

SUBJECT: DSG Outturn Report for Financial Year 2021/22

LEAD OFFICER: Pat Harvey, Interim Principal 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 2022.
- b) Notes the cumulative DSG deficit position as of 31st March 2022.
- c) Notes the LMS School Balances 2021/22.
- d) Notes the proposed distribution of the Supplementary Grant for 2022/23 to High needs settings.
- e) Notes the latest published DSG allocations 2022/23.

1. Purpose of report and executive summary

- 1.1 Detailed analysis of Dedicated Schools Grant (DSG) budgets as at the end of March 2022 reports over and underspends within the four blocks of DSG that combine to an overall in year overspend of £13.552m as per table1 below and cumulative DSG deficit of £26.933m that includes £11.6m income from the DfE Safety Valve plan that was received end of March 2022.

TABLE 1 - DSG Outturn 2021/22	2021/22 Final published allocations £'000s	2021/22 LESS Academy funding £'000s	2021/22 Actual Funding received by Merton £'000s	2021/22 Final Outturn £'000s	2021/22 (surplus) / deficit Mar-22 £'000s
Schools block - ISB	137,499	(30,648)	106,851	106,823	(28)
Central block	1,094		1,094	729	(365)
High Needs block	39,577	(127)	39,450	53,343	14,893
Early Years block	14,983		14,983	14,035	(948)
Total DSG 2021/22	193,154	(30,775)	162,378	175,930	13,552
DSG deficit 2018/19 b/fwd.					2,909
DSG deficit 2019/20 b/fwd.					9,841
DSG deficit 2020/21 b/fwd.					12,231
Safety Valve funding 2020/21					(11,600)
DSG out-turn cumulative c/fwd.					26,933

- 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 2020; it can be used for no other council purposes.

2. DSG Detail

- 2.1 Merton's School block, Central block and Early Years block underspent during 2022/23 while the High Needs Block (HNB) overspent as in previous years. Some of these underspends were because of management action taken to reduce the overall overspend expected in the DSG.
- 2.2 The main reason for the overspend in the HNB is the ongoing increase in numbers of Education Health and Care Plans (EHCPs) 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. The actions being taken as part of the DfE Safety Valve intervention are designed to allow us to rebalance the system, and to bring the deficit back in line.
- 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%).
- 2.5 The National government statistics report¹:
- There were 473,300 children and young people with an EHCP as of January 2022, this is an increase of 10% from 430,700 as at January 2021. This follows similar increases in recent years.
 - There were 93,300 initial requests made for assessment for an EHC plan during 2021, up from 76,000 in 2020 and the highest number since data was first collected in 2016. Of those, 20,800 (22.3%) were refused, a small increase from 2020.
 - 62,200 new EHC plans were made during 2021, an increase of 2,100 (3%) when compared against 2020. This follows an increase of 11% from 2019 to 2020. This is the highest number of new EHC plans in a year, following increases each year since their introduction in 2014.
 - During 2021 calendar year 5,100 mediation cases were held, an increase of nearly 1,000 cases from 2020. Of these, 1,300 (26%) were followed by appeals to the tribunal.

¹ [Education, health and care plans, Reporting Year 2022 – Explore education statistics – GOV.UK \(explore-education-statistics.service.gov.uk\)](https://explore-education-statistics.service.gov.uk)

- 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 2022:

TABLE 2 - DSG (underspends) and overspends 2021/22 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	137	(132)	3,071	(888)	2,188
Retained items	(165)	(233)	11,822	(60)	11,364
Total	(28)	(365)	14,893	(948)	13,552

- 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 2022:

TABLE 3 - DSG (underspends) and overspends 2021/22	Schools block	Central block	High Needs block	Early Years block	Total all blocks
	£'000	£'000	£'000	£'000	£'000
Rate adjustments	42				42
School Formula 21/22	95				95
TPG/TPECG		(132)			(132)
Targeted support to SEN pupils (1.5%)			225		225
Special schools			1,937		1,937
SEN EHCP payments to Merton schools			2,315		2,315
Early Years 2/3- and 4-year-old formula				(888)	(888)
OLA children in Merton schools			(321)		(321)
ARP			(131)		(131)
Inc from school block to HN block			(656)		(656)
Import/export adjustment			(298)		(298)
Delegated expenditure	137	(132)	3,071	(888)	2,188
School Admissions		(26)			(26)
School Meal equipment	2				2
Prudential Borrowing		(207)			(207)
Refugee Service	(24)		(1)		(25)
Schools Causing Concern	(164)		(5)		(169)
Parenting Cover	(25)		(3)		(28)
Public Duties	(10)				(10)
Attain	75		1		76
School Improvement	(19)		(1)		(20)
Behaviour Support			32		32
Education Welfare			(12)		(12)

Social Inclusion			(98)		(98)
Language & Learning			231		231
Non-delegated statements: Independent placements			8,588		8,588
Non-delegated statements: Out of Borough			2,778		2,778
Post 16 High Needs Funding (FE & ISP)			367		367
Sensory Team			28		28
SEN support for inclusion			(2)		(2)
School Improvement			58		58
Portage			1		1
SEN Referral & Early Help 0-25			(141)		(141)
Early Years centrally retained				(60)	(60)
Retained items	(165)	(233)	11,822	(60)	11,364
TOTAL	(28)	(365)	14,893	(948)	13,552

2.9 School block (£28k) underspend

2.9.1 The school block in total underspent by £28k in 2021/22. Business rates revaluations and adjustments by the valuation office during the year resulted in an overspend of £42k. This was expected of a net increase in revaluations resulting in a small overspend. *(Note: NNDR is funded on a one year lagged basis through the DSG schools' formula, so this increase will be included in the 2022/23 allocation).*

2.9.2 The school budget reports an overspend by £95k. This is due to emergency cash advances to schools and has been offset in 2022/23 and recovered as part of advance payments in the new financial year.

2.9.3 De-delegated school budget £40k for primary school kitchen equipment overspent by £2k in allocations made to schools 2021/22. Last year there was an underspend of £3k.

2.9.4 Other de-delegated budgets underspends were:

- 2.9.4.1 Refugee service £25k
- 2.9.4.2 Schools causing concern £169k
- 2.9.4.3 Parenting duties £28k
- 2.9.4.4 Public duties £10k
- 2.9.4.5 Attain £76k overspend *(last two years there have been underspends and accrual of £100k in support)*
- 2.9.4.6 School improvement £20k underspend.

2.10 Central block (£365k) underspend

2.10.1 The central schools block underspend in 2020/21 was £365k, due to prudential borrowing recharge (£207k), school admissions de-delegated underspend (£26k) and Teachers pay and pension grant (TPG) allocation (£132k).

2.11 High Needs block overspend £14.9m

2.11.1 The high needs block overspend of £14.9m was primarily due to the growth in numbers of children and young people with an EHCP in Merton and high demand for suitable provision and support for this cohort.

- 2.11.2 Targeted funding delegated to schools as part of growth/additional EHC plans above 1.5%, as an internal formula set in Merton, overspent by £225k. This is due to growth in EHC plans in both primary and secondary schools.
- 2.11.3 Special school allocations were overspent by £1.9m due to the number of 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 2022/23 as part of the Safety Valve program.
- 2.11.4 Payments in support of children with EHC plans overspent by £2.3m in primary and secondary schools. This was due to growth in SEN children with EHC plans. Since 2021 to 2022 EHCP's increased by 10%. (See 3.1, table 4 below as per SEN2 return).
- 2.11.5 Other local authority (OLA) income received was £321k more than anticipated budget and was due to recovery and invoicing for SEN children from other local authorities.
- 2.11.6 The ARP budget this year was under spent by £131k. This budget was increased in support of extra commissioned places and will require to be increased again in growth as part of the Safety Valve program.
- 2.11.7 There was a transfer (as approved by School Forum January 2021) of £656k from school block to high needs block in support of SEN increasing costs.
- 2.11.8 As part of the annual DfE in-year DSG adjustments, there was a reduction in high needs funding of £298K that relates to import/export adjustment. This is Merton's residential children and young people attending out of borough provision and place funding is adjusted to pay directly to the other local authorities within their high needs funding allocation.
- 2.11.9 Behaviour support £32k overspend due to subscription charges and zoom recharges.
- 2.11.10 Education Welfare £12k underspend due to staffing savings.
- 2.11.11 Social inclusion £98k underspend due to mentoring project recharges.
- 2.11.12 Language and learning £231k overspend due to staffing vacancies and corporate agency recharges.
- 2.11.13 Independent day placements overspent £8.6m. 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.
- 2.11.14 Out of Borough (OOB) maintained school and academy placements overspent by £2.8M. The number of places funded

