

SURREY COUNTY COUNCIL**CABINET****DATE: 27 OCTOBER 2015****REPORT OF: MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS,
SKILLS AND EDUCATIONAL ACHIEVEMENT****LEAD OFFICER: JULIE FISHER, DEPUTY CHIEF EXECUTIVE****SUBJECT: SCHOOLS' FORMULA FUNDING 2016-17****SUMMARY OF ISSUE:**

Schools are funded on the basis of a formula determined by each local authority within parameters set by the Department for Education (DfE). This paper sets out the recommended formula for the funding of Surrey schools in 2016/17. It follows the annual consultation with all schools during September and the recommendations of the Schools Forum on 1 October 2015.

The council is required to submit its proposed schools' funding formula to the Department for Education by 30 October 2015.

Schools and many school support services are funded by Dedicated Schools Grant (DSG). This report is limited to consideration of the schools' funding formula and other changes in Special Educational Needs & Disabilities (SEND) funding within DSG that are necessary to meet the Government's deadlines. Other services funded by DSG will be considered as part of the council's budget planning process.

RECOMMENDATIONS:

It is recommended that:

1. the Cabinet approve the recommendations of the Schools Forum as follows:
 - a) That the funding formula for Surrey schools be prepared on the basis of continuing the £10m transfer of Dedicated Schools Grant from the notional Schools block to the High Needs block first introduced in 2015/16.
 - b) That schools' deprivation funding is reduced to 7.79% of the total schools formula funding
2. the proposed Surrey formula factors as set out in Annex 4 are approved for submission to the DfE by the 30 October deadline
3. authority is delegated to the Assistant Director, Schools & Learning, in conjunction with the Leader and the Cabinet Member for Schools, Skills and Educational Achievement to update and amend the formula as appropriate following receipt of the DSG settlement and DfE pupil data in December 2015. This is to ensure that total allocations to schools under this formula remain

affordable within the council's DSG settlement to be announced during December 2015.

REASON FOR RECOMMENDATIONS:

To comply with DfE regulations requiring notification of the council's funding formula for schools by 30 October 2015.

DETAILS:

Funding Surrey's schools

- 1 Surrey primary and secondary schools' revenue budgets are funded from Dedicated Schools Grant (DSG) and distributed via a formula devised by the local authority, within regulations set by the DfE.
- 2 In line with DfE requirements, this report proposes the formula factors and values to be used in 2016/17 for primary and secondary schools. It does not address:
 - The funding of special schools and nursery provision, as these are subject to different funding mechanisms
 - The pupil premium or sixth form funding as these are central government allocations, distributed via mechanisms determined by the DfE.

Dedicated Schools Grant (DSG)

- 3 Schools are funded from Dedicated Schools Grant (DSG), provided to the council by the Department for Education (DfE). The DSG received by the council is a ring-fenced grant and can only be used to fund the services set out below. The total DSG is split into three categories of educational provision, with notional funding allocated to each block by the DfE, although this can be switched between blocks at the council's discretion to address local needs. In 2015/16, £10m was transferred from the Schools Block to the High Needs block to support pressures in providing for pupils with special educational needs and disabilities (SEND). The 2015/16 DSG funding allocation is shown below. Funding for 2016/17 will be announced in December 2015.
 - **Schools £583m**

All primary and secondary schools, including academies and free schools, receive their revenue funding from this block. The council allocates funding to individual schools based on a local formula, following an annual consultation with all schools. The Schools block also funds behaviour support, the admissions service and any additional DSG contributions approved by the Schools Forum (eg to enhance school improvement funding for all schools).

Academies and Free Schools

The revenue funding of academies and free schools is based on Surrey's local schools funding formula and the views of these schools are included as part of the annual funding consultation. Academies and free schools also receive additional sums directly from the Education Funding Agency (EFA) to cover the cost of services for which responsibility transfers from the local authority to the academy on conversion (eg school improvement, HR and finance support, redundancy costs etc.)

- **High Needs £127m**

The High Needs block caters for pupils with special educational needs and disabilities (SEND) and other additional needs. It funds Surrey special schools, special centres in mainstream schools, pupil referral units (PRUs) and the provision of education to those pupils with complex or severe needs requiring support in a non-maintained or independent special school. It provides additional funding to primary and secondary schools for pupils with SEND statements or Education Health Care Plans (EHCPs). It also funds specialist support services (eg physical and sensory support, speech & language therapies).

In recent years the DSG allocated by to High Needs has proven to be insufficient to support the increasing pupil numbers and levels of need. This necessitated a transfer of £10m from the Schools Block in 2015/16.

- **Early Years £49m**

The Early Years block funds nursery education for 2-4 year olds in maintained schools, maintained nurseries, academies and private, voluntary and independent (PVI) settings.

