

Appendix D

Dedicated Schools Grant (DSG)

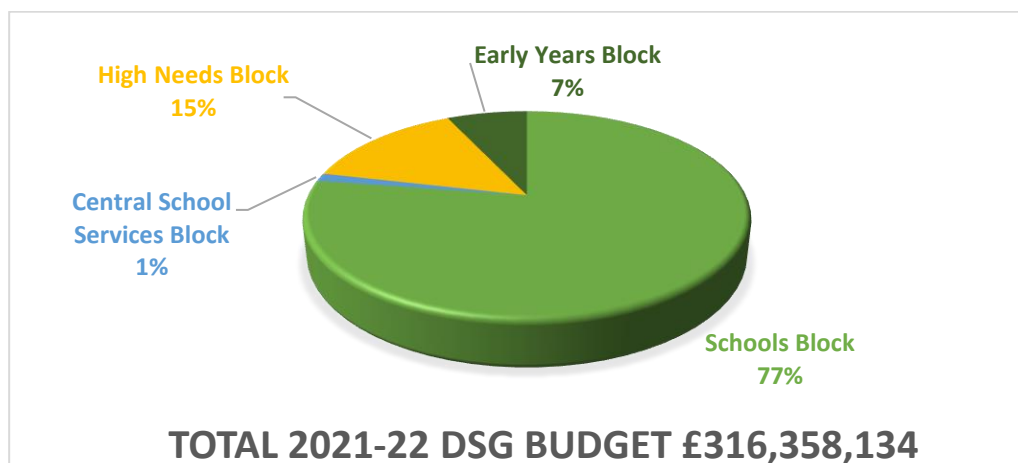
1. Background

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 24). The remaining 10% is paid to nurseries, schools and higher education institutions for:

- pupils and students with special education needs and disabilities (referred to as high needs 'top ups'),
- funding to cover growth i.e., in-year increases in pupil and student numbers (referred to as 'growth funding')
- 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 school effectiveness, trade union facility time, contribution towards redundancy costs)
- funding for historic and ongoing commitments.

1.2 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' for academies ISB and 'high needs place deductions' for funding for high needs 'places' in academies.

1.3 The Department for Education (DfE) currently operate a 4-block funding model for funding schools and pre-16 education including early years. The level of funding received for North Northamptonshire Council is set out in the following Chart.



1.4 Each of the blocks covers different elements of education funding with the respective funding allocations being based on different underlying formulae and data sets.

1.5 The total DSG that the Authority receives is based on all schools' pupil numbers as per census data for the county irrespective of whether it is a maintained school or an academy. Each of the four blocks is allocated to the LA on a different basis.

1.6 **Schools Block**

- 99.28% of funding allocated to the LA is driven by pupil numbers and the Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF). The remaining 0.72% is funded through premises factors.
- Allocations 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.

