

Schools Forum 24th March 2020	Item
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SUBJECT: DSG budget monitoring report for February 2020

LEAD OFFICER: Feroza Begum, Children, Schools and Families Finance

RECOMMENDATION

That the Forum:

a) notes the forecast financial position of the DSG as at February 2020

1. Purpose of report and executive summary

- 1.1 Detailed analysis of budgets as at the end of January 2020 by departmental budget managers show a number of over and underspends that combine to forecast a net overspend of £10.669m as per the tables below.

	2019/20 Current Budget	Full year Forecast (as at Feb)	Forecast Variance at year-end
Dedicated Schools Grant	£000	£000	£000
Delegated expenditure	126,922	127,546	624
Retained Items	21,068	31,113	10,045
Income	(147,990)	(147,990)	-
Total	-	10,699	10,669

Dedicated Schools Grant	Schools Block	High Needs Block	Early Years Block	Total all Blocks
	£000	£000	£000	£000
Delegated expenditure	(260)	919	(35)	624
Retained Items	(404)	10,504	(55)	10,045
Total	(664)	11,423	(90)	10,669

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

2. Details

- 2.1 Significant over and (underspends) identified to the end of February 2020 are detailed in the table below.

Dedicated Schools Grant	Schools Block	High Needs Block	Early Years Block	Total all Blocks
	£000	£000	£000	£000
Rate adjustments	(86)			(86)
Bulge class funding	(160)			(160)
SEN statement payments to Merton maintained schools		1,146		1,146
ARP		(28)		(28)
Income recovered from other local authorities		(199)		(199)
Other small over and underspends	(14)		(35)	(49)
Delegated expenditure	(260)	919	(35)	624
Additional SEN provision		1,302		1,302
Independent day school provision		6,474		6,474
SEN & Early Help staffing		(80)		(80)
Independent residential school provision		(153)		(153)
FE and post 16 ISP		611		611
Out of borough maintained school and academy places		1,885		1,885
Alternative education		337		337
SEN statement payments to Merton academies		283		283
Recoupment income		(302)		(302)
Language and learning team		206		206
Early years support team			(55)	(55)
Parenting cover	(216)			(216)
Other small over and underspends	(188)	(59)		(247)
Retained Items	(404)	10,504	(55)	10,045
Total	(664)	11,423	(90)	10,669

- 2.2 School funding is updated for business rate adjustments undertaken by the valuation office during the year. Additional funding is provided for increases and deductions made for reductions. This year we are expecting a net reduction resulting in an estimated underspend of £86k (Note: NNDR is funded on a one year lagged basis through the DSG)
- 2.3 Bulge class funding was set aside for possible secondary/primary expansions. We were able to place all children in 2019/20 in existing schools or planned bulge classes which resulted in an under spend of £160k.
- 2.4 SEN EHCP payments to Merton maintained schools are estimated to overspend by £1.146m. This is based on information available as at February

and will fluctuate with changes identified by schools and other local authorities towards year-end. Any new EHCPs processed will also affect this estimate.

