

## School Budgets – Dedicated Schools Grant (DSG) 2021-22

### 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.

### Funding Announcements Autumn 2019

2. In September 2019 the government announced an increased investment in school budgets and high needs for the next three years.
3. The per pupil value of all of the key factors have increased in the Schools National Funding Formula (NFF) by 3% with the exception of the Free School Meals factor which has increased by 2% in line with inflation. In addition, IDACI factors have increased between 2% and 10% to reflect the re-banding undertaken in 2019.
4. There is an additional approx. £11m in for school budgets available in 2021-22 however this includes £8m of other grants rolled into the funding formula that will no longer be paid separately. This means there is only a real cash increase of approx. £3m compared with 2020-21.

### DSG Settlement 2021-22

5. The 2021-22 DSG settlement is based on the number of pupils on the October 2020 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 2020 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 2021-22 is £239.59m.

**Table 1 – 2021-22 Dedicated Schools Grant allocation**

| Blocks                              | Unit of funding |           | Pupil numbers |           | Total               |
|-------------------------------------|-----------------|-----------|---------------|-----------|---------------------|
|                                     | Primary         | Secondary | Primary       | Secondary |                     |
| Schools Block – per pupil           | £4,559.49       | £6,253.54 | 21,419.00     | 12,805.50 | £177,739,423        |
| Schools Block – lump sum premises   |                 |           |               |           | £2,730,395          |
| Schools Block – growth fund formula |                 |           |               |           | £1,268,468          |
| <b>Total Schools Block</b>          |                 |           |               |           | <b>£181,738,286</b> |
| Central Schools Block               |                 |           |               |           | £1,387,804          |

|   |                     |
|---|---------------------|
| High Needs Block (after import/export adjustments & recoupment) | £37,024,161         |
| Early Years Block   | £19,441,547         |
| <b>Total Dedicated Schools Grant Allocation 2021-22</b>         | <b>£239,591,798</b> |

6. 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.
7. 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.
8. 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 2021-22, the factor values have increased. This is set out at Table 2.

**Table 2 – proposed funding formula and factor values 2020-21**

| Factor                              | 2021-22 funding formula and factor values |                     |
|-------------------------------------|---|---------------------|
|                                     | Primary per pupil                         | Secondary per pupil |
| Primary per pupil basic entitlement | £3,429.15                                 |                     |
| KS3 per pupil basic entitlement     |   | £4,835.72           |
| KS4 per pupil basic entitlement     |   | £5,449.52           |
| Free School Meals                   | £505.09                                   | £505.09             |
| Free School Meals Ever6             | £631.37                                   | £922.35             |
| Deprivation IDACIF                  | £236.08                                   | £340.39             |
| Deprivation IDACIE                  | £285.49                                   | £455.68             |
| Deprivation IDACID                  | £450.19                                   | £636.86             |
| Deprivation IDACIC                  | £488.62                                   | £691.76             |
| Deprivation IDACIB                  | £521.56                                   | £746.66             |
| Deprivation IDACIA                  | £680.78                                   | £949.80             |
| Low Prior Attainment                | £1,202.34                                 | £1,822.73           |
| English as an Additional Language   | £603.92                                   | £1,630.57           |
| Mobility                            | £988.23                                   | £1,416.46           |
| Lump Sum                            | £129,347.93                               | £129,347.93         |

### Consultation

9. The LA undertook a consultation with all schools, academies and free schools in Harrow seek views the value of the minimum funding guarantee
10. There were a total of 29 (54%) responses received.

### Minimum Funding Guarantee

11. In 2021-22 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. For the second year the LA will be required to set a positive MFG meaning schools will see an increase in their per pupil budgets between years. The MFG must be between +0.5% and +2.0%.
12. In the previous financial years Schools Forum agreed to set a negative MFG at -1.5% in order that schools reach the NFF as soon as possible so as to ensure there won't be significant losses if the MFG protection is no longer applied in future years.
13. In the consultation 100% (10) schools supported a maximum MFG of 2% subject to affordability within the overall formula. Schools Forum voted in agreement of this.
14. In the overall formula it is affordable to set the maximum MFG and therefore 2021-22 school budgets have been prepared on this basis. Gains in excess of 2% have not been capped, which is consistent with the approach in previous years.

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

15. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund for LAs, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.
16. 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.
17. Therefore, despite an additional approx. £11m of funding in the NFF for 2021-22 nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

### **Income Deprivation Affecting Children Index (IDACI)**

18. 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.
19. As set out at Appendix B 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 the overall losses.
20. The impact of the banding changes is that is that more pupils are in Band G which is the least deprived band and attracts no funding and more are in Band F which attracts the lowest rate of funding.

