

# REPORT FOR DECISION

<b>DECISION OF</b>	<b>CABINET</b>
<b>DATE:</b>	<b>2 SEPTEMBER 2020</b>
<b>SUBJECT:</b>	<b>DEDICATED SCHOOLS GRANT (DSG) DEFICIT RECOVERY</b>
<b>REPORT FROM:</b>	<b>CABINET MEMBER FOR CHILDREN AND FAMILIES</b>
<b>CONTACT OFFICER:</b>	<b>KAREN DOLTON, EXECUTIVE DIRECTOR, CHILDREN AND YOUNG PEOPLE</b> <b>LISA KITTO, DEPUTY CHIEF FINANCE OFFICER (INTERIM)</b> <b>STEVEN GOODWIN, HEAD OF STRATEGIC BUSINESS AND FINANCE</b>
<b>TYPE OF DECISION:</b>	<b>KEY</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain.
<b>SUMMARY:</b>	This report outlines the accumulated deficit and forecast financial position of the Dedicated Schools Grant (DSG) and sets out the key requirements and controls essential to recovering the deficit and sustaining a balanced financial position.
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	Cabinet is asked to: <ul style="list-style-type: none"> <li>• Approve the recovery plan and actions therein;</li> </ul>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	The proposals accord with the Policy Framework
<b>Statement by Section 151 Officer:</b>	The financial implications are set out in the report.
<b>Equality/Diversity implications:</b>	No
<b>Considered by Monitoring Officer:</b>	Yes
<b>Are there any legal implications?</b>	No
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	Overview and Scrutiny Committee

# **DEDICATED SCHOOLS GRANT – CURRENT POSITION AND DEFICIT RECOVERY REQUIREMENTS**

## **1 PURPOSE OF THE REPORT**

- 1.1** This report outlines the financial position of the Dedicated Schools Grant (DSG) and highlights to Members the significant deficit which has accumulated over the last 8 years and urgently needs to be brought under control.
- 1.2** The report outlines the key controls and governance requirements which need to be embedded and understood by all services and relevant stakeholders, including schools and academies, parents forum, and health colleagues where relevant, to ensure the DSG is sustainable within its annual allocation and the accumulated deficit is recovered in the fastest timeframe practically possible.
- 1.3** The report will contribute to the evidence required for the deficit recovery submission to the Department for Education (DfE). Further details about the DfE requirements are contained within the report.

