

**DEDICATED SCHOOLS GRANT 2019/20****1 BACKGROUND**

- 1.1 The Dedicated Schools Grant (DSG) funds both maintained schools and academies and is ring fenced for school/pupil activity as defined by the School and Early Years Finance (England) Regulations (2018). The grant received is notionally split between four funding blocks: schools, central school services, early years, and high needs. Its use is split between the:
- Individual School's Budget (ISB) or delegated budget. This is the funding that is passed directly to schools and is mainly formula driven, and
  - The Centrally Retained School's Budget (non-delegated budget).
- 1.2 There is limited flexibility for Local Authorities to transfer funding between the four blocks, but it cannot be used for other purposes. The Education and Skills Funding Agency have limited the movement of funds from the Schools Block to 0.5% of the total Schools Block allocation, but only with the agreement of the Schools' Forum after having consulting with all schools.
- 1.3 Overspends on the DSG are carried forward and a first call on subsequent year's allocations. Underspends are carried forward to support the future year's school's budget. Monitoring the outturn position is therefore necessary to inform the new financial year's budget position.
- 1.4 The methodology for allocating DSG to authorities changed significantly in 2018/19, with new national funding formula introduced.
- 1.5 The Authority has a responsibility to ensure that DSG is deployed in accordance with the conditions of grant and the School and Early Years Finance (England) Regulations. The arrangements for 2019/20 are detailed by the Education and Skills Funding Agency (ESFA) "Schools revenue funding 2019 to 2020 operational guide" published in July 2018, the "High needs funding 2019 to 2020 operational guide" published in September 2018, and the "Early years entitlements: local authority funding of providers operational guidance for 2019 to 2020" published in November 2018.
- 1.6 From 2019/20, ESFA will require a report from any LA that has a DSG deficit of more than 1% as at 31 March 2019, to explain how it plans to bring the DSG account back into balance.
- 1.7 Schools Forum is consulted on all aspects of the DSG and have termly meetings with council officers. All reports and minutes can be found at the below link:

<http://www.reading.gov.uk/article/12037/2019-Schools-Forum-Meeting-Papers>

## 2 DSG ALLOCATION FOR 2019/20

2.2 The allocations for 2019/20 were published by the Government on 17<sup>th</sup> December 2018. Table 1 provides a summary.

**Table 1: DSG allocations per block**

Block	DSG Allocations prior to recoupment		
	2018/19 Revised (£'000s)	2019/20 (£'000s)	Change (£'000s)
Schools Block	86,824	89,524	2,700
Central School Services Block	1,305	1,330	25
Early Years Block	12,560	12,548	(12)
High Needs Block	19,128	20,424	1,296
<b>Total (Gross)</b>	<b>119,817</b>	<b>123,826</b>	<b>4,009</b>
Less Recoupment - schools	(41,189)	(45,016)	(3,827)
Less Recoupment - high needs	(1,757)	(2,442)	(685)
<b>Total (Net)</b>	<b>76,871</b>	<b>76,368</b>	<b>(503)</b>

2.3 The allocations for the schools and central schools services blocks are final. A small proportion of the high needs block is subject to change and will be confirmed in March. This will include an adjustment for Thames Valley Free School which is now included within the local authority allocation. For planning purposes these figures have been estimated and the allocation adjusted. The local authority will also estimate the early years block based on the January 2019 census when available, as the current figure is based on January 2018, and this is not updated until July 2019; it is not finalised until July 2020 because 7/12 of the allocation will be based on the January 2020 census.

2.4 Overall, the 2019/20 allocation has increased by over £4.0m, but part of this is offset by recoupment. The following paragraphs set out further detail on the 2019/20 allocations and budget in each funding block.

2.5 The DSG has been in deficit for a number of years, due to spending pressures in the high needs block in relation to increasing numbers of pupils receiving Education Health & Care Plans (EHCPs), increasingly complex needs, and increasing costs of provision, particularly those outside the local authority. This is against a funding allocation that has seen very little increase since 2011/12.

2.6 There has been transfers of funding from other blocks (including using year end under spends) towards offsetting the deficit and Table 3 shows the net overall position of the DSG balance for the last few years.

