

**SURREY COUNTY COUNCIL****CABINET****DATE: 30 OCTOBER 2018****REPORT OF: MRS MARY LEWIS, CABINET MEMBER FOR ALL-AGE LEARNING****LEAD OFFICER: DAVE HILL, EXECUTIVE DIRECTOR FOR CHILDREN, FAMILIES & LEARNING****SUBJECT: SURREY SCHOOLS & EARLY YEARS FUNDING 2019-20****SUMMARY OF ISSUE:**

The funding of all Surrey schools (including academies) and the free entitlement to early years nursery provision are funded from the council's Dedicated Schools Grant (DSG). Each local authority is required to consult on and maintain local formula arrangements to allocate DSG.

This report sets out the recommended funding formula for Surrey schools in 2019/20 and following a joint consultation with Early Years providers, this report also proposes the principles to be adopted in the funding of early years in 2019/20.

This year, increasing pressures in providing for pupils with Special Educational Needs and Disabilities (SEND) have necessitated requests for support from the Schools block which were not supported by the Schools Forum and the Cabinet is asked to consider an appeal to the Secretary of State.

**RECOMMENDATIONS:**

It is recommended that the proposals set out in Annex 3 be approved, namely that:

1. appeals be lodged with the Secretary of State for Education to overturn the decisions of the Schools Forum and:
  - a. permit the transfer of 0.5% of the Schools Block (£3.1m) to support High Needs SEND
  - b. enable the council to introduce a control mechanism on maintained schools' excessive balances to support High Needs SEND.
2. to ensure the future sustainability of the council's Additional SEN funding factor, the threshold for funding eligibility is increased and targeted to fewer schools. This recommendation is in the context of increased funding for Low Prior Attainment to many schools with high SEND pupil numbers.
3. the transition to the National Funding Formula (NFF) progresses at a steady rate to approximately 85% of published 2019/20 NFF values. This facilitates a move to 100% by 2020/21 when the full NFF funding is available.

4. the Council implement the DfE's recommended Minimum Per Pupil Level (MPPL) in full. However, should the appeal to the Secretary of State to transfer £3.1m to High Needs be approved, the full MPPL should be marginally reduced to ensure all schools contribute.
5. the Schools Forum's formula recommendations for Schools and Early Years funding as set out in Annex 3 be approved
6. authority is delegated to the Director of Education, Lifelong Learning & Culture in consultation with the Leader and the Cabinet Member for All-Age Learning to approve amendments to the schools and early years formulae as appropriate following receipt of the DSG settlement and DfE pupil data in December 2018. This is to ensure that total allocations to schools under this formula remain affordable within the Council's DSG settlement.

#### **REASON FOR RECOMMENDATIONS:**

To comply with DfE regulations requiring formal council approval of the local funding formula for Surrey's primary and secondary schools.

#### **DETAILS:**

#### **BACKGROUND**

1. Dedicated Schools Grant (DSG) funding is provided to the Local Authority (LA) in four blocks covering:
  - a. Schools
  - b. Schools' Central Services
  - c. High Needs: Special Educational Needs and Disabilities (SEND)
  - d. Early Years

The services provided within these blocks and 2018/19 funding are summarised below. Funding for 2019/20 will be published in December 2018.

- a) **Schools** £612.7m  
The Schools block provides the funding for all Surrey's mainstream schools, including academies. Individual schools' budgets are allocated on the basis of a formula currently determined locally, albeit within Department for Education (DfE) parameters.

From 2021 the DfE intends to introduce a National Funding Formula (NFF) for schools. During the intervening period local authorities are asked to manage this transition by adjusting their own local formulae in the direction of the NFF.

- b) **Schools' Central Services** £6.3m

This block funds local authorities for their strategic Education responsibilities for all schools (including academies). These responsibilities include whole service planning and leadership, school admissions, management of the capital programme, education welfare, and formula funding.

**c) High Needs SEND £141.9m**

The High Needs block caters for pupils with special educational needs and disabilities (SEND). It funds Surrey's special schools, SEND centres in mainstream schools, pupil referral units (PRUs), post 16 SEND provision and education to those pupils with complex or severe needs requiring support in a non-maintained or independent special school (NMI). 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 (e.g. physical and sensory support, speech & language therapies). Continuing pressures in Surrey's High Needs block has necessitated transfers from both the Early Years and Schools blocks in recent years.

**d) Early Years £75.5m**

The Early Years block funds nursery education for two – four year olds in maintained schools, maintained nurseries, academies and private, voluntary and independent (PVI) settings. Funding for three – four year olds in 2018/19 was £70.5m, with £5m provided for two year olds.

**Focus of this report**

2. This report concentrates on Cabinet decisions relating to schools funding and early years. It does not address the pupil premium or sixth form funding as these are central government allocations, distributed via formula mechanisms determined by the DfE. Budgets for services funded by the High Needs and Central Schools Services blocks are subject to a separate Cabinet report in line with the Council's budgeting process.

