

SUBJECT: DSG funding including Schools Funding Formula 2020/2021

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

RECOMMENDATIONS

That the Forum:

- a) Notes the Schools Funding Formula allocation for 2020/21 following consultation and provides comments for LA consideration.**
- b) Approves the Growth Fund as detailed in paragraph 2.2; the retained education function contribution for maintained schools in paragraph 2.9; as well as the continuation of the centrally held funding as detailed in the table at paragraph 4.2 of this report.**
- c) Approves increased funding for Language and Learning to meet demand detailed in 2.12.**

1. Purpose of report and executive summary

- 1.1** The Government announced the Dedicated Schools Grant allocation on 19th December 2019. Merton's allocation is split over the four blocks as follows:

Description	2020/21 £000	2019/20 £000
Schools Block	129,966	122,978
Central Schools Services Block	1,016	1,041
Early Years Block	16,375	15,571
High Needs Block	36,299	33,033
Total as at Schools Forum meeting	183,656	172,623
Academy recoupment	(27,652)	(24,842)
Final allocation for the year	156,004	147,781

- 1.2** This report provides details of how the four blocks of the DSG are budgeted to be used in 2020/21.

2. Schools Block

- 2.1 The Schools Block allocation of £129.966m is split into the following expenditure types:

Description	2020/21 £000	2019/20 £000
Growth Fund	600	600
Transfers to the High Needs Block	640	600
De-delegated items	1,859	1,985
Central duties to maintained schools (ESG)	635	635
Individual School Budgets	126,232	119,263
One-off funding allocated from Merton's General Fund included in ISB above	-	(105)
Total Schools Block	129,966	122,978

- 2.2 The growth fund is £600k for 2020/21 (£600k in 2019/20). The growth funding was calculated using a new formulaic method based on lagged growth data.
- 2.3 There is budget provision for three Primary schools that are continuing to provide extra classes flowing through the school with a funding allocation of £60k each (£180k in total).
- 2.4 With regard to existing secondary schools including Academies, there is budget allowance for up to four classes with a funding allocation of £80k each (£320k in total). Two classes are set through the continuing expansion of Harris Academy Merton but the remaining two are held as a maximum requirement and may not be implemented but budget provision is required in case classes are needed. 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.
- 2.5 We are also holding £100k for diseconomy of scale costs for new schools as these should be paid for by the growth fund.
- 2.6 New free schools as they increase in size (Park Community School that opened in 2014 and Harris Academy Wimbledon that opened in September 2018) are funded through the schools funding formula rather than through bulge classes. These costs are included in the formula and not funded from the growth fund. The maximum transfer allowed without applying for disapplication is 0.5%.

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

- 2.7 For 2020/21 Merton will transfer £640k from the Schools Block to the High Needs Block (£600k in 2019/20). This represents 0.49% of the Schools Block allocation and will be used to continue to fund the growing cost pressure of increased numbers of Education Health and Care Plans (EHCPs).

Following the consultation with schools, Schools Forum agreed the transfer from the schools block to the high needs block at their meeting on the 30th October 2019.

- 2.8 The total de-delegated budget for 2020/21 is £1.905m (£1.985m in 2019/20). The table below details the total allocation to de-delegated services as well as the unit cost for each of these services.

Both Primary and Secondary schools de-delegated budgets have been set based on the agreement by the relevant phase representatives at Schools Forum on the 30th October 2019.

Service	Total £000	2020/21 Unit Cost	2019/20 Unit Cost	Measure
Copyright Licensing Agency (CLA)	119	£5.79	£5.63	NOR
Schools catering equipment insurance	40	£2.63	£1.29	NOR
Support & Challenge Programme	400	£19.45	£19.23	NOR
Attain	100	£4.86	£4.81	NOR
Parenting cover and public duties	755	£36.71	£42.41	NOR
Ethnic minorities & bilingual learners	70	£17.39	£23.54	EAL
Tree insurance / maintenance	65	£3.16	£3.13	NOR
Behaviour Support	207	£37.99	£32.54	Low Att
School Improvement	149	£7.25	£7.02	NOR
Total budget	1,905			

(NOR= Number on Roll; EAL factor= English as an Additional Language; Low Att= Lower Attainment factor for low cost, high incidence SEN)

- 2.9 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 Age Weighted Pupil Unit (AWPU) factor (top-up NOR for special schools). The cost to primary, secondary and special schools will be £31.61 per pupil on roll to provide an overall de-delegated budget of £650k (the same as in 2019/20).

