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| **Schools Forum 30th January 2018** | Item  3 |

**SUBJECT: Schools Block including Schools Funding Formula 2018/19 and Central Schools Services Block**

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

**RECOMMENDATION**

**That the Forum:**

1. **Notes the Schools Funding Formula allocation for 2018/19 following consultation and provides comments for LA consideration.**
2. **Approves the Growth Fund as detailed in paragraph 2.2 as well as the continuation of the centrally held funding as detailed in paragraphs 4.2 of this report.**
3. **Purpose of report and executive summary**
   1. The Government announced the Dedicated Schools Grant allocation on 19th December 2017. Merton’s allocation split over the Four blocks is as follows:

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19**  **£000** | **2017/18**  **£000** |
| Schools Block | 119,012 | 115,422 |
| Central Schools Services Block | 1,021 | 999 |
| Early Years Block | 17,088 | 14,428 |
| High Needs Block | 31,951 | 31,686 |
| **Total as at Schools Forum meeting** | **169,072** | **162,535** |
| Academy recoupment | (21,615) | (19,670) |
| **Final allocation for the year** | **147,457** | **142,865** |

* 1. This report provides details of how the four blocks of the DSG is budgeted to be used in 2018/19.

1. **Schools Block**
   1. The Schools Block allocation of £119.012m is split into the following expenditure types:

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19**  **£000** | **2017/18**  **£000** |
| Growth Fund | 1,160 | 940 |
| Transfers to the High Needs Block | 500 | 250 |
| De-delegated items | 1,967 | 1,808 |
| Central duties to maintained schools (ESG) | 636 | 489 |
| Individual School Budgets | 114,749 | 112,307 |
| One-off funding allocated from reserves not DSG | 0 | (372) |
| **Total Schools Block** | **119,012** | **115,422** |

* 1. The growth fund was increased to £1.16m for 2018/19. The fund is required to support new free schools as they increase in size (The Park School that opened in 2014 and Harris Academy Wimbledon that is due to open in September 2018). In the case of new institutions where numbers are increased through the schools funding formula rather than a bulge class, the additional funds also come from this pot and £580k is allowed.
  2. There is budget provision for three Primary schools that are continuing to provide extra classes flowing through the school with £60k (£180k).
  3. With regard to existing secondary schools including Academies, there is budget allowance for up to five classes with £80k each (£400k total). Two is set through the continuing expansion of Harris Academy Merton but the remaining three is a maximum and may not be implemented but budget provision is required in case. 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.

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

* 1. It is no longer necessary to make adjustments to the block transfers which were agreed for the years up to 2017/18 as these have been permanently adjusted by the ESFA as part of the DSG re-baselining exercise.
  2. Following the consultation with schools, Schools Forum agreed at their meeting on the 15th November 2017 to transfer £500k as a one off to the high needs block in 2018/19 to fund the increase in numbers at special schools as well as a 2% increase in top-up (banding) fees.
  3. Both Primary and Secondary schools de-delegated budgets have been set based on the decisions made by the relevant phase representatives at Schools Forum on the 15th November 2017. The total de-delegated budget for 2018/19 is £1.967m. The table below details the total allocation to de-delegated services as well as the unit cost for each of these services.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Service** | **Total**  **£000** | **2018/19 Unit Cost** | **2017/18 Unit Cost** | **Measure** |
| Licences and Subscriptions | 114 | £5.53 | £5.41 | NOR |
| School Meals Subsidy | 19 | £1.25 | £1.21 | NOR |
| Schools in Challenging Circumstances | 391 | £18.91 | £13.87 | NOR |
| Merton Education Partnership | 100 | £4.83 | £6.14 | NOR |
| Parenting and TU cover | 862 | £41.65 | £35.5 | NOR |
| Refugee Service and EMAG | 207 | £46.60 | £43.29 | EAL |
| Tree work | 50 | £2.36 | £2.13 | NOR |
| Behaviour Support | 194 | £33.13 | £33.09 | Low Att |
| School Improvement | 30 | £1.47 | £1.43 | NOR |
| **Total budget** | **1,967** |  |  |  |