Schools Forum

- 4 The Schools Forum is a statutory body which must be consulted on the allocation of Dedicated Schools Grant (DSG). It comprises headteachers, governors, academy representatives and 'non-school' representatives from early years providers, diocesan bodies, teaching unions, post-16 providers and Family Voice (SEND). The Forum has a largely consultative role but with decision making powers in specific areas, relating largely to funding within the Schools block. Decisions relating to the allocation of total DSG funding between the three DSG blocks are the responsibility of the local authority.

Schools' Funding Formula

- 5 Funding at individual school level is based largely on pupil numbers, with a 'basic entitlement' paid per pupil on roll. Schools then receive additional funding to reflect the varying needs of pupils attending that school – for example, social deprivation and SEND. Details of the funding allocated to the various formula factors are set out in Annex 1. The current value of individual formula factors are set out in Annex 4.

Consultation on Proposed Changes to Surrey Schools' Funding in 2016/17

- 6 During September 2015, all primary and secondary schools were consulted on a number of proposed changes to the funding formula for 2016/17. A total of 219 schools responded, representing 61.5% of all schools. This was a significant increase on the 48% response rate achieved in the 2014 consultation. Two key issues – addressing SEND funding and deprivation targeting – plus a number of smaller issues were considered, as follows:

1. FUNDING OF HIGH NEEDS SEND PUPILS

When compared to other local authorities, Surrey is a relatively high spender on SEND – most notably in spending on pupils in non-maintained and independent (NMI) placements - although SEND funding to maintained schools and special schools is also above the south east average. In 2013/14 and 2014/15, funding from the Early Years block of £5m and £6.5m respectively was transferred to support the High Needs budget. In 2015/16, High Needs is supported by £10m transferred from the Schools block.

In 2016/17, further pressures totalling £5.5m have been identified due to demographic growth, inflation and changes in the entitlement of young people aged 16-25 with SEND. In order to mitigate these costs, savings totalling £2.2m have been planned - as set out in Annex 2. The consultation proposal to schools was therefore to seek an increase in the transfer from the Schools Block to High Needs from £10m in 2015/16 to £13.3m in 2016/17, on the following basis:

	£m
Transfer from Schools Budget in 2015/16	10.0
Estimated new pressures in 2016/17	5.5
Less planned savings	<u>-2.2</u>
Call for transfer from Schools Budget	13.3

Following discussion at the Schools Forum, the authority was asked to consult schools on three options for the transfer from the Schools Budget to High Needs:

1. £13.3m as proposed by the local authority
2. £10.0m which would require savings of £3.3m to be identified
3. £8.0m which would require savings of £5.3m to be identified

The outcome of the consultation is shown in Annex 3. The majority of schools' responses on this issue supported maintaining the current level of support of £10m. This was favoured by 61.5% of primary schools and 60% of secondaries responding to the consultation and was subsequently recommended by the Schools Forum. This option would require further savings of £3.3m to be achieved. The savings were set out in the consultation and are listed in Annex 2. It is intended that the SEND support services listed will be made available to schools on a traded basis, subject to sufficient demand.

In the longer term, reductions in the level of the High Needs budget will only be achieved if more SEND pupils are placed in state maintained schools in Surrey. This must imply some combination of:

- changing the nature of existing schools/centres to align them better to current needs
- placing more pupils with high levels of SEND in mainstream schools and providing appropriate support to mainstream schools to build capacity
- building new special schools/centres or expanding existing schools/centres where funding permits.

The LA and the SEND Governance Board (which comprises headteachers and other stakeholders) are working on this longer term strategy, but changes cannot be implemented immediately, because it takes time to plan, build and open new facilities, and pupils can only be moved between providers at accepted transition points. Thus there is a need to match the High Needs budget to available resources in 2016/17, in such a way as to cause the least damaging short term and long term effect on services to children and schools and to avoid compromising the long term aim of reducing the number of NMI placements.

Decisions on the transfer of funding between DSG blocks are for the Cabinet to approve and therefore the Schools Forum's recommendation of a £10m transfer necessitating further savings of £3.3m in high needs budgets, is not binding. If not agreed and the additional £3.3m were to come from the Schools block, this would result in a reduction in the funding of individual schools.

Officers recognise that schools feel that progress on improving the management of SEND services moved too slowly in 2014/15. In these circumstances and respecting the key role schools will play in delivering the SEND strategy, members may wish to follow the views of schools and the Schools Forum in setting next year's budget. As Surrey is a high spender on SEND, these savings may also serve to bring costs to a more typical level. That said, the proposed cuts risk slowing the development of a viable long-term strategy for managing SEND and unfairly disadvantage those more inclusive schools which admit a relatively high proportion of high need pupils, as the introduction of charges for SEND services will fall disproportionately on those schools.

