

SUBJECT: Dedicated Schools Grant (DSG) funding including Schools Funding Formula 2021/2022

LEAD OFFICER: Patricia Harvey, Children, Schools and Families

RECOMMENDATIONS

That the Forum:

- a) Notes the Dedicated Schools Grant (DSG) allocation for 2021/22**
- b) Approves the growth fund allocation of £640k for 2021/22.**
- c) Approves the transfer of £656k from the school block to the high needs block for 2021/22.**
- d) Approves the de-delegation of budgets for 2021/22.**
- e) Approves the de-delegation contribution to responsibilities that local authorities hold for maintained schools of £650k**
- f) Approves the Schools' Funding Formula allocation for 2021/22 following consultation and notes the Authority Proforma Tool (APT) is subject to approval by the Education Skills and Funding Agency.**
- g) Approves the central block budgets for 2021/22.**
- h) Notes the early years block allocation and approves the 5% central retained element.**
- i) Notes the high needs block budgets for 2021/2022.**

1. Purpose of report and executive summary

- 1.1** The Government announced the DSG allocation on 17th December 2020, and Merton's allocation is split over the four blocks as Table1 below:

TABLE 1 - DEDICATED SCHOOLS GRANT ALLOCATIONS			
Description	2021/22 £'000	2020/21 £'000	% increase
Schools Block	137,499	129,966	5%
Central Schools Services Block	1,094	1,016	7%
Early Years Block	16,518	16,375	1%
High Needs Block	40,081	36,299	9%
Less TPG/TPECG	-6,333	0	-3%
Total as at Schools Forum meeting	188,859	183,656	3%
Academy recoupment	-30,446	-27,652	9%
Final allocation for the year	158,413	156,004	2%
<i>Overall % increase</i>	<i>3%</i>	<i>6%</i>	

- 1.2 The DSG allocation for 2021/22 includes an allocation for the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) of £6.333m. Previously this was paid separately as a grant to schools and settings but from 2021/22 will be rolled into the DSG.
- 1.3 This report provides details of how the four blocks of the DSG are budgeted to be used in 2021/22.

Recommendation (a)

School Forum notes the DSG allocations for 2021/22 published in December 2020 and may be subject to change(s) during the financial year.

2. Schools Block

- 2.1 The Schools Block allocation of £137.499m is split into the following expenditure types as table 2 below:

TABLE 2 - Schools Block	2021/22	2020/21	
Description	£'000	£'000	% increase
Growth Fund	640	600	6%
Transfers to the High Needs Block	656	640	2%
De-delegated items	1,756	1,859	-6%
Central duties to maintained schools (ESG)	628	635	-1%
Individual School Budgets	133,819	126,232	6%
Total Schools Block	137,499	129,966	5%

- 2.2 The growth fund is £640k for 2021/22 (£600k in 2020/21). The growth funding was calculated as last year using a new formulaic method based on lagged growth data as specified by the Department of Education (DfE). This funding is paid outside of school budget shares.
- 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 as in previous years when the first results of the Pan-London admissions data exchange is known.

- 2.5 We are also holding £140k for diseconomy of scale costs for new schools as these should be paid for by the growth fund and latest October 2020 census reports an increase in KS3 and KS4 pupils.
- 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%.

Decision (b)

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

- 2.7 For 2021/22 Merton will transfer £656k from the Schools Block to the High Needs Block (£640k in 2020/21). This represents 0.5% 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).

Decision (c)

Following the consultation with schools, Schools Forum agreed the transfer from the schools block to the high needs block of £656k at their meeting on the 4th November 2020.

- 2.8 The total de-delegated budget for 2021/22 is £1.905m (£1.905m in 2020/21). Table 3 below details the total allocation to de-delegated services as well as the unit cost for each of these services for 2021/22 and 2020/21 for transparency reporting to schools.

Decision (d)

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 4th November 2020. However, each phase and line by line de-delegated budget has to be agreed by School Forum for 2021/22 as detailed in table 3 below:

Table 3 - De-delegated budget	Budget	2021/22	Budget	2020/21	
Service	2021/22	Unit	2020/21	Unit	Measure
	£'000	Cost	£'000	Cost	
Copyright Licensing Agency (CLA)	119	£6.36	119	£5.79	NOR
Schools catering equipment insurance	40	£2.79	40	£2.63	NOR
Support & Challenge Programme	400	£20.35	400	£19.45	NOR
Attain	100	£5.09	100	£4.86	NOR
Parenting cover and public duties	755	£38.40	755	£36.71	NOR
Ethnic minorities & bilingual learners	70	£19.03	70	£17.39	EAL
Tree insurance / maintenance	65	£3.31	65	£3.16	NOR
Behaviour Support	207	£42.03	207	£37.99	Low Att
School Improvement	149	£7.58	149	£7.25	NOR
Total budget	1,905		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 (funded NOR for special schools). The cost to primary, secondary and special schools will be £31.95 per pupil on roll to provide an overall de-delegated budget of £650k (the same as in 2020/21).