(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 £30.73 per pupil on roll to provide an overall de-delegated budget of £650k (£500k in 2017/18). This is higher in 2018/19 because in 2017/18 the Council still received ESG for 5 months of the financial year.
  2. For 2018/19 this means that £636k is contributed from the schools block while £14k comes from the high needs block for special schools (£489k for schools block and £11k from high needs block in 2017/18). Although the DSG contribution increases by £150k, the percentage contribution the DSG funds compared to the LA will reduce from 45% in 2017/18 to 38% in 2018/19.
  3. Following the consultation with Schools Forum, it was agreed at their meeting on the 15th November 2017 to contribute £650k to maintain the statutory central duties to Merton maintained schools.
  4. The total amount to be paid to schools, academies and free schools for 2018/19 as part of the Individual Schools Budget (ISB) is £114.749m (£112.307m for 2017/18). The £114.749m ISB plus £0.580m from the growth fund provides the overall £115.329m 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 15th November 2017, Merton elected to use its local funding formula to apportion funding to schools and academies in 2018/19. 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 2017/18.

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19** | **2017/18** |
| Primary | £3,305 | £3,305 |
| Secondary Key Stage 3 | £4,326 | £4,326 |
| Secondary Key Stage 4 | £5,229 | £5,229 |

1. As per the consultation, the additional funding available is allocated through the Free School Meals factor for 2018/19, and the allocation of this funding between primary and secondary schools was apportioned on the primary to secondary ratio as per the national funding formula which for 2017/18 was 1:1.32.
2. As a result, the Free School Meals factor unit values were increased to £883.35 for Primary and £893.92 for Secondary schools (£683.52 and £632.69 respectively in 2017/18). Through the formula this resulted in a total budget allocation of £3.130m (£2.368m in 2017/18) and £2.094m (£1.442m in 2017/18) for Primary and Secondary schools respectively.
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 2017/18. Through the formula this resulted in a total budget allocation of £450k (£452k in 2017/18) and £254k (£248k in 2017/18) for Primary and Secondary schools respectively.
5. As per the consultation, the Looked After Children (LAC) factor has ceased for 2018/19.
6. The English as an Additional Language (EAL) factor unit values were increased slightly to ensure similar total budget allocations were made for this factor as in 2017/18. Values were increased to £390.81 and £1,004.93 for Primary and Secondary schools respectively (£376.50 and £906.60 in 2017/18) in order to allocate a total budget of £1.781m (£1.774m in 2017/18) and £481k (£477k in 2017/18) for Primary and Secondary schools respectively.
7. 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 increased slightly to £3.879m (£3.862m in 2017/18). The total budget for Secondary schools for 2018/19 is £2.947m (£2.927m for 2017/18). This resulted in unit values of £717.12 (£759.27 in 2017/18) and £1,651.11 (£1,627.69 in 2016/17) for Primary and Secondary schools respectively.
8. The lump sum factor was kept the same as in 2017/18 at £150k and the split site factor (which is updated annually) is £84k (£83k in 2017/18).
9. The rates factor was increased by £846k to £2.646m (£1.780m in 2017/18) reflecting the revaluation exercise carried out by the national Valuation Office.
10. The minimum funding guarantee floor was set at 0% as agreed at the Schools Forum meeting on the 15th November 2017. Due to the overall changes in factors, the requirement for MFG decreased from £269k in 2017/18 to £127k in 2018/19.
11. 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.
12. 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.
13. Pupil Premium funding is not included in these figures and estimated figures based on the 2017/18 allocations will be provided separately when schools are informed of their budgets for 2018/19.
14. **Central Schools Services Block**
    1. The central school services block (CSSB) will be introduced in 2018 to 2019 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** | **2018/19**  **£000** | **2017/18**  **£000** |
| Central licences negotiated by the Secretary of State | 119 | 114 |
| School admissions | 271 | 266 |
| Servicing of school forums | 12 | 12 |
| Prudential borrowing | 207 | 207 |
| Statutory and regulatory duties LAs hold for all schools (including academies & free schools) | 412 | 400 |
| **Total Schools Block** | **1,021** | **999** |

|  |
| --- |
| 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 LAs hold for all schools (including academies & free schools) |

* 1. The statutory and regulatory duties 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 2.6 to 2.8 above.