2. FUNDING OF DEPRIVATION IN SCHOOLS

Surrey currently distributes £61m (10.8% of total formula funding) using deprivation factors (Annex 1). The national median is 7.79% and Surrey ranks 42nd highest of 150 LAs. It should be recognised that many LAs (eg some inner London boroughs) have higher levels of deprivation but a more even distribution and significantly higher funding. This reduces the need for additional targeting of deprivation funding between schools. Surrey's funding is considerably lower yet the county has pockets of deprivation where children and schools face considerable challenges. The majority of these are located within 10 miles of London borough boundaries.

Government Changes 2013: Tiered Deprivation

Prior to 2013, Surrey ran a 'tiered' approach to funding deprivation. All schools were provided with a set amount per disadvantaged pupil but those schools with a particularly high incidence of such pupils received funding at a higher rate (tier) per disadvantaged pupil. This recognised the additional challenges facing schools in certain communities which required greater support (eg parenting classes, home-to-school link workers etc).

In 2013 the DfE sought to simplify LA funding formulae and removed the right of LAs to operate a tiered deprivation factor. In order to protect vulnerable schools from large-scale funding losses, the authority consulted all schools on an increase of either £4m, £14m or £25m in deprivation funding. The majority of schools in both primary and secondary sectors voted for £25m. This gave partial protection to the most deprived schools – although their funding was considerably reduced from previous levels. However it also had the effect of transferring funding away from the least deprived schools as it was funded by reductions in the funding of basic entitlement per pupil. The main gainers were those schools with average deprivation that did not previously attract the higher funding tier.

Recently, several schools, particularly in the secondary sector, have argued that the impact on the least deprived schools is now no longer sustainable, given the increasing pressures facing all schools over the next few years and the absence of any additional DSG funding for cost increases including inflation.

In response, the Cabinet Member and Chair of Schools Forum have both written separately to the Department for Education (DfE) seeking permission to reintroduce Surrey's tiered deprivation factor. This could reduce the overall cost of deprivation targeting – and therefore the impact on low deprivation schools – yet protect those schools providing for the most disadvantaged communities. This flexibility is considered to be an essential tool in managing pressures in a low funded authority. Although supported by many Surrey MPs, this request has been refused by the DfE as contrary to the Government's funding principles which seek to simplify funding and provide similar levels of funding regardless of where pupils are in the country. Varying pupil funding within an authority is inconsistent with that aim.

Working Group

A working group of headteachers and governors was established in February 2015 to consider the level of deprivation funding in Surrey schools and to make recommendations within the DfE's parameters. This work included consideration of the current attainment gap between disadvantaged pupils and others and a Call for Evidence from all schools seeking their views and examples of the use currently made of deprivation funding.

Attainment Gap

The attainment gap between disadvantaged pupils and all pupils is a continuing cause for concern. This gap is higher in Surrey than the national average – across both primary and secondary sectors.

Primary Sector:

Percentage of Pupils at Level 4+ in Reading, Writing & Maths

	Year	All Pupils	Disadvantaged Pupils	Attainment Gap
Surrey	2012	77	57	20
	2013	78	58	20
	2014	82	63	19
National	2012	75	62	13
	2013	75	63	12
	2014	79	67	12

Secondary Sector

Percentage of Pupils achieving 5+ A*-C GCSEs (including English & Maths)

	Year	All Pupils	Disadvantaged Pupils	Attainment Gap
Surrey	2012	64.2	35.3	28.9
	2013	67.5	40.3	27.2
	2014	63.5	37.0	26.5
National	2012	59.4	38.6	20.8
	2013	59.2	41.1	18.1
	2014	53.4	36.5	16.9

Pupil Premium

The DfE introduced the Pupil Premium in 2011/12. This provides additional funding for every child on free school meals (FSM) in all schools. Schools are obliged to provide details on its impact to the DfE and local authorities have been discouraged from reducing their own funding of deprivation as the pupil premium increases.

Some schools have expressed concerns that since Surrey's decision to increase deprivation targeting – taken in 2012/13 - there have been subsequent increases in the DfE's pupil premium which may have resulted in double-funding of high deprivation schools.

The increase in pupil premium funding received by all schools since 2012/13 is as follows:

	Primary sector £m	Secondary sector £m
Increase in pupil premium p.a (2015/16 compared to 2012/13)	9.359	3.804

The proposed reduction in deprivation funding to 7.79% would have the following impact:

Potential impact of reducing formula deprivation funding:	Primary sector £m	Secondary sector £m
From 10.8% to 7.79%	-9.804	-7.186

For the primary sector, the loss of £9.804m would effectively cancel out the recent annual increases in pupil premium. In the secondary sector, the increase in pupil premium funding would only offset just over half of the loss in formula funding for deprivation resulting from a reduction in deprivation funding to the national median of 7.79%.