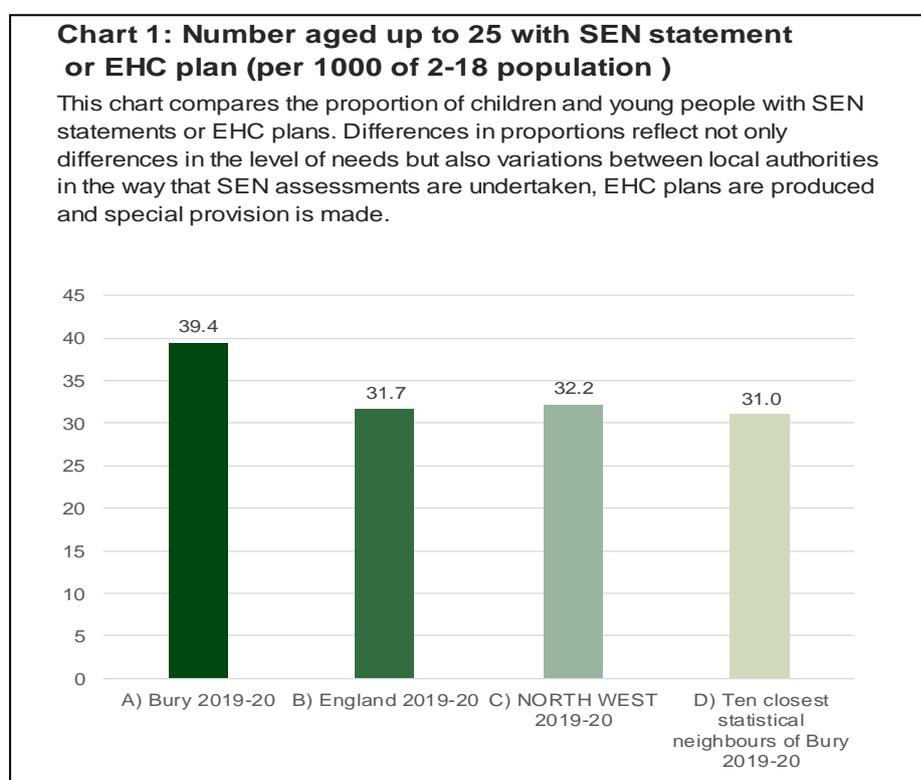
## **2 SUMMARY**

- 2.1** A DSG deficit is not unique to Bury and 30 other Local Authorities were required to submit a DSG recovery plan at the beginning of 2019/20 where their deficit brought forward from 2018/19 was above 1% of their overall DSG allocation.
- 2.2** The DSG is currently facing significant demand pressure and has an accumulated deficit which is subject to an approved Deficit Recovery Plan with the Department for Education (DfE). The crux of the problem is in respect to the High Needs block of the DSG which is used for supporting all children and young people, aged 0-25 years of age, who have Special Educational Needs and/or Disabilities (SEND) – whether with an Education Health and Care Plan (EHCP) or not.
- 2.3** Historically Children’s Services has tended towards providing support at the point of crisis without always having a full understanding of what the wrap around coordinated support has been for the child/family prior to referral into specialist services (SEND/Mental Health/Childrens Social Care) and with little ‘push back’. In too many cases we have not properly understood the needs of children and their family through a holistic assessment with a focus on the child’s context; family life, environment, networks and community, at a much earlier opportunity. The resulting impact is that some children who present with additional needs, particularly in relation to behaviour and emotional health, in the absence of a coherent and joined up earlier response can quickly escalate into expensive packages of support, funded by the DSG, that respond to the presentation but not always the cause.
- 2.4** The current DSG deficit recovery plan takes into account developments required within Bury in order to create and sustain the sufficiency of SEND provision and inclusion facilities in-borough. The recovery plan is therefore forecast to worsen during 2020/21 before the benefits of investment begin to see a significant reduction in high-cost out of borough and independent specialist placements.

**2.5** The end of year position for 2019/20 is now complete following year end closure of accounts and, due to further increased in-borough investment, together with escalating volumes of high cost places requiring funding in Bury's own provision, as well as the out of borough specialist and alternative provision placements, the deficit is **£20.067m**. This deficit equates to 12% of the overall DSG allocation for 2019/20, and is over 65% of the High Needs block allocation alone.

**2.6** The statutory Section 251 Budget Tables for 2020/21 have been drafted based on the current / ongoing levels of spend and investment to high needs provision and, without any savings being recognised, the net spend is set to increase by approximately a further £4.6 million. Without any actions being implemented, the trajectory of spend could see the accumulated deficit be greater than the overall High Needs Block allocation in 24 months.

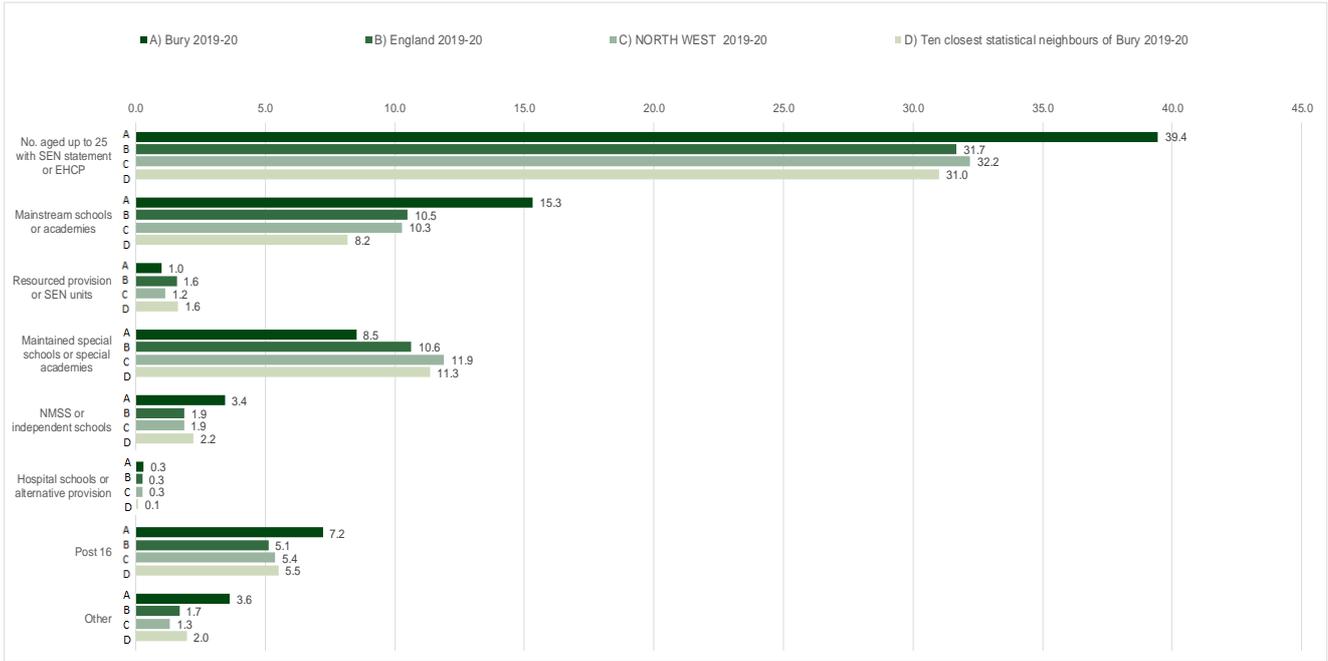
**2.7** Bury has a higher than average proportion of children and young people with an Education Health and Care Plan (EHCP). The latest comparative analysis of SEND data, as published by the DfE in December 2019, shows the following:



**2.8** Bury has a higher than average proportion of children and young people with an Education Health and Care Plan (EHCP) being educated in Independent Non-Maintained Specialist (INMS) provision, the majority being out of borough. The latest comparative analysis of SEND data, as published by the DfE in December 2019, shows the following:

**Chart 2: Placement of pupils aged up to 25 with SEN statement or EHC plan (per 1000 of 2-18 population)**

This chart breaks down the proportion of children and young people with SEN statements or EHC plans into where they are placed. The categories of special provision are explained in more detail in the "Glossary and sources" worksheet and the data can be found in data table 2. Differences between local authorities should be interpreted with care. For example, lower numbers could reflect a lower use of a particular type of provision or a lower proportion of the population with SEN statements or EHC plans.



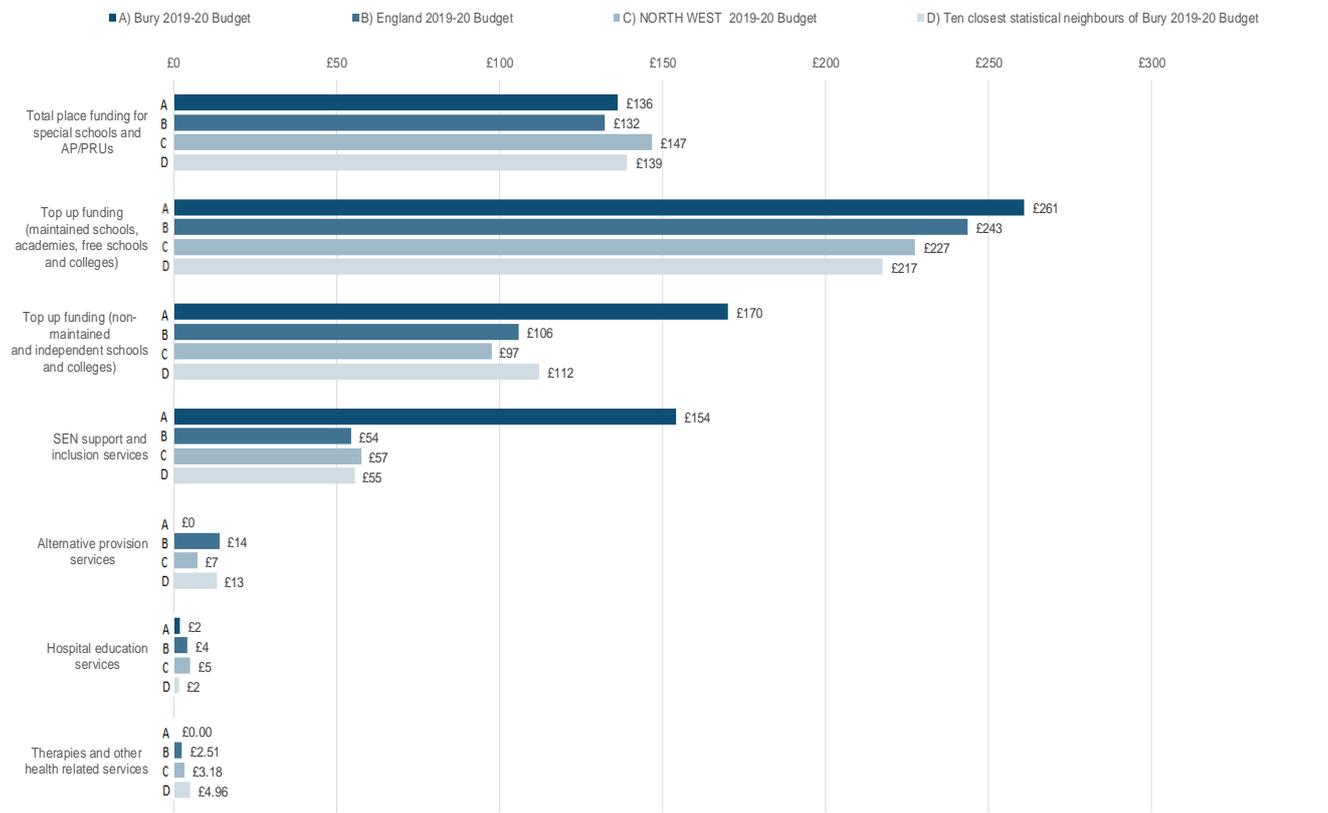
**2.9** Bury allocates more than the average SEND top-up funding per-head to schools, academies and inclusion/support services. The latest comparative analysis of SEND data, as published by the DfE in December 2019, shows the following:

**Chart 3: High needs amount per head of 2-18 population**

This chart compares budgeted and/or outturn spend per head, using aggregated section 251 categories as explained in the "Glossary and sources" worksheet. The data can be found in data table 3.

Note that place funding includes academies for the budget but excludes academies for outturn.

Note that the place funding category includes special schools and academies and PRUs and AP academies to enable comparison across years (refer to the "Glossary and sources" worksheet for category changes in 2018-19).



