

**DARLINGTON SCHOOLS FORUM**14<sup>th</sup> January 2020**ITEM NO 7****BUDGET SETTING 2020/21****Purpose of Report**

1. To agree the use of the Dedicated Schools Grant (DSG) in 2020/21.

**Background**

2. DSG is paid in four funding blocks, following the introduction of the National Funding Formula (NFF).
3. The schools block is ring fenced to the school budget share/growth fund, with the exception of the ability to transfer 0.5% of the total value to another funding block with School Forum agreement. School Forum agreed at their special meeting on 21st November 2019 to transfer 0.5% (£344,400) of the 2020/21 schools block into the high needs block.

**Funding for 2020/21**

4. Darlington received their DSG allocation on the 19th December as follows,

Block	Amount £'000's	Note
School Block	£68,880,548	This is the allocation before recoupment to pay academy schools direct
Central Schools Block	£1,261,833	
Early Years Block	£7,199,093	This allocation will be updated for the January 2020 & January 2021 census
High Needs	£14,417,319	This figure is provisional and will be updated for the place change notifications/ import/export adjustments This figure is before place funding recoupment
<b>TOTAL</b>	<b>£91,758,793</b>	

**Schools Block**

5. The schools block is calculated by Education, Skills Funding Agency (ESFA) using the NFF based upon the October 2019 census data. In line with School Forums decision on 21st November, £344,400 has been moved to the high needs block. The remaining schools block (£68,536,148) has been allocated to the school budget share calculation and the growth fund. Details of the school budget share calculation and the proposed growth fund are included in agenda item 5.

## Early Years Block

6. The provisional early years block allocation is made up as follows

Area	Allocation £	Note
Universal 3&4 Year old	4,024,337	Funded by DfE @ £4.52 per hour
Extended 30 hours 3&4 Year old	1,734,613	Funded by DfE @ £4.52 per hour
2 Year old	1,096,338	Funded by DfE @ £5.28 per hour
Early Years Pupil Premium	107,246	Funded by DfE @ £0.53 per hour
Disability Access Funding	28,905	Funded by DfE @ £615 per child
Maintained Nursery Lump Sum	207,654	Funding for two schools
<b>TOTAL</b>	<b>7,199,093</b>	

7. As Forum will be aware the early years allocation is updated throughout the year based upon the January census, therefore the allocation provided is provisional at this stage. The final allocation will be dependent on the number of children in settings at the January 2020 and January 2021 census dates.
8. Forum were informed at their November meeting that the Local Authority was due to receive an increase in early years funding of eight pence per hour for both 3 & 4 year old and two year old funding.
9. Forum agreed at the November meeting with the Local Authority's proposal to pass the eight pence increase at both 3 & 4 year old and 2 year old, onto the Darlington rates.
10. As Forum will be aware the hourly rate funding received must cover all of the elements of the Early Years Funding Formula as follows,
- a. The hourly rate
  - b. Mandatory deprivation supplements
  - c. Mandatory SEN inclusion funding
  - d. Centrally held funding
  - e. Other supplements (Darlington does not use any non mandatory supplements)
11. As outlined within agenda item 4 there is a projected overspend in the SEN inclusion fund, which follows on from 2018/19 due to demand to support children with SEN needs. It is proposed that this fund is increased by £50,000 for 2020/21.
12. It is proposed that this £50,000 increase in budget is taken from the 2018/19 3 & 4 year budget underspend that was carried forward and is currently held in reserve. By taking this from the reserve this will not impact upon the 2020/21 hourly rates.
13. Following receipt of the early years allocations for 2020/21, modelling has been undertaken to see if there is any scope to change the funded hourly rates. Following this modelling, it is proposed that the 3 & 4 year old rate is increased by a further 2 pence per hour (on top of the 8 pence increase from DfE) to make the increase from 2019/20 to 2020/21 a 10p increase.

