

Schools Forum

Date: 20 June 2019

Agenda item:

Subject: High Needs spending - DSG Recovery Plan

Contact officer: Jane McSherry, Assistant Director of Education

Recommendation:

- A. To comment on the DSG draft recovery plan (Appendix 1-2), to be provided to the ESFA (Education and Skills Funding Agency) by 30 June 2019.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. Like many councils across the country, over the past few years the council has experienced a significant increase in EHCPs (Education and Health Care Plans) for SEND (Special Educational Needs and Disabilities) children and related placement costs.
- 1.2. Without corresponding increased finance allocations in the High Needs block in the council's DSG allocation, this has now led to significant overspends. This has reached the threshold in Merton where the Education & Skills Funding Agency (ESFA) requires the council to complete the Local Authority Dedicated Schools Grant Deficit Recovery Plan by 30th June 2019.
- 1.3. The purpose of this report is to provide the Schools Forum with the draft report for comment prior to it being submitted to the ESFA by 30 June.
- 1.4. Even with the actions in this plan, the deficit is forecast to go up year-on-year; this is because the number of EHCPs is projected to continue to rise (though more moderately), most of the 1712 children with EHCPs (January 2019 SEN2 return) are tied to placements which cannot be released in the short term, and plans to change the pattern of provision cannot be implemented quickly enough.
- 1.5. The rate of increase of EHCPs over the past 3 years in Merton is well above the national and London average, and Merton had the highest percentage change of all London Boroughs in the number of EHCPs between 2014/15 and 2017/18. Due to the cost implications to the DSG, it is necessary for the council and schools to understand the reasons for this and any action that may need to be undertaken.

2 DETAILS

- 2.1. By 30 June 2019, the ESFA (Education and Skills Funding Agency) requires all local authorities with a cumulative overspend greater than 1% of their DSG to complete the ESFA's recovery plan template and submit it to the department. Merton Council meets this criteria. The following is a summary of the requirements in the ESFA's guidance:

- The plans should detail the steps authorities plan to take to bring their deficits back into balance within a three-year timeframe. Recovery plans should be discussed with schools forums, and be signed off by the local authority's chief financial officer (CFO) before the plans are submitted to the department
- If a local authority feels that a three-year time frame is not realistic, it will be able to submit with its plan evidence that states how this may not be achievable
- We will review each recovery plan on a case by case basis and will decide if we can accept a recovery plan that leaves some or all of the deficit accumulated to date outstanding. This would result in the local authority carrying forward the agreed deficit and we would not require this to be recovered within the three-year period
- Any local authorities that propose to leave part or all of their accumulated DSG deficit outstanding will need to provide a clear explanation as to why their deficits could not be recovered in the short term and provide thorough evidence to support their proposals. They will also need agreement from their CFO
- The Narrative tab gives local authorities the opportunity to share with the department in detail reasons as to why they have a DSG deficit
- A spreadsheet is required detailing costed growth and savings and therefore forecast DSG outturn up to 2021/22
- Where the deficit has resulted from high needs pressures, the evidence should include an assessment and understanding of the specific local factors that have caused an increase in high needs costs to a level that has exceeded the local authority's high needs funding allocations. There should also be a plan to change the pattern of provision where this is necessary, as well as to achieve greater efficiency and better value for money in other ways, together with evidence of the extent to which the plan is supported by schools and other stakeholders
- If the local authority wishes to defer recovery of some of the cumulative deficit, it should show in its recovery plan that it is able to at least contain its expected in year expenditure within its expected in year DSG income by the end of the three-year period.
- Evidence should include details of any previous movements between blocks, what pressures those movements covered, and why those transfers have not been adequate to counter the new cost pressures. If local authorities have already submitted information to the department that they believe would support their application, they should provide the reference number and also any changes to the information that have occurred since it was submitted
- Evidence should include assumptions on assumed future transfers between blocks of the DSG, if permitted in future years, and evidence of support from the schools forum and wider school community for these

2.2. The ESFA's template provides the following key headings:

- What plans have you put in place to reduce the deficit in increments over the next 3 years?
- How continuous improvement has reduced the deficit/ is going to reduce the deficit
- Details of any previous involvements between DSG blocks
- Contributions coming from the health and social care budgets towards the cost of high needs provision.
- How the LA has discharged its duties under the Equality Act 2019, C&F Act 2014 and common law to consult with those affected by the changes proposed.
- A summary of the savings and/or measure you propose to implement over the next three years which will reduce the overspend.
- Outline the local circumstances that have contributed to your deficit, including a summary of the pressures and provide the forecast spend.

2.3. The council's draft return is provided as appendix 1-2 to the report.

2.4. As illustrated by the outturn summary table below, the cost pressure on Merton's Dedicated Schools Grant (DSG) budget is due to the pressures on the High Needs Block (HNB) element.

Dedicated Schools Grant	Schools Block	Central Schools Services Block	High Needs Block	Early Years Block	Total all Blocks
	£000	£000	£000	£000	£000
Delegated expenditure	(430)	-	(37)	(692)	(1,159)
Retained Items	(269)	(32)	4,996	(13)	4,682
Total	(699)	(32)	4,959	(705)	3,523

2.5. There are two main reasons for these pressures; grant funding not keeping track with EHCP increases and the volume by which caseloads have increased in the past few years, with related higher cost placements.

