming years as a result of reductions in funding and grants provided by central government. Over the medium-term to 2019/20 the Council has a projected funding gap of £60.15m.
- 2.7.4 Overall, the council needs to make £17.98m of savings to deliver within the envelope of the 2017/18 revenue budget. This total includes £170k of proposals linked to the Schools service, which are shown in Table 4 below.

**Table 4 – 2017/18 Schools service budget savings**

<b>Saving Description</b>	<b>Value (£m)</b>
Charging for exclusions	0.010
Charging for admissions appeals	0.005
Charging for academisation	0.060
Octavo contract savings	0.095
<b>TOTAL</b>	<b>0.170</b>

- 2.7.5 Included above is a £95k saving on the contract currently held with Octavo. Octavo commenced trading on the 1<sup>st</sup> April 2015, and is commissioned by the LA to provide educational psychology services, education welfare services and school improvement services. Council Officers meet regularly at both an operational and strategic level to review the performance of Octavo against the key performance indicators included in the contract.
- 2.7.6 The Education Services Grant (ESG) is currently paid to local authorities to fund central education functions. It is made up of two elements paid on a per pupil basis:
- the retained duties rate paid to the LA per pupil in maintained and non-maintained schools, and;
  - the general funding rate paid to LA for maintained school pupils only and paid directly to academies.
- 2.7.7 In 2016/17 the ESG allocation for Croydon was £3.1m. The DfE announced that ESG funding would be changing as part of wider School funding reform which has removed the general funding rate component of the ESG in 2017/18. The ESG funding allocation for Croydon in 2017/18 totals £1.58m and includes:
- £820k for the retained duties element, which equates to a rate of £15

per pupil paid to the LA for all pupils in both maintained and non-maintained schools. This represents a reduction from the 16/17 year allocation of £855k.

- £762k of transitional funding to cover general funding for the period April to August 2017, which equates to £20 per pupil for the 5 month period. The 2016/17 allocation was £2.2m. This allocation is subject to change depending on in-year academy conversions.

The overall impact of the loss of the ESG funding for Croydon is a £1.5m reduction from the 2016/17 ESG allocation.

2.7.8 In addition to ESG, the School Improvement team will also receive a school improvement monitoring and brokering grant. This represents a share of a £50m national grant pot. Croydon has been allocated £120k which is in the lowest quartile nationally.

## 2.8 Capital Funding

2.8.1 The need for school places within the borough continues to grow. The 4 year education capital programme, along with the necessary funding required for the supply of these places, will be presented to Council in February 2017 as part of the council's whole capital budget to 2020.

2.8.2 The cost of this programme over the 4 year period is estimated to be £158m. This is predominantly funded from a combination of council borrowing and DfE grants, as detailed in Table 5 below.

2.8.3 Full details of the programme are included in Appendix 1 of this report.

**Table 5 – Draft education capital programme**

Funding Source	16/17 £m	17/18 £m	18/19 £m	19/20 £m	Total £m
DfE/Other Funding	60	3	2	0	65
Borrowing	11	61	19	2	93
<b>Total Cost of Education Programme</b>	<b>71</b>	<b>64</b>	<b>21</b>	<b>2</b>	<b>158</b>

## 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 – Director of Finance, Investment and Risk (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: Jacqueline Harris-Baker, Acting Council Solicitor & Acting 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: Debbie Calliste, Head of HR – People Department (on behalf of the Director of Human Resources).

## **7 EQUALITIES IMPACT**

- 7.1 The funding allocations and formulae are set nationally and are therefore already subject to an equality assessment.
- 7.2 In setting the Education Budget 2017/18, 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:
- 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 2017/18 allocation for Croydon is £24m.

Approved by: Genine Whitehorn, Head of SCC Resources.

## **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 - Director of Finance,  
Investment and Risk (Deputy S151 Officer)**