## Additional Funding

21. In 2021-22 School Forum voted to allocate £632k funding from its brought forward contingency to support school budgets in 2021-22. This funding is one off as it is built up from historical underspends and has been distributed on a per pupil basis with differential rates for Primary, Key Stage 3 and Key Stage 4 pupils, which mirrors the NFF.

## High Needs Block

22. 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

23. 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.

24. The government introduced a NFF for the HNB from 2018-19. This has led to a shortfall in funding compared with the 2017-18 baseline of approx. £2.9m. This was because there was an overall shortfall of DSG in 2017-18 which was funded by the use of a brought forward contingency.

25. In addition, between 2013-21 there has been an increase in HNB funding of £9.4m (39%) compared with an increase in HNB spend of £12.5m (51%) and an increase in the number of EHCPs from 1,170 in January 2014 to nearly 2,000 by January 2021 (71%).

26. The HNB budget allocation for 2021-22 is set out at Table 3

**Table 3 – 2021-22 High Needs Block Funding**

| Description   | Value       |
|---|-------------|
| High Needs Block Allocation (excl basic entitlement factor) | £36,656,775 |
| Basic Entitlement Factor (excl TPG/TPECG)                   | £2,643,647  |
| Basic Entitlement related to TPG/TPECG Special Schools      | £436,202    |
| Import/Export Adjustments (2020-21 figure)                  | -£1,620,000 |
| Additional Funding for Special Free Schools                 | £12,000     |

|  |                    |
|--|--------------------|
| Hospital Education                                       | £197,092           |
| AP & INMSS TPG/TPECG allocation                          | £130,445           |
| <b>Total HNB before academy recoupment</b>               | <b>£38,456,160</b> |
| Academy recoupment for SEN units, special schools and FE | -£1,432,000        |
| <b>Net High Needs Block 2020-21</b>                      | <b>£37,024,160</b> |

27. It should be noted that the import/export adjustment figure will be updated in June 2021 to reflect the January census.
28. As with the mainstream schools, the TPG/TPECG for special schools has also been rolled into the HNB funding formula and included in the basic entitlement. This totals £436k and is required to be passported to special schools. In addition, a further £130k lump sum has been added to the HNB for TPG/TPECG related to Alternative Provision settings and INMSS. Again, this must be passported to providers.
29. In 2021-22, not including the £566k of TPG/TPECG rolled into the HNB there is an increase in funding of approx. £2.9m. This will contribute to the increasing shortfall in funding provided for the HNB and mitigate some of the estimated £6m deficit projected for March 2021 but does not allow for growth in demand for increased numbers and complexity of need.
30. The additional HNB is welcomed although the pressure on the High Needs Block in 2020-21 is £6m and this is projected to continue and to grow as growth in demand continues and the LA becomes even more reliant on expensive out of borough provision.

## DSG Deficits

31. 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.
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 2020-21 compared with the deficit shown in the authority's published draft accounts.
34. Harrow's projected cumulative deficit of £6m as a proportion of gross budget of £225m would equate to approx. 2.7% and will therefore require a deficit recovery plan.
35. An initial Deficit Recovery Plan has been discussed with Schools Forum. This requires further work and needs to take into account delays due to Covid-19.

36. This means that the LA will start 2021-22 with a brought forward deficit of approx. £6m. The additional investment in the HNB from 2021-22 will therefore only contribute to offsetting existing deficits.

### Early Years Block

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

#### 3 & 4 year old funding

38. 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.

39. Harrow has already implemented all of the above principles in its EYSFF.

40. In 2020-21 the hourly rate per pupil that the LA receives will increase by £0.06.

41. It is proposed to distribute the additional funding through the existing formula structure and proportionately increasing each supplement.

**Table 4 – indicative 2021-22 EYSFF**

| Description   | 2021-22 |          |                    |
|---|---------|----------|--------------------|
|   | Hourly  | Pupils   | Total              |
| Total Early Years Block                               | £5.72   | 5,404.19 | £17,619,821        |
| 5% LA Early Years Service Retention                   |         |          | £880,991           |
| Funding available to providers                        | £5.43   |          | £16,738,830        |
| Top-slice SEN inclusion fund 5%                       |         |          | £836,942           |
| <b>Funding available to providers through formula</b> |         |          | <b>£15,901,889</b> |
|   |         |          |                    |

|   |              |                    |
|---|--------------|--------------------|
| Base rate minimum 90%                                 | £4.65        | £12,932,214        |
| Supplements up to 10%                                 | £0.51        | £1,424,768         |
| <b>Funding available to providers through formula</b> | <b>£5.16</b> | <b>£14,356,982</b> |

## 2 year old funding

42. There is also a rate increase for the funding for 2 year olds. This will increase from £6.00 to £6.08 per hour from April 2021.

## SEND Inclusion

43. 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.
44. 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.
45. The SEND Inclusion Fund in 2021-22 will be £837k.