**2.10** For 2020/21 Bury has seen a shift in the number of children with SEND being educated in or out of the borough with the result demonstrating that Bury has become a Net Exporter rather than a Net Importer. The net exporter position confirms more children with SEND are being educated out of borough and less are coming into Bury's educational establishments, including Colleges. A full analysis of this data is available, including which other Local Authorities and types of establishment are attracting, or being referred to for, Bury's children with SEND

Notable variances include the net shift in numbers where Bury is exporting more and importing less as follows:

- Bolton - 18.5
- Manchester - 14
- Oldham - 7
- Birmingham - 3

The net export position results in a deduction to Bury's High Needs Block in order that funding can be targeted to the Local Authorities who are net importers.

### **3 FINANCIAL OVERVIEW – Dedicated Schools Grant**

**3.1** The Dedicated Schools Grant is provided to Bury in four blocks as follows:

<b>Dedicated Schools Grant</b>	<b>2019/20</b> <b>£m's</b>	<b>2020/21</b> <b>£m's</b>	<b>2021/22</b> <b>Indicative</b> <b>£m's</b>
Schools Block <sup>1</sup>	122.104	129.940	140.639
Central Schools Services Block	0.772	0.774	0.813
Early Years Block <sup>2</sup>	13.532	13.782	13.782
High Needs Block <sup>3</sup>	30.542	32.245	36.137
<b>Total DSG</b>	<b>166.950</b>	<b>176.741</b>	<b>191.371</b>

<sup>1</sup> Schools Block – the significant forecast increase to funding for 2021/22 includes over £6m being transferred in for the Teachers Pay and Pension grants which are currently provided separately. The balance of increase, circa £5m is 'new' additional funding for schools as part of the £14.5b increased funding through the National Funding Formula (NFF).

<sup>2</sup> Early Years Block – subject to announcement in January 2021

<sup>3</sup> High Needs Block – Allocation varies to the February 2020 Cabinet budget report due to an update made in respect to Further Education (FE) SEND Recoupment

**3.2** The **Schools Block** of the DSG is ring-fenced to Bury's schools and academies and must be fully allocated in compliance to the NFF. The formula allocates over 90% of the funding available to pupil-led factors including Deprivation and Low Prior Attainment which both have a correlation to SEND.

**3.3** The **Central Schools Services Block** provides a contribution to funding ongoing responsibilities and central functions undertaken on behalf of schools and academies, including Admissions, Education Welfare, Safeguarding in Schools, and National Copyright licences.

**3.4** The **Early Years Block** provides the funding to support all Early Years provision in Bury, including maintained nursery schools and classes, together with Private, Voluntary and Independent (PVI) settings providing early education and childcare. This block funds Early Years SEND Inclusion which is targeted to provide early intervention, support and specialist equipment/seating to children aged 2 to 4 with SEND.

**3.5** The **High Needs Block** is the area of greatest concern and financial volatility. The indicative increase for 2021/22, circa £2.9m, represents the 137<sup>th</sup> (out of 149 Local Authorities) lowest increase nationally and does not recognise the high cost pressures being faced by this block.

- The £2.9m indicative increase was already anticipated in Bury’s five-year deficit recovery profile and therefore does not provide any additional funding to support an accelerated deficit recovery
- The DfE have delayed their ‘Major Review of High Needs’ consultation due to the Covid-19 situation and they will be conducting an in-depth policy review over the Summer which is intended to inform their strategic planning and solutions to the high needs pressures. This review will influence the funding allocations for 2022/23.

**3.6** In addition to the DSG, schools and academies benefit significantly through various grants as follows:

<b>Additional Funding for schools and academies in 2020/21</b>	
	<b>£m</b>
Pupil Premium Grant	9.108
Universal Infant Free School Meals Grant	2.369
Primary PE and Sport	1.147
Teacher’s Pay Grant <sup>1</sup>	1.473
Teacher’s Pension Grant <sup>1</sup>	4.909
Devolved Formula Capital	0.742
Covid-19 Catch Up Grant <sup>2</sup>	2.379
<b>TOTAL</b>	<b>22.127</b>

<sup>1.</sup> Teachers Pay & Pensions Grants – to be transferred into Schools Block from 1 April 2021

<sup>2.</sup> Covid-19 Catch Up Grant – new grant to be allocated across the 2020/21 academic year

The additional funding information is included to demonstrate the entirety of funding available to schools and academies through Government delegated/devolved grants. Further grants are available directly to schools and academies, including additional Capital schemes, through various sources e.g. Sport England. Schools and academies also enhance their funding through income generation opportunities where possible.

**3.7** On top of the annual schools budget determination and grants provided, schools are able to carry forward their accumulated surplus, and deficit, balances from the previous year. A summary of Maintained School balances carried forward for the last 4 years is as follows:

<b>Schools Final Outturn</b>	<b>2016/17 Balance £m</b>	<b>2017/18 Balance £m</b>	<b>2018/19 Balance £m</b>	<b>2019/20 Balance £m</b>
<b>Net Surplus</b>	<b>4.431</b>	<b>4.647</b>	<b>5.278</b>	<b>5.551</b>

Clearly the trajectory of the overall level of Maintained Schools' surplus balances is increasing year on year. Given the increased funding provided through the National Funding Formula (NFF) for 2020/21, and further increases announced for 2021/22 and 2022/23, the trajectory of accumulative surplus balances is expected to continue.

