

SURREY COUNTY COUNCIL**CABINET****DATE: 24 NOVEMBER 2020****REPORT OF: MRS JULIE ILES, CABINET MEMBER FOR ALL-AGE LEARNING****LEAD OFFICER: LIZ MILLS, DIRECTOR- EDUCATION, LEARNING & CULTURE****SUBJECT: SURREY SCHOOLS & EARLY YEARS FUNDING 2021-22****ORGANISATION STRATEGY PRIORITY AREA: Growing A Sustainable Economy So Everyone Can Benefit**

16

SUMMARY OF ISSUE:

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

This report sets out the recommended funding formula for Surrey mainstream schools in 2021/22 and also proposes the principles to be adopted in the funding of early years in 2021/22.

Despite increases in government funding for children and young people with special educational needs and disabilities (SEND), increasing pressures in this area have necessitated a request for support from the Schools funding block. This request was not supported by the Schools Forum and the Cabinet is asked to consider an appeal to the Secretary of State.

This report proposes funding arrangements for schools so relates to the organisation strategy to grow a sustainable economy.

RECOMMENDATIONS:

It is recommended that Cabinet approve the proposals set out in Annex 4, namely that:

1. An appeal be lodged with the Secretary of State for Education to overturn the decision of the Schools Forum and permit the transfer of 0.5% of the Schools Block (estimated at £3.4m) to support High Needs SEND;
2. The council implement the DfE's recommended Minimum Per Pupil Level in full;
3. The Schools Forum's formula recommendations for Schools and Early Years funding as set out in Annex 4 be approved;

4. Authority is delegated to the Director of Education, Lifelong Learning & Culture in consultation with the Cabinet Member for All-Age Learning to approve amendments to the schools and early years additional SEN funding, following further consultation with schools in November and discussion with schools forum in December;
5. Authority is delegated to the Director of Education, Lifelong Learning & Culture in consultation with the Cabinet Member for All-Age Learning to approve amendments to the funding rates in the schools and early years formulae as appropriate following receipt of the DSG settlement and DfE pupil data in December 2020. 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 LA in four blocks covering:
 - Schools
 - Schools' Central Services
 - High Needs: special educational needs and disabilities (SEND)
 - Early Years

The services provided within these blocks and indicative 2021/22 funding are summarised below, where published. Final funding allocations for 2021/22 will be published in December 2020 and will take into account pupil number changes between October 2019 and October 2020.

- a) **Schools** £717.9m (*indicative based on October 2019 pupil numbers*)

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.

The DfE is phasing in a national funding formula (NFF) for schools. Local authorities are asked to manage this transition by adjusting their own local formulae in the direction of the NFF. In 2020/21, Surrey's formula factors are close to the NFF. The main exception was that the lump sums were set slightly higher than the NFF and the basic entitlement rates correspondingly lower, to offer a little protection to small schools.

b) **Schools' Central Services** £5.9m (*indicative*)

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 management of schools' formula funding.

c) **High Needs SEND** £175.2m (*indicative*)

The High Needs block funds 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 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 have necessitated transfers from both the Early Years and Schools blocks in recent years. Annex 1 sets out the movements between blocks in previous years. The current forecast is for an in year overspend against the High Needs block of £32m in 2020/21. Despite an estimated increase of £15m in High Needs block DSG from 2020/21 to 2021/22, the cumulative deficit on the High Needs block is projected to be £104m by March 2022. Therefore, the authority is proposing a transfer from schools block to high needs block in 21/22.

d) **Early Years** £77.3m (2020/21 estimate)