Views of Low Deprivation Schools

Schools with low deprivation receive significantly lower levels of funding than those catering for high numbers of disadvantaged pupils. The current range of funding between secondary schools varies from £4,133 to £5,991 per pupil. Although other factors may come into play (eg funding for low prior attainment, English as an Additional Language etc), the majority of the differential is explained by deprivation funding. As all schools' budgets face pressures – from inflation, national insurance and pension costs in particular – low deprivation schools are raising concerns about their ability to cope within current funding levels. This view is particularly strongly expressed by some headteachers in the secondary sector.

Low deprivation schools also question the value for money of Surrey's higher than average funding of deprivation, when Surrey schools continue to lag behind the national average in closing the attainment gap.

Views of High Deprivation Schools

Schools catering for pupils in areas of high deprivation have highlighted the pressures of driving increased attainment for pupils when facing challenges including a high incidence of workerless families, child protection and safeguarding issues, low levels of qualifications among parents and living in areas of high crime. They point to the difference that schools in areas of high deprivation can make to the life chances of their students, by providing support which includes home to school link workers, parenting classes, booster classes, breakfast and homework clubs and counselling.

Deprivation Options Proposed

There were only 69 responses (19% of schools) to the Call for Evidence on the impact of deprivation funding initiated by the working group of headteachers and governors. The group was subsequently unable to reach a consensus on a level of deprivation funding to recommend and therefore schools were asked by the Schools Forum to consider three possible levels of deprivation funding (as a proportion of total formula funding):

- 10.8%, corresponding to the current level of deprivation funding in Surrey
- 7.79% , equivalent to the current national median
- 4.89%, equivalent to the current median for south east counties

The outcome of the consultation with all schools supported a reduction in deprivation funding to 7.79% of total funding. Support for the reduction was more pronounced in the secondary sector (Annex 3). This reduction is perceived to bring deprivation funding down to a more typical level nationally and the Schools Forum is recommending this option to the Cabinet for approval.

Impact of Deprivation Reduction

The impact of this reduction in deprivation funding will produce winners and losers in each sector estimated to be as follows:

% Budget lost	Primary	Secondary
Lose over 5%	11	1
Lose 3% - 5%	25	4
Lose 1.5% - 3%	19	7
Lose under 1.5%	48	15
Gain under 1.5%	90	19
Gain 1.5% - 3%	95	7
Gain 3% - 5%	12	0
Gain over 5%	0	0

Figs may vary following receipt of October 2015 pupil count data in Dec 15.

It should be noted that the minimum funding guarantee (para 7 below) will limit losses at any individual school to a maximum of 1.5% per annum. As this will be funded by a ceiling on gains, then it could take several years for the full impact to take effect at individual school level.

Annex 4 lists the proposed Surrey schools formula for 2016/17 and shows this transfer from targeted deprivation funding to basic entitlement factors for all pupils.

3. Other Smaller Changes

- The LA provides additional funding to schools where the number of SEND pupils is particularly high. Schools supported the proposal for in-year amendments to funding to assist schools where the number of “high need” pupils changes during the financial year.
- The provisional formula factors shown in Annex 4 are based on October 2014 pupil data. Between October 2015 and January 2016, the values of the factors in the Surrey formula must be updated for the impact of October 2015 pupil data, received in December, and for updated growing schools commitments (additional classes etc), to ensure that the formula is affordable within the funding available in 2016/17. Schools supported the proposal to amend the level of deprivation funding to that approved by

Cabinet and make any fine-tuning adjustments to the Basic Entitlement figure only.

4. De-delegation of services

Funding for specific services and purposes must be delegated initially to all schools but may then be deducted (or “de-delegated”) from the budgets of maintained primary and/or secondary schools to be provided centrally, where the Schools Forum approves this. These services are then provided without further cost on the basis of need.

Opting for central funding of these services means that it is easier to match the service to demand where demand is relatively low in many schools, but where it is unpredictable and varies widely from year to year. Annex 3 lists the services currently de-delegated to each sector and the results of the consultation on continued de-delegation. With the exception of services relating to Raising Ethnic Minority Achievement (REMA), all services currently de-delegated received Schools Forum approval to continue on this basis.