Grant funding not keeping track with EHCP increases

2.6. The table below provides a summary of Merton's HNB funding for 2018/19 and 2019/20

Summary	2019/20	2018/19	Increase	%
A: Basic entitlement factor	2,320,755	2,058,809	261,947	12.72%
B: Historic spend factor	15,277,871	15,277,871	0	0.00%
C: Population factor	5,913,572	5,901,591	11,981	0.20%
D: FSM factor	1,100,953	1,041,765	59,189	5.68%
E: Total IDACI Factor	941,031	935,672	5,359	0.57%
F: Bad health factor	787,196	773,751	13,445	1.74%
G: Disability factor	679,301	652,044	27,258	4.18%
H: KS2 low attainment factor	540,303	549,558	-9,255	-1.68%
I: KS4 low attainment factor	664,820	637,075	27,745	4.36%
Total funding floor factor	5,735,595	5,476,356	259,239	4.73%
Net import/export adjustment	-1,176,000	-1,176,000	0	0.00%
2018-19 Hospital education funding with 0.5% uplift	50,500	50,250	250	0.50%
Additional HNB funding	483,253	483,000	253	0.05%
Total High Needs Block grant	33,319,150	32,661,741	657,409	2.01%

2.7. The budget is only increasing by 2.01% from 2018/19 to 2019/20

Volume by which caseloads have increased and reasons why this is the case

2.8. Like many councils across the country, over the past few years the council has experienced a significant increase in EHCPs (Education and Health Care Plans) for SEND (Special Educational Needs and Disabilities) children and related placements. The table below shows the level of this increase and its impact on placements:

NUMBER OF RECORDED EHCPs – MERTON RESIDENTS (SEN2 RETURN)

Jan-16	Jan-17	Jan-18	Jan-19
1075	1242	1490	1712

2.9. There are a number of reasons why the rate of growth in the number of EHCPs nationally has accelerated and these have been explored in some detail in research commissioned by London Councils and undertaken by Isos:

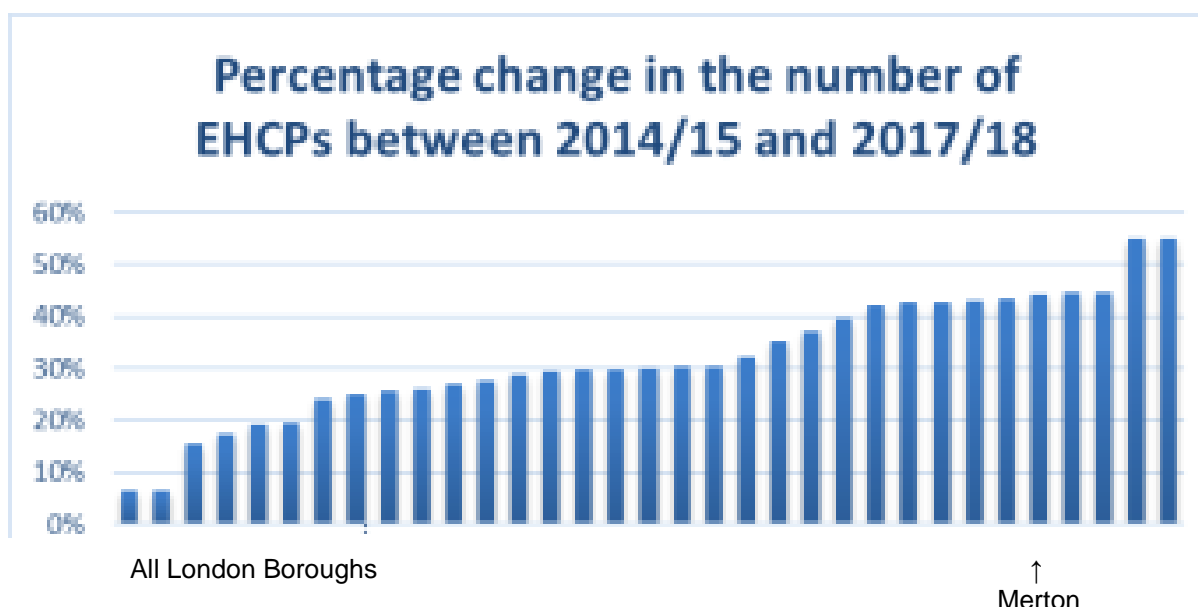
- Demographic changes: increases in the general school age population; advances in medical science; impact of adverse child experiences and early life trauma; rising levels of poverty amongst families with children and better diagnosis of some conditions
- Changes in legislation (2014 Children and Families Act) which increased parental rights and also extended the age range from 0-25 bringing in new cohort of young people within the remit of the high needs block who would previously have been the responsibility of adult services.

Specifically, Section 33 and 39 of the Children and Families Act 2014 outlines that the child's parent or the young person has the right to request a particular school, college or other institution to be named in their EHC Plan including an independent school or independent specialist colleges (where they have been approved for this purpose by the Secretary of State).

