

School Budgets – Dedicated Schools Grant (DSG) 2022-23

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 2022-23

2. The 2022-23 DSG settlement is based on the number of pupils on the October 2021 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 2021 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 2022-23 is £243.64m.

Table 1 – 2022-23 Dedicated Schools Grant allocation

Blocks	Unit of funding		Pupil numbers		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,656.89	£6,402.96	21,222.50	13,029.00	£182,255,013.87
Schools Block – lump sum premises					£2,734,950.00
Schools Block – NNDR deduction					-£2,520,281.00
Schools Block – growth fund formula					£948,220.00
Total Schools Block					£183,417,902.87
Central Schools Block					£1,410,135.00
High Needs Block (after import/export adjustments & recoupment)					£40,199,734.00
Early Years Block					£18,615,893.00
Total Dedicated Schools Grant Allocation 2022-23					£243,643,664.87

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 3% and 4%.
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 2022-23, the factor values have increased. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2022-23

Factors	2021-22		2022-23		% Change	
	Pri	Sec	Pri	Sec	Pri	Sec
Pri AWPU	£3,429.15		£3,540.05		3%	
KS3 AWPU		£4,835.72		£4,991.51		3%
KS4 AWPU		£5,449.52		£5,625.35		3%
FSM	£505.09	£505.09	£517.20	£517.20	2%	2%
Ever6	£631.37	£922.35	£649.25	£951.86	3%	3%
IDACIF	£236.08	£340.39	£242.09	£352.13	3%	3%
IDACIE	£285.49	£455.68	£297.11	£467.68	4%	3%
IDACID	£450.19	£636.86	£462.18	£654.75	3%	3%
IDACIC	£488.62	£691.76	£506.19	£715.27	4%	3%
IDACIB	£521.56	£746.66	£539.21	£770.29	3%	3%
IDACIA	£680.78	£949.80	£704.27	£979.37	3%	3%
LPA	£1,202.34	£1,822.73	£1,243.47	£1,881.72	3%	3%
EAL	£603.92	£1,630.57	£621.74	£1,683.64	3%	3%
Mobility	£988.23	£1,416.46	£1,017.89	£1,463.56	3%	3%
Lump Sum	£129,347.9	£129,347.93	£133,480.95	£133,480.95	3%	3%

Minimum Funding Guarantee

7. In 2022-23 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. For the third 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%.
8. 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.
9. 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.

Additional Funding

10. In 2022-23 School Forum voted to allocate £700k funding from its brought forward contingency to support school budgets in 2022-23. 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.

Supplementary Funding

11. In December 2021 the Government announced the new Schools Supplementary Grant for 2022-23. This is additional funding to provide support for the costs associated with the Health & Social Care Levy and other wider costs. The grant is payable to all mainstream schools, academies & free schools for pupils in nursery through to sixth form.
12. School level allocations will be published in Spring 2022. The additional funding will be payable as a separate grant in 2022-23 but will then be rolled into the National Funding Formula (for Reception to Y11) from 2023-24.

High Needs Block

13. 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
14. 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.
15. 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.
16. In addition, between 2013-21 there has been an increase in HNB funding of 54% compared with an increase in HNB spend of 56% and an increase in the number of EHCPs from 1,170 in January 2014 to 2,040 in January 2022 (75%).
17. The HNB budget allocation for 2022-23 is set out at Table 3

Table 3 – 2022-23 High Needs Block Funding

Description	Value
High Needs Block Allocation (excl basic entitlement factor)	£39,192,856
Basic Entitlement Factor (excl TPG/TPECG)	£3,293,370
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments (2020-21 figure)	-£1,578,000
Additional Funding for Special Free Schools	£12,000
Hospital Education	£212,859
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	£41,699,732
Academy recoupment for SEN units, special schools and FE	-£1,500,000
Net High Needs Block 2022-23	£40,199,732

18. It should be noted that the import/export adjustment figure will be updated in June 2022 to reflect the January census.
19. 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.
20. In 2022-23 there is an increase in funding of approx £3.176m.
21. It is anticipated that the High Needs Block will also receive Supplementary Funding as a top up to the calculated figures in the above table. This is expected to cover additional costs which have arisen since the original HNB funding formula was derived, including to support providers funded by the HNB in respect of the Health & Social Care Levy. More details regarding this funding will be published in Spring 2022.

DSG Deficits

22. 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.
23. 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.
24. 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.

25. Harrow's projected cumulative deficit of £4.5m as a proportion of gross budget of £241m would equate to approx. 2% and will therefore require a deficit management plan.

26. The deficit has accumulated as follows

Financial Year	Deficit £'000
2019-20	£2,944
2020-21	£786
2021-22 (projected)	£822
Total (projected)	£4,552

27. An initial Deficit Management Plan has been discussed with Schools Forum. This requires further work and needs to take into account delays due to Covid-19.

28. 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.

29. 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

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

3 & 4 year old funding

31. 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.

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

33. In 2022-23 the hourly rate per pupil that the LA receives will increase from £5.72 to £5.89 per hour.

34. 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 2022-23 EYSFF

Description	2022-23		
	Hourly	Pupils	Total
Total Early Years Block	£5.89	5,017.79	£16,846,226
5% LA Early Years Service Retention			£842,311
Funding available to providers	£5.60		£16,003,915
Top-slice SEN inclusion fund 5%			£800,196
Funding available to providers through formula	£5.32		£15,203,719
Base rate 90%	£4.81		£13,745,048
Supplements 10%	£0.51		£1,458,672
Funding available to providers through formula	£5.32		£15,203,719

2 year old funding

35. There is also a rate increase for the funding for 2 year olds. This will increase from £6.08 to £6.29 per hour from April 2022. The full increase will be passported to providers.

SEND Inclusion

36. 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.

37. 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.

38. The SEND Inclusion Fund in 2022-23 will be £800k.