

SUBJECT: DSG Outturn Report for Financial Year 2022/23

LEAD OFFICER: Pat Harvey, Interim Principal DSG Accountant, Children, Schools and Families Finance

RECOMMENDATION

That the Forum:

- a) **Notes the outturn position of the Dedicated Schools Grant (DSG) as of 31st March 2023.**
- b) **Notes the cumulative DSG deficit position as of 31st March 2023.**
- c) **Notes the LMS School Balances 2022/23.**
- d) **Notes the latest published DSG allocations 2023/24.**

1. Purpose of report and executive summary

- 1.1 Detailed analysis of Dedicated Schools Grant (DSG) budgets as at the end of March 2023 reports over and underspends within the four blocks; School block, Central School Services block, High Needs block and Early Years block of DSG that combine to an overall in year overspend of £7.533m as per table1 below and cumulative DSG deficit of £34.466m that includes £11.600m income from the DfE Safety Valve plan that was received last financial year 2021/22 and additional Safety Valve income of £6.700m received end of March 2023. That £6.7m included £3.2m Safety Valve funding brought forward from future years by DfE

TABLE 1 - DSG Outturn 2022/23	2022/23 Final published allocations £'000s	2022/23 LESS Academy funding £'000s	2022/23 Actual Funding received by Merton £'000s	2022/23 Final Outturn £'000s	2022/23 (surplus) / deficit Mar-23 £'000s
Schools block	139,774	(32,897)	106,877	106,339	(538)
Central School Services block	1,106		1,106	886	(220)
High Needs block	44,772	(138)	44,634	51,262	6,628
Early Years block	15,872		15,872	17,535	1,663
Total DSG 2022/23 *	201,524	(33,035)	168,489	176,022	7,533
DSG deficit 2018/19 b/fwd.					2,909
DSG deficit 2019/20 b/fwd.					9,841
DSG deficit 2020/21 b/fwd.					12,231
DSG deficit 2021/22 b/fwd.**					1,952
DSG out-turn cumulative c/fwd.					34,466

Safety Valve funding 2022/23 * included		(6,700)
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- 1.2 The DSG is a ring-fenced specific grant, and it must be used in support of the school's budget as defined in the School and Early Years Finance (England) Regulations 2022; it can be used for no other council purposes.

2. DSG Detail

- 2.1 Merton's School block, and Central Schools Services block underspent during 2023/24 while the High Needs Block (HNB) overspent as in previous years, and Early Years block reported an overspend but final census adjustment is received July. Some of these underspends were because of management action of the safety valve agreement to reduce the overall overspend in the DSG.
- 2.2 The main reason for the overspend in the HNB is increased numbers of Education Health and Care Plans (EHCPs) over the past years which have not been met with corresponding increases in grant funding. This has resulted in the HNB overspend becoming progressively larger each year and growth in demand for specialist SEN placements.
- 2.3 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 specialist provision and the time it takes to increase this through expansion and new build.
- 2.4 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 seven years from January 2016 to January 2022, the total number of statements and EHCPs increased from 1,075 to 2,467 (increase of 1,392 cases, 129%). In January 2023, the increase in plans is 1% 2,488, that demonstrates the Safety valve work that has been undertaken during 2022/23, as one of the workstreams.
- 2.5 The National government statistics [report](#)¹:

The total number of Education, Health and Care (EHC) plans has continued to increase.

- The number of children and young people with EHC plans increased to 517,000, as at census day in January 2023, up by 9% from 2022. This has increased each year since 2010.

The number of new EHC plans made in the calendar year has also continued to increase.

- 66,400 new EHC plans were made during the 2022 calendar year, up by 7% from the previous year. The number of new EHC plans has increased each year since their introduction in 2014.

¹ [Education, health and care plans, Reporting year 2023 – Explore education statistics – GOV.UK \(explore-education-statistics.service.gov.uk\)](#)

The number of initial requests for an EHC plan increased during the calendar year, continuing the long-term trend of increases.

- There were 114,500 initial requests for an EHC plan during 2022, up by 23% from 93,300 in 2021. Apart from a decrease in 2020, a typical year with the pandemic disrupting both education and local authority services, initial requests have increased each year since EHC plans were introduced.

The proportion of new plans issued within 20 weeks has decreased.