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

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19**  **£000** | **2017/18**  **£000** |
| 3&4 YO universal funding- maintained schools & academies (95% pass through, including SENIF) | 6,708 | 6,624 |
| 3&4 YO universal funding – PVIs (95% pass through including SENIF) | 3,529 | 3,544 |
| 3&4 YO working parents ectended funding- maintained schools, academies and PVI (95% pass through including SENIF) | 1,485 | 1,050 |
| 2 Year Old Offer (schools, academies and PVI (includes SENIF for 2s) | 1,316 | 1,401 |
| Centrally Retained Items (5% retained element and 2 year old retained element)) | 665 | 894 |
| Contingency (see table in section 5.6 for details) | 3,264 | 789 |
| Pupil Premium | 83 | 83 |
| Disability Access Fund | 38 | 43 |
| **Total Early Years Block** | **17,088** | **14,428** |

* 1. Based on the 2017 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 indicative 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 budgets allocated against each factor and payments outside the formula for maintained schools can be found at Appendix 3 for universal entitlement and Appendix 4 for extended entitlement.
  2. The budget for the working parents extended entitlement which came into effect from September 2017 was set using the October 2017 count. As with basic entitlements, these are estimated budgets and the figures will be updated every term following the actual pupil counts.
  3. Based on the 2017 calendar year pupil counts, 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 £665k 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 £9k 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 agree at their meeting on 15th November that these funds can be centrally retained for 2018/19.
  5. The contingency for 2017/18 has been set at £3.264m. The majority of the contingency is to account for the difference between the initial grant allocation and Merton’s expected grant allocation which is based on anticipated take-up. The actual grant will be based on 5/12ths of the January 2017 count and 7/12ths of the January 2018 count. The table below sets out both the expected contingency available and the expected grant reduction.

|  |  |  |
| --- | --- | --- |
| **Contingency** | **2018/19**  **£000** | **2017/18**  **£000** |
| Grant reduction- 3&4 YO universal funding | 592 | 96 |
| Grant reduction- 3&4 YO extended funding | 1,707 | 418 |
| Grant reduction- 2 Year Old Offer | 89 | 0 |
| Grant reduction- Centrally Retained Items | 121 | 73 |
| Available contingency | 755 | 202 |
| **Total contingency** | **3,264** | **789** |

* 1. 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 £83k.
  2. 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 £615, any underspend is expected to be clawed back. The total budget is £38k.

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** | **2018/19 Rate** | **2017/18 Rate** |
| All settings | £4.85 | £4.60 |

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

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19 Rate** | **2017/18 Rate** |
| Criteria for EYPP | 70p | 70p |

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

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19 Rate** | **2017/18 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** | **2018/19 Rate** | **2017/18 Rate** |
| SEN Support Level 1a (local offer) | nil | nil |
| SEN Support Level 1b | £2.50 | £2.50 |
| SEN Support Level 1c | £5.26 + 1b (£7.76) | £5.26 + 1b (£7.76) |

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 for 2018/19 is £241,275. £186k of this is formula based, whilst £56k 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 are several components to the contingency for 3 and 4 year olds:

* A contingency to support any in-year growth for children with SEN and or deprivation supplements and includes an element for late starters (not in provision during the published headcount/claims dates)).
* The budget has an indicative allocation for the Extended Entitlement (EE) for the Summer, autumn and spring funding periods. Our anticipated take-up is predicited to be less than the government allocation and as this budget has not been “allocated” to the sector this will be held within contingency.
* The ESFA have allocated indicative budgets based on a specific point in time and based on an estimated number of taking up the Universal Entitlement (UE) as well as the EE. Local estimates indicate that not all places will be taken up as specified and the estimated grant that will be paid back to the ESFA is also held in contingency.