Decision (e)

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

- 2.10 For 2021/22 budget setting this means that £628k is contributed from the schools block while £22k comes from the high needs block for special schools (2020/21 budget split was £635k school block and £15k high needs block). 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 2021/22 as part of the Individual Schools Budget (ISB) is £133.819m (£126.232m in 2020/21) Details of which can be found at Appendix 1.

3. School Funding Formula Factors

- 3.1 Following consultation with schools and the analysis of the consultation exercise with schools (attached as agenda item 3b), Merton is using the National Funding

Formula (NFF) to apportion funding to schools and academies in 2021/22 (Option A as per the consultation exercise). A summary of the factors used and the total budgets allocated against each factor is set out in the funding proforma/APT 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 (ACA) of 1.41614. These are shown below in table 4 with a comparison against 2020/21.

Table 4 - AWPU rates	2021/22	2020/21
Description		
Primary	£3,599	£3,298
Secondary Key Stage 3	£5,035	£4,638
Secondary Key Stage 4	£5,661	£5,265

- 3.3 The primary to secondary funding ratio has decreased slightly from 1:1.35 in 2020/21 to 1:1.34 in 2021/22.
- 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 dataset has been updated with 2019 data in place of 2015 data used previously. The basis on which pupils were previously assigned to the seven IDACI bands are now assigned based on **rank** rather than **score**. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.
- 3.6 The IDACI unit values are the NFF values, (same as 2020/21 formulae) although the update of the national dataset from 2015 to 2019 has resulted in a slight reduction in funding to schools.
- 3.7 Through the formula this resulted in a reduced total budget allocation of £11.341m (2021/22) in comparison to £11.628m (2020/21) for Primary and Secondary schools respectively. Table 5 below reports this change in funding and new rates for 2021/22 as calculated within the local authority proforma.

TABLE 5 - Deprivation comparisons								
BUDGET 2021/22	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)
2) Deprivation	FSM	£526.08	£526.08	3,340.00	1,885.00	£2,748,743	£11,340,674	8.39%
	FSM6	£654.68	£952.78	3,503.75	2,555.82	£4,728,964		
	IDACI Band F	£245.50	£350.72	1,501.63	1,005.22	£721,204		
	IDACI Band E	£292.27	£473.47	2,767.25	1,631.34	£1,581,184		
	IDACI Band D	£438.40	£625.44	465.61	398.07	£453,089		
	IDACI Band C	£473.47	£678.06	580.07	411.09	£553,387		
	IDACI Band B	£508.54	£730.67	540.16	363.01	£539,932		
	IDACI Band A	£701.43	£982.02	9.00	8.00	£14,171		
BUDGET 2020/21	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)
2) Deprivation	FSM	£515.76	£515.76	2,691.63	1,577.10	£2,201,657	£11,628,138	9.04%
	FSM6	£641.84	£934.10	3,464.60	2,573.24	£4,627,383		
	IDACI Band F	£240.69	£343.84	1,763.41	1,092.46	£800,068		
	IDACI Band E	£286.54	£464.19	2,396.55	1,325.32	£1,301,894		
	IDACI Band D	£429.80	£613.18	1,354.56	816.55	£1,082,888		
	IDACI Band C	£464.19	£664.76	940.62	677.09	£886,726		
	IDACI Band B	£498.57	£716.34	403.65	412.78	£496,939		
	IDACI Band A	£687.68	£962.76	164.21	122.21	£230,583		

- 3.8 The English as an Additional Language (EAL) factor unit values are £625.44 (£613.18 for 2020/21) and £1,683.45 (£1,650.44 in 2020/21) for Primary and Secondary schools respectively. This allocates a total budget of £2.418m (£2.501m in 2020/21) for Primary schools and £616k (£703k in 2020/21) for Secondary schools. Table 6 below reports EAL budgets and the reduced funding is due to a reduced census.