1.7 **Central Schools Services Block (CSSB)**

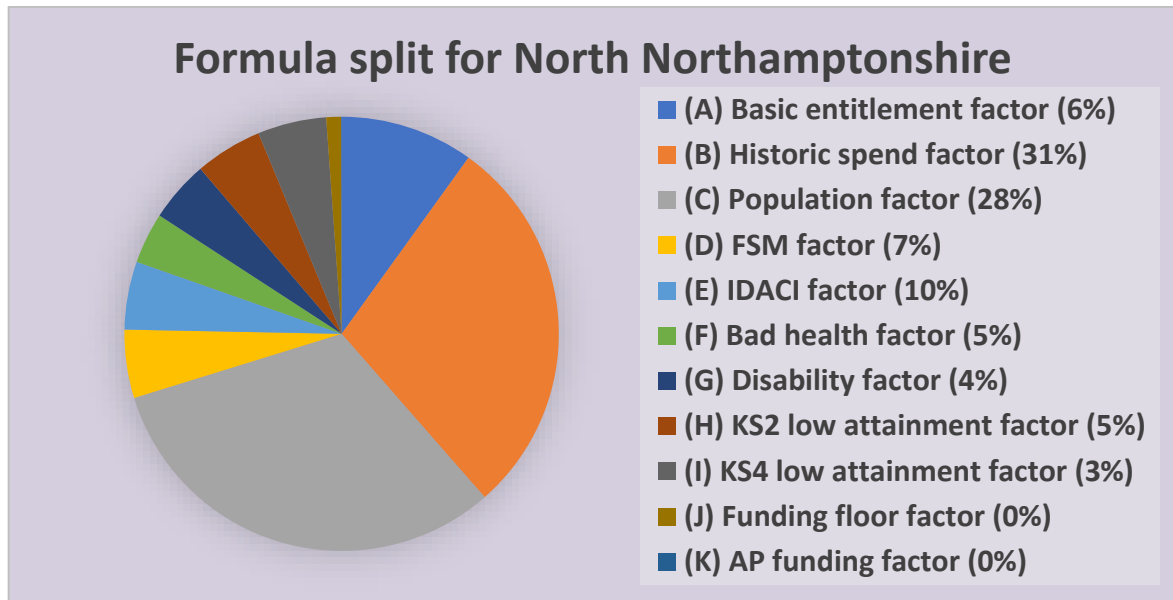
- 49.31% of CSSB is for funding ongoing responsibilities of the LA based on the schools Autumn 2021 census data at £35.59 per pupil and 50.69% of CSSB is funding for historical commitments (this is being unwound by Government and is reducing 20% each year).
- The historical commitments funding relates to funding for previously agreed commitments between the Schools Forum and the LA e.g., pensions costs for premature retirement cost of teachers

1.8 **High Needs Block**

- Covers funding for the education of pupils with special educational needs and disabilities for example those with an Education, Health and Care Plan. This covers ages 0-24 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.

- The funding formula is produced by the DfE and is summarised in the following Chart.



1.9 Early Years Block

- 95.33% allocated to the LA based on two previous January School and Early Years Census applying the Early Years National Funding Formula (EYNFF).
- 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 funding formula. 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.

1.10 Maintained schools continue to receive funding directly from the LA through the DSG. The local 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 to the DfE. The removal of grant funding from the DSG paid to NNC 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).

1.11 Within North Northamptonshire, there are currently 4 maintained nursery schools, 35 primary, 1 secondary and 1 special maintained school. There were also 73 primary, 18 secondary, 1 All-through and 7 special academies and free school.

- 1.12 Schools Forum membership is made up of representatives from maintained and academy primary and secondary schools, nurseries, Council members. The meetings are open to the public and are held 5 times a year typically in October, December, January, March and June. The Schools 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.
- 1.13 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, Schools Forum approves the central expenditure budgets for ongoing commitments, movements of funding between blocks and the growth fund policy.
- 1.14 The North Northamptonshire Schools Forum was appointed 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. Since Vesting Day Schools Forum have formally assumed the roles and membership. Membership will be valid for 4 years, to which when its due to expire each role will go out to recruit following the standard Schools Forum and Operational Good Practice Guide.

2. 2022-23 Funding Summary

- 2.1 The Department for Education (DfE) published on 20 July an update on the policy paper of the National Funding Formula (NFF) 2022-23 for schools and high needs. Details can be found at [National Funding Formula for Schools and High Needs](#).
- 2.2 The DfE also published 2022-23 indicative allocations for three of the four DSG funding blocks. Early Years funding is based on January pupil census which meant allocations are published to a different timetable.
- 2.3 The latest DSG funding announcements for 2022-23 are provisional. The Schools, Central School Services and High Needs Block allocations will be updated for October 2021 census pupil numbers with an announcement published by the ESFA expected in the third week of December 2021. This is the point at which individual school budgets can be set through North Northamptonshire's schools' funding formula.
- 2.4 Nationally core school funding increased by £2.6bn in 2020-21, £4.8bn in 2021-22 and is increasing by £7.1bn in 2022-23 compared to 2019-20, including significant additional funding for children with special educational needs and disabilities. 2022-23 is the final year of the three-year funding commitment by the Government.

