



<b>Equality/Diversity implications:</b>	These proposals are in line with equality and diversity policies.
<b>Considered by Monitoring Officer:</b>	The Council has a continuing responsibility for financial regularity in schools and the Section 151 Officer has set out the necessary arrangements for local financial and management controls in accordance with legislative provisions and guidance.
<b>Wards Affected:</b>	None

## 1.0 Dedicated Schools Grant (DSG)

- 1.1 The DSG is a ring-fenced grant provided to local authorities and can only be spent on schools and academies and specified areas determined by the Department for Education (DfE) and the Education & Skills Funding Agency (ESFA) in accordance to Statutory Instruments including the Schools & Academies Finance (England) Regulations (2018) and Section 251 (Apprenticeship, Skills, Children & Learning Act 2009) Budget Tables issued each year.
- 1.2 The DSG is split into four blocks, with only the Schools Block ring-fenced to spending by schools and academies:
- Schools
  - Central Schools Services
  - Early Years
  - High Needs
- 1.3 In September 2017, the DfE confirmed the introduction of the National Funding Formula (NFF) for Schools and Central Schools Services. Following consultation with all schools and academies Bury applied the NFF with effect from 1 April 2018 with the Secondary sector opting to move directly to the NFF unit values, whereas the Primary sector, given that several will see reduced budgets under the NFF, opted for a phased transitional approach over three financial years 2018/19, 2019/20 and 2020/21.
- 1.4 For information, 'unit values' relate to the individual school funding formula components used to determine a schools' annual budget allocation, these unit values cover;
- **Pupil-led funding:**
    - Age weighted pupil unit (AWPU)
    - Deprivation: using Free School Meals (FSM), Free Schools Meals Ever-6 (for any pupil eligible for FSM at any time in the last 6 years) and Income Deprivation Affecting Children Indices (IDACI)
    - English as an Additional Language (EAL)
    - Low Prior Attainment (LPA)
    - Pupil Mobility
  - **School-led funding:**
    - Premises Lump Sum
- The unit values recommended for 2019/20, including a comparison to previous years (2017/18 and 2018/19) together with an indicative projection for 2020/21 are demonstrated in the table at 3.1 below.
- 1.5 The Central Schools Services Block was created in April 2018 and contributes to funding local authority responsibilities previously funded by the Education Services Grant (ESG) which has been disestablished.

- 1.6 The Early Years equivalent to the NFF, based on the Early Years Single Funding Formula (EYSFF) operating since 2007, was introduced and applied by Bury to all eligible Providers with effect from 1 April 2017. The Early Years block provides the funding to be allocated to both Maintained and Private, Voluntary and Independent (PVI) Early Years providers together with central Early Years support services and covers the provision of 2, 3 and 4 year olds including those eligible to access the 30 hours of entitlement.
- 1.7 The High Needs National Funding Formula is scheduled to be fully implemented by 2022/23. To ease the transitional arrangements the DfE have included a 'funding floor' to protect current spending levels within local authorities. This provides almost £5 million of funding protection to Bury's High Needs block.
- 1.8 The following table summarises the DSG available to Bury's schools and academies, central schools support services, early years providers and high needs areas including in and out of borough providers.

<b>Dedicated Schools Grant</b>	<b>2019/20 £m's</b>	<b>2020/21 £m's (estimate)</b>
Schools Block	122.867	124.580
Central Schools Services Block	0.772	0.908
Early Years Block	13.914	14.000
High Needs Block	30.431	30.881
<b>Total DSG</b>	<b>167.980</b>	<b>170.370</b>

- 1.9 Over and above the DSG Blocks, Cabinet are requested to note the significant additional external funding grants available to schools & academies each year that are allocated based on pupil numbers, academic performance and other characteristics of pupils on roll for example; age, deprivation and/or Looked after Children (LAC) eligibility.
- 1.10 The following table summarises the additional external funding available to schools and academies, these are estimates based on 2018/19 actuals and are subject to January / October 2019 pupil census and other data updates:

