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| **Schools Forum 29th January 2019** | Item 3 |

**SUBJECT: DSG funding including Schools Funding Formula 2019/20**

**LEAD OFFICER: Marius Karsten-Strydom**, Children, Schools and Families SFA

**RECOMMENDATION**

**That the Forum:**

1. **Notes the Schools Funding Formula allocation for 2019/20 following consultation and provides comments for LA consideration.**
2. **Approves the Growth Fund as detailed in paragraph 2.2; the retained education function contribution for maintained schools in paragraph 2.9; as well as the continuation of the centrally held funding as detailed in the table at paragraph 4.2 of this report.**
3. **Purpose of report and executive summary**
   1. The Government announced the Dedicated Schools Grant allocation on 17th December 2018. Merton’s allocation is split over the four blocks as follows:

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| --- | --- | --- |
| **Description** | **2019/20**  **£000** | **2018/19**  **£000** |
| Schools Block | 122,978 | 119,012 |
| Central Schools Services Block | 1,041 | 1,021 |
| Early Years Block | 15,571 | 17,088 |
| High Needs Block | 33,033 | 31,951 |
| **Total as at Schools Forum meeting** | **172,623** | **169,072** |
| Academy recoupment | (24,842) | (21,615) |
| **Final allocation for the year** | **147,781** | **147,457** |

* 1. This report provides details of how the four blocks of the DSG are budgeted to be used in 2019/20.

1. **Schools Block**
   1. The Schools Block allocation of £122.978m is split into the following expenditure types:

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| --- | --- | --- |
| **Description** | **2019/20**  **£000** | **2018/19**  **£000** |
| Growth Fund | 600 | 1,160 |
| Transfers to the High Needs Block | 600 | 500 |
| De-delegated items | 1,985 | 1,967 |
| Central duties to maintained schools (ESG) | 635 | 636 |
| Individual School Budgets | 119,263 | 114,749 |
| One-off funding allocated from Merton’s General Fund included in ISB above | (105) | 0 |
| **Total Schools Block** | **122,978** | **119,012** |

* 1. The growth fund was reduced to £600k for 2019/20 (£1.16m in 2018/19). The growth funding was calculated using a new formulaic method based on lagged growth data.
  2. There is budget provision for two Primary schools that are continuing to provide extra classes flowing through the school with a funding allocation of £60k each (£120k in total).
  3. With regard to existing secondary schools including Academies, there is budget allowance for up to four classes with a funding allocation of £80k each (£320k in total). Two classes are set through the continuing expansion of Harris Academy Merton but the remaining two are held as a maximum requirement and may not be implemented but budget provision is required in case classes are needed. They will only be implemented if necessary to ensure sufficient school places are provided in the area as the first priority is to make all schools fill first; a review will be undertaken in mid-February when the first results of the Pan-London admissions data exchange is known.
  4. We are also holding £60k for diseconomy of scale costs for new schools as these should be paid for by the growth fund and £100k to fund a contingency to support already expanded schools where under-occupied bulge class arrangements are causing funding pressures. If these are required, details will be brought to schools forum for discussion.
  5. New free schools as they increase in size (Park Community School that opened in 2014 and Harris Academy Wimbledon that opened in September 2018) are funded through the schools funding formula rather than through bulge classes. These costs are included in the formula and not funded from the growth fund.

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| Schools Forum approval is required for the Growth Fund provision every year. |

* 1. For 2019/20 Merton will transfer £600k from the Schools Block to the High Needs Block (£500k in 2018/19). This represents 0.49% of the Schools Block allocation and will be used to continue to fund the growing cost pressure of increased numbers of Education Health and Care Plans (EHCPs).

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| Following the consultation with schools, Schools Forum agreed the transfer from the schools block to the high needs block at their meeting on the 31st October 2018. |

* 1. The total de-delegated budget for 2019/20 is £1.985m (£1.967m in 2018/19). The table below details the total allocation to de-delegated services as well as the unit cost for each of these services.

