

School Budgets 2021/22 – Dedicated Schools Grant (DSG)

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.

Schools Funding for 2021-22

2. In 2018-19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools services Block. For the Schools Block this means LAs are funded on the basis of the total of the NFF for all school, academies and free schools in its area. However, the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.
3. The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018-19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018-19. This was approved by Cabinet in February 2018 and school budgets for the last two years have been set based on the NFF.
4. The NFF will therefore continue to be used to distributed school budgets for 2021-22.
5. From 2020 the government 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. There are no proposed changes to the **structure** of the formula for 2021-22 however there are a number of changes for schools to be aware of.

Changes in 2021-22

Increase in factor values

Table 1 – indicative funding formula factor values

Factor	2020-21		Indicative 2021-22	
	Primary	Secondary	Primary	Secondary
Primary per pupil basic	£3,137.07		£3,429.15	
KS3 per pupil basic entitlement		£4,411.88		£4,835.72

KS4 per pupil basic entitlement		£5,008.11		£5,449.52
Free School Meals	£494.11	£494.11	£505.09	£505.09
Free School Meals Ever6	£614.90	£894.89	£631.37	£922.35
Deprivation IDACIF	£230.59	£329.41	£236.08	£340.39
Deprivation IDACIE	£274.51	£444.70	£285.49	£455.68
Deprivation IDACID	£411.76	£587.45	£450.19	£636.86
Deprivation IDACIC	£444.70	£636.86	£488.62	£691.76
Deprivation IDACIB	£477.64	£686.27	£521.56	£746.66
Deprivation IDACIA	£658.82	£922.35	£680.78	£949.80
Low Prior Attainment	£1,169.40	£1,767.83	£1,202.34	£1,822.73
English as an Additional	£587.45	£1,581.16	£603.92	£1,630.57
Mobility	£960.78	£1,372.54	£988.23	£1,416.46
Lump Sum	£125,614.63	£125,614.63	£129,347.93	£129,347.93

7. Basic per pupil funding factors have been increased by 3% since 2020-21.

Teacher's Pay Grant (TPG) and Teacher's Pension Employer Contribution Grants (TPECG)

8. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.
9. In addition to the 3% general inflationary amount added to each formula factor a further £180 has been added to the primary basic entitlement factor and £265 to each of the KS3 and KS4 basic entitlement factors. This funding (plus the Area Cost Adjustment) is equivalent to the funding received in the TPG and TPECGs for September 2018 and September 2019 pay awards. No further funding will be allocated for pay changes in September 2020 or beyond.
10. Therefore, despite an estimated additional £10m of funding in the NFF in 2021-22 for Harrow schools, nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

Minimum Per Pupil Funding Levels (MPPL)

11. The MPPL will be set at £4,180 for primary schools and £5,415 for secondary schools. There are possibly 5 schools in Harrow who may be eligible for some additional top up funding where the funding as calculated through the NFF is below the national thresholds for primary and secondary schools.

Income Deprivation Affecting Children Index (IDACI)

12. The IDACI dataset has been updated in 2019 so that the IDACI bands are now assigned based on rank rather than score. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.

13. Nearly all schools will lose funding as a result of this change. In order to compensate slightly some of the factor values have increased above the 3% generic inflation but this still does not mitigate overall losses.
14. The impact of the banding changes is that (based on the October 2019 census) 90% of pupils in Harrow schools are now in Band G which is the least deprived band and attracts no funding. This compares with 78% under the old banding methodology.
15. Schools will be protected through the Minimum Funding Guarantee from these per pupil losses but it does mean that in the event that MFG protection no longer applies there will be a real cash reduction as a result of these changes.

Minimum Funding Guarantee (MFG)

16. The MFG will continue and the allowable range for 2021-22 is between +0.5% and +2%.
17. This means that each school will gain at least +0.5% *per pupil* compared with the 2020-21 budget.
18. Where schools are protected by MFG this means that they are receiving funding over and above that which is calculated by the National Funding Formula because of the levels of funding they had been receiving prior to the introduction of the NFF. In future years if the MFG protection is removed then those schools who are funding above the NFF will see an immediate drop in funding from one year to the next.