Table 6 - EAL Comparisons							
Budget 2021/22							
	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total
4) English as an Additional Language (EAL)	EAL 3 Primary	£625.44		3,866.24		£2,418,112	£3,034,324
	EAL 3 Secondary		£1,683.45		366.04	£616,212	
Budget 2020/21							
4) English as an Additional Language (EAL)	EAL 3 Primary	£613.18		4,078.56		£2,500,911	£3,203,460
	EAL 3 Secondary		£1,650.44		425.67	£702,549	

- 3.9 The Primary Low Attainment unit value for 2021/22 is £1,245.05 (£1,220.64 in 2020/21), and the Secondary unit value is £1,882.20 (£1,845.29 in 2020/21). This results in budgets of £5.312m (Primary) and £3.638m (Secondary) schools respectively. Table 7 below details comparison years.

Table 7 - Low prior attainment comparisons								
Budget 2021/22	Description	Weighting	Amount per pupil (primary or secondary respectively)	Percentage of eligible pupils	Eligible proportion of primary and secondary NOR respectively	Sub Total	Total	Proportion of total pre MFG funding (%)
6) Low prior attainment	Primary low prior attainment		£1,245.05	26.74%	4,266.77	£5,312,360	£8,950,452	6.62%
	Secondary low prior attainment (year 7)	64.53%	£1,882.20	22.65%	1,932.90	£3,638,093		
	Secondary low prior attainment (year 8)	64.53%		22.97%				
	Secondary low prior attainment (year 9)	63.59%		21.98%				
	Secondary low prior attainment (year 10)	58.05%		23.26%				
	Secondary low prior attainment (year 11)	48.02%		23.29%				
Budget 2020/21	Description	Weighting	Amount per pupil (primary or secondary respectively)	Percentage of eligible pupils	Eligible proportion of primary and secondary NOR respectively	Sub Total	Total	Proportion of total pre MFG funding (%)
6) Prior attainment	Primary Low Attainment		£1,220.64	29.07%	4,777.71	£5,831,859	£9,519,887	7.20%
	Secondary low attainment (year 7)	64.53%	£1,845.29	22.53%	1,998.62	£3,688,027		
	Secondary low attainment (year 8)	63.59%		22.42%				
	Secondary low attainment (year 9)	58.05%		21.58%				
	Secondary low attainment (year 10)	48.02%		23.22%				
	Secondary low attainment (year 11)			21.67%				

- 3.10 The lump sum factor is £135k (NFF highest lump sum rate). The lump sum in 2020/21 was £131k. The split site factor remains the same as per DfE guidance of £90k as in previous year.
- 3.11 The rates factor was decreased by £10k to £2.914m (£2.924m in 2020/21) reflecting Valuation Office revaluations and schools are always funded on a lagged basis within the formula each year.
- 3.12 The minimum funding guarantee (MFG) floor was set at 1.84% in 2020/21 and in the consultation document with schools as agreed at the Schools Forum meeting on the 4th November 2020 for 2021/22. Due to the overall changes in factors, reduced census and DfE guidance on the MFG, this is permissible up to 2% and for 2021/22 this has been set to protect schools up to 2% on the funding floor for 2021/22. The requirement for MFG has increased to protect schools from £48k increase in 2020/21 to £953k in 2021/22. The majority of the protection is due to the census reduction.
- 3.13 Capping and scaling within the formula has been applied as last year for 2021/22 of 10% capping and 100% scaling. This caps gains at 10% and ensures all schools are scaled or set at 100% within the formula.
- 3.14 These figures exclude the 6th form funding which still needs to be provided by the Education and Skills Funding Agency (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.

- 3.15 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.
- 3.16 Pupil Premium funding is not included in these figures and the 2021/22 allocations will be provided separately when schools are informed of their budgets for 2021/22. Schools should use the 2020/21 figures to estimate their funding for 2021/22.

Decision (f)

School Forum to approve the APT 2021/22 in accordance with the Consultation exercise held in November 2020 of school budgets 2021/22 and to note is subject to ESFA data validation and checking and may be subject to minor change(s).

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 and now subject to 20% (saving) reduction each year.
 - 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 table 8 below.