Raising Ethnic Minority Achievement (REMA)

The REMA county service provides a service for pupils with English as an Additional Language (EAL) and for under-attaining ethnic minorities. In 2015/16, 50% of EAL funding was de-delegated from maintained primary schools to fund the basic REMA EAL service to those schools. However some schools with relatively large volumes of EAL pupils have recently argued for greater retention of funding by schools. Their views were supported by 50.3% of primary schools responding to the consultation and the Schools Forum therefore ceased to support the continued de-delegation of this service. Officers are currently exploring options for provision of the REMA EAL service on a traded basis.

Minimum Funding Guarantee (MFG)

- 7 The DfE requires local authorities to deliver a Minimum Funding Guarantee (MFG) to schools. This places a limit on any funding reductions incurred by schools to a maximum of 1.5% per pupil. This protection is funded by a ceiling placed on the gains of other schools. Therefore, the greater the changes and levels of disruption to current funding, the higher will be the cost of minimum funding guarantee protection and the lower the ceiling on gains.

Impact on the Funding Formula 2016/17

- 8 Annex 4 lists the current formula factors, their values in 2015/16 and their proposed values in 2016/17. It is a DfE requirement that these formula factors be submitted to the DfE by 30 October 2015.

Fine-tuning following DSG settlement

- 9 At this stage, these formula values can only be provisional as DSG funding will be based on pupil numbers and characteristics collected in the October 2015 pupil census – data which is unavailable to local authorities until December 2015. The DfE therefore enables local authorities to fine-tune

these values by 21 January 2016, to ensure that the formula is affordable within the funding settlement.

- 10 Fine-tuning of the formula at that time will be considered by the Assistant Director, Schools & Learning, in consultation with the Cabinet Member for Schools, Skills & Educational Achievement, the Leader of the County Council and where appropriate, the Schools Forum.

CONSULTATION:

- 11 The council consulted on the proposed changes in this report with all Surrey primary schools, secondary schools and academies during September 2015. Schools were given budget illustrations of the impacts of the various options based on the latest published pupil data.
- 12 A total of 219 schools submitted responses, representing 61.5% of schools. This compares to 170 responses (48% of schools) received in last year's consultation. Schools' collective responses were discussed at the Surrey Schools Forum on 1 October 2015. The recommendations in this report reflect the views of the majority of schools and the Schools Forum.

RISK MANAGEMENT AND IMPLICATIONS:

- 13 Schools are funded by Dedicated Schools Grant (DSG). Primary and Secondary schools are funded from within the notional Schools block, with High Needs DSG funding special schools. The proposals in this report recognise and address continuing demographic and inflationary pressures in the High Needs block by recommending continuing the transfer of £10m from the Schools block, first introduced in 2015/16. Savings, which are likely to require the trading of some SEND support services, will be considered to enable rising costs to be contained within Dedicated Schools Grant funding. There is a potential risk of redundancies, which would fall on council budgets, if services cannot be successfully traded. The alternative option – to withdraw an additional £3.3m from schools – would also create a risk of redundancies in maintained schools which would fall on council budgets. The costs of redundancies in academies are borne by the academies as they receive additional funding to meet such risks.

Financial and Value for Money Implications

- 14 Schools are expected to operate within the funding provided. Where an individual school faces financial problems the local authority can approve a licensed deficit and will develop a recovery plan for repayment in a specified term – usually within three years. In the event that a maintained school became financially unviable then the council would be required to step in to address issues. This could involve a review of the school's management, consideration of the potential advantages of federated/partnership arrangements with other schools and/or a review of wider educational provision in the area. Schools are subject to regular monitoring and the local funding formula is reviewed on an annual basis to assess scope for potential amendments within DfE controls.
- 15 As at 1 October 2015, a total of 85 schools have converted to academy status (51 primary, 31 secondary and 3 special). Responsibility for the financial

viability of academies lies with the Government's Education Funding Agency rather than the county council.

Section 151 Officer Commentary

- 16 Increases in pupil numbers, pupil needs and legislative changes which extend entitlement are creating significant pressures in high needs budgets. A prudent assessment of the additional funding required in 2016/17 highlighted the need for £15.5m, though uncertainties in funding and costs make this difficult to predict. The recommended transfer from schools to high needs was set at £13.3m which assumed the achievement of planned savings of £2.2m and robust management of rising pressures.

The Schools Forum has recommended maintaining the current transfer of £10m from schools to high needs in 2016/17 – a view consistent with the majority of schools' responses to the annual funding consultation. This is £3.3m lower than that recommended to schools by officers and if approved will necessitate further reductions in SEND support – some of which may be mitigated if trading arrangements are established - and vigorous management of increasing pressures.

In line with the requirements of Equalities legislation, savings proposals will require consultation with relevant parties. This needs to be planned into the service implementation timeline to ensure full year service reductions and therefore savings are realised.