The Early Years block funds nursery education for two, three and four year olds in maintained schools, maintained nurseries, academies and private, voluntary and independent (PVI) settings. Funding for three – four year olds is expected to be £72.6m in 2020/21, with £4.7m 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 pupil premium or sixth form funding as these are central government allocations, distributed to schools 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 DSG. Membership is prescribed by regulations, and comprises head teachers, 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 has 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 DSG. Funding is allocated to Surrey schools using a local formula that is reviewed annually by the council. Annex 2 details the funding allocated to each funding factor in 2020/21.
5. In 2021/22 the DfE is increasing schools funding nationally by £2.2bn, of which £730m is for SEND and the remainder for mainstream schools. This is the second year of a three year increase in schools funding announced in late August 2019. Minimum per pupil funding levels (MPPL) are being increased from £3,750 per primary pupil to £4,180 and from £5,000 per secondary pupil to £5,415 in 2021/22. These minimum funding levels are mandatory at local level, although the government has consulted on circumstances in which the Secretary of State may allow the per pupil levels to be reduced. This is estimated to mean an increase, to Surrey, of £22.3m in NFF schools funding and £12.7m in high needs block funding in 2021/22, before the impact of changes in pupil numbers. The remaining increase in schools block (£31.8m) and high needs block (£2.6m) is due to the assimilation of teachers' pay and pension grants, which were previously paid separately but which will now be included in DSG and NFF.
6. A change in policy from the DfE no longer allows LAs to meet overspends on DSG budgets from the General Fund. In Surrey this currently affects the high needs block as this has a cumulative and annual deficit. This change increases the pressure to reduce the high needs overspend within DSG. The SEND transformation programme aims to reduce costs whilst providing excellent SEND services. The programme has achieved efficiencies of £8m in 2020/21, with continued action to reduce costs in future years. In order to ensure stability of the Council's balance sheet, the High Needs block deficit is matched by a General Fund reserve.
7. The DfE is continuing to phase in a National Funding Formula (NFF) to replace the individual school funding formulae of 149 local authorities. The government has recently restated its intention to move to a "hard" national funding formula for schools, meaning no local discretion over formula factors.
8. 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 2021

9. In July 2020, the DfE published its NFF funding rates and provisional allocations for 2021/22. During September 2020 all Surrey primary and secondary schools (including academies) were consulted on a number of options for the 2021/22 local schools funding formula.
10. The key issues for schools to consider were:
 - i. The local schools' funding formula - including consideration of the local authority's request to transfer 0.5% of the total Schools budget (£3.4m) to support pressures in High Needs SEND budgets (the Schools Forum and Secretary of State refused a request for transfer of a similar amount in 2020/21).

- ii. 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

- 11. Schools were consulted on a number of proposed changes to the local formula. Annex 3 summarises the responses of schools and the Schools Forum to the consultation.
- 12. The Schools Forum rejected the proposed transfer of £3.4m from schools budget to high needs (SEND) budget (14 voted not to support the transfer and 7 supported the transfer, similar ratio to the 29.6% of schools which supported the transfer). It should be noted that the transfer would affect around 60% of schools in order to maintain the minimum per pupil level at the value specified by the government. This is because 35% of schools (accounting for 40% of the budget) are expected to be funded at this level. It is only the schools which are funded above this level that can see a lower increase in funding if there is a transfer of funds to high needs block.

Other Schools Funding issues

- 13 Schools' views were sought on a number of other issues as follows:

- a) Minimum Funding Guarantee (MFG).

The MFG protects schools that might otherwise see a fall in average funding per pupil and can be set at a range between +0.5% and + 2.0% by local authorities in 2021/22 (2020/21: 0.5% to +1.84%). In 2020/21 Surrey adopted a 2.34% MFG (which required special approval from the Secretary of State) reflecting special circumstances in that year. Schools were again asked for their preferred option and this was an MFG of 2% (the maximum permitted) or 1.44% if there was a transfer to high needs block (the highest affordable in those circumstances).

- b) Adoption of NFF funding rates

In 2020/21 Surrey formula funding rates were set 0.7% above NFF rates (except that the lump sum was set slightly higher and the basic entitlement slightly lower) Schools supported keeping funding rates in line with the NFF, apart from the lump sum.

- c) Ceiling on per pupil gains

The local authority is allowed to impose a ceiling on per pupil funding gains, so that schools which would see large per pupil gains do not see those gains in full. In 2020/21, unusually, Surrey did not need to use such a ceiling. Schools supported the use of a ceiling in 2021/22 if it was necessary in order to manage cost increases due to an increase in the number of children attracting deprivation and additional needs funding.

- d) Level of the lump sum

In 2020/21 Surrey increased the lump sum factor for both primary and secondary schools by 4%, in line with the national increase in funding rates, even though Surrey's lump sum was already higher than the NFF lump sum. The LA proposed, and schools supported, a 3% increase in

lump sums in 2021/22. This is the only tool available to support small schools, except for the few small enough and remote enough to qualify for sparsity funding

e) Other changes

A few minor changes were proposed including:

- Measures to mitigate the loss of part of the former “combined services” funding stream, (a funding strand being reduced by the DfE, which was previously delegated to schools over and above the NFF).
- Taking funding for rents and split sites outside the calculation of minimum funding guarantee (which allows funding to be better matched to changing need).

