

SURREY COUNTY COUNCIL**CABINET****DATE: 22 OCTOBER 2013****REPORT OF: MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS AND LEARNING****LEAD OFFICER: NICK WILSON, STRATEGIC DIRECTOR, CHILDREN, SCHOOLS & FAMILIES****SUBJECT: SCHOOLS' FORMULA FUNDING 2014-15****SUMMARY OF ISSUE:**

Schools are funded on a formula basis determined by local authorities. New regulations introduced in 2013 reduced the freedoms available to local authorities and introduced greater standardisation. Surrey is a relatively lowly funded authority and previously had a relatively complex formula for allocating funding to its schools, which had been developed with schools and was recognised to reflect local needs. Many Surrey schools were therefore disadvantaged by the introduction of greater simplification.

Following challenges from Surrey and other councils, the Department for Education (DfE) has now agreed a number of minor flexibilities for 2014/15. Unfortunately they do not address the key concerns of Surrey's schools. Proposed amendments to the Surrey formula from April 2014 have been developed to ensure compliance with the updated regulations and to seek to address local concerns. These have been consulted on with all schools.

This paper sets out the recommendations to the Cabinet from the Schools Forum. The council is required to submit its proposed schools' funding formula to the Education Funding Agency by 31 October 2013.

RECOMMENDATIONS:

It is recommended that:

1. the proposed revisions to the schools' funding formula as recommended by the Schools Forum and set out in Annex 2 are introduced.
2. the proposed Surrey formula factors as set out in Annex 3 are approved for submission to the DfE by the 31 October 2013 deadline.
3. authority is delegated to the Assistant Director, Schools & Learning, in consultation with the Leader and the Cabinet Member for Schools & Learning, to update and amend the formula as appropriate following receipt of DfE autumn term pupil data in December 2013. 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.

REASON FOR RECOMMENDATIONS

To comply with DfE regulations including prior notification of the council's funding formula for schools and to ensure that turbulence of funding at individual school level is minimised.

DETAILS:

Schools' Funding

- 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. This report provides details of the formula and proposed amendments following changes in government regulations.
- 2 Academies are funded based on the local authority's schools' formula but will receive their funding notifications from the Education Funding Agency (EFA), adjusted to an academic year basis and with additional funding to meet the costs of services for which responsibility has now transferred from the local authority to the academy.
- 3 This report 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 formula funding as these are central government allocations over which the authority has no control.

Funding of Schools

- 4 Schools' delegated budgets are funded by Dedicated Schools Grant (DSG). In 2013/14 Surrey's initial DSG (including academy funding) totalled £714.2 m of which £537.9m was delegated to individual primary schools, secondary schools and academies - the remainder largely supporting pupils with special educational needs in special schools and early years education. Funding is allocated to schools on the basis of a locally determined formula, developed by the county council in partnership with its schools. Surrey schools are consulted annually on recommended amendments to the formula, thereby ensuring it continues to meet local needs and has their support.

DfE Schools Funding Reform

- 5 In March 2012 the Department for Education (DfE) published, 'School Funding Reform: Next Steps Towards a Fairer System' which proposed the simplification of local authorities' schools' funding formula in order to reduce variations between areas. Fewer formula factors were permitted and their precise use was closely defined. Surrey's 2013/14 funding formula complies with these requirements.
- 6 The requirement to simplify the formula and remove many funding factors from April 2013 caused significant turbulence at individual school level in Surrey, but most notably in the following areas:

a) Deprivation Funding

Surrey is an area where significant pockets of high deprivation are scattered across a county where the general level of deprivation is relatively low and where that low level of deprivation is reflected in the low level of funding which the council receives. Until April 2013, Surrey's local schools' funding formula recognised that schools with high concentrations of disadvantaged pupils often face additional challenges, including for example, low expectations in the community. Surrey's local formula funded disadvantaged pupils in its most deprived schools at a higher unit rate – thereby supporting schools in particularly vulnerable communities. The new regulations no longer permit 'tiered' deprivation funding, therefore reducing the funding to many of Surrey's most vulnerable schools.

b) Lump sum (Flat rate) allocations

Each school receives a basic flat rate allocation. In 2013/14 the DfE required the flat rate to be the same for primary and secondary schools. This represented a £95,000 loss in funding to secondary schools and particularly impacted on small secondary schools, as they receive lower levels of per-pupil basic entitlement funding.

c) Small school subsidies

Before April 2013, Surrey supported small schools via the payment of small school subsidies totaling £1.5m. These varied from up to £17,000 in small primary schools and up to £159,000 in secondary schools, in addition to the lump sum received by every school. DfE regulations no longer permit the council's formula to fund small school subsidies. The 'saving' is transferred to basic per pupil entitlement.

