

Equality/Diversity implications:	These proposals are in line with equality and diversity policies.
Considered by Monitoring Officer:	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.
Wards Affected:	None

Introduction

- 1.1 The Dedicated Schools Grant (DSG) is the ring-fenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2 The DSG contains 4 blocks determined by a separate national funding formula which calculates the total funding due to Local Authorities. In considering how the DSG is allocated it is necessary to consider each block separately. This reports sets out recommendations in relation to the Schools budget for approval by Cabinet. The details set out in the report has been discussed, and agreed, by the Schools Forum.

2 Dedicated Schools Grant

- 2.1 In September 2019, the Chancellor of the Exchequer presented the 2019 Spending Round (SR2019) to Parliament and this included notification that, nationally, schools funding would increase by £2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23. The Government also advised that the high needs funding for schools would increase by £700m nationally.
- 2.2 For schools this means that the minimum per pupil amount has increased from £3,500 per primary school pupils in 2019/20 to £3,750 in 2020/21, and from £4,800 per secondary school pupil in 2019/20 to £5,000 in 2020/21. For Bury, an additional £10.755m was allocated over and above the 2019/20 allocation.
- 2.3 The allocations for Bury are set out in the following table.

Dedicated Schools Grant	2019/20 £m's	2020/21 £m's	(Increase) /Decrease in funding £m's
Schools Block	122.104	129.940	(7.836)
Central Schools Services Block	0.772	0.774	(0.002)
Early Years Block	13.532	13.782	(0.250)
High Needs Block	30.542	33.209	(2.667)
Total DSG	166.950	177.705	(10.755)

- 2.4 The 4 blocks that make up the DSG are:

- **The Schools Block**

This provides funding for individual mainstream schools and academies as well as growth funding for any planned growth in schools. It is the responsibility of the Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and

secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

- ***The High Needs Block***

This provides funding for the education of pupils subject to Education, Health and care plans from age 0-25 in a range of provision including special schools, mainstream schools, alternative provision, independent specialist provision and council centrally retained expenditure for high needs support and inclusion. It is the responsibility of the local authority to propose and decide the allocation of High Needs Funding. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

- ***The Early Years Block***

This provides funding for two year olds, early years funding in schools and in the Private, Voluntary and Independent (PVI) sector as well as centrally retained expenditure for under 5s. Local Authorities must pass through a minimum of 95% of funding for the universal 15 hour entitlement for 3 and 4 year olds and the additional 15 hours entitlement for 3 and 4 year old children of eligible working parents directly to settings. This means that up to 5% can be retained by the council to contribute to early years functions delivered by education services, for contingency to allow in-year funding to be provided to providers for increased early years pupil participation and for Early Years SEND inclusion funds.

It is the responsibility of the local authority to propose and decide on the allocation of early years funding. The Schools Forum and all early years providers are consulted annually and given an opportunity to give their view on the proposals.

- ***The Central Schools Service Block***

This provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. The local authority proposed the spending allocations funded from the Central Services block but the final decision is made by the Schools Forum.

Central schools services including the admissions service, schools forum, school improvement and other statutory and regulatory duties.

2.5 There is limited flexibility for councils to transfer funding between the 4 blocks. For 2020/21 the Education and Skills Funding Agency (ESFA) has limited the movement between blocks to 0.5% of the total schools block allocation but only with the agreement of the schools forum. Any proposed increase on this is subject to the approval by the Secretary of State.

- 2.6 In 2019/20, Secretary of State approval was given to increase the allocation in Bury to 0.7% in recognition of the increase in costs on the High Needs Block. This was a one year only request and is not being requested for 2020/21.

3 DSG Allocation

Schools Block Funding Formula

- 3.1 The Schools Block allocation for 2020/21 is £129.940m. This is an increase of £7.836m from the 2019/20 allocation.
- 3.2 In September 2017, the National Funding Formula (NFF) for Schools and Central Schools Services was introduced. Following consultation with all schools and academies, Bury applied the NFF with effect from 1 April 2018 with the Secondary Schools opting to move to this immediately and Primary Schools taking a 3 year phased approach. From 2020/21, the national funding formula will be applied to all schools in Bury as previously agreed.
- 3.3 The Schools Forum has considered the allocation of the Schools Block and have made their recommendations. These have been applied to the formula used to determine individual school allocations and ensure full compliance with statutory requirements. A full summary is set out at Appendix 1 and these are recommended for approval by Cabinet.
- 3.4 It is worth noting that the Schools Forum is recommending that the Primary sector Lump Sum is phased over a two year period due to the number of primary schools adversely affected through other NFF factor changes. The phased reduction is £125,000 to £120,000 in 2020/21 followed by a transition to the NFF value of £115,023 from 2021/22. The Schools Block funding increase provided for 2020/21 ensures this transition is able to be applied.
- 3.5 In addition to the schools block funding, additional external funding is available directly for schools and academies. It should be noted that these are estimated figures, based on 2019/20 actuals and are subject to January/October 2020 pupil census and other data updates. A summary is set out in the following table.

