

School Budgets – Dedicated Schools Grant (DSG) 2023-24

Introduction

1. The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in Harrow. It also funds Early Years nursery entitlement for 2, 3 and 4 year olds in maintained council nursery classes and private, voluntary and independent (PVI) nurseries as well as provision for pupils with High Needs including those with Education, Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Harrow and out of borough. The DSG is split into four blocks: Schools Block, Central School Services Block, Early Years Block and High Needs Block.

DSG Settlement 2023-24

2. The 2023-24 DSG settlement is based on the number of pupils on the October 2022 schools census for the Central School Services Block and Schools Block as well as a lump sum for historical items related to premises, the January 2022 Early Years census for the Early Years Block and a combination of a historical lump sum and per pupil funding for the High Needs Block. The total DSG allocation for 2023-24 is £265.539m.

Table 1 – 2023-24 Dedicated Schools Grant allocation

Blocks	Unit of funding		Pupil numbers		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,876.07	£6,733.49	21,514.00	13,342.00	£194,741,994
Schools Block – lump sum premises					£2,646,999
Schools Block – NNDR deduction					-£475,941
Schools Block – growth fund formula					£1,401,797
Total Schools Block					£198,314,849
Central Schools Block					£1,469,878
High Needs Block (after import/export adjustments & recoupment)					£45,802,992
Early Years Block					£19,951,316
Total Dedicated Schools Grant Allocation 2023-24					£265,539,035

3. In 2023-24 the NFF factor values have increased by 2.4% with the exception of IDACI and Free School Meals which has increased by 4.3% to reflect inflation, and business rates are based on actual estimates of costs for 2022-23. In addition, the Mainstream Schools Supplementary Grant has been rolled into the NFF in 2023-24
4. In 2018-19 the Government introduced a new National Funding Formula (NFF) for Schools, High Needs and Central Services Blocks. For the Schools block this means that LAs are funded on the basis of the total of the NFF for all schools, academies and free schools in its areas but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forum.

5. From 2020 the government had intended to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. However, this has been delayed and there is currently no confirmed date for this.
6. In 2018-19 the LA implemented the NFF after consultation with schools and Schools Forum. Whilst there are no proposed changes to the structure of the formula for 2023-24, the factor values have increased. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2023-24

Factors	2022-23		2023-24		% Change	
	Pri	Sec	Pri	Sec	Pri	Sec
Pri AWPU	£3,532.36		£3,739.75		6%	
KS3 AWPU		£4,980.66		£5,272.45		6%
KS4 AWPU		£5,613.13		£5,942.38		6%
FSM	£517.20	£517.20	£528.90	£528.90	2%	2%
Ever6	£649.25	£951.86	£776.82	£1,134.93	20%	19%
IDACIF	£242.09	£352.13	£253.43	£369.13	5%	5%
IDACIE	£297.11	£467.68	£308.52	£490.33	4%	5%
IDACID	£462.18	£654.75	£484.82	£683.16	5%	4%
IDACIC	£506.19	£715.27	£528.90	£749.27	4%	5%
IDACIB	£539.21	£770.29	£561.95	£804.37	4%	4%
IDACIA	£704.27	£979.37	£738.25	£1,024.74	5%	5%
LPA	£1,243.47	£1,881.72	£1,272.66	£1,928.27	2%	2%
EAL	£621.74	£1,683.64	£639.08	£1,724.43	3%	2%
Mobility	£1,017.89	£1,463.56	£1,041.27	£1,498.54	2%	2%
Lump Sum	£133,480.9	£133,480.95	£141,039.36	£141,039.36	6%	6%

7. In 2023-24 mainstream schools and academies can expect to receive an additional £12.7m through the National Funding Formula.

Minimum Funding Guarantee

8. In 2023-24 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. The MFG must be between 0% and +0.5%.
9. In the overall formula it is only affordable to set the MFG at the minimum 0% and therefore 2023-24 school budgets have been prepared on this basis. This means that all schools be protected from per pupil losses compared with the 2022-23 budget. Gains in excess of 0% have not been capped, which is consistent with the approach in previous years.

Additional Funding

10. Schools Forum voted to allocate £900k funding from the brought forward contingency to support school budgets in 2023-24. This funding is one off as it is built up from historical underspends and has been distributed on a per pupil basis for mainstream schools and as a lump sum for special schools and the Pupil Referral Unit to reflect lower pupil numbers. This is in addition to funding through the formula.

Supplementary Funding

11. In December 2021 the Government announced the new Schools Supplementary Grant for 2022-23. From 2022-23 this grant has been rolled into the National Funding Formula. This grant totals £5.2m and is included in the £12.7m additional funding through the National Funding Formula.