Table 8 Central Services School Block (CSSB)	2021/22	2020/21
Description	£'000	£'000
Central licences negotiated by the Secretary of State	125	152
School admissions	276	263
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 school block	0	-30
Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG)	67	0
Total Schools Block	1,099	1,016

Decision (g)

Schools Forum approval is required 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 as detailed in table 9 below:

Table 9 Description	2021/22	2020/21 £'000
3&4 YO universal funding	11,019	11,852
Contingency	95	Contained above
3&4 YO working parents extended funding	2,911	2,990
Contingency	95	Contained above
2 Year Old Offer	1,468	1,377
Contingency	29	Contained above
Centrally retained items (5% retained element retained element)	743	742
Pupil Premium	113	118
Disability Access Fund	45	38
Total Early Years Block	£16,518	£16,375

- 5.2 Due to the coronavirus outbreak, parental demand for childcare has changed, resulting in a decrease in demand in the number of families requiring childcare and early years education provision.
- 5.3 The impact of this, is not yet fully known, however, there have been some closures of provision and the sector has had to respond to the ever-changing guidance and available support schemes to remain open and sustainable.

- 5.4 The January 2021 census is the first official collect for this financial year, whereby all settings will be funded on actual take up, and not expected take up of places
- 5.5 Providers are appreciative of the support the council has provided throughout the pandemic and the swift distribution of funds to the sector in the summer and autumn terms has enabled settings to make appropriate business decisions, support delivery models and implement measures needed to remain open in the autumn term. However, the decrease in demand, unexpected closure of bubbles, loss of parental fees continues to leave childcare providers in a precarious financial position.
- 5.6 Providers are aware that funding for the spring term will be distributed on actual take up, and have been actively working to secure high take up and place availability, in their own provision
- 5.7 The Early years DSG budget at the start of the financial year is distributed on the previous years take up, the funding allocation is then updated and adjusted mid-year to reflect more recent data and then a final reconciliation is made in the financial year based on actual take up
- 5.8 This means that the LA (Local Authority) needs to consider any grant clawback or carry forward at the end of the financial year to reflect any adjustment the DFE make around July time.
- 5.9 To illustrate:
- Summer term 2020 is based on data collected in January 2020
 - Autumn term 2020 and Spring term 2021 allocations are adjusted based on data sent in January 2021 – this funding adjustment takes place in June/July 2021 resulting in either a clawback (due to lower take up than previous year) or additional funding (due to higher take up than previous year)
- 5.10 The DFE confirmed in summer 2020 that due to Covid 19 there would be a change to the autumn allocation, which would be based on the January 2020 data. This aims to provide a measure of security and flexibility within the Early Years.
- 5.11 95% of all allocation received for 3- and 4-year-old places is distributed to the sector. Any underspend in the budget held, due to a change in the allocation method, will be distributed to the sector within the spring term
- 5.12 In 2021/22 the majority of LAs received an increase in their hourly rate for 2-, 3- and 4-year-old places. Most of this funding, as part of the 95% high pass through rate must be given to providers, and on this basis, Merton are increasing the hourly rate of the base rate and the deprivation rate for 3 and 4 year olds , and the hourly rate for 2-year-olds
- 5.13 Spend for 3- and 4-year-old children for Merton maintained schools and PVI settings is planned/estimated in line with the table above. However, these are

estimated budgets and the figures will be updated every term following the actual pupil counts. The formula used to distribute 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.

- 5.14 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.
- 5.15 From the amounts given for places for 2-, 3- and 4-year-olds there is an allocation for centrally retained items which includes funding for training, inclusion and SEND 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 £743,107. The amount of funding that must pass through to providers for 3- and 4-year-olds is called the “High Pass-Through Rate”.
- 5.16 The contingency for 2021/22 has been set at £189,584 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 SENDIF or deprivation factor.
- 5.17 Early Years Pupil Premium (EYPP) is 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 allocated budget is £113,720.
- 5.18 The Disability Access Fund (DAF) is a one-off lump sum payment of £650 and the total budget is £44,895. The LA is currently able to retain the DAF, which has not been distributed 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 10 below.

Table 10 Description	2021/22 Rate	2021/20 Rate
All settings	£5.02	£5.00

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

Table 11 Description	2021/22 Rate	2020/21 Rate
Criteria for EYPP (deprivation)	1.00	80p

- 6.3 The table 12 below shows the optional supplementary supplement for “**sparsity**”

Table 12 Description	2021/22 Rate	2020/21 Rate
Sparsity/small providers child-minders	60p	60p

Outside of formula: SEN Inclusion Fund

- 6.4 The table 13 below shows the mandatory **SEN inclusion Fund** (SENIF) pupil rates (3- and 4-year-olds)

Table 13 Description	2021/22 Rate	2020/21 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 following the published criteria and associated processes. The SENDIF, 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 SENDIF budget for 2021/22 is £776,767.
- 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 £189,792 for 3- and 4-year-olds and to support any in-year growth for children, including those with SEND, children 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 distributed across the sector following 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 2021/22.
- 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 £743,107 has been given for retained items for 3- and 4-year-olds.