6.9 The remainder of the contingency (outside of the contingency being held back due to overpayment) is included as part of the high pass through rate and as such will be allocated across the sector in accordance with agreed methodology. See table in paragraph 5.6 for each part of the contingency budget.

**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 2018/19.

* 1. Retained items can only be used to support the delivery of early years 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, £656k has been allocated for retained items for 3 and 4 year olds which is included in the overall £665k in the table at paragraph 5.1. There is also £121k in contingency for centrally retained items due to the expected reduction in grant as per the table in paragraph 5.6.

**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** | **2018/19 Rate** | **2017/18 Rate** |
|  | £5.65 | £5.60 |

**Outside of formula: SEN Inclusion Fund**

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

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19 Rate** | **2017/18 Rate** |
| SEN Support Level 1a (local offer) | nil | nil |
| SEN Support Level 1b | £2.50 | £2.50 |
| SEN Support Level 1c | £5.26 + 1b (£7.76) | £5.26 + 1b (£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£49k. £44k of this is formula based, whilst £5k relates to lump sum “notional” SEN funding for EHCPs.

**Outside of formula: Contingency**

* 1. There are two components to the contingency for 2 year olds in 2018/19.
* A small contingency to support any in year growth for SEN support and late starters (not on headcount)
* The ESFA have allocated indicative budgets based on a specific point in time and based on an estimated number of taking up the 2 year old places. Local estimates indicate that not all places will be taken up as specified and the estimated grant that will be paid back to the ESFA is also held in contingency.
  1. The contingency will be allocated across the sector in accordance with agreed methodology. See table in paragraph 5.6 for each part of the contingency budget.

**Outside of formula: Retained Items**

6.20 There are no specific parameters for retained elements within the 2 year old formula and historically the retained element has been funded from reserves. This year £9k has been allocated for retained items which are included in the overall £665k in the table at paragraph 5.1. An additional £193k is earmarked from reserves to provide an overall 2 year old retained budget of £202k.This wil be partly utilised to mitigate the impact of the grant reduction of £121,000 estimated for 2018/19.

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** | **2018/19**  **£000** | **2017/18**  **£000** |
| Mainstream settings (Individual SEN statements) | 3,960 | 3,735 |
| Special Schools | 8,360 | 8,097 |
| Additional Resource Provision bases | 2,217 | 2,566 |
| Pupil Referral Unit (PRU) | 1,800 | 1,787 |
| Centrally retained High Needs funding for commissioned services | 13,997 | 13,643 |
| Post 16 FE and ISP funding | 2,060 | 2,060 |
| Centrally retained High Needs funding for special schools | 43 | 37 |
| Central duties to maintained schools (ESG) | 14 | 11 |
| Transfers from other blocks | (500) | (250) |
| **Total Funding** | **31,951** | **31,686** |

**Mainstream settings**

* 1. 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.
  2. 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** | **2018/19** |
| 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 to meet the needs of all their pupils, including those with additional needs, within the resources they receive.
  3. 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 2018/19 £250k is budgeted to be allocated to schools through this mechanism.

* 1. The NOR will be based on the October count and the numbers of SEN statements will be 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 increased by 2% for 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** | **2018/19** | **2017/18** | **2018/19** | **2017/18** | **2018/19** | **2017/18** |
| 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 | £5,691 | £5,903 | £5,846 | £9,739 | £9,645 |
| Band 3 | £7,983 | £7,826 | £6,992 | £6,913 | £11,536 | £11,406 |
| Band 4 | £10,160 | £9,961 | £8,080 | £7,981 | £13,332 | £13,168 |
| Band 5 | £12,338 | £12,096 | £9,169 | £9,048 | £15,129 | £14,929 |