<b>External Funding for Schools and Academies</b>	<b>2019/20 £m's</b>
Pupil Premium Grant (PPG)	9.039
Universal Infant Free School Meals Grant (UIFSM)	2.360
Primary PE & Sport	1.170
Year 7 Catch Up Grant	0.195
Teachers Pay Grant (full year effect) *	1.125
Devolved Formula Capital (DFC)	0.651
<b>Total External Funding</b>	<b>14.540</b>

\* The Teachers Pay Grant is provided to schools and academies to cover increased costs of nationally determined pay awards above 1% but does not cover costs associated to teachers employed directly in local authority central support services.

- 1.11 In addition to the total Dedicated Schools Grant (DSG) the DfE have recently announced they will provide a **Teachers Pension Grant** to schools and academies to fund the significant increase to their employer's pension contributions applicable from September 2019. Assuming the pension contribution increase, circa 40%, is fully funded this may provide a further £6 million (estimated) in a full financial year.
- 1.12 Similarly to the Teachers Pay Grant the Teachers Pension Grant will simply offset the increased payroll cost pressures faced by schools and academies.
- 1.13 Unlike the Teachers Pay Grant the Department for Education (DfE) have included teachers employed directly by the local authority in central support services in their proposals on the distribution of the grant, currently subject to consultation.

## **2.0 Strategic Priorities**

- 2.1 The Council is required to ensure its statutory obligations are met in respect to its responsibilities for managing and reporting on the Dedicated Schools Grant in accordance to relevant legislative provisions.
- 2.2 In accordance with statutory requirements all schools and academies have been consulted on the funding formula aspects for 2019/20. The Schools' Forum have considered the allocation of Schools Block and have made their recommendations which are recorded in their minutes of 16 October 2018, 20 November 2018 and 15 January 2019.
- 2.3 The Council is required to approve the formula funding values for the allocation of the Schools Block to mainstream schools and academies and to ratify the recommendations of Schools' Forum.

### 3.0 Key Issues, Budget Pressures and Recovery Plans

3.1 The schools and academies funding unit values as recommended by Schools' Forum are shown in the table below and highlighted for 2019/20:

Factor	Sub-level	2017/18	2018/19	2019/20	2020/21*
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	3,080	2,970	2,858	2,747
	Key Stage 3	3,750	3,860	3,860	3,860
	Key Stage 4	4,500	4,380	4,380	4,386
<b>Deprivation</b>		<b>Amount per pupil (£)</b>			
Free School Meals - Ever 6	Primary	0	250	395	540
	Secondary	0	785	785	785
Free School Meals	Primary	65	190	315	440
	Secondary	5	440	440	440
Income Deprivation Affecting Children Indices (IDACI) Primary	IDACI F	200	200	200	200
	IDACI E	300	281	260	240
	IDACI D	400	387	373	360
	IDACI C	600	531	460	390
	IDACI B	800	675	547	420
	IDACI A	1,000	861	718	575
Income Deprivation Affecting Children Indices (IDACI) Secondary	IDACI F	400	290	290	290
	IDACI E	500	390	390	390
	IDACI D	600	515	515	515
	IDACI C	800	560	560	560
	IDACI B	1,000	600	600	600
	IDACI A	1,200	810	810	810
<b>Additional Education Needs Factors</b>		<b>Amount per pupil (£)</b>			
Low cost, high incidence SEND	Low Prior Attainment	120	429	726	1,022
		900	1,550	1,550	1,550
English as an Additional Language (EAL)	Primary	65	214	365	515
	Secondary	250	1,385	1,385	1,385
Mobility	Primary	500	500	500	500
	Secondary	0	0	0	0
<b>School-Led Factors</b>		<b>Amount per School (£)</b>			
Lump Sum	Primary	125,000	125,000	125,000	110,000
	Secondary	125,000	110,000	110,000	110,000

\* The values shown at 2020/21 represent the National Funding Formula (NFF) values that will be applied to schools and academies formula budget allocations with effect from April 2020 and subject to change as notified by the DfE.