**Schools Forum**

3. The Schools Forum is a statutory body which must be consulted on the allocation of Dedicated Schools Grant (DSG). Membership is prescribed by regulations, and comprises headteachers, governors, academy representatives and 'non-school' representatives from Early Years providers, diocesan bodies, teaching unions, post-16 providers and SEND representatives (Family Voice in Surrey). The Forum has a largely consultative role but with decision making powers in specific areas, including the transfer of funding from the Schools block. Forum members can vote only on issues impacting on their sector. For example, academies cannot vote on issues relating to maintained schools only.

**SCHOOLS FUNDING**

4. All mainstream schools (maintained schools and academies) are funded from the Dedicated Schools Grant (DSG). Funding is allocated to Surrey schools on a local formula that is reviewed annually by the council. Annex 2 details the funding allocated to each funding factor in 2018/19.
5. The DfE is in the process of phasing in a National Funding Formula (NFF), with full implementation currently expected by April 2021. This will replace the individual funding formulae of 150 local authorities. Overall, the NFF is expected to increase the funding of Surrey schools, although the full funding

will be phased, with an additional £14m received in 2018/19, approximately £11m expected in 2019/20 and £3m in 2020/21. The distribution of that funding is not consistent across all Surrey schools. In general, Surrey schools with higher levels of deprivation gain rather less. This is because Surrey's local formula allocates a higher proportion of funding to deprivation than the NFF.

6. Local authorities are expected to manage a smooth transition to the NFF that avoids unnecessary turbulence at individual school level by amending their local formula over time.

### **Consultation with Surrey schools on Changes from April 2019**

7. In July 2018 the DfE published its NFF funding rates and provisional allocations for 2019/20. During September 2018 all Surrey primary and secondary schools (including academies) were consulted on a number of options for the 2019/20 local funding formula.
8. The key issues for schools to consider were:
  - A. The local schools' funding formula - including consideration of the local authority's request to transfer 0.5% of the total Schools budget (£3.1m) to support High Needs SEND
  - B. De-delegated services: the services for which maintained schools would consider an automatic deduction from their school's budget

#### **A. The local schools' funding formula**

9. Schools were consulted on a number of proposed changes to the local formula. Annex 5 summarises the responses of schools and the Schools Forum to the consultation. Some proposals gained majority support from schools and the Schools Forum, whereas others were unsupported.
10. The following four proposals were not supported by Schools Forum.
  1. Reporting of schools' balances
  11. A proposal to amend the reporting of schools' balances whereby part of the net surplus balances would be used to underwrite the High Needs block deficit, was opposed by the majority of schools and the Schools Forum. It is therefore recommended that this proposed accounting change is not implemented.
  2. Transfer of 0.5% from Schools budget to High Needs SEND
  12. Pressures in the High Needs SEND block continue to increase, due largely to demographic growth and increased entitlements to SEND provision for young people aged up to 25. From January 2017 to January 2018, the number of children with Education, Health & Care Plans (EHCPs) has increased by 12.7% (37% since 2015).

13. Government funding levels have not reflected these pressures and the High Needs SEND block has been supported by funding transfers from the Early Years and Schools blocks totalling £32.1m in recent years (Annex 1). This is a national issue with 72 local authorities (out of 150) reducing their Schools Block by 0.1% or more as a result of transfers to other blocks in 2017/18. (Published data for 2018/19 is unavailable.)
14. Following overspends on High Needs SEND budgets in recent years, a cumulative deficit of £15m is anticipated by March 2019. In response, the council has developed the SEND Transformation Programme which was detailed in the Schools Funding Consultation and widely supported by schools. The strategy places the emphasis on early identification, support and early help, with new ways of working between the local authority and schools. To support the strategy, a £10m bid is to be made to the full Council in November 2018 for additional revenue investment comprising £5m for SEND, £3m for Family Resilience (Early Help) and £2m for All-Age Learning, with an additional £7m capital funding requested.
15. However, this strategy will take time to embed and short term pressures will require additional funds. The Schools Forum has the power to approve a transfer of up to 0.5% (£3.1m) from the total Schools Budget to High Needs SEND and the Schools Funding Consultation included a request for this transfer in 2019/20. This was considered to be reasonable in a year in which the total Schools Budget will see NFF growth of £11m and in view of the revenue and capital funding bids to the full Council.
16. The proposal was opposed by a majority of schools in the consultation. Schools have faced increasing financial pressures in recent years from rising costs of pay, national insurance, pensions and education support services and they feel unable to make further contributions to High Needs SEND from their budgets. Special schools are funded from the High Needs block and were largely supportive. The Schools Forum have decision making powers on this issue and refused the local authority's request.
17. The local authority has the right of appeal to the Secretary of State to overrule the Schools Forum's decision and the Cabinet is asked to approve this course of action.