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| Both Primary and Secondary schools de-delegated budgets have been set based on the agreement by the relevant phase representatives at Schools Forum on the 31st October 2018. |

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| --- | --- | --- | --- | --- |
| **Service** | **Total**  **£000** | **2019/20 Unit Cost** | **2018/19 Unit Cost** | **Measure** |
| Licences and Subscriptions | 114 | £5.63 | £5.53 | NOR |
| School Meals Subsidy | 19 | £1.29 | £1.25 | NOR |
| Schools in Challenging Circumstances | 390 | £19.23 | £18.91 | NOR |
| Attainment | 98 | £4.81 | £4.83 | NOR |
| Parenting and TU cover | 861 | £42.41 | £41.65 | NOR |
| Ethnic minorities & bilingual learners | 99 | £23.54 | £46.60 | EAL |
| Tree work | 63 | £3.13 | £2.36 | NOR |
| Behaviour Support | 198 | £32.54 | £33.13 | Low Att |
| School Improvement | 143 | £7.02 | £1.47 | NOR |
| **Total budget** | **1,985** |  |  |  |

(NOR= Number on Roll; EAL factor= English as an Additional Language; Low Att= Lower Attainment factor for low cost, high incidence SEN)

* 1. In order to maintain the statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)), schools are required to make a contribution towards these services based on numbers on roll through the AWPU factor (top-up NOR for special schools). The cost to primary, secondary and special schools will be £31.25 per pupil on roll to provide an overall de-delegated budget of £650k (the same as in 2018/19).

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| Schools Forum approval is required for contribution to responsibilities that local authorities hold for maintained schools. |

* 1. For 2019/20 this means that £635k is contributed from the schools block while £15k comes from the high needs block for special schools (£636k for schools block and £14k from high needs block in 2018/19). As detailed in the schools consultation document, schools are funding 32% of the costs while the LA funds 68%. We have maintained the local authority funding of these services to minimise the impact on school budgets.
  2. The total amount available to be paid to schools, academies and free schools for 2019/20 as part of the Individual Schools Budget (ISB) is £119.263m (£114.749m in 2018/19). The £119.263m ISB minus £5k held as contingency provides the overall £119.258m allocation, details of which can be found at Appendix 1.

1. **School Funding Formula Factors**
2. Following consultation with schools and the agreement of the Schools Forum at their meeting on the 31st October 2018, Merton is using its local funding formula to apportion funding to schools and academies in 2019/20 and the additional funding available is allocated through the Free School Meals factor (option b per the consultation). A summary of the factors used and the total budgets allocated against each factor is set out in the funding pro-forma which can be found at Appendix 2.
3. AWPU rates for Primary and Secondary KS3 and KS4 have been kept the same as in 2018/19.

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| **Description** | **2019/20** | **2018/19** |
| Primary | £3,305 | £3,305 |
| Secondary Key Stage 3 | £4,326 | £4,326 |
| Secondary Key Stage 4 | £5,229 | £5,229 |

