

Appendix D

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
 - 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 Single Funding Formula (EYSFF). 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 Education, Health and Care Plans. 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 school 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 Council 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 required not only for vesting day readiness to assume formal roles, but 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. From Vesting Day the 'Shadow' element will be removed from the Schools Forum label and the roles and membership will formally assume. Membership will be valid for 4 years.

2. 2021-22 Funding Summary

2.1 Following the July 2020 provisional 2021-22 indicative allocations, the DfE have, in the third week of December, published the final DSG settlement figures for three of the four DSG funding blocks. Early Years funding is based on pupil counts at different times of the year meaning allocations are published to a different timetable.

2.2 This is the point at which individual school budgets can be modelled and set through Northamptonshire's schools' funding formula. The submission deadline for the schools funding formula part of the DSG is the 21st January 2021.

December 2020 Settlement funding headlines

No change to provisional settlement July 2020:

- 2.3** School funding through the National Funding Formula (NFF) is increasing by 4% overall in 2021-22 which is £2.2bn nationally (the same as indicated in the provisional information)
- 2.4** 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.
- 2.5** 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%
- 2.6** Councils 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).

Changes from previous announcement:

- 2.7** High needs funding will increase by a further £840m, or 11.9%, in 2021-22.
- 2.8** Early Years funding was not updated in July 2020 and the December settlement provides updated Early Years NFF rates for 2021-22. The rates will be applied to the January 2021 census (first 5 months of 2021-22) and January 2022 census (last 7 months of 2021-22, update provided in July 2022). The increase announced is 6p on the 3&4-year-old rate and 8p on the 2-year-old rate. This gives an indicative increase in Early Years funding of £45m which is an increase of 1.2%.
- 2.9** Central Schools Services Block funding in 2021-22 will increase nationally by 3.09% for the ongoing responsibilities that local authorities continue to have for all schools, however funding for historic commitments within this block will decrease by 20% for those local authorities in receipt of this funding.
- 2.4** Due to the majority of DSG funding being formula driven to arrive at the authorities 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 Council's 2021/22 DSG funding based on the December 2020 settlement:

2021-22	Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)	Total
Settlement (Dec 2020)	£301m	£26m	£55m	£5m	£387m

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

2.7 However, 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 is the 2019-20 expenditure outturn, which gives the percentage of the High Needs Historical funding as 54.1% for the WNU. The basis of the split for the Central Schools Services Block is more complex but relates to less than 1% of the overall DSG being disaggregated. Each budget has been reviewed individually and WNU receives either 50%, 53.57% or 56.88% (or with the PFI scheme of £300k, 100% as this is in the WNU area).

2.10 There is an inherent pressure within the DSG relating to 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. 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.

2.11 The latest forecast overspend for the 2020-21 financial year is £4.4m across Northamptonshire of which 54% (estimated to be £2.4m) will pass to West Northamptonshire on vesting day.

2.12 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.

2.13 The level of overspend is not currently at a level that requires a recovery plan to be submitted to the ESFA however active management in order to bring the overall high needs budget in to balance is required. Work is being progressed to look at the high needs system and provision as a whole.

- 2.14** ESFA regulations allow up to 0.5% of the Schools Block funding to be moved to the High Needs Block to cover the ever increasing costs to support pupils with high needs. Following consultation with schools and approval by Schools Forum at the December 2019 meeting, £1.25m was moved between the 2 blocks for 2020-21 (0.25%). Consideration is being given to the ongoing requirement to transfer from the Schools Block for 2021-22 given the indicative allocations from the DfE and high needs pressures.
- 2.15** The proposals being discussed are to consult on the following:
- The ability to transfer 0.5% of the Schools Block allocation to the High Needs Block. For West Northamptonshire, this equates to £1.5m in 2021-22 and will be required to offset the forecast carried forward High Needs deficit from 2020-21, and fund the continuing pressure in 2021-22,
 - The value at which the Minimum Funding Guarantee should be set, for 2021-22 this can be set between +0.5% and +2% which means that the per pupil funding must increase by between +0.5% and +2% from the 2020-21 level.
 - Whether West Northamptonshire should operate a funding cap on a per pupil, year on year increase, if required, to ensure affordability of the overall formula (2021-22 NFF includes a 12% cap),
 - 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.
 - The use of any surplus within the CSSB funding
 - The financing arrangements for 2020/21 high needs overspend (it is currently assumed that a part of the high needs block increase for 2021-22 and 2022-23 will be needed to cover the 2020-21 carried forward deficit.
- 2.16** The results of the consultation will be presented to and voted on at the Shadow Schools Forum meeting on the 19th January 2020. However, the final schools funding formula remains a local authority decision.