

REPORT TO:	SCRUTINY SUB COMMITTEE – CHILDREN AND YOUNG PEOPLE 6 February 2018
SUBJECT:	EDUCATION BUDGET - 2018/19
LEAD OFFICER:	Josephine Lyseight, Head of Finance - People
CABINET MEMBER:	Councillor Alisa Flemming – Cabinet Member for Children, Young People & Learning 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 2018/19 Education Budget

1. INTRODUCTION AND BACKGROUND TO FUNDING

- 1.1 The report sets out the various components of the 2018/19 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;
- Day to day running costs of schools, funded via the **Dedicated Schools Grant (DSG)**;
 - Services the council provides as the Local Education Authority, 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 In March 2016 the DfE announced Fair Funding proposals and in the two consultations that followed set out the intentions for funding going forward. The intention was to implement the National Funding Formula (NFF) by December 2016, however due to delays the government announced in May 2017 that the NFF would be in place from April 2018. A soft implementation of the NFF is available to Local Authorities for the next two years. This option allows Local Authorities following Schools Forum approval to apply local factors (such as

Minimum Funding Guarantee, income deprivation affecting children) to the funding prior to the distribution of funding to schools.

- 2.2 The 2018/19 DSG allocation was published on the 19th December 2017. The majority of funding for education in Croydon comes from the Department of Education (DfE) in the form of the 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 four blocks: a schools block, a high needs block, an early year's block and for 2018/19 a new central schools services block.

The total 2018/19 DSG allocation for Croydon is £337.82m and is detailed in table 1 below.

Table 1 - DSG allocation

Financial Year	Schools block (before recoupment)	Early years block	High needs block (before recoupment)	Central Services Schools block	Total DSG allocation
	(£million)	(£million)	(£million)	(£million)	(£million)
Final 2017-18	241.77	27.2	58.82	N/A	327.79
2018-19	243.87	28.8	58.97	6.18	337.82
Movement between 2017-18 and 2018-19	2.10	1.6	0.15	6.18	10.03

- 2.3 In 2018/19, Croydon will see an increase in the level of DSG funding of £10.03m compared to 2017/18. Reasons for the increases are detailed below:

2.3.1 Schools Block (before recoupment) net increase of £2.1m

The increased funding for this block is due to the following factors :-

There has been an increase in pupil numbers by 240 to 50,777 in 2018/19. As a result there is an increase in funding of £1.15m.

The schools block has also seen an increase as a result of the creation of the new Central Services Schools block and the removal of previously top sliced items from the schools block to the new block, including £0.2m funding for termination costs.

The new block is also made up of the former Education Services Grant (ESG), which was £0.724m in 2017/18.

2.3.2 Early Years Block – £1.6m increase

The increased funding is the result of an increase in pupil numbers for 3 and 4 year olds.

Work is continuing on the Early Years allocation and could be subject to further adjusted following the finalisation of the January 2018 census.

2.3.3 High Needs Block – £0.15m increase

Funding for this block has increased by £0.15m.

The funding for High Needs through the NFF for 2018/19 is split between two elements; basic entitlement factor and the import/export adjustments. There has been a gains calculation that has allocated an additional £0.15m to the basic element factor.

The import/export adjustments element will be updated following the submission of the LAs revised import/export data in November 2017. The intention is to reflect more precisely the movement of pupils and students, and therefore the funding.

2.3.4 Central Services Schools Block – £6.18m increase

The National Funding Formula (NFF) created a new fourth block within the DSG called the Central Services Schools Block (CSSB). This block is made up of two parts –Reported spend on Ongoing Functions and Reported spend on Historic Commitments.

The Reported spend on Ongoing Functions, which includes services such as School Improvement and Education Welfare, totals £2.97m.

The Reported spend on Historic Commitments, which includes prudential borrowing costs for a PFI contract and historic teacher pension costs, totals £3.21m.

Historic spend is expected to reduce in in future years, with the allocation reduced to reflect this.