Legal Implications – Monitoring Officer

- 17 The proposals comply with DfE requirements and legislation and have been arrived at following consultation with schools and the Schools Forum. The public sector equality duty (Section 149 of the Equality Act 2010) applies to the decision to be made by Cabinet in this report. There is a requirement when deciding upon the recommendations to have due regard to the need to advance equality of opportunity for people with protected characteristics, foster good relations between such groups, and eliminate any unlawful discrimination. These matters are dealt with in the equalities paragraphs of the report and in the attached equalities impact assessment.

Equalities and Diversity

- 18 High Needs SEND: The SEND support service reductions would affect pupils with a range of special educational needs. Whilst recognising that special educational needs and disabilities are distinct categories, the analysis suggests that the recommended changes in funding are likely to have a disproportionate impact on children and young people with a disability. The funding changes could also have a particular negative impact on boys and children and young people from ethnic minorities (both groups are more likely to have special educational needs).

It would be for individual schools to consider how they mitigate the impact of funding changes, including whether to buy in equivalent services. Schools would not receive any additional funding from which to buy these services and may need to make savings elsewhere in order to purchase them.

Mitigating actions for the local authority include:

- longer-term development of inclusion and early intervention as part of the SEND Strategy
- consideration of traded offers
- training for school staff
- monitoring impact and needs of children and young people through future commissioning cycles and look to redress with schools any equalities implications that are identified.

The impact of SEND funding changes will be concentrated in schools with the highest levels of need, which may also be affected by proposals to reduce deprivation funding.

19 Deprivation: Deprivation funding changes could lead to a possible reduction in additional support for pupils with disabilities, SEND, EAL/ethnic minorities and carers as these are typically more numerous where pupils come from families experiencing high levels of deprivation. How to apply funding changes would be a decision for individual schools, which would be expected to have regard to equalities considerations in making these decisions. The impact of deprivation funding changes will be kept under review by the local authority on an annual basis.

20 Overall recommendation: In their immediate impacts, both decisions (on SEND funding and on Deprivation funding) could possibly have disproportionate negative impacts on protected groups. Mitigation is dependent on working in partnership with schools in order to make longer-term improvements in supporting disadvantaged children and/or children with special educational needs. This relationship is key to future delivery. Schools Forum and the school community it represents have given thoroughgoing consideration to these issues and Forum has made its recommendations on the basis of a very well supported consultation exercise.

All schools are experiencing financial pressures at the moment, which is the backdrop to the difficult decisions now under consideration. Schools have expressed frustration that the Council's progress in reorganising its special educational needs services moved too slowly in academic year 2014/5; officers acknowledge this. This may help explain why the Forum's recommendation does not support the requested increase in the sum to be transferred from the Schools Budget. A programme of SEN developments has been presented to the SEND Governance Board (on which schools are represented) and is now moving forward rapidly. The success of this programme will inevitably depend on the active co-operation of schools

.Balancing these different factors, it is recommended that, for the coming financial year, Cabinet accepts Forum's recommendations notwithstanding potential negative equalities impacts. We hope that the progress of the current programme will make joint decision-making less fraught in the years ahead. For the future, the Council retains the ultimate decision making responsibility on these issues and recognises the need to protect the funding that supports schools dealing with higher levels of disadvantage and, above all, of pupils with special educational needs and disabilities or other forms of disadvantage.

Safeguarding responsibilities for vulnerable children and adults

- 21 Schools are facing considerable budget pressures and consequently the majority of schools and the Schools Forum supported proposals which could adversely impact on the services to be provided to pupils with SEND and those attending schools in areas of relatively high deprivation. Schools recognise the challenges this will bring and will need to manage the impact of the proposed changes on vulnerable children in their care.

Other Implications:

- 22 The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	Additional funding is provided to all schools with looked after children. Funding levels will be maintained and no changes are proposed to unit rates.
Public Health	No significant implications arising from this report
Climate change	No significant implications arising from this report
Carbon emissions	No significant implications arising from this report

WHAT HAPPENS NEXT:

- 23 The next steps are as follows:
- The local authority must submit to the Department for Education (DfE), a template indicating its revised funding formula for schools by 30 October 2015.
 - The DfE will provide local authorities with updated pupil data at school level by mid-late December 2015 and an indication of likely DSG funding. The council may then make fine-tuning adjustments to its schools' funding formula ensure it is deliverable within the funding constraints, by 21 January 2016.
 - Surrey maintained schools will receive their individual schools budget from the council by 29 February 2016. Academies will be notified of their funding separately by the Education Funding Agency (EFA). This will be based on the council's funding formula.