3.2 Early Years funding to providers is based on hourly rates for eligible 2, 3 and 4 year olds accessing their free entitlement to early education. The local authority is required to comply to minimum 'passporting' of the Early Years block direct to providers so that at least 95% of funding is allocated out.

Any retained funding may only be used to contribute to in-year variations in eligible pupil numbers and may support the costs of administering the 2, 3 and 4 year old formula allocation and eligibility checking processes.

The hourly funding rate applied to 3 and 4 year olds must also meet a minimum level of an average across all providers of at least £4 per hour. The amount per hour per provider may vary depending on a mandatory Deprivation element included within the individual settings hourly rate as determined by their pupils on roll according to the pupils' post codes and associated levels of deprivation plotted onto the Income Deprivation Affecting Children Indices (IDACI).

The 2 year old funding rate allocated is higher in order to contribute to funding the greater minimum staffing ratios required and associated costs of supporting 2 year old children.

In accordance with the statutory requirements Council is required to approve the hourly rates applicable with effect from 1 April 2019 as follows:

- 2 year olds: £5.20 per hour
- 3/4 year olds: £4.05 per hour (average)

3.3 High Needs is where the greatest financial pressures impact on the Dedicated Schools Grant (DSG). There is an accumulated deficit that has reached significant levels that is being addressed as a matter of priority.

The High Needs deficit is demonstrated in the following table:

<b>DSG Deficit</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	£000's	£000's	£000's	£000's	£000's	£000's
Deficit Totals c/f	769	2,719	4,538	6,028	6,978	11,127

The deficit of over £11 million was reported as part of the final accounts for 2017/18 however it should be noted due to increased referrals already in 2018/19 the deficit is now at £13 million and it is likely the deficit may increase to around £15 million if no action is taken.

3.4 The deficit has accrued for a number of reasons including:

- Transfer of responsibilities for SEND requirements including funding new burdens for Post-16 pupils in colleges and independent settings from the DSG without the appropriate level of funding allocated by the Department for Education (DfE).
- Significant increased numbers of pupils being identified with SEND and requiring support both in Mainstream and Specialist provision.
- Lack of specialist capacity within Bury to support all pupils with SEND resulting in significant numbers of pupils requiring to be placed out of borough in high cost independent provision. Specifically affecting pupils with Social Emotional and Mental Health (SEMH) and high-performing Autistic Spectrum Disorder (ASD) needs.
- A culture of lack of inclusion within Bury's schools and academies resulting in higher than the national average exclusions of pupils that in many cases has resulted in high cost out of borough placements.

- Lack of specialist support delivered directly into schools to ensure they are trained and able to support all pupils on roll with or without SEND.
- The Mandatory Cost Threshold for schools to meet the first £6,000 costs of support for all pupils with SEND from their own delegated budgets not being applied with effect from April 2013. This was due to the complexities of the school funding formula that effectively could not target the appropriate levels of funding to the schools with the greatest number of SEND pupils on roll.
- Lack of capacity and joined up working across SEND support services and other relevant professional services, including Health and Care sectors, to ensure schools within Bury are appropriately supported for all pupils with SEND. Also a lack of capacity to quality assure external placements and ensure progress of pupils and support requirements are being delivered.
- Lack of funding recognition from the DfE in terms of High Needs block demand increases required for growth in numbers of SEND referrals and associated high cost placements. The High Needs block is only uplifted in respect to general annual population growth in the area and does not recognise actual high costs associated with increased SEND population.