14. Although this increase has been costed as affordable, it is dependent on the amount of deprivation funding required and the actual number of children in the April and October census (as these are not captured in the funding allocation), therefore this increase does come with a risk of budget overspend. However it is estimated that any overspend that did occur, could be funded through the reserve currently held from 2018/19.
15. When the hourly rate increase for 3 & 4 year old was modelled, consideration was also given to increasing the deprivation supplements. It was however decided that an increase in the hourly rate was more favourable as providers had previously supported hourly rate increases over deprivation rates and an increase in hourly rate will benefit all providers for every child placed.
16. No other unit values are proposed to be changed as all the other rates are passported to providers in full.
17. No increase is proposed in the £113,754 of funding held centrally.
18. The following table shows the proposed early years funding formula funding rates for 2020/21

<b>Provision</b>	<b>2019/20 Actual Rate</b>	<b>2020/21 Proposed Rate</b>	<b>Change</b>
<b><u>3 &amp; 4 Year Old Children</u></b>			
Nursery School – Per hour per child	£4.15	£4.25	£0.10
School Nursery Class – Per hour per child	£4.15	£4.25	£0.10
Private, Voluntary & Independent Sector – Per hour, per child	£4.15	£4.25	£0.10
Deprivation – Top 10% most deprived post codes – Per term, per child	£50	£50	£0.00
Deprivation – 11 - 20% most deprived post codes – Per term, per child	£25	£25	£0.00
Deprivation – 21 - 30% most deprived post codes – Per term, per child	£12.50	£12.50	£0.00
<b><u>2 Year Old Children</u></b>			
All Providers – Per hour per child	£5.20	£5.28	£0.08
<b><u>Early Years Pupil Premium</u></b>			
All Providers – Per hour per child	£0.53	£0.53	£0.00
<b><u>Disability Access Fund</u></b>	£615.00	£615.00	£0.00
<b><u>Central Early Years Team*</u></b>	£113,754	£113,754	£0.00
<b><u>Maintained Nursery School Lump Sum**</u></b>	£105,500	£103,827	(£1,673.00)

\*This represents less than 2% of the total funding. DfE rules stipulate a maximum of 5% can be held centrally.

\*\* Lumps sums as per the 2020/21 allocation.

## Central School Block

19. The central schools block allocation is split into two areas by ESFA. The first element is the amount of central funding that is allocated to Darlington through the per pupil funding formula. The second element is the “historic commitments”, which was added to the central schools block by ESFA in recognition of the commitments to services procured centrally.
20. For 2020/21 the central schools block allocation is made up of £484,232 formula based and £777,600 historic commitments a total of £1,261,833. This is a decrease of £3,200 in the formula based element and a decrease of £194,400 on the historic commitments.
21. The formula based element of the central schools block remains funded at the unit same rate in 2020/21 as was in 2019/20, however there are slightly less children on the census in Darlington. This therefore results in a lower allocation, though at the same time the budget areas funded from this allocation have increased due to inflation.
22. As Forum will be aware ESFA announced that the historic commitments budget would decrease by 20% for 2020/21, which equals the £194,400 reduction in allocation.
23. As Forum members will recall from last year there is a requirement to consult with School Forum on the proposed use of the central schools block. Attached at the appendix (to this agenda item) are the proposed budgets allocated under the central schools block for 2020/21.
24. The areas of expenditure proposed to be funded under the formula based element of the central school block (appendix 1) are the same in 2020/21 as in 2019/20. The amounts of budget allocated to the expenditure type are at the same value as in 2019/20 with the exception of copyright licenses.
25. Although the cost of the admissions team has increased due to the annual pay award, as there is insufficient funding in the allocation, this increase will fall on the Local Authority, unless funding is available from within the funding set aside for admissions appeals, to cover the shortfall.
26. The copyright license fee is top sliced by ESFA from the DSG allocation and increases in line with the cost of contracts held centrally by ESFA. ESFA have notified that the copyright fee charged to Darlington will increased by £1,173 for 2020/21. This increase must be funded. Overall the allocation is short by £973, it is proposed that this shortfall will be covered by any underspend within the central schools block in 2019/20 in the first instance. Any shortfall in this will be dealt with during 2020/21, by decreasing the amount of funding available for admissions appeals.
27. Rules concerning the use of historic commitments, prevent new areas of expenditure being made from this budget or any increases in expenditure. For 2020/21 the allocation for historic commitments has reduced by £194,400 which requires a number of expenditure areas from 2019/20 to be reduced in 2020/21.
28. To address the £194,400 reduction the following reductions are proposed within the budgets,