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Consulted:

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The Surrey Schools Forum
All Surrey schools – via the Schools Funding Reform Consultation, issued Sep 2015

Annexes:

- Annex 1 Schools Funding Formula Factors
- Annex 2 SEND Savings
- Annex 3 Schools Funding Consultation 2015
- Annex 4 Proposed Surrey formula factors for 2016/17
- Annex 5 Equalities Impact Assessment – SEN Funding
- Annex 6 Equalities Impact Assessment – Deprivation Funding

Sources/background papers:

- School Funding Reform: Next Steps Towards a Fairer System, Department for Education (DfE), March 2012
- 2016/17 Schools revenue funding 2015 to 2016. Operational Guide Version 2. DfE July 2015.
- The School & Early Years Finance (England) Regulations 2015 (draft)
- The Education Acts 2002 and 2011
- The Schools Standards & Framework Act 1998
- Schools Forum – Minutes of meeting on 1 October 2015
- Schools' Funding Consultation– Surrey County Council, Sep 2015

Schools Funding Formula Factors

In 2015/16, schools' delegated funding was allocated on the following basis:

	Surrey allocated to schools £m	% of total funding allocated on this basis
Basic Entitlement per pupil	420.3	74.5
Deprivation funding	61.0	10.8
Lump sum (flat rate) per school	50.2	8.9
Low prior attainment (SEND indicator)	21.3	3.8
Looked after children	0.3	0.0
English as an Additional Language	2.4	0.4
Split site funding	0.6	0.1
Rates, rent and other premises factors	6.8	1.3
Pupil mobility	0.1	0.0
Sixth Form Support	1.3	0.2
Total	564.3	100.00

Formula factors (some prescribed by the DfE) are developed for each category, with values calculated at a level appropriate to keep funding within the total sum available. Current formula values and those proposed for 2016/17 are set out in Annex 4.

This total is funded from within the Schools block total of £583m described in paragraph 3. The Schools block also funds – outside the formula above – funding for growing schools, the admissions service and any additional contributions to combined services approved by the Schools Forum.

SEND SAVINGS

In 2015/16, the High Needs budget is supported by £10m transferred from the Schools block. In 2016/17 pressures totalling £5.5m have been identified. These are largely due to demographic growth, inflation and changes in the entitlement of young people aged 16-25 with Special Educational Needs & Disabilities (SEND). In order to mitigate these costs and in the absence of any additional Dedicated Schools Grant (DSG), the following savings totalling £2.2m have been planned.

A Planned savings

	£m	£m
Increased occupancy of special schools and centres	-0.900	
Cullum centres	-0.400	
Special school redesignations	-0.600	
Closure of the Willows PRU Secondary provision	-0.300	
		2.200

The above savings are estimated to facilitate a transfer from the Schools Block of £13.3m. However the annual schools consultation and the recommendation of the Schools Forum are for a transfer of £10m only. This a further £3.3m of savings are required. These were set out in the consultation with all schools as shown below:

B Savings Required to Maintain Schools Block transfer at £10m (ie Further savings of £3.3m required)

	Comments	£m
Learning support units in secondary schools - cease provision	Historic distribution -originally intended to provide support for neighbouring schools, which hasn't happened. LA recommends implementation of this change as unable to demonstrate value for money. (The LA will recommend this provision ceases even if other savings options are not proposed. This will free up resources to support other growing pressures or unrealisable savings)	0.330
Nurture groups in primary schools-cess	These groups do not provide for pupils with EHCPs and are not statutory. Positive evaluations suggest that if the practices were embedded in all settings they could secure improved provision. However, schools supporting nurture groups are often in areas of high disadvantage hence reduction risks increased numbers seeking EHCPs and alternative provisions as a result.	0.360
<u>SEN Support</u>		
Cease to fund Outreach	Impact will be concentrated on those schools	0.130

from Speech, Language & Communication Needs (SLCN) centres. (Or trade the services)	with significant numbers of pupils with SEND. All of these services provide training and development in order to build capacity to recognise SEND in pupils and to provide for pupils with SEND.	
Special Schools Outreach - cease service or trade it	These services are key to making mainstream schools better able to support complex needs children. This in turn will help ensure that special schools have the capacity to accommodate children with higher levels of complex needs and hence reduce the number of placements in costly NMIs.	0.620
Learning and language support (LLS)- cease service or trade it	LLS service provides an early intervention for schools where language is a barrier to learning. Any reductions could impact on availability of speech & language resources. An initial presumption is that there could be a traded LLS offer, but any traded offer would be subject to a sustainable level of take-up and cannot be guaranteed.	1.700
Reduce PRU top-up budget	PRUs would have to reduce activity or charge schools. This could lead to an increase in the number of permanent exclusions. A possibility would be for PRUs to charge schools a “top up” directly, for short term placements.	0.160
Additional Savings		3.300