The Local Authority **must** comply with that preference and name the school or college in the EHC plan unless it would be unsuitable for the age, ability, aptitude or SEN of the child or young person, or the attendance of the child or young person there would be incompatible with the efficient education of others or the efficient use of resources

- National policy decisions which have not created an environment in which mainstream schools are rewarded or incentivised for being inclusive
- Funding pressures across the system which means that mainstream schools are less able to support children and young people with SEND without recourse to additional funding; health and social care budgets are under pressure so are less likely to be able to fairly share the cost of high needs placements which are primarily made for health or social care reasons, and pressure and cuts to a raft of supporting services all reducing a culture of prevention and early intervention

- 2.10. However, the rate of increase of EHCPs over the past 3 years in Merton is above the national and London average; the table below commissioned by London Councils shows the percentage change compared to all London Boroughs in the number of EHCPs between 2014/15 and 2017/18. Due to the cost implications to the DSG, it is necessary for the council and schools to understand the reasons for this and any action that may need to be undertaken.



Placement costs implications

- 2.11. The table below shows this growth in the main categories of placement over the past three years:

	Jan 2016 Total Statements and EHCPs	Jan 2017 Total Statements and EHCPs	Jan 2018 Total Statements and EHCPs	Jan 2019 Total Statements and EHCPs
Early Years (inc. PVI settings)	0	1	7	7
State mainstream school	422	461	526	584
Additional Resourced/base Provision	110	111	116	125
State Funded Special School	358	388	416	440
Independent Schools	132	153	176	228
Post 16 College and traineeships	25	93	183	212
Post 16 Specialist	10	25	44	37
Alternative Education	15	10	22	28
No placement (including NEET)	3	0	28	51
Total	1075	1242	1518	1712

Analysis from annual SEN2 returns. Note – the recording requirements for NEET etc. changed in 2018 and 2019

- 2.12. The council has increased its specialist provision, hence the increase from 358 to 440 children in state funded special school placements. This has been possible through our expansion of Perseid School and previous expansion of Cricket Green School and Additionally Resourced Provision (ARP) at Hatfeild Primary School.
- 2.13. However, the expansion has not met the extent of the increase in demand and as a result the number of placements in the more expensive Independent provision has increased disproportionately from 132 placements to 228 (SEN2 return January 2016 and 2019). The average cost of these placements has been calculated as £48,900 in 2018/19. The increase in spend in Independent day placements over the past 6 years has been over £6 million, £4.7 million of which has been in the last 3 years.

SEND placement forecasts

- 2.14. Spend on SEND pupils is dependent on the number of EHCPs and the placement type. Officers have looked at models to forecast the future number of EHCPs and there are three models available:
- Model 1 - Retention model
 Model 2 - Empower linear
 Model 3 - Percentage of GLA population estimates
- 2.15. Models 1 and 2 assume that the recent increase will continue at the same level while Model 3 assumes that the level of EHCPs will only change in line with population increases.
- 2.16. It is felt that models 1 and 2 are not accurate as there have been particular changes leading to the sharp increases over the last 3 years which should not continue; however it is felt that Model 3 needs to take into account that some of these changes have not fully bedded in, and so some adjustment is required.
- 2.17. Model 3 (adjusted) is considered the most reliable as it tracks the general population changes, and makes a reasonable allowance for the recent legislative changes such as responsibility for SEND up to the age of 25 to flow fully through.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Model 1 - retention	1075	1242	1490	1712	1752	1968	2214
Model 2 - Empower linear	1078	1242	1518	1749	1848	2024	2200
Model 3 - % of GLA pop - adjusted	1075	1242	1490	1712	1821	1888	1935

Note Actual to 2018/19 except Empower linear forecast provided prior to January 2019 SEN2 and so forecast figure shown; base numbers for 2017/18 also slightly different as based on a later date in 2018 than SEN2 return

- 2.18. The council's Recovery Plan therefore assumes Model 3 and that placement patterns change according to the council's plans and delivery for state school specialist places.

- 2.19. Appendices 1-2 provide the council's current draft Recover Plan under the required headings and financial annex, to submit to the DfE by the 30 June 2019 deadline.

3 TIMETABLE

- 3.1. The ESFA has published the following timetable:

Action	Deadline
Section 251 2019 to 2020 budget statements submitted	4 March to 30 April 2019
Section 251 budget statement 2019 to 2020 checks to be completed	1 May to 26 June 2019
Deadline for submission of DSG deficit recovery plans	30 June 2019
Review of DSG deficit recovery plans	July to September 2019
Deadline for submission of CFO assurance statement on use of DSG in 2018 to 2019	Mid-September 2019

4 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix 1 – The council's draft recovery plan
- Appendix 2 – Financial summary template to be submitted with Recovery Plan commentary
- Appendix 3 – Details of savings proposals
- Appendix 4 – Details of pressures

5 BACKGROUND PAPERS

- 5.1. The government's full guidance for DSG Deficit Recovery Plans can be accessed via this link
<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-deficit-recovery-plans>