2.5 The national increase in high needs funding from 2021-22 to 2022-23, will be £780 million, or 9.6%. The high needs NFF includes:

- The funding floor – this ensures that all local authorities’ allocations per head of population will increase by a minimum percentage compared to the baseline. For 2022-23 the funding floor is kept at 8%.
- The gains cap – the limit on gains per head of the population compared to the baseline. For 2022-23 the gains cap is set at 11% which means that local authorities can see an increase of up to 11% before their gains are capped.

2.6 The proposed changes for 2022-23 schools funding are as follows:

a) School funding is increasing by 3.2% overall. The funding is based upon the pupils and cohorts core factors increasing within the formula by 3%, but ensuring every school is allocated at least 2% more funding per pupil.

b) The MPPLs remains mandatory, at the new NFF values of:

Primary Minimum Per Pupil Level Funding	£4,265
Secondary Minimum Per Pupil Level Funding	£5,525

c) Sparsity factor in support of small schools and remote schools will increase nationally to £55,000 (2021/22 £45,000) for primary and £80,000 (2021/22 £70,000) for all other schools. North Northamptonshire Schools will receive to £55,181 for primary and £80,263 for all other schools in 2022-23 which takes account of the Area Cost Adjustment (ACA) of 0.00329. The calculation or accuracy of this is to identify schools’ remoteness by using road distances instead of straight-line distances and using a new distance “taper”. This means that schools whose sparsity distance is between 1.6 and 2 miles (for primary schools), or 2.4 and 3 miles (for secondary schools) will now attract some additional funding through the sparsity factor.

d) Decreasing the funding lag for Free School Meals – which is based on FSM6 (Free School Meals for the Past 6 years) deprivation funding factor by 9 months, from using the previous year’s January census to the October census.

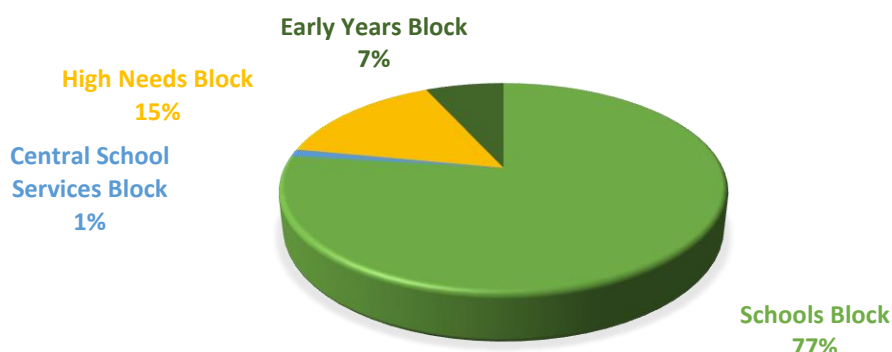
e) For the low prior attainment (LPA) factor in the NFF, data from the 2019 early years foundation stage profile (EYFSP) and key stage 2 (KS2) assessments have been used as a proxy for the 2020 assessments, following the cancellation of these assessments due to the pandemic. This is consistent with how the LPA factor was calculated in local formulae in 2021-22.

- f) Eligibility for the mobility factor is usually determined based on the census in which pupils first appear at their current school. As a result of the cancellation of the May 2020 census, pupils who joined a school between January and May 2020 attract funding for mobility based on their entry date, rather than by virtue of the May school census being their first census at the current school.
- g) Centralising the business rates payment system for schools, so that ESFA will pay billing authorities directly on behalf of state funded schools.
- h) Local authorities will continue to set a minimum funding guarantee in local formulae, which in 2022-23 must be between +0.5% and +2%.
- i) Local authorities will be able to transfer up to 0.5% of their total Schools Block allocations to other blocks of the Dedicated Schools Grant (DSG), with Schools Forum approval. A disapplication will continue to be required for transfers above 0.5%, or for any amount without Schools Forum approval.
- j) High needs funding increasing by 9.6% ensuring that every local authority will receive at least 8% increase per head of population, and up to 11% (capped at 11% on gains). This vital extra resource will continue to help local authorities manage their cost pressures in this area. North Northamptonshire Council is due to receive 8% in 2022-23.
- k) Technical changes to the historic spend factor within the high needs national funding formula was made. The factor has been updated to use 50% of local authorities' actual spend data in 2017-18 rather than their planned spend.