Schools Forum approval is required for contribution to responsibilities that local authorities hold for maintained schools.

- 2.10 For 2020/21 this means that £635k is contributed from the schools block while £15k comes from the high needs block for special schools (the same as in 2019/20). As detailed in the schools consultation document, schools are funding 32% of the costs while the LA funds 68%. We have maintained the local authority funding of these services to minimise the impact on school budgets.
- 2.11 The total amount available to be paid to schools, academies and free schools for 2020/21 as part of the Individual Schools Budget (ISB) is £126.232m (£119.263m in 2019/20). The £125.618m ISB minus £5k held as contingency provides the overall £126.232m allocation, details of which can be found at Appendix 1.

3. School Funding Formula Factors

- 3.1 Following consultation with schools and the agreement of the Schools Forum at their meeting on the 30th October 2019, Merton is using the National Funding Formula (NFF) to apportion funding to schools and academies in 2020/21 (Option A per the consultation). 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.
- 3.2 The AWPU rates for Primary and Secondary KS3 and KS4 are the NFF rates plus an Area Cost Adjustment of 1.41614. These are shown below with a comparison against 2019-20.

Description	2020/21	2019/20
Primary	£3,298	£3,305
Secondary Key Stage 3	£4,638	£4,327
Secondary Key Stage 4	£5,265	£5,230

- 3.3 The primary to secondary funding ratio has increased from 1:1.32 in 2019/20 to 1:1.35 in 2020/21.
- 3.4 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.
- 3.5 The IDACI unit values are the NFF values, which are higher than the Merton formula values used in 2019/20. Through the formula this resulted in a total budget allocation of £2.444m (£435k in 2019/20) and £2.335m (£265k in 2019/20) for Primary and Secondary schools respectively.
- 3.6 The English as an Additional Language (EAL) factor unit values are £613.18 (£390.81 for 2019/20) and £1,650.44 (£1,004.93 in 2019/20) for Primary and Secondary schools respectively. This allocates a total budget of £2.501m (£1.695m in 2019/20) for Primary schools and £697k (£481k in 2019/20) for Secondary schools.
- 3.7 The Primary Low Attainment unit value for 2020/21 is £1,220.64 (£681.46 in 2019/20), and the Secondary unit value is £1,845.29 (£1,651.11 in 2019/20). This results in budgets of £5.832m and £3.451m for Primary and Secondary schools respectively.
- 3.8 The lump sum factor is £131k (£114,400 multiplied by ACA of 1.14614). The lump sum in 2019/20 was £150k. The split site factor (which is updated annually) is £90k (£85k in 2019/20).
- 3.9 The rates factor was increased by £8k to £2.924m (£2.916m in 2019/20) reflecting Valuation Office revaluations

- 3.10 The minimum funding guarantee floor was set at 1.84% as agreed at the Schools Forum meeting on the 31st October 2019. Due to the overall changes in factors, the requirement for MFG increased from £25k in 2019/20 to £48k in 2020/21.
- 3.11 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.
- 3.12 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.
- 3.13 Pupil Premium funding is not included in these figures and the 2019/20 allocations will be provided separately when schools are informed of their budgets for 2020/21. Schools should use the 2019/20 figures to estimate their funding for 2020/21.

4. Central Schools Services Block

- 4.1 The central school services block (CSSB) was introduced in 2018/19 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)
- 4.2 Merton's Central Schools Services Block retained items are detailed in the table below.

Description	2020/21 £'000	2019/20 £'000
Central licences negotiated by the Secretary of State	152	123
School admissions	263	287
Servicing of school forums	12	12
Prudential borrowing	207	207
Statutory and regulatory duties LAs hold for all schools (including academies & free schools)	412	412
One-off transfer from schools block	(30)	-
Total Schools Block	1,016	1,041

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 that LAs hold for all schools (including academies & free schools).

- 4.3 The statutory and regulatory duties that LAs hold for all schools, including academies and 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 2.8 to 2.10 above.