- In 2022, 50.7% of new EHC plans were issued within 20 weeks. This was a decrease when compared to 2021.

2.7 Table 2 below reports the four DSG blocks and split of retained budgets and delegated budgets and impact of the increase on the various types of provision over the past year of DSG over and (under) spends identified to the end of March 2023:

TABLE 2 - DSG (underspends) and overspends 2022/23 split of retained and delegated budgets	Schools block	Central block	High Needs block	Early Years block	Total all blocks
	£'000	£'000	£'000	£'000	£'000
Delegated expenditure	-355		4675	1663	5983
Retained items	-183	-220	8653		8250
Safety Valve Funding 2022/23			-6700		-6700
Total	-538	-220	6628	1663	7533

2.8 Table 3 below details the impact of the increase on the various types of provision over the past year of DSG over and (under) spends identified to the end of March 2023:

TABLE 3 - DSG (underspends) and overspends 2022/23	Schools block	Central block	High Needs block	Early Years block	Total all blocks
	£'000	£'000	£'000	£'000	£'000
School Formula 21/22 and rate adjustments	-355				-355
Additional SEN support to SEN pupils			-214		-214
Special schools			4,075		4,075
SEN EHCP payments to Merton schools			149		149
Early Years 2/3- and 4-year-old formula				-193	-193
EYRs 2/3 and 4 yr old prev yr end accrual				1,856	1,856
Hospital Tuition			-33		-33
AWPU excluded pupils			30		30
Non-Maintained post16			-29		-29

PRU (Smart centre)			44		44
ARP in schools			658		658
HN 6th form			62		62
Import/export adjustment			-67		-67
Delegated expenditure	-355	0	4,675	1,663	5,983
School Admissions		-13			-13
School Meal equipment	-12				-12
Prudential Borrowing		-207			-207
Attain	9				9
School Improvement	-5		58		53
Behaviour Support			89		89
Head of SEN			-37		-37
EPS			-266		-266
Language & Learning			51		51
Bulge and Falling rolls	-175				-175
Statements/EHCPs			9,068		9,068
Sensory Team			-21		-21
SEN support for inclusion			4		4
Planning & Resources team			-6		-6
SEN & Early Help team			1		1
DSG Vulnerable Manager/staff			-44		-44
SEN Residential			-244		-244
Retained items	-183	-220	8,653	0	8,250
Safety Valve funding			- 6,700		- 6,700
TOTAL	-538	-220	6,628	1663	7,533

2.9 School block (£538k) underspend

2.9.1 The school block in total underspent by £538k in 2022/23. Business rates revaluations and adjustments by the valuation office during the year resulted in a net underspend of £355k. The school formula funds NNDR (business rates within the formula lagged, however Merton pays in year any adjustments.

2.9.2 De-delegated school budget £40k for primary school kitchen equipment underspent by £12k in allocations made to schools 2022/23.

2.9.3 Other de-delegated budgets underspends were:

2.9.3.1 Attain £9k overspend.

2.9.3.2 School improvement £5k underspend.

2.9.3.3 Bulge class funding and falling rolls £175k; however, payments to schools will be processed in 2023/24 for falling rolls.

2.10 Central block (£220k) underspend

2.10.1 The central schools block underspend in 2022/23 was £220k, due to prudential borrowing recharge £207k, school admissions underspend £13k.

