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| **Schools Forum 16th July 2020** | Item  |

**SUBJECT: DSG outturn report for July 2020**

**LEAD OFFICER: Feroza Begum**, Children, Schools and Families Finance

**RECOMMENDATION**

**That the Forum:**

1. **Notes the outturn position of the Dedicated Schools Grant (DSG) as at 31st March 2020, and**
2. **except for the Attain reserve, agree to use the underspends in the other blocks to reduce the overspend in the High Needs Block resulting in a net deficit of £12.750m held in reserves as detailed in table 3.1**
3. **Purpose of report and executive summary**

1.1 Detailed analysis of budgets as at the end of March 2020 by departmental budget managers show a number of over and underspends that combine to an overall overspend of £9.822m as per the tables below.

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| --- | --- | --- | --- |
| **Dedicated Schools Grant** | **2019/20****Current Budget** | **Full year Forecast****(as at Feb)** | **Forecast Variance at year-end** |
| **£’000** | **£’000** | **£’000** |
| Delegated expenditure | 126,835 | 126,851 | 16 |
| Retained Items | 21,155 | 30,961 | 9,806 |
| Income | (147,990) | (147,990) | - |
| **Total**  | **-** | **9,822** | **9,822** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Dedicated Schools Grant** | **Schools Block** | **High Needs Block** | **Early Years Block** | **Total all Blocks** |
| **£’000** | **£’000** | **£’000** | **£’000** |
| Delegated expenditure | (340) | 856 | (580) | (64) |
| Retained Items | (524) | 10,466 | (56) | 9,886 |
| **Total**  | **(864)** | **11,322** | **(636)** | **9,822** |

* 1. DSG funded services are subject to strict grant conditions and are not used by the Council for any other purposes.
1. **Details**
	1. Merton’s Schools, Central Schools Services, and Early Years blocks underspent during 2019/20 while the High Needs Block overspent. Some of these underspends were as a result of management action to reduce the overall overspend expected in the DSG as a whole.
	2. The main reason for the overspend in the HNB is increased numbers of Education Health and Care Plans (EHCPs) over the past couple of years which have not been met with corresponding increases in grant funding. This has resulted in the HNB overspend becoming progressively larger.
	3. In the past, Merton was able to put plans in place to fund smaller levels of increases. The sheer volume of increase in recent years has just been too large for the borough to cover due to the limited availability of local maintained provision and the time it takes to increase this through expansion and new build.
	4. In the three years from January 2013 to January 2016, the total number of statements and EHCPs increased from 888 to 1,075 (increase of 187 cases, 21%). In the five years from January 2016 to January 2020, the total number of statements and EHCPs increased from 1,075 to 1,928 (increase of 853 cases, 56%).The table below details the impact of the increase on the various types of provision over the past year.
	5. Significant over and (under) spends identified to the end of March 2020 are detailed in the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Dedicated Schools Grant** | **Schools Block** | **High Needs Block** | **Early Years Block** | **Total all Blocks** |
| **£’000** | **£’000** | **£’000** | **£’000** |
| Rate adjustments | (86) |  |  | (86) |
| Bulge class funding | (240) |  |  | (240) |
| SEN statement payments to Merton maintained schools |  | 1,188 |  | 1,188 |
| ARP |  | (35) |  | (35) |
| Income recovered from other local authorities |  | (297) |  | (297) |
| Early Years 3/4 YO Offer |  |  | (533) | (533) |
| Other small over and (under) spends | (14) |  | (47) | (61) |
| **Delegated expenditure** | **(340)** | **856** | **(580)** | **(64)** |
| Additional SEN provision |  | 1,489 |  | 1,489 |
| Independent day school provision |  | 6,799 |  | 6,799 |
| SEN & Early Help staffing |  | (80) |  | (80) |
| Independent residential school provision |  | (132) |  | (132) |
| FE and post 16 ISP |  | (12) |  | (12) |
| Out of borough maintained school and academy places |  | 2,012 |  | 2,012 |
| Alternative education |  | 326 |  | 326 |
| SEN statement payments to Merton academies |  | 286 |  | 286 |
| Recoupment income |  | (242) |  | (242) |
| Sensory Team |  | (22) |  | (22) |
| Language and learning team |  | 240 |  | 240 |
| Early years support team |  |  | (56) | (56) |
| Parenting cover | (222) |  |  | (222) |
| Schools causing concern | (194) |  |  | (194) |
| Other small over and (under) spends | (108) | (198) |  | (306) |
| **Retained Items** | **(524)** | **10,466** | **(56)** | **9,886** |
| **Total**  | **(864)** | **11,322** | **(636)** | **9,822** |