5. Early Years Block

- 5.1 The DFE allocated Early Years Block allocation is split into the following areas:

Description	2020/21 £'000	2019/20 £000
3&4 YO universal funding (includes contingency and retained items)	11,852	10,777
3&4 YO working parents extended funding (includes contingency and retained items)	2,990	2,604
2 Year Old Offer (includes contingency and retained items)	1,377	1,671
Centrally retained items (5% retained element and 2YO retained element)	Contained in overall budget rows 1 – 3 . See sections 6.10 – 6.12 and 6.19	713
Contingency	Contained in overall budget rows 1 – 3 . See sections 6.8 – 6.9 and 6.18	237
Additional grant repaid in 2019/20		(564)
Pupil Premium	118	97
Disability Access Fund	38	36
Total Early Years Block	£16,375	£15,571

- 5.2 In 2020/21 the majority of LAs received an increase in their hourly rate for 2, 3 and 4 year old places. The majority of this funding , as part of the 95% high pass through rate must be allocated to providers, and on this basis Merton are allocating the growth to the base rate element within the formula, whilst the formula supplements will remain the same as previous years, providing stability to the sector through an enhanced hourly rate for every hour taken up and for every child taking a place.

- 5.3 Funding for 3 and 4 year old children for Merton maintained schools and PVI settings is planned/estimated in line with the 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 indicative budget allocations against each factor and payments outside the formula for the maintained sector can be found at Appendix 3 for universal entitlement, Appendix 4 for extended entitlement and Appendix 5 for 2 year old funding.
- 5.4 The budget for the working parents extended entitlement has been set using headcount data as the scheme is now embedded. As with basic entitlements, these are estimates and the figures will be updated every term following the actual pupil counts.
- 5.5 Based on the allocation of budget from the DfE, 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.
- 5.6 From the amounts allocated for places for 2, 3 and 4 year olds there is an allocation for centrally retained items which 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 which is £742,127, and £11,700 of 2 year old grant, which represents .85% of the total 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”.
- 5.7 The contingency for 2020/21 has been set at £139,800 and forms part of the high pass through rate. This provides a small amount of funding to accommodate any variance in the actual take up of places that are not fully accounted for in the overall final grant allocation. It also allows some additional funds to support any possible pressure on the SENIF or deprivation factor. The final grant will be based on 5/12ths of the January 2019 count and 7/12ths of the January 2020 count, and is confirmed with any adjustments in the summer term of 2020.
- 5.8 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 £118,106.
- 5.9 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 £650 and the total budget is £38,130. The LA is currently able to retain the DAF, which has not been allocated to a setting, and use this in line with the principles and aims of DAF.

6. Early Years Funding Formula

3 and 4 year old formula

- 6.1 In line with the statutory requirement Merton has one **base rate** in the formula for 3 and 4 year olds (universal and extended entitlement) for all settings as per the table below.

Description	2020/21 Rate	2019/20 Rate
All settings	£5.00	£4.93

- 6.2 Criteria for EYPP will continue to be used as a measure of **deprivation** for 2020/21.

Description	2020/21 Rate	2019/20 Rate
Criteria for EYPP	80p	80p

- 6.3 The table below shows the optional supplementary supplement for “**sparsity**”

Description	2020/21 Rate	2019/20Rate
Sparsity/small providers child-minders	60p	60p

Outside of formula: SEN Inclusion Fund

- 6.4 The table below shows the mandatory **SEN inclusion Fund** (SENIF) pupil rates (3 and 4 year olds)

Description	2020/21 Rate	2019/20 Rate
SEN Support Level 1a (local offer)	nil	nil
SEN Support Level 1b	£2.80	£2.80
SEN Support Level 1c	£10.50	£10.50
SENDIF contribution to Special schools level 1d – with EHCP	£12.70	£12.70
SENDIF contribution to Special schools level 1e – without EHCP	£14.05	£14.05

- 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 budget for 2020/21 is £776,515. Of this £701,105 is formula based, whilst the remainder 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 is a contingency of £139,800 for 3 and 4 year olds to support any in-year growth for children, including those with SEN eligible for the deprivation factor and for children who start mid-way through a funding period (after headcount).
- 6.9 The contingency is included as part of the high pass through rate and as such any surplus will be allocated across the sector in accordance with agreed methodology.

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 2020/21.
- 6.11 Retained items can only be used to support the delivery of early year's 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.
- 6.12 This year £742,127 has been allocated for retained items for 3 and 4 year olds.

2 year old formula

- 6.13 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.
- 6.14 The table below shows the **base rate** for 2 year olds

Description	2020/21 Rate	2019/20 Rate
All settings	£5.75	£5.67

Outside of formula: SEN Inclusion Fund

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

Description	2020/21 Rate	2019/20 Rate
SEN Support Level 1a (local offer)	nil	nil

SEN Support Level 1b	£2.55	£2.55
SEN Support Level 1c	£7.80	£7.80

- 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.
- 6.17 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 £31,122. Of this £26,676 is formula based, whilst the remainder relates to lump sum “notional” SEN funding for EHCPs.