Appendix 1 – Proposed recovery plan to submit to ESFA (Draft)

1. Plans the council has put in place to reduce the deficit in increments over the next 3 years

The following actions are being undertaken to mitigate some of the cost pressures in Merton's High Needs Block (HNB):

a) Expanding our state school provision (special schools and ARPs)

Over the next three years further expansion of our state funded provision should offset some of the growth in independent school placements. The further expansion of Perseid school that completed construction in September 2018 and the expansion of Cricket School will complete in two phases to enable additional children from September 2019. These expansions will provide an extra 67 placements by January 2022 compared to January 2019

As part of its High Needs assessment council officers have reviewed placements made into the independent sector over the past 5 years, and current trends and identified gaps where it is reasonable for the council to provide additional provision to reduce future Independent sector placements. As a result the following additional provision is planned that will provide for a further 100-120 places. The provision of an ASD base at Stanford Primary School (Academy) has been approved by the DfE and will be implemented to provide places from spring 2020. However, the other projects are generally at the early feasibility stage so will not start to have a positive financial impact until 2021/22 and beyond.

School and places	Project	Expected completion
Melrose School (SEMH) – expansion and change of age range to provide primary annex – 16 places	To reduce recent dependence on expensive primary independent SEMH provision	2021/2022
Stanford Primary School ASD base - 24 places	ASD unit to meet need through adaptation of existing premises.	Early 2020
Secondary medical PRU - 20 places	Likely to be expansion of SMART Centre on Chaucer site	2021/2022
ASD annex – 40 to 60 places	Adaption of council existing building to expand existing school	2021/2022

Therefore, while the council has implemented plans over the past 3 years, and future plans are in place to provide the most cost effective placement for children with SEND, they are preventing greater increases in spend on the High Needs block rather than decreasing expenditure.

b) Working collaboratively with our state schools to provide support and encourage inclusive practice, hence reducing specialist placements

The council held a borough wide conference with all its state schools on 10 May 2019. Entitled “Working together to meet the needs of children with Special Educational Needs and Disabilities in Merton”, the aim was to look at the problem together, and how we can work together strategically in the context of more being expected of schools and the Local Authority and less money to do this. It also outlined the legal context for schools including that a mainstream placement can only be refused if it would be incompatible with the efficient education of others, and there are no reasonable steps the LA could take to avoid this.

Over 90% of schools attended, and it was agreed to be part of a series of workshops to explore ways we can continue to work collaboratively with across Merton to address the deficit issue.

In particular, this is aimed at working with schools to support them to develop strategies to ensure that pupils can have their needs met at SEND support level in as many cases as possible to reduce the number of EHCPs and demand for more expensive specialist placements. This will also enable us to meet our joint stated aspirations of keeping as many children and young people in their local communities and educated as close to home as possible.

c) Improve the consistency of identification of SEN across borough schools

The council now has a devoted SEN advisor and one of our aims is that this will improve the consistency of identification of SEN across borough mainstream schools. This is being undertaken with the aim that schools will be able to continue to meet needs within a mainstream setting at SEN Support rather than increasing the number of EHC Needs assessments, which in turn can lead to an increase in EHC Plans and placements in more expensive specialist placements.

d) More intervention and support for age 14-25 cohort

The number of education placements for this cohort has gone up from 22 in January 2016 to 146 in January 2019, to a cost of £2.2 million in the 2018/19 financial year. Based on this trend continuing this is forecast to increase to a cost of £2.8 million in 2021/22 without further action.

It is therefore proposed to have a specific support officer to work with families to encourage employment rather than staying in an education placement to age 25.

2. How continuous improvement has reduced the deficit/ is going to reduce the deficit (e.g. sharing best practice, new contracts, and efficiency savings).

Plans for the future deficit are covered in the section above. The following in recent years has reduced the deficit:

a) Provision of extra state school placements:

The council has more than doubled its specialist provision places over the last 10 years, with the following expansions implemented or in the process of being implemented:

Cricket Green School (Special for Additional complex and varied needs)	Capacity 130 in 2012; current capacity 190 and now under construction to increase capacity to 260 places
Perseid School (Special for Severe and complex learning difficulties)	Increased capacity from 70 to 168. New Upper site in 2011 and further expansion completed in autumn 2018 to fill through year groups
Hatfeild Primary School (ASD Resourced provision)	14 places opened 2016
Raynes Park High (ASD Resourced provision)	Increased from 20 to 30 in 2016

The expansion of our special schools has enabled the council to provide 96 extra places in our Merton special schools in January 2019 compared to 2012. If this had not been provided and placements had instead gone to the Independent sector the cost would have been an additional £2.54 million per annum on the High Needs block (based on £48,900 average costs for independent sector Vs £22,400 in our state funded schools).

b) Minimise our use of residential placements

One of Merton's strategies to reduce placement cost is to minimise the number of independent residential provisions we make as this is the most expensive placement for the local authority. Any of these placements now need to be authorised by both Assistant Director of Education and Social Care. In 2018/19 the cost of these placements was reduced by £1.045m compared to 2017/18 as detailed in the table below.

