

<b>REPORT TO:</b>	<b>CHILDREN AND YOUNG PEOPLE SCRUTINY SUB COMMITTEE 3<sup>rd</sup> FEBRUARY 2015</b>
<b>AGENDA ITEM:</b>	<b>8</b>
<b>SUBJECT:</b>	<b>EDUCATION BUDGET 2015/16</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson - Director Finance &amp; Assets (Section 151 Officer)</b>
<b>CABINET MEMBER:</b>	<b>Councillor Alisa Flemming – Cabinet Member for Children and Young People 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 2015/16 Education Budget</b>

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

- 1.1 The report sets out the various components of the 2015/16 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 of the day to day running costs of schools which comes 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 the council's responsibilities in terms of schools, mainly in relation to school places.
- 1.3 The report will cover each area in turn.

## 2. Dedicated Schools Grant

- 2.1 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 Schools Revenue Funding Settlement 2015/16 was published on the 17<sup>th</sup> December 2014 and confirmed details 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 Early Years block.
- The total 2015/16 DSG allocation for Croydon is £309.2m and is detailed in table 1 below.

**Table 1 - DSG allocation**

Fin Year	Schools block (£million)	Early years block (£million)	High needs block (£million)	Total additions for non-block funding (£million)	Total DSG allocation (£million)
2014/15	208.57	17.71	51.41	6.78	284.46
2015/16	239.03	18.20	51.91	0.07	309.20
Variance	30.45	0.49	0.50	- 6.71	24.74

- 2.1.2 The 2015/16 DSG allocation is £24.74m higher than the previous year due to a number of key contributing factors in the schools and early years blocks.

## 2.2 **Schools Block**

- 2.2.1 The introduction of Fairer Funding – The DFE released over £350m to top up the funding of local authorities who had low funding compared to the rest of the country. Croydon received an extra £13.25m which equates to approx. £288 per pupil.
- 2.2.2 Non-recoupment academies<sup>1</sup> - In 2014/15, non-recoupment academies were not included in the DSG or funding formula calculations; however in 2015/16 they were. Therefore in 2015/16 there are an additional 6 schools included in the pupil count and DSG calculation, generating an additional £16.75m of funding in the DSG.
- 2.2.3 Increase in pupil numbers – there is a slight increase in funding due to the increasing population within the borough. There is approximately an additional 350 children included in the 2015/16 DSG calculation.

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<sup>1</sup> - Non recoupment academies – academies in England that were formed before the current academy regulations were in place and who were originally funded by the Education Funding Agency (EFA) directly and therefore not included in the LA's DSG.

## **2.3 Early Years Block**

- 2.3.1 Two year old funding – in 2014/15 there was an additional £6.78m allocated to Croydon as growth, separate from the block structure, specifically for the provision of two year old education. This was a one off allocation, hence the reduction between 2014/15 and 2015/16.

## **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 has been finalised and was submitted to the DFE on the 21st January 2015 using the budget principles agreed at the November and December Schools Forum meetings. At the time of writing this report the detailed budgets per school have not yet been finalised and they will be presented to the Schools Forum in March.
- 2.4.3 The minimum funding guarantee will continue, meaning no school or academy will see a reduction compared to its 2014/15 budget (excluding sixth form funding) of more than 1.5% per pupil.
- 2.4.4 The Early Years block for 3 and 4 year olds draft funding allocation of £18m was agreed at the schools forum in November 2014. The funding for 2 year olds will not be confirmed until June 2015 and has been estimated at £5m at this stage and will be presented to schools forum after this date.
- 2.4.5 The High Needs draft budget of £51.9m was agreed at the Schools Forum in December 2014. The draft allocation indicates that there will be an increase in funding of £500k.

## **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 2015/16 it is anticipated that will be £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 2015/16 funding allocation has not been announced yet but it is anticipated that the allocation for Croydon will be £24m.

## **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 2015.
- 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 2017/18) there is a projected funding gap of £100m.
- 2.7.3 To address this funding gap the Council has initiated the Croydon Challenge programme to drive through the transformation of the Council. This programme will focus on making our council more efficient and effective through our 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. The main function within this category is the School Improvement Service. The Schools Improvement Service consists of the primary and secondary and special phase teams who focus on school improvement matters to drive forward both national and local strategies. It also contains a strategic team who are responsible for working to promote the educational opportunities of vulnerable children and young people.
- 2.7.5 The team focuses on five key themes to improve the quality of education and learning provision in Croydon over the coming years. These are improving service delivery, raising all standards, narrowing the gap, enriching the curriculum and building learning communities. Other services provided are the Virtual School for looked after children, 16-19 services including NEET tracking, and the schools music service.
- 2.7.6 The total School Improvement budget has reduced significantly from £3m in 2014/15 to £2.3m in 2015/16. The main reason for this reduction is the establishment of a School Improvement Mutual which will commence trading on the 1<sup>st</sup> April 2015. Cabinet on 30 June 2014 agreed to the proposals for the establishment of a Mutual Trading Company for School Support Services (Min.A37/14).
- 2.7.7 Savings of around £1m have been identified in the next financial year as a result of the establishment of the Mutual. These savings are slightly reduced due to growth as a result of changes to statutory guidance for Local Authorities on

NEET tracking.

2.7.8 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. ESG is paid to Local Authorities and Academies on a per pupil rate as a non-ring-fenced grant. The 2015/16 ESG allocation for Croydon is estimated to be £3.0m, a reduction of £0.950m from 2014/15 due to academy conversions. It 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 of over £1m

The Council's current assumption is that ESG will reduce by a further £1.150m in 2016/17 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 draft capital programme was presented to Scrutiny Committee on the 19<sup>th</sup> December 2014 and will be recommended to Full Council in February 2015 as part of the budget setting process. Cabinet on the 19<sup>th</sup> January 2015 approved the 3 years - 2015/16 to 2017/18 programme for delivering primary pupil places, along with the necessary funding required for the supply of these places. The cost of the capital programme over the 3 year period is £176m

2.8.2 These costs will be funded within the draft capital programme and the funding sources for this programme are from the Department of Education and council borrowing and detailed in table 2 below:-

**Table 2 Draft education capital programme**

Education Programme	2015/16 £m	2016/17 £m	2017/18 £m	2015/18 £m
Total Cost of Education Programme	85	54	37	176
DFE/Other Funding	(35)	(33)	(32)	(100)
Education Programme Funded Partly Through Borrowing	50	21	5	76

## 3. CONSULTATION

3.1 No specific consultation has been undertaken.

## 4 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 The report is submitted by the Director of Finance and Assets (Section 151 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 the Council Solicitor & Monitoring Officer)

## **6 HUMAN RESOURCES IMPACT**

- 6.1 There are no direct Human Resources considerations arising from this report.

(Approved by: Heather Daley, Director, Workforce and Community Relations)

## **7 EQUALITIES IMPACT**

- 7.1 None.

## **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: RICHARD SIMPSON,  
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AND S151 OFFICER**