2.11 High Needs block overspend £6.28m *(including safety valve funding £6.70m)*

- 2.11.1 The high needs block overspends £12.98m less safety valve funding of £6.70m, net £6.28m pressure was primarily due to ongoing growth and demand for SEN children and young people in Merton and high demand for suitable provision and support for this cohort.
- 2.11.2 Targeted funding delegated to schools as part of monitoring growth/additional EHC plans set in Merton underspend by £225k. This is due to Safety valve plan and monitoring EHC plans in both primary and secondary schools.
- 2.11.3 Special school allocations were overspent of £4.075m due to SEN children being placed within the settings and top up payments in support. Place funding for Special school places is lagged funded from the DfE via the High needs block. This budget will require growth for 2023/24 as part of the Safety Valve program.
- 2.11.4 Payments in support of Merton children with EHC plans overspent by £149k in primary and secondary schools.
- 2.11.5 Hospital tuition underspend of £33k against budget.
- 2.11.6 Excluded pupils overspend £30k against budget.
- 2.11.7 Non maintained post 16 young people's budget saving of £29k.
- 2.11.8 Pupil Referral Unit (PRU) budget overspend of £44k.
- 2.11.9 The ARP budget this year overspent by £658. This budget was increased in support of extra commissioned places and will require to be increased again as part of growth in support and delivery of the Safety Valve program.
- 2.11.10 High Needs post 16 pressure £62k due to additional SEN pupils on census with SEN.
- 2.11.11 As part of the annual DfE in-year DSG adjustments, there was a reduction in high needs funding of £62K that relates to import/export adjustment. This is Merton's residential children and young people attending out of borough provision and place funding adjusted to pay directly to the other local authorities within their high needs funding allocation.
- 2.11.12 School Improvement £58k overspend due to salary costs, offset by savings on room hire and conference costs.
- 2.11.13 Behaviour support £89k overspend due to small overspend and reduced buy backs from schools.
- 2.11.14 Education Welfare £12k underspend due to staffing savings.

- 2.11.15 Head of SEN savings budget due to expenditure coded to another cost centre of £36k.
- 2.11.16 Education Psychology Support (EPS) savings £266k due to earmarked budget not required.
- 2.11.11 Language and learning £51k overspend due to staffing and corporate agency recharges.
- 2.11.12 Independent day placements overspent £9.06m the number of children and young people placed in this type of provision has steadily increased over the past few years due to demand for specialist and suitable SEN provision.
- 2.11.13 Sensory team savings £21k savings within teacher's salary costs.
- 2.11.14 SEN support for Inclusion pressure £4k due to grants income less than budgeted.
- 2.11.15 Planning and Resources team £6k savings on translation and stationary costs.
- 2.11.16 SEN and Early help 0-5 team £1k pressure on salary costs.
- 2.11.17 DSG Vulnerable manager and team £44k savings on staffing costs.
- 2.11.18 SEN Independent school residential saving of £244k.

2.12 Early Years block overspend (£1.633m)

- 2.12.12 Early years formula is reporting an overspend of £1.633m, however £1.8m refer to previous year's accruals and the true in-year outturn is a small underspend of £193k. We are waiting for a possible clawback of funding with regards to expenditure not exceeding 95% of funding on both 3–4-year-olds and 2-year-old grant, and usually this is during July, but await further guidance from the DfE on the clawback.
- 2.13 The combined four blocks of under and overspends for 2022/23 reports an outturn of £7.553m and cumulative DSG deficit in total of £34.466m. This cumulative DSG is held as an unusable reserve.

Recommendation (i): School Forum are asked to:

- (a) note and comment on DSG outturn position for 2022/23
- (b) note and comment on the cumulative DSG deficit 2022/23

3. Future pressure

- 3.1 The overall cost for SEN has increased significantly over the past seven years because of increased numbers of pupils being supported. The following table 4 details the impact of the increase in EHCPs and Safety Valve work in 2023.

TABLE 4 - EHCP and 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		Jan 2021 Total Statements and EHCPs		Jan 2022 Total Statements and EHCPs		Jan 2023 Total Statements and EHCPs	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Early Years (inc. Private & Voluntary)	0	0%	1	0%	7	0%	7	0%	7	0%	8	0%	9	0%	5	0%
Mainstream School (inc. Academic)	422	39%	461	37%	526	35%	584	34%	682	35%	816	36%	874	35%	878	35%
Additional Resourced Provision	110	10%	111	9%	116	8%	125	7%	125	6%	133	6%	160	6%	148	6%
State Funded Special School	358	33%	388	31%	416	27%	440	26%	474	25%	520	23%	563	23%	886	36%
Independent Schools	132	12%	153	12%	176	12%	228	13%	305	16%	367	16%	338	14%	46	2%
Post 16 College and traineeships	25	2%	93	7%	183	12%	212	12%	194	10%	268	12%	343	14%	329	13%
Post 16 Specialist	10	1%	25	2%	44	3%	37	2%	40	2%	44	2%	43	2%	36	1%
Alternative Education	15	1%	10	1%	22	1%	28	2%	44	2%	37	2%	34	1%	4	0%
No placement (including NEET)	3	0%	0	0%	28	2%	51	3%	57	3%	59	3%	103	4%	156	6%
Total	1075	100%	1242	100%	1518	100%	1712	100%	1928	100%	2252	100%	2467	100%	2488	100%
% change over previous year				16%		22%		13%		13%		17%		10%		1%

- 3.2 Table 5 below details numbers of EHCPs and ages of children from SEN2 return for 2022 and 2023.