Approaches to the DfE

- 7 Following approaches to the Secretary of State by the Leader of the County Council and headteachers chairing the primary and secondary phase councils, the authority was invited to meet with DfE officials to discuss our concerns as part of the national review of the impact of the reforms. However, although officials appeared sympathetic to Surrey's concerns regarding the impact on disadvantaged and small schools, only marginal changes have been made to the regulations. Requests from the council and Surrey schools to permit the reintroduction of tiered deprivation funding and the small schools subsidy within Surrey were not approved by the DfE. The Department remains wedded to the need for simplification and standardisation of formula factors at a national level.

Surrey's local funding formula

- 8 Most funding received by a school is based on pupil numbers. A 'basic entitlement' is paid per pupil. Schools will then receive additional funding to reflect the needs of pupils attending that school – for example, special educational needs and social deprivation.
- 9 In 2013/14, schools' funding was allocated on the following basis:

	% of total funding allocated on this basis
Basic Entitlement per pupil	74.4
Lump sum (flat rate) per school	8.7
Social deprivation funding	11.2
Low prior attainment (SEN indicator)	3.6
Rates, rent and other premises factors	1.3
English as an Additional Language	0.4
Post-16 Assimilated Grants	0.3
Looked after children	0.1
Total	100.0

Consultation with schools on changes for 2014/15

- 10 Within the few new flexibilities granted by the DfE, a number of changes are proposed for Surrey schools funding in 2014/15. Although these cannot support schools as effectively as Surrey's pre-2013 formula, which funded schools via a complex needs-based mechanism, they seek to mitigate the more adverse impacts raised by schools. Proposals have been developed with the Schools Forum and consulted upon with all Surrey schools during September.
- 11 Issues raised with schools in the Schools' Formula Funding Consultation are set out in Annex 1.
- 12 Schools' responses were reported to the Schools Forum on 30 September and the Forum's recommendations to the Cabinet are set out in Annex 2. The changes necessary to individual formula factors arising from these recommendations are set out in Annex 3. Issues of particular relevance are:

Lump sum

- 13 The DfE will now permit separate lump sums for each sector. It is therefore proposed that the Secondary lump sum should be increased to £175,000 (the maximum permitted by the DfE). This is still £55,000 lower than that provided under the Surrey formula in 2012/13. This proposal has no impact on primary schools as the increase will be funded by reducing the basic entitlement funding per secondary pupil. This transfers funding from larger secondary schools to smaller secondary schools, which were among the largest losers in 2013/14. This is the only change permitted by the DfE to assist these schools. This proposal was supported by 88% of secondary schools. In line with the preferences of primary schools responding to the funding consultation, no

changes will be made to the current flat rate of £135,000 for each primary school.

Sparsity funding

- 14 Schools are funded largely on pupil numbers. Smaller schools therefore face challenges. The council is not permitted to reintroduce its small schools subsidy, which previously assisted small schools across both sectors. As an alternative, the DfE's revised regulations now permit a sparsity factor to be included in the local funding formula – at a level to be determined locally. However, this is heavily prescribed and involves complex eligibility mechanisms. (See Annex 1). Consequently only three Surrey schools would qualify for sparsity funding. These are all one-form entry infant schools. However there are 17 very similar schools which do not qualify under DfE criteria and accordingly cannot receive any DSG funding for this purpose. Schools Forum and officers had concerns regarding the fairness of such an arbitrary measure – a view shared by 73% of primary schools and 95% of secondary schools. Accordingly, the Schools Forum do not recommend its implementation.

Protecting schools with surplus places (Falling Rolls fund)

- 15 Surrey approached the DfE to seek permission to support, via the schools' funding formula, secondary schools which currently have surplus places (and therefore reduced funding) in order to ensure their viability until the growth in primary pupils works through the system. The DfE supported this view and are now to permit additional funding to be targeted for this purpose, but only to those schools rated 'good' or 'outstanding' by OFSTED. This is a source of frustration to some improving schools awaiting OFSTED inspections. 59% of schools (including 93% of secondaries) supported the proposal to support these schools, as set out in Annex 1.