Estimated external Funding available to schools and academies in 2020/21	
	£m
Pupil Premium Grant	9.108
Universal Infant Free School Meals Grant	2.369
Primary PE and Sport	1.147
Year 7 Catch Up Grant	0.195
Teacher's Pay Grant	1.473
Teacher's Pension Grant	4.909
Devolved Formula Capital	0.742
TOTAL	19.943

- 3.6 The Teachers Pay Grant is provided to schools and academies to cover increased costs of nationally determined teachers' pay awards above 1% but does not cover costs associated to teachers employed directly in local authority support services.
- 3.7 The DfE also introduced the Teachers' Pension Grant with effect from September 2019 for schools and academies to fund the significant increase to their employer's pension contributions applicable. Unlike the Teachers Pay Grant the Department for Education (DfE) have included teachers employed directly by the local authority in central support services in the distribution of the Teachers Pension Grant.
- 3.8 The Teachers pay grant for 2020/21 will not increase in line with the proposed teachers pay award given the increased funding already made available to schools through the 4% increase to formula funding factors.
- 3.9 Both the Teachers Pay and Pensions grant are likely to be rolled into the schools formula funding mechanism with effect from 2021/22. This will be subject to DfE consultation during 2020.

Early Years Block National Funding Formula

- 3.10 Early Years funding to providers is based on hourly rates for eligible 2, 3 and 4 year olds accessing their entitlement to free early education. 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 £4.16 per hour.
- 3.11 The hourly rate determined must include a universal base rate and a mandatory supplement for deprivation applied to all providers. Any supplements must not be more than 10% of the total hourly rate funding to providers.
- 3.12 Up to 5% of the 3 and 4 year old funding may be retained by the council to contribute to central early years functions, contingency for in-year increases to early years pupil participation in settings and for Early Years SEND Inclusion Fund.
- 3.13 The 2 year old funding rate allocated is higher in order to contribute to funding the greater staffing ratios required and associated costs of supporting 2 year old children. The 2 year old aspect does not include any mandatory supplements and is not subject to the 95% pass-through requirement.
- 3.14 The Early Years block for 2020/21 continues to include the Maintained Nursery School (MNS) funding protection which is allocated as an additional lump sum outside of the universal hourly rates used.
- 3.15 Bury's hourly rate for early years provision is higher than the minimum set out by the Government. It is however proposed that the additional allocation in the settlement, equivalent to £0.08 be added to the 2019/20 rate. In accordance with the statutory requirements Council is required to

approve the hourly rates applicable with effect from 1 April 2020, recommended by Schools' Forum. These are set out in the table below.

Early Years Allocation of Funding Per Hour	
Factor	2020/21 Allocation Per Hour (£)
Universal rate allocated to all providers	4.08
Deprivation Supplement (average)	0.16
Central Provided Services (3%)	0.14
Total for 3 and 4 year olds	4.38

Note: The deprivation allocation above is an average and may vary to individual settings as their actual amount is determined according to the latest deprivation indices for all children on roll according to their home postcode.

Early Years Allocation of Funding Per Hour	
Factor	2020/21 Allocation Per Hour (£)
Universal rate allocated to all providers	5.28
Deprivation Supplement	n/a
Central Provided Services (5%)	n/a
Total for 2 year olds	5.28

3.14 The hourly rates proposed ensure the full increased funding provided through the Early Years Block of 8 pence per hour for 2020/21 is allocated directly to all Early Years providers through their funding allocations based on actual numbers on roll and hours of pupil participation in their settings.

High Needs DSG Budget Allocation

3.15 The 2020/21 allocation for High Needs DSG is £33.209m. This represents a £2.667m increase in the 2019/20 allocation.

3.16 High Needs funding is based on SEND pupil numbers at October 2019 in mainstream, special and resources provision maintained schools and academies, and SEND pupil numbers at January 2020 in independent provision.

3.17 Of the total allocation of £33.209m, the ESFA will allocate around £3.7m direct to Academies and Further Education (FE) establishments for high needs places. The funding remaining for the council to manage is therefore £29.509m to fund all in-borough and out-borough provision and specialist support for SEND and inclusion priorities.

3.18 The Quarter 3 monitoring reported to Cabinet shows a projected cumulative deficit of £18m on the High Needs DSG reserve which is £3.369m higher than at the end of 2018/19. The in-year overspend is due to increased spend on addressing the strategic priorities to develop and enhance in-borough specialist provision. This increase in the deficit was anticipated and forms part of the DfE and Schools Forum approved 5 year deficit recovery plan. Further information on the recovery plan is set out later in the report.