'out of borough' has increased due to the increased number of EHCPs Merton had to statutorily support.

- 2.11.15 Post-16 £367k pressure due to young people with SEN
- 2.11.16 Sensory team £28k pressure due to staffing vacancies and support from corporate agency contract.
- 2.11.17 SEN support for inclusion £2k underspend due to central recharges.
- 2.11.18 School Improvement £58k overspend due to staffing pressures.
- 2.11.19 Portage £1k overspend due to internal recharges and rounding.
- 2.11.20 SEN early years 0-5 support budget £141k within the High Needs budget due to low take up on census SEN early years.

2.12 Early Years block underspend (£948k)

- 2.12.12 Early years formula is reporting an under spend of £948k primarily due to COVID-19 and census changes in data collections by the DfE. 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. Early Years back office reported an underspend of £60k due to reduced administration of the Early Years formula to schools and settings.
- 2.12.13 The January 2022 census reports a decline in take up of 2-year-olds and 3–4-year-olds in attending schools and settings.

- 2.13 The combined four blocks of under and overspend for 2021/22 reports an outturn of £13.552m and cumulative DSG deficit in total of £26.933m. 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 2021/22
- (b) note and comment on the cumulative DSG deficit 2021/22

3. Future pressure

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

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

Note the recording of NEETs etc. changed in 2018 and 2019

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

SEN2 age analysis (2022)	Number	%
Under 5	116	5
Age 5 to 10	824	33
Age 11 to 15	872	35
Age 16 to 19	472	19
Age 20 to 25	183	7
Total	2467	100

Table 5

3.3 EHCPs 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% 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. 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	0.9%
2019/20	33.085	0.423	1.3%
2020/21	36.177	3.092	8.5%
2021/22	39.926	3.749	9.4%
2022/23	44.721	4.795	10.7%

3.4 Further analysis of National Government data SEN2 returns for 2019/20 to 2020/21 reports the category of first need as Speech Language and Communication needs (SLC) on school census as the highest number of EHCPs

in Merton as table 7 below and Autistic Spectrum Disorder (ASD) as the second recorded level of need. Nationally the highest category is ASD:

Headcount by type of SEN provision and type of need - 2019 to 2021 both National and Merton						
			SEN Support		Statement or EHC	
			2019/20	2020/21	2019/20	2020/21
Autistic Spectrum Disorder	Headcount	London Merton	168	146	280	305
		England	67,867	70,474	82,847	92,567
Hearing Impairment	Headcount	London Merton	51	50	9	8
		England	17,173	17,067	6,027	6,148
Moderate Learning Difficulty	Headcount	London Merton	358	311	127	131
		England	211,563	203,454	29,592	31,159
Multi- Sensory Impairment	Headcount	London Merton	12	12	2	2
		England	2,647	2,808	965	1,021
Other Difficulty/Disability	Headcount	London Merton	205	219	26	36
		England	45,932	44,592	7,069	7,841
Physical Disability	Headcount	London Merton	41	46	27	31
		England	23,417	22,944	13,371	13,724
Profound & Multiple Learning Difficulty	Headcount	London Merton	no data	no data	51	56
		England	916	825	10,003	9,976
Severe Learning Difficulty	Headcount	London Merton	4	3	110	102
		England	3,001	2,634	30,593	31,300
Social, Emotional and Mental Health	Headcount	London Merton	795	840	154	199
		England	194,111	195,294	39,189	45,191
Specific Learning Difficulty	Headcount	London Merton	674	686	64	77
		England	145,878	145,187	9,947	11,610
Speech, Language and Communications needs	Headcount	London Merton	1,160	1,106	301	347
		England	236,960	245,232	42,589	49,530
Visual Impairment	Headcount	London Merton	15	13	4	3
		England	9,622	9,727	3,411	3,601
SEN support but no specialist assessment of type of need	Headcount	London Merton	248	279	no data	no data
		England	40,333	42,204	no data	no data
Missing	Headcount	England	no data	no data	1	no data
Total	Headcount	London Merton	3,731	3,711	1,155	1,297
		England	999,420	1,002,442	275,604	303,668

Table 7

[Create your own tables, Table Tool – Explore education statistics – GOV.UK \(explore-education-statistics.service.gov.uk\)](#)

(1) Totals include state-funded nursery, primary, secondary and special schools, non-maintained special schools and pupil referral units. Does not include independent schools

- 3.5 Merton moved £656k from the school's block to the high needs block for 2021/23 to provide support for this increase and this was approved by School Forum. This represents 0.49% of the maximum allowable 0.5% above which Secretary of State Approval is required. Any other movement of funding between DSG blocks is approved by School Forum, then approved by the Secretary of State.
- 3.5 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.
- 3.6 The current in-year deficit £13.55m 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 5-6 years into a positive position.
- 3.7 Merton did not request a higher amount in 2021/22 to be transferred as schools are also struggling. This was evident in the number of schools requesting to set deficit budgets for 2022/23 of 10 schools. *(Based upon school balances)*

- 3.8 Local Management of Schools (LMS) balances have decreased slightly by £103k from £11.564m to £11.461m and details are attached as **Appendix A** for reporting purposes.

Recommendation (ii): School Forum are asked to:

(c) note and comment on LMS School balances 2021/22

4. Supplementary Grant for Specials, Additional Resourced Provisions and Alternative Provision

- 4.1 Additional funding of £1.693m has been confirmed by DfE to support schools and special schools to mitigate increased cost due to the introduction of Health & Social Care Levy NI cost and other cost pressures.
- 4.2 School-level allocations of the Schools Supplementary Grant for the 2022 to 2023 financial year have been published by DfE during the spring 2022. The funding will be paid to local authorities, who will be required to pay it to individual schools at the rates published.
- 4.3 Please refer to **Appendix B** for the proposed distribution of High Needs Supplementary grants allocation to special schools, ARPs, and Alternative Provision (AP).

Recommendation (iii): School Forum are requested to:

(d) note and comment on the proposed distribution of the Supplementary Grant for 2022/23 to High needs settings.

5. DSG Allocations 2022/23

- 5.1 The 2022/23 DSG allocations were published in December 2021 and there have been no further updates to report to School Forum. Table 8 confirms the latest published DSG allocations (cash received after academy recoupment) to Merton.

Table 8 DSG Block allocations 2022/23	2021/22 Final Allocations	2022/23 Final Allocations	Movement + Fav / (unfav)	% Change
Schools Block	106,851	106,877	26	0.02%
High Needs	39,450	44,721	5,271	13%
Central Block	1,094	1,106	12	1%
Early Years (Prov.)	14,983	15,486	502	3%

Total DSG Funding	162,378	168,190	5,812	4%
<p><u>Recommendation (iv):</u> School Forum are requested to:</p> <p>(a) note the final DSG 2022/23 allocations.</p>				

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 2021/22
Appendix B – High Needs Supplementary grants allocation to special schools, ARPs, and Alternative Provision (AP).

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