



DSG (Dedicated Schools Grant) and Schools Funding

Understanding Education – Briefings

What do I need to know?

Local Authorities receive a block grant from the DfE called the Dedicated Schools Grant.

The DSG is a ring-fenced grant of which the majority is used to fund individual schools' budgets in maintained schools and academies.

It also funds Early Years nursery entitlement for 2, 3 and 4 year olds in maintained local authority 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.

The DSG is split into four blocks:

Schools Block

This funds schools on a per pupil basis and the minimum funding allocations have been set at £4,000 for Primary schools and £5,150 for Secondary pupils in 2021/22. In addition, schools receive additional allocations for sparsity, growth, deprivation, low prior attainment, looked after children and a range of other factors.

Central School Services Block

This funds local authorities' statutory duties for both maintained and academy schools such as admissions, school attendance, safeguarding, asset management and others. The funding for these services is subject to approval by the School Forum on an annual basis. This funding has reduced year on year since the loss of the Education Services Grant in 2018 which was paid centrally.

Early Years Block

The Local Authority determines a local funding formula for early years which results in a basic hourly rate for 2 year olds and a separate rate for 3 and 4 year olds. 95% of the total Early Years funding must be passed to providers. The Local Authority must consult providers on the proposed rates. The funding which is retained centrally (up to 5%) covers the costs of supporting and promoting the free 30 hours offer and supporting the central early years team.

High Needs Block

This funds provision for pupils and students aged 0-24 who need high levels of support in schools and other provision. This includes:

- Special units and resourced provision in mainstream schools including maintained, academies and free schools
- Post 16 High Needs places in mainstream schools
- Special schools, both maintained and academies
- Pupil Referral Units (pre-16 places only)
- Alternative provision (academies and free schools)
- Further education and independent learning providers (post-16)
- High Needs funding also covers pupil based top up funding for pupils and students in places in these institutions and for pupils in special post-16 institutions

A new National Funding Formula (NFF) will replace the current practice of each local authority having its own formula. This is being used to calculate core school funding and there are separate formulas for high needs, central services and early years.

The introduction of the National Funding Formula is intended to remove the disparities which have existed for many years in the amount of per pupil funding each Local Authority receives. Under the new formula, every Primary and Secondary school pupil will receive the same basic AWPU (Age Weighted Pupil Unit) of funding. Schools then receive further 'top ups' for additional factors e.g. sparsity, deprivation, LAC, EAL, split sites etc. The government has also introduced 'minimum funding levels' that top schools up to a minimum sum when the formula doesn't deliver this amount.

The NFF was due for implementation in full in 2020/21 and is described as the 'hard' NFF (where the DfE allocates budgets at school level). However, this has been deferred and it is for local authorities to determine individual school budgets for the foreseeable future. This is currently called the 'soft' NFF.

Managing School Balances

Local authorities are required to monitor school balances with school finance officers working with schools to understand what plans schools have in place to utilise balances that are in excess of recommended levels. Guidance states that Secondary schools should retain no more than 5% and Primary schools 8%. Most authorities work with their School Forum to review these on an annual basis. Whilst schools frequently hold higher balances for longer term commitments such as capital projects or to compensate for falling rolls, this needs to be evidenced and monitored to ensure approved plans to spend high balances are delivered.

Most School Forums are supportive of the need to reduce excessive surplus balances and some are involved in challenging schools and making decisions about whether to claw back a percentage from individual schools. Given that school funding is a significant part of the local authority's expenditure, high sums of money sitting in school balances can prompt challenge that this is money in the system that is not being distributed overall.

School Forums

Each local authority is required to have in place a 'Schools Forum' with which it makes decisions on local school funding. These forums include representatives from Nursery, Primary, Secondary, Special schools and PRU provision. They must also include academy representatives depending on the overall number of academies in the local authority area. In addition, the Forum should include representation of 16-19 providers, Early Years PVI providers and a Diocesan representative. Other attendees who can contribute to a school Forum meeting include an observer appointed by the Secretary of State, the Chief Financial officer (or representative), the Director of Children's Services, officers providing technical and financial advice, the Executive member for Children's Services, presenters of reports and the Executive Member with responsibility for resources.

Officers and members of the Authority are not entitled to vote and there are particular provisions relating to voting rights of maintained and non-maintained schools:

- Only Primary representatives can vote on Primary de-delegation
- Only Secondary representatives can vote on Secondary de-delegation
- All schools' members (including Academies) can vote on the Scheme for Financing Schools
- All schools' members (including Academies) can vote on other Schools Forum business, including on the funding formula
- Maintained school members can vote on items relating to general duties and retained duties whereas academy members can only vote on retained duties.

School Forums are consulted on the local formula, where 14 variables, covering things such as deprivation and pupil mobility, are set, and determine how schools are funded across the local area. The Forum must also approve whether any brought forward deficit on de-delegated services can be met by the overall schools' budget. Decisions relating to the amounts to be set aside for pupil growth or for falling school rolls are further examples which the Forum determines.

The Forum must be consulted annually on the Scheme of Financial Management. It is then for the Local Authority to approve this. If there is disagreement between the Forum and the Local Authority, the DfE will adjudicate.

The School Forum must meet at least four times a year and the general pattern for most authorities is about six meetings per annum. The Forum is chaired by a non local authority member.

Where can I access further information?

GOV.UK Guidance documents:

- DfE 'The National Funding Formulae for Schools and High Needs, 2021-2022' July 2020
- Schools Forum Operational Good Practice Guide
- Schools Forum Powers and Responsibilities
- Schools Forum Structure