

DARLINGTON SCHOOLS FORUM12th January 2021**ITEM NO 6****BUDGET SETTING 2021/22****Purpose of Report**

1. To agree the use of the Dedicated Schools Grant (DSG) in 2021/22.

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, except for the ability to transfer 0.5% of the total value to another funding block with School Forum agreement.

Funding for 2021/22

4. Darlington received their DSG allocation on the 17th December as follows,

Block	Amount £'000's	Note
School Block	£75,111,512	This is the allocation before recoupment.
Central Schools Block	£1,146,415	
Early Years Block	£7,125,097	This allocation will be updated for the January 2021 & January 2022 census
High Needs	£15,890,770	This figure is provisional and will be updated for the place change notifications/ import/export adjustments This figure is before place funding recoupment which is taken at source by ESFA
TOTAL	£99,273,794	

Schools Block

5. The schools block is calculated by Education, Skills Funding Agency (ESFA) using the NFF based upon the October 2020 census data. Details of the use of the schools block, the school budget share calculation and the proposed growth fund are included in agenda item 4.

Early Years Block

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

Area	Allocation £	Note
Universal 3&4 Year old	3,893,397	Funded by DfE @ £4.58 per hour
Extended 30 hours 3&4 Year old	1,814,341	Funded by DfE @ £4.58 per hour
2 Year old	1,084,596	Funded by DfE @ £5.36 per hour
Early Years Pupil Premium	107,164	Funded by DfE @ £0.53 per hour
Disability Access Funding	29,520	Funded by DfE @ £615 per child
Maintained Nursery Lump Sum	196,079	Funding for two schools
TOTAL	7,125,097	

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 2021 and January 2022 census dates.
8. The final allocation for the early years block will not be known until June/July 2022.
9. As Forum will be aware the hourly rate funding received must cover all 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)
10. Prior to the start of the 2020/21 financial year, modelling was undertaken to see if there was any scope to change the funded hourly rates, over and above the increase in rate that had been received from the Government. Following this modelling, an additional 2p per hour was added to the 3 & 4 year old rate (on top of the 8 pence increase from DfE) to make the hourly rate for 3 & 4 year old £4.25. The hourly rate for 2 year old's was set at the same rate as received from the DfE hence no modelling was undertaken for this rate.
11. Although this additional 2p per hour increase had been costed as affordable, it's affordability was dependent on the final take up of children and the actual funding received in 2020/21.
12. The early years payments have been significantly impacted by COVID 19 in 2020/21 and as the January 2021 census has currently not taken place, there remains some uncertainty

in the financial position of the early years budget. At agenda item 3 an estimation has been made and at this point it is projected that there may be an underspend in the 2020/21 early years budget. However, it is likely that as a result the early years allocation will also change and hence this projection is at present unconfirmed. As a result it is unlikely that there will be any scope to increase the early years hourly rates over the increases given by Government for 2021/22.

13. The provisional early years block allocation has an increase of 6p per hour for both the universal and the extended 3 & 4 year old entitlements. The 2 year old hourly rate has increased by 8p per hour. It is proposed that both increases will be fully passported to early years providers from April 2021.
14. As the increases received from the DfE are proposed to be passported in full to providers, there is no proposal to change the value of the deprivation supplements.
15. Both the Disability Access Fund and the Early Years Pupil Premium rates received in the early years block are at the same value in 2021/22, hence no change to the value of those payments to providers is proposed.
16. It is proposed that the SEN inclusion fund for 2021/22 be set at £200,000 as in 2020/21.
17. No increase is proposed in the £113,754 of funding held centrally.
18. Further guidance is expected from the DfE regarding years in January and once the January census has taken place further modelling of the early years financial position will be able to be undertaken. It is proposed that the early years funding formula rates are provisionally agreed at this meeting and any changes will be notified at the March 2021 Forum in advance of the start of the 2021/22 financial year.
19. The maintain nursery school lump sum allocations received for 2021/22 are part provisional and part conditional. The April to August 2021 part (£81,700) is indicative and will be updated on the same basis as all the other early years allocations following the January 2021 census. However, the September 2021 to March 2022 part (£114,379) is only conditional and hence funding cannot be confirmed at this stage. As in previous years the maintained nursery lump sum will be passported to the two nursery schools as required, however currently only the April to August 2021 part is guaranteed funding for Darlington's nursery schools.
20. The following table shows the provisional funding formula funding rates for 2021/22.