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Actual paid	3,094,756	3,227,136	3,191,289	3,494,780	2,449,010
Increase/(decrease) in cost		132,380	(35,847)	303,491	(1,045,770)

c) Reduced independent provision placements inflation increases through joint working with South London Consortium including use of a Dynamic Purchasing System:

Merton is a member of the South London Commissioning Program who introduced a Dynamic Purchasing System (DPS) across 10 Local Authorities to commission school placements within the independent non-maintained sector. Total savings on school placements has been £212,991.00 with Merton saving £43,306 in savings since the introduction of the DPS in 2017. The South London Commissioning Program also negotiates inflationary fee uplifts with the independent non-maintained providers on behalf of the Local Authority members. The total savings to the 10 Local Authorities on inflationary fee uplifts since 2017 is £1.8 million. Outside of the council's control, the DPS is being decommissioned; however, Merton will continue to utilise the processes implemented as part of this system to commission independent placements when required, and to issue contracts. The South London Consortium Program will continue to negotiate the inflationary fee uplifts on behalf of consortium members.

d) Inflated both ARP and EHCP banding allocations only once since 2013/14

Rather than reducing band funding to maintained schools, Merton only increased fees once in the past six years, requiring schools to fund inflation costs from within the school budgets. We have not reduced this funding as the message from schools is that they are struggling to support the EHCPs with the funding we are providing. With the number of schools ending up in deficit in Merton increasing from 2 in March 2014 to 9 in March 2019, we have been of the opinion that a reduction to budget would only move the pressure from the HNB to the SB.

3. Details of any previous involvements between blocks, what current cost pressures those movements covered, and why those transfers have not been adequate to counter the new cost pressures

Transfer allowable 0.5% from schools block to the high needs block

The table below details the transfers that have been between blocks. The transfers undertaken up to 2016/17 and the transfer in 2017/18 was used to right-size the blocks on a permanent basis going forward. Since 2018/19 Merton has been transferring the 0.5% allowable amount from the SB to the HNB, although these transfers have not been moved permanently to the HNB and needs to be agreed on an annual basis with both schools and schools forum.

With school budgets coming under more pressure this carries the risk that the transfer request could be rejected in future and therefore leave the HNB with an even bigger overspend.

Block	2016/17	2017/18	2018/19	2019/20
Schools	(4,183,180)	(250,000)	(500,000)	(600,000)
High Needs	4,114,810	250,000	500,000	600,000
Early Years	68,370			

The changes related to how the ESFA funded LAs.

The majority of the transfer was agreed with Schools Forum when Merton DSG increased in 2015/16. This was used to address HNB pressures at that stage which included independent day school provision as well as further education and independent special school provision for post 16 pupils.

Every year that the schools block grant increased more than just due to pupil numbers, the growth in funding was shared between maintained schools and academies and the special schools. As special schools were funded from the HNB, a transfer was required to allow the increase.

Although the additional funding was used to cover pressures in previous years, due to the increase in EHCPs and the inability to continue to transfer funding from the schools block, these transfers were not sufficient to fund the growing number of plans.

4. Details of contributions coming from the health and social care budgets towards the cost of high needs provision.

Children who are eligible for Child Continuing Health Care currently receive allocated nursing hours or packages of care which are included in the Education Health and Care Plan. The Council has a children's tripartite meeting to negotiate funding agreements but further negotiation regarding the funding split for residential or independent day placements is required to ensure joint funding for health provision is in place.

The current arrangements is for Education to fund 38 weeks of a 52 week residential placement with Social Care funding the remaining 14 weeks. A review of all residential placements is taking place to look at provision and funding arrangements.

5. How the LA has discharged its duties under the Equality Act 2019, C&F Act 2014 and common law to consult with those affected by the changes proposed

The changes proposed in this plan would not contravene the council's duties under the Equality Act 2019, C&F Act 2014 and common law.

Merton has sought to work with stakeholders as far as possible. In 2018 the LA undertook a High Needs Strategic Review consultation inviting responses from all parents of children with an EHCP and those undergoing a statutory assessment but not completed; all schools and setting and other professional involved in supporting children with SEND.

The review outlined our aspirations for children and young people with SEND In Merton our aspirations for children with special educational needs and disabilities are as ambitious as for all children and young people

- that children can attend provision close to where they live
- that they achieve well in their local early years, schools and college settings
- that children and young people can build relationships and friendships with their peers in their local community.
- that there is a sufficient range and choice of provision locally that meets children's educational outcomes
- that there is seamless transition from local education into independent living

Key outcomes included need for:

- (i) More in-borough specialist provision;
- (ii) Training for staff in schools to ensure they are sufficiently skilled to meet the need of the range of special educational needs of children within mainstream setting;
- (iii) Focus on developing children's skills for future independence;
- (iv) Easier access to children's health and therapy support;
- (v) Support for children's mental health needs
- (vi) Clear streamline EHCP process including multi agency support for children's annual reviews

6. Summary of the savings and/or measures you propose to implement over the next three years which will reduce the overspend.