14. Annex 4 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 5. The Surrey schools funding formula factors and their proposed provisional values are set out in Annex 6.

B. De-delegated services

15. 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. All such proposals received majority support from schools and were agreed by the Schools Forum. The outcome of schools’ responses and the Forum’s decisions are summarised in Annex 3. De-delegation arrangements are not permitted to be introduced for academies or special schools.

EARLY YEARS

16. Local authorities receive funding (currently estimated to be £72.6m in 2020/21) from the DfE for free nursery entitlement for three and four year olds through the Early Years block of the 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. The council consulted providers during September on changes to early years funding for 2021/22.
17. DfE has not yet announced the hourly rates which it will pay to LAs for early years provision in 2021/22. This is expected in the spending review, an update will be provided at the meeting, if available.
18. 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, it is estimated that up to £1m can be released annually to allow an increase in the hourly provider rate for three and four year olds. This proposal was supported by the sector and by the schools forum.

19. Local authorities can retain up to 5% of the Early Years funding for 3-4 year olds centrally in 2021/22 (the same level as retained by Surrey in 2020/21) if approved by the Schools Forum.; The remainder must be passed on to individual providers. Following general support from the sector, the Forum has agreed that in 2021/22 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 a sum to continue a separate SEN inclusion fund for two year olds.
20. Following majority support from early years providers in the September funding consultation, Schools Forum also supported an increase in all funding rates in the early years funding formula in line with whatever percentage increase is provided by the DfE. This covers basic hourly rates for three and four year olds and the hourly supplement for deprivation for three and four year olds.
- Additionally, funding rates for free meals provision for eligible children in maintained and academy nurseries will be increased from £2.35 to £2.44 (in line with estimated current costs).
21. There is a separate DfE grant allocation for two year olds. The council has funded providers for two year olds at the DfE hourly rate. It is recommended that the rate paid to providers increases in 2021/22 in line with any increase in DfE funding rates.

Fine-tuning of schools' and early years formulae following DSG settlement

22. At this stage, proposed formula values can only be provisional as DSG funding will be based on pupil numbers and characteristics data collected in the October 2020 pupil census – data which is unavailable to local authorities until mid December 2020. The DfE therefore enables local authorities to fine-tune our proposed formula values by 21st January 2021, to ensure the formula is affordable within the funding settlement. In particular there is a risk that the current situation will mean an increase in the number of pupils qualifying for deprivation funding.
23. 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.

| |
|-----------------------------|
| <u>CONSULTATION:</u> |
|-----------------------------|

24. Following receipt of the DfE's updated guidance and illustrative funding in late July 2020, a Schools Funding Consultation paper was distributed to all schools in early September detailing options for the funding of Surrey schools in 2021/22. A total of 139 schools submitted responses by the deadline, representing 35% of schools. Schools' collective responses and comments were discussed at the Surrey Schools Forum on 1 October when recommendations / decisions were made. These are set out in this report.
25. A separate consultation was undertaken with Early Years providers. Responses were received from 53 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:

26. Schools are funded by 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 when first proposed in 2018.
27. A request to schools to transfer £3.4m 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 the future high needs block overspend will increase further.
28. 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.

Financial and Value for Money Implications

29. The latest 2020/21 High Need Block (HNB) DSG forecast is an overspend of £31.4m. This will lead to a £80.2m cumulative HNB DSG overspend at the end of the year.
30. The SEND transformation programme is working to contain the 2021/22 annual overspend to the 2020/21 planned level of £24m. This is ambitious since the demand for services is currently growing by 11%. Growth plus this year's additional overspend of £7.5m is estimated at £36.3m which is partly offset by the additional 2021/22 estimated HNB DSG of £15m. Therefore savings of £21.3m would be required to contain the overspend to £24m. The cumulative deficit at 31 March 2022 would still be extremely high at £104m. Therefore the authority is proposing an appeal to the Secretary of State to transfer £3.4m from schools block DSG to HNB DSG in 2021/22.
31. 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 expect the school to 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.
32. As at 1 October 2020, a total of 177 schools have converted to academy status (123 primary, 42 secondary and 12 special) and there are seven 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

33. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook is uncertain. The public health crisis has resulted in increased costs which may

not be fully funded in the current year. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term. As such, the Section 151 Officer supports the proposals within this report. The outcome will be factored into the Medium-Term Financial Strategy in particular in relation to the proposed transfer from the schools block to the high needs block as the cost of SEND remains one of the most significant financial pressures for the Council.