Table 5 - SEN2 age analysis	2022		2023	
	No	%	No	%
Under 5	116	5%	89	4%
Age 5 to 10	824	33%	826	33%
Age 11 to 15	872	35%	953	38%
Age 16 to 19	472	19%	473	19%
Age 20 to 25	183	7%	147	6%
Total	2467	100%	2488	100%

- 3.3 EHCP's within Merton have grown an average of 15% over the past 6 years yet the HNB funding growth has seen an average growth of 6.65% increase since 2018/19, since the reporting deficit. This lack of funding has been a contributing factor to the DSG deficit as well as huge growth and demand for SEN provision within Merton. Including the Safety Valve funding of £18.3m now reports the DSG growth as 15% over the past 6 years. Table 6 below details funding each financial year.

Table 6 - Dedicated Schools Grant - High Needs Block allocations			
Financial year	£'m	Increase £'m	%

2018/19	32.662	0.306	0.90%
2019/20	33.085	0.423	1.30%
2020/21	36.177	3.092	8.50%
2021/22	39.926	3.749	9.40%
2022/23	44.634	4.795	10.70%
2023/24	49.104	4.470	9.10%

- 3.5 Merton top sliced £698k (0.5%) plus £500k (0.36%) from the school's block to the high needs block for 2022/23 to provide support for the increase in SEN in schools and settings and this was approved by School Forum. This represents 0.83% of which Secretary of State Approval was sought.
- 3.4 The reported DSG deficit is a 'net total' of all four blocks of the DSG, and each block is monitored separately for audit purposes. The net DSG outturn will be reported as an unusable DSG reserve within the financial accounts.
- 3.5 The current in-year deficit £7.533m will increase the DSG reserves, and Merton is now part of the DfE Safety Valve program with a recovery plan of the cumulative deficit in 4-5 years into a positive position. Merton have received two Safety Valve payments, one in 2021/22 of £11.6m and another in 2022/23 of £6.7m, totalling £18.3m.

4. LMS Balances

- 4.1 Local Management Schools (LMS) balances have decreased by £3.568m (31%) reduction from £11.461m to £7.893m and details are attached as **Appendix A** for reporting purposes.
- 4.2 2022/23 schools outturn reported 14 schools with £2.246m deficit, and 33 schools with £10.139m surplus balances, net £7.893m.

Recommendation (ii): School Forum are asked to:

(c) note and comment on LMS School balances 2022/23

5. DSG Allocations 2023/24

- 5.1 The 2023/24 DSG allocations were published in December 2022 and there have been no further updates to report to School Forum. Table 7 confirms the latest published DSG allocations (cash received after academy recoupment) to Merton. The £4.383m increased in High Needs funding included £1.559m which DfE

mandated to be added to funding for maintained special schools, alternative provision and ARPs, which we have done.

Table 7 DSG Block allocations 2022/23	2022/23 Final Allocations	2023/24 Final Allocations	Movement + Fav / (unfav)	% Change
Schools Block*	106,877	113,223	6,346	6%
High Needs	44,721	49,104	4,383	10%
Central Block	1,106	1,141	35	3%
Early Years (Prov.)	15,486	16,577	1,091	7%
Total DSG Funding	168,190	180,045	11,855	7%

* includes 22/23 Mainstream Schools Supplementary Grant rolled into baseline for 23/24

Recommendation (iv): School Forum are requested to:

(d) note the final DSG 2022/23 allocations.

6. Financial, resource and property implications

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

7. Legal and statutory implications

7.1 No legal implications at this stage.

8. Human rights, equalities, and community cohesion implications

8.1 None at this stage.

9. Appendices

9.1 Appendix A – LMS Balances 2022/23

10. Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report:

10.1 Centrally held financial information and other papers held by the Children Schools and Families Finance Team.

11. Report author

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Further information about Merton Council can be obtained from its web site
www.merton.gov.uk

