

Surrey Safety Valve Monitoring Q2 2022/23 Report



Summary for publication

This report is Surrey's Safety Valve monitoring report covering the period Quarter 2 for the year 2022/23. The contents of the report align with the request received from the Department for Education (DfE).

The purpose of the report is to provide assurance. Whilst the report aims to be clear and concise, it is a technical report so includes technical language and data.

A small number of pages have been omitted from this published version because they contain potentially commercially sensitive data, but this does not affect the overall messages of the report.

The report was submitted to the DfE in September 2022 and published prior to Surrey Schools Forum in December 2022.

In summary the report confirms that Surrey remains “on track” with its Safety Valve agreement.

The insufficiency of funding given the economic context is set out, and the report raises a question about increases to future funding allocations to address this.

A number of risks are noted, and these are all being actively managed and monitored.

The outcome of this report was that the Department for Education was assured that Surrey is “on track” and the associated financial contribution towards Surrey's High Needs Block deficit was made by DfE.

Contents

In line with the request for a monitoring report made by the Department for Education, the Quarterly monitoring report (Q2 2022/23) covers the following questions:

1. Is the LA still on track to meet the deficit control and reduction targets as set out in the agreement? Please demonstrate evidence of your answer.
2. What progress has been made towards implementing the conditions set in the agreement, and are the timelines set in your detailed proposals still on track?
3. What are the current risks to implementation, and how are you mitigating these?
4. Have there been any unforeseen difficulties or setbacks in implementing the agreement? How have you mitigated these?

The report also includes a section with Further Information covering senior staff leading the delivery of Surrey's Safety Valve agreement, more detail on the Capital programme and an overview of Disapplication requests for 2023/24.

For information: Surrey is "going live" with a new Education Management System in September 2022, supported by a workstream of data upload and reconciliation. The new system is expected to provide improved reporting capabilities, but may require some adjustments to the methodology for reporting the data in the Q3 Monitoring Dashboard – if this is the case then the Notes will be updated and highlighted to make this clear.

1 Is the LA still on track to meet the deficit control and reduction targets as set out in the agreement?

Deficit control trajectory

On Track with significant developing risks: The following slides show the 5-year summary of Surrey's Safety Valve trajectory, the latest financial forecast for 2022/23 and the detailed assessment of 2022/23 cost containment. These demonstrate that Surrey's strategies and transformation plans to improve outcomes for children and young people are having the expected impact and the deficit control is on track but with significant developing risks particularly in the medium term.

Funding not keeping pace with Inflation: As with many other areas the impact of current inflation rates is one of the main pressures compared with previous assumptions. In particular the previously indicated DSG funding increase rates of 5% in 23/24 and 3% ongoing for High Needs Block. This compared with the current inflation rate of over 10% means that funding increases are again falling way behind cost pressures. If the additional pressures from inflation (compared to the prudent and transparent assumptions made in Surrey's Safety Valve proposals) are not matched by higher funding, then it will be very challenging to deliver the previously agreed trajectory from 2023/24 onwards.

Does the DfE have any intention to amend future funding commitments in light of these pressures?

Shortfall in Capital funding: We have also quantified a shortfall in Capital funding of at least £32m, due to cost increases primarily driven by market pressures and inflation but also lower funding allocations than identified and included as being required in Surrey's Safety Valve Capital bid. If the Capital budget shortfall is not resolved in a timely manner then this would make the previously agreed trajectory unachievable from 2025/26 onwards.

These risks are explored further in subsequent sections of this monitoring report

High needs block (HNB) financial summary

Summary of year by year position up to 2027/28

Year	Balance b/f	Previous Year Spend	Growth	Cost Containment	Grant	In year balance	Block transfer	DSG surplus	In year balance	Balance c/f
2022/23	£118m	£212m	£46m	-£26m	-£198m	£33m			£33m	£152m
2023/24	£152m	£231m	£37m	-£19m	-£207m	£42m	-£8m		£34m	£186m
2024/25	£186m	£249m	£28m	-£25m	-£213m	£39m	-£8m		£31m	£217m
2025/26	£217m	£252m	£25m	-£25m	-£218m	£34m	-£8m		£26m	£243m
2026/27	£243m	£252m	£21m	-£25m	-£224m	£24m	-£8m	-£15m	£0m	£244m
2027/28	£244m	£248m	£10m	-£20m	-£230m	£8m	-£8m		-£0m	£244m

