

# DARLINGTON SCHOOLS FORUM

12<sup>th</sup> January 2016

ITEM NO 8

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## BUDGET SETTING 2016/17

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### Purpose of Report

1. To agree the use of the Dedicated Schools Grant (DSG) in 2016/17.

### Background

2. School Forum agreed the factors to be used in the 2016/17 school funding formula at their October 2015 meeting. The updated funding formula modelling tool was received on the 10<sup>th</sup> December which has allowed a funding formula for 2016/17 to be calculated (see agenda item 6).
3. Darlington received a DSG allocation on the 18th December as follows,

Block	Amount £'000's	Note
School	£65,833	This is the final allocation based on pupil numbers at the October 15 census
Early Years – 3 & 4 Year olds	£3,969	This allocation is provisionally at the 15/16 level, an update will be provided in July
Early Years - 2 year olds	£986	This allocation is provisionally at the 15/16 level, an update will be provided in July
High Needs	£6,712	This is the final allocation
<b>TOTAL</b>	<b>£77,500</b>	

4. As in previous years there is still the ability to move funding between the blocks, with the agreement of School Forum.
5. It is brought to Forum's attention that the allocation for high needs is significantly lower than in the current year. This results as the place funding for specialist academy and resource bases within academies has been removed from this year's allocation by the EFA to pay those establishments direct. In previous years this funding was included within the initial DSG allocation and then removed through the recoupment process. This step has therefore been removed. The total of this deduction is £2.76million which has therefore been removed from the budget setting figures. The actual high needs allocation has increased in 2016/17 by £230,000, this covers Darlington's share of additional funding made available by the EFA (£176,000) and the full year effect of commissioned place increases previously approved (£54,000)

## **Budgets for 2016/17**

6. Attached at appendix 1 are the proposed budgets for 2016/17. The following paragraphs highlight the main changes to the budgets from those agreed in 2015/16
7. School Budget shares, the overall figure for schools budgets has increased by approximately £2.6 million. This increase is mainly due to the inclusion of a new free school within Darlington's formula. Full details of how the formula has been calculated are included in agenda item 6.
8. Early Years, all budgets for 2 year old and 3&4 year old nursery funding are included in the Early Years section below.
9. Individual Learning Support. This budget is required to pay top up funding for children in mainstream primary schools that are assessed as requiring support (over the £13,506 included in the schools budget share) after the start of the financial year. (Children that are already assessed prior to the start of the year are included within the individually assigned resource budget, IAR, see below). This budget has been reduced by £30,000 based on the expenditure during 2015/16. This budget is set on the assumption that no changes are made to the existing mainstream high needs system (see agenda item 7).
10. Pupil Referral Unit. The overall funding allocated for places at Rise Carr has not changed. The budget for top ups and places have been amended to reflect the place funding been allocated at £10,000 from September 2015.
11. Specialist Placements at Beaumont Hill, the number of places commissioned across pre and post 16 is 248. The budget has been set for top ups to reflect the amount of top up funding that is required for Darlington children within these commissioned places. The budget has decreased on that set for 2015/16 as at the start of 2015/16 extra places were required and hence the 2015/16 budget was increased. As Forum members will see from agenda item 4, there is a projected underspend in 2015/16 as the additional places were not required long term, hence the 2016/17 budget reflects this.
12. Specialist Placements at Marchbank. This budget has been set to cover the top ups of the estimated children that will require a place at the school during the 2016/17. The budget has increased from 2015/16 as more children are placed at Marchbank and reflects the continuation of the overspend within budget during the current year (see agenda item 4).
13. Social and Communications places at Hurworth Resource Base. This budget has been set to cover the top ups of the estimated children that will require a place at the school during the 2016/17. The budget has increased from 2015/16 as more children are placed at this unit and reflects the continuation of the overspend within budget during the current year (see agenda item 4).
14. Post 16 placements. The budget required here has increased by £50,000 in line with the latest estimated cost of supporting the learners using the current years projected expenditure. At this stage the final costs for 2016/17 cannot be guaranteed as the actual spend will depend on the number of learners that stay on for post 16 education in September 2016 and the cost of their place which vary dependent on individual needs.