Supporting schools in meeting new high need SEN thresholds

- 16 The DfE requires all schools to fund, from their delegated budgets, the first £6,000 of additional support for any pupils with particularly high special educational needs. Surrey previously had a threshold of £4,533, after which the council funded additional support via centrally managed Dedicated Schools Grant (DSG).
- 17 The expected reduction in the cost of central DSG budgets from the introduction of the higher threshold for schools is £2.5m. The DfE expects this to be used to support schools adversely impacted by this new requirement. We are proposing that £1m of this is added to schools' delegated budgets, and that the remainder is used to assist schools with significant numbers of pupils with high SEN and relatively low delegated funding per pupil. These proposals were supported by the Schools Forum.

Minimum Funding Guarantee (MFG)

- 18 The DfE requires local authorities to deliver a Minimum Funding Guarantee (MFG) to schools. This places a limit on the funding reductions incurred by schools to a maximum of 1.5% per pupil. This must be funded by a ceiling placed on the gains of other schools. This renders the formula very

unresponsive to changes in needs: a school admitting a large number of pupils with SEN may not receive the funding for these pupils if it is on the ceiling (as no increase is permitted) or the MFG (as any increase triggers an equivalent reduction in MFG funding). It is therefore a priority to seek to reduce the number of schools with losses in order to reduce the cost of the MFG and the ceiling deduction.

Fine Tuning in January 2014.

- 19 The DfE has a deadline for submission of each local authority's schools' formula of 31 October 2013. However, schools will be funded on the basis of pupil numbers and characteristics identified from the DfE's October 2013 pupil census which will not be made available to local authorities until late December 2013. The DfE accepts that receipt of updated data may then necessitate marginal changes to the formula factors and values set out in Annex 3 to ensure they are affordable within the total DSG settlement to be announced in December and to protect against any unintended consequences. 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 & Learning, the Leader of the Council and where appropriate, the Schools Forum.

Summary

- 20 Despite approaches from local authorities for greater freedom to address local needs, the DfE remains wedded to the principles of standardisation and simplification. It has provided only marginal flexibilities and will not permit the council to re-introduce tiered deprivation funding or small school subsidies, as requested by Surrey schools.
- 21 Some new DfE requirements will create further turbulence. For example, funding secondaries for low attainment based on the number of pupils failing to achieve standards in English or maths (as opposed to both English and maths in 2013/14) will spread existing funds (£10.2m) over a larger number of pupils and channel funding away from some high need schools.
- 22 As total DSG funding per pupil is not expected to increase, new needs or local priorities can only be funded by removing funding from all schools to create a funding source. An example is the creation of the new Falling Rolls fund to enable secondary schools with falling rolls to remain viable until the growth in primary numbers works through the system.
- 23 The precise impact of the recommended changes in the formula for 2014/15 cannot be accurately estimated to individual school level until December 2013 when updated pupil data is available. Schools will be protected by a Minimum Funding Guarantee (MFG) restricting any losses to 1.5% per pupil in 2014/15. The mfg is expected to continue in future years, although the rate has not yet been specified.
- 24 Schools' gaining from the formula are likely to have gains capped at between 1.5% -2% to fund the MFG. This is an increase from the 1% ceiling in 2013/14.

- 25 All schools have been given budget illustrations of the impacts of the changes based on October 2012 data and many schools are taking action to reduce their costs by making provisions for future risks wherever possible.

CONSULTATION:

- 26 The council consulted on the proposed changes with all Surrey primary schools, secondary schools and academies during September 2013. A total of 158 schools submitted responses before the deadline, representing 44.5% of all schools. (A further 24 schools responded after the deadline, with consistent messages.) Schools' collective responses were discussed at the Surrey Schools Forum on 30 September. This report sets out the recommendations of the Schools Forum.