- Based on the 2021/22 outturn and 2022/23 Month 4 position the Council is forecasting to remain within the planned safety valve trajectory as above
- Risks to this delivery include significant inflationary pressures which are set out in Section 3 and a Capital funding gap that is set out in Section 4
- Further detail on the progress of cost containment targets is set out in the following slides

2. What progress has been made towards implementing the conditions set in the agreement, and is this on track?

Implementing the conditions

The following slides show the progress made delivering each of the conditions in Surrey's Safety Valve agreement.

These areas of transformation and improvement were existing priorities, and are at different stages of design and development.

Each update sets out the specific progress that has been made and confirms that Surrey is on track as per the detailed plans that support the Safety Valve trajectory.

Summary table

Surrey Safety Valve Conditions	Status
Condition 3.1: Develop and embed local initiatives that provide information, advice and support early and appropriately, promoting inclusion, improving outcomes and avoiding the escalation of needs	On Track
Condition 3.2: Review and strengthen all EHC assessment and decision-making processes to ensure all decisions are made transparently, in a timely manner with children, young people and families at the centre	On Track
Condition 3.3: Develop and implement strategies to further develop skills, expertise, and capacity of school-based staff to support children with SEND in mainstream schools, reducing the escalation of need and push to move from mainstream to specialist provision	On Track
Condition 3.4: Deliver the Team Around the School pilot and learn from the evaluation before embedding or rolling out across the county (as appropriate)	On Track

<p>Condition 3.5: Develop and embed appropriate bandings for specialist school placements and a joint commissioning panel, which will see an enhanced process to agree joint health, social care, and education costs</p>	<p>On Track</p>
<p>Condition 3.6: Develop a Joint Commissioning Strategy with partners to ensure that children, young people and families have the best possible experience of services and resources are used as effectively as possible</p>	<p>On Track</p>
<p>Condition 3.7: Deliver an ambitious Capital programme that will improve the sufficiency of specialist educational provision that meets the needs of communities in Surrey, enabling more children and young people with additional needs to attend a school or setting closer to their home</p>	<p>On Track</p>
<p>Condition 3.8: Develop enhanced pathways that support children and young people to become more independent as they prepare for adulthood, providing enhanced range of opportunities including internships, vocational pathways and apprenticeships.</p>	<p>On Track</p>
<p>Condition 3.9: Continually strengthen the impact of partnership working and accountability through the Surrey SEND Partnership Board, an active Schools Forum, Inclusion Roundtable, local area self-evaluation and improvement, and co-producing a refresh of Surrey’s SEND partnership strategy with families and partners.</p>	<p>On Track</p>

Delivery of 3.1 Early Help and Inclusion

Condition 3.1: Develop and embed local initiatives that provide information, advice and support early and appropriately, promoting inclusion, improving outcomes and avoiding the escalation of needs

Additional Needs Transformation Board Lead Members: Assistant Directors for Inclusion and Additional Needs and Commissioning Manager for Early Help

Status: On Track

- Between May and August 2022 we have reviewed purpose and intended output of the LSPA (Learners Single Point of Access) so that we prioritise Request for Support pathways to both parents and schools. These will be fully operational from September 2022 and a positive incentive to education providers to make or delay requests for EHC Needs Assessments so that more support can be provided.
- In the same period Ordinarily Available Provision guidance has been co-produced with schools. This sets out the full range of support available for children with additional needs, from resources that are ordinarily available in schools, ensuring consistency in the support received by children and families, and consistency in decision making about EHC needs assessments. Starting with a launch of the Ordinarily Available Provision guidance with our SENCO network, these materials will be promoted significantly through Surrey's Local Offer, Schools Bulletin and directly with schools, families and partner organisations in the autumn term and beyond.
- A strategy for the Best Start in life is in development with partners across the ICS.
- The SEND Local Offer is being reviewed and populated with new, high quality informative content relevant to its intended audience to promote a culture of self help. The Local Offer will also better reflect the partnership approach across education, health and care and be promoted via social media to increase reach and engagement
- The Post-Covid rate of growth in EHCPs remains higher than the projections of 7%, and just above the Surrey Safety Valve modelling assumption of 9% - we saw a 10% increase between July 2021 and 2022. The level of demand in terms of requests for assessment for the academic year to end of July 2021/22 was 27% above the same point in 2020/21. In response we have used data analysis and forecasting to determine where best to target early intervention and prevention activity through both L-SPA and the Team Around the School pilot to maximise the impact of early help and support.

