

Appendix E

Dedicated Schools Grant (DSG)

1. Background

1.1 The Dedicated Schools Grant (DSG) is a ring fenced grant allocated to the authority by the Government to support a range of education related services. The majority (>90%) of the DSG is allocated to the Local Authority (LA) and paid to providers based on a national formula which funds direct education provision including schools (Local authority maintained and academies), early years' providers and high needs education in Further Education (age 16 to 25). The remaining 10% is paid to nurseries, schools and higher education institutions for:

- 1.1.1** pupils and students with special education needs and disabilities (referred to as high needs 'top ups'),
- 1.1.2** funding to cover increases i.e. in-year increases in pupil and student numbers (referred to as 'growth funding')
- 1.1.3** maintained school de-delegations (funding top sliced from the maintained individual school budgets (ISB) at their approval, and managed centrally by the LA, for example trade union facility time), and
- 1.1.4** funding for historic and ongoing commitments.

The individual school's budgets (ISB) for academies and funding for high needs 'places' in academies (set prior to the start of academic year) are paid to academies directly from the Education Skills and Funding Agency (ESFA). This funding is taken off the Dedicated Schools Grant before the grant is paid to LAs and is termed 'recoupment'.

1.2 The Department for Education (DfE) currently operate a 4 block funding model for funding schools and pre-16 education including early years as set out in the following table:

DEDICATED SCHOOLS GRANT			
Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)

Each of the blocks covers different elements of education funding with the respective funding allocations being based on different underlying formulae and data sets.

The total DSG that the Authority receives is largely based on all schools' pupil and children numbers as per census data for the county whether maintained or academy. But each of the four blocks is allocated to the LA on a different basis.

- **Schools Block**
 - 96.8% of funding allocated to the LA is driven by pupil numbers and the Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF)
 - allocated to schools for day to day spending in their individual school budgets through the schools funding formula, and includes the Pupil Growth Fund for new and growing schools.
- **Early Years Block**
 - 93.6% Allocated to the LA based on January Early Years Censuses and the Early Years National Funding Formula (EYNFF).
 - funds all early years' settings for 2, 3 and 4 year olds with a statutory minimum of 95% allocated to schools, other private, voluntary and independent early years education providers and childminders through the Early Years funding formula. Schools Forum annually approve up to the remaining 5% of the block funding to be used to fund LA central functions to manage and administer the early years' arrangements.
- **High Needs Block**
 - 53.9% of funding is allocated to LAs based on proxy indicators (population, deprivation, ill health, disability, prior attainment), 33.7% of funding is historically based (on 2017-18 spend) and 10.1% of funding is based on special school pupils from autumn census
 - largely covers funding for the education of pupils with special educational needs and disabilities. For example, those with an Education, Health and Care Plan. This covers ages 0-25 in a range of provision including special schools, special educational needs units in mainstream schools, alternative provision and independent specialist provision. This block also funds teams within the authority that support the high needs sector to meet the needs of high needs pupils.
- **Central Schools Services Block (CSSB)**
 - 35% of funding allocation to the LA is based on the schools autumn census data and 65% of funding is historically based (this is being unwound by Government and is reducing 20% each year).
 - funds historic commitments previously agreed between the Schools Forum and the LA for example pensions costs and ongoing responsibilities that the authority has in respect of education for example School Admissions.

1.3 Maintained schools continue to receive funding directly from the LA through the DSG. However, the authority's DSG grant is reduced in respect of academies who receive their funding direct from the DfE,

reflecting the shift in responsibility for the funding of academies. The removal of grant funding from the DSG paid to NCC to pay directly to academies is termed “recoupment”. Academies are independent of the local authority and are accountable directly to the DfE. The DfE agency responsible for all school related funding is the Education and Skills Funding Agency (ESFA).

- 1.4** Within West Northamptonshire, there are currently 4 maintained nursery schools, 65 primary and 3 special maintained schools. There were also 86 primary, 17 secondary, 5 all-through and 5 special academies.
- 1.5** Schools Forum membership is made up of representatives from maintained and academy, primary and secondary schools, nurseries, Council Officers. The meetings are open to the public and are held every 2-3 months. The Forum have a statutory role in ensuring that school funding across the county is equitable and fair by considering proposals from the council for such areas as the school funding formula and central expenditure from the DSG.
- 1.6** The LA consults with Schools Forum each year on the allocation of DSG funding in accordance with the legislation and guidelines issued by the DfE. This includes the local formula factors to be applied in the calculation of the school’s individual budgets. As well as the requirement to consult with the Schools Forum on changes to formula funding, the Forum authorises the central expenditure budgets for ongoing commitments, movements of funding between blocks and the growth fund policy.
- 1.7** The Shadow West Northamptonshire Schools Forum was appointed to in October 2020. This was to make decisions, and receive information on the budget setting and policies for schools, academies, high needs and early years’ providers that will take effect post vesting. After vesting day (1 April 2021) West Northamptonshire Unitary (WNU) will be responsible for the management of its own forum in accordance with the relevant regulations. The shadow forums may be used as a basis for the new (permanent) forums, but each authority will be required to take its own decision about the size, composition, term of office of members and secretarial arrangements. If continued as appointed in Shadow Forums, each role once appointed can stand for 4 years after which WNU should go out to recruit, following the standard Schools Forum and Operational Good Practice Guide.

2. 2021-22 Funding Summary

- 2.1** In December 2020 the DfE published the 2021-22 settlement for three of the four DSG funding blocks. At the same time, the indicative Early Years allocation was provided, which is based on pupil counts at different times of the year. The final Early Years settlement is expected to be published

in July 2021 for the 2020-21 financial year and July 2022 for the 2021-22 financial year.