Legal Implications – Monitoring Officer

- 34. There is uncertainty due to the unknown outcome of an appeal to the Secretary of State. If the appeal is unsuccessful, any steps to achieve remedial savings to avoid future high needs block overspend are likely to require public consultation. These steps would also require cabinet approval unless authority to approve these has been delegated to the Director of Education, Lifelong Learning & Culture and the Cabinet Member.
- 35. There is a clear expectation in public law that the Cabinet should give due regard to the responses to the consultation before considering the recommendations put before Cabinet. The responses to the consultation will need to be conscientiously taken into account when Cabinet makes any future decision.
- 36. 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.
- 37. 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

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

Other Implications:

- 39. 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 are to be maintained in 2021/22. |
| Safeguarding responsibilities for vulnerable children and adults | No significant implications arising from this report |
| Environmental sustainability | No significant implications arising from this report |
| Public Health | No significant implications arising from this report. |

WHAT HAPPENS NEXT:

The next steps are as follows:

Schools' Funding Formula

40. 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 (£3.4m) to support High Needs SEND. A provisional application has been submitted, in order to meet the DfE deadline of 20 November. A response is expected prior to the DfE's deadline for submission of schools' budgets of 21st January 2020.
41. The DfE will provide local authorities with updated pupil data at school level during December 2020 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 21st January 2021.
42. Surrey maintained schools will receive their individual schools budgets from the council by the end of February 2021. 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 funding formula

43. If approved by the Cabinet, the hourly rates will be subject to fine-tuning if necessary following receipt of census data and published by 31 March 2021.

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Consulted:

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The Surrey Schools Forum

All Surrey schools – via the Schools Funding Reform Consultation, issued September 2020

All Surrey early years providers (for the early years funding changes)

Annexes:

- Annex 1 Movement between DSG blocks
- Annex 2 Allocation of Schools Funding Across Formula Factors
- Annex 3 Surrey Schools' Funding Consultation September 2020
- Annex 4 Recommendations to Surrey County Council Cabinet
- Annex 5 Schools Forum Decisions
- Annex 6 Proposed Surrey Schools Funding Formula Factors 2021/22
- Annex 7 Equalities Impact Assessment

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 2021/22. Department for Education, July 2020
- 2021/22 Schools revenue funding. Operational Guide. DfE July 2020.
- The School & Early Years Finance (England) Regulations 2020
- The Education Act 2002
- The Education Act 2011
- The Schools Standards & Framework Act 1998
- Schools' Funding Consultation: Proposals for Changes in 2021/22 Surrey County Council, September 2020
- 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 January 2020

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 seven years.

Budgeted transfers

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
|--|------------|------------|-------------|----------|----------|------------|----------|-------------|
| | | £m | £m | £m | £m | £m | £m | £m |
| From Schools block | | 10.0 | 11.3 | | 0 | 3.1 | 0 | 24.4 |
| Less technical adjustment ¹ | -0.9 | -0.9 | -0.9 | | | | 0 | -2.7 |
| Total Schools block | -0.9 | 9.1 | 10.4 | 0 | 0 | 3.1 | 0 | 21.7 |
| From Early Years | 5.5 | | | | | | | 5.5 |
| Net budgeted transfers | 4.6 | 9.1 | 10.4 | 0 | 0 | 3.1 | 0 | 27.2 |