The figures are provided in the financial template (appendix 2)

7. A summary of the local circumstances and pressures that have contributed to the deficit, including a forecast spend (Divided into Mainstream schools, State-funded special schools, Further education and sixth form colleges, Independent specialist provision and Alternative provision

The figures are provided in the financial template (appendix 2)

The commentary is as follows:

The DSG deficit is due to over spending in the High Needs block. £31,565,594 of the £37,550,670 spend (85 %) in 2018/19 is pupil placement related costs, and the increase in spending over the last 3 years has been largely due to the rise in EHCPs and the related additional cost of specialist placements, with income into the DSG not increasing at the same rate.

Growth in EHCPs and related cost of specialist placements

The table below shows our analysis of the growth in placements of children with EHCPs over this period:

	Jan 2016 Total Statements and EHCPs	Jan 2017 Total Statements and EHCPs	Jan 2018 Total Statements and EHCPs	Jan 2019 Total Statements and EHCPs
Early Years (inc. PVI settings)	0	1	7	7
State mainstream school	422	461	526	584
Additional Resourced/base Provision	110	111	116	125
State Funded Special School	358	388	416	440
Independent Schools	132	153	176	228
Post 16 College and traineeships	25	93	183	212
Post 16 Specialist	10	25	44	37
Alternative Educative	15	10	22	28
No placement (including NEET)	3	0	28	51
Total	1075	1242	1518	1712

Analysis from annual SEN2 returns. Note – the recording requirements for NEET etc. changed in 2018 and 2019

The council has increased its state specialist provision, hence the increase from 358 to 440 children in state funded special school placements. This has been possible through our expansion of our 'Outstanding' Perseid and Cricket Green special schools. Mainstream schools and Additional Resourced Provision are also providing for more SEND children with EHCPs. The expansion of our special schools has enabled the council to provide 96 extra places in our special schools compared to 2012. If this had

not been provided and placements had instead gone to the Independent sector the cost would have been an additional £2.54 million per annum on the High Needs block (based on £48,900 average costs for independent sector Vs £22,400 in our state funded schools).

However, the expansion has not met the extent of the increase in demand and as a result the number of placements in the more expensive Independent provision has increased disproportionately from 132 placements to 228 (SEN2 return January 2016 and 2019). With the average cost of these placements being calculated as £48,900 in 2018/29, this increase of 96 placements is costing the council an extra £4.7 million per annum. The increase is in day placements; the council has ensured that the cost of residential placements has reduced (see section 2) by some £500k in the last 4 years.

The table below shows how the expenditure on day placements has increased by £6.2 million over the past 6 years, £4.5 million of which has been in the last 3 years.

	Expenditure £000	Pupil Numbers
12/13	£2,372	69
13/14	£2,826	84
14/15	£3,634	97
15/16	£4,100	116
16/17	£4,720	124
17/18	£6,117	149
18/19	£8,565	210

Note – these are day placements only – figures in other table include residential placements that have remained stable/reduced slightly

Other specialist placements to state funded schools and post-16 specialist is also having a financial impact.

The DSG Grant has not kept track with the growth in numbers of EHCPs.

8. Please provide any further detail here if required, including any attachments that support your recovery and an disapplication reference number

General commentary on forecast spend

The forecast spend largely depends on the future number of EHCPs and future placements from this. The council has considered a number of models and its forecast on future EHCPs is that the growth will flatten as the implications of the 2014 and others reforms have flowed through the school system, but there will still be some rise, especially as the general secondary school age population is now growing substantially. The council's model tracking EHCPs by year group as a percentage of the GLA (Greater London Authority) general population forecast, with an adjustment to take into account of impacts flowing through the school and post-16 system, is that there will be the following number of EHCPs over the next three years:

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Pre-school	17	20	20	20	20	20	20	20
Primary (3.7% of population)	495	584	676	706	712	706	698	689
Secondary (Yrs 7-11)	477	506	584	633	664	687	713	730
Secondary Year 12+	194	267	286	296	306	316	326	336
Total post 19 (Yrs 15 to 20)	59	113	146	166	186	206	226	246
Total all	1242	1490	1712	1821	1888	1935	1983	2021

Based on these assumptions, it is therefore extremely challenging to realistically see how expenditure can be reduced compared to 2018/19 levels, and the actions in this plan are designed to contain this expenditure while still meeting the council's statutory responsibilities.

We have therefore developed two financial models, the "do nothing model" that assumes we will not develop our state funded school provision and therefore all current placements and future growth goes to the independent sector, and "planned expansion model" that realistically shows the growth in our state funded provision. The tables below shows expenditure on these two scenarios.

"Do nothing" - Without increase in Merton state provision

	2018/19	2019/20	2020/21	2021/22
Early Years (inc. Private & Voluntary Settings)	£73,809	£74,270	£74,375	£74,270
Mainstream School (inc. Academies)	£5,211,207	£5,500,508	£5,627,230	£5,666,455
ARP (Additional Resourced Provision)	£2,241,090	£2,232,896	£2,242,412	£2,232,316
State Funded Special School	£9,863,705	£9,855,872	£9,853,493	£9,854,792
Independent/Non-Maintained Provision (including Other Independent Special Schools)	£11,149,751	£13,582,809	£14,894,735	£15,723,771
Post 16 College and traineeships	£936,267	£1,009,753	£1,082,828	£1,155,730
Post 16 Specialist	£1,243,370	£1,386,267	£1,529,165	£1,672,062
Other (including children Educated at Home, Pupil Referral Units and Secure Units)	£846,396	£909,870	£957,145	£997,094
Total	£31,565,594	£34,552,247	£36,261,384	£37,376,491

With increase in Merton state provision.