Delivery of 3.2 EHC Assessment and Decisions

Condition 3.2: Review and strengthen all EHC assessment and decision-making processes to ensure all decisions are made transparently, in a timely manner with Children, Young People and families at the centre

Additional Needs Transformation Board Lead Members: Assistant Director for Inclusion and Additional Needs, Assistant Director for Children with Disabilities and DCO Manager

Status: On Track

Implementation of Surrey's recovery plan for EHC assessment and decision-making is well underway, targeting timeliness and quality of outcome and experience for families, children and young people. Improvements are being made in our systems and processes, capacity and capability, and how we work with partners so that Occupational Therapy and Educational Psychology contributions provide maximum value.

Proactive communications to parents regarding the progress and outcome of EHC assessments has been recently introduced and the preparation for new systems implementation has involved aligning decision-making across Surrey's quadrants. The Ordinarily Available Guidance will provide a stronger basis to make decisions about the appropriate support for children and young people, including support that does not require an EHCP, whilst at the same time strengthening the evidence base for Surrey's decisions if cases go to appeal and tribunal. Strengthening consistency of EHCP governance and decision making across our Quadrant panels.

Surrey's timeliness for the year to end of December 2021 (the national benchmark) was 65% compared with 60% in December 2020 for Surrey. Nationally, the 2021 figure was 60% compared with 58% in 2020. Data used is SEN2 data (response to the DFE), which is the most robust data for comparison. The pressure continues on the service with requests for EHC assessments up by 22% to July 2022 in 11 months from August 2021, suggesting the forecast for the full academic year could be as much as a 25% increase. This volume, together with recruitment challenges particularly for Educational Psychologists, has seen a downward impact on timeliness figure. Close monitoring continues to support and help mitigate risk whilst recovery plans are being put in place and deep dives are focussing on areas of operation where process improvement could be made. The longer term strategy is an end to end review.

Plans are being developed to ensure that schools and parents are consistently part of decision making forums to ensure transparency and that the best interests of children are being upheld and that early help and support from schools is being accessed appropriately.

Delivery of 3.3 Schools' Skills and Capacity

Condition 3.3: Develop and implement strategies to further develop skills, expertise, and capacity of school-based staff to support children with SEND in mainstream schools, reducing the escalation of need and push to move from mainstream to specialist provision

Additional Needs Transformation Board Lead Members: Chair of Schools Forum and Assistant Director for Education

Status: On Track

Communicating and engaging with schools about the Safety Valve agreement has provided an opportunity to collaborate on how to deploy our collective resources to better support schools to support children with additional needs in mainstream settings. Through the Inclusion Innovation Group, Phase Councils and all school Quadrant meetings we are exploring opportunities to maximise the impact on schools' skills and capacity to support children and young people with additional needs. The intention is to refresh the delivery plan for the 2022-23 academic year once these sessions conclude in the Summer term.

Ongoing support in place through SaFE – a new programme of SEND professional development for school staff has been developed for delivery during the 2022-23 academic year, with mandatory modules, to be funded for schools to access, as well as support for new SENCOs and intermediate modules. The SENCO network will be continued, with more frequent meetings (every half term), jointly planned by SCC, SaFE and a steering group of SENCOs to ensure needs are met. The Ordinarily Available Provision Guidance co-produced with schools provides increased clarity for schools and families about the expectation of schools' skills and capacity to support, and this work has been part of the revitalisation of Surrey's SENCO network.