3.5 In order to address the financial situation, together with addressing the recommendations of the area SEND review undertaken by Ofsted and as outlined in Bury's Written Statement of Action, the local authority has worked constructively in coordination and cooperation with Schools, Schools' Forum, Parents, Pupils, SEND/Health/Care professionals, Elected Members represented on the SEND Partnership Board, and with external Strategic Partners on the following developments:

- Applied the Mandatory Cost Threshold with effect from April 2018 in order that schools meet the first £6,000 of support costs for SEND pupils
- Created a bespoke Costed Provision Mapping toolkit for schools in order for them to record and evidence the interventions they have delivered in school for individual eligible pupils which is reviewed by a SEND Panel to ensure no additional funding is provided to schools if they cannot demonstrate their compliance to the Mandatory Cost Threshold.
- Supported schools and academies in their statutory undertakings as per the SEND Code of Practice, ensuring cycles of Assess, Plan, Do, Review are applied consistently, monitored and recorded in Provision Maps and in relevant individual pupils records, including for any updates required to Education, Health and Care Plans (EHCPs)
- With support of local authority colleagues and with positive developments at individual school level, the interim Secondary Partnership arrangements has seen the fantastic outcome of no permanent exclusions of Bury pupils from Bury schools this academic year.
- A thorough review of the spending on the High Needs block has been undertaken to ensure any services receiving contributions look to seek alternative funding arrangements, including trading with schools for non-statutory functions.
- An intensive review of local authority working practices has been undertaken and changes put in place in respect to dealing effectively on any potential SEND referrals at the earliest opportunity with much clearer communication across all relevant colleagues and services established.



- Commissioned a strategic SEND review by external partners (SEND4Change), funded by the DfE, to focus on spend as well as assisting to address the Ofsted recommendations. This strategic review highlighted seven focus areas to improve the way Bury delivers and supports its SEND priorities – all of which will return financial benefits, address sufficiency and capacity in Bury’s provision, and establish a culture of inclusion.

For information the seven strategic financial priorities cover:

- Notional SEND Funding – linked to Mandatory Cost Threshold
- Funding pupils at SEND Support level without the need for an Education Health and Care Plan (EHCP) – linked to schools evidencing using Costed Provision Mapping
- Reviewing Alternative Provision for SEMH
- Reviewing capacity of Bury’s Special School places and SEND units across the borough
- Reviewing Independent Non-Maintained out of Borough placements and referrals
- Enhancing the Early Years SEND offer, linking to Early Help / Team Around the School approaches.
- Reviewing provision for high-performing ASD pupils
- To ensure the delivery of priorities and the issues outlined are addressed the local authority has established Inclusion Partnerships with all schools. Two Primary Inclusion Leads have been appointed with a Secondary Inclusion Lead appointment being imminent.
- A critical aspect to secure the deficit recovery is to stem the flow of out-borough referrals through various measures outlined in this paper. The result of which will see significant cost savings which will be invested into the deficit recovery and into the local authority SEND priorities, reliant on Education, Health and Social Care integration.
- Bury is involved in the Greater Manchester (GM) SEND review of Independent non-maintained (INM) settings to benchmark the quality of provision and explore new models of commissioning.
- To ensure the capacity is available within the local authority area to enable maximum in-borough placements the following has been undertaken:
  - Doubling of the SEND Unit places for Early Years ASD pupils located at Hoyle Nursery School.
  - Installation of a specialist inclusion unit located at St Paul’s Primary school supporting pupils across the North Inclusion Partnership who require interventions, consultations and bespoke support from multi-agency professionals.
  - Capital investment into increasing the physical size of Bury’s Millwood and Elms Bank special schools.
  - Local Authority worked in partnership with Millwood and Elms Bank on expanding intake numbers making effective use of classrooms and alternative buildings.
  - An application to the DfE for a Special Free School within Bury to cater for up to ninety pupils with high-performing ASD needs has been submitted. A decision is expected from the DfE imminently.