Transfers of year-end net surplus

| | | | | | | | | |
|---|------------|------------|-------------|------------|----------|----------|----------|------------|
| From Schools block | | | 0.3 | 4.6 | 0 | 0 | 0 | 4.9 |
| From Early Years Less EY overspend funded by council | 1.1 | 1.7 | -1.4 | 1.3 | 0 | 0 | 0 | 2.7 |
| Net transfers of year end surplus | 1.1 | 1.7 | -1.1 | 5.9 | 0 | 0 | 0 | 7.6 |

| | | | | | | | | |
|------------------------------|------------|-------------|------------|------------|----------|------------|----------|-------------|
| Total transfers (net) | 5.7 | 10.8 | 9.3 | 5.9 | 0 | 3.1 | 0 | 34.8 |
|------------------------------|------------|-------------|------------|------------|----------|------------|----------|-------------|

This represents a total transfer to High Needs SEND from Schools and Early Years blocks of £34.8m during the last seven years, split as follows:

| | |
|-------------|-------------|
| | £ |
| Schools | 26.6m |
| Early Years | <u>8.2m</u> |
| Total | 34.8m |

¹ 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 2020/21 and the recommended allocations for 2021/22 based on Oct 2019 pupil numbers and characteristics

The final column shows the impact of a transfer of £3.4m to the High Needs SEND, should that be approved by the Secretary of State.

| | Allocated to Surrey schools | Recommended Allocation to Surrey schools | |
|---|-----------------------------|---|--|
| | 2020/21 | 2021/22 | |
| | £m | If no transfer is made to High Needs SEND | If £3.4m is transferred to High Needs SEND |
| | | £m | £m |
| Basic Entitlement | 524.5 | 570.2 | 564.3 |
| Deprivation funding | 28 | 28.2 | 27.9 |
| Lump sum (flat rate) | 44.5 | 45.8 | 45.4 |
| Low prior attainment (SEND indicator) | 42.8 | 43.9 | 43.4 |
| Looked after children | 0.1 | 0.1 | 0.1 |
| English as an Additional Language | 5.6 | 5.7 | 5.6 |
| Split site funding | 0.6 | 0.6 | 0.6 |
| Rates, rent and other premises factors | 6.3 | 6.4 | 6.4 |
| Pupil mobility | 0.3 | 0.3 | 0.3 |
| Sparsity (new factor) | 0.1 | 0.1 | 0.1 |
| Additional funding to reach minimum per pupil level (MPPL) (new factor) | 3.1 | 8.7 | 11.8 |
| Minimum Funding Guarantee | 4.5 | 4.4 | 5.1 |
| Ceiling deduction | 0 | 0 | 0.0 |
| Total | 660.4 | 714.4* | 711.0 |
| Teachers' pay and pension grants (est) | 32.3 | 0 | 0 |
| Growing schools | | 4.2 | 4.2 |
| Less combined services | | --0.7 | -0.7 |
| NFF schools block | | 717.9 | 714.6 |

Note: teachers' pay and pension grants were paid separately in 2020/21 but will be included in the formula factors in 2021/22.

SURREY SCHOOLS' FUNDING CONSULTATION

September 2020

139 Surrey schools responded to the consultation by the deadline, comprising 35.4% of all schools. Not all schools responded to every question.

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

Where the Schools Forum has decision making powers, this is indicated by 'D'.

Schools expressing no views are excluded.

Those question numbers asking for comments only are excluded from this summary table. A summary of comments will be made available to Cabinet members.

| | | Schools' views Yes | No | Schools Forum recommendation / decision (D) | Officer Recommendation to Cabinet |
|----|---|-----------------------|----|---|---|
| 7 | If there is a transfer to high needs block: Do you support an MFG of 1.43% (the highest then possible?) Or 1.1%? | 67 | | yes | yes |
| a | | 57 | | no | no |
| b | Do you agree that a ceiling on per pupil gains should be used only if necessary to maintain the proposed MFG and funding rates? | 108 | 12 | yes | yes |
| 8 | If there is not a transfer of funds from schools to high needs block do you agree that the MFG should be set at 2% (the highest permissible)? Or do you think 1.5% is more appropriate? | 104 | | yes | yes |
| 4 | | 20 | | No | No |
| b | Do you agree that a ceiling on per pupil gains should be used only if necessary to maintain the proposed MFG and funding rates? | 106 | 13 | yes | yes |
| 9 | Do you support an increase in lump sum? | | | | |
| a | If there is a transfer of funds to the high needs block? | 94 | 26 | yes | yes |
| b | If there is no transfer to the high needs block? | 89 | 30 | yes | yes |
| 10 | Do you agree that notional SEN funding rates should be increased in line with formula funding rates? | 88 | 45 | yes | yes |
| 11 | Do you agree that we should continue to provide formula funding for looked after children? | 131 | 1 | Yes | Yes |
| 12 | Do you agree that the former combined services funding in schools' budgets should be reduced in line with the reduction in DfE funding (approx 20%) | 110 | 5 | Yes | Yes |