1. The primary to secondary funding ratio has increased from 1:1.31 in 2018/19 to 1:1.32 in 2019/20. As the local formula is moving closer to the national funding formula, the ratio will move closer to the national ratio which for Merton is expected to be about 1:1.34.
2. As a result of additional funding going through the Free School Meals factor, the unit values were increased to £1,309.75 for Primary and £1,521.62 for Secondary schools (£883.35 and £893.92 respectively in 2018/19). Through the formula this resulted in a total budget allocation of £4.604m (£3.130m in 2018/19) for Primary schools and £3.695m (£2.094m in 2018/19) for Secondary schools.
3. The Income Deprivation Affecting Children Index (IDACI) is a subset of the Indices of Multiple Deprivation (IMD). It is an area-based measure which is interpreted as the proportion of families with children under 16 which is income deprived.
4. We have kept the IDACI unit values the same as in 2018/19. Through the formula this resulted in a total budget allocation of £436k (£450k in 2018/19) and £265k (£254k in 2018/19) for Primary and Secondary schools respectively.
5. The English as an Additional Language (EAL) factor unit values were kept the same as in 2018/19 at £390.81 and £1,004.93 for Primary and Secondary schools respectively. This allocates a total budget of £1.695m (£1.781m in 2018/19) for Primary schools and £481k (£481k in 2018/19) for Secondary schools.
6. Due to the change in the Primary school prior attainment factor, the total budget and unit cost for this factor are adjusted annually. The overall Primary school budget for this factor, which supports Low Cost, High Incidence SEN students, was kept the same as in 2018/19 at £3.879m. The total budget for Secondary schools for 2019/20 is £3.032m (£2.947m for 2018/19). This resulted in unit values of £681.46 (£717.12 in 2018/19) and £1,651.11 (£1,651.11 in 2017/18) for Primary and Secondary schools respectively.
7. The lump sum factor was kept the same as in 2018/19 at £150k and the split site factor (which is updated annually) is £85k (£84k in 2018/19).
8. The rates factor was increased by £64k to £2.710m (£2.646m in 2018/19) reflecting Valuation Office revaluations as well as ceasing the discretionary rate allowance for Voluntary Aided (VA) schools. In order to help fund the one-off costs associated with the VA school adjustment, Merton will transfer an estimated £105k from the General Fund to the DSG.
9. The minimum funding guarantee floor was set at 0.5% as agreed at the Schools Forum meeting on the 31st October 2018. Due to the overall changes in factors, the requirement for MFG decreased from £127k in 2018/19 to £25k in 2019/20.
10. These figures exclude the 6th form funding which still needs to be provided by the ESFA and does not form part of the schools funding formula. It also excludes additional resource provision and individual pupil statement funding which forms part of the high needs block.
11. The figures in Appendix 1 exclude the bulge class funding which is held centrally and will be paid to schools as part of their monthly advances.
12. Pupil Premium funding is not included in these figures and the 2018/19 allocations will be provided separately when schools are informed of their budgets for 2019/20. Schools should use the 2018/19 figures to estimate their funding for 2019/20.
13. **Central Schools Services Block**
    1. The central school services block (CSSB) was introduced in 2018/19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:

* Funding for ongoing central functions, such as admissions, previously top-sliced from the schools block
* Residual funding for historic commitments, previously top-sliced from the schools block
* Funding previously allocated through the retained duties element of the Education Services Grant (ESG)
  1. Merton’s Central Schools Services Block retained items are detailed in the table below.

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20**  **£000** | **2018/19**  **£000** |
| Central licences negotiated by the Secretary of State | 123 | 119 |
| School admissions | 287 | 271 |
| Servicing of school forums | 12 | 12 |
| Prudential borrowing | 207 | 207 |
| Statutory and regulatory duties LAs hold for all schools (including academies & free schools) | 412 | 412 |
| **Total Schools Block** | **1,041** | **1,021** |

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| Schools Forum approval is required on a line-by-line basis for School admissions, Servicing of school forums, Prudential borrowing and Statutory and regulatory duties that LAs hold for all schools (including academies & free schools) |

* 1. The statutory and regulatory duties that LAs hold for all schools, including academies & free schools, (as set out in Schedule 2, Parts 1 to 5 of the School and Early Years Finance Regulations 2017) does not include funding that has been retained centrally from maintained school budgets only (as set out in Schedule 2, Parts 6 and 7), see section 2.8 to 2.10 above.

1. **Early Years Block**
   1. The Early Years Block allocation is split into the following areas:

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20**  **£000** | **2018/19**  **£000** |
| 3&4 YO universal funding | 10,777 | 10,237 |
| 3&4 YO working parents extended funding | 2,604 | 1,485 |
| 2 Year Old Offer (schools, academies and PVI (includes SENIF for 2s) | 1,671 | 1,316 |
| Centrally Retained Items (5% retained element and 2 year old retained element) | 713 | 665 |
| Contingency | 237 | 755 |
| Additional grant expected (repaid in 2018/19) | (564) | 2,509 |
| Pupil Premium | 97 | 83 |
| Disability Access Fund | 36 | 38 |
| **Total Early Years Block** | **15,571** | **17,088** |