### 3. Introduction of a Control Mechanism on Maintained Schools' Balances

18. An increasing number of Surrey maintained schools hold high levels of surplus balances. At 31 March 2018, Surrey's (then) 251 maintained schools' held total balances in excess of £40m. Of these, 36 schools held balances exceeding 20% of funding and a further 33 schools held balances in excess of 15%. All maintained schools with balances in excess of 15% are required to provide details to the LA of their proposed use of balances. These typically include funding held for agreed contributions to capital projects, specific grant funding for future projects (e.g. sports grants), and funding held in anticipation of budget adjustments/falling rolls in future years. However a small minority of schools have maintained surplus balances in excess of 15% of funding for a number of years with no clear proposals for their use.
19. A proposal was submitted to schools to introduce restrictions on maintained schools' balances with the LA clawing back surplus balances in excess of

20% at March 2019 and 15% from March 2020 onwards. Funding would not be recovered if held for genuine purposes (including agreed capital contributions) as set out in the consultation document. Any funds recovered would be used to support the High Needs SEND block.

20. Schools did not support this proposal – the main reason being the inequity of its application to maintained schools only, as this restriction could not be applied to academies. Schools Forum agreed with the majority of schools and refused this request by the local authority. (Annex 5).
21. As this is an issue on which the Schools Forum has decision making powers, an appeal to the Secretary of State is required if the proposal is to be implemented and the Cabinet is asked to support this appeal.

#### Appeals to the Secretary of State

22. The local authority has the right of appeal to the Secretary of State to overrule the Schools Forum's decisions and the Cabinet is recommended to follow this course of action to implement:
  - The £3.1m transfer from Schools to High Needs
  - The clawback of maintained schools' excessive balances

It is anticipated that a response from the Secretary of State will be received prior to the DfE deadline for schools' budgets, set at 21 January 2019. As the transfer of £3.1m from Schools to High Needs impacts on the schools funding formula this report will illustrate both scenarios where applicable.

#### 4. Increasing the threshold for additional SEN funding

23. Surrey currently provides additional funding from the High Needs block to schools with higher than average numbers of Education, Health & Care Plans (EHCPs). This is consistent with DfE guidance which also recommends that additional funds are targeted 'only to a minority of schools'. The estimated cost of this factor in Surrey has been rising and is expected to cost £2.1m in 2018/19 with almost 40% of Surrey schools now receiving allocations.
24. Given very limited resources in the High Needs block, more effective targeting is required in order to ensure the sustainability of this funding factor. The latest published data from 2017/18 indicates that the use of this factor is not universal and 78% of local authorities spent nothing or less per pupil than Surrey.
25. The current proposal is to increase the eligibility threshold so that approximately 20% of schools benefit. This should reduce costs to approximately £900,000 per annum. This change is in the context of a significant increase in the funding to be targeted to low prior attainment (a key indicator of SEN) in 2019/20 and 2020/21 which will benefit many schools as we move towards the NFF.
26. This proposal was not supported by the majority of schools or the Schools Forum but the Council has decision-making powers on this issue. The Cabinet is recommended to approve the review of this factor, to target this funding more effectively and thereby ensure the sustainability of this

additional support to high need schools. The Cabinet Member for All-Age Learning will review this factor on an annual basis and amend it as necessary to ensure funding remains within budget.

#### Other Schools Funding issues

- 27 To limit the number of options on which schools were consulted, proposals assumed the following:
- a) Speed of Transition to the NFF: To manage a smooth transition, it is intended that Surrey moves from operating 72.5% of the NFF factors to approximately 85% in 2019/20. This is considered to be the appropriate level to facilitate a 100% National Funding Formula (NFF) in 2020/21 when the full NFF funding is made available by the DfE.
  - b) Minimum Per Pupil Level (MPPL): In 2018/19 the Secretary of State proposed a Minimum Per Pupil Level, although individual LAs may opt to implement it only in part or not at all. Surrey schools supported the introduction of the MPPL and it was implemented in Surrey. In 2019/20 the MPPL has been increased by £200 to £3,500 per primary school pupil and £4,800 per secondary pupil and it is proposed that these are applied in full if there is no transfer of funds to the High Needs block.

The MPPL adjustment is applied after all other funding adjustments are completed. Any school not receiving £3,500 per primary pupil or £4,800 per secondary pupil through the normal workings of the formula would receive a top-up. As such, when a ceiling is placed on all gaining schools – to fund the Minimum Funding Guarantee – those schools receiving the MPPL top-up will be exempted and could receive significantly higher increases. This presents an issue in the event of a decision to transfer £3.1m (0.5% of the Schools Budget) to meet High Needs pressures as those schools would not contribute to this. As the MPPL top-up typically benefits large schools with relatively low levels of need, a marginal tapering of the increase by £31 per pupil is proposed in the event that the transfer is approved, to ensure other schools were not disproportionately impacted.

28. The following detailed funding formula options were consulted on with schools and gained majority support from schools and the Schools Forum. A summary of schools' responses is set out in Annex 5, with the main points out below.
- a) Minimum Funding Guarantee (MFG).