Consultation 2021-22

19. Whilst there are no proposed changes to the structure of the formula for 2021-22 the LA as required to consult on the value of the Minimum Funding Guarantee
20. A short consultation was carried out from 5th to 23rd October 2020. There were a total of 10 (19%) responses received
21. The consultation question asked: Do you support the proposal to apply the highest MFG subject to affordability and ensuring that no school's budgets are unfairly distorted. A summary of responses is shown at Table 2:

Table 2 – consultation question summary of responses

Phase	Number of respondents	Yes		No	
		Number	%	Number	%
All Through	0	0		0	0%
Primary	5	5	100%	0	0%
Secondary	5	5	100%	0	0%
Total	10	10	100%	0	0%

22. As shown in Table 2 100% of respondents support the highest MFG subject to affordability.

Central School Services Block

23. The CSSB funds the following services:

- School Admissions
- Servicing of Schools Forum
- LA retained duties for schools and academies.

24. The indicative funding for 2021-22 has remained unchanged at £1.2m.

Growth Fund

25. Schools Forum agreed to continue to maintain a ring fenced growth fund from the DSG in order to fund in-year pupil growth in relation to additional classes in both maintained and academy schools which create additional classes at the request of the LA.

High Needs Funding

26. 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 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

27. The government introduced a National Funding Formula for High Needs from 2018-19. Funding has previously been based on historical allocations plus small annual amounts of growth. In order to manage increasing growth for demand and complexity, annual funding transfer from the schools block into the high needs block have been approved by Schools Forum

28. From 2018-19 the Schools Block has been ring-fenced and transfers between blocks has been restricted to 0.5% of the Schools Block (approx. £800k). The decision to agree a transfer remains with Schools Forum. It agreed a transfer of 0.5% in 2018-19 and a reduced transfer of 0.25% in 2019-20 however it did not agree to any transfer beyond 2019-20 on the basis that the government should be properly addressing the inherent underfunding of High Needs pupils and to continue to topslice mainstream school budgets masks the extent of the problem.

29. There is anticipated to be an additional £2.8m added to the HNB for 2021-22 however there are already significant pressures on the HNB.
30. In 2019-20 there was an overspend on the HNB of £2.944m and there is a further projected overspend in 2020-21 of £3.157m taking the projected cumulative deficit on the HNB to £6.101m by March 2021.

DSG deficits

31. The government consulted on the treatment of deficits in 2019. The outcome of the consultation was a change to the regulations for the treatment of DSG deficits so that LAs must carry forward any HNB deficit to be funded from the next year's budget share. It also explicitly states that LAs can not and should not fund any DSG deficit from its own reserves.

DSG Recovery Plans

32. 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
33. 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 2019-20 compared with the deficit shown in the authority's published draft accounts.
34. The final deficit in 2019-20 of £2.944m represents 1.35% of the overall DSG allocation (including academy funding). The recovery plan has been drafted however and discussed with Schools Forum. However the following points should be noted:
35. Despite the significant proposals and measures planned over the next ten years, this will not mitigate the deficit. This is due to the following contributory factors:
- historical underfunding
 - current budgets being based on historical budgets rather than historical spend
 - extension of age range to include 0-5 and post 19
 - current and projected formulaic funding which does not keep pace with demand
 - significant historical and projected growth in number of EHCPs
 - continued growth in complexity of pupils' needs
 - limitations about creating cost effective provision in borough due to capacity and site limitations

Early Years Funding

36. Funding for Early Years relates to free 15 hour nursery entitlement for all 3 & 4 year olds in maintained nurseries and nursery classes as well as private, voluntary and independent (PVI) provision. From September 2017 this was extended to 30 hour nursery entitlement for eligible 3&4 year olds. It also funds free 15 hour nursery entitlement for disadvantaged 2 year olds.

37. A National Funding Formula for Early Years was introduced in 2017-18. Cabinet approved the structure of the Harrow formula for the distribution of funding to providers in January 2018.

38. Funding rates and allocations will be announced in December 2020.