

## Papers for “virtual meeting” of Surrey Schools Forum 30<sup>th</sup> April 2020

<i>Item 4</i>
<b>Surrey Schools Forum</b>
<b>30 April 2020</b>
<b><i>For information and discussion</i></b>

### Dedicated Schools Grant (DSG) Outturn 2019/20 and next steps

The accumulated DSG position at outturn 2019/20 was a net deficit of £31.5m. However, once again, this includes a significant cumulative overspend on the High Needs block, with underspends in the Schools and Early Years blocks.

### DSG OUTTURN SUMMARY

The outturn position on DSG can be summarised as follows:

	<b>At 31 March 2019 (Under) / overspend</b>	<b>Distributed in year</b>	<b>Prior year adjustment**</b>	<b>In year 2019/20 (Under)/ over</b>	<b>Cumulative Outturn 31 March 2020</b>
	<b>£'000</b>	<b>£'000s</b>	<b>£000s</b>	<b>£'000</b>	<b>£'000</b>
Schools	-4,902	2,998		-3,836	-5,740
CSSB	-260			150	-110
Early Years	-7,744*		-961	-2,733*	-11,438
High Needs	18,877			29,957	48,834
<b>Total</b>	<b>5,971</b>	<b>2,998</b>	<b>-961</b>	<b>23,529</b>	<b>31,537</b>

- *Based on allocation before year end adjustment for latest January census data This adjustment was £961k in respect of 2018/19 (confirmed July 2019) and is estimated at £1.089m for 2019/20*

*\*\* Grant received in 2019/20 in respect of 2018/19*

The in-year deficit on the High Needs Block was £30.0m and the cumulative deficit on that block is now £48.8m.

The Department for Education has recently re-emphasised that it expects local authorities to manage surpluses and deficits within the Dedicated Schools Grant. For year end 2019/20 and for 2020/21 onwards, DfE has changed the school funding regulations so that local authorities must carry forward overspends on Dedicated School Grant, to be met from future Dedicated Schools Grant allocations, unless the Secretary of State specifically approves the use of other funding. Prior to 2019 the LA was not allowed to use current year DSG to meet a deficit from previous years, without approval by the Schools Forum or the Secretary of State. The DfE has now removed that restriction

The regulations do not specifically consider the use of surpluses on one DSG block to offset underspends on another. DfE expects that increases in High Needs Block funding levels will allow most LAs with deficits to pay off those deficits over time, but while the increase in high needs block funding in 2020/21 was welcome, the year on

year funding shortfall in Surrey remains significant and the level of future increases in high needs block funding and demand (2021/22 onwards) remains unknown. The Council is committed to developing local provision that meets the needs of children with Special Educational Needs and Disabilities within the funding available and will look to develop a number of proposals with local schools and early years settings to make this a reality. However, the scale of the problem in Surrey is such that the High Needs Block deficit is likely to increase further over the next two years before any reduction is seen, and any repayment of accumulated deficit will need to be over an extended period.

The DfE expects to work with LAs with significant DSG deficits and has suggested in guidance that they may impose additional conditions of grant on some LAs “designed to secure the most efficient use of resources. These would depend on the situation and context, but could include – for example – changes to local SEND policy or practice, management change or sign off of budget plans by the Department require a range of measures to be taken where LAs face difficulty in recovering those deficits”<sup>1</sup>. In addition LAs would be expected to keep but the Department and Schools Forums informed of developments.