* 1. School funding is updated for business rate adjustments undertaken by the valuation office during the year. Additional funding is provided for increases and deductions made for reductions. This year we expected a net reduction resulting in an under spend of £86k (Note: NNDR is funded on a one year lagged basis through the DSG)
	2. Bulge class funding was set aside for possible secondary/primary expansions. We were able to place all children in 2019/20 in existing schools or planned bulge classes which resulted in an under spend of £240k.
	3. SEN EHCP payments to Merton maintained schools was over spent by £1.188m. At the end of March the number of approved EHCPs was at 2011, this is expected to increase further in 2020/21.
	4. The ARP budget this year was under spent by £35k. This budget was kept at the same level as 2018/19 and there is likely to be a prospect of an ARP expanding in 2020/21 which may require for this budget to be increased again.
	5. Income recovered from other local authorities was £297k, this was £98k more than forecast.
	6. The additional SEN provision budget has over spent by £1.489m. This includes cost for one to one support as a result of more requests being received for additional support due to the complexity of cases; additional therapy costs such as SALT and OT charged from independent and out of borough placements as well as cost for home tutors.
	7. Staff vacancies in the SEN & Early Help team has resulted in an under spend of (£80k).
	8. The independent day school provision has over spent by £6.799m. The number of students placed in this type of provision has steadily increased over the past few years.
	9. The independent residential school provision has under spent by £132k. This is as a result of substantial efforts through the year to keep this cost as low as possible as this is the most expensive provision for the borough.
	10. Further Education and post 16 Independent Specialist Provision was under spent by £12k. This is linked to the legislation changes requiring local authorities to fund the education of SEND pupils up to the age of 25.
	11. Out of borough maintained school and academy placements have over spent by £2.012m. The number of places funded out of borough has increased due to the increased number of EHCPs Merton had to support.
	12. The cost of alternative education was over spent by £326k at outturn. The number of places funded has increased in line with the number of EHCPs in Merton.
	13. Recoupment income from other local authorities was (£242k).
	14. £240k over spend relates to staffing in the Language and Learning team.
	15. SEN statement/EHC plan payments to Merton academies was over spent by £286k. These costs have increased as academies also take proportionately more pupils from Merton’s rising EHCP population.
	16. The Early Years support budgets have under spent by £56k, this is due to keeping vacant posts where possible to ensure we spend within the 5% cap on the overall Early Years block we have for 2019/20 and to support the overall pressure on the DSG.
	17. The parenting cover budget has under spent by £222k at the end of March. This is the first time in quite a few years that this budget has underspent due to the unpredictable nature of these expenses.
	18. There are various other small over and under spends predicted across the DSG totalling £367k. This, combined with the items described above, equals the reported outturn of £9.822m.
1. **Future pressure**
2. The overall cost for SEN has increased significantly over the past three years as a result of increased numbers of pupils being supported. The following table details the impact of the increase.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type of Provision** | **Jan 2016 Total Statements and EHCPs** | **Jan 2017 Total Statements and EHCPs** | **Jan 2018 Total Statements and EHCPs** | **Jan 2019 Total Statements and EHCPs** | **Jan 2020 Total Statements and EHCPs** |
|  | No | % | No | % | No | % | No | % | No | % |
| Early Years (incl. Private & Voluntary Settings) | 0  | 0% | 1 | 0% | 7 | 0% | 7 | 0% | 7 | 0% |
| Mainstream Schools (incl. Academies, Free and Independent) | 422 | 39% | 461 | 37% | 526 | 35% | 584 | 34% | 707 | 37% |
| Additional Resourced Provision | 110 | 10% | 111 | 9% | 116 | 8% | 125 | 7% | 125 | 6% |
| State Funded Special Schools | 358 | 33% | 388 | 31% | 416 | 27% | 440 | 26% | 474 | 25% |
| Independent Special Schools | 132 | 12% | 153 | 12% | 176 | 12% | 228 | 13% | 280 | 15% |
| Post 16 College and traineeships | 25 | 2% | 93 | 7% | 183 | 12% | 212 | 12% | 199 | 10% |
| Post 16 Specialist | 10 | 1% | 25 | 2% | 44 | 3% | 37 | 2% | 35 | 2% |
| Alternative Education (incl. EOTAS, Hospital Schools and EHE) | 15 | 1% | 10 | 1% | 22 | 1% | 28 | 2% | 61 | 3% |
| No placement (including NEET) | 3 | 0% | 0 | 0% | 28 | 2% | 51 | 3% | 40 | 2% |
| **Total** | **1075** | **100%** | **1242** | **100%** | **1518** | **100%** | **1712** | **100%** | **1928** | **100%** |
| Change over previous year |  |  |  | 16% |  | 22% |  | 13% |  | 11% |

1. Merton has moved £600k from the schools block to the high needs block for 2020/21 to provide support for this increase. This represents 0.49% of the maximum allowable 0.5% above which ESFA approval is required.
2. Merton has not requested a higher amount to be transferred as schools are also struggling. This was evident in the number of schools requesting to set deficit budgets for 2020/21.
3. The current year deficit will move the DSG reserves into a negative position. Due to the size of the deficit Merton will be required to meet with the ESFA again in November 2020. Schools Forum will be updated at the following forum meeting.
4. There are already some councils in this position and the directors of Children, Schools and Families as well as Corporate Services both continue to work with their professional counterparts to lobby nationally for government to address the pressures.
5. We have also been working closely with other south west London authorities to identify value for money practice and joint commissioning initiatives aimed at reducing costs.
6. **Financial, resource and property implications**

4.1 The financial implications are detailed in the main body of this report.

1. **Legal and statutory implications**
	1. No legal implications at this stage.
2. **Human rights, equalities and community cohesion implications**
	1. None at this stage.
3. **Appendices**
	1. None

1. **Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report:**
	1. Centrally held financial information and other papers held by the Children Schools and Families Finance Team.
2. **Report author**

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Further information about Merton Council can be obtained from its web site [www.merton.gov.uk](http://www.merton.gov.uk)