Autism Outreach and SEMH Outreach offers are being commissioned so that additional support will be available to schools, families and children from September 2022, addressing the greatest areas of need that we have in Surrey.

Delivery of 3.4 Team Around the School pilot

Condition 3.4: Deliver the Team Around the School pilot and learn from the evaluation before embedding or rolling out across the county (as appropriate)

Additional Needs Transformation Board Lead Members: Assistant Director for Inclusion and Additional Needs

Status: On Track

The Team Around the School (TAS) approach aims to identify Children and Young People with additional support needs and intervene early as appropriate, providing higher levels of partnership support immediately. This approach has supported placements to be successfully maintained. The TAS model is empowering schools to better identify partnership agencies to support children's needs earlier to reduce escalation to statutory processes and reduce 'crisis'.

Pupils with autism support needs and pupils with persistent school absence have been the highest recorded TAS need in the summer term. These needs have been supported via bespoke autism training and creation of action learning sets. TAS partners are supporting school attendance in Stanwell with a 12-week appreciative inquiry to better understand the root causes of poor school attendance. Learning is anticipated to be transferable to all schools.

15 of the 16 schools have above 90% attendance and all have seen a reduction in permanent exclusions over the last academic year. 40% of the schools have also seen a decrease in Education, Health, Care Plan needs assessment requests. It is worth noting that some schools have reported a delay in gathering evidence due to the Pandemic which would have seen requests submitted earlier.

The Summer term has seen an increase in partner activity in addition to those noted above. To name a few; TAS alignment with EBSNA working group and exclusion support initiatives, School Based Needs team sharing support strategies and reviewing case progression with Mindworks and a review of Valuing SEND, Ordinarily Available Provision and Neuro Developmental Profiles alignment

Short Term Plans: From September schools will be encouraged to have targeted TAS meetings based on individual school improvement plans and available data highlighting key needs. An additional 6 schools are expected to join the Pilot in September including an adapted TAS approach to support schools who have high numbers of children with a Social Worker.

Long Term Plans: Options are being considered including an 'opt in' TAS model across the four quadrants which would allow TAS clusters to be formed amongst schools. The TAS Steering Group will agree a proposal paper for the December Transformation Board to consider.

Delivery of 3.5 Specialist Placement Bandings

Condition 3.5: Develop and embed appropriate bandings for specialist school placements and a joint commissioning panel, which will see an enhanced process to agree joint health, social care, and education costs

Additional Needs Transformation Board Lead Members: Assistant Director of Commissioning

Status: On Track

Implementation of Specialist placements banding progressing as planned. 800 have been agreed to transition to the new banding for September 2022, and there are 40 cases still in discussion (primarily new Reception EHCPs) for which agreements are being put in place. The bandings will be fully implemented by September 2022, and the financial impact has been built into the financial trajectory.

Conversations with Specialist School outliers protected by Minimum Funding Guarantee have started, aiming to bring funding into line for September 2023.

Mainstream top-up banding arrangements are in development; working group arranged through Schools Forum and the Phase Councils. Draft proposals and governance arrangements for agreement. Shift away from hours to outcomes. Proposals are being consulted on, and the plan is for decisions to be made in the Autumn term with implementation following in September 2023 and September 2024.

Next steps:

- Targeted uplift negotiation(s) with non-maintained independent sector providers, using contractual terms to ensure consistent and fair uplifts are applied to the sector.
- Development of new 'free uplift' portal, with NMI providers requiring to provide a full business case justification, open book accounting and full provision cost breakdowns, to be assessed at monthly inflation panel.
- Contract management plans developed for NMI sector, to ensure consistency, quality and impact of provision for this sector is maximised for Surrey learners. Improved number of provision on contract.