The key variations per block are as follows:

## 1. SCHOOLS BLOCK OUTTURN:

	<b>2019/20 (Under) / overspend</b>	<b>Explanation of variance</b>
	<b>£'000</b>	
Business Rates including impact of academy conversions	-740	Largely due to new and past academy conversions and trust school conversions (attracting 80% rates relief, some of which has taken some time to realise) We do not allow in the initial budget for any savings which might arise during the year from these causes
Rates contingency	-986	Prior year underspend which was added to 2019/20 budget to cover risk of rates increases due to building works
Growing Schools	-1,184	The demand was less than anticipated, the budget also included the previous year’s underspend of £962k Budget has been revised for 2020/21, reflecting reduced demand and changes in DFE growth funding arrangements.
Falling rolls	-352	Funding being phased out. 2019/20 was a transitional year when only one school qualified (plus prior adjustment for a second) but allocations depended on Oct 2019 pupil

<sup>1</sup> Clarifying the specific grant and ringfenced status of the Dedicated Schools Grant, DFE consultation response Jan 2020

		numbers. There is no falling rolls budget in 2020/21.
De-delegated contingency (maintained primaries only)	-252	Fund deducted from budgets of maintained primary schools. Any surplus is returned to maintained primaries over time via an explicit formula factor, the amount returned is determined annually.
De-delegated Intervention Fund (maintained primaries only)	-65	The underspend in 2019/20 is after adding £145k of 2018/19 underspend to the budget. Officers are proposing to carry this forward to add to the intervention fund budget for 2020/21, subject to support of chair of Primary Phase council
De-delegated Special Staff Costs	27	Dependent on academy buyback rate , which is always uncertain until well into the year
Others, including behaviour support and area exclusion support	87	
Local learning fund	-371	(NB this was a new budget in 2019/20 which was funded from previous year underspend on Schools Block)
	<b>-3,836</b>	
<u>Prior Year sums b/fwd</u> Prior year contingency underspend	-121	(Not allocated in 2019/20) Underspend on de-delegated contingency £0.152m from this and from the in year underspend has been provided to schools in 2020/21. Normally the remainder would be refunded in the following year
Prior Year other	-1,782	Remainder of funds brought forward from prior years as yet unallocated
Total Prior Year underspends	<b>-1,904</b>	
<b>Total</b>	<b>-5,740</b>	

As a reminder, Surrey schools are on full NFF with no ceiling deductions and an MFG of 2.34% (0.5% above the normal maximum) in 2020/21. Therefore any redistribution of schools block underspend would have meant further exceeding the NFF and would pose sustainability issues.

## 2. CENTRAL SCHOOLS BLOCK (CSSB) OUTTURN

	(Under) / overspend	Explanation of variance
	£'000	
Devolved Admissions Appeals	-30	
Admissions Service	-82	Largely due to the level of income
Central services	262	Contribution to the costs of a range of services such as property and IT
<b>Total</b>	<b>150</b>	

## 3. EARLY YEARS OUTTURN

	(Under) / overspend	Explanation of variance
	£'000	
<b>Three &amp; Four Year Olds</b>		
* Main Formula	-2,884	This is largely due to average termly takeup (cost to Surrey) being below average January takeup (on which Surrey is funded)
* Central Retention)		
<b>Two Year Olds</b>		
* Expenditure above grant	151	
<b>Total FEE &amp; FEET budgets</b>		
Other DSG Grants		
<b>Sub-Total</b>	<b>-2,733</b>	
DSG adjustment in 2019/20 to 2018/19 grant for Jan 2019 census	-961	
Brought forward from previous years	-7,774	
<b>Total</b>	<b>-11,438</b>	

Note: contingencies were reduced by £1m in 2020/21 to reflect “ongoing underspend” and thus the underspend “in year” in 2020/21 should be reduced. In setting rates for 2021/22 we will consider whether further contingency reductions can be made.