2-year-old formula

- 6.13 There is 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 SEND
- 6.14 The table 14 below shows the **base rate** for 2-year-olds

Table 14 Description	2021/2022 Rate	2020/21 Rate
All settings	£5.80	£5.75

Outside of formula: SEN Inclusion Fund

- 6.15 The table 15 below shows the **discretionary SEN Inclusion Fund** for 2-year-olds

Table 15 Description	2021/22 Rate	2020/21 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 an 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 SEND.
- 6.17 There is no requirement to have a SENDIF for 2-year funding, and therefore there is not a requirement to publish this. However, the total indicative fund for 2-year-olds is £38,843.

Outside of formula: Contingency

- 6.18 There is a contingency of £29,086 to support any in-year growth for children, including those with SEND, children eligible and for children who start mid-way through a funding period (after headcount).

6.19 The contingency will be distributed across the sector following agreed methodology.

6.20 Appendix 3 attached details early years allocation to settings.

Decision (h)

Schools Forum is required to comment on the budget setting of the early years formula for 2, 3 and 4 year olds, SEN inclusion fund, DAF and approve the retainer of 5% towards central support costs.

7 High Needs Block

7.1 Due to the cost pressure on the High Needs Block, Merton's DSG will be going in to a larger deficit in 2021/22. The continued increase in numbers of EHCPs means that this pressure is expected to continue and grow in 2021/22 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 and Disabilities (SEND), from their early years to age 25.

7.3 Funding to institutions from the high needs block is allocated within the 'place plus' funding approach. The base funding ("place funding") is given to local authorities to distribute (commission) 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 or statutory duties to support these high cost places.

7.4 Table 16 below shows how Merton's High Needs Block funding is allocated.

Table 16 High Needs Block	2021/22	2020/21
Description	£'000	£'000
Mainstream settings (Individual SEN statements)	4,761	4,159
Special Schools	9,978	9,501
Additional Resource Provision bases	2,648	2,369
Pupil Referral Unit (PRU)	1,974	1,768
Centrally retained High Needs funding for commissioned services	466	466
SEN EHCPs (statements) for CYP	16,998	15,044
Post 16 FE and ISP funding	2,620	2,346
HN Contingency – additional funding	2,732	2,811
Centrally retained High Needs funding for special schools	52	52
Central duties to maintained schools (ESG)	15	15
Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG)	155	0
Recoupment for academies places commissioned	- 1,662	- 1,662

Transfers from other blocks	-656	-610
Total Funding	40,081	36,259

Mainstream settings and SEN

- 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 ESFA will provide it for Academies. The notional SEN will comprise three elements as detailed below in table 17.

Table 17 Notional Formula factor	2021/22
Age Weighted Pupil Allowance (AWPU)	2.50%
Deprivation (Free School Meals & IDACI)	10%
Low cost, high incidence SEN (Low Attainment)	100%

- 7.6 The total notional SEN budget is £12.624m and should be used to support pupils with low cost, high incidence (LCHI) 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 available.
- 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.
- 7.10 In 2021/22 £330k is budgeted to be allocated to schools through this mechanism and table 18 below details the calcu

Table 18 - example of calculation	
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

7.11 The NOR is based on the October count and the numbers of SEN EHCPs (statements) are based on the numbers as per the October SEN EHCPs (statement) payment to schools. The number of EHCPs (statements) used will exclude pupils funded in special units.

7.12 Merton's basic EHCP/statement funding will be kept the same as in 2020/21 and is detailed in the table 19 below.

Table 19	Reception onwards		Universal Entitlement 2, 3 and 4 year olds		Extended Entitlement 2, 3 and 4 year olds	
Band	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
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

7.13 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

7.14 Specialist SEN and LDD schools will continue to receive a base level of funding on the basis of an agreed number of planned places commissioned at £10,000 per place. Top-up funding above this level will be increased by 2% for 2021/22 as in previous years and as mainstream school percentage increase.

7.15 In addition to the place funding £660 per place will be paid to specialist SEN settings, including Alternative Provision (AP) in support of the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) that previously was paid outside of the DSG in a grant but for 2021/22 this has now been rolled into the DSG. There is a minimum place setting of 40 for this additional grant funding as designated by the DfE.