Included in the figures there are 13 schools, up from 9 in 2018/19, that have surplus balances that are deemed 'excessive' as they are above the maximum thresholds outlined in the approved Scheme for Financing Schools. These schools are subject to Schools' Forum scrutiny who consider any actions to recover un-committed accumulated surplus balances where schools do not evidence robust reasons and timely plans to spend on the children in school now.

There are a small number schools (8) with deficit balances at the end of 2019/20 that are subject to recovery plans, with all bar one having demonstrated a full recovery back to sustainable surplus in their school budget plans for 2020/21.

It is imperative that Members and Local Authority officers obtain up to date information on schools' balances when considering any requests from schools for financial assistance. School balances and forecasts for future years are available at individual school level upon request.

**3.8** The DSG is deployed to schools, academies, early years and central support services as detailed in the statutory Section 251 budget tables.

Specifically for the High Needs Block, the deployment for 2020/21 is as follows:

Local Authority 351 Bury								
Line	Description	Early Years	Primary	Secondary	Special	AP / PRU	Post 16 School	Gross
1.0.2	High needs place funding within Individual Schools Budget	0	304,000	98,000	4,450,000	1,360,000		6,212,000
<b>HIGH NEEDS BUDGET</b>								
1.2.1	Top up funding - Maintained providers	0	2,501,100	1,597,900	3,778,008	999,500		8,876,508
1.2.2	Top up funding - Academies, Free Schools & Colleges	0	922,600	261,760	5,100,833	0	0	6,285,193
1.2.3	Top up funding - Independent providers	0	0	0	6,995,900	0	1,359,000	8,354,900
1.2.4	Additional Targeted High Needs Funding - Mainstream	0	225,685	78,922	0			304,607
1.2.5	SEND support services	62,840	623,370	528,430	81,590	26,770	0	1,323,000
1.2.6	Hospital education services	0	0	0	80,000	0	0	80,000
1.2.7	Other Alternative Provision Services	0	650,000	800,000	0	0	0	1,450,000
1.2.8	Support for inclusion	0	1,941,280	1,517,730	70,590	0	15,000	3,544,600
1.2.9	Special schools and PRUs in financial difficulty				0	0		0
1.2.10	PFI and BSF costs at Special Schools, AP / PRU & Post 16				0	0	0	0
1.2.11	Direct payments (SEN and disability)	0	0	0	300,000	0	0	300,000
1.2.12	Carbon reduction commitment allowances (PRUs)					0		0
1.2.13	Therapies and other health related services (Paediatric)	0	75,000	75,000	0	0	0	150,000
<b>TOTAL HIGH NEEDS</b>								
HNB	High Needs Block Total	62,840	7,243,035	4,957,742	20,856,921	2,386,270	1,374,000	36,880,808
	High Needs Block Allocation 2020/21							32,244,900
	High Needs Block Variance 2020/21						Increase Deficit	4,635,908

**3.9** For transparency the lines highlighted above are detailed as follows:

<b>1.2.5 SEND Support Services</b>		<b>Cost Code</b>	
Central Recharges and Statutory Requirements	inc Bury Safeguarding Children's Board	FK10070	195,000
Additional Needs Team		FT10000	408,000
Sensory Support		FT30000	720,000
<b>1.2.5 Total</b>			<b>1,323,000</b>
<b>1.2.7 Other Alternative Provision - Inclusion</b>		<b>Cost Code</b>	
Secondary Inclusion Partnerships		FC80000	440,000
Secondary Inclusion Hubs	North: Elton, South: Philips, Central: Hazelwood	FT69200/300/400	360,000
Primary Inclusion Partnerships		FC90000	250,000
Primary Hub	Previously The Ark	FT61000	400,000
<b>1.2.7 Total Inclusion Partnerships and Hubs</b>			<b>1,450,000</b>
<b>1.2.8 Support for Inclusion</b>		<b>Cost Code</b>	
Sen Team		BE40000	255,000
16-19 Team		EL16190	56,000
Travellers Service		FQ84000	85,000
LAC Education		FT31000	200,000
SEN Support Services - Travel Training		FT40000	61,000
Curriculum Language Access Service		FT59000	693,900
Connexions - Bury		GC17000	315,000
Youth Disability Service		EG34000	15,000
Youth Service General		GY50000	234,000
School Crossing Patrol		HAS0000	395,000
Oasis Team (Early Help)		TTG0161	495,100
C.A.M.H.S.		TTG2470	232,700
Victoria Family Centre		TTG6100	506,900
<b>1.2.8 Total Support for Inclusion</b>			<b>3,544,600</b>

**3.10** The Support Services referred to above are subject to detailed review. Several have already been captured in the separate report to Cabinet 'Education Lean Service Review'. Further consideration is required to ensure efficiencies and savings can be maximised together with ensuring the budgets allocated to this area are compliant to statutory guidance.