SUMMARY

If the recommendation of the Schools Forum to maintain the £10m transfer to High Needs is approved, the total savings which would be required from the High Needs SEND block in 2016/17 are as follows:

	£m
Previously Planned Savings (Table A above)	2.200
Additional Savings to limit transfer from Schools block to £10m (Table B above)	3.300
Total Savings Required	5.500

SCHOOLS FUNDING CONSULTATION 2015

Summary of Responses

KEY CHANGES

Funding of High Needs SEN

<i>% Support for:</i>	Primaries	Secondaries	Special Schools
Increasing funding to £13.3m	24.7%	15.6%	100%
Maintaining at £10m	61.5%	60.0%	
Reducing to £8m	11.5%	24.4%	

Funding of Deprivation

<i>% Support for:</i>	Primaries	Secondaries
Deprivation should stay at 10.8% of funding	46.0%	28.9%
It should be reduced	51.1 %	71.1%

<i>If reduced, it should be reduced to:</i>	Primaries	Secondaries
7.79%	33.3%	55.6%
4.89%	18.4%	15.6%

SMALLER CHANGES

Primary High Cost SEN Pupils

<i>% Support for:</i>	Primaries	Secondaries
To be based on average in financial year	79.9%	n/a
Adjustments to be both upwards and downwards	74.1%	n/a

Adjusting Units or Resource for late data changes (technical issue)

<i>% Support for:</i>	Primaries	Secondaries
Make any late adjustments to Basic Entitlement Funding only	80.5%	55.6%

DE-DELEGATION (maintaining funding for specific services centrally)

% Support for:	Primaries		Secondaries	
	Yes	No	Yes	No
Raising Ethnic Minority Achievement (REMA)	44.4%	50.3%	n/a	n/a
Behaviour Support	53.6%	39.1%	n/a	n/a
CAPITA SIMS licences	59.6%	31.8%	76.5%	0.0
Teacher Associations (union facility time)	76.2%	13.2%	64.7%	5.9%
Other special staff costs	84.1%	3.3%	58.8%	11.8%
Free School Meals Data checking service	86.8%	5.3%	76.5%	0.0
Primary Contingency	85.4%	3.3%	n/a	

Confederations & Partnerships

Continue to delegate funding to confederations of schools for joint activities & initiatives

% Support for:	Primaries	Secondaries
Continue to delegate funding to confederations of schools	84.5%	n/a

2015 Consultation

Responses received from:

Primary schools	174 schools (57.8%)	Increased from 43.4% in 2014
Secondary schools	45 schools (81.8%)	Increased from 73.6% in 2014
Total responses	219 schools (61.5%)	Increased from 47.9% in 2014

Additionally, special schools were invited to response on the funding of High Needs SEN (first proposal). 7 schools responded (30.43%).

Proposed Surrey formula factors for 2016/17

The table below lists the provisional values of the proposed Surrey formula factors for 2016/17.

The table indicates the decrease in targeted deprivation funding as sums are transferred to basic entitlement for all pupils.

	2016 / 17 Provisional values		% change	2015/16 values	
	Primary £	Secondary £		Primary £	Secondary £
Basic entitlement per pupil					
• Key stages 1 & 2	2,753.50	-	4.6%	2,632.99	-
• Key stage 3	-	3,649.25	3.4%	-	3,527.94
• Key stage 4	-	4,506.38	3.4%	-	4,356.58
Deprivation:					
Per pupil on free schl meals	3,673.44	2,587.67	-27.9%	5,093.57	3,588.05
Per pupil in IDACI* band 1		639.40	-27.9%		886.59
Per pupil in IDACI* band 2-6		1,153.20	-27.9%		1,599.02
Lump sum per school	135,000	175,000	0	135,000	175,000
Low prior attainment:					
Per low attainer based on Foundation Stage Profile	857.89		0	857.89	
Per secondary pupil scoring below level 4 in either maths or English at key stage 2		1080.12	0		1080.12
Per Looked After Child	796.17	796.17	0	796.17	796.17
English as an Additional Language:					
Per pupil with EAL in school system for fewer than 3years	275.95	672.95	0	275.95	672.95
Pupil mobility:					
Per mobile child above 10% of roll	629.00	774.00	0	629.00	774.00
Sixth Form Support:					
Per post 16 learner		181.43	0		181.43

* IDACI Income deprivation affecting children index

In addition, schools will also receive funding for rates at actual costs. A small minority of schools will also receive funding for split sites or exceptional rents. These are calculated individually for each school, based on actual costs.

The provisional amounts above may be amended once the outcome of the 2015 pupil census is known, to ensure they are still affordable within the available funding.