Central Schools Services DSG

3.19 The allocation of the Central School Services DSG (CSSB) block is £0.774 in 2020/21. This represents a small increase on the 2019/20 budget (£0.002m). The use of the CSSB is one for the Schools Forum to decide based on proposals from the council in respect to funding ongoing responsibilities and central functions undertaken on behalf of schools and academies. .

4 DSG HIGH NEEDS RECOVERY PLAN

4.1 Costs of high needs have exceeded the available budget for a number of years and the forecast position on the DSG reserve is a cumulative deficit of £18m by the end of 2019/20. This is £3.369m higher than at the end of 2018/19. The deficit has accrued for a number of reasons including an increasing number of pupils receiving Education, Health and Care Plans (EHCPs), increasing complex needs, increasing costs of provision, increased numbers of pupils in out of borough placements.

4.2 The funding in 2020/21 has increased by £2.677m and it is anticipated that this, in addition to the work agreed in the recovery plan, will help to reduce the cumulative deficit. The table below sets out the detail of the recovery plan, as agreed with the DfE and the Schools Forum.

DSG High Needs Recovery Plan 2018/19 – 2023/24						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m	£m
DSG Balance Brought Forward	11.130	14.630	19.080	20.780	20.380	18.880
Out-Borough Pressures and Investment in SEND provision and priorities in-borough	3.500	3.500	3.000	2.000	2.000	2.000
Schools & Academies EHCP Top-Ups	0.450	2.300	3.000	2.500	2.500	2.500
SEN Support & Inclusion - Reduced out of borough placements	0.000	-0.500	-1.400	-1.400	-2.000	-2.000
SEN Support & Inclusion - Annual Service Efficiencies / Savings	0.000	0.000	-0.200	-0.500	-0.500	-0.500
DSG Schools Block Transfer	0.000	-0.900	0.000	0.000	0.000	0.000
Additional High Needs Funding	-0.450	-0.450	0.00	0.000	0.000	0.000
High Needs National Funding Formula increase	0.000	0.000	-2.700	-4.000	-5.000	-5.000
Deficit Balance C/fwd estimate	14.630	18.580	20.780	19.380	17.380	15.880

4.3 Outcomes of a national major review into High Needs provision and funding, to be commissioned by the DfE (launch date currently unknown), will be factored in to the future strategic priorities and recovery plan profile in due course.

- 4.4 Based on the information available it is forecast that the DSG reserve will remain in deficit for a number of years – currently projecting a cumulative deficit of £15.8m by the end of 2023/24. Work is underway to bring this down further and updates will be provided as part of the quarterly monitoring process.
- 4.5 The recovery plan has been accepted 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.
- 4.6 DfE accept that the cumulative deficit may take a longer period to recover and are looking at how further support to LAs may be provided in future years, including targeted DSG to areas struggling to recover the deficit. The additional funding announced as part of SR2019 may be an indication that additional funding to address this issue may be available in future years. This is however not confirmed and cannot be relied on.
- 4.7 The DfE has just announced the outcome of its consultation on DSG balances and is removing the link between the council's general reserves and DSG deficit balances. The detail on the outcomes of the consultation is currently being considered and more updates will be available at the meeting. Whilst this removes the risk from councils, the expectation that the deficits are managed as part of the DSG budget needs to be considered and still needs to be addressed.

Appendix 1

Funding Unit Values recommended to Cabinet by the Schools Forum			
Factor	Sub-level	2019/20	2020/21
		£	£
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	2,858	2,873
	Key Stage 3	3,860	4,040
	Key Stage 4	4,380	4,586

Deprivation – Amount Per Pupil			
Factor	Sub Level	2019/20 Per Pupil	2020/21 Per Pupil
		£	£
Free School Meals - Ever 6	Primary	395	563
	Secondary	785	819
Free School Meals	Primary	315	452
	Secondary	440	452
Income Deprivation Affecting Children Indices (IDACI) - Primary (Amount Per Pupil)	IDACI F	200	211
	IDACI E	260	251
	IDACI D	373	377
	IDACI C	460	407
	IDACI B	547	437
	IDACI A	718	603
Income Deprivation Affecting Children Indices (IDACI) - Secondary (Amount Per Pupil)	IDACI F	290	302
	IDACI E	390	407
	IDACI D	515	538
	IDACI C	560	583
	IDACI B	600	628
	IDACI A	810	845

Funding Unit Values recommended to Cabinet by the Schools Forum				
Factor		Sub-level	2019/20 Per Pupil	2020/21 Per Pupil
Additional Education Needs Factors – Amount Per Pupil			£	£
Low cost, high incidence SEND	Low Prior Attainment		726	1,071
			1,550	1,619
English as an Additional Language (EAL)	Primary		365	541
	Secondary		1,385	1,448
Mobility	Primary		500	880
	Secondary		0	1,257

School-Led Factors		Amount per School	
		2019/20	2020/21
		£	£
Lump Sum	Primary	125,000	120,000
	Secondary	110,000	115,023