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| **Schools Forum 27th March 2018** | Item 3 |

**SUBJECT: DSG budget monitoring report for January 2018**

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

**RECOMMENDATION**

**That the Forum:**

1. **notes the forecast financial position of the DSG as at January 2018**
2. **Purpose of report and executive summary**

1.1 Detailed analysis of budgets as at the end of January 2018 by departmental budget managers show a number of over and underspends that combine to forecast a net overspend of £1.898m as per the tables below.

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| **Dedicated Schools Grant** | **2017/18**  **Current Budget** | **Full year Forecast**  **(as at Jan)** | **Forecast Variance at year-end** |
| **£000** | **£000** | **£000** |
| Delegated expenditure | 127,228 | 127,726 | 498 |
| Retained Items | 21,144 | 22,544 | 1,400 |
| Income | (148,372) | (148,372) | 0 |
| **Total** | **0** | **1,898** | **1,898** |

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| **Dedicated Schools Grant** | **Schools Block** | **High Needs Block** | **Early Years Block** | **Total all Blocks** |
| **£000** | **£000** | **£000** | **£000** |
| Delegated expenditure | 489 | (18) | 27 | 498 |
| Retained Items | (85) | 1,649 | (164) | 1,400 |
| **Total** | **404** | **1,631** | **(137)** | **1,898** |

1.2 DSG funded services are subject to strict grant conditions and are not used by the Council for any other purposes.

1. **Details**
   1. Significant over and (underspends) identified to the end of January 2018 are detailed in the table below.

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| **Dedicated Schools Grant** | **Schools Block** | **High Needs Block** | **Early Years Block** | **Total all Blocks** |
| **£000** | **£000** | **£000** | **£000** |
| Rate adjustments | 489 |  |  | 489 |
| SEN statement payments to Merton maintained schools |  | 264 |  | 264 |
| ARP |  | (164) |  | (164) |
| Special schools |  | (124) |  | (124) |
| Other small over and underspends |  | 6 | 27 | 33 |
| **Delegated expenditure** | **489** | **(18)** | **27** | **498** |
| Additional SEN provision |  | 427 |  | 427 |
| Independent day school provision |  | 1,242 |  | 1,242 |
| Early Years support team |  |  | (164) | (164) |
| Permanent exclusions | (65) |  |  | (65) |
| Other small over and underspends | (20) | (20) |  | (40) |
| **Retained Items** | **(85)** | **1,649** | **(164)** | **1,400** |
| **Total** | **404** | **1,631** | **(137)** | **1,898** |

* 1. Additional funding for business rate adjustments undertaken by the valuation office during the year is provided to schools as notified throughout the year. All properties were affected this year as a result of the national revaluation process. As the grant from the ESFA is lagged, based on current information we expect this to overspend in the region of £489k.
  2. SEN statement/EHC plan payments to Merton maintained schools are estimated to overspend by £264k. This is based on information available as at January and will fluctuate with changes identified by schools and other Local Authorities towards year-end. Any new statements/EHCPs processed will also affect this estimate.
  3. The ARP budget this year is expected to underspend by £164k. This is due to the cessation of the ARPs at Hillcross and Liberty, being replaced with a provision at David Nicholas through the SMART centre.
  4. The special school budget is expected to underspend by £124k. This is because the special schools were funded for five children less than that assumed at budget setting.
  5. The additional SEN provision budget is expected to overspend by £427k. This includes cost for one to one support due to more requests being received for additional support due to the complexity of cases, additional therapy costs like SALT and OT charged from independent and out of borough placements as well as cost for home tutors.
  6. The independent day school provision is estimated to overspend by £1.242m. The number of students placed in this type of provision has steadily increased over the past few years as detailed in the table below.

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|  | **Expenditure**  **£000** | **Pupil Numbers** |
| **12/13** | £2,372 | 69 |
| **13/14** | £2,826 | 84 |
| **14/15** | £3,634 | 97 |
| **15/16** | £4,100 | 116 |
| **16/17** | £4,720 | 124 |
| **17/18** | £6,040 | 140 |

* 1. The Early Years support budgets are expected to underspend by £164k in the current financial year. This is due to keeping vacant posts where possible to ensure we spend within the 7% cap on the overall Early Years block we have for 2017/18 and to support the overall pressure on the DSG. The allowable retention reduces to 5% in 2018/19 and a cautious approach in 2017/18 has been taken into account to reflect this.
  2. The permanent exclusions budget was expected to underspend by £65k at the end of January. It was agreed that this underspend will be carried forward to 2019/20 to support the funding of year 11 students at the SMART centre.
  3. There are various other small over and underspends predicted across the DSG totalling £7k underspend. This, combined with the items described above, equals the reported overspend forecast of £1.898m.

1. **Future pressure**
2. The overall cost for SEN has increased significantly over the past two years as a result of increased number of pupils being supported. The table below details the impact of the increase.



1. Merton has moved £500k from the schools block to the high needs block for 2018/19 to provide support for this increase. This represents 0.42% of the maximum allowable 0.5% above which ESFA approval is required.
2. Merton has not requested a higher amount to be transferred as it is clear that schools are also struggling. This is evident in the reducing balances schools are holding.
3. Dependant on the final outturn figure, the current year deficit is expected to be covered by current DSG reserves. If numbers and cost continue at the current level, we are expecting that next year’s overspend will move the DSG reserves into a negative position.
4. There are already some councils in this position and the directors of Children, Schools and Families as well as Corporate Services are both working with their professional counterparts to lobby nationally for government to address the pressures.
5. **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**

Marius Karsten-Strydom, Service Financial Adviser CSF

0208 545 4129

[marius.karsten@merton.gov.uk](mailto:Zoe.Church@merton.gov.uk)

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