RISK MANAGEMENT AND IMPLICATIONS:

- 27 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.
- 28 In exceptional circumstances, a school may receive additional funding intended to reflect unique financial difficulties. This is usually accompanied by a local authority review of the school's management and/or other issues including the potential advantages of federated/partnership arrangements with other schools.
- 29 In the event that a school became financially unviable then the council would be required to step in to address issues. This could involve a review of wider educational provision in the area or by providing additional financial support to a school. Schools are subject to regular monitoring and the funding formula will be reviewed on an annual basis to seek to protect the financial viability of schools where possible within the new tighter DfE controls.
- 30 As at 1 October 2013, 17 primary and 27 secondary schools have converted to academy status. Responsibility for the financial viability of academies lies with the Government's Education Funding Agency rather than the county council.

Financial and Value for Money Implications

- 31 Schools are funded by Dedicated Schools Grant (DSG). The proposals in this report have no direct impact on expenditure funded by council tax. However, the council is ultimately responsible for ensuring the financial viability of maintained schools and this may necessitate close monitoring and potential intervention in schools at risk.

Section 151 Officer Commentary

- 32 The Section 151 Officer confirms that all material, financial and business issues and risks have been considered in this report.

Legal Implications – Monitoring Officer

- 33 The proposals comply with the DfE requirements and legislation, and have been arrived at following consultation with schools and the Schools Forum. The potential impact for pupils from disadvantaged groups or with some protected characteristics has been mitigated as far as possible, and will be kept under review.

Equalities and Diversity

- 34 An Equality Impact Assessment has been completed. Within the limited flexibility available, the proposals aim to assist schools with high incidence of special educational needs (SEN). It is not expected that the proposals will directly affect any other priority groups, although ultimately this will be an issue for schools, which make the final spending decisions.

Corporate Parenting/Looked After Children implications

- 35 Additional funding is provided to all schools with looked after children. Funding levels will be maintained and no changes are proposed to unit rates.

Safeguarding responsibilities for vulnerable children and adults implications

- 36 There are no implications for safeguarding responsibilities arising from this report.

Public Health implications

- 37 There are no implications for public health arising from this report.

Climate change/carbon emissions implications

- 38 The recommendations in this report have no implications for climate change or carbon emissions.

WHAT HAPPENS NEXT:

- 39 The next steps are as follows:
- The local authority must submit to the Education Funding Agency (EFA), a template indicating its revised funding formula for schools by 31 October 2013.
 - The DfE will provide local authorities with updated pupil data at school level by mid-late December 2013.
 - Based on the updated DfE data, the council will submit its amended, updated formula to the EFA by 21 January 2014
 - Surrey maintained schools will receive their individual schools budget from the council by 28 February 2014. Academies will be notified on their funding, based on the council's formula, by the EFA.

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Consulted:

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The Surrey Schools Forum
Surrey schools – via the Schools Funding Reform Consultation, issued Sep 2013

Annexes:

Annex 1 Issues Raised in Schools' Formula Funding Consultation 2014/15
Annex 2 Recommendations of the Schools Forum to the Cabinet
Annex 3 Proposed Surrey formula factors for 2014/15

Sources/background papers:

- School Funding Reform: Next Steps Towards a Fairer System, Department for Education (DfE), March 2012
- 2014/15 revenue funding arrangements for local authorities, EFA 8 June 2013
- The School & Early Years Finance (England) Regulations 2013 (draft)
- The Education Acts 2002 and 2011
- The Schools Standards & Framework Act 1998
- Schools Forum – Minutes of meeting on 30 September 2013
- Schools Formula Funding Consultation– Surrey County Council, Sep 2013

Issues Raised in Schools Funding Consultation 2014-15

The proposals below were raised with all schools as part of the council's Schools Funding Consultation during September 2013. The proposals received the support of the Schools Forum on 30 September 2013. The resulting recommendations are set out in Annex 2.

Lump sum

The DfE will now permit separate lump sums for each sector. In 2013/14, primary and secondary schools received £135,000 flat rate. It is proposed that the Secondary lump sum should be increased to £175,000 (the maximum permitted by the DfE). This is still £55,000 lower than that provided under the Surrey formula in 2012/13.

This proposal has no impact on primary schools as the increase will be funded by reducing the basic entitlement funding per secondary pupil. This would transfer funding from larger secondary schools to smaller secondary schools, which were among the largest losers in 2013/14. This is the only change permitted by the DfE to assist these schools. This proposal was supported by 88% of secondary schools responding to the consultation.