Provision	2020/21 Actual Rate	2021/22 Proposed Rate	Change
<u>3 & 4 Year Old Children</u>			
Nursery School – Per hour per child	£4.25	£4.31	£0.06
School Nursery Class – Per hour per child	£4.25	£4.31	£0.06
Private, Voluntary & Independent Sector – Per hour, per child	£4.25	£4.31	£0.06
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
<u>2 Year Old Children</u>			
All Providers – Per hour per child	£5.28	£5.36	£0.08
<u>Early Years Pupil Premium</u>			
All Providers – Per hour per child	£0.53	£0.53	£0.00
<u>Disability Access Fund</u>	£615.00	£615.00	£0.00
<u>Central Early Years Team*</u>	£113,754	£113,754	£0.00
<u>Maintained Nursery School Lump Sum**</u>	£103,827	£TBC	TBC

*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 2021/22 allocation, which are subject to change.

Central School Block

21. 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 existing commitments to services procured centrally.
22. For 2021/22 the central schools block allocation is made up of £524,335 formula based and £622,080 historic commitments a total of £1,146,415.
23. Although the formula based element has increased by £40,103, £26,986 of this increase relates to Teachers Pay (TPG) and Teachers Pension grants (TEPG) for centrally employed staff that has been added into the DSG. Once this funding is excluded the allocation has increased by £13,117 which is 0.97p per pupil.
24. The historic element of the block has decreased by 20% as expected. This is a decrease of £155,520 on the 2020/21 allocation.

25. 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 appendix 1 are the proposed budgets allocated under the central schools block for 2021/22.
26. The areas of expenditure proposed to be funded under the formula based element of the central school block are the same in 2021/22 as in 2020/21, but now include the centrally employed TPG & TEPG allocations.
27. The copyright license fee is top sliced by ESFA from the DSG allocation and is set in line with the cost of contracts held centrally by ESFA. ESFA have notified that the copyright fee charged to Darlington will be £77,222 for 2021/22, which is a small decrease of £1,192.
28. During previous financial years, although the cost of the Admissions team has increased due to the annual pay award, the amount of funding drawn down from the central schools block has remained the same, as there had been insufficient funding in the allocation. As there is additional funding within the block this year the true cost of the service is intended to be funded.
29. Overall, the allocation is short by £347, it is proposed that this shortfall will be covered by underspend in the 2020/21 central schools block.
30. Rules concerning the use of historic commitments, prevent new areas of expenditure being made from this budget or any increases in expenditure. For 2021/22 the allocation for historic commitments has reduced by £155,520, which was expected. For Darlington this reduction has not caused an issue in 2021/22 as the funding in the central schools block that was previously used to fund the central PFI costs was delegated to schools in 2020/21. This meant that Darlington had a higher base figure for the historic block, whilst expenditure has decreased.
31. All expenditure funded from the historic commitments can therefore be continued in 2021/22 without the need for reductions. As no new expenditure can be allocated to this fund, this results in £220,174 being unallocated from this block.
32. This unallocated funding will be a short term gain for Darlington, as the historic block is expected to continue to reduce in future years in line with previous ESFA statements. It is therefore proposed that the balance of funding in the central block be held in reserve to allow the services funded from this block to continue to be funded at current levels for as long as possible. This will mean that future years reductions to this block can be managed to reduce the impact on the services funded over the short term.

High Needs Block

33. 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 2020/21 pupil numbers. Therefore, the high needs allocation will be updated during the year for the 2021/22 pupil numbers.
34. The allocation received for 2021/22 is £15,890,7770 this includes £4,136,000 of place funding for academies and post 16 colleges which will be topped sliced at source by ESFA.

35. As Forum members are aware there are significant pressures against the high needs budget allocation due to the demand for high needs support. Agenda item 5 details high needs budgets for 2021/22 and the Local Authority's high needs recovery plan.

Recommendations

36. That Forum notes the budget allocations for 2021/22 from ESFA.
37. That Forum notes the proposed early years funding rates for 2021/22 and agrees the central allocation.
38. That Forum agrees to the proposed usage of the central schools block in 2021/22.

**Brett Nielsen
Finance Manager,
Resources Department**