#### 4. HIGH NEEDS BLOCK OUTTURN

	(Under) / overspend	Explanation of variance
	£'000	
Special schools places, top-ups and outreach plus SEN centres, PRUs and nurseries	135	On a budget of over £50m, this reflects the net impact of changes in pupil numbers and top up funding levels.
Special schools residential	-700	Closure of residential provision at Wishmore Cross and reduced levels of take-up at other residential special schools
Mainstream outreach	-49	Some posts deleted, mostly where schools no longer wished to retain them
Nurture Groups	-93	Fewer such groups.
Additional SEN	-161	Changes in the distribution mechanism reduced allocations by £0.2m, however the target was to reduce spend by £0.6m to £0.9m.
In year fair access	-43	Reflected narrower criteria from Sept 2019
Placements in non-maintained, independent, OLA schools, within children's homes and Post 16 colleges plus personal budgets	4,367	Unit cost remained similar to previous year levels however growth in demand was 17% which was higher than the anticipated 13% increase.
Individual support budgets	-1,066	Management and review of IPSB maintained demand at 2018/19 levels compared to the 5% increase that was previously expected. This was slightly offset by an increase in the cost of individual allocations which were 1% higher than anticipated.
SEND Services - speech and language therapies, special early education, access to education, hospital education and area exclusions.	-1,381	Staffing vacancies following restructure
<b>Total</b>	<b>1,009</b>	
<b>Budgeted shortfall</b>	<b>28,948</b>	
<b>Total in year shortfall</b>	<b>29,957</b>	
<b>Brought forward from previous years</b>	<b>18,877</b>	
<b>Total HNB shortfall</b>	<b>48,834</b>	



<i>Item 5</i>
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## **2020/21 Special Schools Funding**

Budget letters were issued to special schools on 3 April 2020 showing a 2.55% increase in funding rates.

Officers and special school headteachers have agreed to work together to find ways in which further funding could be released for special schools, through the sector admitting additional pupils. The council is still committed to continue with this work as soon as the current emergency situation eases, and to implement further increases during the current financial year, although it cannot currently quote a specific percentage increase or cash total.

As part of that work, the council also wants to work with schools to simplify the current funding band system (which is now several years old) and to make it more relevant to current needs and more responsive to future changes in need, and to identify mechanisms for determining annual funding increases in future. This may result in some schools seeing a larger increase in funding than others and indeed some may see no further increases.

The council is fully aware that maximising the use of the state maintained special school sector is central to containing the use of NMI sector places, which is such a pressure on high needs spending, and that funding mechanisms for state special schools need to support this aim.



<i>Item 6</i>
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**Mainstream schools funding for 2021/22 (excluding high needs).**

Normally, in the summer term, the LA would share with Schools Forum its initial proposals for changes to the funding of mainstream schools for the following year, and invite suggestions as to areas which might usefully be reviewed.

However, in 2020/21 Surrey’s formula converged on the NFF (except for lump sums which were slightly above the NFF and an extra uplift of 0.738% on all NFF factors, which were possible using surplus funds as a result of data changes). Therefore, while in previous years there have been annual discussions on how fast to converge on the NFF (if at all), that is no longer a major issue for 2021/22.

At this point it is anticipated that the only choices to be considered in respect of mainstream funding are:

- Whether to replicate in the local formula any changes made by the DfE in NFF factor values (our assumption would be yes, subject to affordability, otherwise we would be moving away from the NFF)
- The impact of any other changes made by the DfE (no information yet available, but it would be consistent with our 2020/21 policy to implement any such changes in full)
- Whether to continue to preserve the lump sum at a higher level than the NFF
- Levels of minimum funding guarantee and ceiling (and it is likely that these can only be considered in December once the 2021/22 funding data is available)

The Forum’s views are invited. If the Forum has concerns over any funding areas it would be helpful if they could be raised now in order to allow time to work on them prior to consultation and Cabinet decisions in the autumn.

It should be noted that as long as the LA has a choice over the local funding formula, it must consult on any proposed changes, even if they exactly match changes in the NFF.

An opportunity to suggest areas for further work on SEND and early years funding is provided under item 7.

David Green 22 April 2020



<i>Item 8</i>
<i>Surrey Schools Forum</i>
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## **Proposed changes to the Surrey Scheme for Financing Schools : Risk Protection Arrangement**

### **Summary**

On 1 April 2020 the DfE published revised statutory guidance on local authorities' Schemes for Financing Schools, the statutory schemes governing the financial relationship between local authorities and their maintained schools. The only substantial change concerns the DfE's Risk Protection Arrangement, previously open only to academies, which was opened to maintained schools from 1 April 2020.