* 1. Based on the 2018 calendar year pupil counts, the estimated funding relating to 3 and 4 year old children for Merton maintained schools and PVI settings is expected to be in line with the budgets above. However, these are estimated budgets and the figures will be updated every term following the actual pupil counts. The formula used to allocate this funding, following on from consultation, is detailed in section 6 of this report. A summary of the factors used and the total indicative budget allocations against each factor and payments outside the formula for the maintained sector can be found at Appendix 3 for universal entitlement Appendix 4 for extended entitlement and Appendix 5 fro 2 year old funding.
  2. The budget for the working parents extended entitlement has been set using headcount data with an uplift to accommodate predicted take up. As with basic entitlements, these are estimates and the figures will be updated every term following the actual pupil counts.
  3. Based on the 2018 calendar year pupil counts, with a small uplift to accommodate predicted growth in take up, the estimated funding relating to 2 year old children for Merton settings is shown above. The formula used to allocate this funding is detailed in section 6 of this report.
  4. The £713k allocation for centrally retained items includes funding for training, inclusion and SEN support and advisory work, market management/ sufficiency and information, and back office/administrative functions. This represents 5% of the expected 3&4 year old grant as well as £12k of 2 year old grant. LAs are capped at 5% of their 3&4 year old grant with no limit on the 2 year old grant. The amount of funding that must pass through to providers for 3 and 4 year olds is called the “High Pass Through Rate”. Schools Forum agreed at their meeting on 31st October 2018 that these funds can be centrally retained for 2019/20.
  5. The contingency for 2019/20 has been set at £237k and forms part of the high pass through rate. This provides a small amount of funding to accommodate any variance in the actual take up of places that are not fully accounted for in the overall final grant allocation. It also allows some additional funds to support any possible pressure on the SENIF or deprivation factor. The final grant will be based on 5/12ths of the January 2018 count and 7/12ths of the January 2019 count.
  6. We also account for the difference between the initial grant allocation and Merton’s expected grant allocation which is based on anticipated take-up. For 2019/20 we are expecting to receive an additional £564k in grant while our initial estimate for 2018/19 was that the government overestimated our grant by £2,509k. These large variances relate to the information the ESFA use to calculate the Early Years grant and the timing differences when these adjustments are made.
  7. The ESFA will continue to pay Early Years Pupil Premium as a separate funding stream. This is paid to settings and schools after each term’s headcount at 0.53 pence per hour. Any underspend on EYPP is expected to be clawed back. Total budget is £97k.
  8. The ESFA will continue with the Disability Access Fund which was introduced in 2017/18 and sits outside of the formula. This is a one off lump sum payment of £650 and the total budget is £36k. The LA is currently able to retain the DAF, which has not been allocated to a setting, and use this in line with the principles and aims of DAF.

1. **Early Years Funding Formula**

**3 and 4 year old formula**

* 1. In line with the statutory requirement Merton has one new **base rate** in the formula for 3 and 4 year olds (universal and extended entitlement) for all settings as per the table below.

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20 Rate** | **2018/19 Rate** |
| All settings | £4.93 | £4.85 |

* 1. Criteria for EYPP will continue to be used as a measure of **deprivation** for 2018/19.

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20 Rate** | **2018/19 Rate** |
| Criteria for EYPP | 80p | 70p |

* 1. The table below shows the optional supplementary supplement for **“sparsity”**

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20 Rate** | **2018/19 Rate** |
| Sparsity/small providers child-minders | 60p | 60p |

**Outside of formula: SEN Inclusion Fund**

* 1. The table below shows the mandatory **SEN inclusion Fund** (SENIF) pupil rates (3 and 4 year olds)

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20 Rate** | **2018/19 Rate** |
| SEN Support Level 1a (local offer) | nil | nil |
| SEN Support Level 1b | £2.80 | £2.50 |
| SEN Support Level 1c | £10.50 | £7.76 |
| SENDIF contribution to Special schools level 1d – with EHCP | £12.70 | £12.70 |
| SENDIF contribution to Special schools level 1e – without EHCP | £14.05 | N/A |

6.5 SEN support funding is allocated in accordance with the published criteria and associated processes. The SENIF, whilst not an allowable supplement within the formula, is included within the 95% high pass through rate. There is a requirement to publish the value of the fund each year.