	2018/19	2019/20	2020/21	2021/22
Early Years (inc. Private & Voluntary Settings)	£73,809	£74,270	£74,375	£74,270
Mainstream School (inc. Academies)	£5,211,207	£5,500,508	£5,627,230	£5,666,455
ARP (Additional Resourced Provision)	£2,241,090	£2,232,896	£2,385,842	£2,519,175
State Funded Special School	£9,863,705	£10,505,980	£10,996,786	£11,356,766
Independent/Non-Maintained Provision (including Other Independent Special Schools)	£11,149,751	£12,164,639	£12,009,493	£11,664,870
Post 16 College and traineeships	£936,267	£1,009,753	£1,082,828	£1,155,730
Post 16 Specialist	£1,243,370	£1,386,267	£1,529,165	£1,672,062
Other (including children Educated at Home, Pupil Referral Units and Secure Units)	£846,396	£909,870	£957,145	£997,094
Total	£31,565,594	£33,784,184	£34,662,864	£35,106,423

Many of the new projects planned for Merton will not have an impact until after 2021/22 but the action of Merton council should still save £2.27 million (on top of the £2.54 million already identified).

However, since this is expected to be against the background of a further increase in EHCPs and demand for specialist placements, it will just be reducing the extra expenditure on placements by 2021/22 from being £5.81 million above 2018/19 levels to £3.54 million above 2018/19 levels.

What Merton has considered but does not propose to implement

Merton has considered the following but is of the view that it would either not be beneficial or deliverable in a wider context:

Reducing the offer provided by SEN support services ,

This would be counterproductive when considering the increase in EHCPs and our legal obligation to provide the support stated in the plans. It would also risk existing lower cost placements from being able to continue effectively, thus risking fall-out to more expensive placements and more cost to the HNB.

Transfer from the Schools Block to be more than 0.5%

We have not requested this in our consultation with schools as we are in line with the national picture and schools are struggling to balance their own budgets. This can be demonstrated by the increasing number of schools in Merton ending the financial year in deficit over the past three years, as per the table below.

	2015/16	2016/17	2017/18	2018/19
Number of schools in deficit	2	4	6	9

Reduced EHCP bandings, ARP or special school top-up fees

We have also not reduced EHCP bandings, ARP or special school top-up fees due to the same pressures as discussed in the previous paragraph.

Removing scheme where additional funding is provided to schools where more than 2.5% of their number on roll has EHCPs

Merton still runs its scheme where additional funding is provided to schools where more than 2.5% of their number on roll has EHCPs. Due to budget pressures in general school budgets the notional SEN funding are already stretched so taking away this funding would have a negative impact on services provided to these pupils.

FINANCIAL TEMPLATE

APPENDIX 2

DSG Deficit Recovery Plan

Ref.	Block	Type of provision e.g. special schools	Action e.g. increasing special school places	2018-19 £	Year 1 2019-20 £	Year 2 2020-21 £	Year 3 2021-22 £
DSG Balance b/f					2,908,962	8,720,974	15,385,469
Savings (figures should be entered as negative values)							
S1	High Needs	Special school	Capital investment in new, expanded or adapted special schools		(609,000)	(397,000)	(264,000)
S2	High Needs	Special school	Capital investment in new, expanded or adapted special schools		(158,000)	(185,000)	(159,000)
S3	High Needs	Additional resource provision	Capital investment in new or expanded special units / resourced provision		0	(247,000)	(247,000)
S4	High Needs	Special school	Active engagement of local schools and colleges in designing services and provision		0	(132,000)	(132,000)
S5	High Needs	Alternative provision	Active engagement of independent / non-maintained providers in designing services and provision		(235,000)	0	0
S6	Early Years	All schools and PVI's	Other		(500,000)	200,000	100,000
S7							
Total savings				0	(1,502,000)	(761,000)	(702,000)
Pressures (figures should be entered as positive values)							
P1	High Needs	All placement provisions	Increase in the number of EHC Plans		2,986,652	1,709,137	1,115,107
P2	High Needs	Support services	High rates of exclusions and use of AP			53,040	
P3	High Needs	Support services	High rates of exclusions and use of AP			8,517	
P4	High Needs	Support services	Increase in the number of EHC Plans		44,890	45,788	
P5	High Needs	Maintained schools	Pressure on maintained special school capacity		79,470	50,000	50,000
Additional Pressures (figures should be entered as positive values)				0	3,111,012	1,866,482	1,165,107
Cost reductions from impact of recovery plan				0	1,609,012	1,105,482	463,107
Total DSG forecast overspend					4,960,000	5,812,012	6,664,494
Net in year impact on High Needs DSG				0	6,569,012	6,917,494	7,127,601
Estimated High Needs Block change (additional grant)					(657,000)	(253,000)	(124,000)
Approved transfer of schools block to HN block					(100,000)		
Other adjustments							
Net in year Forecast Outturn Variance				0	5,812,012	6,664,494	7,003,601
DSG Balance – show a deficit as a positive value				2,908,962	8,720,974	15,385,469	22,389,070
				DEFICIT	DEFICIT	DEFICIT	DEFICIT