The MFG protects schools that might otherwise see a fall in funds and can be set at a range between -1.5% to + 0.5% by local authorities. At the time of the consultation in 2018/19 the maximum protection was 0% - i.e. no school would lose funds – and this was recommended by Schools Forum and implemented in Surrey. As the DfE has now enabled local authorities to introduce a 0.5% MFG, schools were asked for their views. Annex 5 shows that retaining the 0% MFG gained a greater level of support from schools and the Schools Forum.

b) Managing the loss of Growth Funding

The authority currently provides, from DSG, approximately £6.9m in growth funding to schools increasing their PAN, extending an age range or admitting bulge classes. A further £1.3m is provided to support good or outstanding secondary schools experiencing a temporary fall in pupil numbers. However, from 2019/20 the DfE will allocate funding to LAs for these purposes using a formula based on pupil number increases in the area. Initial estimates are of a £3m reduction in funding. Schools were therefore approached with options involving reductions in growing schools and falling rolls funding or using some of the NFF (i.e. general) funding to continue support at current levels.

Schools and the Schools Forum supported reductions in growth funding and ceasing the falling rolls fund (transition arrangements will apply). The Schools Forum have decision making powers on this issue.

c) Support for a Schools Led Improvement model

Schools and the Schools Forum supported schools contributing to a central fund, to develop and broker a universal school improvement offer, to be led and managed by schools.

d) Minor technical changes

Schools and the Schools Forum supported minor technical changes that transition the indicators for notional SEN funding in line with the NFF and update SEN allocations to sixth forms to be based on current data, following new freedoms granted to LAs to update 2013/14 data.

29. Annex 3 summarises the recommendations to the Cabinet. Decisions made by the Schools Forum – some of which are subject to appeal by the local authority – are listed in Annex 4. The Surrey schools funding formula factors and their provisional values are set out in Annex 6.

**B. De-delegated services**

30. The Schools Forum can agree on behalf of all Surrey maintained primary and secondary schools to automatically deduct funding from individual schools budgets to provide specific services. These include behaviour support, Capita SIMS licences, free school meals eligibility checking and the maintaining of central funds to support school improvement and exceptional expenditure in primary schools. Prior to this decision – which must be made annually – all schools are consulted. The majority of proposals were supported. The outcome of schools' responses and the Forum's decisions are summarised in Annex 5. De-delegation arrangements are not permitted to be introduced for academies or special schools.

**EARLY YEARS**

31. Local authorities receive funding (currently estimated to be £67m in 2019/20) from the Department for Education (DfE) for free nursery entitlement for three and four year olds through the Early Years block of the Dedicated Schools



Grant (DSG). The DfE funds local authorities for three and four year olds on the basis of an hourly rate and requires local authorities to fund providers via a formula – on which the LA consulted providers during September. No increase is expected in the DfE’s hourly funding rate from 2018/19 to 2019/20.

32. Early years providers must be funded on a termly count whereas the DfE funds local authorities using the average of successive January counts (i.e. annual counts). Thus the termly variation in take-up is a budget risk and a contingency is maintained for this purpose. Following a review of this contingency a reduction is proposed in 2019/20 which will allow some growth in funding to providers despite there being no increase in the DfE’s hourly funding rate.
33. From September 2017 the number of weekly hours of free entitlement for some three and four year olds was increased from 15 hours to 30 hours. This means that data on this “extended entitlement” is only available for one year and there are concerns that the first year’s data is atypical.
34. Local authorities can retain up to 5% of the Early Years funding for 3-4 year olds centrally in 2019/20 (the same level as retained by Surrey in 2018/19) ; the remainder must be passed on to individual providers. The council has consulted with Early Years providers and Schools Forum around local funding changes. The Forum has agreed that in 2019/20 the local authority could retain 5% of the Early Years grant for 3-4 year olds to manage the sector and support providers (which includes £0.3m to provide full time education for children in maintained nursery schools who do not meet the DfE’s full time criteria, plus a sum to establish a separate SEN inclusion fund for two year olds).
35. Following majority support from early years providers in the September 2018 funding consultation, Schools Forum also supported the following, which are affordable within the anticipated DfE funding:
  - a) The use of £1.4m to provide devolved funding for 3 and 4 year olds with SEND (the inclusion fund)
  - b) A basic hourly rate of £4.65 per hour for three and four year olds (A marginal increase on £4.60 provided in 2018/19)
  - c) 2.5% of formula funding to be allocated as a deprivation supplement for children meeting the DfE criteria for the early years pupil premium on economic grounds. This is the same level of funding as in 2018/19 and should allow the deprivation supplement to be maintained at £2.77 / hour.
  - d) Funding for free meals provision in maintained and academy nurseries to remain unchanged.
36. There is a separate DfE grant allocation for two year olds, expected to remain at £5.88/hr in 2019/20, providing £5m in total. The Council funds providers for two year olds at an hourly rate which has been set at £5.88/hr. It is recommended that that rate remains unchanged in 2019/20.

### **Fine-tuning of schools’ and early years formulae following DSG settlement**

37. At this stage, proposed formula values can only be provisional as DSG funding will be based on pupil numbers collected in the October 2018 pupil census – data which is unavailable to local authorities until late December 2018. The DfE therefore enables local authorities to fine-tune our proposed

formula values by 21 January 2019, to ensure the formula is affordable within the funding settlement.