| | | | | | |
|----|---|--|--|--|--|
| 13 | Do you agree that rent funding should be taken outside the MFG calculation? | 95 | 0 | Yes | Yes |
| 14 | Do you agree that split site funding should be taken outside the MFG calculation? | 87 | 2 | Yes | yes |
| 15 | Do you agree that part of the surplus on schools contingency should be refunded to maintained primary schools? | 95 | 6 | Yes | yes |
| 16 | De-Delegation of funds from maintained schools' budgets Do you support...?: <u>Primary schools only:</u> a) Behaviour support b) Capita SIMS licences c) Teaching Association time d) Other special staff costs e) Free school meals eligibility checking f) Primary school specific contingency g) Additional school improvement h) Traveller support <u>Secondary schools only:</u> b) Capita SIMS licences c) Teaching Association time d) Other special staff costs e) Free school meals eligibility checking | 48 58 48 54 59 55 55 42 6 5 4 6 | 12 5 8 3 3 7 8 12 0 1 2 0 | yes(D) Yes (D) Yes (D) Yes (D) Yes (D) Yes (D) Yes (D) Yes (D) Yes(D) Yes (D) Yes (D) Yes (D) | Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes |
| 20 | Do you support the transfer of 0.5% of schools block funding to the high needs block? | 40 | 95 | No(D) | Appeal |

The Forum's recommendations and decisions are consistent with the majority response from schools for all proposals.

RECOMMENDATIONS TO CABINET

1. 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 2% (the maximum possible) if there is no transfer of funds to high needs block or at 1.43% (the maximum then affordable) if there is such a transfer.
- b) Formula funding factor rates should increase by 2.3% (or 1.4% if there is a transfer of funding to high needs block).
- c) That lump sum funding should be increased by 3% (if no transfer to high needs block) or 2.1% (if there is a transfer).
- d) That a ceiling (maximum limit) on per pupil funding gains is used only if necessary to deliver the above increases.
- e) £0.2m from the surplus on the de-delegated primary schools' contingency should be distributed to primary schools reflecting the origin of the funds.
- f) That technical changes be implemented to remove from schools' budgets the £0.2m of former "combined services" funding being withdrawn by the DfE.
- g) We continue to provide formula funding for looked after children, even though this is no longer part of the NFF.
- h) That funding for rents and for split site costs should be taken outside the minimum funding guarantee calculation (which means that funding can follow changes in schools' circumstances without being restricted by the minimum funding guarantee).
- i) That notional SEN funding rates (which are a guide to the amount of budget schools should spend on SEN) should increase in line with the increase in funding formula factors.

Early Years Funding

- j) Hourly funding for individual Early Years providers for two, three and four year olds, including for deprivation, should increase by the same percentage as the early years DSG funding rates.
- j) that there should be a further increase of up to 8p/hr in hourly rates for three and four year olds, subject to affordability.
- k) The SEN Inclusion Fund to provide additional funding to providers for 3-4 year olds with SEND should be maintained at £3.4m.
- l) that funding for free meals provision in maintained and academy nurseries should be increased from £2.35/day to £2.44/day to be in line with estimated cost of funding for free meals.

SCHOOLS FORUM DECISIONS

At its meeting on 1 October 2020, the Schools Forum made the following decisions:

Schools Funding

- 1 That approval is not granted to the council to transfer 0.5% of the Schools' Budget (£3.4m) 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.

2. That specific services are approved for automatic de-delegation from maintained primary and secondary schools' budgets.

Early Years

4. That the local authority may retain 5% (currently estimated at £3.6m) 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 continue the SEND inclusion fund for 2 year olds.