Delivery of 3.6 Joint Commissioning Strategy

Condition 3.6: Develop a Joint Commissioning Strategy with partners to ensure that Children, Young People and families have the best possible experience of services and resources are used as effectively as possible

Additional Needs Transformation Board Lead Members: Director for Joint Commissioning (Health and Local Authority)

Status: On Track

Recent Progress:

Socialising the strategy with exec health colleagues in Frimley and Surrey Heartlands (SH) – it has been discussed at the SH ICB Board and approved by CFLL LT. Ensuring the document meets accessibility requirements to publish online. To assess our progress on each of the 'priorities for change' and to develop commissioning plans or add a commissioning lens to existing plans for each. This is now integrated into the work programme of the Joint Commissioning Dept but will need a firm programme grip for assurance it is happening. Discussions with the Additional Needs and Disabilities Transformation Board to support this are taking place.

This is a system in transition with the evolution of the ICS's to ICBs in the late summer / autumn and future work needs to flex with those developments – for example place-based commissioning may be a key element of the future architecture of the NHS which the implementation of this strategy would need to respond to.

Next steps:

To finalise the strategy, achieve sign off and publish online. To agree arrangements for the operational oversight of the 9 commissioning plans which address the priorities for change. Next steps are to present to the Children's Strategic Leadership Board (10th August) for sign off and agreement of governance, then to achieve full sign off at the ICS Exec (Children's) on 5th September. The Strategy will also be socialised at the Additional Needs and Disabilities Partnership Board in September. The impact of this work is to ensure better value for money across our partnership, including taking up opportunities to pool or align budgets where possible. It also aims to provide a more seamless system response to families who are sometimes in contact with numerous different parts of the system that don't necessarily work coherently around a family's needs.

Delivery of 3.7 Capital Expansion

Condition 3.7: Deliver an ambitious Capital programme that will improve the sufficiency of specialist educational provision that meets the needs of communities in Surrey, enabling more Children and Young People with additional needs to attend a school or setting closer to their home

Additional Needs Transformation Board Lead Members: Assistant Director for 'SEND' Transformation

Status: On Track

- Projects at Brooklands School and Freemantles School (temp accommodation) delivered creating 79 additional places for children with SLD/PMLD. Works at Wishmore Cross, Manor Mead School, temporary expansion of Matthew Arnold School and Epsom Primary School also delivered in full.
- Approval of Brooklands College's 60 place ASD/SLCN designated provision for Post 16 learners to improve provision for autistic post 16 students.
- Planning delays against 3 major projects have been resolved (The Abbey School, Philip Southcote main site, Woodfield School) and 2 are due imminent delegated officer decisions (Freemantles School main site - Secretary of State for Environment approval has breached statutory timescales and is being actively managed to keep on track - and approvals for Philip Southcote School Post 16 external works)
- Secretary of State for Education approved the LA's recommendation for Bourne Education Trust as the sponsor for Hopescourt school, which is a 200 place ASD designated special school in Walton on Thames. This is due for delivery by SCC for Sep 2024. Monthly project KIT meetings between the Trust, DfE and SCC for pre-opening have been scheduled.

- Programme and Lead Cabinet Members for Education, Property and Finance supported the DfE Project Team's presentation to Mole Valley Planning Committee Members for Betchwood Vale Academy, which is now delayed to 2024. SCC has completed a detailed and robust needs analysis and education justification for the VSC case to support the DfE's planning submission in September 2022.
- SCC completed 2x pre-registration applications with identified sites for the next wave of the DfE's Special Free School Programme. Discussion with neighbouring LAs (Bracknell Forest & West Sussex) have been initiated to assess interest in joint applications. Public consultation and engagement 02/09/2022-30/09/2022. Engagement with Create: Schools has also been completed, and key activity and milestones to meet the 21 Oct deadline for special free school applications scheduled.

Next steps:

- Programme delivery continuing at pace, with Meadhurst Primary School, West Hill Academy, Lingfield Primary School and The Ridgeway due to be completed by December 2022.
- Free Schools consultation live and bid submission on track for October 2022
- Outstanding site allocations expected to be resolved in the autumn term.