38. Fine-tuning of the formulae at that time will be considered by the Director of Education, Lifelong Learning & Culture in consultation with the Cabinet Member for All-Age Learning and the Leader of the County Council.

#### **CONSULTATION:**

39. Following receipt of the DfE's updated guidance in July 2018, a Schools Funding Consultation was distributed to all schools during September detailing options for the funding of Surrey schools in 2019/20. A total of 198 schools submitted responses, representing 50.5% of schools. Schools' collective responses and comments were discussed at the Surrey Schools Forum on 28 September when recommendations / decisions were made. These are set out in this report.
40. This year the Early Years formula consultation was undertaken at the same time, in September 2018. Responses were received from 169 early years providers with majority support for all proposals. Accordingly they are all recommended by Schools Forum for approval by Cabinet.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

41. Schools are funded by Dedicated Schools Grant (DSG). Primary and Secondary schools are funded from the Schools block within DSG, with the High Needs block funding special schools. The proposals in this report recognise continuing demographic and inflationary pressures in the High Needs block and the SEND Transformation Programme, developed to address these issues, gained widespread support from schools.
42. A request to schools to transfer £3.1m from the Schools budget to High Needs SEND was refused by the Schools Forum. Subject to the approval of Cabinet, the local authority is to appeal to the Secretary of State to overrule that decision. Should the appeal not be upheld savings proposals will be required.
43. Schools' financial challenges and reduced funding to local authorities to intervene in weak schools are creating risks as deficits on schools obliged to convert to academy status remain with the council. This is expected to cost approximately £0.5m of council funds in 2018/19.

#### **Financial and Value for Money Implications**

44. Schools are expected to operate within the funding provided. Where an individual maintained 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 from one to three years. If 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 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.

45. As at 1 October 2018, a total of 150 schools have converted to academy status (101 primary, 40 secondary and 9 special) and there are 6 free schools in Surrey. Responsibility for the financial viability of academies and free schools lies with the Government's Education & Skills Funding Agency (ESFA) rather than the county council.

#### **Section 151 Officer Commentary**

46. The funding projections presented in this report are consistent with current DfE guidance and have been based on reasonable assumptions. They will move the local funding formula towards the National Funding Formula at a measured pace thereby avoiding undue turbulence at individual school level.
47. The County Council is facing a very serious financial situation with projected deficits on the High Needs SEND block necessitating significant savings. The appeals to the Secretary of State to access schools funding should mitigate - though not fully resolve - these pressures, but should the requests be refused, additional, remedial savings and budget reductions would be necessary. Future sustainability must be the key focus and this is recognised in the SEND Transformation Programme, which gained considerable support from schools in the September 2018 consultation.

#### **Legal Implications – Monitoring Officer**

48. The proposals comply with the Department for Education Regulation requirements and legislation and have been arrived at following consultation with Schools Forum. There are no significant legal implications arising from this report.
49. Cabinet should give due regard to the responses to the consultation before considering the recommendations put before Cabinet.
50. The best value duty is contained in s3 of the Local Government Act 1999 as a result of which the Council is under a duty to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The relevant guidance states that Councils should consider overall value, including economic, environmental and social value when reviewing service provision.
51. 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**

52. Equality Impact Assessments (EIA) have been completed and set out in Annex 7.

### **Corporate Parenting/Looked After Children:**

53. Additional funding is provided to all schools with looked after children. Funding levels are to be maintained in 2019/20.

### **WHAT HAPPENS NEXT:**

The next steps are as follows:

#### Schools' Funding Formula

54. Should the Cabinet approve the action, the local authority will apply to the Secretary of State to overrule the Forum's refusal to transfer 0.5% of the Schools budget (£3.1m) to support High Needs SEND and to introduce a clawback mechanism for maintained schools' excessive balances. A response is expected prior to the DfE's deadline for submission of schools' budgets of 21 January 2019.
55. The DfE will provide local authorities with updated pupil data at school level during December 2018 and confirm the council's DSG funding. The council may then make fine-tuning adjustments to its schools' funding formula to ensure it is deliverable within the updated funding, by 21 January 2019.
56. Surrey maintained schools will receive their individual schools budgets from the council by the end of February 2019. Academies will be notified of their funding separately by the Education and Skills Funding Agency (ESFA). This will be based on the council's funding formula.

#### Early Years

57. If approved by the Cabinet, the hourly rates will be subject to fine-tuning following receipt of census data and published by 31 March 2019.