Outside of formula: Contingency

- There is a contingency of £5,811 for 2 year olds in 2020/21 to support any in-year growth for SEN support and late starters (not on headcount).

Outside of formula: Retained Items

- 6.18 There are no specific parameters for retained elements within the 2 year old formula. This year £11,700 has been allocated for retained items

7 High Needs Block

High Needs Block funding

- 7.1 Due to the cost pressure on the High Needs Block, Merton’s DSG will be going in to a larger deficit in 2020/21. The continued increase in numbers of EHCPs means that this pressure is expected to continue and grow in 2020/21 while the growth received on the HNB grant is not sufficient to cover these cost pressures.
- 7.2 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.
- 7.3 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.
- 7.4 The table below shows how Merton’s High Needs Block funding is allocated.

Description	2020/21 £'000	2019/20 £'000
Mainstream settings (Individual SEN statements)	4,159	4,139
Special Schools	9,501	9,061
Additional Resource Provision bases	2,369	2,369
Pupil Referral Unit (PRU)	1,768	1,813

Centrally retained High Needs funding for commissioned services	13,888	13,588
Post 16 FE and ISP funding	2,346	2,060
HN Contingency – additional funding	2,811	-
Centrally retained High Needs funding for special schools	52	48
Central duties to maintained schools (ESG)	15	15
Transfers from other blocks	(610)	(600)
Total Funding	36,299	33,033

Mainstream settings

- 7.5 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	2020/21
Age Weighted Pupil Allowance (AWPU)	2.5%
Deprivation (Free School Meals & IDACI)	10%
Low cost, high incidence SEN (Low Attainment)	100%

- 7.6 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.
- 7.7 The notional allocation is only a guide and schools are expected to set their budgets in such a way as to meet the needs of all their pupils, including those with additional needs, within the resources they receive.
- 7.8 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.
- 7.9 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 2020/21 £329k is budgeted to be allocated to schools through this mechanism.

- 7.10 The NOR is based on the October count and the numbers of SEN statements are 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.
- 7.11 Merton's basic statement funding will be kept the same as in 2019/20 and is detailed in the table below.

Band	Reception onwards		Universal Entitlement 2, 3 and 4 year olds		Extended Entitlement 2, 3 and 4 year olds	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
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	£5,805	£5,903	£5,903	£9,739	£9,739
Band 3	£7,983	£7,983	£6,992	£6,992	£11,536	£11,536
Band 4	£10,160	£10,160	£8,080	£8,080	£13,332	£13,332
Band 5	£12,338	£12,338	£9,169	£9,169	£15,129	£15,129

- 7.12 The band amounts shown for 2, 3 and 4 year olds are inclusive, and represent the total funds that a setting will receive. 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

- 7.13 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 1.84% for 2020/21.
- 7.14 Due to the budgeted increase in pupil numbers at special schools (additional 24), the special school budget will be increased to cover the cost pressure of supporting these additional children.
- 7.15 The total for specialist SEN and LDD settings includes the school budgets for Cricket Green, Perseid, and Melrose special schools.

Additional Resource Provision bases

- 7.16 Places in special units and resourced provision attracts 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 is recalculated annually to ensure that the

funding change does not impact on the total base funding settings received in the previous financial year.

- 7.17 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.
- 7.18 ARP allocations for 2020/21 will remain similar to the 2019/20 allocations.

Pupil Referral Unit (SMART Centre)

- 7.19 The PRU will receive a base level of funding of £10,000 per place. Top-up funding above this level is set at £6,765 which has been uplifted by 1.84% this year in line with special schools.
- 7.20 Mainstream schools and Academies have important commissioning responsibilities with regard to pupils of compulsory school age who are placed in Alternative Provision (AP) for the purpose of early intervention or as a result of fixed-term exclusion. In such instances they are responsible for paying top-up funding to the AP settings in which they place pupils.
- 7.21 Alternative education and medical service provision are also delivered through the SMART Centre.
- 7.22 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 2020/21.