- An in-depth review of Bury's Special School formula funding mechanism has been undertaken in conjunction with SEND4Change as strategic partners, Special Schools Headteachers and senior staff, SEND/Health professionals and Financial Services colleagues in order to ensure a revised formula is implemented with effect from 1 April 2019.
- This review and the revised formula will remove the historical funding basis and ensure Special Schools are funded appropriately with an emphasis on 'banding' based on the specific SEND needs and levels of support required on an individual child basis. The new system will be moderated by the schools themselves with professional oversight from local authority SEND colleagues.
- To support the review of Alternative Provision the local authority has reconfigured the Secondary Pupil Referral Unit (PRU) to increase its capacity for supporting pupils with SEMH needs, with a link directly to developing the Alternative Provision offer via the Secondary School Partnerships.
- A Multi-Disciplinary Team (MDT) around SEND is operational and is making significant headway into ensuring schools are supported at the earliest opportunity with SEND children facing exclusion. This includes ensuring targeted specialist support and interventions are delivered, including targeted support from Healthy Young Minds (HYM), health and care professionals as required. The MDT approach has so far resulted in twenty pupils not being placed out of Borough this academic year. To strengthen this approach an integrated 14-25 inclusion pilot will assist in any transitions.
- Bury's Virtual School and Primary Hub offer a bespoke package of interventions, assessments and training to schools and academies across the Inclusion Partnerships to ensure children and young people are supported directly in their educational settings.
- To assist in balancing the High Needs deficit within a realistic timeframe the local authority has agreed with schools, through consultation and with unanimous recommendation of Schools' Forum, an agreement to transfer funds from the Schools block to the High Needs block will be actioned in 2019/20. This is subject to Secretary of State for Education approval expected by the end of January 2019.
- Additionally the DfE announced an increase to the High Needs block funding for 2018/19 and 2019/20. This will be used to contribute to the deficit recovery and to enhance the inclusive practices being delivered.
- Schools' Forum unanimously agreed, at their meeting of 15 January 2019, that the additional High Needs funding will not be used to offset their commitment to transfer funding from the Schools block to the High Needs block.

### 3.6 Deficit recovery plan

The planned result of all of the actions actively being undertaken as outlined in this paper can be demonstrated financially in the proposed deficit recovery schedule below.

This recovery plan has been accepted in principle by the Department for Education (DfE) as an initial plan subject to further monitoring and evidence linked to actual delivery of the SEND priorities related to it.

The deficit recovery plan to fully recover the estimated deficit that may be accrued for 2018/19 is demonstrated in the following table:

Year	2018/19	2019/20	2020/21	2021/22	Totals
Schools Mandatory Cost Threshold (1 <sup>st</sup> £6,000)	-2,25	-2.25	-2.25	-2.25	-9.0
SEN Support & Inclusion – reduced out of borough placements	-0.4	-1	-1.4	-1.4	-4.2
SEN Support & Inclusion – Annual Service Efficiencies / Savings	0.0	-0.2	-0.2	-0.2	-0.6
DSG Schools Block Transfer	0.0	-0.9	0.0	0.0	-0.9
Additional High Needs Funding	-0.45	-0.45	0.0	0.0	-0.9
<b>TOTAL RECOVERY *</b>	<b>-3.10</b>	<b>-4.80</b>	<b>-3.85</b>	<b>-3.85</b>	<b>-15.6</b>

\* Subject to change with several caveats including pupil numbers, requests for EHCPs, Capacity / Sufficiency of Provision, Inclusion, School Funding Allocations and future High Needs Funding allocations.

## 4.0 CONCLUSION

4.1 The DSG report is a key report for the Council detailing the allocation and pressures being faced together with the confirming the significant actions that are being delivered to ensure the DSG is recovered to a sustainable balanced position whilst SEND priorities are addressed.

Members are asked to consider the findings of the report, agree to any Schools' Forum recommendations in respect to formula funding and to be aware of the key issues raised and the challenges requiring continued support to address both the financial and associated SEND delivery strategies.

### List of Background Papers:-

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