#### **Contact Officer:**

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#### **Consulted:**

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 Leigh Whitehouse, Interim Executive Director of Finance  
 The Surrey Schools Forum  
 All Surrey schools – via the Schools Funding Reform Consultation, issued September 2018

#### **Annexes:**

- Annex 1 Movement between DSG blocks  
 Annex 2 Allocation of Schools Funding Across Formula Factors  
 Annex 3 Recommendations to Surrey County Council Cabinet  
 Annex 4 Schools Forum Decisions  
 Annex 5 Surrey Schools' Funding Consultation Sep 2018  
 Annex 6 Proposed Surrey Schools Funding Formula Factors 2019/20  
 Annex 7 Equalities Impact Assessments

**Sources/background papers:**

- The National Funding Formula for Schools and High Needs. Policy document.  
Department for Education, Sept 2017
- The National Funding Formula for Schools and High Needs 2019-20.  
Department for Education, July 2018
- 2019/20 Schools revenue funding. Operational Guide. DfE July 2018.
- The School & Early Years Finance (England) Regulations 2018
- The Education Act 2002
- The Education Act 2011
- The Schools Standards & Framework Act 1998
- Schools' Funding Consultation: Proposals for Changes in 2019/20  
Surrey County Council, September 2018
- Early Years Entitlements: Local Authority Funding of Providers, Operational Guide  
2018-19, Department for Education November 2017
- The Dedicated Schools Grant conditions of grant, DfE December 2017

## MOVEMENTS BETWEEN DSG BLOCKS

The table below shows funding transfers from Schools and Early Years blocks to support growing pressures in the High Needs SEND block in the last five years.

### Budgeted transfers

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m	£m	£m
From Schools block		10.0	11.7			21.7
Less technical adjustment <sup>1</sup>	-0.9	-0.9	-0.9			-2.7
<b>Total Schools block</b>	<b>-0.9</b>	<b>9.1</b>	<b>10.8</b>	<b>0</b>	<b>0</b>	<b>19.0</b>
From Early Years	6.6					6.6
<b>Net budgeted transfers</b>	<b>5.7</b>	<b>9.1</b>	<b>10.8</b>	<b>0</b>	<b>0</b>	<b>25.6</b>

### Transfers of year-end net surplus

From Schools block			0.3		4.6	4.9
From Early Years		1.7			1.3	3.0
Less EY overspend funded by council			-1.4			-1.4
<b>Net transfers of year end surplus</b>	<b>0</b>	<b>1.7</b>	<b>-1.1</b>	<b>0</b>	<b>5.9</b>	<b>6.5</b>

<b>Total transfers (net)</b>	<b>5.7</b>	<b>10.8</b>	<b>9.7</b>	<b>0</b>	<b>5.9</b>	<b>32.1</b>
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This represents a total transfer to High Needs SEND from Schools and Early Years blocks of £32.1m during the last five years, split as follows:

Schools	£23.9m
Early Years	£8.2m
<b>Total</b>	<b>£32.1m</b>

<sup>1</sup> The technical adjustment recognises the increase in ISPSB threshold from £4,400 to £6,000. Both budget and costs became part of the Schools Block rather than High Needs but the DfE blocks were not adjusted. This amendment is necessary to reconcile to DfE figures.

## ALLOCATION OF SCHOOLS FUNDING ACROSS FORMULA FACTORS

The table below lists the funding allocated to the schools funding formula factors in 2018/19.

It also shows the impact of changes in 2019/20 as the local formula transitions to the National Funding Formula (NFF). The final column shows the impact of a transfer of £3.1m to the High Needs SEND, should that be approved by the Secretary of State.

	Allocated to Surrey schools  2018/19  £m	Recommended Allocation to Surrey schools  2019/20	
		If no transfer is made to High Needs SEND	If £3.1m is transferred to High Needs SEND
		£m	£m
Basic Entitlement	480.3	483.3	483.3
Deprivation funding	31.1	28.6	28.6
Lump sum (flat rate)	44.0	42.6	42.6
Low prior attainment (SEND indicator)	36.8	40.5	40.5
Looked after children	0.2	0.1	0.1
English as an Additional Language	4.8	5.2	5.2
Split site funding	0.6	0.6	0.6
Rates, rent and other premises factors	6.9	6.8	6.8
Pupil mobility	0.3	0.2	0.2
Sparsity (new factor)	0.1	0.1	0.1
Additional funding to reach minimum per pupil level (MPPL) (new factor)	0.2	2.8	1.9
Minimum Funding Guarantee	5.3	5.2	5.2
Ceiling deduction	-4.9	-0.7	-2.9
<b>Total</b>	<b>605.7</b>	<b>615.3</b>	<b>612.2</b>

The table above shows a £3.1m transfer to High Needs would impact only on the Minimum Per Pupil Level protections given to some schools (for reasons set out in para 27b in main report) and the ceiling on those schools gaining most from the annual increase.