7.16 Due to the budgeted increase in pupil numbers at special schools (additional 25), the special school budget will be increased to cover the cost pressure of

supporting these additional children and is built into the budget as reported in table 16 above.

- 7.17 The total for specialist SEN and LDD settings includes the school budgets for Cricket Green, Perseid, and Melrose special schools.

Additional Resource Provision bases

- 7.18 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.
- 7.19 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.
- 7.20 ARP allocations for 2021/22 will remain similar to the 2020/21 allocations.

Pupil Referral Unit (SMART Centre)

- 7.21 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 2% this year in line with special schools.
- 7.22 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.
- 7.23 Alternative education and medical service provision are also delivered through the SMART Centre.
- 7.24 The exclusion process currently involves a deduction of Age Weighted Pupil Unit (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 2021/22.

Centrally retained funding for commissioned services

- 7.25 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 20 details these services:

Table 20	2021/22	2020/21
Description	£'000	£'000
Cost of Merton pupils in other LA maintained schools	1,865	1,909
Cost to other LAs for their children in Merton maintained schools	- 1,159	-1,159
Merton academies (Individual SEN statements)	795	779
Virtual school	265	398
Sensory team	409	402
Schools standards quality core offer	339	333
Language and learning therapy	662	649
Other non-maintained school related costs	357	325
Education psychology	177	266
Behaviour support	254	254
Education welfare	178	174
SEN referral & early help 0-25 team	154	151
Vulnerable children's education	125	123
Social inclusion	108	107
Merton Autism Outreach Service (MAOS)	102	100
SEN support	82	81
Therapy in special schools	57	56
Independent hospital provision	51	50
Portage	38	37
Independent Providers	11,726	8,952
Independent Residential placements	2,766	2,712
Post 16 providers (FE & ISP)	2,181	2,138
Total Cost	21,532	18,837

7.26 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, residential placements and out of borough provision.

7.27 The growth received on the HNB is not sufficient to cover the cost pressures. For 2021/22 the increase will be allocated against various budgets with known pressures to address the expected overspends, but still leaves a shortfall to meet growth and demand.

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 Further Education (FE) colleges and Individual Service Providers (ISPs). The responsibility for these payments transferred to Local Authorities within the Children and Families Act 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 table 21.

Table 21				
Service	Total £'000	2021/22 Unit Cost	2020/21 Unit Cost	Measure
Licences and Subscriptions	3	£5.42	£5.79	NOR
School Meals Subsidy	2	£1.81	£2.63	NOR
Schools in Challenging Circumstances	10	£18.05	£19.45	NOR
Parenting and TU cover	17	£32.49	£36.71	NOR
Support to underperforming ethnic minority groups and bilingual learners	2	£3.61	£3.40	EAL
Tree work	2	£3.61	£3.16	NOR
Behaviour Support	5	£9.03	£10.07	Low Att
School Improvement	4	£7.22	£7.25	NOR
Attain	2	£3.61	£4.86	NOR
Total budget	47			

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 2021/22 £629k is contributed from the schools block while £21k comes from the high needs block for special schools (£635k for schools block and £15k from high needs block in 2020/21). 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 2021/22 Merton will transfer £656k from the Schools Block to the High Needs Block (£640k in 2020/21). This represents 0.5% of the Schools Block allocation and will be used to continue to fund the growing cost pressure of increased numbers of EHCPs.

Recommendation (i)

School Forum to note the budget setting of the High Needs block for 2021/22.

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 2021/22.

7.34 The continued increase in numbers of EHCPs as detailed in the table 22 below and this pressure is expected to continue and grow in 2021/22.

TABLE 22 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%

7.35 Since April 2020 we have seen an increase from 2,032 finalised EHCPs to 2,262 EHCPs in December 2020 which is an increase this financial year of 230 finalised EHCPs. As at December we currently have 167 EHC Needs assessments being undertaken at various weeks within the 20 week statutory timescale. Since COVID we have seen a significant increase in referrals for an EHC Needs assessment.

7.36 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
- Working in collaboration with South London Consortium around fee negotiations for London Boroughs to collectively deliver savings
- Review benchmarking information of identifying high cost areas we can focus on with the aim to identify savings

- Utilise the DfE Management tool with forecasting areas of savings and future pressures
- Lobby government about insufficient high needs funding

7.37 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: Early Years settings allocations

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.

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