2.2 The national allocations include the following headlines:

- Schools block funding will increase by £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively, compared to 2020-21.
- School funding through the National Funding Formula (NFF) is increasing by 4% overall in 2021-22
- The minimum per pupil funding levels will ensure that every primary school receives at least £4,000 per pupil, and every secondary school at least £5,150 per pupil, delivering on the Government’s pledge to level up the lowest funded schools
- High needs funding will increase by a further £730m, or 10%, in 2021-22. The high needs NFF will ensure that every local authority receives a further increase of at least 8% per head of population, compared to this year, with some authorities receiving up to 12%
- Central Schools Services Block funding in 2021-22 will increase by 4% for the ongoing responsibilities that local authorities continue to have for all schools however funding for historic commitments will decrease by 20% for those local authorities in receipt of this funding
- LAs are expected to set a Minimum amount of funding per pupil which is an increase from the per pupil guarantee in 2021-22. The minimum per-pupil funding level in primary schools will be at least £4,000 (was £3,750) and in secondary schools, at least £5,510 (was £5,000).

2.4 Due to the majority of DSG funding being formula driven to arrive at the LAs funding allocation, disaggregation has to therefore replicate the national formulae used by the DFE for each North and West unitary. The work to arrive at indicative allocations for the two new unitaries has been completed working closely alongside the ESFA.

2.5 The following table sets out the disaggregated DSG funding based on the final settlement:

	Schools Block	Early Years Block	High Needs Block	CSSB*	Total
2020-21	£277m	£25m	£49m	£5m	£356m
Final Settlement	£301m	£25m	£55m	£5m	£386m
Movement from provisional settlement	£3m	£0m	£1m	£1m	£4m
Increase compared to prior year	£24m	£0m	£6m	£0m	£30m

*CSSB: Central Schools Services Block

2.6 The vast majority of the disaggregation of the DSG will be through the national funding formula, as set out in paragraph 1.2. above which are based on the relevant censuses for each cohort in each Unitary area.

2.7 There are two historical parts to the DSG funding which are based on prior year's expenditure, these are within the high needs block and Central Schools Services Block. The basis of the disaggregation for the high needs historical block has been the 2019-20 expenditure outturn, which gives the percentage of the High Needs Historical funding as 54.1% for the WNU.

2.8 The basis of the split for the Central Schools Services Block is more complex to split but relates to less than 1% of the overall DSG being disaggregated. Each budget has been reviewed individually and WNU receives either 50%, 53.6% or 56.9% (or with the PFI scheme of £300k, 100% as this is in the WNU).

3. Budgetary Pressures in the High Needs Block

3.1 The most significant pressure within the DSG is the growth in the funding needed for young people with special educational needs and disabilities (SEND). It is six years since reforms were introduced to better support children and young people with special educational needs and disabilities (SEND) but the allocation of funding available to support pupils with high needs has become a national issue.

3.2 There is a Government led review currently underway aimed at improving the services available to families who need support, and to equip staff in schools and colleges to respond effectively to their needs. The review also aims to ensure that public money is spent in an efficient, effective and sustainable manner, placing a premium on securing high quality outcomes for those children and young people who need additional support the most.

3.3 The latest forecast overspend for the 2020-21 financial year is £4.3m across Northamptonshire of which 54% (estimated to be £2.3m) will pass to West Northamptonshire on vesting day. £2.0m will be funded from the high needs block which has seen an increase of 11.9% in 2021-22 (before school block transfer). With the remaining funded from underspends from the Schools Block.

3.4 The pressures which have resulted in the High Needs block overspend are expected to continue into future years and this presents risks around affordability of provision for pupils with high needs.

3.5 With additional pressures due to Covid, there is a risk that there will be an overall deficit on the DSG account at the end of the 2021-22 financial year. If this situation arises LAs must co-operate with the DfE in line with their guidance.

- 3.6** The LA continues to look across the whole system at ways of reducing the High Needs spend whilst ensuring needs are met and best outcomes achieved.
- 3.7** ESFA regulations allow up to 0.5% of the Schools Block funding to be moved to the High Needs Block to help to cover the ever increasing costs to support pupils with high needs. Following consultation with all schools and academies, Schools Forum and WNU Shadow Schools Forum voted on the 19th of January 2021 to transfer of 0.5% (£1.44m) between blocks, balancing the schools block by reducing the Minimum Funding Guarantee from 2% to 1.8% for 2021-22.
- 3.8** The Minimum Funding Guarantee (MFG) has been set at 1.8% which means that all schools will receive at least 1.8% more per pupil than they did in 2020-21 formula budgets (excluding lump sum and premises costs). All other Funding Formula factors and rates follow the national funding formula including the cap on gains (12%) and minimum funding per pupil (which unlike MFG includes lump sum and premises).
- 3.9** Schools Forum and WNU Shadow Schools Forum voted on 3rd December 2020 to approve the continued use of the Central Schools Services Block on a line by line basis, some of which has a direct impact on the budgets for these services in the authority.
- 3.10** Through the delegated authority to the Director for Children's Services in consultation with the Cabinet Member for Children's Services and the Executive Director of Finance (s151 Officer), the schools budgets have been authorised and were submitted to the Education Skills and Funding Agency on the 21st January 2021. Once these have been reviewed and accepted, the final schools funding formula will be published (expected in February 2021).
- 3.11** West Northamptonshire's funding arrangements for 2021-22 for pupils with high needs in line with Department for Education guidance will be published in February 2021.
- 3.12** West Northamptonshire's funding arrangements for 2021-22 for the Early Years National Funding Formula in line with Department for Education guidance will be presented to Schools Forum and WNU Shadow Schools Forum on the 16th March 2021. The statutory deadline by which the 2021-22 Early Years Indicative Budgets have to be published is 31st March 2021.