EARLY YEARS FORMULA CONSULTATION

September 2020

There were 79 responses: 53 from private providers and 26 from maintained schools and academies with nursery classes (including three maintained nursery schools)

| Question | Yes | No | Yes | No |
|---|-----|----|--------|--------|
| Increase in hourly provider funding rates proportionate to increase in DFE funding rates to Surrey? | 75 | 2 | 94.9% | 2.5% |
| Further increase of (up to) 8p/hr (for 3-4 year olds), if affordable? | 76 | 2 | 96.2% | 2.5% |
| Maintain inclusion fund (distributed as early intervention funding) at same level as in 2020/21? | 57 | 16 | 72% | 20% |
| Continue to provide inclusion fund, distributed as early intervention funding, for two year olds? | 66 | 3 | 83.50% | 3.80% |
| Maintain 5% of funding for 3-4 year olds to fund centrally provided services to support early years providers | 50 | 17 | 63.30% | 21.50% |
| Increase funding rate for free meals in maintained/academy nurseries from £2.35/meal to £2.44 | 60 | 1 | 75.90% | 1.30% |

Note: percentages shown are percentages of those providers offering an answer to the question. They do not add up to 100% because some providers selected “no views”.

PROPOSED SURREY SCHOOLS' FUNDING FORMULA FACTORS 2021/22

The table lists the proposed values of the Surrey formula factors for 2021/22, with and without a transfer of funds to the high needs block: These will require review in December when October pupil numbers and characteristics are known.

| | 2020/21 Values | | 2021/22 Provisional Values (assuming block tfr) | | 2021/22 Provisional Values (no block tfr) | |
|---|----------------|-------------------|---|-------------------|---|-------------------|
| | Primary £ | Second' y £ | Primary £ | Second' y £ | Primar y £ | Second' y £ |
| Basic entitlement per pupil | | | | | | |
| • Key stages 1 & 2 | 3,040.30 | - | 3,271.01 | - | 3,304.1 | - |
| • Key stage 3 | - | 4,272.57 | - | 4,609.96 | 0 | 4,660.51 |
| • Key stage 4 | - | 4,851.32 | - | 5,196.36 | - | 5,253.47 |
| Deprivation: | | | | 482.16 | | |
| Per pupil on free schl meals | 479.13 | 479.13 | 482.16 | | 487.55 | 487.55 |
| Per "Ever 6" FSM pupil | 621.41 | 867.76 | 622.67 | 880.46 | 629.42 | 890.32 |
| Per pupil in IDACI band F ¹ | 225.30 | 319.42 | 226.78 | 324.93 | 229.30 | 328.57 |
| Per pupil in IDACI band E | 268.22 | 431.22 | 274.24 | 434.99 | 277.29 | 439.86 |
| Per pupil in IDACI band D | 402.33 | 569.64 | 432.46 | 607.94 | 437.27 | 614.74 |
| Per pupil in IDACI band C | 434.51 | 617.55 | 469.38 | 660.35 | 474.60 | 667.74 |
| Per pupil in IDACI band B | 466.70 | 665.46 | 501.02 | 712.75 | 506.60 | 720.73 |
| Per pupil in IDACI band A | 643.72 | 894.38 | 653.97 | 906.66 | 661.24 | 916.81 |
| Lump sum per school | 123,638 | 129,837 | 126,290 | 132,622 | 127,347 | 133,732 |
| Low prior attainment: | | | | | | |
| Per low attainer based on Foundation Stage Profile | 1,133.95 | | 1,147.74 | | 1160.59 | |
| Per secondary pupil scoring below level 4 in either maths or English or both at key stage 2 | | 1,714.23 | | 1,739.96 | | 1,759.43 |
| Per Looked After Child | 396 | 396 | 396 | 396 | 396 | 396 |
| English as an Additional Language: | | | | | | |
| Per pupil with EAL in school system less than 3 years | 569.64 | 1533.23 | 576.49 | 1556.53 | 582.94 | 1573.95 |
| Pupil mobility: | | | | | | |
| Per mobile child above 6% of roll | 932.00 | 1331.00 | 943.35 | 1352.13 | 953.91 | 1367,27 |
| Sparsity lump sum | 27,683 | 71,976 | 47,168 | 73,372 | 47,695 | 74,193 |
| Minimum per pupil funding level | 3,750 | 5,000 | 4,180 | 5,415 | 4,180 | 5,415 |

Notes

1 *IDACI Income deprivation affecting children index (Bands defined by DfE)*

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 are likely to require amendment once the outcome of the October 2020 pupil census is known in December, to ensure they are still affordable within the available funding.