- a. Within the allocation for 2019/20 there was £49,717 which was unallocated. Forum agreed to transfer this funding to the high needs block to contribute towards pressures in that block. For 2020/21, this unallocated budget will be the first call on the budget reduction.
  - b. The budget areas that contribute towards Local Authority provided services are to reduce by 10% (£29,334), with the Local Authority picking up the shortfall from within its own budgets.
  - c. The NQT budget currently includes administrative functions, it is proposed that this will stop, reducing the budget requirement by £29,000. The administrative role will be picked up by the Local Authority from within its own budgets.
  - d. The NQT delivery budget is proposed to be reduced by 10%, reducing the budget requirement by £11,100.
  - e. The requirement for the PFI for 2020/21 is £432,269, this will provide a saving of £18,674 on the 2019/20 value.
29. The above actions will reduce the historic commitments budget by £137,825, which still leaves £56,575 to be found. It is not proposed to reduce the union cover budget at this stage as it is estimated that calls on this budget in 2020/21 will exceed the £10,000 allocated. It is not proposed to reduce the contribution towards the LSCB as this would impact on safeguarding training provided to schools and it is not proposed to reduce the music service contribution in 2020/21 as this will require a notice period with the provider.
30. The DfE have reduced the historic commitments budget by 20% in 2020/21, but at present have not confirmed if there will be further reductions in 2021/22. In the event that there are further reductions, it will no longer be possible to fund the PFI affordability gap, which is contrary to previous guarantees given by the DfE. Advice has been sought from the DfE who advise to protect this funding it should be removed from the historic commitments budget and added to the schools block. This funding would then need to be delegated to the PFI schools and returned to the Local Authority as part of the PFI charges.
31. As this is the only way to protect this funding in the future, the PFI element of £432,269 will be transferred into the schools block and delegated to the PFI schools. (See agenda item 5).
32. In order to balance the historic commitments block in 2020/21 it is proposed that £56,575 of funding be drawn down from the PFI reserve as a one off.
33. As the historic block is proposed to be balanced by one off funding in 2020/21, it will be the case that the remaining expenditure will need to be reviewed in order that reductions can be made to balance the allocation in 2021/22. It is expected, though not confirmed, that ESFA will continue to reduce this allocation in future years, therefore further reductions will need to take place to balance the budget. It is likely that this funding stream will end at some point in future, therefore all service areas that are funded through this stream will need to attract alternative funding or be stopped.

### **High Needs Block**

34. The high needs block is calculated by ESFA on a formula basis. The allocation received includes an adjustment for export/import places between authorities, however the current allocation received is based upon 2019/20 pupil numbers. Therefore the high needs

allocation will be updated during the year for the 2020/21 pupil numbers, however the overall revised high needs block is not expected to change by a large amount from that already advised. The allocation received for 2020/21 is £14,417,319 (before recoupment) which is an increase of £1,575,987 on the revised 2020/21 allocation. This increase is in line with the provisional high needs allocations notified to Forum in October 2019.

35. As Forum agreed to transfer 0.5% (£344,400) from the schools block to the high needs block, £14,761,719 is available for high needs in 2020/21.
36. As Forum members are aware there are significant pressures against the high needs budget allocation due to the demand for high needs support, therefore the Local Authority is reviewing all expenditure against the high needs block in line with the high needs recovery plan submitted to DfE in June.
37. Proposals for high needs budgets will be presented to Schools Forum at the March meeting and Forum will be receive further information regarding high needs at all meetings throughout the year.

### **Recommendations**

38. That Forum notes the budget allocations for 2020/21 from ESFA.
39. That Forum notes the proposed early years funding rates for 2020/21 and agrees the central allocation.
40. That Forum agrees to the proposed usage of the central schools block in 2020/21.

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