15. High Needs Contingency, no budget was initially set for 2015/16, though a budget was created in year from carry forward. Although there are a number of uncertainties regarding high needs (see agenda item 7) it is not proposed to set a contingency at this stage as this draws funding away from the schools and early years formula. The small budget set here is a balancing figure to balance the overall budget to the resources available.
16. Home & Hospital, the budget allocated to this service has increased by approximately £26,000, which arises from increases within the services running costs.
17. SEN out of Borough placements. As in the current year these placements are still outside of the “place plus” system in 2016/17. This budget has been increased by £150,000, based on the current placements that will continue into 2016/17. In the current year the budget is estimated to be overspent by approximately £239,000, which continues into 2016/17, hence the increase in budget requirement. Again the actual expenditure against this budget will be subject to fluctuation if placements change between now and the end of March 2017.
18. Individually Assigned Resources. This budget is required to pay top up funding for children in mainstream primary schools that are assessed as requiring support (over the £13,506 included in the schools budget share) before the start of the financial year. This budget has been reduced by £80,000 based on the expenditure during 2015/16. The budget set here is based on the children already assessed with additional needs for the financial year 2015/16. This budget is set on the assumption that no changes are made to the existing mainstream high needs system (see agenda item 7).
19. Private Finance Initiative. Budget allocated to this line has decreased in line with the estimated cost of the scheme in 2016/17.
20. The place budgets for Beaumont Hill academy, Hurworth and Heathfield resource bases show a reduction in budget of £2.760 million. These budgets have been removed as this funding has been removed from the DSG allocation by the EFA to pay these schools place funding direct.
21. There are a number of reductions within high needs budget within the above paragraphs, these savings have been offset by increases in other high needs budgets. Excluding the contingency the increase within the high needs budget areas totals £72,494

## High Needs

22. As per agenda item number 7 there are a number of options for Forum to consider regarding the implementation of a full top up rate for children in mainstream schools over the value of £6,000. **The budgets set for mainstream high needs top ups and the school budget share are calculated for 2016/17 on the assumption that the existing system with regard to funding mainstream high needs is unchanged in 2016/17 from the current year (2015/16).**
23. As can be seen in agenda item 7, the initial costs of implementing the full top up system in mainstream schools is well in excess of the amount that has been set aside previously from schools budget. Although there is still work to do with regard to these costs, it is clear that further funding will need to be withdrawn from schools budgets to fund this. As

schools budget shares must be submitted to the EFA by 21<sup>st</sup> January there is no time to reduce the proposed school budget share for the additional SEN budget requirements in 2016/17 (should Forum wish to implement this system during 2016/17) as the value that needs to be extracted is unknown. Therefore there will be no change to school budget shares in 2016/17.

24. If changes are made to the system in 2016/17, then Forum will have the choice of either overspending on high needs in 2016/17 or having a system of tapering. This system would see schools not receiving the full value of any top ups in the first year to ensure that spend keeps within the budget that has already been removed from schools budgets (i.e. the £651,960). If tapering is not implemented then any in year overspend will need to be recovered in 2017/18 which will mean school budget shares for 2018/19 will need to decrease to cover 2018/19 onwards cost but also as a one off will need to decrease by more to fund the overspend that accrues in 2016/17.
25. Schools should also be aware that under the current system the money that was taken from schools budget to reflect the decrease to £6,000 for mainstream top up's (£651,960) is currently repaid to schools as a lump sum payment for all top ups between £6,000 and £13,506 for primary and above £6,000 for secondary. Once the new system is implemented this money will no longer be paid back to schools, as schools will receive funding on a per pupil basis. Therefore if for example a school has no assessed children they will no longer receive their lump sum and will have no top up payments.

#### Place Plus Funded High Needs Places

26. All of the budgets that have been calculated for top ups in 2016/17 have been based on the current year top up rates. As the funding of high needs placements/top ups has been growing, there are significant pressures within the high needs budget areas. It is therefore proposed that there are no increases in top up rates in 2016/17, but correspondingly there are no proposals to decrease top up rates and therefore top up rates will remain at the same level as in the current year.
27. The rates for place funding are set by the EFA and remain at the 2015/16 value of £10,000 per place. The following table shows the proposed top up values for 2016/17.