Sparsity funding

The DfE's revised regulations now permit a sparsity factor to be included in the local funding formula, at a level to be determined locally, to a maximum of £100,000. However, this is heavily prescribed and involves complex eligibility mechanisms. (The DfE identifies all pupils in area for which that school is the nearest – even if the pupil doesn't attend. The distance to the next nearest school is then identified – even if that school has no vacancies. If the distance is over 2 miles (3 miles in a secondary school) then the school is eligible for support if under 150 pupils (primary) or 600 pupils (secondary) attend the school.) In Surrey, only three schools would qualify for sparsity funding under this mechanism. These are all one-form entry infant schools. However there are 17 very similar schools which do not qualify. 95% of secondary schools and 73% of primary schools considered this to be an inappropriate measure and voted against its implementation in Surrey. The Schools Forum concurs.

Protecting schools with surplus places (Falling Rolls fund)

The DfE will permit temporary additional funding for schools rated 'good' or 'outstanding' by OFSTED, which currently suffer budget challenges from low pupil numbers. In Surrey this is to protect the continued provision of sufficient secondary places to meet anticipated future demands, as primary numbers work through the system.

59% of schools (including 93% of secondaries) supported the proposal. Funding would be based on comparing the funding which the school would receive in 2014/15 with the lower of its 2013/14 funding and the funding it would receive in 2018/19 based on current projections of pupil numbers. It would apply only to secondary schools with fewer than 1050 pupils in years 7-11.

While in principle the factor could also apply to primary schools, we do not expect any to be eligible in 2014/15, as primary pupil numbers are currently high and schools with low numbers are not currently rated good or outstanding.

Supporting schools in meeting new high need SEN thresholds

The DfE requires all schools to fund, from their delegated budgets, the first £6,000 of additional support for any pupils with particularly high special educational needs. Surrey previously had a threshold of £4,533, after which central DSG-funded support, outside the individual school's budget could be accessed. This proposal will therefore create savings in this budget. The DfE expects local authorities to use any savings to develop a mechanism to protect schools significantly impacted by this new threshold.

Schools Forum would wish to see schools supported as follows:

- Secondary schools: Where the total cost of SEN support exceeds 100% of that school's notional SEN budget, additional high needs funding should be allocated to the school in order to limit the costs. Any remaining funding released by this change would then be allocated to secondary schools using low prior attainment factors.
- Primary schools: The central funding released should be allocated to those primary schools where the cost of funding the first £6,000 has the greatest impact. The precise mechanism to be used in this proposal will be assessed once updated pupil data is available in December 2013.

Minor Formula Adjustments

The following adjustments of a relatively minor or technical nature are proposed.

- Pupil mobility

The DfE now permits pupil mobility funding to be targeted to schools with high levels of mobility. Officers therefore recommended that this be introduced to assist those schools with high numbers of casual admissions during the year. 88% of schools supported this proposal, which would provide £629 per eligible primary pupil and £774 per secondary pupil.

- Reception uplift

The council sought schools' views on whether additional funding should be provided to primary schools which admitted Reception age pupils after the October count date. This is to recognise that such schools may have lost out in the DfE's move from a January to an earlier October count date, as some young children enter schools after October. 60% of primary schools supported the introduction of this funding.

- KS3 / KS4

The ratio of funding for key stage 4 relative to key stage 3 is 1.269 :1 in Surrey, which is relatively high (20th out of 150 local authorities). This could create difficulties for growing schools in future years as the bulge in primary numbers feeds through the lower funded key stage 3 first. Schools supported narrowing this difference in two stages. This proposal impacts only on the

secondary sector and gained support from 88% secondary schools responding to the consultation.

➤ Low attainment funding

Schools receive funding for low prior attainment (as part of their funding for special educational needs (SEN)). The DfE has changed the indicators which generate this funding in 2014/15

- Secondary sector : Funding was previously based on the number of pupils achieve below level 4 success in both maths and English. This has been amended to below level 4 success in either maths or English and therefore more pupils will attract funding. Based in 2013/14 data this would be 21.7% of pupils rather than 8.2% previously. If paid at current rates, then a transfer from the basic entitlement funding 'pot' would be necessary. Alternatively, the funding for low attainment per eligible pupil must be reduced. Secondary schools overwhelmingly supported the latter option (95%).
- Primary sector: The original intention was to allocate low attainment funding to primary schools based on the DfE's new Foundation Stage Profile. However, following concerns raised by primary headteachers regarding the profile, the Schools Forum has requested an alternative interim measure. The use of free school meals and pupil numbers is therefore proposed.