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 schools, early years and high needs 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 19th January 2018 using the budget principles agreed by Schools Forum over the autumn period. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools in March 2018.

2.4.3 In 2017/18 Croydon's funding rate for the Schools block was £4,794.79 per pupil. In 2018/19 the NFF has used a similar allocation methodology, but rather than one rate for all pupils they have split the funding to be one rate for primary pupils and one for secondary pupils. The rates per pupil are £4,238.50 for primary pupils and £5,317.93 for secondary pupils, which may contribute to the increase in funding Croydon schools received since the introduction of the NFF.

Tables 2 and 3 below set out the 10 highest and 10 lowest funded local authorities in London on a per pupil basis for primary and secondary pupils, with Croydon ranked 24th out of 32 London boroughs. This is the same ranking position as 2017/18. Although Croydon has seen an increase in its funding allocation the amount which other boroughs have received has increased and this results in the continuation of the gap between how much extra a pupil in one of our nearest neighbours for example Lambeth is funded compared to Croydon.

Table 2 - DSG 2018/19 Schools block allocations per pupil – Highest Funded London Authorities

Rank	Local Authority	2018-19 schools block primary unit of funding (£s)	2018-19 schools block secondary unit of funding (£s)
1	Tower Hamlets	5,893.04	7,806.48
2	Hackney	5,887.20	7,840.42
3	Southwark	5,520.87	7,745.73
4	Lambeth	5,450.39	7,364.62
5	Camden	5,375.80	6,894.66
6	Newham	5,345.14	6,694.22
7	Kensington and Chelsea	5,302.78	6,721.23
8	Westminster	5,247.30	6,755.65
9	Islington	5,235.12	7,130.11
10	Hammersmith and Fulham	5,193.77	6,998.26

Table 3 - DSG 2018/19 Schools block allocations per pupil – Lowest Funded London Authorities

Rank	Local Authority	2018-19 schools block primary unit of funding (£s)	2018-19 schools block secondary unit of funding (£s)
23	Hillingdon	4,255.69	5,566.68
24	Croydon	4,238.50	5,317.93
25	Bromley	4,194.22	5,118.38
26	Harrow	4,164.56	5,833.91
27	Sutton	4,082.20	5,017.81

28	Kingston upon Thames	4,039.50	5,048.99
29	Redbridge	4,007.16	5,250.93
30	Havering	4,004.60	5,474.26
31	Bexley	3,932.86	5,272.71
32	Richmond upon Thames	3,788.66	5,290.73

The allocation amounts above are the amounts set by the NFF per pupil type. The amounts are multiplied by the number of pupils on roll to determine the LA's allocation shown in table 1 above. The LA then applies local factors that have been set by Schools Forum in order to determine the actual allocation per pupil and the individual schools budgets. Local factors include growth, de-delegation and deprivation. Therefore the amounts set out above will change to smooth out the transition to NFF rates as per the decisions made by Schools Forum. The LA will submit the proposed budget per school to the DFE for approval, once approved the schools will be issued individual budgets.

2.4.4 The minimum funding guarantee (MFG) will continue to be applied, hence no school or academy will see a reduction of more than minus 1.5% per pupil compared to its 2017/18 budget (this excludes sixth form funding). MFG protects schools' budgets from large changes in funding based on factor changes. It protects on a £/per pupil basis. This means it will not protect a school against falling roll numbers.

2.4.5 The Early years block allocation for Croydon is based on a rate of £5.13 per child hour, the allocation will be updated following the January 2018 census. Based on the indicative 2018/19 allocation, the following components of the draft budget for 2018/19 was agreed by schools forum on 15th January 2018:

- The nationally set hourly basic rate for 2 and 3 year olds of £5.66
- Increase in rate for 3 and 4 year olds in 2018/19 to £4.50 (£4.30 in 2017/18)

2.4.6 The 2018/19 High Needs indicative allocation is £58.97m and is based on the October 2017 census, with further adjustments made for January 2018 census data, February 2018 Individualised Learner Record data and adjustments for hospital education funding. The draft budget for 2018/19 was agreed by schools forum on the 15th January 2018. At Q1 2017/18, the High needs block forecast overspend was £7.8m (including previous years overspends). Based on this forecast, on the 6th November 2017, Schools Forum agreed to transfer funding of 0.5% in 2018/19 (from the 2018/19 funding to be used for the 2017/18 overspend) from the Schools Block to the High Needs Block. 0.5% equates to £1.137m.