Establishment	Top Up	Full Cost (Inc. place funding)
Rise Carr College	£10,513.93	£20,513.93
Beaumont Hill Academy – Band A	£3,209.91	£13,209.91
Beaumont Hill Academy – Band B	£7,967.89	£17,967.89
Beaumont Hill Academy – Band C	£12,128.92	£22,128.92
Beaumont Hill Academy – Band D	£15,453.68	£25,453.68
Marchbank Free School	£12,000.00	£22,000.00
Speech & Language – Northwood Resource Base	£1,905.49	£11,905.49
Complex Learning Disability – Heathfield Resource Base	£1,401.49	£11,401.49
Social & Communications Difficulties – Mount Pleasant Resource Base	£4,767.93	£14,767.93
Social & Communications Difficulties – Hurworth School Resource Base	£6,992.10	£16,992.10

28. The budgets for top ups are based on the rates in the table above multiplied by the number of commissioned places. Where some of the places will be occupied by non Darlington children, the top ups are payable by the host Local Authority, therefore a number of budgets have tops up levels lower than commissioned places to reflect this. The budgets assume that the places will be occupied for the full financial year. Again if there are movements in places, changes in bandings, if places are unoccupied, or places filled by non Darlington children become occupied by Darlington children, there will be fluctuation within the budget.
29. There are no proposed changes to the payment system for 2016/17. Local Authority maintained establishments will continue to receive place funding for the full financial year up front, at the start of the summer term. All top ups will be paid termly in advance based on an estimate of places, with any adjustments for actual placements being made in the next terms payment.

### **Early Years Budgets**

30. As noted above the allocations within the DSG for early years services are only provisional at this stage and will be updated in July 2016.
31. As in the current year for 3 & 4 year old funding, in 2016/17 for both 2 year old and 3 & 4 year old the allocations will be updated twice based on the January 2016 and January 2017 censuses, therefore final allocations for both of these budgets will be unknown until after the end of the 2016/17 financial year.
32. The 3 & 4 year old allocation (noted in paragraph 3) includes an allocation for Early Years Pupil Premium (EYPP). This allocation is again set for now at the 2015/16 level. Updated allocations will be given to Local Authorities in the summer, but again as with other early years funding streams the actual amount received will be based upon the January 2016 and January 2017 census figures.
33. The budgets that have been given for all early years funding are based on the same unit value in 2016/17 as received from the EFA in 2015/16. When the allocations are updated (in the summer and January 2016) the allocation will only change dependent on the number of children in the census. The unit value for 2016/17 is therefore the same as in 2015/16.
34. A number of assumptions regarding take up of places have been made in order to calculate the estimated budgets for 3&4 year old and 2 year old funding in 2016/17.
35. A budget of £13,000 has been set aside for supporting the rent at George Dent nursery. This is to be discussed at agenda item 3.
36. The funding received from the EFA for 2 year old nursery placements is £4.85 per hour. In Darlington over the last few years the rate paid has been £4.98 which has been possible due to the use of carried forward 2 year old underspend. It is proposed that in 2016/17 the rate for 2 year olds remains at £4.98 per hour for all providers.