Changes are now required to the Surrey Scheme in order to implement the DfE requirements. Changes to the Surrey Scheme must be subject to consultation with all maintained schools, followed by approval by the Forum, which will be requested later.

### **Background**

The DfE's Risk Protection Arrangement was established to provide academies with an alternative to commercial insurance. Following a consultation in autumn 2019, the DfE has allowed maintained schools to join the arrangement from April 2020. Additionally, maintained primary and secondary representatives on Schools Forum will have the right in future years to approve sector wide participation in the Risk Protection Arrangements, via "de-delegation" if they so choose.

Changes are required to section 10 (insurance) of the Surrey Scheme for Financing Schools in order to recognise the new arrangements. The existing wording and the proposed revised wording are shown below. The consultation is NOT about the principle of whether maintained schools should be allowed to join the RPA, but about the precise way in which the Surrey scheme is amended to allow it.

### **Existing Surrey Scheme (as at March 2020)**

If funds for insurance are delegated to any school, the Authority will require that school to demonstrate that cover relevant to the Authority's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Authority if the Authority makes such arrangements, either paid for from central funds or from contributions from the schools' delegated budgets. The Authority is required to have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

### **Proposed revised Surrey wording covering RPA**

Funding for insurance is delegated to all schools, subject to the right of Schools

Forum to agree de-delegation in respect of maintained primary and secondary schools. The Authority will normally offer insurance cover to all schools on a traded basis. Should a school wish to arrange insurance independently, the Authority will require that school to demonstrate that cover relevant to the Authority's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Authority. The Authority is required to have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA, on the expiry of any existing contract after 1 April 2020. Schools should note that RPA cover is not identical to Surrey's, but it will be deemed to be cover which meets the authority's basic requirements, except in respect of motor insurance and damage caused by explosion of boilers, pressure vessels etc, which are not covered by the RPA. Schools are advised to take professional advice before changing their insurance arrangements. Schools may choose to join the RPA individually when any insurance contract of which they are part expires, or at the end of each financial year where they are part of the LA contract and a multi year agreement exists (subject to giving notice to the LA before 31 January to join the RPA on 1 April). . Alternatively primary and/or secondary maintained schools may join the RPA collectively by agreeing through the Schools Forum to de-delegate funding.

#### **Action requested of Forum members**

Members are invited to comment on the proposals.

Following consultation with all schools during May, we will ask Forum members representing maintained schools formally to approve the proposal, amended if necessary following the schools consultation

David Green 23 April 2020

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## **Annex to Agenda**

### **Summary of key points in government's Financial Support to education, early years and children's social care providers (initially published 17 April 2020)**

#### **Key points:**

- This guidance sets out the financial support that is available for different types of education, early years and children's social care providers in England. It has been updated to align with HMT/HMRC guidance.
- For many programmes, government will continue to provide funding at normal rates to ensure business continuity and payment of staff. Local authorities will also continue to receive high needs funding as part of the Dedicated Schools Grant and should continue to pass this on to providers (including the top-up funding in respect of individual children and young people) at the normal rates.
- Due to the variety of organisations in the education, early years and children's social care sectors and the different types of support on offer, it may be appropriate for organisations to access a mixture of different support. They should first consider any potential options to reduce their operating costs and secure commercial loans (including COVID-19 related schemes) before seeking to access grant paying schemes like the Coronavirus Job Retention Scheme or seeking specific support from the Department for Education (DfE).
- The guidance highlights that no organisation should profit from the financial support available and should therefore only access the support required. For organisations classified as public sector, and where there is continued public funding, staff supported by that public funding should not be furloughed. For public sector organisations where there is also private income which ceases or has reduced, it may be appropriate to furlough staff who would typically be paid from that private income.