* 1. The 2% is applied to places in reception onwards. As universal and extended entitlements are formulas based on the reception onwards allocations, these increases are apportioned accordingly.
  2. The band amounts shown for 2, 3 and 4 year olds are inclusive, and represent the total funds that a setting will recive. 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 2018/19.
  2. Due to the budgeted increase in pupil numbers at special schools by 4 to 371, 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. Due to the national change in funding arrangements, places in special units and resourced provision will attract 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 will be recalculated 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. As with special schools and EHCP banding funding, ARP allocations will be increased by 2% for 2018/19.
  4. Due to the transfer of funding from the high needs block to the schools block to reflect the national change in funding arrangements, the overall ARP budget will decrease by £349k to £2.217m 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 £6,633 which has been uplifted by 2% this year as with special schools, ARPs and EHCP bandings.
  2. Mainstream schools and Academies have important commissioning responsibilities with regard to pupils of compulsory school age who are placed in Alternative Provision for the purpose of early intervention or as a result of fixed-term exclusion. In such instances, under the new funding arrangements, mainstream schools and Academies will be 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 2018/19.

**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 on the next page details these services.

|  |  |  |
| --- | --- | --- |
| **Description** | **2018/19**  **£000** | **2017/18**  **£000** |
| Non-Delegated Statements | 9,901 | 9,539 |
| Cost of Merton pupils in other LA maintained schools | 2,313 | 2,313 |
| Cost to other LAs for their children in Merton maintained schools | (1,159) | (1,159) |
| Virtual School | 396 | 373 |
| Sensory Team | 391 | 392 |
| SSQ Core Offer | 359 | 359 |
| Language and Learning therapy | 354 | 354 |
| Education psychology | 266 | 266 |
| Behaviour Support | 235 | 235 |
| Education welfare | 168 | 168 |
| SEN referral & early help 0-25 team | 165 | 164 |
| Vulnerable Children's Education | 123 | 123 |
| Therapy in Special schools | 112 | 112 |
| Social Inclusion | 105 | 136 |
| Merton Autism Outreach Service (MAOS) | 100 | 100 |
| SEN support | 81 | 81 |
| Independent hospital provision | 50 | 50 |
| Portage | 37 | 37 |
| **Total Cost** | **13,997** | **13,643** |

* 1. The growth received on the HNB is not sufficient to cover the cost pressures. For 2018/19 most of the increase will be allocated to the non-delegated statement budgets to address the expected overspend on Independent Day school provision.

**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 cost 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** | **2018/19 Unit Cost** | **2017/18 Unit Cost** | **Measure** |
| Licences and Subscriptions | 2 | £5.53 | £5.41 | NOR |
| School Meals Subsidy | 1 | £1.25 | £1.21 | NOR |
| Schools in Challenging Circumstances | 9 | £18.91 | £13.87 | NOR |
| Parenting and TU cover | 20 | £41.65 | £35.5 | NOR |
| Refugee Service and EMAG | 5 | £46.60 | £43.29 | EAL |
| Tree work | 1 | £2.36 | £2.13 | NOR |
| Behaviour Support | 4 | £33.13 | £33.09 | Low Att |
| School Improvement | 1 | £1.47 | £1.43 | NOR |
| **Total budget** | **43** |  |  |  |

**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 £30.73 per pupil on roll to provide an overall de-delegated budget of £650k (£500k in 2017/18). This is higher in 2018/19 because in 2017/18 the Council still received ESG for 5 months of the financial year.
  2. For 2018/19 this means that £636k is contributed from the schools block while £14k comes from the high needs block for special schools (£489k for schools block and £11k from high needs block in 2017/18). Although the DSG contribution increases by £150k, the percentage contribution the DSG funds compared to the LA will reduce from 45% in 2017/18 to 38% in 2018/19.
  3. Following the consultation with Schools Forum, it was agreed at their meeting on the 15th November 2017 to contribute £650k to maintain the statutory central duties to Merton maintained schools.

**Transfers from other blocks**

* 1. It is no longer necessary to make adjustments to the block transfers which were agreed for the years up to 2017/18 as these have been permanently adjusted by the ESFA as part of the DSG re-baselining exercise.
  2. Following the consultation with schools, Schools Forum agreed at their meeting on the 15th November 2017 to transfer £500k as a one off to the high needs block in 2018/19 to fund the increase in numbers at special schools as well as a 2% increase in top-up (banding) fees..

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)