6.6 The indicative SENIF budget for 2019/20 is £645k. £504k of this is formula based, whilst £141k relates to lump sum “notional” SEN funding for EHCPs.

6.7 The funding element for each SEN support level of the SENIF is through this inclusion fund, and SEN support funding remains at the same level once the EHCP is in place. This means that early years SEN and HNB EHCP funding is now more closely aligned to the schools methodology and maximises EY funding to support children with EHCPs.

**Outside of formula: Contingency**

6.8 There is a contingency of £232k for 3 and 4 year olds to support any in-year growth for children, including those with SEN eligible for the deprivation factor and for children who start mid-way through a funding period (after headcount).

6.9 The contingency is included as part of the high pass through rate and as such any surplus will be allocated across the sector in accordance with agreed methodology.

**Outside of formula: Retained Items**

6.10 Within the grant allocation LAs can retain up to 5% of the total 3 and 4 year old allocation for 2019/20.

* 1. Retained items can only be used to support the delivery of early year’s provision in accordance with the statutory duties, including advice; training; information and securing sufficiency and market management. These duties are embedded within the Childcare Act 2006 and are underpinned by Statutory Guidance.
  2. This year, £701k has been allocated for retained items for 3 and 4 year olds.

**2 year old formula**

* 1. The ESFA has allocated a separate pot of funding for 2 year olds, which is underpinned by a separate set of requirements. LAs have local discretion, as long as the specific grant requirements for each block are not compromised, to move the allocations between each other. This includes local discretion for support for children with SEN and retaining an element from the 2 year allocation.
  2. The table below shows the **base rate** for 2 year olds

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20 Rate** | **2018/19 Rate** |
| All settings | £5.67 | £5.65 |

**Outside of formula: SEN Inclusion Fund**

6.15 The table below shows the **discretionary SEN Inclusion Fund** for 2 year olds

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20 Rate** | **2018/19 Rate** |
| SEN Support Level 1a (local offer) | nil | nil |
| SEN Support Level 1b | £2.55 | £2.50 |
| SEN Support Level 1c | £7.80 | £7.76 |

6.16 The funding element for each level of the SENIF is through the inclusion fund, and SEN support funding remains at the same level once the EHCP is in place. This means that early years SEN and HNB EHCP funding is now more closely aligned to the schools methodology and maximises EY funding to support children with EHCPs.

* 1. There is no requirement to have a SENIF for 2 year funding, and therefore there is not a requirement to publish this. However, the total indicative fund for 2 year olds is £54k. £50k of this is formula based, whilst £4k relates to lump sum “notional” SEN funding for EHCPs.

**Outside of formula: Contingency**

* There is a contingency of £5k for 2 year olds in 2019/20 to support any in-year growth for SEN support and late starters (not on headcount).

**Outside of formula: Retained Items**

6.20 There are no specific parameters for retained elements within the 2 year old formula. This year £12k has been allocated for retained items which are included in the overall £713k in the table at paragraph 5.1.

1. **High Needs Block**

**High Needs Block funding**

* 1. The high needs funding system is designed to support a continuum of provision for pupils and students with Special Educational Needs (SEN), learning difficulties and disabilities, from their early years to age 25.
  2. Base funding (“place funding”) is given to local authorities to distribute to institutions for them to provide places on an on-going basis. This is supplemented with “top-up funding” which follows individual pupils and students. The top-up funding provided to local authorities includes funding for central services to support these high cost places.
  3. The table below shows how Merton’s High Needs Block funding is allocated.