37. It is estimated (based on take up during 2015/16 and some growth) that there will be approximately 7,000 hours of two year old funding per week. This requires an estimated budget of £1,345,596, provisional funding from the EFA is allocated at £986,000 therefore a shortfall of £359,596. In budget setting this difference has been funded by using carry forward expected to be available for 2 year olds at the end of 2015/16.
38. Although to balance the budget £359,596 has been allocated from carry forward, it is expected that this amount of funding will not be required from the carry forward. This is because the provisional allocation is based on approximately 5,300 hours, therefore once the provisional allocation is updated in the summer, it is expected that Darlington will receive more funding for two year olds and hence the use of underspend will be less.
39. For 3 & 4 year old funding there are a number of elements to the funding formula. It is proposed that the mandatory deprivation element remains at the same level in 2016/17 as it was in 2015/16 for all providers. In addition EYPP is paid to the Local Authority at 53 pence per hour, therefore it is proposed to keep this supplement at the same level in 2016/17. These rates are detailed in the summary below.
40. With regard to 3 & 4 year old hourly rates, Forum will be aware that in the current year rates were increased as a one off by 16 pence from carrying forward of underspend from 2014/15. As this was one off underspend the rates for 2016/17 would decrease back to £3.62 for PVI providers and £3.52 for school providers.
41. It is proposed that in 2016/17 that the rates for 3 & 4 year old remain the same in 2016/17 as in 2015/16, i.e. that PVI providers will receive £3.78 per hour and school providers will receive £3.68 per hour. This is facilitated by using £84,714 of expected underspend from 2015/16 with the balance coming from other DSG resources.
42. As 9 pence of funding will be funded from underspend it will be necessary to ask the EFA for a minimum funding guarantee exemption for this 9 pence from the early years formula to ensure that this funding does not become unaffordable in future years once the underspend is exhausted. A request will be made to the EFA following this meeting.

43. The following table summarises the early years rates for 2016/17

	2015/16	2016/17
2 Year old per hour – All providers	£4.98 per hour	£4.98 per hour
<u>3 &amp; 4 Year olds</u>		
Deprivation Supplement, most 10% deprived wards, all providers	£100 per term	£100 per term
Deprivation Supplement, most 10 - 20% deprived wards, all providers	£50 per term	£50 per term
Deprivation Supplement, most 20- 30% deprived wards, all providers	£25 per term	£25 per term
EYPP qualifying children – All providers	£0.53 per hour	£0.53 per hour
3 & 4 Year olds per hour – Private, Voluntary and Independent sector providers	£3.78 per hour	£3.78 per hour
3 & 4 Year olds per hour – Nursery Schools and nursery classes in primary schools	£3.68 per hour	£3.68 per hour

44. In paying the above rates all funding received as part of the DSG for early years is passported to providers with the exception of £239,754 for the early years team at the Council and £18,529 toward nursery school lump sums.

### **Resources for 2016/17**

45. As in the table at paragraph 3 the DSG allocated to Darlington is allocated in three blocks. It remains the case that funding can be moved between the blocks in order to target resources at the required areas. As in previous years funding has been moved from the schools block to both the early years block and the high needs block in order to create a balanced budget.
46. Early years, as in the current year the DSG allocation will be amended throughout the year, following the January census. In the event that funding is reduced, this should be offset by a corresponding reduction in funded places, therefore there should be no pressure on the budget. The budget will however need to be monitored throughout the year to ensure this is the case.
47. £248,209 has transferred from the schools block to the early year's block, which contributes 93% towards the nursery school lump sums and George Dent rent (if approved). (Previously £154,727 in 15/16)
48. The budgeted expenditure for 2015/16 for high needs is £8,266,708 which compares to £6,712,000 of allocated DSG, this means that expenditure is £1,554,708 more than funding.
49. However included within the high needs expenditure is £651,960 of budget that was previously part of schools budget share that needed to be transferred to meet the EFA's new £6,000 threshold. Therefore high needs expenditure is really £902,748 in excess of the funded allocation. (Previously £893,223 in 2015/16)
50. As noted in paragraph 22 to 26 the cost of high needs is budgeted on the current system and therefore any changes in this system will have a future impact on schools budgets. However even if there are no changes to the current funding system, then if the high needs costs continue to increase as they have in previous years and no additional funding is received it will be that case that unit values in both the schools and early years funding formulas will need to be adjusted further in order that an overall balanced budget can be achieved.
51. The budgets set produce a balanced budget for 2016/17.

## **Recommendations**

52. That Forum agrees the top up unit rates as detailed in the table in paragraph 27.
53. That Forum agrees the proposed early years funding rates for 2016/17.
54. That Forum approve a request be made to the EFA to have a MFG exemption within the early years funding formula.
55. That Forum agrees to budget allocation for DSG in 2016/17 as per appendix 1.

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