➤ Raising the ceiling on gains

In 2013/14, deductions were made from the budgets of schools which were large gainers in order to fund the cost of the minimum funding guarantee (mfg) for those schools which were large losers from the new funding formula. However, due largely to late pupil adjustments, the total value of the ceiling deduction exceeded the cost of the mfg. In 2014/15, the total ceiling deduction may not exceed the total cost of the mfg. Adjustments will be made to basic per pupil entitlement to achieve this – a move supported by 82% of all schools.

➤ Split Site and federal schools' funding

It is proposed that the sum provided to schools with split sites be increased from £12,000 per site to £20,000 per site as this more closely matches the costs of the minimal additional staffing. As with all formula adjustments, the estimated additional cost of £32,000 will be funded from Dedicated Schools Grant.

Separately, it is proposed to amend the federal factor mechanism, which currently provides Surrey's federal schools with funding for up to 40 pupils per site where there are fewer than 40 pupils. Where a school offers only 30 places on a site, then it should be funded for a maximum of 30.

➤ Bulge classes

This is a technical adjustment which addresses a previous inconsistency whereby academies, whilst benefiting from funding for bulge classes, were not required to contribute to the costs of this provision. In the interests of equity, this proposal moves the source of this funding outside the schools

contingency and hence all primary schools (including academies) now contribute to the costs and receive benefits as appropriate. This proposal was supported by 92% of all primary schools.

➤ **Withdrawal of Post 16 teachers' pay grant**

The proposal is to reduce post 16 funding in secondary schools following the withdrawal of the former post 16 teachers' pay grant by the Education Funding Agency (EFA). This would equate to £36.10 per pupil. The only alternative would be to fund this via a reduction in funding for all pupils aged 4-15. Surrey's policy has been that reductions in post 16 funding by the EFA should be borne by that sector. The proposal to reduce post 16 funding was supported by 70% of secondary schools.

➤ **Part year funding adjustments**

This is a minor technical adjustment which will bring part-year adjustments undertaken in Surrey in line with the Education Funding Agency, which calculates part-year funding as 7/12 of a full year allocation. Traditionally, Surrey has always used 60%. A consistent approach will avoid anomalies where part-year allocations are provided to academies.

➤ **Exceptional premises factors**

Funding can be allocated to schools for exceptional premises factors where the cost exceeds 1% of an individual school's budget. Following approaches from two schools paying rents equivalent to 0.9% of their budget, the authority is consulting schools on extending this funding mechanism to include these schools. There are no other schools where rent exceeds 0.5% of their budgets. This proposal was supported by 62% of schools.

Further details

Full details of all proposals are set out in the Schools' Formula Funding Consultation - Proposals for Changes in 2014/15. This is available on the council's website*.

* (www.surreycc.gov.uk/learning/teachers-and-education-staff/schools-and-learning-finance/consultation-on-changes-to-schools-funding-2014)

Recommendations of the Schools Forum to the Cabinet

Following discussion of schools' responses to the council's Consultation on Schools Funding Reform, the Schools Forum at its meeting on 30 September 2013 made the following recommendations to the Cabinet for changes in the funding of Surrey schools in 2014/15:

- That the lump sum (flat rate) for secondary schools should be increased from £135,000 to £175,000. The primary rate will remain at £135,000.
- That the DfE's proposed sparsity factor should not be used in Surrey.
- That there should be additional funding for schools with a high proportion of surplus places, which are rated as good or outstanding by OFSTED where these schools face an unmanageable budget shortfall in the short-term.
- To assist schools in meeting the new requirement to fund the first £6,000 of SEN costs for each pupil:
 - Where the total cost of SEN support exceeds 100% of a secondary school's notional SEN budget, additional high needs DSG funding should be allocated to the school in order to limit the costs.
 - That, within available resources, funding should be allocated to those primary schools where the cost of funding the first £6,000 has the greatest impact. The impact of this proposal will be assessed once updated pupil data is available in December 2013.
- That funding should be allocated to schools for pupil mobility to reflect the additional pressures caused by casual admissions during the year.
- That funding should be allocated to schools for pupils admitted to reception classes after October school census date but before January school census date.
- That the Key Stage 4 : Key Stage 3 funding ratio should be reduced to match the national upper quartile ratio (1.232)
- That, in order to comply with new legislation and ensure the ceiling on schools' gains is higher than in 2013/14, that basic entitlement funding be reduced.
- That the minimum value of split site funding for split site schools should be increased from £12,000 to £20,000
- That, where a designated federal school knowingly offers only 30 places on each site, that school should only be funded for vacancies up to 30 places (the federal factor currently funds vacancies up to 40 places, where there are fewer than 40 pupils on a site)
- That the sixth form "per pupil" funding should be reduced to reflect the loss of an Education Funding Agency grant previously payable for post-16 provision
- That part year funding allocations (eg for extra classes opening in September) should be based on 5/12 April-August, 7/12 September-March (rather than 40%