2.4.7 The High Needs Block continues to face increased demand without any corresponding increase in per pupil funding. Despite Croydon's strong response to the NFF consultation the funding for High Needs in 2018/19 continues to be funded based on 45% on historic spend factor. The allocation

does not factor in that Croydon has seen the number of EHCP's increase from 1800 to 2500 in 2017/18.

- 2.4.8** Work is ongoing to review the High Needs provision within the borough and reduce costs. This includes the creation of more in borough places and a review of all placements and costs to ensure the funding is managed and this overspend is reduced.

2.5 Academies

- 2.5.1 Academies are funded directly from the Education Funding Agency (EFA) 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 to be in excess of £150m and will be recouped from the DSG schools block allocation in 2018/19. This amount will be subject to change depending on the number of schools that convert to academies during the year. Of the 50,777 pupils on roll in 2018/19, 32,982 (65%) are in academy schools. This is an increase of 4% since 2017/18.
- 2.5.3 Croydon currently has three open free schools with plans for an additional free school to open in September 2018 (Coombe Wood School). The existing free schools (The Harris Invictus Free, Paxton Academy Sports and Science and Krishna Avanti Primary school) are all funded by the EFA in the same manner as academies are funded. Funding for non-mainstream free schools (e.g. special or alternative provision free schools) are funded differently, Croydon has plans to open one special free school in 2019 for the borough's high needs pupils.

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 2018/19 funding allocation is yet to be announced. The 2017/18 allocation was updated in December 2017 to take account for the October census data. The rates per pupil remained at the 2016/17 levels. This

resulted in an allocation of £24m for Croydon, 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 and £1,900 for looked after children (LAC) being distributed to the schools fully.

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 2018.
- 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 (two years) to 2018/20 the Council has a projected funding gap of £7.226m.
- 2.7.4 Overall, the council needs to make £17.52m of savings to deliver within the envelope of the 2018/19 revenue budget. In 2017/18, as part of its savings proposals, the council introduced charging to schools for council provided services. The services which schools will be charged for are exclusions, admissions appeals and academisation of schools. The total estimated income from the charging for 2018/19 is £0.075m.
- 2.7.5 No additional savings are expected from the existing Octavo contract. Octavo commenced trading on the 1st April 2015, and is commissioned by the Local Authority 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.

The commissioning contract with Octavo for 2018/19 is valued at £754k.

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, was presented to Council in January 2018 as part of the council's Croydon's Education Estates Strategy.

2.8.2 The cost of this programme over the 4 year period is estimated to be £106m. This is predominantly funded from a combination of council borrowing and other funding grants, as detailed in Table 4 below.

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

Table 4 – Education capital programme

Funding Source	17/18 £m	18/19 £m	19/20 £m	20/21 £m
School Condition Funding	7.316	3.770	0	0
Basic Needs	5.841	0	6.833	0
EFA Invest to Save	0	0.969	0.969	0.969
S106 funding	0.963	0	0	0
Borrowing	34.763	30.788	11.539	2.000
Total Cost of Education Programme	48.883	35.527	19.341	2.969

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: Sandra Herbert, Head of Litigation and Corporate Law on behalf of Jacqueline Harris-Baker Director of Law and 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: Sue Moorman 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 2018/19, 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.

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.

CONTACT OFFICER:	Lisa Taylor, Director of Finance Investment and Risk (Deputy S151 Officer)
BACKGROUND DOCUMENTS:	None
APPENDICES:	Capital Programme Budget Summary