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20**  **£000** | **2018/19**  **£000** |
| Mainstream settings (Individual SEN statements) | 4,139 | 3,960 |
| Special Schools | 9,601 | 8,360 |
| Additional Resource Provision bases | 2,369 | 2,217 |
| Pupil Referral Unit (PRU) | 1,813 | 1,800 |
| Centrally retained High Needs funding for commissioned services | 13,588 | 13,997 |
| Post 16 FE and ISP funding | 2,060 | 2,060 |
| Centrally retained High Needs funding for special schools | 48 | 43 |
| Central duties to maintained schools (ESG) | 15 | 14 |
| Transfers from other blocks | (600) | (500) |
| **Total Funding** | **33,033** | **31,951** |

**Mainstream settings**

* 1. Schools are expected to contribute the first £6,000 of additional educational support for High Needs pupils and students. This additional support is for a provision over and above the standard offer of teaching and learning for all pupils or students in a setting. Pre-16, schools and Academies will continue to receive a clearly identified notional SEN budget from which to make this contribution. Merton will provide this budget for maintained schools while the EFA will provide it for Academies. The notional SEN will comprise three elements as detailed below.

|  |  |
| --- | --- |
| **Formula factor** | **2019/20** |
| Age Weighted Pupil Allowance (AWPU) | 2.5% |
| Deprivation (Free School Meals & IDACI) | 10% |
| Low cost, high incidence SEN (Low Attainment) | 100% |

* 1. The notional SEN budget should be used to support pupils with low cost, high incidence SEN as well as the first £6,000 support for pupils with statements.
  2. The notional allocation is only a guide and schools are expected to set their budgets in such a way as to meet the needs of all their pupils, including those with additional needs, within the resources they receive.
  3. Early Years settings with SEN children are funded differently from mainstream schools at SEN support, as all funding is child led. All children whose places are funded through the EY DSG (school nursery classes and PVI) receive their SEN funding as described in section 6 of this report.
  4. Where schools have a high number of SEN students, the allocation to support these pupils through the schools formula might not be sufficient. Funding will be set aside in the High Needs Block to support such schools. If more than 2.5% of a school's NOR are pupils with statements, the excess percentage will be multiplied by the school's NOR and multiplied by £6,000 to calculate additional support for the school.

Example:

|  |  |
| --- | --- |
| 9 pupils as a percentage of 186 | 4.84% |
| Less 2.5% threshold | 2.34% |
| 186 x 2.34% | 4.35 pupils |
| 4.35 pupils x £6,000 | £26,100 |

In 2019/20 £329k is budgeted to be allocated to schools through this mechanism.

* 1. The NOR is based on the October count and the numbers of SEN statements are based on the numbers as per the October SEN statement payment to schools. The number of statements used will exclude pupils funded in special units.
  2. Merton’s basic statement funding will be kept the same as in 2018/19 and is detailed in the table below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Universal** | **Entitlement** | **Extended** | **Entitlement** |
|  | **Reception** | **onwards** | **2, 3 and 4** | **year olds** | **2, 3 and 4** | **year olds** |
| **Band** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** |
| Band1 | Part of £6,000 notional SEN funding | Part of £6,000 notional SEN funding | Part of SEN support funding | Part of SEN support funding | Part of SEN support funding | Part of SEN support funding |
| Band 2 | £5,805 | £5,805 | £5,903 | £5,903 | £9,739 | £9,739 |
| Band 3 | £7,983 | £7,983 | £6,992 | £6,992 | £11,536 | £11,536 |
| Band 4 | £10,160 | £10,160 | £8,080 | £8,080 | £13,332 | £13,332 |
| Band 5 | £12,338 | £12,338 | £9,169 | £9,169 | £15,129 | £15,129 |

* 1. The band amounts shown for 2, 3 and 4 year olds are inclusive, and represent the total funds that a setting will receive. This amount is made up from the EYDSG as explained in section 6 above and the “top up” is from the HNB. For children taking up the extended entitlement the EHCP is not transferable and therefore a child can only access one provision. On this basis, the extended hours EHCP is funded at 60%.

**Special Schools**

* 1. Specialist SEN and LDD schools will continue to receive a base level of funding on the basis of an agreed number of planned places at £10,000 per place. Top-up funding above this level will be increased by 2% for 2019/20.
  2. Due to the budgeted increase in pupil numbers at special schools by 31 to 402, the special school budget will be increased to cover the cost pressure of supporting these additional children.
  3. The total for specialist SEN and LDD settings includes the school budgets for Cricket Green, Perseid, and Melrose special schools.