2.7 A DfE consultation exercise of moving to the hard NFF was published at the start of summer with a closing date 30 September for the consultation. **2022-23 financial year will not be the hard NFF as originally planned.**

2.8 The following chart sets out the Provisional 2022-23 NFF funding based on the provisional settlement in July 2021 and the table compares the Provisional 2022-23 against the current 2021-22 DSG allocation:

2022-23 PROVISIONAL NFF ALLOCATIONS £325,429,290



DSG Blocks	2021-22 DSG Allocation	Provisional 2022-23 NFF Allocation	Change	% Change
	£	£	£	%
Schools Block	244,805,438	250,375,503	5,570,065	2.28%
Central School Services Block	3,908,081	3,550,399	(357,682)	(9.15%)
High Needs Block	45,504,413	49,363,187	3,858,774	8.48%
Early Years Block	22,140,202	22,140,202	0	0.00%
Total DSG Allocation	316,358,134	325,429,290	9,071,156	2.87%

- 2.9 There are two parts to the DSG funding which have been based on historical prior year's expenditure, these are within the High Needs Block and Central Schools Services Block. The basis of the disaggregation for the historical High Needs Block has been to the 2019-20 expenditure outturn, which gives the percentage of the High Needs Historical funding as 45.9% for the North Northamptonshire Council (NNC).
- 2.10 The basis of the split for the Central Schools Services Block was more complex but related to less than 1% of the overall DSG being disaggregated. Each budget has been reviewed individually and NNC receives either 50%, 46.4% or 43.1%. As the PFI scheme of £300k is in West Northamptonshire Council, this does not apply to NNC.

3. Budgetary Pressures in the High Needs Block

- 3.1 The most significant pressure within the DSG is the growth in the funding needed for young people with special educational needs and disabilities (SEND). It is seven 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.
- 3.2 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.
- 3.3 There continues to be pressures nationally around the levels of funding allocated for the High Needs block which results from an increase in population, this brings risks around affordability of provision for pupils with high needs.
- 3.4 The structural High Needs deficit that North Northamptonshire Council inherited from the legacy Northamptonshire County Council is around £2.2m. Mitigating actions need to be taken to address this structural issue and to prevent further escalation of the deficit. These issues have been and are likely to be further compounded as a result of the COVID pandemic as there has been an increase in requests for assessments.
- 3.5 Some local authorities under the DfE's High Needs Safety Valve Intervention Programme have managed to secure substantial additional High Needs Block Funding from the DfE to address their High Needs Block deficit. To be successful in the bid for additional funding from the DfE the LA must be able to demonstrate the DfE that the LA is committed and determined to reduce the High Needs Block deficit as an organisation. This includes investment by the council to match fund the mitigating actions required to reduce the High Needs Block deficit.
- 3.6 DfE regulations allow up to 0.5% of the Schools Block funding to be moved to the High Needs Block to cover the continuously increasing costs to support pupils with high needs.
- 3.7 The proposals being considered by Schools Forum following consultation with schools are as follows:
 - a) Which funding formula option would you prefer North Northamptonshire Schools Forum to adopt?
 - Option A – Transfer 0.5% from Schools Block to High Needs Block or

- Option B – Transfer 1.31% from Schools Block to High Needs Block

Option A will transfer approximately £1.258M and Option B will transfer approximately £3.297M from Schools Block to High Needs Block