## 4 FINANCIAL IMPLICATIONS

**4.1** The financial implications, focussing on the High Needs Block of the DSG, are set out in the following:

**4.2** The accumulating deficit on the DSG has been reported over the last 8 years and is summarised in the following table:

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
£m							
0.769	2.719	4.538	6.028	6.978	11.127	14.631	20.067

**4.3** The DSG Deficit recovery profile, revised to reflect the final outturn 2019/20 plus ongoing high-cost pressures and investment into local provision is estimated as follows:

		Year 1	Year 2	Year 3	Year 4	Year 5
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
£m						
11.127	14,631	20.067	24.531	24.231	22.431	20.631

**4.4** The table above assumes the benefit of investment is realised the current financial year (2020/21) and the deficit recovery commences from 2021/22. This assumption is highly dependent on operational change and controls being embedded in respect to all decisions on funding for SEND provision and placements whether in or out of borough.

- 4.5** The DfE accept that the entirety of the deficit may not be recovered over the five year profile and that the remaining deficit may be recovered over a longer period. They have not specified how long this period will be. Their priority was to ensure Local Authorities could demonstrate they could manage within the annual High Needs Block allocation as soon as practically possible.
- 4.6** The profile reflected in the recovery table above is worse than originally anticipated given the levels of investment made, increasing volumes of high cost out of borough and independent placements, plus the volume of EHCPs requiring top-up funding to schools and academies. The EHCP top-up mechanism was also adjusted in-year in line with statutory guidance and resulted in £2.3m being allocated to schools and academies during 2019/20. The ongoing impact of the compliant EHCP funding mechanism is built into the High Needs Block budget allocation for 2020/21.
- 4.7** The overspend was exacerbated during 2019/20 for several areas where expenditure exceeded the original planned budget, including:

In Year EHCP Funding	£2.261m
Increased Out Borough and Independent Alternative Provision placements	£2.539m
Further investment for In-Borough Inclusion	£0.236m

- 4.8** The overspend simply cannot continue to be uncontrolled and allowed to escalate any further.

## **5 STRATEGIC RECOVERY**

- 5.1** The recovery of the DSG deficit and attaining a sustainable financial position that demonstrates Bury is able to manage within the annual allocation is a key priority that will require a significant and fundamental shift in both culture and system approaches, including intervention with schools and families. Bury has not adapted to the changing funding landscape for schools and continues to provide and fund services which many local authorities no longer do with schools providing or commissioning directly themselves.
- 5.2** Co-production of all stakeholders including Elected Member, Local Authority officers, Health colleagues, Schools/Academies/Schools' Forum, together with Parents and Youth Forums, is key to ensuring the scale of the issue is understood through ensuring collective design capturing ownership of the solutions is achieved. Co-production is an aspect that will be reviewed by the DfE in the new Deficit Recovery template.
- 5.3** A full review of all education support services, including those funded by General Fund and DSG, is well underway as a priority to achieve savings this financial year. The reviews will ensure the services are transformed to deliver all statutory requirements whilst, at the same time, address capacity and developments required to safeguard Bury's SEND children and young people.

- 5.4** The services subject to the separate Education Lean Services Review are:
- Curriculum and Access Language Service (CLAS)
  - School Crossing Patrols
  - Sensory Support (Hearing / Visually Impaired)
  - Home to School Transport
- It is recognised that the transport review is affected by the current Covid-19 situation, developments across Greater Manchester and complex statutory requirements.
- 5.5** In addition, the Education Psychology services, has undergone a thorough review and is included in a partnership agreement with Salford Council that will deliver a much improved service to Bury's SEND children – at a reduced cost. (subject to sign-off)
- 5.6** To enhance in-borough capacity Bury has applied to the DfE for a new Special Free School to be developed in the locality. This application has been approved and a preferred sponsor has been identified. Shaw Education Trust will operate the Special Free School which should be built and ready to open in approximately 2 years. This increased capacity is factored in to the current five year plan to stem the flow of out of borough referrals and ultimately save on the associated out of borough costs.
- 5.7** A full review of all Bury's designated SEND Resourced Provision units, attached to specific schools, has been undertaken with a view to increasing capacity, and/or re-designating the status of the units to accommodate the SEND children that may otherwise go out of borough. The review is also creating new capacity in other designated schools to support the increasing volumes of children identified with Social Emotional and Mental Health (SEMH) needs. A review of Bury's Secondary Pupil Referral Unit (PRU) has also seen it develop its' capacity to support SEMH pupils.
- 5.8** In 2018, in order to ensure Bury's Ofsted SEND Area Review recommendations could be actioned, an independent SEND strategic partner was engaged to provide direct support and help implement the necessary changes. SEND4Change were commissioned to support Bury and part of their review included focus on functions and services funded through the High Needs Block.
- 5.9** Bury's Schools' Forum is fully aware of the position, have been advised of the review of spending controls required on the High Needs Block and appreciate the necessity for schools and academies to demonstrate, and evidence using costed provision mapping, that they are spending their delegated resources effectively in compliance to their Mandatory Cost Threshold (first £6,000 requirement) in accordance to statutory guidance.
- 5.10** The review of all of the out of borough placements has been undertaken and a plan is in place to ensure children are returned to Bury at key transition stages wherever possible. This is subject to Bury having sufficient capacity of SEND provision in borough. This review includes quality assuring all provision where Bury's children are placed.
- 5.11** Children's Services recently re-structured and enhanced the directorate with the introduction of Early Help division in 2019. This gives us the opportunity to build and embed a more strategic approach to early help and intervention with greater coordination of services when needs arise and will be one of the key strands to recovery.
- 5.12** Early Help has already established the Team Around the School but need to broaden the scope to include;
- Development of a Bury Family Offer:

- An integrated approach to family support from pregnancy through to early adulthood which is developed by and understood by all partners (including of third sector and community)
- An offer that has models of intervention that are evidence based and will create the environment for greatest positive impact. To include (though not exhaustive)
  - Parenting
  - Family Conflict and domestic abuse
  - Employment and Adult Learning
  - Mental Health
  - Substance use that impacts of family functioning
- Sustainable approaches to use of finance, with better coordination of any additional funding through grants etc to enhance the core offer and reduce episodic and reactive approaches to family support
- Workforce
  - Childrens Workforce Strategy
  - Sustainable approaches to training on models of intervention (licensing/train the trainer)
- Community Driven
  - Influenced and driven by communities and linked to neighbourhood offer
- Data and Performance
  - The offer will respond to community needs and shaped to ensure greatest affect through understanding of local needs
  - Quality Assurance frameworks and driven by outcomes

**5.13** Early Help developments may not effect change quickly and will require ownership at Council and Executive level as well as a joint approach across partners, but this shift in approach will be key to longer term benefits for our children and communities, is more efficient and will in time reduce the demand into specialist services. It will in effect start to reduce some demand on DSG through better identification of only those children who require additional funding through EHCP planning whilst other children and their families will remain supported through a more targeted offer of family support

**5.14** Investment into in-borough provision has been maximised and must now be curtailed in order that this no longer outweighs the financial benefits intended to be achieved. The enhancement of the Resourced Provision, including re-designation of existing units together with the creation of greater capacity through expanded and new provisions, must be the last investment from the High Needs Block. Enough is now in place to support local inclusion within schools and units for the majority of pupils with SEND.

**5.15** To help address Bury's in-borough capacity and sufficiency of SEND provision a significant level of investment has been made to help ensure schools can develop their inclusion practices and facilities.

**5.16** Inclusion Partnerships/Hubs investment needs to be reviewed to ascertain how effective these have been in supporting schools and academies with their inclusive practices in order to reduce referrals out to high costs alternative provision.

**5.17** Alternative investment strategies, that do not require the use of the High Needs Block, need to be prioritised, including the Council and Clinical Commissioning Group (CCG) through the One Commissioning Organisation (OCO).

**5.18** National campaigns and lobbying for greater recognition of the high-cost pressures being faced by the High Needs Block are continuing with a view to secure an overall greater proportion of the DSG to be allocated directly to Local Authorities to help them sustain a positive funding outlook.

**5.19** Bury is one of a small number of Local Authorities that has worked with the DfE on the development of a new and improved deficit recovery template. This new template embraces co-production and will be launched early in the Autumn 2020 term. The DfE intend to use this, together with final outturn data for 2019/20, to target their discussions to the highest overspending Local Authorities with a view to reaching agreement on DSG recovery and provide additional funding, subject to Ministerial approval and outside of the DSG, in 2020/21. Approximately six Local Authorities will be targeted during the Autumn term. At this stage, Bury must continue to develop and implement its recovery plan without anticipating any potential additional funding that may, or may not, be forthcoming.

**5.20** In order to assist the recovery of the deficit, key controls around decision making need to be understood by all stakeholders. The draft controls being considered specifically by the SEND Team and associated colleagues includes the following which were initially proposed by Head of Strategic Business and Finance (Steven Goodwin), and developed by Strategic / SEND Leads:

<b>DSG Recovery – SEND Controls (August 2020)</b>
The recovery of the DSG is critical to ensuring a sustainable positive financial position may be secured. We need to act immediately to ensure full controls and accountabilities are embedded into every aspect affecting the High Needs DSG expenditure. Therefore with immediate effect:
<b>Moratorium on spend</b>
Decisions on funding for EHCPs and EY Inclusion funding will continue in the same way as usual through the SEND panel process.
<b>No decisions for funding can be made outside of Panel without an escalation to senior managers.</b>
<b>No more High Needs funding provided to schools and academies in-year – they must utilise their delegated budgets to support their pupils with SEND whether with an EHCP or not</b>
For CYP with EHCPs, if schools are insistent, there needs to be clear evidence of need and the impact on how they are using existing resources. Additional funding will be made by exception only. This should be managed down at caseworker level, escalating to Senior CW level to support if needed. Funding will only be agreed by the Head of Service.
Requests for additional resources including INMS/AP/PB/increases to EHCP funding, increase to EY Inclusion funding etc., will need to follow an escalation policy from caseworkers through to the Head of Inclusion and Partnerships/AD.
<b>Escalation policy</b>
EHCP funding/requests for AP/PB and any other funding to go through CW/Senior CW/Service Manager before submission to Head of Service – must demonstrate that request has been rigorously analysed
INMS requests – to go through CW/Senior CW/Service Manager before Head of Service and AD - demonstrate that request has been rigorously analysed
<b>All requests must be evidenced by data and impact! If this is not evidence please go back to the schools/setting to inform them that there is no evidence to support the funding request.</b>
<b>No evidence – no funding.</b>
Escalation policy to apply as described above. If there are any significant change of needs, an AR should be held for children with EHCPs.
For children at SEND Support/SEND Support plus level, this will be managed through the IAP system – this includes requests for Medical Funding.
All panel arrangements including those for special schools/ARPs will be reviewed to ensure that the LA has better controls over decision making and distribution of resources.
We will of course be closely monitoring spend as part of our KPIs for the service.
All members of the SEND team have a role to play in supporting the deficit recovery plan.

**5.21** In addition to the controls being considered by the SEND Team as outlined above, it is fundamental that these controls are understood and embedded across the organization, including schools and academies.

**5.22** Schools and Academies are critical in ensuring they fully appreciate, understand and actively apply their mandatory and reasonable adjustment requirements for all of their pupils with SEND, whether with an EHCP or not, within their delegated funding. This should be clear and without expectation, which has unfortunately become common practice and culture that the Local Authority will pay.

## **6 LEGAL IMPLICATIONS**

**6.1** Compliance to the statutory DSG Conditions of Grant 2020/21 must be adhered to as per the following extract:

### **DSG Conditions of Grant 2020/21**

#### **5.1 Year end procedures**

There are new arrangements for handling overspends with effect from the end of the 2019 to 2020 financial year.

New provisions have been put into regulation 8, paragraphs (7) and (8), and Schedule 2 Part 8 of the School and Early Years Finance (England) Regulations 2020

The impact of these statutory provisions will be that a local authority with a DSG deficit from the previous year must either:

- carry the whole of the deficit forward to be dealt with in the schools budget for the new financial year, deducting all of it under regulation 8(7)(a) from the money available for that financial year
- carry part of it forward into the new financial year and the rest of it into the following financial year, using regulation 8(7)(b)
- carry all of it into the following financial year, using regulation 8(7)(c)
- apply to the Secretary of State under regulation 8(8) for authorisation to disregard the requirements in regulation 8(7) if it wishes to fund any part of the deficit from a source other than the DSG

This creates, on a statutory basis, a new requirement that a deficit must be carried forward to be dealt with from **future DSG income**, unless the Secretary of State authorises the local authority not to do this.

#### **5.2 Further conditions relating to DSG overspends and deficits**

Any local authority that has an overall deficit on its DSG account at the end of the 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in handling that situation. In particular, the local authority must:

1. Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
2. Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
3. Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.

4. Keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings.

The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.

**6.2** Schools' Forum have been consulted on 16 June 2020 on the scale of the deficit and plans to bring the situation under control. They will be updated at their next meeting on 19 October 2020

**6.3** Members need to be satisfied taking into account the assurance of the CFO that the proposed recovery plan is realistic and meets the requirements of the DfE and ESFA

## **7 ASSOCIATED RISKS**

**7.1** There are financial risks to the General Fund budget of the Council should any support service budgets be removed from the DSG and transferred to General Fund responsibility. Likewise should any further costs from the General Fund be charged to the DSG, the deficit recovery will be hindered.

**7.2** There is a risk associated to compliance to statutory requirements in respect of support services charged to the DSG. This will be reviewed in line with the statutory Section 251 Budget conditions.

**7.3** There is also a risk to the Councils' cash flow position as the deficit is effectively being underwritten by the Council. The DfE are open to requests for accelerated DSG payments to the Council should the cash flow risk approach reality.

**7.4** There is a high risk of challenge from parents if Bury does not support their requests for out of borough placements and strong leadership will be required to support the cultural and system shift.

**7.5** An equality impact assessment will be required to ascertain any risk particularly in respect to disability discrimination.

**7.6** The content of the report supports the Council in managing the overall financial risks and financial planning for the Council.

## **8 NEXT STEPS AND CONCLUSION**

**8.1** Members are asked to consider the financial position and implications of the DSG deficit and to agree to support officers in their endeavours to review services that will contribute to the DSG deficit recovery in line with DfE requirements.

**8.2** Members are asked to support the Local Authority in its' strategic objective in a systems and cultural shift support by its review and implementation of the necessary controls and governance requirements, which will be communicated and understood by all stakeholders, including schools and academies.

**8.3** The DSG recovery will be tracked and reported to future meetings, together with an update on the DfE developments and discussions to take place following the submission of the DSG recovery template (due to be made available by the DfE in the Autumn Term).