Delivery of 3.8 Preparation for Adulthood

Condition 3.8: Develop enhanced pathways that support Children and Young People to become more independent as they prepare for adulthood, providing enhanced range of opportunities including internships, vocational pathways and apprenticeships. This will also include activity to step down through annual reviews and key stage transfer;

Additional Needs Transformation Board Lead Members: Assistant Director of Commissioning

Status: On Track

Joint working between teams ('SEND', CWD, Social Care and Transitions) significantly improved via Working Younger workstream through having joint conversations from 14+ to plan for their transition to adulthood pathways- this approach has been embedded and moving to business as usual from October 2022.

Significantly increased number of young people post 16 moving into vocational pathways. 67% of Surrey 'SEND' Post-16 Young People were on a vocational pathway from September 2021 (an increase from 37% in September 2019). We have also increased travel training provision and supported internships – September 2022 there are 108 young people recorded as attending Supported Internships, Surrey Choices Provision, HALOW and Aspiring Prospects. This data is expected to change in September and October as records are updated with leavers and new starters.

Where outcomes have been met and it is appropriate for individual children, key stage annual reviews are recommending placement changes stepping down from independent to maintained and/or specialist to mainstream.

Next Steps:

Joint Working Approach approved between CWD and transitions to refer from the age of 14+ to transitions- plans progressing to move into BAU around resourcing, training, statutory responsibilities and supporting systems processes.

The focus is now on communications and engagement with residents improving through closer working relations with Family Voice, PFA Event and development of Preparing for Adulthood Booklet. Increased ongoing communications streams to raise awareness of opportunities.

Delivery of 3.9 Partnership Accountability

Condition 3.9: Continually strengthen the impact of partnership working and accountability through the Surrey SEND Partnership Board, an active Schools Forum, Inclusion Roundtable, local area self-evaluation and improvement, and co-producing a refresh of Surrey's SEND partnership strategy with families and partners.

Additional Needs Transformation Board Lead Members: Director for Education and Lifelong Learning, Chair of Schools Forum, Director for Joint Commissioning

Status: On Track

Surrey has a Partnership Board from across the system including representation of children and families, the Council, Health, Social Care and the voluntary sector. Co-production is integral in the approach to partnership working and we have been co-producing our partnership Self Evaluation in order to inform the refresh of our strategy which is planned to be in place by January 2023.

A number of further partnership accountability arrangements have recently been put in place. These include:

- Proportional funding policy has now been agreed and is in place – so that the DSG is not being used to fund health or care costs.
- Contractual arrangements with independent sector have been strengthened – Schedule 2s in place and tight contract management to ensure paying for what children actually receive.
- Inflation arrangements for specialist maintained schools have been agreed at 2.5%.
- Inclusion Roundtable agreed the areas for focus for the next year, broadening the use of tools that will promote inclusion and an ambition for self-evaluation for every school.
- The DfE published NFF formula funding factor values for mainstream schools for 2023/24 on 19 July. Modelling of scenarios for varying the schools funding formula to transfer £1m to high needs block is in progress and specific proposals will be described in a consultation paper to be issued to all Surrey schools in early September. The proposals may, but need not necessarily, include an application to vary the minimum per pupil funding level, given that the gap between the increase in MPPL and the increase in NFF factors is somewhat wider in 2023/24 than in 2022/23.

3. What are the current risks to implementation, and how are you mitigating these?

Risks and Mitigations

The key risks to the overall implementation and impact that we are aiming for are:

- Workforce shortages and affordability
- Inflation and the impact of the rapidly rising cost of living
- Demand for support, a lack of confidence and growth in EHCPs
- Sufficiency of provision – risks to Capital expansion
- These risks and the associated mitigations are set out on the next two slides.
- **Workforce capacity risk:** across Surrey there are significant challenges recruiting Teaching Assistants (TAs), Educational Psychologists (EPs) and Occupational Therapists (OTs). This has an impact on access to services, timeliness of assessments and provision of support.
- **Mitigations:** A combination of mitigations is being put in place across the areas of workforce challenge. These include diversification of recruitment (including buying in agency EPs and recruiting associates), pay reviews including for TAs and a Surrey pay award of an average of 3%. Alternative delivery models are also making an important contribution to maximising the positive impact of the workforce that we do have – this includes moving away from 1-1 delivery to maximise reach of the skills and experience available. Alternative delivery models that provide graduated service levels depending on need (including remote-based and group support) were introduced as part of the pandemic response and are being maintained or developed as appropriate. It is hoped that National Pay Award may contribute to improved retention of the schools workforce, but without the associated funding Surrey schools are concerned by affordability of this measure.
- **Demand risk:** levels of demand remain high, the capacity of schools and other services to provide early help remains variable, and anecdotally parental confidence remains low. Although demand was increasing prior to the pandemic, the current demand pressures that we have been seeing post Covid are being sustained.
- **Mitigations:** a significant range of activity and change is underway to better meet needs for support from mainstream schools and ordinarily available services, including early years and early help. These changes are being implemented and include improved information and communication which will have a broad impact, as well as highly targeted activity to provide additional support for Surrey's most prevalent types of need (Autism and Social, Emotional and Mental Health) and particular schools, settings and

phases. The impact of these changes will take a few months to have a tangible impact, so we are monitoring closely. We have recently run parent /carer and children and young people surveys which we hope will give us further insight to act on in the coming term.

- **Sufficiency risk:** capital investment in sufficiency of specialist provision represents the most significant “lever” on Surrey’s Safety Valve trajectory. The majority of the programme is being delivered very successfully and with significant SCC investment, but the addition of a 4th phase to the programme and rising costs due to inflation pressures mean that the Capital is not currently fully funded, and a number of individual schemes have specific site constraints or planning risks. The most significant example of a scheme specific risk is the DfE Free School Betchwood Vale which is pending DfE planning application submission to Mole Valley District Council.
- **Mitigations:** financial and delivery management of the Capital programme budget is tight, with additional resource contracted to ensure pace and robust governance. Additional support is being given to the Betchwood Vale planning application, including political and stakeholder engagement. DfE expediency and resolution of the risks surrounding this large scheme are high priority for Surrey’s safety valve trajectory. The assessment of inflated costs as well as additional funding has indicated a funding gap and opportunities to reduce this are being explored. Two Free Schools are being prepared ready for submission to DfE in October 2022 and 13 projects for 2023/2024 delivery have been identified as appropriate to meet the criteria for CIL bids through Elmbridge, Waverley, Reigate & Banstead and Spelthorne. Pre-meets have concluded with individual district & borough principal planning officers and submissions are due Autumn 2022.
- **Inflation risks:** the cost of living crisis and associated inflation has become a significant risk in recent months and particularly since the local government settlement, making service provision to improve outcomes for children and achieving cost containment even more challenging. This impacts on the families and children we support, our staff, services (particularly home to school transport given the rising cost of fuel) and programmes (particularly the capital programme where a shortage of labour and materials is pushing up costs). Inflation is forecast to peak late in 2022/early 2023. The ONS forecast CPI and RPI averaging around 7.4% and 9.8% respectively in 2022. Our modelling indicates that inflation of 8.6% (4.6% above the 4% we anticipated) would increase forecast costs by c£8m next year, and have a knock-on effect in future years.
- **Mitigations:** inflationary pressures and specific impacts are being monitored closely and specific action where possible taken in response. This includes a pay award targeted at the lowest paid staff that recognises the cost of living (to sustain our workforce) and inflation negotiations linked to increased transparency of costs and available surpluses. If inflation materialises at levels currently forecast by the ONS, the Council would need to consider what ability it has through a combination of additional funding and cost containment initiatives to manage the subsequent pressure or consider reviewing the agreed trajectory. We would also expect DfE to be considering future funding uplifts given the national pressures.