**Additional Resource Provision bases**

* 1. Places in special units and resourced provision attracts a base level of funding of either £6,000 or £10,000 per place, depending on whether a place was occupied or empty at the time of the October census. Each child will also receive a top-up element of funding which is recalculated annually to ensure that the funding change does not impact on the total base funding settings received in the previous financial year.
  2. Where numbers have increased/decreased, top-up funding has been adjusted to reflect these adjustments. Any additional funding to the base totals will be equal to band 5 (£12,338) of statement funding as agreed by the SEN Manager.
  3. ARP allocations for 2019/20 will remain the same as in 2018/19.

**Pupil Referral Unit (SMART Centre)**

* 1. The PRU will receive a base level of funding of £10,000 per place. Top-up funding above this level is set at £6,765 which has been uplifted by 2% this year in line with special schools.
  2. Mainstream schools and Academies have important commissioning responsibilities with regard to pupils of compulsory school age who are placed in Alternative Provision (AP) for the purpose of early intervention or as a result of fixed-term exclusion. In such instances they are responsible for paying top-up funding to the AP settings in which they place pupils.
  3. Alternative education and medical service provision are also delivered through the SMART Centre.
  4. The exclusion process currently involves a deduction of AWPU against a national criteria and a local agreement to pay £3,000 per excluded pupil and receive £3,000 for a re-integrated pupil. This agreement is between all secondary maintained schools and academies and will continue in 2019/20.

**Centrally retained funding for commissioned services**

* 1. These services are retained centrally by the Local Authority to deliver direct services or procure services from external providers to ensure the most economic use of resources. The table below details these services.

|  |  |  |
| --- | --- | --- |
| **Description** | **2019/20**  **£000** | **2018/19**  **£000** |
| Independent providers | 8,669 | 9,243 |
| Cost of Merton pupils in other LA maintained schools | 2,170 | 2,313 |
| Cost to other LAs for their children in Merton maintained schools | (1,159) | (1,159) |
| Merton academies (Individual SEN statements) | 680 | 480 |
| Virtual School | 396 | 396 |
| Sensory Team | 391 | 391 |
| SSQ Core Offer | 359 | 359 |
| Language and Learning therapy | 354 | 354 |
| Other non-maintained school EHCP related costs | 342 | 178 |
| Education psychology | 266 | 266 |
| Behaviour Support | 235 | 235 |
| Education welfare | 168 | 168 |
| SEN referral & early help 0-25 team | 165 | 165 |
| Vulnerable Children's Education | 123 | 123 |
| Social Inclusion | 105 | 105 |
| Merton Autism Outreach Service (MAOS) | 100 | 100 |
| SEN support | 81 | 81 |
| Therapy in Special schools | 56 | 112 |
| Independent hospital provision | 50 | 50 |
| Portage | 37 | 37 |
| **Total Cost** | **13,588** | **13,997** |

* 1. The growth received on the HNB is not sufficient to cover the cost pressures. For 2019/20 the increase will be allocated against various budgets with known pressures to address the expected overspends.
  2. Spend on the internal provision identified above will be reviewed during the 2019/20 financial year with the aim of identifying savings in some areas to fund growth required resulting from increased numbers of EHCPs in services such as speech and language therapy.

**Post 16 Further Education (FE) College and Independent Specialist Provider (ISP) funding**

* 1. The funding in this area relates to high level SEN or LDD costs for young people aged over 16 in FE colleges and ISPs. The responsibility for these payments transferred to Local Authorities in September 2013.