**Table 2: DSG Deficit Year on Year**

Year	£'000s
2014/15	0
2015/16	2,057
2016/17	3,397
2017/18	2,860
2018/19 estimate	1,885
2019/20 estimate	1,655
2020/21 estimate	1,284
2021/22 estimate	723
2022/23 estimate	(29)

### 3 High Needs Block

- 3.1. The high needs block mainly funds pupils in specialist and alternative settings, such as special schools (both maintained and independent), resource units within mainstream schools, pupil referral units, and pupils with high needs in mainstream and early years settings and post 16 colleges. It also provides central support services such as occupational health, sensory needs, hospital tuition, and outreach.
- 3.2. Table 2 breaks down the funding allocation for the high needs block. The allocation is provisional as there are still adjustments to be confirmed.

**Table 3: High Needs Block DSG Allocation**

High Needs Block	2018/2019 allocation (£'000s)	2019/2020 allocation (£'000s)
High needs Formula	20,156	20,321
Hospital Allocation (provisional)		182
Additional Allocation	384	384
Special School census (includes TVFS in 2019/20)	1,077	1,317
Import/Export Adjustment (not yet known, but 2019/20 figure adjusted for TVFS)	(2,106)	(1,782)
<b>Gross High Needs Allocation</b>	<b>19,511</b>	<b>20,424</b>
Top Sliced for Academies for EFSA (recoupment) to pay academies direct (2019/20 is an estimate and includes TVFS)	(1,757)	2,442
<b>High Needs Allocation after EFSA recoupment</b>	<b>17,754</b>	<b>17,981</b>
Add 0.5% from Schools Block	434	447
<b>Total High Needs Block</b>	<b>18,188</b>	<b>18,428</b>

- 3.3 The funding for 2019/20 has increased by £239k on a like for like basis after taking into account the inclusion in the allocation for the first time of

Thames Valley special school and the increase in the number of places to be funded at The Avenue special school. The place funding for academies/free schools is top sliced from the local authority allocation and paid to the school direct.

- 3.4 The new high needs funding formula does not deliver additional funding to Reading, and being on the funding floor, only a 0.5% increase is being received year on year. In December, the Government announced additional funding for high needs due to growing pressures in this block nationally, and for Reading this totals £384k in both 2018/19 and 2019/20, an addition of £768k across the two years. This funding was allocated nationally based on the number of 2 - 18 year olds, and nothing to do with actual need.
- 3.5 The Schools' Forum in December agreed a further transfer of funds from the schools block to the high needs block in 2019/20, and this will go towards repaying the deficit.
- 3.8 Table 4 shows the current recovery plan. The forecast deficit to be brought forward in the high needs block is expected to be £2.083m (after £0.198m of growth fund underspend is used in the schools block).
- 3.9 Spending should more or less match the in-year grant allocation in 2019/20, as has been the position in 2018/19. In 2020/21 expenditure will need to reduce by a small amount (£300k), followed by a further £100k each year which may be possible as the impact of the SEND strategy takes effect, i.e. leavers from expensive provision being replaced by new placements in cheaper new local provision. This reduction will need to be maintained until the deficit is paid off. It is assumed that the funding allocation will increase by 0.5% each year. On this basis, the deficit will be repaid by 2022/23 and some investment in existing provision can start to be made in 2023/24. This does not, however, account for a significant increase in overall numbers of EHCPs, which could delay recovery of the deficit.

**Table 4: High Needs Block Deficit Recovery Plan**

<b>High Needs Block Budget</b>	<b>2018/19 Forecast £'000s</b>	<b>2019/20 Estimated £'000s</b>	<b>2020/21 Estimated £'000s</b>	<b>2021/22 Estimated £'000s</b>	<b>2022/23 Estimated £'000s</b>
Base Budget	19,535	20,442	20,442	20,442	20,442
Less in year savings	0	0	-300	-400	-500
<b>Expenditure prior to repayment of deficit</b>	19,535	20,442	20,142	20,042	19,942
Add: Repayment of previous year deficit	2860	2083	1655	1284	723
<b>Total Expenditure</b>	22,395	22,525	21,797	21,326	20,665
DSG in year Allocation	19,512	20,423	20,513	20,603	20,694
Transfer from other blocks	434	447	0	0	0
Possible under spends in other blocks	366	0	0	0	0
<b>Total Funding</b>	20,312	20,870	20,513	20,603	20,694
<b>Net Position deficit</b>	2,083	1,655	1,284	723	(29)

3.10 From next year, the LA will be required to report deficits of 1% or more of the total DSG allocation to the Department for Education (DfE) (by the end of June 2019). Recovery plans will need to be discussed with and agreed by the Schools' Forum. The DfE's expectation is that the DSG will be brought back into balance within three years.