## RECOMMENDATIONS TO SURREY COUNTY COUNCIL CABINET

1. That appeals be lodged with the Secretary of State to overturn the decisions of the Schools Forum and:
  - permit the transfer of 0.5% of the Schools Block (£3.1m) to support High Needs SEND
  - enable the council to introduce a control mechanism on maintained schools' excessive balances to support High Needs SEND.
2. That to ensure the sustainability of the additional SEN funding factor provided to mainstream schools with high numbers of SEND pupils, the threshold for funding is increased and thereby targeted to fewer schools. This recommendation is in the context of increased funding for Low Prior Attainment provided by the National Funding Formula. (This proposal was not supported by the Schools Forum.)
3. That the transition to the National Funding Formula progresses at a steady rate from 72.5% to approximately 85% of NFF values in 2019/20. This facilitates a move to 100% by 2020/21 when the full NFF funding is available.
4. That the council implement the Minimum Per Pupil Level in full. However, should the appeal to the Secretary of State to transfer £3.1m to High Needs be approved, the full MPPL should be reduced by approximately £31 per pupil to ensure all schools contribute. (The Schools Forum supported the full MPPL but refused the £3.1m transfer.)
5. That the Cabinet approve the following formula recommendations from the Schools Forum:
  - Schools Formula Funding
    - a) The minimum funding guarantee (MFG) for schools should be set at zero
    - b) All minor formula changes involving facilitating the transition towards the National Funding Formula are implemented. (E.g. notional SEN funding)
    - c) £0.3m from the surplus on the de-delegated primary schools' contingency should be distributed to primary schools reflecting the origin of the funds.
  - Early Years Funding
    - d) The SEN Inclusion Fund to provide additional funding to providers for 3-4 year olds with SEND should be set at £1.4m
    - e) Funding for individual Early Years providers should be at rates which are commensurate with the levels of DSG funding, currently estimated at:
      - £4.65/ hour for three and four year olds (£4.60 in 2018/19);
      - £5.88 / hour for two year olds (unchanged); and
      - £2.77 / hour additional deprivation funding (based on eligibility for the early years pupil premium on economic grounds (unchanged)
    - f) That 2.5% of formula funding is allocated as a deprivation supplement for children meeting the DfE criteria for the early years pupil premium
    - g) Funding for free meals provision in maintained and academy nurseries should remain unchanged.



## SCHOOLS FORUM DECISIONS

At its meeting on 28 September 2018, the Schools Forum made the following decisions:

### Schools Funding

1. That no control mechanisms be placed on maintained schools' balances.  
***The Cabinet is recommended to seek the approval of the Secretary of State to overturn this decision.***
2. That approval is not granted to the council to transfer 0.5% of the Schools' Budget (£3.1m) to support growing pressures in the High Needs SEND block.  
***The Cabinet is recommended to seek the approval of the Secretary of State to overturn this decision.***
3. That appropriately phased reductions to vacancy funding, falling rolls and growth factors are made, sufficient to manage the estimated reductions in DfE Growth funding.
4. That specific services are approved for automatic de-delegation from maintained primary and secondary schools' budgets.

### Early Years

5. That the local authority may retain 5% (currently estimated at £3.3m) of the Early Years Dedicated Schools Grant for 3-4 year olds to manage the sector, support providers and secure the supply of places; and to create a new SEND inclusion fund for 2 year olds

## SURREY SCHOOLS' FUNDING CONSULTATION

### September 2018

198 Surrey schools responded to the consultation, comprising 50,5% of all schools.

The views of schools and the recommendation of Schools Forum are set out below.

Where the Schools Forum has decision making powers, this is indicated by 'D'.  
Schools with no views are excluded.

Those question numbers asking for comments only are excluded from this summary table. A summary of comments was distributed to all Schools Forum members and has been made available to Cabinet members.

		Schools' views		Schools Forum recommendation / decision (D)
		Yes	No	
	<b>SEND Transformation Programme</b>			
1	Do you agree with the principles of the SEND Transformation Programme?	171	12	Yes
2	Do you agree with the broad areas and proposals for development?	168	16	Yes
4	Do you support increasing the threshold for additional SEN funding? <i>(Surrey is a comparatively high spender on SEN and this would target additional funding to fewer high need schools and reduce SEN costs)</i>	46	140	No
5	<b>Controls on Maintained Schools' Balances</b> Do you support the introduction of controls on maintained schools' balances? (To provide funds to support SEND)	75	98	No (D)
10	<b>SEND Other Proposals</b> Do you support the proposal that Element 2 SEN funding for mainstream sixth forms should be redistributed annually, updated from the October census? <i>(New powers to LA to update data annually)</i>	71	3	Yes
11	Do you support the LA amending the reporting of schools' balances to offset the deficit on the High Needs budget?	47	123	No
12	Do you support the proposed principles for setting the Level 2 notional SEN funding for 2019/20? <i>(Technical issue requiring changes due to transition to NFF)</i>	133	18	Yes