- b) If the funding formula needs to be brought into balance the overall cost, which methodology would you prefer NNC use?
- A reduction of the floor (minimum funding guarantee per pupil) or
 - A cap on per pupil increases
- c) With regards to the LA Commissioned Outreach Services paper which option do you support:
- Option 1 – a traded scheme that is voluntary for each mainstream or special school and academy
 - Option 2 – formula-based approach (Option B – funding model) - the resource secured from schools' budgets
 - Option 3 - trading the services – has the advantage of being completely transparent and respecting the benefits of a competitive market and diversity and choice for schools
- d) Split Site Policy: Do you agree with rolling forward the split site policy from NCC?
- e) Split Site Rates: Do you agree with using the 2021-22 split site rates?
- f) Growth Fund Policy: Do you agree with rolling forward the growth fund policy from NCC?
- g) Growth Funding Rates: Do you agree with using the 2021-22 growth fund rates?
- h) Permanent Exclusion Clawback Policy: Do you agree with the change from previous NCC clawback policy, to bring NNC onto the clawback as set out in the legislation?
- i) Central School Services Block: Are you in favour of the continuation of the central services that are partly funded by the dedicated services grant?
- j) De-delegation for Trade Union Facility Time: Do you support the proposed continuation of this de-delegation and the rate proposed?
- k) De-delegation for School Effectiveness: Do you support the proposed continuation of this de-delegation and the rate proposed?

- l) De-delegation for Redundancy Costs: Do you support the proposed continuation of this de-delegation and the rate proposed?
- 3.9 The local authority may transfer 0.5% of the Schools Block allocation to the High Needs Block with Schools Forum consent. For North Northamptonshire, this equates to approximately £1.258m in 2022-23 and will be required to offset the forecast carried forward High Needs deficit from 2021-22 and fund the continuing pressure in 2022-23.
- 3.10 The local authority needs to decide the value at which the Minimum Funding Guarantee should be set for 2022/23 - 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 2021-22 level.
- 3.11 The local authority also needs to decide whether North Northamptonshire Council should operate a funding cap on a per pupil, year on year increase, if required, to ensure affordability of the overall formula.
- 3.12 With the continuous 20% annual reduction in historical commitments funding by the DFE in the Central School Services Block (CSSB) of the DSG, the continued use of the Central School Services Block is kept under review annually.
- 3.13 The 2021/22 high needs overspend will need to be financed from the increase in the 2022/23 High Needs Block.
- 3.14 The results of the consultation will be presented to and voted on at the Schools Forum meeting on the 16 December 2021. The votes on the following items will be taken.
- The preferred funding formula option
 - The methodology to be used to bring into balance the overall cost
 - The options for the continuation of the local authority commissioned outreach services
 - The split site policy and the rate of funding of this split site policy
 - The growth fund policy and the rate of funding this growth fund policy
 - The proposed changes to the permanent exclusion claw back policy
 - The continuation of the central services partly funded by the Dedicated Schools Grant CSSB
 - The de-delegation for trade union facility time
 - The de-delegation for school effectiveness
 - The de-delegation for redundancy costs
- 3.15 The final schools funding formula ultimately remains a local authority decision having consulted with schools and the Schools Forum. The time between the final DSG settlement from Government in December 2021 and the submission deadline for the individual schools' budgets on 21st January 2022 is tight to allow for adequate budget calculation, presentation

to Schools Forum on the 20th of January 2022 and presentation to North Northamptonshire Council Executive to review for final ratification. As a result of these short deadlines over a time when schools and academies usually have two weeks holiday, the LA therefore propose to delegate authority to the Director for Children's Services in consultation with the Cabinet Member for Children's Services and the Executive Director of Finance (s151 Officer) following consultation with the Schools Forum and Schools Forum to determine:

- a) the 2022-23 school funding formula for Northamptonshire to enable the required submission to the Education and Skills Funding Agency on 21st January 2022;
- b) North Northamptonshire Council's funding arrangements for 2022-23 for pupils with high needs in line with Department for Education guidance; and
- c) North Northamptonshire Council's funding arrangements for 2022-23 for the Early Years National Funding Formula in line with Department for Education guidance.

3.16 North Northamptonshire Schools Forum have been briefed at the October 2021 Forum and will be considering the announcements and impacts at the December 2021 meeting where relevant approvals will be sought, following which the LA will set the schools' budgets.