Centrally retained funding for commissioned services

- 7.23 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 following table details these services:

Description	2020/21 £'000	2019/20 £'000
Independent providers	8,952	8,669
Cost of Merton pupils in other LA maintained schools	1,909	2,170
Cost to other LAs for their children in Merton maintained schools	(1,159)	(1,159)
Merton academies (Individual SEN statements)	680	680
Virtual school	398	396
Sensory team	402	391
Schools standards quality core offer	333	359
* Language and learning therapy	649	354
Other non-maintained school related costs	325	342
Education psychology	266	266
Behaviour support	254	235

Education welfare	174	168
SEN referral & early help 0-25 team	151	165
Vulnerable children's education	123	123
Social inclusion	107	105
Merton Autism Outreach Service (MAOS)	100	100
SEN support	81	81
Therapy in special schools	56	56
Independent hospital provision	50	50
Portage	37	37
Total Cost	13,888	13,588

* See 7.27

- 7.24 Of the centrally retained services funding, Merton has tried to limit cost pressures as far as possible. The increase in number of EHCPs has however resulted in major cost pressure on independent and out of borough provision.
- 7.25 The growth received on the HNB is not sufficient to cover the cost pressures. For 2020/21 the increase will be allocated against various budgets with known pressures to address the expected overspends.
- 7.26 Spend on the internal provision identified above will be reviewed during the 2020/21 financial year with the aim of identifying savings in some areas to fund growth required resulting from increased numbers of EHCPs in services such as speech and language therapy.
- 7.27 We have seen a 66% growth in EHCPs with speech and language from 2016 – 2019 in mainstream schools. This is at least a 131% growth in assessments and 66% growth in children's packages. It was identified in the schools forum consultation paper in 2018 the requirement for 2 FTE Therapy posts to meet demands of mainstream schools. The cost of running this service has increased in 2019/20 by £122k and forecast 2020/21 by £133k. Additional funding of £255k is to be used to fund growing demand in 2020/21.

Post 16 Further Education (FE) College and Independent Specialist Provider (ISP) funding

- 7.28 The funding in this area relates to high level SEN or LDD costs 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

- 7.29 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 following table.

Service	Total £'000	2020/21 Unit Cost	2019/20 Unit Cost	Measure
Licences and Subscriptions	3	£5.79	£5.63	NOR
School Meals Subsidy	1	£2.63	£1.29	NOR
Schools in Challenging Circumstances	10	£19.45	£19.23	NOR
Parenting and TU cover	18	£36.71	£42.41	NOR
Support to underperforming ethnic minority groups and bilingual learners	2	£3.40	£4.86	EAL
Tree work	2	£3.16	£3.13	NOR
Behaviour Support	5	£10.07	£9.76	Low Att
School Improvement	4	£7.25	£7.02	NOR
Attain	2	£4.86	£4.81	NOR
Total budget	46			

Central duties to maintained schools (ESG)

- 7.30 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 £31.61 per pupil on roll to provide an overall de-delegated budget of £650k (the same as in 2019/20).
- 7.31 For 2020/21 £635k is contributed from the schools block while £15k comes from the high needs block for special schools (£635k for schools block and £15k from high needs block in 2019/20). As detailed in the schools consultation document, schools are funding 32% of these costs while the LA funds 68%.

Transfers from other blocks

- 7.32 For 2020/21 Merton will transfer £640k from the Schools Block to the High Needs Block (£600k in 2019/20). This represents 0.49% of the Schools Block allocation and will be used to continue to fund the growing cost pressure of increased numbers of Education Health and Care Plans (EHCPs).

Financial pressure on the High Needs Block

- 7.33 Due to the cost pressure on the High Needs Block, Merton's DSG will continue in a deficit position during 2019/20. The continued increase in numbers of EHCPs as detailed in the following table means that this pressure is expected to continue and grow in 2020/21.

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

7.34 Merton is working with other boroughs and partners to:

- Share strategies to reduce costs
- Utilise shared commissioning partnerships to reduce costs including the use of a dynamic purchasing system
- Review benchmarking information of identifying high cost areas we can focus on with the aim to identify savings
- Lobby government about insufficient high needs funding

7.35 We have also reviewed our in-house provision and in conjunction with our strategic needs analysis have expanded our own provision and continue to look at further opportunities for state funded provision that may reduce reliance on more expensive Independent School Placements.

8 Financial, resource and property implications

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

9 Legal and statutory implications

9.1 No legal implications at this stage.

10 Human rights, equalities and community cohesion implications

10.1 None at this stage.

11 Appendices

- 11.1 Appendix 1: ISB allocations
- 11.2 Appendix 2: Schools Funding Pro-forma
- 11.3 Appendix 3: 3 & 4 YO universal entitlement
- 11.4 Appendix 4: 3 & 4 YO extended entitlement
- 11.5 Appendix 5: 2 YO entitlement

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

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

13 Report lead author

Feroza Begum, Service Financial Adviser CSF

0208 545 3946

feroza.begum@merton.gov.uk

Further information about Merton Council can be obtained from its web site

www.merton.gov.uk