13	<b>Minimum Funding Guarantee</b> Do you support an MFG at: <ul style="list-style-type: none"> <li>• 0% or</li> <li>• 0.5% ?</li> </ul>	97	Yes	
		63	No	
14	<b>Transfer of 0.5% Schools Budget (£3.1m) to meet High Needs SEND pressures</b> If the MFG is set at 0%, do you support a transfer to High Needs SEND?	63	108	No (D)
15	If the MFG is set at 0.5%, do you support a transfer to High Needs SEND?	58	112	N/A
	<b>Managing the loss of Growth Funding</b> Support for Options:			
16	<ul style="list-style-type: none"> <li>• Reduce vacancy funding in new growth classes in primary sector</li> </ul>	104	52	Yes (D)
17	<ul style="list-style-type: none"> <li>• Make no more reductions in other growth factors (<i>Schools' responses contradicted with 19a below. Forum have requested the LA to identify potential reductions with minimal impact</i>)</li> </ul>	103	51	No (D)
18	<ul style="list-style-type: none"> <li>• Cease falling rolls funding</li> </ul>	128	22	Yes (D)
19	<ul style="list-style-type: none"> <li>• Reduce NFF funding in order to: <ul style="list-style-type: none"> <li>a) Protect current levels of growth</li> <li>b) Protect current levels of falling rolls</li> </ul> </li> </ul>	11	143	No (D)
		12	134	N/A
20	De-Delegation of funds from maintained schools' budgets to support: <p><u>Primary schools only:</u></p> <ul style="list-style-type: none"> <li>a) Behaviour support</li> <li>b) Capita SIMS licences</li> <li>c) Teaching Association time</li> <li>d) Other special staff costs</li> <li>e) Free school meals eligibility checking</li> <li>f) Primary school specific contingency</li> <li>g) Additional school improvement</li> <li>h) Traveller support</li> </ul> <p><u>Secondary schools only:</u> (<i>only some of above apply</i>)</p> <ul style="list-style-type: none"> <li>b) Capita SIMS licences</li> <li>c) Teaching Association time</li> <li>d) Other special staff costs</li> <li>e) Free school meals eligibility checking</li> </ul>	60	26	Yes (D)
		82	5	Yes (D)
		62	14	Yes (D)
		66	8	Yes (D)
		82	6	Yes (D)
		71	10	Yes (D)
		51	31	Yes (D)
		41	36	Yes (D)
		10	0	Yes (D)
		5	5	No (D)
		6	3	Yes (D)
		10	0	Yes (D)

21	Redistribution of surplus primary contingency	83	6	Yes (D)
<b>Universal Offer for School Led Support</b>				
22	Support for contributing to the development of a Schools' Led school improvement service	163	28	Yes
23	Contribution to be based on pupil numbers	163	17	Yes
	De-delegation arrangements to be established for maintained schools:			
	• Primary schools	56	21	Yes (D)
	• Secondary schools	1	5	No (D)

## PROPOSED SURREY SCHOOLS' FUNDING FORMULA FACTORS 2019/20

The table lists the proposed values of the Surrey formula factors for 2019/20:

	2018/19 Values		2019/20 Provisional Values	
	Primary £	Secondary £	Primary £	Secondary £
<b>Basic entitlement per pupil</b>				
• Key stages 1 & 2	2,869.37	-	<b>2,885.24</b>	-
• Key stage 3	-	3,975.58	-	<b>4,023.01</b>
• Key stage 4	-	4,614.61	-	<b>4,621.94</b>
<b>Deprivation:</b>				
Per pupil on free schl meals	1,439.24	1,062.58	<b>992.51</b>	<b>788.43</b>
Per "Ever 6" FSM pupil	443.07	600.48	<b>514.86</b>	<b>704.84</b>
Per pupil in IDACI band F <sup>1</sup>	155.08	462.34	<b>181.67</b>	<b>390.70</b>
Per pupil in IDACI band E	186.10	732.19	<b>218.01</b>	<b>585.20</b>
Per pupil in IDACI band D	279.15	827.72	<b>327.01</b>	<b>697.44</b>
Per pupil in IDACI band C	302.41	862.14	<b>354.26</b>	<b>737.84</b>
Per pupil in IDACI band B	325.68	892.74	<b>381.51</b>	<b>773.76</b>
Per pupil in IDACI band A	423.36	1053.38	<b>495.94</b>	<b>962.31</b>
<b>Lump sum per school <sup>2</sup></b>	121,269	132,269	<b>118,883</b>	<b>124,843</b>
<b>Low prior attainment:</b>				
Per low attainer based on Foundation Stage Profile <sup>3</sup>	1050.92		<b>919.27</b>	
Per secondary pupil scoring below level 4 in either maths or English or both at key stage 2		1482.70		<b>1552.67</b>
<b>Per Looked After Child</b>	396	396	<b>396</b>	<b>396</b>
<b>English as an Additional Language:</b>				
Per pupil with EAL in school system less than 3 years	469.83	1244.51	<b>503.53</b>	<b>1343.84</b>
<b>Pupil mobility:</b>				
Per mobile child above 10% of roll	629.00	774.00	<b>629.00</b>	<b>774.00</b>
<b>Sparsity lump sum</b>	18,125	47,125	<b>21,275</b>	<b>55,315</b>

### Notes

- 1 IDACI Income deprivation affecting children index (Bands defined by DfE)
- 2 Reduced to transition to lower lump sum provided by NFF

3 *Rate reduced to reflect higher incidence of low attainers due to change in DfE assessment basis*

A decision to transfer £3.1m from Schools to High Needs SEND would not impact on these values as it would be raised from amending the ceiling on gaining schools, plus a marginal reduction in the MPPL top-up.

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 October 2018 pupil census is known in December, to ensure they are still affordable within the available funding.