April-August /60% September-March as in previous years). This will avoid anomalies where schools in receipt of part year funding convert to academies.

- That funding for rents on eligible premises should be extended to the two schools where rents were equivalent to 0.9% of the budget (ie below the previous threshold of 1% of budget, imposed by DfE in 2013/14) This variation required the approval of DfE, which has been granted.

Proposed Surrey formula factors for 2014/15

The table below lists the provisional values of the formula factors which Surrey proposes to use to fund its schools in 2014/15 in order to implement the proposals recommended by the Schools Forum and described in this report. These must be reported to the Education Funding Agency by 31 October 2013.

The values are estimated based on latest DfE data (from October 2012) and will be subject to amendment following receipt of 2013 data from the DfE in December 2013.

Proposed Surrey Formula factors for 2014/15 compared to 2013/14

	2013/14 (including new delegation)		2014/15	
	Primary £	Secondary £	Primary £	Secondary £
Basic entitlement (sum per pupil)	2,578.55	Key Stage 3: 3,445.23 Key Stage 4: 4,372.99 Post 16: 218.67	2610.27	Key stage 3: 3418.59 Key stage 4: 4,221.14 Post 16: 182.57
Social deprivation				
• per child on free school meals	4837.96	3,588.05	5490.23	3588.05
• per child in IDACI band 1	0	886.59	0	886.59
• per child in IDACI bands 2-6	0	1599.02	0	1599.02
Looked after children (unchanged)	796.17	796.17	796.17	796.17
Per low attainer (high incidence SEN)**	869.12	2,414.67	0	908.22
Per pupil with English as an Additional Language (EAL)	117.66	606.92	275.95	672.95
Pupil mobility (per eligible pupil)	0	0	629.00	774.00
Flat rate/lump sum	135,000	135,000	135,000	175,000

* IDACI – Income Deprivation Affecting Children Index. Analysis indicates that use of IDACI in addition to Free School Meals more accurately reflects deprivation levels in Surrey secondary schools and its use for 50% of deprivation funding is therefore proposed. No such benefits were identified in the primary sector and therefore 100% free school meals will remain the deprivation index for this sector.

** In 2014/15 the DfE has changed the secondary low prior attainment indicator As a result roughly 2.5x as many pupils qualify for this funding as qualified in 2013/14 Therefore the funding per qualifying pupil has been reduced.

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Funding for low prior attainment in primary schools has been deleted because of primary schools' concerns over new DfE arrangements for Foundation Stage Profile data for Year 1 pupils. As an alternative, primary schools have received an increase in free school meals and basic entitlement funding.

Other funding to schools:

- Business rates are funded at cost (unchanged);
- Rents on rented property at cost where over 0.9% of budget (where applicable) (In 2013/14, this threshold was 1%)
- Split site allowance on same basis as in 2013/14, where applicable (subject to increased minimum of £20,000 where a split site school would otherwise receive less than that);
- Additional funding for schools admitting bulge classes or increasing admissions number from September 2014 or schools which already have bulge classes opened within the last few years (largely on the same basis as now).
- Funding for individual statemented pupils, nursery classes and SEN centres (where applicable) No changes are proposed to the funding of nursery classes and SEN centres in 2014/15.

The table does not include the impact of increasing the additional support threshold for high cost SEN pupils (a further increase of £94.44 per low attainer for secondary schools, none for primary schools). Additional funding is also proposed for schools with relatively high SEN, outside the formula.

2013/14 comparators include funding delegated in 2013/14 for new responsibilities (i.e. funding which had not been delegated to schools in 2012/13).

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