Mainstream Schools Additional Grant

12. The 2022 Autumn Statement announced that in 2023-24 mainstream schools will be allocated additional funding through the Mainstream Schools Additional Grant (MSAG). Final school level allocations will be published in Spring 2023 pending updates on FSM6 in the January 2023 Schools Census.
13. The estimated value of this fund for Harrow mainstream schools is £6.6m. This is in addition to the extra funding in the National Funding Formula, and the one-off sum from the contingency, taking total school budget increases since 2022-23 to £20.2m.
14. This funding will be rolled into the NFF from 2024-25

High Needs Block

15. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs and disabilities (SEND) from 0-25 years old. The following are funded from the High Needs Block (HNB) of the DSG:
 - Harrow special schools and academies
 - Additionally Resourced Mainstream (ARMs) units in mainstream schools and academies
 - Places in out of borough special schools and independent school provision
 - EHCPs in mainstream schools and academies
 - Post 16 provision including further education
 - SEND Support services and support for inclusion
 - Alternative Provision including Pupil Referral Units and education other than at school
16. There is a duty to admit a child or young person if the institution is named in a statutory EHCP. LAs use the HNB to provide the most appropriate support package for an individual in a range of settings, taking account of parental and student choice whilst avoiding perverse incentives to over-identify high needs pupils and students.
17. The HNB budget allocation for 2023-24 is set out at Table 3

Table 3 – 2023-24 High Needs Block Funding

Description	Value
High Needs Block Allocation (excl basic entitlement factor)	£42,849,347
Basic Entitlement Factor (excl TPG/TPECG)	£3,240,105
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments (2020-21 figure)	-£1,584,000

Additional Funding for Special Free Schools	£12,000
Hospital Education	£223,503
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	£45,307,602
Academy recoupment for SEN units, special schools and FE	-£1,495,334
Net High Needs Block 2023-24	£43,812,268

18. It should be noted that the import/export adjustment figure will be updated in June 2023 to reflect the January census.

19. In 2023-24 there is an increase in funding of approx £3.906m which includes an additional grant to replace the High Needs Block Supplementary Grant received in 2022-23 totalling £1.987m. This is expected to cover additional costs which have arisen since the original HNB funding formula was derived.

DSG Deficits

20. The government consulted on the accounting treatments of deficits on the DSG. The consultation focussed on changing the conditions of grant and regulations applying to the DSG so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities. Therefore, any deficits an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves. The ring-fence was due to end March 2023 but has been extended for a further three years.

21. With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.

22. The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2020-21 compared with the deficit shown in the authority's published draft accounts.

23. Harrow's projected cumulative deficit of £4.007m as a proportion of gross budget of £265m would equate to approx. 1.5% and will therefore require a deficit management plan.

24. The deficit has accumulated as follows

Financial Year	Deficit £'000
2019-20	£2,944
2020-21	£786
2021-22	£277
2022-23 (projected)	£0
Total (projected)	£4,007

25. An updated Deficit Management Plan is being drafted. The Deficit Management Plan is underpinned by the Special Educational Needs and Disability (SEND) Strategy 2019-2024 approved by Cabinet in February 2014. It serves as a tool to project and monitor the financial progress of the implementation of the strategy.
26. It is anticipated that by achieving the vision of the strategy through the four strategic priorities that financial efficiencies can be made. This will predominantly be achieved by increasing in-borough specialist provision to reduce the reliance on more expensive out of borough independent provision where needs can be met in-borough.

Early Years Block

27. The government introduced a new National Funding Formula for Early Years from April 2017.

3 & 4 year old funding

28. The key points on LA funding of providers are that local authorities:
- Continue to set a single funding rate for both entitlements for three and four year olds (that is, both the universal 15 hours and the additional 15 hours for working parents).
 - Must plan to spend at least 95% of the three and four year old funding on the delivery of the entitlements. We intend to continue to pass on 95% of the 3 & 4 year old funding to settings.
 - Harrow provides a universal base rate for all types of provider in the formula.
 - Must use a deprivation supplement in the funding formula
 - Must not channel more than 10% of funding through funding supplements.
 - Must provide a SEN Inclusion Fund (SENIF) for three and four year olds.
 - Must pass on Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) in full to providers for eligible three and four year olds.
29. Harrow has already implemented all of the above principles in its EYSFF.
30. In 2023-24 the hourly rate per pupil that the LA receives will increase from £5.89 to £6.03 per hour.
31. It is proposed to distribute the additional funding through the existing formula structure and add it to the base rate. This also maintains the base rate at 90% of the factor funding and 10% allocated to supplements.

Table 4 – indicative 2023-24 EYSFF

Description	2023-24		
	Hourly	Pupils	Total
Total Early Years Block	£6.03	5,100.50	£17,530,929
5% LA Early Years Service Retention			£876,546
Funding available to providers	£5.73		£16,654,382
Top-slice SEN inclusion fund 5%			£832,719
Funding available to providers through formula	£5.44		£15,821,663
Base rate 90%	£4.90		£14,245,697
Supplements 10%	£0.54		£1,569,934
Funding available to providers through formula	£5.44		£15,815,630

2 year old funding

32. There is also a rate increase for the funding for 2 year olds. This will increase from £6.29 to £6.92 per hour from April 2023. The full increase will be passported to providers.

SEND Inclusion

33. LAs are required to have SEND Inclusion Funds for all 3 and 4 year olds with SEND who are taking up the free entitlements, regardless of the number of hours taken. These funds are intended to support LAs to work with providers to address the individual needs of children with SEND.
34. LAs should target SEND Inclusion Funds at children with lower level or emerging SEND. As with other elements of early years funding, SEND Inclusion Funds should apply to children attending settings in the relevant LA area, regardless of where they live.
35. The SEND Inclusion Fund in 2023-24 will be £833k.