**Centrally retained funding for special schools**

* 1. This includes the funding for centrally provided services for the special schools, similar to de-delegated budgets held for the maintained primary and secondary schools. The services available are detailed in the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Service** | **Total**  **£000** | **2019/20 Unit Cost** | **2018/19 Unit Cost** | **Measure** |
| Licences and Subscriptions | 3 | £5.63 | £5.53 | NOR |
| School Meals Subsidy | 1 | £1.29 | £1.25 | NOR |
| Schools in Challenging Circumstances | 10 | £19.23 | £18.91 | NOR |
| Parenting and TU cover | 21 | £42.41 | £41.65 | NOR |
| Support to underperforming ethnic minority groups and bilingual learners | 2 | £4.86 | £46.60 | EAL |
| Tree work | 1 | £3.13 | £2.36 | NOR |
| Behaviour Support | 5 | £9.76 | £9.41 | Low Att |
| School Improvement | 3 | £7.02 | £1.47 | NOR |
| Attain | 2 | £4.81 |  | NOR |
| **Total budget** | **48** |  |  |  |

**Central duties to maintained schools (ESG)**

* 1. In order to maintain the statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)), schools are required to make a contribution towards these services based on numbers on roll through the AWPU factor (top-up NOR for special schools). The cost to primary, secondary and special schools will be £31.25 per pupil on roll to provide an overall de-delegated budget of £650k (the same as in 2018/19).
  2. For 2019/20 £635k is contributed from the schools block while £15k comes from the high needs block for special schools (£636k for schools block and £14k from high needs block in 2018/19). As detailed in the schools consultation document, schools are funding 32% of these costs while the LA funds 68%

**Transfers from other blocks**

* 1. For 2019/20 Merton will transfer £600k from the Schools Block to the High Needs Block (£500k in 2018/19). This represents 0.49% of the Schools Block allocation and will be used to continue to fund the growing cost pressure of increased numbers of Education Health and Care Plans (EHCPs).

**Financial pressure on the High Needs Block**

* 1. Due to the cost pressure on the High Needs Block, Merton’s DSG will be going into a deficit position during 2018/19. The continued increase in numbers of EHCPs as detailed in the following table means that this pressure is expected to continue in 2019/20.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Type of Provision** | **Jan 2015 (Statements and EHCPs)** | | **Jan 2016 (Statements and EHCPs)** | | **Jan 2017 (Statements and EHCPs)** | | **Jan 2018 (Statements and EHCPs)** | |
| **No.** | **%** | **No.** | **%** | **No.** | **%** | **No.** | **%** |
| Mainstream School (Inc. Academies) | 456 | 44% | 423 | 39% | 432 | 34% | 526 | 35% |
| State Funded Special School | 338 | 32% | 354 | 33% | 386 | 31% | 415 | 28% |
| Independent/Non-Maintained Provision (including Other Independent Special Schools) | 119 | 11% | 145 | 13% | 178 | 14% | 217 | 15% |
| ARP (Additional Resourced Provision) | 113 | 11% | 108 | 10% | 137 | 11% | 116 | 8% |
| Further Education | 0 | 0% | 20 | 2% | 97 | 8% | 164 | 11% |
| Early Years (Inc. Private & Voluntary Settings) | 4 | 0% | 5 | 0% | 2 | 0% | 7 | 0% |
| Other (including children Educated at Home, Pupil Referral Units and Secure Units) | 15 | 1% | 23 | 2% | 32 | 3% | 41 | 3% |
| **Total** | **1,045** | **100%** | **1,078** | **100%** | **1,264** | **100%** | **1,486** | **100%** |

* 1. Merton is working with other boroughs and partners to:
* Share strategies to reduce costs
* Utilise shared commissioning partnerships to reduce costs including the use of a dynamic purchasing system
* Review benchmarking information of identifying high cost areas we can focus on with the aim to identify savings
* Lobby government about insufficient high needs funding
  1. We have also reviewed our in-house provision and in conjunction with our strategic needs analysis have expanded our own provision and continue to look at further opportunities for state funded provision that may reduce reliance on more expensive Independent School Placements.

1. **Financial, resource and property implications**

8.1 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. Appendix 1: ISB allocations
   2. Appendix 2: Schools Funding Pro-forma
   3. Appendix 3: 3 & 4 YO universal entitlement
   4. Appendix 4: 3 & 4 YO extended entitlement

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 lead 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)