- 2.5 The ARP budget this year is expected to underspend by £28k. This budget was kept at the same level as 2018/19 and there is a prospect of an ARP expanding in 2020/21 which may require for this budget to be increased again.
- 2.6 Income recovered from other local authorities is expected to be £199k.
- 2.7 The additional SEN provision budget is expected to overspend by £1.302m. This includes cost for one to one support as a result of more requests being received for additional support due to the complexity of cases; additional therapy costs such as SALT and OT charged from independent and out of borough placements as well as cost for home tutors.
- 2.8 Staff vacancies in the SEN & Early Help team has resulted in an under spend of (£80k).
- 2.9 The independent day school provision is estimated to overspend by £6.474m. The number of students placed in this type of provision has steadily increased over the past few years.
- 2.10 The independent residential school provision is estimated to underspend by £153k. This is as a result of substantial efforts to keep this cost as low as possible as this is the most expensive provision for the borough.
- 2.11 Further Education and post 16 Independent Specialist Provision is forecast to overspend by £611k due to the increased number of students in this cohort. This is linked to the legislation changes requiring local authorities to fund the education of SEND pupils up to the age of 25 whilst the grant to fund this cohort has not been increased.
- 2.12 Out of borough maintained school and academy placements are expected to overspend by £1.885m. The number of places funded out of borough has increased due to the increased number of EHCPs Merton had to support.
- 2.13 The cost of alternative education is expected to overspend by £337k in the current financial year. The number of places funded has increased in line with the number of EHCPs in Merton.
- 2.14 Recoupment income from other local authorities is expected to be (£302k).
- 2.15 £206k overspend relates to staffing in the Language and Learning team.
- 2.16 SEN statement/EHC plan payments to Merton academies is estimated to overspend by £283k. Any new EHCPs processed will affect this estimate. These costs have increased as academies also take proportionately more pupils from Merton's rising EHCP population.
- 2.17 The Early Years support budgets are expected to underspend by £55k in the current financial year. This is due to keeping vacant posts where possible to

ensure we spend within the 5% cap on the overall Early Years block we have for 2019/20 and to support the overall pressure on the DSG.

- 2.18 The parenting cover budget is expected to underspend by £216k at the end of February. This is the first time in quite a few years that this budget has underspent due to the unpredictable nature of these expenses.
- 2.19 There are various other small over and underspends predicted across the DSG totalling £296k underspend. This, combined with the items described above, equals the reported overspend forecast of £10.669m.

3. Future pressure

- 3.1 The overall cost for SEN has increased significantly over the past three years as a result of increased numbers of pupils being supported. The table below details the impact of the increase.

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	
	No	%	No	%	No	%	No	%	No	%
Early Years (incl. Private & Voluntary Settings)	0	0%	1	0%	7	0%	7	0%	7	0%
Mainstream Schools (incl. Academies, Free and Independent)	422	39%	461	37%	526	35%	584	34%	707	37%
Additional Resourced Provision	110	10%	111	9%	116	8%	125	7%	125	6%
State Funded Special Schools	358	33%	388	31%	416	27%	440	26%	474	25%
Independent Special Schools	132	12%	153	12%	176	12%	228	13%	280	15%
Post 16 College and traineeships	25	2%	93	7%	183	12%	212	12%	199	10%
Post 16 Specialist	10	1%	25	2%	44	3%	37	2%	35	2%
Alternative Education (incl. EOTAS, Hospital Schools and EHE)	15	1%	10	1%	22	1%	28	2%	61	3%
No placement (including NEET)	3	0%	0	0%	28	2%	51	3%	40	2%
Total	1075	100%	1242	100%	1518	100%	1712	100%	1928	100%
Change over previous year				16%		22%		13%		11%

- 3.2 Merton has moved £600k from the schools block to the high needs block for 2020/21 to provide support for this increase. This represents 0.49% of the maximum allowable 0.5% above which ESFA approval is required.
- 3.3 Merton has not requested a higher amount to be transferred as schools are also struggling. This was evident in the number of schools requesting to set deficit budgets for 2019/20.
- 3.4 Dependant on the final outturn figure, the current year deficit will move the DSG reserves into a negative position. Due to the size of the deficit Merton will be required to meet with the ESFA again in November 2020. Schools Forum will be updated at the following forum meeting.
- 3.5 There are already some councils in this position and the directors of Children, Schools and Families as well as Corporate Services both continue to work with their professional counterparts to lobby nationally for government to address the pressures.
- 3.6 We have also been working closely with other south west London authorities to identify value for money practice and joint commissioning initiatives aimed at reducing costs.

4. Financial, resource and property implications

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

5. Legal and statutory implications

- 5.1 No legal implications at this stage.

6. Human rights, equalities and community cohesion implications

- 6.1 None at this stage.

7. Appendices

- 7.1 None

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

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

9. Report author

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www.merton.gov.uk