Education, Health and Care Plans

	Number of CYP with Statements/ EHCPs	Total HNB	Outturn	Cumulative
2016	1078	£37,034,000	£36,155,524	-£1,200,307
2017	1242	£31,686,000	£32,432,648	-£453,659
2018	1490	£32,104,000	£34,103,396	£1,545,737
2019	1712	£33,053,000	£38,011,810	£6,504,547
2020	1821	£33,306,000	£39,118,012	£12,316,559
2021	1888	£33,430,000	£40,094,494.45	£18,981,054

	2016	% against total	2017	% against total	2018	% against total	2019	% against total	2020	% against total	2021	% against total
Under Age 5	20	2%	17	1%	20	1%	20	1%	20	1%	20	1%
Aged 5-10	453	42%	495	40%	584	39%	676	39%	706	39%	712	38%
Aged 11-15	466	43%	477	38%	506	34%	584	34%	633	35%	664	35%
Aged 16-19	108	10%	194	16%	267	18%	286	17%	296	16%	306	16%
Aged 20-25	31	3%	59	5%	113	8%	146	9%	166	9%	186	10%
Total	1078	100%	1242	100%	1490	100%	1712	100%	1821	100%	1888	100%

DETAILS OF SAVINGS

APPENDIX 3

Ref.	Block	Type of provision e.g. special schools	Action e.g. increasing special school places	Details	Year 1 2019-20 £000	Year 2 2020-21 £000	Year 3 2021-22 £000
DSG-S01-2019	HNB	Special school	Expansion of Cricket Green special school	The council is in the process of further expanding Cricket Green special school, with construction being completed in early 2020, and the school taking further extra pupils from September 2019 and beyond. These spaces were created to prevent placement in the independent sector and the savings are estimated as the cost of this maintained provision compared to similar independent providers.	609	397	264
DSG-S02-2019	HNB	Special school	Expansion of Perseid special school	Perseid special school has been expanded a number of times since 2011 to provide additional places with Severe and Complex learning Difficulties. These spaces were created to prevent placement in the independent sector and the savings are estimated as the cost of this maintained provision compared to similar independent providers. The last phase of the expansions at secondary age will provide extra places in 2019-22.	158	185	159
DSG-S03-2019	HNB	Additional resource provision	New provision at Stanford primary academy	This is a new 24 place new ASD additional resource provision that is expected to start from September 2019. These spaces were created to prevent placement in the independent sector and the savings are estimated as the cost of this maintained provision compared to similar independent providers.	-	247	247
DSG-S04-2019	HNB	Special school	Additional 10 girls to be supported through Melrose special school.	Melrose special school to increase it's current take-up of 35 children to the minimum funded number of 45 by providing a wider education offer and this avoid the current pattern of placements at independent providers like Cressy College.	-	132	132
DSG-S05-2019	HNB	Alternative provision	Cease the commissioning some independent alternative provision through Melrose special school	Stop providing Melrose special school funding to commission alternative provision from Face Youth.	235		
		Total			1,002	961	802

DETAILS OF PRESSURES

APPENDIX 4

Type of provision e.g. special schools	Reason e.g. increased EHCPs	Details	2018-19 £	Year 1 2019-20 £	Year 2 2020-21 £	Year 3 2021-22 £
All placement provisions	Increased cost pressure expected in line with increase in EHCPs	Forecasting an increase in EHCPs in line with expected percentage of population. This was quantified using the 2018/19 average cost per relevant provisions and then assuming all additional placements will be met by the independent sector.		2,986,652	1,709,137	1,115,107
Support services	School Improvement additional support for Elective Home Education required	Additional resource required to address the increased Elective Home Education demand which requires School Improvement to inspect the quality of the provision. Estimate 0.6FTE of a School Improvement Advisor.			53,040	
Support services	Education Welfare additional support for Elective Home Education required	Additional resource required to address the increased Elective Home Education demand which requires Education Welfare to maintain registers and provide other admin support. Estimate 0.2 FTE of an Education Welfare officer.			8,517	
Support services	Language & Learning team required to deliver more SALT as number of EHCPs increase	As EHCPs increase the requirement for SALT has increased. The service requires 2FTE speech and language therapist posts over the next two years.		44,890	45,788	
Maintained schools	Additional HNB scheme required to increase to support additional children in mainstream schools	Merton runs a scheme to provide additional financial support to all schools who has more than 2.5% of their NOR being children with EHCPs. This is because the first £6,000 of EHCPs should be funded from the schools own funding which means higher levels result in higher costs. Actual increase with estimate for increases over the following two years.		79,470	50,000	50,000
				3,111,012	1,866,482	1,165,107