4. Have there been any unforeseen difficulties or setbacks in implementing the agreement? How have you mitigated these?

Unforeseen difficulties and mitigations

Pay Award funding in the context of the cost of living crisis

- One major unforeseen difficulty has emerged, in terms of the increasing levels of inflation being experienced and forecast across the UK and global economy and the associated impact on a rapidly rising cost of living.
- **Higher inflation was expected**, and Surrey's modelling assumed 4% in 22/23 but if, as predicted, this grows to 8% or higher in the latter part of this financial year and up to 5% the following year, this will represent a significant burden to the trajectory. The inflation risk and mitigation is set out in the section above.
- The increased rates of inflation and associated cost of living increases being seen nationally have also impacted other costs, including the **pay award for staff** on SCC pay and conditions. The pay award which is expected to be agreed includes salary increases higher than previously budgeted for, including higher percentage salary increases for staff on lower grades.
- **The cost of the pay award for school staff falls on schools, and is estimated to be in the region of £2m.**
- The Council has been considering options around this additional cost given inflation allocations had already been provided to specialist schools. The Council has proposed to fund up to £1m of additional inflation for some schools using other DSG balances but this will still require schools to absorb some of these additional costs.
- As of yet there have been no additional costs built into the trajectory of future years based on a pay award at this level in 23/24 or beyond. If this were to be the case it would put additional pressure on the Council in finding cost containment activity to remain within the agreed trajectory.

Further Information:

Senior Staff, Capital Programme Funding, Schools Forum and Disapplications

Senior staff at SCC:

The senior staff responsible for implementing Surrey's Safety Valve agreement have not changed. These include:

- Joanna Killian, Chief Executive
- Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources
- Rachael Wardell, Executive Director of Children, Families and Lifelong Learning
- Liz Mills, Director of Education and Lifelong Learning
- Rachel Wigley, Director of Finance – Insight and Performance
- Hayley Connor, Director of Integrated Commissioning
- Various assistant directors linked to each of the key areas of change and impact

Capital Bid:

The DfE has written to SCC to confirm a Safety Valve Capital allocation of £8.5m.

The Surrey SEND and AP Capital programme includes 82 projects: 35 projects delivered, 14 on track for Sep 2023, which leaves 33 to be delivered between 2024-2026. These vary in scale and include new specialist schools on new sites, expansion of existing special schools, new SEN Units in mainstream schools as well as refurbishments and expansions of existing SEN units in mainstream schools. More than 800 places were delivered between Sep 2019-Sep 2022, which realised 283 state maintained additional specialist places from September 2022.

The programme remains largely on track, with the highest certainty and confidence in delivery in the next 2 years and understandably greater uncertainty around schemes that are planned for delivery 2025/26 and 2026/27.

Disapplication Requests – 1% schools block transfers and Surrey Schools Forum 1% Schools Block Transfer in 2023/24

The safety valve agreement with the DfE includes an annual 1% contribution from the schools block to the high needs block from 2023/24 to 2027/28, subject to annual approval by the Secretary of State. The estimated financial impact is £7.8m in 2023/24 (based on July 2022 settlement/October 2021 pupil numbers).

A submission will therefore be coming to the Secretary of State from Surrey for each of these years.

Schools Forum:

Surrey Schools Forum meeting on 11/05/2022 considered options for varying minimum per pupil level (MPPL) for the Schools Block transfer and agreed a timetable for consultation and decision making. Paper available via [this link](#).

Surrey Schools Forum on 28/06/2022 further considered the options for the proposed 1% Schools Block Transfer. Paper available via [this link](#).

Surrey Schools Forum will meet next on 06/10/2022 to vote on the preferred mechanism to apply the 1% schools block transfer in 2023/24.

Email from the DfE to Surrey County Council

October 2022

- **Responding to the question of school funding levels and the 1% Schools Block Transfer raised in Surrey's Quarter 2 Safety Valve Monitoring Report**
- Email contents:
- "As discussed during our Safety Valve update meeting on Tuesday 11th October, I passed on your query regarding the 1% schools transfer.
- "As you are aware, the Safety Valve agreement which Surrey signed with the DfE included a 1% block transfer from the schools block to the high needs block for years starting in 2023-24, along with adjustment to the minimum funding levels. The DfE intends to seek Ministerial sign off on this for you shortly for 2023-24, but the agreement in principle is already in place following the sign off of your agreement. The trajectory of deficits included in the agreement assumes that this transfer will happen, and the only alternative would be for Surrey to find some other way of finding equivalent savings to the same timetable. If you don't do this, you may fall behind the savings trajectory set out in the agreement."
- End.